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**DESCRIPTION AND OPPORTNITIES OF THE
ESTONIAN MARKET ENVIRONMENT FOR
BUSINESS UNITS IN THE CZECH REPUBLIC
AND PREDICTION OF OTHER
DEVELOPMENT**

(Bachelor Thesis)

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Jméno a příjmení: **Petra Teleki**
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Téma práce:

Popis a příležitosti podnikatelského prostředí Estonska pro podnikatelské subjekty v ČR a predikce dalšího vývoje

Cíl bakalářské práce:

Cílem bakalářské práce je analýza podnikatelského prostředí Estonska v letech 2000 až 2011 a predikce dalšího vývoje. V úvodu práce popište teoretické základy analýzy podnikatelského prostředí. V další části vyhledejte v originálních zdrojích Estonska, EU, statistických úřadů, bankovních domů, zahraničních odborných časopisech a dalších časové řady makroekonomických ukazatelů za posledních jedenáct let, na základě porovnání nejvýznamnějších ekonomických ukazatelů analyzujte postavení Estonska v globální ekonomice. Vyhodnoťte také situaci v oblasti korupčního jednání v podnikatelském prostředí za posledních jedenáct let a posuďte opatření a jejich účinnost na snižování korupčního jednání podnikatelských a veřejných subjektů. Vypracujte analýzu vzájemného obchodu mezi Estonskem, ASEAN a NAFTA. Popište strukturu vzájemného obchodu mezi Estonskem a ČR a popište na bázi časových řad za posledních jedenáct let nejvýznamnější oblasti ekonomické spolupráce mezi oběma zeměmi. Na základě výše uvedených dat popište a s využitím fuzzy logiky nebo teorie neuronových sítí vypracujte prognózu vývoje postavení Estonska v EU. V závěru práce vytvořte přehled o příležitostech českých podnikatelských subjektů na trhu Estonska. Práci obhájíte před jejím odevzdáním u komise pro státní zkoušky na Ústavu ekonomiky a řízení EPI s.r.o. a hodnocení bude součástí bakalářské práce.

Osnova:

Úvod.

1. Teoretické základy analýzy podnikatelského prostředí.
 2. Časové řady makroekonomických ukazatelů za posledních jedenáct let.
 3. Analýza postavení Estonska v globální ekonomice.
 4. Situace v oblasti korupčního jednání v podnikatelském prostředí za posledních jedenáct let.
 5. Vyhodnocení opatření a jejich účinnost na snižování korupčního jednání podnikatelských a veřejných subjektů.
 6. Analýza vzájemného obchodu mezi Estonskem, ASEAN a NAFTA.
 7. Strukturu vzájemného obchodu mezi Estonskem a ČR
 8. Časové řady nejvýznamnější oblasti ekonomické spolupráce za posledních jedenáct let mezi oběma zeměmi.
 9. Popis současného a prognóza budoucího vývoje postavení Estonska v EU.
 10. Přehled příležitostí českých podnikatelských subjektů na trhu Estonska.
- Závěr.



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Kunovice, 2012

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INTRODUCTION

The topic of this Bachelor Thesis is analysis and description of business environment in Estonia from year 2000 to 2011, appraisal of current situation and make up the prediction of other development. Estonia lies on the Baltic Sea, between the Finnish and Riga gulf in the northwestern part of the East European plain. On the east bordered with Russia, in the south with Latvia. On its territory dominated lowland, mildly waved, with a highest point 318 m above sea level. The part of Estonia created thousands islands and islets.

Estonia is now an EU member state and offers plenty of business opportunities and possibilities, I think it is necessary to solve this problem. Mutual cooperation between countries, would certainly be beneficial not only for Estonia. The challenge is to interpret how and under what conditions can businesses from the republic of this country work together. To advise businesses in which direction to look, and what services or products they should offer.

The aim of this Bachelor Thesis is to use the official sources of Estonia, the annual reports of ministries, institutions and other statistical sources, to look out for the country data and to develop a description of the business environment for businesses in the Czech Republic. The description of the business environment we understand as the effects that this has on businesses, whether a country is suitable for business or not. To achieve this aim was used analysis of business environment using macroeconomic indicators. In the end of this work is used method of line Impedance Stabilizing Network for prediction of future development in this market.

In the first part this work contains a theoretical basics of the analysis of the business environment, which should help economic operators to make it in foreign markets. Analysis of the business environment is important for understanding the external environment, in which the company operates, for identification of changes and trends that are happening around the company and which can have influence and to determine how will the businesses will react on the effects of these changes and trends.

Another chapter describes the development of the economy of Estonia by the various macroeconomic indicators such as GDP, inflation and unemployment.

The next chapter deals with measures that Estonia have used in the fight against corruption in the business and political scene. The work describes the organizations that were established to protect the Estonian market before the emergence of corruption, and the directives and laws that have been issued that support the fight against corruption.

The description of the main activities of ASEAN and NAFTA devoted next chapter. Here are listed the members of each organization. The bachelor thesis describes bilateral trade with individual countries of Estonia organizations.

The next chapter provides information on treaties and agreements that govern the relationship between the Czech Republic and Estonia. The big advantage is the membership of both countries in the EU, which ensures the ease of trading via foreign trade barriers being removed. There are listed the major commodities that are subject to the market between the two countries.

The last part of the thesis represent summary of current situation, condition and form of entry on estonian market and prediction of future in Estonia for following 3 years.

The aim of this work is from Estonia's official sources, annual reports of ministries, institutions and other statistical sources, search for the country data and develop a description of the business environment for businesses in the Czech Republic. Before we start a business in an unfamiliar environment, we should about the country to provide enough information. The description of the business environment we understand the forces that determine the entrepreneur whether a country is suitable for business or not. To achieve this objective was the analysis used by the business environment of macroeconomic indicators mentioned above, the present work, the method of neural networks to forecast future developments in this market.

1 **Theoretical basis of analysis of business environment**

In the first part this work includes theoretical analysis of the business environment, which have to help economic units to take root in foreign markets. Analysis of the business environment is important for understanding the external environment, in which the company operates, to identify changes and trends that are happening around the company and it may have an impact and to determine how the firm will react on the effects of these changes and trends.

Any business exists in society itself, it is surrounded by the outside world and its surroundings.

We are distinguish from three groups of factors:

- Relatively dependent economic factors
- Relatively independent economic factors
- Independent non-economic factors

Relatively dependent economic factors

This factors forms so-called microenvironment of the company. Detailed analysis of the microenvironment is a matter of marketing research. On its basic entrepreneur identifies how is his position on the market, how chance has he to prospere in the current competitio, what supliers has he to choose, distributors, in which customers shall he oriented. He assess position of firm too and ease of transport. Microenvironment is a very important part from firm's formation.

[6, p. 13]

Relatively independent economic factors

This factors forms so-called macroenvironment of the company. The company is in our decisions and behavior significantly affected the economic situation of the country and its dynamic.

Tax load of firms: The state is trying to find a path between two poles. The state has to ensure tax revenue, that would have filled the state treasury, and on the other hand, will not burden the business so that they lose motivation to business. [6, p. 13]

Inflation: it influences: the prices of production's factors, demand and purchasing power of consumers.

Economic growth: enable increasing purchasing power, which makes itself felt in growth of demand.

Labour market situation: what is supply and demand in the labor market, which are manpowers.

Relations with foreign firms

Customs Barriers

Independent non-economic factors

Non-economic factors are determined by the public interest.

Ecology: the businesses must respect ecological factors. They are compelled to do it by state institutions and organizations.

Technology: is a source of technical and technological progress, which increases competitiveness and enables better business results and humane work. [6, p. 14]

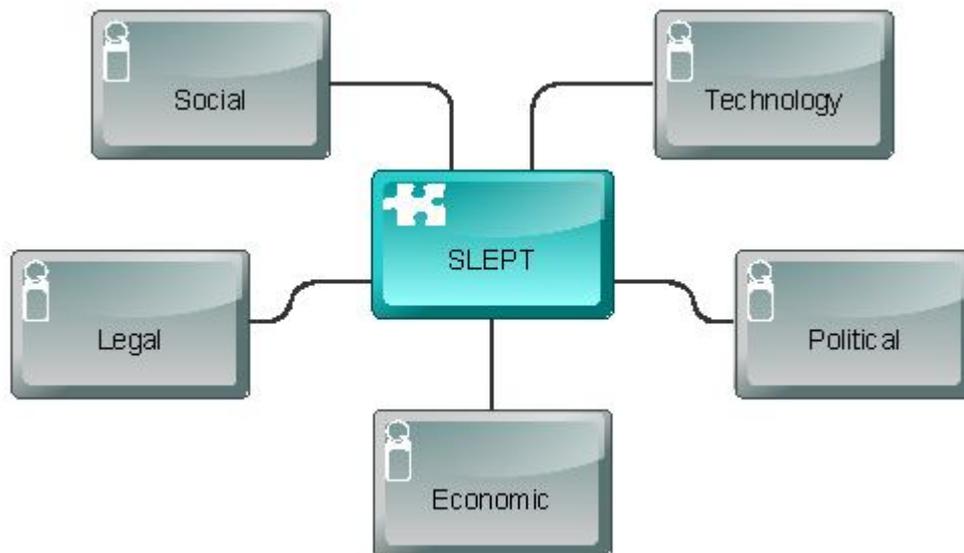
Ethics: Ethics plays in life of entrepreneurs an increasingly important role. That means adherence to ethical principles. An important idea about what is and what isn't good, create media and public opinion. [6, p. 14]

1.1 Analysis of the external environment - SLEPT analysis

This analysis presents a comprehensive look at the environment of the state, region, country or village, which isn't stable and changes. The analysis doesn't map only the current situation, but attention is put one's mind to questions such as how the environment will developed in future, which changes can be expected in surroundings. It is based on the exploration of social, legal, economic but also environmental, political and technological factors. It makes possible to evaluated potential impacts of changes to the project that come from certain areas according to the following factors:

- **Social** - Social aspects
- **Legal** - the legal and legislative aspects
- **Economic** - The economic aspect
- **Policy** - Political aspects
- **Technology** - the technical aspects

[7]



Scheme 1: SLEPT analysis
Source: [31]

1.2 Another tips of analysis

PEST analysis - an analysis of political, economic, social technological and environmental factors that may affect the business and development company. The social environment includes the demographic and cultural environment.

