

ALFRED NOBEL UNIVERSITY
DEPARTMENT OF THE GLOBAL ECONOMICS

QUALIFICATION WORK OF BACHELOR

“DEVELOPMENT AND WAYS OF INTERNATIONAL INVESTMENT PROJECT
THE BOOKSTORE IN ESTONIA”

Student: fourth year student, group IER16-A
In specialty: 292 International economic relations

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Dnipro, 2020

ALFRED NOBEL UNIVERSITY
DEPARTMENT OF THE GLOBAL ECONOMICS

First (bachelor) level

Specialty 292 International economic relations

Approved:

Head of Department _____

(signature, last name, initials, scientific degree, academic status)

“ _____ ” _____ 20__ p.

TASKS

for qualification work

Of Ilya Kolpakov

1. Topic: “DEVELOPMENT AND WAYS OF THE INTERNATIONAL INVESTMENT PROJECT THE BOOKSTORE IN ESTONIA ”

2. S. Kuz'minov, Doctor of Science, Full Professor,

Approved by order of " ____ " _____ 20__, No. _____

3. Deadline for submission of work completed by the __1.06.2020__

4. Target installation and baseline data

To develop skills of practical application of theoretical knowledge gained as the study of both special and general economic courses by writing the investment project

5. Content of the work (list of questions to be developed):

- select the country for investment
- define why the country is attractive for investment project realization
- select the investment project theme and country-partner from where the investment is transferred;
- analysis of the real market situation in order to decide upon the form and way of investment;
- conducting the appropriate calculations based on the real numerical data analysed.

6. Date of issue of the assignment _____

7. Calendar of work execution

no	Name of the stages of qualification work	The deadline for the work stages	
		according to the plan	in fact
1	Alignment of topic	8/03/2020	
2	Preparation of the first section	5/04/2020	
3	Preparation of the second section	15/04/2020	
4	Preparation of the third section	15/052020	
5	Finishing the work	1/06/2020	
6	Preliminary defence/Defence	June, 2020	

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Summary

“Development and ways of realization of the international investment project “Bookstore in Estonia”

The paper's main goal is to analyze general characteristics of the development of economy in Estonia. Estonia economy at a whole, with the overview of industries is examined. Estonia book sector is investigated. The main trends in export-import activity of Estonia and its place in international economic relations are being overviewed. The analysis of international trade and foreign direct investment of Estonia are made. The attractiveness of Estonia book market for Ukrainian investors, as well as the potential advantages and disadvantages are investigated. The main aim of an international investment project to be started in Estonia, and forms of making an investment into it are calculated and made. The field of book market, as a main sector for an investment is analyzed. The substantiation of the investment project for the creation of bookstore in Estonia, the assessment of the need for investment resources are being presented in the paper. The calculation of expected income and estimation of economic efficiency of investment project are done.

Key words: Belarus economy, book sector, international trade, foreign direct investment, investment climate, investment project, economic effectiveness.

Анотація

«Розробка та шляхи реалізації міжнародного інвестиційного проекту «книжковий магазин» у Естонії.

Основна мета роботи - проаналізувати загальну характеристику розвитку економіки Естонії. Економіка Естонії в цілому з оглядом галузей. Уієщтшш книжковий сектор досліджується. Проаналізовано основні тенденції експортно-імпоротної діяльності Естонії та її місце у міжнародних економічних відносинах. Проведено аналіз міжнародної торгівлі та прямих іноземних інвестицій Естонії. Досліджено привабливість білоруського книжкового ринку для українських інвесторів, а також потенційні переваги та недоліки. Основна мета міжнародного інвестиційного проекту, який слід розпочати в Естонії, і обчислюються форми виготовлення інвестицій в нього. Проаналізовано сферу інженерії програмного забезпечення як основного сектора інвестицій. У статті представлено обґрунтування інвестиційного проекту створення книжкового магазину в Естонії, оцінка потреби в інвестиційних ресурсах. Проведено розрахунок очікуваного доходу та оцінка економічної ефективності інвестиційного проекту.

Ключові слова: економіка Естонії, книжковий сектор, міжнародна торгівля, прямі іноземні інвестиції, інвестиційний клімат, інвестиційний проект, економічна ефективність

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INTRODUCTION

The Estonian economy is a developed economy, a member of the European Union and the 114th world economy in terms of GDP by PPP as of 2016. Among the post-communist countries, Estonia is one of the most developed. In terms of GDP per capita (nominal value) - \$ 23,514 (2nd place after Slovenia, 2019). In terms of GDP per capita (PPP) - \$ 35,717 (3rd place after Slovenia and the Czech Republic, 2019). As of December 2019, Estonia has the highest net average among all post-communist countries in the world (1257.13 euros), and since January 1, 2020 - the second lowest minimum wage after Slovenia (700 euros, in Estonia - 550.38 euros). The average salary (gross) in Estonia in December 2019 is 1,551 euros, and (net after taxes) is 1,257.13 euros. The minimum gross salary in Estonia from January 1, 2020 is 584 euros, the minimum net salary is 550.38 euros.

As of 2010, the share of the services sector in Estonia's GDP is 69%, industry - 29%, agriculture - 3%.

According to the study "Competitiveness of the Estonian Economy Now and in the Future", conducted in 2008 by order of the State Development Fund, hotel services and trade dominate in Estonia, rather than high-performance commercial services, industry and financial intermediation. It was noted that labor productivity in Estonia remains very low and that reorganization of the economy is necessary to achieve the economic level of developed countries. Specialists also pointed to the low proportion of high-tech industries (Estonia | Culture, People, History, & Facts, 2020).

Tallinn has become the country's financial center. According to Invest in Estonia, the advantages of the Estonian financial sector are non-bureaucratic cooperation between companies and authorities, as well as the relative abundance of educated people, although young educated Estonians tend to emigrate to Western Europe to earn more income. The largest banks are Swedbank, SEB Pank [en] and Nordea. Recently, several IPOs have been held on the Tallinn Stock Exchange, which are part of the OMX system.

Estonia is an energy-independent country that provides more than 90% of its electricity needs through local production of oil shale. Alternative energy sources, such as wood, peat and biomass, account for approximately 9% of primary energy production. Estonia imports the necessary petroleum products from Western Europe and Russia. Shale energy, telecommunications, textiles, chemicals, banking, services, food and fisheries, timber, shipbuilding, electronics and transport are key sectors of the economy.

The Estonian services sector employs more than 60% of the workforce. Estonia has a strong information technology (IT) sector, thanks in part to the Tiigrihüpe project, which was implemented in the mid-1990s and is considered the most advanced country in Europe in terms of e-government.