PEST name originated from the first four letters of the external environment:

- Political and legislative
- Finance
- Social and cultural
- Technology

Strategic Analysis

Analysis of the factors of the general surrounding (analyzing the social, legal, economic, political and technological factors, which affecting the functioning of the organization.).

Analysis of the professional environment by Portter's model

This analysis examines the bargaining power of customers, bargaining power of suppliers, threat of entry of new competitors, threat of substitutes and rivalry of firms operating in the market.

Analysis of stakeholders

Analysis „stakeholders“. Under the name stakeholders is called a group of subjects who have something collective with the company, it is about owners, employees, unions, suppliers, competitors, state management, etc.

Analysis of internal factors of the organization

By this analysis goes to examine the factors of scientific and technological development, marketing and distribution factors, factors of production, human factors and corporate resources, financial and budgetary factors.

Analysis of customers, competitors, suppliers

By analyzing the customers happen first of all to investigation the identification of buyers and diversity of factors that influence their decision to buy and demographic factors such as geographic factors and geographical distribution markets.

Analysis of competitors answer the questions:

- What is our firm position against competitors?
- How competition develops and changes?
- At what stage of their life cycles of products are critical to our industry?
- What is the profitability of industry to other industries?
- Do enter new competitors into the field?
- Do leave the industry their old rivals?

Analysis of suppliers determines the availability and cost of materials and supplies, availability and energy costs, availability and cost of capital, availability and cost of labor.

1.3 The basic data about Estonia

Official country name: Republic of Estonia (Eesti VABARIIK)

Population: 1.576 million, the population density is 30 ob. / km²

Area: 45,226 km²

Capital: Tallinn

Other large cities: Tartu, Narva, Pärnu, Kohtla-Järve

[15, p. 250, 251]

Official language:

The official language is Estonian

Other frequently used languages - English, Russian

National composition:

Estonians (68.6 %)

Russians (25.6 %)

Ukrainians (2.1 %)

Belarusians (1.2 %)

Finns (0.8 %)

others (1.6 %)

[15, p. 250]

Legislation:

Origin: 24 2nd 1918 - publication of the Estonian Republic

20th 8th 1991 - Restoration of Independence

Head of state: from 9.10 in 2006 Toomas Hendrik Ilves

Estonia is a democratic republic with a unicameral parliament (101 members are voted for 4 years) as the highest legislative organ and the president (voted by parliament for 5 years) as head of state. The political character of the Republic of Estonia conforms to the fundamental principles of law and pluralist democracy Estonia is now a member of the European Union (1.5 2004) and is rapidly adapting to totally new conditions in all areas. The security policy of the state reached 2.4 2004 very valued member of NATO, to which Estonia was invited at the Prague Summit in November 2002.

Infrastructure (transport, telecommunications, energy)

Estonia has its own special kind of fuel - oil shale. It is used in the complex of thermal power plants in northeast Estonia, in the area around Narva. According to the Baltic Environmental Forum belongs Estonia in the production of carbon dioxide per capita, not only to the first place in the Baltics, but to the one of the leading places in Europe. Estonia does not have any nuclear power plant. Estonian electricity distribution system is still connected to the RF. This fact is raises in Estonia fears. As a starting point seems to be building an undersea cable that connects Estonia with Finland. Promisingly line presents shipping.

The connection with Helsinki through the ferry operates several times a day, there are links with other European ports. Boat traffic can affect the weather, because the Gulf of Finland during exceptional winters freeze.

The railway traffic is except transit of goods and oil from the RF to ports used little.

Emphasise is need to rebuild the railway link between Tallinn and Riga and Vilnius by the Rail Baltica - analogous road project to the Baltic States move to Russia's borders Via Baltica. A project of this railway link, however, will begin to take place in less than four years - a functional railway links from Europe to Tallinn, not exist. [24]

Economics factors:

Currency:

1 Kroon - EEK (Estonian kroon) = 100 cents (cents).

Fixed link to EUR 1 EUR = 15.6466 EEK (unchanged since 1992)

From 1. 1. 2011 approach Estonia to EURO

Export: machinery, wood, textiles, foodstuffs, metals, chemical products

Import: machinery, chemical products, foodstuffs, textiles

Consumer countries: Finland, Sweden, Russia, Lithuania, Germany, USA

Supplier countries: Finland, Russia, Sweden, Germany, Japan

Estonia, the northernmost of the three small Baltic republics, situated on the east coast of the Baltic Sea and borders with Latvia to the south and east with Russia. In the north, separated by the Gulf of Finland, is Finland. In 1991, after half a century of Soviet rule, which many Western nations never accepted, Estonia gained independence again. Estonians, whose language is similar to Finnish, and Finns who have a common origin, procure a significant cultural heritage that has survived many centuries of foreign domination.

Estonia had the most powerful economy of all former Soviet republics. Like most of them had to cope with the inevitable economic transformation, consisting in the transition from a centrally planned economy to a capitalist market economy system, implemented by the fastest of all.

In agriculture, dominated cattle keeping for milk and pig keeping. Crop production produces mainly food (barley), rye, oats and potatoes. Another important role has fishing. The Soviet government strongly reduced forest area, which suffered the woodworking industry is currently undergoing an intense re-forestation. Estonia has a small mineral resources, except of combustible shale, which serves as fuel for large thermal power plants and as a base material for the chemical industry. Other developed industries such as electronics, manufacturing equipment and consumer goods (especially cotton textiles) are depended on import of raw materials. Through the Estonian ports goes an important part of Russian foreign trade, including oil. [24]

Technological factors

Estonia, like the Czech Republic is in middle age high tech. ICT technologies are important. Technological progress in ICT leded not only to reduce costs tocommunication, but also expand the number of goods and services that can be traded internationally, and allows the fragmentation of production among countries.

2 Time lines of macroeconomic indicators for last eleven years

Macroeconomic indicators give us an overview of how successful are state. In this chapter, bachelor thesis describes the development of economy of Estonia by the help of various macroeconomic indicators. Estonia is seen as a stable country, which in some parameters (levels of corruption, the use of information technology) gain success.

The economy grew at an average of almost 9 % annually since 2000. Continued growth in exports to Western markets, the integration with the Nordic countries and the institutional and legal reforms were established solid foundations for sustainable economic growth.

Probably the most significant events of 2003, which largely affected the future of Estonia, was a referendum held 14 September 2003 (attended 63.4 % of the population, of whom 66.9 % voted against and 33.1 % input). Estonia become on the basis of a referendum on the 1.5 2004 member of the European Union. [22]

The main engine of the Estonian economy in 2005 was the high domestic demand, accompanied by a continued positive development in the area of investments. Average monthly income per household member reached in 2005 in Estonia 2,789 EEK (178.21 euros) and average monthly expenditure of 2540, - EEK. The situation improved in the labor market, reduced unemployment. [22]

Particularly positive development occurred in construction, which expanded by 6.9 %.

Estonian problem is the current account deficit, which in 2006 reached 13.7 % of GDP. Deficit is the result of the Estonian economy vulnerable to external shocks. The deficit arises due to a combination of high domestic demand and low exports.

Estonian exports in 2005 increased by 6 %, while imports by 9 %. Unemployment in 2005 reached an estimated 10.7 %, this is a slight decline, probably associated with the dynamic developments in the construction industry. [22]

Estonian reserve funds - the stabilization reserve - reached in 2005 the value of 4.5 billion EEK (290 million). The funds are deposited in the German, French, Netherlandish and the Belgian government's securities and time deposits.

The gradual cooling of the Estonian economy began in 2007 and turned into a recession in mid - 2008. The global financial crisis was associated with great uncertainty, and at the end of the year was higher fall of external demand than was expected. These factors accelerate the decline in GDP of up to 9.7 % in the fourth quarter GDP in 2008 so decreased by 3.6 %.

The economic slowdown was caused by rapidly declining domestic demand and exports. According to an estimate of the Estonian Ministry of Finance will have a negative Estonian economy to grow by 14.5 % in 2010 and in 2011 a negative growth of 2.0 %.

The strategic areas for Estonia transit. Goods and oil in particular, from the RF crosses the Estonian territory and go to the port of Tallinn, which is one the most important and dynamic companies in the country.

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The strategic areas for Estonia is area of Estonian transit. Goods and oil in particular, from the RF crosses the Estonian territory and go to the port of Tallinn, which is one of the most important and dynamic companies in the country.

According to a survey by the World Economic Forum, Estonia has of the new member states of the European Union (EU), the largest competitive. Estonia has surpassed even some EU member states: Spain, Italy, Portugal and Greece. Currently, most of Estonia's trade proceed with EU countries.

Between basic economic indicators belong GDP, inflation, unemployment, balance of trade.

2.1 Gross domestic product

Gross domestic product (GDP) is the monetary value of goods and services created for a given period in a given territory. This indicator is used in macroeconomics for determining national economic performance. The time period usually a year. In international comparisons also uses GDP per capita (GDP per capita).

year	2000	2001	2002	2003	2004	2005	2006
Growth GDP (%)	5,7	5,6	8,5	7,7	8,7	10,5	11,4
GDP ^{common price mld} Eur	8,6	7,3	5,3	8,5	10,8	11,1	13,1
GDP ^{for inhabitant mld} Eur	2.153	4.369	4.020	5.635	7.777	8.328	9.851

Table 1: The basic economic indicators from year 2000 to 2006 – part 1/2
Source: [33]

year	2007	2008	2009	2010	2011
Growth GDP (%)	7,3	7,8	-0,9	-2,5	1,5
GDP ^{common price mld} Eur	15,3	16,1	13,7	12,5	14,0
GDP ^{for inhabitant mld} Eur	11.382	11.987	10.243	11.200	11.590

Table 2: The basic economic indicators from year 2007 to 2011 – part 2/2
Source: [33]

In year 2006, was Estonia on the first-place scale of countries according to GDP growth. According to the International Monetary Fund (IMF), Estonia has GDP per capita in purchasing power of 20 584 USD (2007) and is the fortieth in the world. Estonia has been successful thanks to the reforms, one of the fastest growing economies in Europe, the high GDP growth after 2000 was known as an economic tiger. The Estonian economy is currently affected by the global financial crisis, but has the prerequisites to grow back again.