Agriculture, which was forcibly collectivized decades before the transitional era of 1990-1992, has become privatized and more efficient, and the total area of agricultural land has increased since Estonia regained independence. The share of agriculture in gross domestic product decreased from 15% to 3.3% during 1991-2000, while employment in agriculture decreased from 15% to 5.2%.

Production is 1% of GDP. Mining products include oil shale, peat and industrial minerals such as clay, limestone, sand and gravel. In the Soviet Union in the early 1950s, a highly polluting industry was created, concentrated in the north-east of the country. The socialist economy and military areas left the country highly polluted, and mainly due to the oil shale industry in Ida-Virumaa, sulfur dioxide emissions per person are almost as high as in the Czech Republic. Coastal seawater is polluted in some places, mainly in the east. The government is looking for ways to further reduce pollution. In 2000, emissions were 80% less than in 1980, and the amount of untreated wastewater discharged into water bodies was 95% less than in 1980 (Estonia | Countries | NTI, 2020).

In Estonia, labor productivity is growing rapidly, and therefore wages are also growing rapidly, and personal consumption grew by about 8% in 2005. According to the Estonian Institute for Economic Research, the main factors of GDP growth in 2005

were the processing industry and financial intermediation, retail and wholesale trade, transport and communications.

The purpose of the thesis is to analyze the macroeconomic situation in Estonia and its investment climate, to assess the prospects for the development of the book sector and develop an investment project for opening bookshop in Estonia.

The tasks of the thesis are:

- To research the general characteristics of the development of the economy of Estonia;
- To evaluate structural changes in the economy of Estonia;
- To study the main trends of the Estonia and its participation in international market;
- To analyze the main trends in export-import activity of Estonia;
- To evaluate the business environment and the investment position of Estonia;
- To consider the investment climate in Estonia and the degree of its attractiveness to Ukrainian investors;
- To analyze the potential of book sector in Estonia;
- To develop the investment project for the opening of a bookshop in Estonia and to assess the need for investment resources;
- To assess estimated income and economic effectiveness of the investment project.

The object of study are the international relations and investment climate in Estonia for foreign investors.

The subject of study is the development of international project in book sector in Estonia.

Method. During the study, general scientific methods of cognition, analysis and synthesis, a process approach, methods of systemic, strategic, economic and statistical analysis were used.

The practical significance of the work means that it is possible to develop directions for the development of foreign economic relations in book market, as well as implement a real investment project to open a bookstore in Estonia.

The first section of the paper deals with the analysis of general characteristics of the development of Estonia economy. The main industries of Estonia economy are considered. Historical events that influences nowadays economic situation are outlined. Labor market parameters are investigated.

The second section describes Estonia book sector and its participation in international market. The activity of a chosen country in the international trade market with their export and import numbers is provided. The analysis of international trade and foreign direct investment of Estonia are provided. The business environment and the investment position of Estonia are evaluated. The degree of its attractiveness to Ukrainian investors, the main benefits and potential threats for a foreign investor are considered.

The third section provides a rationale for the main idea of an international investment project to implement in Estonia, the values, forms and ways of making investments. To consider these tasks, the analysis of the bookshop as a part of book sector in Estonia was done. The substantiation of the creation of bookshop in Estonia, the assessment of the need for investment resources and identification of sources of their involvement are presented. The calculation of expected income and estimation of economic efficiency of investment project are done.

The conclusions and proposals contain the generalized findings of the research and development of the international investment project, the main scientific and practical results and recommendations for practical use.

The list of references includes sources of information used in the thesis. List consists of legislative acts, regulations, domestic and foreign scientific and special literature, professional publications and electronic resources.

SECTION 1 ESTONIA ECONOMY: THE CURRENT SITUATION, DEVELOPMENT TRENDS AND MAJOR PROBLEMS

1.1. Inflation

Most open sector prices were liberalised in Estonia in 1991-1992 and the monthly inflation rate declined from 20% in the summer of 1992 to 6.6% in September 1992 and to 1.7% in May 1993. Annual inflation was reduced from near-hyperinflation in 1992 (annual rates of 1076% in Estonia) to 11.2% in 1997. In 1998, for the first time during transition, Estonian inflation rate reached a single digit number (8.2%) and according to the Estonian Statistical Office the annual inflation rate in 2003 was only 1.3%.

Compared to other Eastern European countries Estonia has been relatively successful in suppressing inflation rates, although Latvia and Lithuania have occasionally achieved even lower rates

Several explications have been provided concerning the relatively high inflation rate in Estonia (especially in 90s).

a) Currency Board arrangement. Due to the Currency Board system, money supply in Estonia is directly related to foreign reserves in the Bank of Estonia. These reserves in their turn depend on the inflow of foreign money. The continuous high rate of foreign investments and foreign loans increased the foreign reserves and the resulting rise in money supply has put pressure on inflation.

b) Related to previous point we can mention that during 2004-2005 Estonia faced high inflow of loans from Scandinavian Banks to their sister banks in Estonia. These loans caused fast increase of domestic demand and public sector expenditures and private consumption increase caused demand pull-inflation.

c) Price arbitrage. The Estonian kroon exchange rate is fixed with EUR and hence the PPP (Purchasing Power Parity) principle influences the price level. In situations where Estonia does not have trade barriers the price level of imported goods (mostly from Finland, Sweden and other Western countries) increases the domestic price level.

According to Eurostat, in 2007, the Estonian price level in relation to EU-27 was 71.5% while in Finland the ratio valued 122.5 and in Sweden 117.3.

d) Administrative price control. While the tradable sectors have been opened to foreign competition since 1991-1992, prices in non-tradable goods are not completely liberalised and they have partly remained regulated by the state. Analysis of different components of inflation shows that it is mostly price increases in the non-tradable sectors (electricity, public transportation, central-heating, water supply etc) that lead to high inflation in Estonia.

e) Openness of economy. Additional price pressure resulted from the price increase in the world oil market and world food prices.

During the first years of transition, relatively high inflation did not influence labour market, because the currency board system helped to stop hyperinflation rather quickly in 1992. During the currency reform, the Estonian currency (Eesti kroon) was undervalued. Therefore, prices could still increase despite the fixed exchange rate. The undervaluation of the kroon made Estonian goods competitive in international markets and helped firms to find new markets.

In 2003, the inflation in Estonia was the lowest of the years of reindpendence (only 1.3%). Joining the European Union raised the inflation rate again. In 2004, the inflation increased to 3.0% mainly due to changes in tax and foreign policy caused by the joining process. At the same time, administratively non-regulated prices increased moderately. In 2005, the inflation rose to 3.6%, partly due to the rise in housing costs (real estate bubble).

In 2006 and 2007 the inflation rate continued to increase, mainly because of cheap loan money from Swedish banks which reached Estonia through their Estonian subsidiaries, and this involved fast growth of internal demand. Primarily, the inflation was related to consumption.

Until autumn 2007, inflation was additionally boosted by income growth. (Estonia's Economy... 2007). Until autumn in 2007, inflation was boosted by fast income growth.

New jobs were created almost throughout the year, but at a slower pace compared to the previous year and considerably less in the last months of the year. In 2008, however, the real wages did not grow and in 2009, the real income is expected to remain lower than the level of 2008. However, the decrease in total demand resulting from economic crisis should somewhat decelerate inflation due to general decrease of incomes which reduces purchase power of the population and enterprises. For 2009 prognoses foresee 0% or even disinflation for Estonia (Estonia Inflation Rate | 1999-2020 Data | 2021-2022 Forecast | Calendar | Historical, 2020).

1.2 Estonia labor market parameters

Also, analyzing the country's investment climate, it is very important to pay attention to the labor force, the level of unemployment and wages.

Tallinn, May 15 - Sputnik. Estonia managed to achieve a visible decrease in the number of formally registered unemployed people - in the initial micro district there were 32,400 people, which is 15 thousand less than the period of 2018.

This was stated by the Estonian Statistics Division with a link to personal information. Employment in Estonia - 4.7%.

It is reported that in the state there are 661,800 people, the presence of this part of the working people of the working year (according to the methodology of the Department of Statistics - from 15 to 74 years old) collected 67.5%. Equally As was also assumed, the degree of employment was the most significant in North Estonia (Tallinn also has suburbs) and also the lowest in North-East Estonia (Narva, Sillamae, Johvi) (Estonia - Corporate - Withholding taxes, 2020). In the Table 1.2 we will see unemployment rate in Estonia.

Table 1.2.

Unemployment in Estonia.

Indicator	Value	Period
-----------	-------	--------

Unemployment Rate	4.1%	Q4 / 19
Youth unemployment	9.5%	dec. 2019
The number of employed	678 thousand people. 0.678 million people	4 sq. / 19
The change in the number of employees	1%	3 quarter / 19
The employment rate of the population	69.2%	4 quarter / 19
Full employment	576 thousand people.	3 sq. / 19
Long-term unemployment rate	0.6%	Q3 / 19
Part-time employment	65.1 thousand people	3 sq. / 19
The total number of unemployed	36.79 thousand People. 0.037 million people	Feb 2020

Source: WorldBank.com

1.3 Monthly minimum wages in Estonia.

According to the Estonian Statistical Office, the lowest salary in Estonia in 2019 is 540 euros per month (3.2 euros per hour). This ratio is regulated by the district legislation, according to which all employees in Estonia must work without any additional requirements (Estonian Legislation, 2020). During the one-year interpretation, the lowest wage in Estonia is 6,480 euros. The number of cases in the European Union is much larger. At

least three times the amount. In France, the number of employees should not exceed 18 255 euros, and in Spain — 12 600. The functioning Estonian government takes on all the measures without exception and also ensures a sufficient increase in the number of local residents (World Trade Organization - Global trade, 2020). In the Table 1.3 we will find average monthly gross wages.

Table 1.3.

Average monthly gross wages (salaries), 2009–2019

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
784	792	839	887	949	1 005	1 065	1 146	1 221	1 310	1 407

Source: WorldBank.com

According to the statistics of Estonia, in 2019 the average monthly accrued salary of Estonian companies and institutions was 1,407 euros, i.e. 7.4% more than in 2018. The average monthly accrued salary was higher in the second and fourth quarters (Knowledge Base, 2020).

According to the previous month, the average monthly salary remained the most significant in “information and communications” and also “finance and insurance”, but the lowest — in “housing and food,” “real estate” also in other types of work (Estonia: Role of social dialogue in industrial policies, 2020).

According to a comparison with 2018, the average monthly added salary increased more generally in other areas of services (restoration of household goods, cosmetic services), but in addition, in the field of healthcare, there was also social activity — in accordance with this, 14% also 10%. The average monthly gross wage in the agricultural sector decreased by 1.9%, but in real estate — by 0.7%.

In the municipal sector, the average monthly salary increase was €1,525, but on an annualized basis, the increase was 9.5%. In the individual sector, in this case, there are companies that belong to Estonian and also foreign individual institutions, the average monthly added wage has collected 1368 euros, but on an annualized basis the increase was 6.7%. An interesting situation is developing in Estonia with taxes (Salary levels and every days costs in Estonia - Work in Estonia, 2020).

1.4 Corporate income tax

0% duty on undivided also invested income. Corporate income tax with undivided also invested income is not available. This means that Estonian resident companies are also stable consulates of foreign companies (including branches) are taxed at 0% in the relationship of whole invested as well as undivided income tax in the amount of 20% only in the relationship of the whole calculated income (as well genuine, thus also acceptable) (Average Salary in Estonia in 2020 , 2020).

Distributed profits contain:

- Collective income calculated in the tax phase;
- Gifts and hospitality expenses;
- Costs also payments that are in no way associated with a profitable business;
- Provision of the assets of a continuous consulate to its leading representative office or other firms.

From January 1, 2018, the amount of tax on the income of institutions, the presence of a constant distribution of income, existed reduced from 20% up to 14%, but only in these cases if dividends are paid to lawyers (Estonica.Org - Structure of the Economy, 2020).

Subsidiary benefits are taxed to the extent of the employer. The employer pays income tax as well as a social tax on auxiliary privileges (Accounting and Finance Average Salaries in Estonia 2020 - The Complete Guide, 2020).

Dividends paid to nonresidents are no longer subject to income tax, regardless of their role in the authorized capital of an Estonian sorting company. But the various withholding taxes have every chance, as before, to be used for other payments to nonresidents, if there is no continuous consulate in Estonia near them or if otherwise is not taken into account by tax agreements (Tallinn, Estonia Salary | PayScale, 2020). Since 2019, the month is considered to be the tax phase for the purpose of lawyers, the income tax must be returned also paid every month up to the Ten-sport amount of the following month. Table 1.4 shows all main taxes.

Table 1.4.

Type of tax	Rate
profit / reinvested profit	0%
personal income tax	20%
dividend tax	20%
VAT	20%
payroll taxes	33%

All main points of taxes in Estonia

Source: WorldBank.com

1.5 Statistic of GDP in Estonia

According to the Statistics Estonia, Estonia's gross domestic product (GDP) in 2019 increased by 4.3%. In the 4th quarter of 2019, the product increased by 3.9% in accordance with the same stage of the past years. Estonian GDP at current prices raised 28 billion euros (Your Company in Estonia, 2020).

Big financial growth for the quarter, exceeding 4% for the 3rd consecutive year. This also includes communications, and due to the fact that because of this, nevertheless, certain types of activities are also carried out. A positive effect occurred in a financial increase in the middle of the year, but was seen in the biennium. Only one tangible negative impact came to the energy section (Estonia Economy: Population, GDP, Inflation, Business, Trade, FDI, Corruption, 2020).