2.2 Inflation

Inflation is one of economic phenomena, which expresses the price level growth. Inflation is measured by price indices. Price level describes the relationship between the total amount of money and the total volume of goods and services, which are expressed in pensions. The amount of money affects most the central bank, market power and production capacity of the economy.

year	2000	2001	2002	2003	2004	2005	2006
Inflation (%)	3,9	4,5	3,6	1,4	3,0	4,1	4,4

Table 3: The rate of inflation from year 2000 to year 2006 – part 1/2
Source: [36]

year	2007	2008	2009	2010	2011	2012*
Inflation (%)	6,6	10,4	-0,1	0,5	2,1	1,9

Table 4: The rate of inflation from year 2007 to year 2012 – part 2/2
Source: [36]

* Anticipated economic development according to Ministry of finance

In year 2009 was the inflation rate - 0.1, we can talk about deflation. Estonia fulfilled in November 2009 the Maastricht criterion on price stability. Inflation was the most watched at the time of euro adoption. In year 2004 inflation rate was 3 %. Compared to year 2003 it was a slight increase as a result of Estonia's accession to the EU and the consequent increases in prices of some products. From the table shows that the introduction of the euro on inflation has only a minor influence. Further inflation forecasts indicate that in 2012 will the inflation rate low.

2.3 Unemployment in Estonia

Unemployment is a condition where part of the workforce is outside the production process and services. Unemployment is a phenomenon that brings negative economic and social consequences and is one of the biggest problems of market economies. The indicator, which tells of the state and development of unemployment is called unemployment.

year	2000	2001	2002	2003	2004	2005
Unemployment (%)	13,5	11,5	10,3	10,1	9,7	7,9

Table 5: The rate of unemployment in Estonia from year 2000 to year 2005 part - 1/2
Source: [31]

year	2006	2007	2008	2009	2010	2011	2012*
Unemployment (%)	5,9	4,7	5,5	14,4	18,3	16,6	15,4

Table 6: The rate of unemployment in Estonia from year 2005 to year 2012 – part 2/2
Source: [31]

* Anticipated economic development according to Ministry of finance

Since year 2005 the situation in labor market gradually improved and reduced the unemployment. In 2007 was unemployment 4.7 %, reached the lowest level since 1993. By contrast in 2010, this table shows the largest number of unemployed persons in Estonia. Experts fear that unemployment could become a structural problem - half of the unemployed have been jobless for more than a year and loses hope and motivation on looking. In spatial terms, the highest unemployment rate reached Ida-Viru county, and Jõgeva Polva (Estonia in the east) and the lowest unemployment rate reached Saare County.

2.4 State budget in Estonia

The state budget is the state's financial plan, usually for one year. Takes the form of law that proposes the government and approves the House of Commons. The state budget includes an estimate of revenue from various sources and the distribution of spending across different chapters. As soon as is the budget approved is the resource utilization of individual chapters in the competence of government ministries and other institutions. State budget revenues are mainly taxes, as well as duties, taxes and other revenues.

year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
incomes	25,2	35,3	40,0	48,4	55,1	64,4	79,1	94,7	84,9	85,7	89,3	92,6
expenses	24,3	31,5	38,6	45,3	52,8	61,6	72,4	87,6	90,1	87,3	87,5	94,3
balance	0,9	3,8	1,4	3,1	2,3	2,8	6,7	7,1	-5,2	-1,6	21,8	-1,7

Table 7: State budget in Estonia from year 2000 to 2011

Source: [33]

To the characteristics of the Estonian economy belonged in 2007 that the state budget was drawn up as a balanced or surplus. Since year 2008 the situation changes, the state budget deficit reached EEK 5.2 billion (0.33 billion) and is necessary to count with lasting several years when the state budget will be deficient. [25]

2.5 Course of balance of trade

Balance of trade is the difference between exports and imports of goods between the domestic economy and other countries. It is a part of the current account balance. The following table presents Estonia's cooperation with the most important trading partners in year 2010.

land	export	import	balance
Finland	1033	1205	-172
Sweden	663	439	224
Germany	294	446	-152
Latvia	275	123	152
Russia	260	713	-453
Niederland	168	104	64
United Kingdom	150	110	40
Lithuania	120	74	46

Table 8: Most important trading partners in year 2010

Source: [42]

Estonia important trading partners in year 2010 was Finland, Sweden and Germany. In terms of turnover, it had in 2010 an active balance of foreign trade with Finland, Sweden, Latvia, the Netherlands and the USA, while the deficit reached with Germany, Estonia, Russia and Lithuania.

year	export	import	balance
2000	38,705	34,490	4,215
2001	33,075	32,150	0,925
2002	35,280	39,251	-3,971
2003	36,521	40,526	-4,005
2004	37,680	42,852	-5,172
2005	40,263	45,725	-5,462
2006	47,140	49,829	-2,689
2007	42,853	45,230	-2,377
2008	45,986	47,263	-1,277
2009	49,079	56,746	-7,667
2010	39,436	48,029	-8,593
2011	51,860	54,722	-2,862

Table 9: Balance of trade from year 2000 to year 2011

Source: [42]

Balance of Estonian foreign trade is long continuously passive. The total amount of the deficit swelled to 2008, but in 2008 came a turning point. Significant reduction in the trade balance in times of crisis, which decreases both exports and imports is due to a faster decline in imports.

3 Analysis of Estonia's position in global economy

Estonia is one of the most developed countries in the former eastern zone and because it is culturally and linguistically close to Finland, which lies close to the sea. Yet still the Baltic States, which must deal with an alliance with neighboring Russia and the resulting problems.

Estonia lead nowhere a measure that would prevent the inflow of foreign investment. Only in some areas, such as mining, public administration, repair of runways, airports, ports and dams, telecommunications, pharmaceutical sales, production of alcohol, lottery and banking must be realized the requirement of the law on government licenses. [30]

Estonia's economy benefits from the electronics and communications, the Internet is so important that some people have dubbed this country E-Estonia.

3.1 Entrepreneurship in Estonia

Estonia in the 90 years experienced the most successful economic development of the Baltic states. Opponents of EU membership had relatively strong economic arguments, including restrictions on highly concessional terms of business and commerce in the country and the decline in economic growth.

In Estonia, there is no need to establish large companies, small businesses rather that allow flexible production process, where you can quickly change the range of manufactured goods in case of necessity. This is particularly important if a consumer goods (eg clothing, interior products, etc.).

The main trading partners are Finland, Sweden and Latvia, the share of other European Union countries on foreign trade is still growing. The following table presents Estonia's cooperation most important trading partners in 2009.

Land (export)	Milions EUR	%	Land (import)	Milions EUR	(%)
1. Finland	1.190	18	1. Finland	1.053	14
2. Sweden	810	13	2. Lithuania	796	11
3. Latvia	627	10	3. Germany	761	10
4. Russia	602	9	4. Latvia	741	10
5. Germany	390	6	5. Russia	640	9
6. Lithuania	316	5	6. Sweden	610	8
7. USA	274	4	7. Poland	401	6
8. Danien	221	3	8. Niederland	269	4
9. Norway	206	3	9. France	186	3
10. Nigeria	189	3	10. Danien	171	2
25. CZ	31	0,5	18. ĀZ	84	1
Others	1.619	25,5	Others	1.579	2

Table 10: Territorial structure of import and export in year 2009
Source: [42]

From the first ten most important countries in terms of turnover Estonia has an active balance of foreign trade with Finland, Sweden, Denmark and the U.S. deficit with Latvia, Russia, Germany, Lithuania, Poland and Holland. Estonia in 2009 exported goods in 163 countries and brought it from 116 countries. It has a positive trade balance with 116 countries. [18]

3.2 Industry - Structure of the growth rate of production in various fields

In the 90 years occurred in Estonia decline in industrial production. To maintain or develop Russian-speaking majority and the company both as a thriving Baltic Ship Repairers and companies such as Elcoteq, which complete the phones for the Finnish Nokia. Its success shows how production has a chance in Estonia - the inexpensive raw materials, employing qualified staff, combined with information technology and economically connected to Scandinavia.

Construction

Construction is in Estonia a rapidly growing industry which is perceived as producers and traders from neighboring countries, so in areas such as construction machinery, there is strong competition in Scandinavia. Estonian company that sells Czech construction machinery, the neck is Moigu, Galvex, which produces galvanized sheet metal. For the Czech Republic is interesting, that its new owner since 2008 is company ArcelorMittal and belongs to the largest exporters to the Czech Republic. Especially in Tallinn is the Estonian construction development clearly visible. There are build mainly office buildings and shopping centers. Residential buildings are build at least. Valid are strict building regulations, which restrict the full disposal of old houses.

Agriculture

The share of agriculture in GDP is around 3 %. In Estonia there is about 800 farms and over 34,000 private farms. The average size of private farms is 22 hectares. Conditions for farmers are hard - farmers are faced with the usual high production costs and low purchase price of their products. [22]

Half of Estonia's territory is covered by forests. Promising sectors in the country's logging and wood processing. The wood is exported, from which benefit many of foreign firms. Estonia also has its own manufacturing. Roughly 7.2 % of Estonian forests are strictly protected by law - this amount greatly exceeds the number in other European countries.

Fishing

Many fish products on the market are imported from Lithuania, Latvia and Norway. Estonia has the capacity for deep-sea fishing and every year take place in the fishing of salmon and mackerel on the basis of the quotas allocated by the Commission for Fishing in the North Atlantic.