Domestic demand rises at the fastest pace over 7 years. An increase in the number of certain investments by 13.1%, headed in the first half of the year. Implementation of the government section. The most positive impact is manifested in capital and transport companies. Household investment in housing was also noticeable. Consumption of household's increased by 3.1% (Analytics, 2020).

Exports increased by 4.9%. Conclusion of products also the main partners were the implementation of computer services. Imports increased by 3.7%. The number of employees is renewed at 3%. Efficiency due to the time of activity increased by 3.7%. The cost of a unit of labor increased by 4.6% (Estonia GDP - Worldometer, 2020).

In the 4th quarter of 2019, the uneven and adjusted product increased by 0.9% in accordance with the comparable previous quarter. According to a comparison with the 4th quarter of 2018, GDP increased by 4%. A tangible share of the financial increase came in information and communication. Fishing is also a forestry. The electric power section resumes the manifestation of the negative impact in the increase due to the warm winter. But a tangible positive impact is shown by cleared taxes in production. Informative and communication, economic and insurance work. The added price in the

field of information and communication increased by 28.6%. Added price for the mining industry (Estonia Real GDP Growth [2019 - 2020] [Data & Charts], 2020). Table 1.5 will represent GDP on Estonia.

Table 1.5.

GDP in Estonia in 2019

Index	Value	Period
GDP	30.9 USD billion	2019
Annual GDP growth rate	3.9%	4 sq. / 19
GDP growth rate	0.9%	4 sq. / 19
GDP per capita	19949 USD	2018
GDP at comparable prices	6498 EUR million 7.257 billion USD	4 sq. / 19
GDP per capita PPP	30991 USD	2018
GDP from agriculture	172 EUR million 0.192 billion USD	4 sq. / 19
GDP from construction	401 EUR million 0.448 billion USD	4 sq. / 19
GDP from production	795 EUR million 0.888 billion USD	4 sq. / 19

GDP from mining	73.92 EUR million 0.083 billion USD	4 sq. / 19
GDP from services	84.77 EUR million 0.095 billion USD	4 sq. / 19
GDP from transport	530 EUR million 0.592 billion USD	4 sq. / 19

Source: WorldBank.com

CHAPTER 2. ANALYSIS OF INVESTMENT CLIMATE IN ESTONIA

Section 2.1. Legislation of the country and restrictions

A bit of economic geography. Located on the Baltic Sea, a country with an area of 45,227 km² (similar in size to Denmark or the Netherlands) with a population of 1.31 million (69% of Estonians, 25% of Russian speakers) occupies a leading position in the ratings of Economic Freedom, Ease of Doing Business, and Cross-border trade and FDI inflows. The country with the lowest level of public debt in Europe owes an economic miracle to its geographical location, tax reform, and lack of access to significant natural resources. It was the last factor that predetermined the structure of the Estonian economy: 65% of the able-bodied population of this Baltic country is involved in the services sector. The country has developed banking services, insurance, and other financial services are available, including classic factoring and trade finance. An equally noteworthy and enviable business option is the fact that Estonia is literally an e-state. Electronic document management is implemented here both at the level of relations between a private person and the state and between private individuals.

How can Estonia be attractive for business?

Incorporation (creation of a legal entity - a private company) takes place in Estonia according to a very simple procedure. Registration of the company, if its future participants have an identifying digital signature (e-residency), can be carried out independently in the Commercial Register via the Internet or use the services of the so-called Agents, which are ordinary notaries. On the Internet, you can register a company in just 20 minutes. The most common legal form is a private limited company (Osahing, or OU). The authorized capital of such a company is at least 2500 euros. It is divided into shares with a minimum nominal value of 1 euro. A company may have one or more participants - a private legal entity or an individual. The participant can form the authorized capital in the declared amount within one calendar year from the moment the company was established. The participant (s) of the company is responsible for the

obligations of the latter within the limits of its contribution to the authorized capital. If the authorized capital is not paid by the participant in the declared amount, the participant is liable for the obligations of the company, but within the declared share. It is worth noting separately that there are no restrictions on the origin of the participant (his citizenship, place of registration) in Estonia. Members of the company originating from outside Estonia have equal rights along with domestic investors. The only difference is that foreign participants are required to disclose their e-mail and home address in the Commercial Register. The country has a rule of declaring the real beneficiary of the company.

The most interesting thing in Estonia is its tax system. Let's start with the tax residency of a legal entity. A legal entity is a resident if it is established on the basis of Estonian law. This situation is fundamentally different from jurisdictions such as Cyprus, Germany, and Holland. In these countries, tax residency is determined by the location of company management bodies competent to make managerial decisions. Such an unpretentious circumstance requires mandatory inclusion in the composition of the governing bodies of the residents of these countries who permanently reside there, the so-called nominal directors. It is very colorful and long to talk about how difficult and expensive it is to comply with these requirements in the context of BEPS and the EU Directive regarding the prevention of tax evasion.

Our store will be located in the city of Tartu, now known as the city of students. This location has been specially selected for our store. We will also arrange our products based mainly on the student segment. The most popular genres among students are science fiction and novels, just as you can't forget about comics and fairy tales that will attract a younger audience. Our location will be almost in the center of the city, on Kalevi street, also 5 higher institutions are located not far from this street, which will be very beneficial for our business (Estonia introduces tough new restrictions, 2020).

2.2. The main threats to doing business in Estonia

So, in order to start a business in Estonia, you need to:

If you want to organize a limited liability company (OÜ) and you (or any other founder) have the opportunity to sign documents with an electronic signature, you can go through the online registration procedure on a specialized portal for registering companies. Following the instructions on the website, draw up the charter of the company on the basis of the template and pay the registration fee within 145 euros.

If you do not have an electronic signature, the registration of the company goes through a notary public who prepares all the documentation for you. To do this, you need to provide the following package of documents:

- memorandum and articles of association;
- statement;
- a bank statement on making the amount of the minimum authorized capital;
- receipt of payment of state duty for company registration based on these documents, the notary will register your company. The procedure will take two or three days. In addition, it will be necessary to provide identification documents, signatures, and additional information, in particular, the legal address of the company, which in some cases can be the home address.

If you prefer to work as an individual entrepreneur (FIE), then you can register as a notary public or electronically with a digital identification card (ID-card). The state fee in this case will be lower by 13 euros.

Legal obligations and liability of the business owner

If your company's turnover is high, you may need to register as a VAT payer. This is a prerequisite for companies whose annual taxable turnover exceeds 16,000 euros. In certain circumstances, when the company's turnover is below the established limit, this condition is even beneficial. The business structure of the company does not affect the requirement to register as a VAT payer (Indēvics, 2020).

You can pay income tax in Estonia via the Internet using an ID card. If the business structure of your enterprise implies limited liability, then taxes are paid through the

company at the time of submission of annual reports. However, this does not apply to personal tax liability. If you are an individual entrepreneur, then income tax is paid in conjunction with other personal tax obligations in a single expression.

The Estonian government continues to welcome the activities of foreign investors and entrepreneurs, offering a number of initiatives that allow foreigners to better adapt in the country. The Estonian Investment Agency provides new business owners with extensive information and useful contacts. The e-Estonia program provides an opportunity for people living outside Estonia to obtain electronic residency in this country, which allows starting a business in Estonia.

Even if starting your own business seems a daunting task for you, Estonia can rightly be called the most suitable place to develop your business. When planning actions and some degree of luck, your business will be provided with a successful launch. (Zelmenis, 2020)

2.3. Import and export activities in Estonia

As a member of the European Union, import and export procedures completed by Estonian companies are subject to simple requirements. The goods originating from other EU member states do not require any special license and are not subject to customs declarations with the Customs. These also benefit from various advantages under the intra-Community VAT and Intrastat regulations.

Even so, Estonian companies will be subject to simplified procedures based on their EORI numbers. Foreign companies can also obtain EORI numbers in Estonia provided that their first customs operations on EU territory are completed in Estonia.

When it comes to importing or exporting goods originating from non-EU states in/out of Estonia, different requirements apply in terms of licensing. In most cases, specific documentation must accompany the merchandise.

Among these we mention the following the Entry Summary Declaration (ENS) and the Single Administrative Document (SAD). It is also possible for the merchandise to be stored in Customs warehouses until the documentation is issued.

For certain products, such as perishable foodstuff and meat products, certificates of origin are required. In certain cases, the invoices and information about the quantity of products must be declared with the Customs. It is also important to note that where special import or export activities are required, the licenses that accompany the merchandise must be obtained for every operation.

Estonian import/export procedures are completed in accordance with the Union Customs Code which also implies supervision of the merchandise from the entry to the exit in/out of the country. Also, customs and excise duties must be considered when importing or exporting goods in/from Estonia.

If you need more information on import/export procedures applicable here, our Estonian company formation representatives can guide you (Imports and Exports in Estonia, 2020).

Estonia's exports

Estonia exports both services (representing about a third of all exports) and goods. Among the most popular such services are transportation, travel, business, IT and communication services. The Estonian exported goods vary from food products to machinery and equipment, mineral products, agricultural products, wood (wood products) and metals (metal products).

The top products exported by Estonia are telephones (15%), refined petroleum (12%), cars (2.0%), scrap iron (1.8).

The most significant export partners for Estonia are the Scandinavian countries: Finland and Sweden, covering 18% and 14% of the Estonian trading market. Most exports go to Germany, Russia, Latvia, Lithuania, and the US. According to the National Statistics Office, Estonia's exports increased to 12,861 million euros at the end of 2017. The first half this year brought more than 11 million euros to the country's economy (Estonia, 2020).

Export procedures in Estonia

With respect the export procedures Estonian companies must respect, we remind the following:

- - the company must file a declaration related to the exported products with the Customs;
- - the products must also be accompanied by the certificate of origin and commercial invoice;
- - certain products are exempt from customs duties if exported to EU countries;
- - the company will need to obtain special export permits for certain categories of goods.

Estonia is a member of the World Trade Organization which implies various benefits to local trading companies. These companies are also required to apply for Estonia VAT registration.

Importing in Estonia

Same as in the exports case, the Estonian imports include food products, engineering and machinery products, mineral and agricultural products; as for services the transportation and travel ones are the main imported services.

The top imported products are: refined petroleum (17%), telephones (5.1%), cars (3.5%), integrated circuits (1.6%) and packaged medicaments (1.5%).

The main importing partners for Estonia are Finland (13% of the total), Latvia and Sweden (11% from each).

Imports in Estonia had a total value of 14,733 million euros, while during the first half of 2018 imports have reached more than 13 million euros.

Import procedures in Estonia

As mentioned above, Estonian trading companies must comply with certain procedures related to the import of goods into the country. The Estonian Customs authorities will apply certain tariffs, depending on the types of goods imported by companies, however:

- - no customs duties apply for goods from other EU countries entering Estonia;
- - an intrastate declaration must be filed by the company with the Customs;
- - the Common Customs Tariff will apply for goods imported from non-EU countries;
- - the customs duties applied to goods imported from non-EU states are quite low.

The following documents must accompany imported products in Estonia:

- - the commercial invoice of the product must be delivered by the importer;
- - the certificate of origin is also required when importing goods into Estonia;
- - the specific duties must be paid by the importer.

Among the duties to be paid, we remind the VAT, the customs duties and the excise duties (trade — Estonia, 2020) (Estonia Exports | 1993-2020 Data | 2021-2022 Forecast | Historical | Chart | News, 2020).

Trading statistics in Estonia

2019 was a good year for the trading sector in Estonia. According to the Statistics Office, in 2019:

- - the goods imported into Estonia were valued at 16.1 billion euros;
- - the value of the goods exported from Estonia was 14.4 billion euros;
- - 70% of the goods exported from Estonia were directed to other EU states (including the UK);
- - 79% of the goods imported into the country came from other EU member states;
- - Estonia exported goods to 183 countries and imported from 145 countries all over the world.

2.4. The main directions of foreign policy and foreign economic policy of the Estonia

While speaking of the directions of Estonia's foreign economic policy priorities in the context of our foreign relations, the Government considers the following to be of importance:

First -- to continue providing Estonian enterprises with a favorable foreign economic policy environment through the conclusion of economic agreements. In this regard, we must take into consideration that many prospective markets are already available to Estonia and the rate at which new bilateral economic agreements are concluded will slow down. The main emphasis will shift toward a deepening of economic integration. The continuation of accession negotiations with the European Union remains the focus of work in this direction.

Second -- Estonia must secure its positions in order to avoid discriminative treatment in international trade. To achieve this, Estonia will have to conclude negotiations with the WTO and join this organization.

For the further development of international economic co-operation, especially for the deepening of the economic scope transatlantic integration, we must join the Organization for Economic Co-operation and Development in the future.

Third -- we must expand the number of our nation's trade partners and diversify the structure of Estonian export. To this end, we must extend the nation's economic geography and direct our export to new, unexploited markets. This would enhance Estonian market stability in the long run.

Fourth -- the different subsidies being given to exporting enterprises must be incorporated into an integral system. However, these subsidies must meet international obligations assumed by Estonia and take into account the boundaries acceptable to the World Trade Organization.

Fifth - diplomatic efforts aimed at bringing foreign investments to the nation's economy must continue.