Estonia is an active member of the International Commission for Fishing in the Baltic Sea, which it allocates quotas for hunt of sprat and herring, particularly in Finland and the Gulf of Riga.

Services

Tourism - tourists mostly come from Finland, because of economically advantageous price.

Information technology - Estonia was inspired by Scandinavia. The result is the wide availability of information technology, including mobile telephone communications, internet banking, etc.

47 % of the population uses the Internet, 38 % have a computer at home and 71 % of them are connected Internet. All Estonian schools have Internet access. 62 % of the population uses Internet banking and 74 % mobile phone. [23]

3.3 The membership of Estonia in international and regional organizations

Estonia is a member of NATO and the OSN as of 1. 5. 2004 a member of the European Union.

Overview of Estonia's membership in various organizations

- United Nations - from 17 9th 1991
- European Union - EU (1 5th 2004)
- NATO (from the 2nd 4th 2004)
- UNESCO
- World Trade Organization - WTO
- International Monetary Fund – IMF
- International Labour Organization - ILO
- World Health Organization - WHO

Between Estonia's priorities belong support continued enlargement of EU, increasing the EU competitiveness through innovation, development of a unified European energy policy, strengthen and support the European Neighbourhood Policy and the improvement EU with Russia.

Estonia has an active programsn of developing aid in many former Soviet countries (with a focus on Georgia, Ukraine, Belarus and Moldavia).

U. S. - Estonian Relations

The relationship between Estonia and the United States is constant and strong. The United States and Estonia are important allies and partners. Estonia joined the U. S. Visa Waiver Program, 17 November 2008. Estonia is also represented in the United States General consulate in New York and Honorary consulates in Los Angeles, Chicago, New Hampshire, Seattle, Houston, Phoenix.

4 The situation of corruption in the business environment at last ten years

Corruption is currently one of the hottest topics and this chapter is currently engaged in corruption. Bachelor's thesis describes the corruption in Estonia in recent years and today.

In the next section will introduce you to an index of corruption in Estonia, the table in the second part of the chapter describes the development of corruption on the Estonian market in the years 2000 - 2011 agency Transparency International.

Governments can effectively execute their activities only when enjoying the confidence of the people whereby they serve. Corruption has a devastating economic and social impact. Sap trust in government and reduces the effectiveness of government public policy. Corruption has a negative impact to the amount of foreign investment. It also reduces the effectiveness of foreign help and threatens the political and public support for aid from donation countries.

4.1 Corruption and CPI index

We associate with corruption agency Transparency International, which deals with corruption and corrupt conduct. Since 1996, this organization publishes an annual index (CPI Corruption Index Perception). The CPI index is one of the most reliable sources to obtain information on the development of corruption. Detect measure of sensation corruption in society. Index shows the correlation between the surveys, which focus for business leaders, experts and analysts, both foreign and domestic. Each year the organization follows the development of corruption and documented all changes. [4]

Corruption is perceived as an abuse of power and public resources for private purpose and enjoyment. Corruption is described as behavior that does not see and does not comply with the general rules of society. Does not comply that what the other members of society is required, expected and enforced. The reason for such behavior is usually lust

for themselves, their family, their friends, their relative advantages, how will pay the whole society.

The benefits that a participant receives may be material or monetary nature character.

On the other hand doesn't need to go on such an advantage, but can only go about getting a good name, reputation. Corruption need not be based on their own will, in the world can we met with extortion or coercion to corruption. [5]

There is a difference between countries in each country aren't the same reasons for corruption. Countries differ from each other mainly in the economic advancement and culture. It is generally valid, that in economically advanced countries aren't large incentives for corruption and such land has mostly low-level corruption.

Corruption in the framework of EU states member is in good level. That does not mean that EU countries do not fight against corruption. Great affairs aren't of the EU territory often, but it is clear that there will never be completely plundered by corruption. The qestion of corruption dealing consider the EU. The European Commission already in 1997 raise a concept of agreement common policy in the fight against corruption. The contract was approved in May 1997 and is still renovated and supplemented by other provisions. [5]

Corruption of country exists not only in the domestic market, in many cases, corruption is also used to trade in foreign trade business. It's so called corruption index of import and reflects how the country uses corruption's dealing during penetrate into foreign markets. [6]

4.2 Degree of corruption

The level of corruption in Estonia is fairly on a good level. Corruption of separated country is evaluated on the basis experience of professional entrepreneur, and analysts, who decides about placing country in a ladder 0 to 10. The zero indicates the highest level of corruption and grade ten shows the lowest levels of corruption.

The following table shows the extent of corruption in Estonia in 2000-2011 and places where Estonia is located between the other observed states. The data are taken from the official website of the agency Transparency International.

year	rate of corruption	order
2000	5,7 %	27
2001	5,6 %	28
2002	5,6 %	29
2003	5,5 %	33
2004	6,0 %	32
2005	6,4 %	27
2006	6,7 %	25
2007	6,5 %	28
2008	6,6 %	27
2009	6,6 %	27
2010	6,5 %	26
2011	6,4 %	29

Table 11: Degree of corruption in EU from year 2000 to year 2011 according to Transparency International
Source: [38]

Data for year 2012 are not yet available. In year 2008 was in Estonia recorded 109 incidents of taking bribes. In connection with the elections was recorded only one bribe.

The average level of corruption is relatively low compared with other countries in Central and Eastern Europe, although relatively high with regard to corruption in politics. According to the views of officials of GRECO, the other main affected area is the border guard and customs board, 70 % of government revenue comes from customs duties and excise taxes.

5 Evaluation of measures and their effectiveness to reduction of corruption of business and public subject

This chapter deals with measures, that Estonia used in the fight against corruption in the business and political scene. The work describes the organizations that were established to protect the Estonian market in face of the emergence of corruption, have been issued directives and laws that support the fight against corruption.

5.1 State dealing against corruption

To the first protest occurred in 2005 when the Estonian Defence Minister Jaak Joerüüt announced his resignation. As a reason referred to the opposition with a little intensity, with that the government proceeds against corrupt practices in the country.

Estonian Minister of environmental protection Villa Reiljan submitted his resignation in 2006 after, the state prosecutor began investigating suspicious land transaction in which was entangled ministry. Minister's resignation followed before Thursday's arrests, when the police arrested a high official of the Ministry, Director of Kaleva Kangura, and two businessmen. Faces up suspicions at corruption by the issuance of building permits in urban areas and by the transfer of government land's largest construction companies in the country Merko Ehitus.

OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions

Organisation for Economic Cooperation and Development-OECD established as vested economic organization in 1960, when had the task of economic cooperation in post-war reconstruction of European countries. Estonia acceded to the OECD on 9th December 2010.

By signing the Convention is Estonia committed to achieving the basic objectives of the OECD.

Access documents signed the Estonian Ambassador to the OECD, Sven Jürgenson, and at the host country of the OECD, Jean-Sébastien Conty from the French Ministry of Foreign Affairs.

Organisation for Economic Cooperation and Development (OECD) fight with corruption on an international level. In his framework in 1997, accepted the anti-corruption convention. Thereby become bribery of foreign public officials illegal in all 30 member countries.

OECD and 7 non- member countries, that to the convention also joined with his signature - Argentina, Brazil, Bulgaria, Chile, Estonia, Slovenia and South Africa. Bribery in these countries are not tax deductible. This was a major step in the fight against corruption, which led to the creation of comparable conditions for international business in the global competitive environment.

According to international surveys is Estonia perceived as the least corrupt country in Europe. Although household surveys, there are significant problems of corruption, most are corrupt officials, political leaders and police officers.

Preventive measures against corruption in Estonia

Estonia has numerous institutions involved in prevention, detection and suppression of corruption:

- 1) Anti-corruption Law Gazette I/1999, 16, 276: the law provides a legal basis
- 2) to prevent corruption and prosecute officials suspected of corruption. Anti-corruption Act lays down comprehensive rules on conflict of interest, and imposes obligations on public officials to submit statements of assets and income.
- 3) Act on Public Service Code of Ethics
- 4) The Law on Public Procurement
- 5) The security police agency is responsible for coordinating anti-corruption policies and investigate most cases of corruption. [46]

6 Analysis of bilateral trade between Estonia, ASEAN and NAFTA

The chapter devoted to the description of the main activities of ASEAN and NAFTA. They are listed the members of each organization. Bachelor thesis describes bilateral trade with individual countries of Estonia organizations.

For each organization are selected the most promising country for trade with Estonia. Described is the export and import between countries of both organizations and Estonia.

Exports to Asia in recent years significantly decreased. Conversely increased, exports to Central and Eastern Europe, especially Hungary and Poland. About 4 % of Estonia's exports go to the USA. One-quarter exports are machinery and equipment. Estonia also exports large quantities of products of light industry and transport. [18]

6.1 ASEAN

Organization Of ASEAN is the Association of Southeast Asian Nations. This association was established on 8 August 1967 in Bangkok, Thailand. Declaration of ASEAN was signed by the five founding states namely, Indonesia, Malaysia, Philippines, Singapore and Thailand. Gradually, the organization then joined five other state and that is the total number of Member States ten. On 8th January 1984 joined Brunei, 28th July 1995 joined Vietnam, Laos and Myanmar joined on the 23rd July 1997 and the last joined to the organization ASEAN Cambodia, on 30 April 1999. [27]

The main objective of the organization is to achieve accelerated economic growth, social progress and cultural development in this area by the help of common tendency in a spirit of equality and partnership, strengthen the community of Southeast Asia.

Promote regional peace and stability among countries abiding by the legal system and respect the principles of the Charter of the United Nations. Another aim is to promote active cooperation matters of common interest in the economic, social, cultural, technical, scientific and administrative areas. The organization wants to work more effectively

on bigger use of agriculture and industry, to support expanding trade, improve international trade, transport and communications equipment and wants to raise living standards of their habitans.

The organization also took one of its objectives supporting studies in Southeast Asia. And the final objective is to maintain close and beneficial cooperation with existing international and regional organizations with similar goals and purposes. [27]

The most perspective territory for the Estonian market in frame of ASEAN

Estonia from ASEAN countries cooperate only with Indonesia, Malaysia, Thailand, Vietnam and the Philippines. The following tables show the international trade in these states. Data are from 2004 to 2011, older data are not publicly accessible, are charged a certain amount for each year in the Ministry of Finance of Estonia.

Indonesia

Indonesia mostly from the perspective of world exports to Japan, China, USA, Singapore and Korea. In the European Union Indonesia's most important trading partner is the Netherlands. Most imports are from China, Japan and Singapore. The most important plant is rice, other plants represents sugarcane, coffee, tea, nuts and spices. Livestock production is poorly developed, dominated is hunting marine and freshwater fish. Significant is in this country logging.

year	export	import	balance
2004	1.1	3.2	-2.1
2005	3.4	1.6	1.8
2006	1	2.9	-1.9
2007	3.7	5.7	-2.0
2008	1.6	5.5	-3.9
2009	3.0	5.5	-2.5
2010	1.8	7.4	-5.6
2011	1.6	4.7	-3.1

Table 12: International trade Estonia with Indonesia from 2004 to 2011 (in millions of euros)

Source: [48]

Commodities imported from Indonesia to Estonia:

- metals and metal products, paper products, machinery and equipment

Commodities exported from Estonia to Indonesia:

- dairy products and electronics

Malaysia

Malaysia's major trading partners are Singapore, China, USA, Japan and Thailand. From the EU states is important for Malaysia, Germany, followed by the Netherlands, Great Britain, France and Italy.

year	export	import	balance
2004	2 194 717	6 242 418	-4 047 701
2005	2 516 672	11 505 308	-8 988 635
2006	4 649 848	13 664 202	-9 014 355
2007	5 318 372	13 534 576	-8 216 204
2008	5 651 405	17 963 042	-12 311 636
2009	2 398 912	7 386 902	-4 987 991
2010	3 498 546	8 568 488	-5 069 942
2011	4 947 130	9 470 687	-4 523 557

Table 13: International trade Estonia with Malaysia from 2004 to 2011 (in euros)

Source: [48]

Commodities imported from Malaysia to Estonia:

- machinery and equipment, toys and sports equipment, transportation equipment, chemical products

Commodities exported from Estonia to Malaysia:

- electronics, plastic, cargo cars, machinery and equipment, cocoa, optical instruments, shoes

Thailand

In agriculture works most than half the population. The most important crop is rice, as well as Thailand is the largest producer of pineapples and sugar cane, there is grown corn, bananas, oilseed rape, soya and beans. An important source of income is tourism.

year	export	import	balance
2004	3 199 109	10 126 036	-6 926 927
2005	2 155 048	8 216 497	-6 061 449
2006	10 898 977	9 466 473	1 432 505
2007	1 719 955	12 502 530	-10 782 575
2008	3 684 581	10 951 663	-7 267 082
2009	3 273 170	6 935 808	-3 662 638
2010	8 927 135	10 531 058	-1 603 923
2011	9 765 897	11 497 694	-1 731 797

Table 14: International trade Estonia with Thailand from 2004 to 2011 (in euros)
Source: [48]

Commodities imported from Thailand to Estonia:

- textiles, footwear, automobiles, electrical

Commodities exported from Estonia to Thailand:

- petroleum, consumer goods, dairy products and electronics

Vietnam

Distance and lack of information on opportunities in both countries are an obstacle to expand trade relations. This two countries have great potential for cooperation in electronics, telecommunications, agriculture, education, tourism, energy and transport. Vietnam's largest customers include primarily the United States, European Union and Japan. Bilateral trade between Estonia and Vietnam is modest. [19]

year	export	import	balance
2004	21,6	12,0	9,6
2005	25,9	19,5	6,4
2006	18,8	45,9	-27,1
2007	46,6	52,1	-5,5
2008	27,8	68,9	-41,1
2009	32,8	25,6	7,1
2010	20,7	19,4	1,3
2011	16,8	12,5	4,3

Table 15: International trade Estonia with Vietnam from 2004 to 2011 (in millions of euros)

Source: [44]

Commodities exported from Vietnam to Estonia:

- chemical products, metals and metal products, machinery and mechanical appliances, agricultural products, seafood, clothing, footwear

Commodities imported from Estonia to Vietnam:

- textiles, furniture, household items, herbal products, chemicals, wood products

Philippines

The biggest consumers of the Philippines are mainly the U.S., Japan, Singapore, Taiwan and Germany.

Commodities exported from the Philippines to Estonia:

- organic chemicals, machinery, electrical appliances, furniture

Commodities imported from Estonia to the Philippines:

- machinery and equipment, toys, sporting goods

year	export	import	balance
2004	0.08	0.72	- 0.6
2005	0.12	1.4	- 1.3
2006	0.42	3.2	-2.8
2007	0.14	1.8	-1.6
2008	0.35	2.8	-2.5
2009	0.10	1.1	-1.0
2010	0.56	1.1	-0.5
2011	0.30	1.2	-0.9

Table 16: International trade Estonia with Philippines from 2004 to 2011 (in millions of euros)

Source: [44]

6.2 NAFTA

Organization NAFTA is the North American Free Trade Agreement. Its members are Canada, the United States and Mexico. The aim of this organization is to accelerate economic growth, social progress, cultural development and mutual relations of its members, currently working and in the international political and military-political field. [27]

Declaration on the free trade agreement between Canada, U.S.A and Mexico was signed in 1992 and entered into force on 1 January 1994. By this was created one of the world's largest free trade areas and laid the foundations for strong economic growth and rising prosperity for Canada, the United States and Mexico. NAFTA brought increasing wealth and competitiveness, and above all bring benefits to families, farmers, workers, manufacturers and consumers. [27]

The most perspective territory for the Estonian market in frame of NAFTA

Canada

Canada's most important foreign partners are OECD members, EU, U.S., then Mexico and China. The main import commodities include iron, steel, copper, coal, fertilizers, oilseed rape, pharmaceutical products, meat, textiles. Commodities for export represent the means of transport (aircraft), animal products (frozen shrimp), machinery and mechanical equipment. [42]

Year	Export	Import	Return	Balance
2005	44,5	12,5	57	32
2006	46,5	12,1	58,6	34,4
2007	64,9	20,1	85	44,8
2008	42,5	17,5	60	25
2009	128,2	10,6	138,8	117,6
2010	82,5	12,9	95,4	69,6
2011	52,1	42,2	94,4	9,9

Table 17: Canada's trade exchange with Estonia from year 2005 to year 2011 (in millions of euros)
Source: [42]

Canada has long with Estonia a higher value for export than import.

United States

The largest U.S. trading partner is Canada and among others included China, Mexico and Japan. Trade relations between the U.S. and Estonia are on the rise. Commodities imported from Estonia are primarily mineral fuels and oils, electronic equipment, sports equipment, medical or surgical instruments.

Year	Export	Import	Balance
2000	88,0	484,9	572,9
2001	57,7	183,3	241,0
2002	81,5	82,0	163,5
2003	120,6	61,0	181,5
2004	134,3	258,8	393,1
2005	145,4	366,0	511,4
2006	221,4	304,8	526,3
2007	242,3	53,9	296,2
2008	225,6	166,5	392,1
2009	189,5	162,2	27,3
2010	187,9	509,6	697,5
2011	320,4	586,8	907,2

Table 18: Foreign trade with USA (million USD)
Source: [45]

Mexico

Mexico most traded with the United States, Canada, China, Japan and South Korea. Export commodities include sugarcane, fruit, coffee. In addition, non-ferrous metals exports. Import commodities are finished or unfinished machinery, chemical raw materials, foods, convenience foods.

rok	export	import	bilance
2000	3.4	1.6	1.8
2001	1	2.9	-1.9
2002	3.7	5.7	-2.0
2003	0.1	9.6	-9.5
2004	0.7	10	-9.3
2005	0.9	28.5	-27.6
2006	2.9	22.4	-19.5
2007	9.2	26.3	-17.1
2008	7	159.4	-152.4
2009	2.1	33.8	-31.7
2010	6.1	34.6	-28.6
2011	4.3	31.5	-27.2

Table 19: Foreign trade with Mexico (in milion USD)
Source: [50]

7 Structure of bilateral trade between Estonia and the Czech Republic

In this chapter you will learn about the contracts and agreements that govern the relationship between the Czech Republic and Estonia. The big advantage is membership of both countries in the EU, which ensures ease of trading via foreign trade barriers removed.

The work describes the trade between the countries, their mutual export and import. There are listed the major commodities that are subject to a market between the two countries.

7.1 Contracts and agreements between the Czech Republic and Estonia

- 1) Agreement between the Government of the Czech Republic and the Government of the Republic of Estonia about international road transport of passengers and goods
- 2) Agreement between the Ministry of Defence of the Czech Republic and the Ministry of Defence of the Republic of Estonia on mutual cooperation
- 3) Agreement between the Government of the Czech Republic and the Government of the Republic of Estonia on visa waiver
- 4) Agreement between the Government of the Czech Republic and the Government of the Republic of Estonia on Cooperation in culture, education and science
- 5) The security agreement on mutual protection of classified information between the Government of the Czech Republic and the Government of the Republic of Estonia
- 6) The Protocol between the Ministry of Defence of the Czech Republic and the Ministry of Defence of the Republic of Estonia on cooperation in the field of military geography
- 7) Agreement between the Ministry of Education, Young and Sports of the Czech Republic and Ministry of Education and Research of Estonia on cooperation

in education, science and young in the years 2009 – 2012

- 8) Treaty between the Czech Republic and Estonia for the prevention of Double Taxation and preclusion of tax evasion in field of taxes on Income and on Capital
- 9) Agreement between the Czech Republic and the Estonian Republic on the Promotion and Reciprocal Protection of Investments.