Regarding the last point, co-operation between the Ministry of Economic Affairs, the Foreign Investments Board and the Ministry of Foreign Affairs is important. The conclusion of agreements on the protection and promotion of investments and their implementation will make the domestic investment environment safer. Bringing new investments to Estonia is also a means of improving the nation's export ability.

This is illustrated by the fact that today, enterprises with some foreign capital constitute more than half of Estonia's exporters.

By helping generate investments and mediate export, the Estonian embassies have an important role. As the number of economic diplomats abroad is constrained by our small size, then their activities in mediating business relations and economic

information should coincide, as much as possible, with the general patterns of Estonian export (trade — Estonia, 2020).

Western Europe

To the southwest of the Baltic Sea lie the countries of the western flank of the European Union -- the United Kingdom, France, the Netherlands et al. These countries account for close to 10 percent of Estonia's trading activity. All essential economic agreements have been concluded with these countries. Trade has significantly grown with the United Kingdom, having quadrupled within the last three years and it constitutes almost EEK 3.4 billion. As such, the United Kingdom is Estonia's seventh most important foreign trade partner. In addition, the share of British investments in the Estonian economy has steadily grown over the years. This development should be further promoted by the Estonian Investment Agency which opened a branch in London last February.

Esteemed members of parliament,

Central Europe

earlier I stressed the potential of Central European markets for Estonia. However, actual economic ties with these countries have been regrettably modest to date. The share of Poland, Hungary, the Czech Republic, the Slovak Republic and Slovenia in Estonia's foreign trade turnover last year was only 1.8 percent, while the import exceeded the export by almost 3.5 times. The share of export should be increased in the near future with the help of free trade agreements to be concluded with Poland, and hopefully also with Hungary. Free trade agreements have already been concluded with the Czech Republic, the Slovak Republic and Slovenia.

The share of the Central European countries should ideally be approximately 20 percent of our trade turnover. In order to achieve this percentage we have to work for years, but the setting such a goal is in itself realistic. When considering the balance between price and quality, it is easier for Estonia's main export articles -- pulp, chemical and textile products -- to compete in these markets. Geographically, the aforementioned markets are significantly closer than the markets of Western Europe, and reduction of the transport costs is essential to our exporters. Consumers in Central European countries are just beginning to shape their preferences and they are more open to new products than in the countries of the west. The importance of these countries as prospective members of the European Union we already made a reference to.

Ukraine

The share of Ukraine B a country bordering on the Central European countries - in the Estonian foreign trade balance was 2.6 percent last year. Even so, the economic relations between Estonia and Ukraine are resting on a solid contractual foundation. 13 economic agreements have been concluded. An agreement for combating economic crime will be concluded in the near future. Of course, the bilateral free trade agreement remains the most important economic agreement between our countries.

This agreement has been very fruitful, but since its enforcement the interpretation of some articles of the agreement and their implementation by the Ukrainian side have created controversy. Raising these problems at the highest level of the bilateral relations has not led to results. Now the ministries of justice of the two countries have formed a joint task force, to look through the controversial articles and the respective violations again. Based on an expert's opinion to be formed, a new institution called the joint committee of the bilateral free trade agreement will seek solutions.

Mediterranean countries

Trade with the Mediterranean countries has grown proportionally to the growth of Estonia's export-import capacity.

1997 was especially fruitful in terms of concluding economic agreements with countries of this region -- 13 were signed.

In addition, the free trade agreement with Turkey will come into force on July 1st of this year. This agreement opens the gate for the Estonian products to an expanding market of almost 60 million people.

USA

Estonia's most important economic partner outside Europe is the United States. In terms of investments placed in Estonia, USA places third and a general trade turnover of EEK 3.1 billion places USA eighth among our partners.

The first meeting of the working group for bilateral economic consultations provided in the US-Baltic Charter took place this past May in Washington. At this meeting a solution was sought for allowing computer programs on the US protected list to be sold in Estonia. The meeting confirmed the mutual faith in the effectiveness of consultations to take place within the framework of the partnership charter in the future.

Economic relations with the countries of Asia

Up to the Luxembourg EU summit, the issues related to the Union overwhelmingly dominated Estonia's foreign policy. In 1998, various ministries and departments have intensified relations with developing East Asian countries. However, the potential for developing relations has been somewhat reduced by the financial crisis that erupted in this region in the second half of last year.

In the Asian region, Estonia's closest relations are with China and Japan. These are economically the strongest countries of the region and Estonia has diplomatic missions in both. In May, during my official visit China, I signed an agreement for the avoidance of double taxation. Following its enforcement, China with its 1.2 billion people will become the first Asian country that affords Estonian enterprises protection in terms of agreements for the avoidance of double taxation and investment protection. This creates new ground for the further development of bilateral relations. Taking into account the small size of the Estonian market and its present export structure, the greatest potential for co-operation with China is in the area of transit and re-transit. These are also the areas for possible investment. The first steps to develop a transit center have been taken during recent months. A protocol for co-operation has been concluded between the Estonian railway and the Shanghai railway (Home - Trade with Estonia, 2020).

Japan

With Japan our economic relations are intensifying. Today, there are relatively few Japanese investments in Estonia and the trade level is low, yet a rise of interest is emerging towards investment in the Estonian economic environment. In May, Estonia was visited by a high level delegation of the Keidanren Federation of Japan's economic organizations. The federation embraces Japan's big corporations that provide Japan with 70 percent of the industrial production. We have to keep in mind that Asian investment is usually the result of long and continuous work, as well as good personal contacts.

Honored Speaker, esteemed members of the Riigikogu,

Estonia's foreign economic policy has since 1991 actively utilized all means and opportunities available through international law to create the greatest possible access to the global market for Estonian producers and exporters. This process is not over yet, but our existing priorities need to be re-defined. On one hand, this entails our support of

deepening economic integration. In this context, the economic significance of joining the European Union is extremely important to Estonia.

On the other hand, we have now sufficient data and experience to understand the need for diversifying the existing structure and geography of Estonian export. According to the rules of a liberalizing world economy, this means that the struggle to find a market niche for individual products must be based on the general growth of the competitiveness of our economy and work force. For this we need ideas, resources and good insight into the rules of the global economy.

All of these ingredients are already available in Estonia. It is the Government's responsibility, in tandem with the private enterprises, to make use of them. However, only the Riigikogu can secure popular support for the tasks set out in this report, and to balance these tasks with the other priorities of Estonian society.

To analyze the country's investment climate, we need to describe the following topics: economy, political situation, business industry indicators (start of a business, the number of taxes and their percentage, analysis of the country's labor structure)(Estonia Foreign Direct Investment [2008 - 2020]).