7.2 Import and Export between Czech Republic and Republic of Estonia

The geographical location of Estonia in the north of Europe determines its lack of production of food products. Czech products are individually pursuing. Specific, strong position have Czech breweries, which will in the future strengthen their position at the expense of lower-quality Nordic, Eastern European and German beers. [28]

Czech product visible in Estonia are Skoda cars. Distribution is an authorized dealer for "Car 100" and a number of unauthorized dealers. Skoda function there often as a company car in 2007 and 2008 applied in the competition for police vehicles. Car is there the subject of the presentation in larger degree than in the Czech Republic and Estonians therefore often buy expensive, powerful high-end cars. In Estonia is the passenger car part of the presentation of each man in larger degree than by us. Estonians buy more powerful cars in higher price categories and classes.

- food products
- Vehicles
- Energy
- Services and Technology for the Environment
- Information technology

Promising looks introduction of the Roomster, which was evaluated by professional journals as the best model for 2007 at the Estonian market.

In the energy production are expected technological innovation. It will tun to implementation of power plants with combined production of electricity and heat

consumption, biomass, wind power plants construction, improved combustion technology shale and substantial reconstruction of power network system. Czech companies are already active in this area.

In the services is remarkable an extremely strong position on the Czech Airlines on Estonian market. Their work still offer reserves for development of other services, especially tourism in the Czech Republic. So far dominated short-term stays, which are often situated in Prague. It is necessary to use marketing techniques to change this situation and postpone the focus of tourism in the region and the benefits of longer staying. Attractive areas are also information technology, in which Estonia is considered a superpower. However, the problem is the lack of labor force (even the wages in the sector get near to the wages in the Scandinavian countries). This will be the company who settled in Estonia to forcing greater cooperation with foreign countries.

Czech Republic is not the main partner countries. In terms of exports to the Republic is on the 25 seats, and in terms of imports from the Republic on 18 place. Republic of Estonia has consistently negative balance of foreign trade, long-term imports three times more than exports.

Estonia is for Czech exporters perspective market, partly thanks to the historical awareness of local consumers with quality Czech (Czechoslovak) production, price competitiveness and the fact that the Baltic countries are EU members and so are part of the internal market.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
export	20.5	29.3	36.5	49.2	67.9	84.7	116.3	146.3	138.7	115.6	142.2	129.4
import	10.2	13.5	22.1	27.2	23.3	22.5	26.6	32.2	39.1	28.2	31.8	38.3
balance	10.3	15.8	14.4	22.0	44.6	62.2	89.7	114.0	99.6	87.4	110.4	91.1
return	30.7	42.8	58.6	76.5	91.3	107.2	142.9	178.6	177.9	143.8	174	167.7

Table 20: The development of mutual trade between Estonia and the Czech Republic in millions
Source: [39]

The main export items are metals and metal products, machinery and equipment, wood and wood products, textiles and textile products. The CR is particularly important exports mainly machinery and transport equipment. Imports represent plastic and rubber products and products made of stone, ceramics and glass.

7.3 Trade with commodities and services

Successful distributors of Czech goods are companies such as KRK Moigu (sale of Czech machine tools and other tools) company, and MKT (sales tools and electrical equipment).

Trading with commodities

Requests are in the food, chemical and engineering industries. Generally, the demand for Czech goods is very slight with the exception of traditional Czech products such as beer, glass and Skoda cars.

Trading with services

In the services are in addition to air transportation provided in the territory logistical services in the form of truck transportation and services travel agencies. Their work offers the possibility for the development of other services, especially tourism in the Czech Republic. In terms of exports of services have a decisive share of transport and tourism, which consistently represent more than 80 % of services. The major proportion of imports represented, unspecified business services totaling over 75 %. So far dominated short-term stays, which are often situated in Prague. It is necessary to use marketing techniques to change this situation and spread the focus of tourism in the region and the benefits of staying longer. Attractive areas are also information technology, which is considered to Estonia a superpower. On the Estonian market is lack of educated workers in field of IT, that leading company such as Skype to set up a subsidiary in the Czech Republic in 2007. [29]

8 Time series of the most important area of economic cooperation during last eleven years between both countries

This chapter deals with the same topics as Chapter 7, which complements the exact figures, that helps us to understand the issue.

8.1 Exports from the Czech Republic to Estonia

The advantage for the Czech exporters is that domestic goods were present in the Estonian market as in the prewar period so in recent decades. The export commodities include machinery and transport equipment, electronic equipment and appliances, telecommunications equipment. Further, the manufactured goods classified chiefly by material such as tires, glass, ceramic tiles, metal products, iron and steel. The third largest group of exports are chemicals and related products.

year	land	stat. value CZK(th.)
2000	Estonia	10 368
2001	Estonia	12 589
2002	Estonia	14 893
2003	Estonia	15 143
2004	Estonia	13 934
2005	Estonia	15 344
2006	Estonia	21 495
2007	Estonia	30 922
2008	Estonia	27 304
2009	Estonia	28 080
2010	Estonia	14 657
2011	Estonia	12 571

Table 21: Overview of exports of industrial and consumer goods to Estonia on the basis of data from the Czech Statistical Office

Source: [35]

Major export to Estonia are machinery and transport equipment. The largest value of exports in this area were recorded in 2007.

year	land	stat. value CZK(th.)
2000	Estonia	65 717
2001	Estonia	115 201
2002	Estonia	195 592
2003	Estonia	246 635
2004	Estonia	260 681
2005	Estonia	195 114
2006	Estonia	176 027
2007	Estonia	155 915
2008	Estonia	132 053
2009	Estonia	121 481
2010	Estonia	111 420
2011	Estonia	196 508

Table 22: Overview of motor vehicle exports to Estonia on the basis of data from the Czech Stat. Office
Source: [35]

8.2 Import from Estonia to Czech Republic

Most perspective sectors in terms of import to Czech Republic are:

- Electrical engineering
- IT - Computer Components
- Energy sector
- Machinery
- Electrical equipment
- consumer goods industry
- Woodworking

8.3 Balance of trade between Czech Republic and Estonia

The following table shows the figures on the evolution of exports and imports between Estonia and Czech Republic since 2000 to year 2011. Data are expressed in millions of CZK.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
export	3,5	4,2	4,6	5,9	6,2	6,7	9,2	11,4	19,7	12,5	10,6	11
import	2,5	3,8	7,2	5,3	6,8	9,2	6,2	5,5	6,7	2,7	4,3	6
return	6,0	8	11,8	11,2	13,0	15,9	15,4	16,9	26,4	15,2	14,9	18
balance	1,0	0,4	-2,6	0,6	-0,6	-2,5	3,0	5,9	13,0	9,8	6,3	5

Table 23: The balance of the mutual exchange of services since 2004 to year 2009 (million EUR)

Source: [39]

The negative balance in services has changed to positive in 2006, mainly due to increased exports in transport. The most striking increase was in passenger traffic and cargo road transport.

9 Description of current and forecast position for future development of Estonia in the EU

This part of the thesis deals with the role of Estonia in the European Union and performance and forecasts future developments using neural networks.

The European Union introduces a political and economic integration of European countries. The EU currently produces 27 Member States.

The European Union was established in 1993, in the base of the Treaty on European Union, which preceded the more famous Maastricht Treaty, which concurs on the European integration process since the fifties year.

The role of the European Union is the emergence of a common market and economic and monetary union, the other main objective is also to encourage the development and growth of economies as a whole, promoting employment and competitiveness and support the improvement of living standards and environment. The basis are four freedoms of the single market, namely the free movement of goods, persons, services and capital.

9.1 Future position of Estonia in EU

Views of the economic development of Estonia for 2012 are slightly optimistic. Turnover is already evident in a slight rise in exports. Exports increased by 1.5% in January 2011 compared to January 2010. The rise in exports appeared for the first time since 2008.

Despite this good news, will not expected rapid change in the labor market, is still necessary to allow with high levels of unemployment. For increase in inflation will affect development in other countries. The government will try to continue the fiscal policies and by follow Maastricht criteria in the longer time level.

9.2 Foreign trade EU with Estonia

land (export)	milions Eur	land (import)	milions Eur
1. Finland	1.033	1. Finland	1.205
2. Sweden	663	2. Sweden	439
3. Germany	294	3. Germany	446
4. Latvia	275	4. Latvia	123
5. Russia	260	5. Russia	713
6. Niederland	168	6. Niederland	104
7. United Kingdom	150	7. United Kingdom	110
8. Lithuania	120	8. Lithuania	74
9. Danien	111	9. Danien	111
10. USA	70	10. USA	121
11. Ukrajine	69	11. Ukrajine	46
12. Japan	13	12. Japan	281

Table 24: Territorial structure of import and export in year 2010

Source: [42]

From the first 12 most important states in terms of turnover Estonia has active balance of foreign trade with Finland, Sweden, Latvia, Netherlands, United Kingdom, Lithuania and Ukraine, the deficit with Germany, Russia, USA and Japan.

9.3 Fuzzy logic and neural networks

Fuzzy logic was first discovered in 1965 in an article written by Professor Lotfi Zadeh A. Time was defined as the basic concept of fuzzy logic and fuzzy set. The word fuzzy is fuzzy, dim, hazy, indefinite. This also corresponds to what the fuzzy theory deals with trying to cover the reality of its imprecision and uncertainty.

Artificial Neural Network (UNS) are systems with massive parallel processing of signals. Mimic natural processes in neural systems of higher organisms (especially humans). Important attribute UNS is the ability to learn from the masters. UNS belong in area so-called artificial intelligence. Related courses from which UNS draw their findings are: neurobiology, genetics, computer science, microelectronics, robotics and other fields. [43]

9.4 Forecast of makroekonomic indicators in Estonia using neural networks

Time series prediction using neural networks consists in learning on the course of network variables in a certain time and then using in the future. Network we present the input data from the past and we expect output data from the future. The resulting predictions are not wholly owned, are only approximate.