2.5 Assessment of the investment climate in Estonia

It should be admitted that Estonia is a one of the members of European Union, which is one of the biggest economies in nowadays. Due to this, it could achieve access not only to the country that are in this union, but all countries in the World, because the standards of this market is very high to enter and to follow. This means that potential investors can benefit from the following:

- * European state programs
- * Social Security Funds
- * Investment funds
- * Free movement of goods and services

* Single currency

FDI in numbers

Estonia is disclosed for the purpose of direct foreign investment in 2018. Net FDI inflows raised \$1.3 billion from the United States of America, which implies a slight decrease compared to the previous year (\$1.7 billion from the United States of America). Targeted at 24.3 bln \$. The United States of America, the uniform size of FDI is 80.3% state product (UNCTAD 2019 World Investment Report). According to the OECD, a significant share of FDI is concentrated in the economic and insurance work (28.6%), real estate (17%) and the cultivation industry (13.1%). The main investor states are Sweden (27.7%), Finland (22.3%), the Netherlands (7.7%) and Lithuania (4.5%) (Estonia?, 2020).

As well as in the case of other small states with an open economy, in order to strengthen the financial growth of Estonia, a continuous flow of foreign investments is needed. The state has a legislative framework aimed at creating business, and in the most spacious sense, a friendly business orientation reigns in the Estonian world, which is considered to be the formulation of the state's absolute integration into the normative production chain, in which Estonian subsidiaries often carry out outsourcing functions, with the goal of Scandinavian source firms. The state is highly formed in the areas of IT, biotechnology and the greenish industry, which are attractive for FDI. A balanced state budget (constitutionally secure), an independent trade procedure, a fully convertible monetary unit, and a competitive banking section are also suitable for investment purposes and have contributed to the prosperity of the state (Foreign direct investment (FDI) in Estonia - Investing - Nordea Trade Portal, 2020). You could see the FDI numbers in the Table1.1.

Table 1.1.

Foreign Direct Investment

Foreign Direct Investment	2017	2018	2019
FDI Inward Flow (<i>million USD</i>)	1,096	1,712	1,309

Foreign Direct Investment	2017	2018	2019
FDI Stock (<i>million USD</i>)	19,741	23,896	24,342
Number of Greenfield Investments***	18	13	25
FDI Inwards (<i>in % of GFCF****</i>)	17.1	n/a	n/a
FDI Stock (<i>in % of GDP</i>)	83.0	n/a	n/a

Source: WorldBank.com

What you need to consider if you invest in Estonia?

Strengths

The main advantages of the state are:

- One of the freest economies in society
- Municipal unmeasured in staying a balance with a very low degree of debt
- A very suitable business sphere, concentrated by independent and strong institutions
- All Exclusion of invested collective income is released from income tax
- Geographical state, which determines it at the crossroads of Europe also of the Russian Federation
- Effective international relations are secured by state membership in the European Union.

Sensitive places

The main weaknesses of the state are:

- The insignificant volume of domestic bargaining creates it especially susceptible to external shocks
- Significant energy interdependence with the Russian Federation as well as its import from Finland as well as Sweden.
- The lowest purchasing power than in other states of the region.

According to the stimulation or limitation of direct foreign investments from the point of view of investments, trade, government intervention is also fair property, this country developed political situation, which is considered one of the freest in Europe (2020).

The amount of tax on the income of firms is relatively low comparing with other states of Nordic Europe, which is considered one from the powerful regions of the Europe. In the targets of companies' approval as well as attracting direct foreign investments, all invested collective income gets rid of income tax. In addition, the authority to decide in the period 2015-2020 to highlight the special interest of entrepreneurship is also trying to form a highly competitive sphere, in which it is easy to form as well as improve its own entrepreneurship(Estonia: FDI outward flows 2018 | Statista, 2020).

SECTION 3. CALCULATION PART

3.1. Analysis of the bookshop market in Tartu.

According to the widespread of the Internet there are more literature we could find in the Internet, according to the latest statistics approximately 80% of young people prefer to read books online. However, the bookshops did not lose their places and have their customers, one of the facts that students like to read and make notes in the real books is playing a big role in this business.

The city that was chosen is well known for their students. Right now we could find only 10 bookstores with population about 100 thousands of people. As we could see, the market of this sphere is not free, but we could find there not very big competition. In the case we could see the result of good competition, which could be aimed to different segments.

3.2. Calculation of expected income and assessment of the economic attractiveness of the investment project

The bookstore is located in the center of Tartu, also known as the city of students. The size of the leased premises reaches 50 m². The lease agreement is concluded for 5 years with the possibility of extension. The room complies with all sanitary and legal standards.

A room for staff will be allocated in the store, the size of the room will be 10 m². The price for a standard book is 15 EUR per unit; comics - 10 EUR; fairy tales 20- EUR. Maximum store capacity 10,000 copies. Includes free Wi-Fi.

In the first year, from calculations, it is planned that more than 1000 visitors will visit the store per month, of which 400 will be buyers. Under the conditions that the average buyer takes three units of goods with him, each month the store will additionally purchase 1,200 units of goods in demand. The greatest growth in demand will be in the autumn period, since during this period studies with students begin. The decline in demand for books will be made in the summer, but at the same time, on average, a

purchase will leave at least 500 units of goods every month. This period will be allocated to improve the store and sort the goods.

The store will be equipped with: bookcases, a riser for the administrator, 3 sofas one and a half meters long, a table 3 meters long and accompanying chairs. A place for staff will contain a mini kitchen, refrigerator, toilet and a place to store their belongings.

We also need to calculate all data. All the next tables were created by myself.

It is planned to raise investment capital at the expense of the project investor's own funds (20,000) and borrowed capital (56,000) - a bank loan (2.6% per annum for 1 year). A loan is issued at the Central Bank of Estonia, the credit rate of which is 2.6%. To begin with, you need to calculate the initial investment (Table 3.1.) And the monthly costs of the investor during the year (Table 3.2.)

Table 3.1.

Initial costs

Sphere of investment	Price, EUR
rent space (50m ²)	1 000
cosmetic repairs of the premises	1 500
registration of documents, registration of the enterprise	3 000
mandatory minimum capital	10 000
furniture	5 000
equipping the staff room	2 000
purchase of goods	50 000
accountant's salary	1 500
marketing costs	5 000

TOTAL	76 000
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Table 3.2.

Monthly expenses

Name	Price, EUR
Rent	2 000
Accountant	1500
2 sales consultants (excluding tax)	2*800= 1 600
buying books	5 000
advertising costs	1 000
utility costs	3 000
Loan payments	960
unforeseen costs	1 000
TOTAL for a year * in subsequent years, this amount will not include payment on the loan (\$ 57,456)	19 060*12=228 720
Amortization	1 000
TOTAL	229 720

In order to accurately estimate the costs, you need to consider the amount of amortization of intangible assets (Table 3.3.).

Table 3.3.

Amortization of intangible assets

Name EUR,	1 year	2 year	3 year	4 year
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years				
Furniture 5 thousand, 4 years	$5/4=1,250;$ $5-1,250=3,750$	$4-1,250=$ $2,750$	$3-1,250=$ $1,750$	$1,5-1,250=$ 250
TOTAL, thousand EUR	6 250	6 250	6 250	6 250

3.3. Estimated income calculation and assessment of the economic attractiveness of the investment project.

The potential revenue for the month at the height of the student season is planned (September-December, February-May) 24 thousand EUR. in the summer period it is about 10 thousand EUR. Therefore, the potential annual income is 246 thousand EUR.

There are practically no taxes for foreign investors in Estonia. The uniqueness of the Estonian tax system lies in the absence of income tax from legal entities. More precisely, it is formally there, but it is 0%. Of course, this distinguishes Estonian companies from companies located in other European jurisdictions, and makes them essentially onshore. If you do not sell goods or services in Estonia, to individuals in the EU or to companies in the EU without a VAT number, then you have VAT at the rate of 0%. But according to how many employees will be hired among local residents, Estonia has a total 30% interest tax on salaries to local employees (in this case, 2 sellers of a consultant). Therefore, you need to calculate the potential fee including taxes (Figure3.4.).

Figure 3.4.



Source: www.kalkulaator.ee

The deposit rate in the country reaches 2.2%. The inflation rate is 2.6%. Risk correction 10%.

We calculate the discount rate (i):

$$i = (1 + 0.022) * (1 + 0.026) * (1 + 0.10) - 1 = 0,153$$

Now you need to determine if the project is effective. As income grows, expenses will also grow by 5%, respectively, as the costs of supplying and maintaining new books increase.

It should also be taken into account that for the second and third years of activity, we no longer pay the loan. However, our amount (\$ 442,410) will increase by 5% annually.

You can also immediately calculate the net profit, for this you need to subtract the costs from the income (table. 3.5.).

Table. 3.5

Investment efficiency

Indicators	Year			
	0	1	2	3
Investments USD	76 000	-	-	-
Annual income USD	-	246 000	258 300	271 215
Annual costs of USD	-	229 720	218 234	207 322
Net income USD	-	15 280	40 006	63 883

Calculate the discount rate:

The first year: $1 / 1,153 = 0.86$;

Second year: $1 / 1.1532 = 0.75$;

Third year: $1 / 1.1533 = 0.56$.

Cash flows (1) = depreciation + net income.

First year: $1,000 + 15,280 = 16,280$;

Second year: $1,000 + 40,006 = 41,006$;

Third year: $1,000 + 63,883 = 64,883$.

Discounted cash flows (2) = cash flows (1) * discount rate

The first year $16\,280 * 0.86 = 14\,000.8$

Second year: $41\,006 * 0.75 = 30\,754.5$

Third year: $63\,883 * 0.56 = 35\,774.48$

In order to determine whether a project is effective, it is necessary to calculate its net present value (NPV), payback period and profitability index.

NPV = the amount of discounted cash flows of the Investment.

$$\begin{aligned} \text{NPV} &= 14\,000.8 + 30\,754.5 + 35\,774.48 - 76\,000 = 80\,529.78 - 76\,000 = \\ &= 4,529.78 \end{aligned}$$

Since $\text{NPV} > 0$, then, according to this indicator, the project can be recommended for investment.

Now we can calculate the profitability index (PI), which characterizes the efficiency of investment. The higher this figure, the more appropriate the project.

Profitability index is a discounted cash flow divided by investments:

$$\text{PI} = 80\,529.78 / 76\,000 = 1.05$$

$\text{PI} > 1$, therefore, this project should be accepted.

Now let's calculate the payback period of our shop.

Payback period (PP) = is an investment divided by the average annual discounted income.

$$\text{PP} = 150,000 / (262,993.74 / 3) = 26,843.26 = 2.8$$

This means that in almost 3 years this business will pay for itself.

Thus, relying on all the calculations, we can conclude that opening a business in the form of a bookstore will not be very profitable under such conditions, but completely reliable.

The project can make a profit even faster if the investor has his own funds, since for the first year of work, we gave out the loan capital of the bank. Also, profits can increase if you pay more attention to advertising. However, over time, more and more students and residents will learn about our store, and it is likely that already in the fourth year of operation, profits will not grow by 5% annually, but by at least 7%. However, along with this, costs will increase, but in any case, the project will be profitable.

Conclusion

Before making international investments, the investor must evaluate all the advantages and disadvantages of the country in which he wants to carry out his activities.

Estonia is considered one of the most stable powers, which has shown a real example of the formation of fiscal policy and the development of small sectors of the economy. During the time of the World Crisis, the state mated relatively easily with problems compared to neighboring countries, including the Baltic States. Having quickly restored its economic structure, Estonia has finally fully entered the ranks of the European Union, which has been striving for many years since its independence. Despite the fact that territorially Estonia is one of the smallest Baltic countries, its economy shows considerable results and stable growth. In terms of economic freedom, the country is in the ranking of the best. The conservative budget methodology was used in the republic in the first years after joining the European Union. As a result of this, Estonia managed to survive the serious material problems that arose in 2008 during the crisis without taking loans, while it was extremely difficult for all other neighboring countries to abandon foreign investments.

The country is doing everything possible to promote international investment, as this is additional funds to the budget. Here, most taxes are absent, fairly simple and understandable rules for doing business, there is no corruption, but there is a reputation as a reliable and wealthy country in which at least once the investor dreamed of carrying out his activities.

An analysis of the investment climate has confirmed that Estonia is a very good choice for investment, especially for one as small as in our case. However, the investor also make calculations in advance, assess possible expenses and income, and much more before investing. So, after making the necessary calculations for our project, it was decided that opening a bookstore in Tartu is a very reliable idea. Having invested 76,000 euros in the project, the investor will be able to fully recoup it in 3 years. This is

provided that the investor has taken a loan. And in case the store is opened at its own expense, the project will pay off even faster.

An increase in demand for print media leads to an annual profit growth of 5%. This is only in the first years of work. Starting from the fourth year of operation, the owner of a bookstore can count on the fact that the number of hard copies sold will only increase, and therefore the annual profit will increase by at least 7%. Along with this, of course, expenses will increase, however, revenues cover all costs, and therefore, the shop is efficient and profitable.

Thus, summing up all of the above, we can conclude that opening a business, namely a bookstore in Tartu or in the country as a whole, is a rather profitable idea. Of course, there are certain risks and obstacles, however, on the part of the authorities of this country, everything possible is being done so that the investor feels confident and can successfully conduct business, replenishing the state budget. However, the investor, for its part, must comply with all laws and not go past them. It is then that he will be able to turn his idea into reality, and business into permanent profit.

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