This prediction was used following macroeconomic indicators of Estonia:

Rate of GDP (%)

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
5,7	5,6	8,5	7,7	8,7	10,5	11,4	7,3	7,8	-0,9	-2,5	1,5

Table 25: Basic economic indicators from year 2000 to year 2011
Source: [33]

Rate of inflation (%)

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
3,9	4,5	3,6	1,4	3,0	4,1	4,4	6,6	10,4	-0,1	0,5	2,1

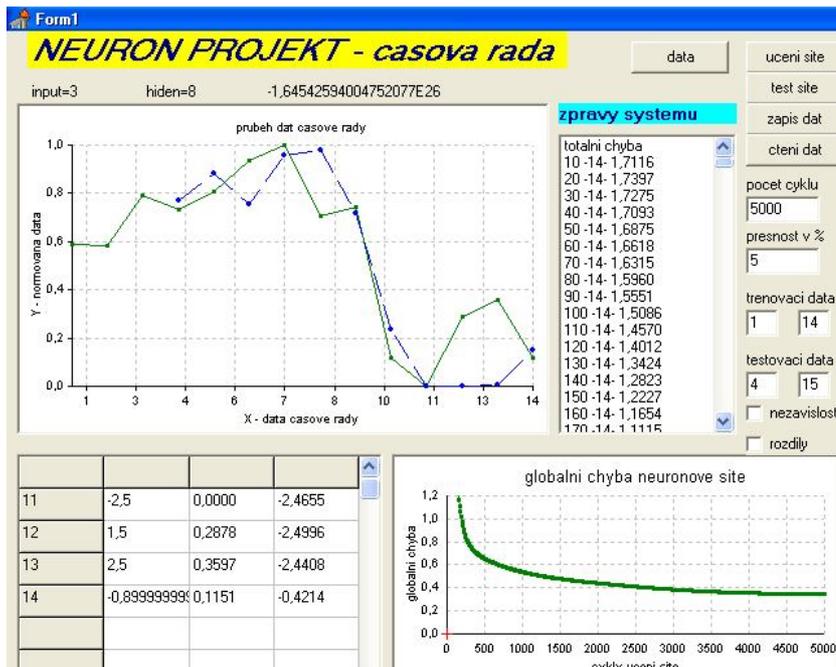
Table 26: Rate of inflation in Estonia from year 2000 to year 2011
Source: [36]

Rate of unemployment (%)

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
13,5	11,5	10,3	10,1	9,7	7,9	5,9	4,7	5,5	14,4	18,3	16,6

Table 27: Rate of unemployment in Estonia from year 2000 to year 2011
Source: [31]

Network we present the input data from the past and we expect output data from the future. The resulting data are prepared for the year 2012, 2013, 2014

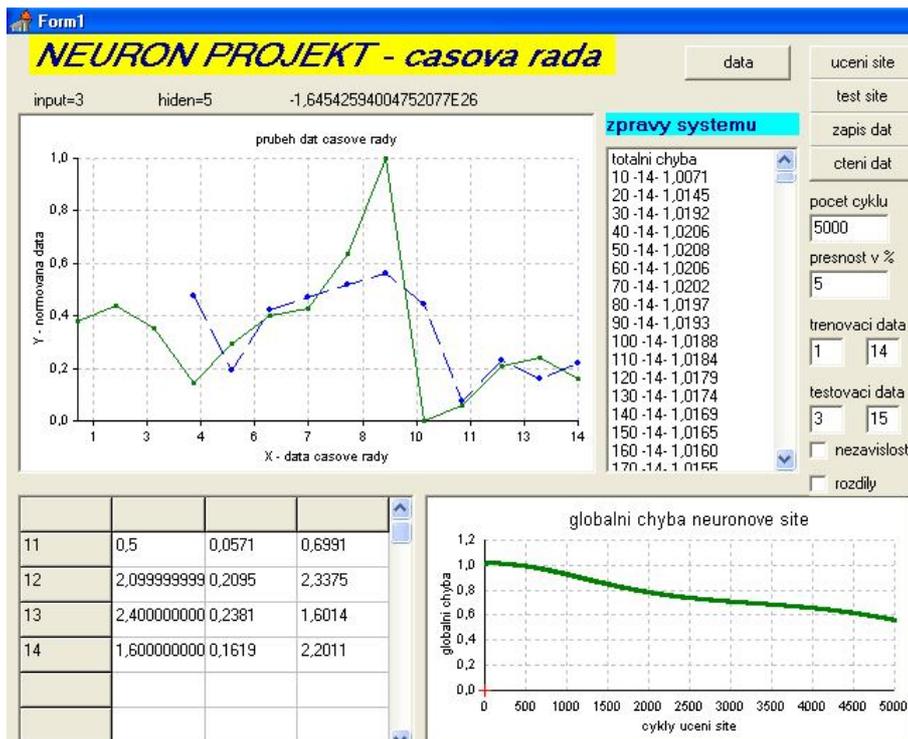


Picture 1: Neuron Projekt, prediction, rate of GDP up 3 step
Source: Own

2012	-2,4
2013	-2,5
2014	-0,4

Table 28: Prediction, rate of GDP
Source: Own

From the prediction results show that GDP will in the coming years move again in the red and in 2014 will reach a minimum value of -0.4 %.

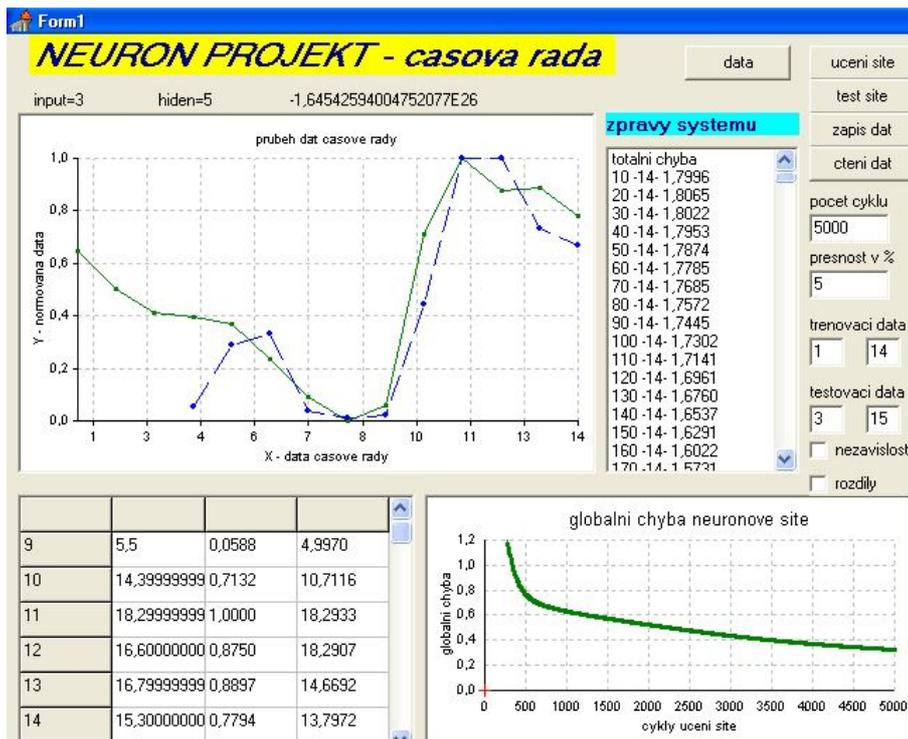


Picture 2: Neuron Projekt, prediktion, rate of inflation up 3 step
Source: Own

2012	2,4
2013	1,6
2014	2,2

Table 29: Prediction , rate of inflation
Source: Own

From the prediction results show that rate of inflation will in the coming years decline and in 2014 will reach the same amount of 2.2 %.



Picture 3: Neuron Projekt, prediction, rate of unemployment up 3 step
Source: Own

2012	16,8
2013	15,3
2014	13,8

Table 30: Prediction, rate of unemployment
Source: Own

From the prediction results show that rate of unemployment will in the coming years decline and in 2014 will reach 13,8 %.

10 Overview of business opportunities from the Czech subject in the market of Estonia

The last chapter deals with the description of opportunities for Czech businesses in the market of Estonia.

The next section describes fields that are suitable for the Estonian market, and which could the Czech entrepreneurs deal with. To get and mainly keep in the market, must make significant efforts to promotion and advertising. It also describes forms of entry into foreign markets and fairs, through which Czech exporters can get acquire and capturing useful information about the Estonian market.

10.1 Opportunities in the Estonian market for Czech businesses subjects

Both countries trade with each other on the same kinds of goods. For the Czech entrepreneurs among the most interesting subjects, by which they may get to the estonian market and gain a good position on it, are:

- Electronics and Electrical Engineering,
- Construction and building materials
- Trade in services – there we can include services related to supply software, logistics, data processing and multimedia
- Energy,
- Medical equipment
- Environmental technology.

Rightly the field of environmental technologies is in recent years sought and modern trend.

Environment

To environment will be invested a large amount of funds both from European funds, as well as from national resources. Of the total 3.4 billion euros from EU structural funds in 2007-2013 will be allocated 850 million euros just to the environment. Specifically could applied treatment technology to water and waste disposal.

Elected trade zone in the port Sillamäe

One of the current opportunities for Czech entrepreneurs in Estonia. This is a newly built harbor in the northeast of the country. The zone covers an area of 600 hectare, already contains all the basic infrastructure that needs to be supplemented by offering range of services. Zone provides 100% tax relief by import and export goods. For countries outside the EU zone is also completely exempted from import duties.

Via Baltica Highway

Another opportunity in the services sector in Estonia appear in connection with the ongoing recovery Via Baltica - the main road the Baltic states to Russia.

10.2 Conditions of participation in the Estonian market

The Estonian market is opened, but to Czech operator can start a business and penetrate with their products and especially in this market to succeed and maintain its position, must make some effort. In the Estonian market there is a huge competition, and therefore the foreign firms have to develop effective advertising and professional marketing.

Promotion, marketing and advertising

The most effective promotion and advertising is a participation at the fair. Advertising in print is not usually effective. Advertising offers for example Estonian Chamber of Commerce, that for a fee distribute information to its members.

For most of small and medium-sized Czech companies is advertising in the media, both print and electronic often financially unaffordable. Important is the presentation of the company through the Internet. Some Czech companies this presentation underestimated, whereas in Estonia the businesses in this kind of promotion directly based. This method is characterized mostly by zero cost and constraints of the target groups to potential partners.

10.3 Forms of entry into the Estonian market

Form of entry of the Czech exporters to the Estonian market is setting up a business in the Estonian territory. We will meet there similar companies, as in the Czech country.

On the Estonian market we can meet with these forms of business:

- Sole proprietorship / self-employed - (Füüsilisest isikust ettevõtja) - FIE
- Limited Liability Company (osaühing) - oh
- Joint Stock Company (aktsiaselts) - AS
- Public company (täisühing) - here
- Limited Partnership (usaldusühing) - UU

If s.r.o and OJSC must be at least half of Estonian residents of senior management. In the case of a branch of foreign company must be resident in Estonia at least one director.

10.4 Czech firms operating in this country

Estonia belongs to foreign investors the most attractive countries in Central and Eastern Europe.

• ABC Data SA

In December, ABC Data S.A started its activities in Latvia and Estonia. Expansion into these markets is part of the long-term strategy development. After a very successful

year in the Lithuanian market is first December 2011 began selling ABC Data for Latvia and Estonian partners.

- **Vehicle SKODA**

Thanks Octavia and Superb

- **Czech Airlines**

In addition to air transportation in the territory of logistics services provided by truck transport services and travel agencies.

- **Siemens Industrial Turbomachinery Ltd.**

This company zvítězila a tender to supply turbines for a combined power plant in Tallinn and Tartu.

CONCLUSION

Relations between Estonia and the Czech Republic are very good and troublefree. They are based on the solidarity of the smaller European countries who share similar historical development in modern history and similar objectives. The cooperation of both countries is intensively developed in all areas, especially political, economic, cultural and security. To the development of mutual cooperation contributes common membership in the European Union and NATO.

Estonia's economy grows rapidly. In 2006 Estonia was occupied first place ranking countries according to GDP growth. Czech ended sixteenth with Bulgaria, Poland and Turkey. Estonia benefits from investment flows and low tax burden, which even among the lowest in the European Union. This country in a relatively short period managed to run there and the most advanced country in information and communication technologies. Across the country, you can access the Internet through public units, which is notified of a special road sign. The Estonian government has the world's first implementation of its meetings only with the help of electronic documents. Yearly savings of approximately 200 000 Eur associated with the cost of paper and copying. Estonia is also the first country in which elections were held over the Internet.

Estonian economy benefits from its location at the crossroads between East and West. Economics offers key opportunities for companies in many industries, including information and communication technology, electronics, engineering and metalworking, wood processing, logistics, transport and food. These courses are supported by the country's 10 universities and numerous colleges, which together provide a source of graduates, often speaks fluent English, Swedish, Russian, Finnish and German.

The goal is from official Estonia sources, annual reports of ministries, institutions and other statistical sources, search for the country data and prepare a description of the business environment for businesses in the Czech Republic. By the description of the business environment we understand the forces, that determine the entrepreneur, if a country is suitable for business or not.

In the first part this work contains a theoretical basics of analysis of the business environment, which should help economic operators to make it in foreign markets. Analysis of the business environment is important for understanding the external environment, in which the company operates, for identification changes and trends that are happen around the company and it can have influence and to determine how will react the business on the effects of these changes and trends.

Further work describes the development of Estonia's economy through various macroeconomic indicators such as GDP, inflation and unemployment.

Another chapter deals with measures, that Estonia uses in the fight against corruption on the business and political scene. The work describes organizations, that were established, to protect the Estonian market before emergence of corruption, that were established directives and laws that support the fight against corruption.

Description of the main activities of the organization ASEAN and NAFTA devoted next chapter. There are listed the members of each organization. Bachelor thesis describes Estonia's bilateral trade with the state organization.

The next section introduces the contracts and agreements that govern the relationship between the Czech Republic and Estonia. The big advantage is the membership of both countries in the EU, this ensures ease of trading through foreign trade barrier removals. The work describes the trade between both countries, their mutual exports and import. There are listed the main commodities, which represented a subject of common trade between this two countries.

The last part of the thesis deals with the status of Estonia in the European Union and describes the mutual trade and cooperation with individual EU states. The European Union is a political and economic integration of European states.

This work should serve businesses that are considering entering this market or to trade with Estonia. Estonia's business environment is influenced by many factors and is a business entity must be aware. The purpose of this paper is to present the widest range of business aspects that may affect their business, and it is necessary to consider if you want to be successful.

In particular it is necessary to realize some of the country specific factors such as level of corruption, diverging official data on the country. The purpose of this paper is to draw attention to these factors. I think that all objectives of this work have been met.

EVULATION BY COMPANY



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Hodnocení bakalářské práce ústavem Ekonomika a řízení

Název bakalářské práce: POPIS A PŘÍLEŽITOSTI PODNIKATELSKÉHO
PROSTŘEDÍ ESTONSKA PRO PODNIKATELSKÉ SUBJEKTY V ČR
A PREDIKCE DALŠÍHO VÝVOJE

Jméno a příjmení autora práce: Petra TELEKI, DiS

Studijní obor: Management a marketing zahraničního obchodu

	Kritéria hodnocení	A	B	C	D	E	F
1.	Náročnost práce		x				
2.	Splnění cílů práce				x		
3.	Teoretická část práce			x			
4.	Praktická část práce			x	x		
5.	Formální úprava práce				x		

Hodnocení v jednotlivých kritériích označte X

Abecední hodnotící stupnice

Číselné hodnocení	Abecední hodnocení	Slovní hodnocení	Anglický ekvivalent hodnocení	Procentuální rozpětí
1	A	excelentní	upper - excellent	90 – 100 %
2	B	výborný	lower - excellent	80 – 89 %
2	C	velmi dobrý	very good	70 – 79 %
3	D	dobry	good	60 – 69 %
3	E	dostatečný	sufficient	50 – 59 %
4	F	nevyhovující	fail	pod 50 %

Práci doporučuji – ~~nedoporučuji~~* k obhajobě. (*nehodící se škrtně)

Bakalářskou práci navrhuji klasifikovat stupněm: D

Hodnocení vypracoval: Ing. Vladimíra Hlaváčková

V Kunovicích dne: 15.5.2012


.....
podpis hodnotitele bakalářské práce

ABSTRACT

Petra TELEKI *Description and opportunities of the Estonian market environment for business units in the Czech Republic and prediction of other development.* Kunovice, 2012. Bachelor Thesis. European Polytechnic Institute Ltd.

Supervisor: Doc. Ing. Jozef. STRIŠŠ, CSc.

Key words: analysis, business environment, makroconomics indicators, global economy, corruption actions, fight opposite corruption, ASEAN, NAFTA, economic cooperation, CZ, EU, opportunities, Estonian market

The goal of this Bachelor Thesis is the analysis of the business environment in Estonia in the years 2000 to 2011 and a prediction of other development. In the introduction of the bachelor thesis there is described the theoretical foundations of the analysis of the business environment. In other parts is described the Estonia position in the global economy, corruption actions in business environment, anti-corruption actions, mutual trade with ASEAN and NAFTA, mutual trade between Estonia and EU. In the conclusion, the thesis gives some opportunities for Czech entrepreneurs at the Estonian market. The thesis provides information about the Estonian market, and in this way it will serve as a suitable guide for Czech entrepreneurs who want to orient their activities on the Estonian market.

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List of abbreviations

%	percent
ASEAN	Association of South East Asian Nations
cit.	citation
CPI	Consumer Price Index
CSc.	Academic title
CZ	Czech Republic
EEK	estonian currency
EU	European Union
GDP	Gross domestic product
GNP	Gross national product
Ing.	Academic title
IT	Information technology
Ltd.	company
mil.	millions
mld.	milliard
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
OECD	Organisation for Economic Co-operation and Development
p.	page
SLEPT	SLEPT analysis
UNO	United Nations Organization
WWW	Word Wide Web

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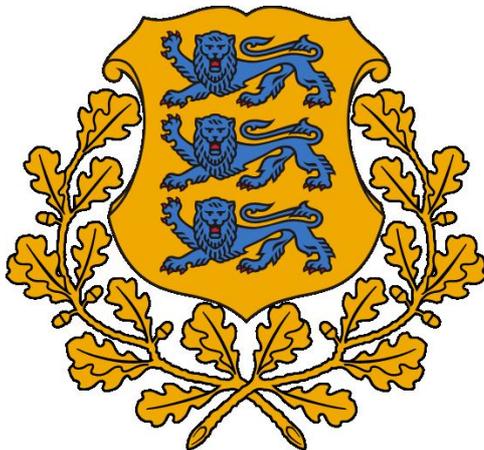
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Source: [16]



Picture 5: Emblem
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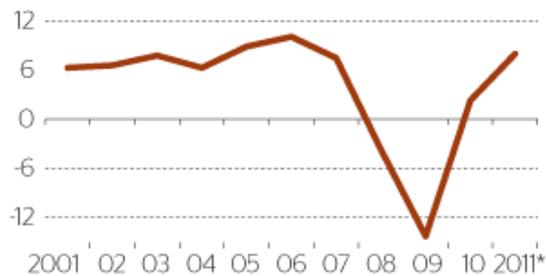


Picture 6: Flag of Estonia
Source: [16]

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Vývoj estonské ekonomiky

(HDP meziročně v %)



Vývoj rozpočtových schodků

(v % HDP)



Vývoj veřejného dluhu Estonska

(v % HDP)



Vývoj nezaměstnanosti

(v %)



* odhad Eurostatu, ** údaj za 3. čtvrtletí

Zdroj: Eurostat

Supplement 3 : Important contacts

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Register new company

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Source: [35]