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THE INTERNATIONALIZATION PROCESS OF THE LARGEST BALTIC CORPORATIONS

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Abstract. A relatively high percentage of Baltic corporations have already started their operations abroad, over 40% of the companies studied. It is surprising that the approaching EU membership docs not seem to be the driving force of the Baltic corporations' internationalization, though the EU is clearly the major export destination. The empirical evidence shows that the operations of the Baltic companies in foreign markets, have concentrated on the ex-CMEA countries, especially on the former USSR. The empirical data indicates that most of the operations abroad are related to marketing, such as the foundation of their own representative office or their own sales unit in a foreign market.

Keywords: Baltic States, international business, internationalization, REM-model, Estonia, Latvia, Lithuania

1. Introduction

The Baltic States are very small. Their population, even combined, is only 7.5 million, which is less than the population of Austria. The small size of the Baltic economies becomes emphasized, when their GDP is analyzed. In 2000, the GDP of all the three Baltic States, measured at purchasing power parity (PPP) was some USD 60 billion. Even the GDP of Ireland (USD 82 billion), which is among the least wealthy of EU members, is higher than the total Baltic GDP. Finland's GDP was some double that of the whole Baltics [1].

The small size of their economy obviously pushes Baltic companies abroad. Clear evidence of Baltic firms' internationalization at the macrocconomic level is the high exports-GDP ratio. In 2000, the exports of goods and services were some 45-96% compared to the GDP, depending on the Baltic State in question [2]; [3]; [4]).[1]

In 1990, the overwhelming majority of the Baltic States' foreign trade was directed to other socialist countries. Then, the CMEA covered over 90% of the Baltic States' exports [5]. Ten years later, the direction of the foreign trade has reversed almost completely. In 2000, the EU was the main trade partner of the Baltic States. Exports to the EU covered some 65% of the Estonian exports. The respective share in Latvia was close to that of Estonia, but in Lithuania the EU share was remarkably lower, less than 50%. Also the imports from the EU are significant. The EU represented roughly 45-75% of the Baltic countries' imports, Estonia being the most dependent and Lithuania the least dependent on the imports from the EU.

Whilst the EU's importance in Baltic foreign trade has grown rapidly, the dependence on Russian trade has declined. In 2000, Russia covered only 2-7% of the Baltic exports, Estonia being the least Russia-oriented and Lithuania the most Russia-oriented. Russia's proportion of Baltic imports is considerably higher than that of their exports. In Lithuania, the dependence on imports from Russia is by far the highest, almost 30%. In Estonia and Latvia, Russia formed just some 10% of the total imports [6]; [7]; [8].

[1] According to the Economist Intelligence Unit, the exports/GDP ratio was in Estonia 96.5%, while in Latvia it was 45.8%, and in Lithuania 45.5%, respectively (EIU 2001a; 2001b; 2001c).

Besides foreign trade flows, the foreign direct investment (FDI) inflows verify that the Baltic countries are open economies. In 1999, the FDI-inflow represented 4-5% of the Baltic GDP. The Baltic States have attracted much more FDI per capita than other ex-Soviet republics. The cumulative FDI inflow per capita during 1989-1999 in the Baltic States was over USD 750, whilst in other formerly Soviet republics it was less than USD 150 [9].

Finland and Sweden are the most important investor countries in Estonia, where they together formed some 70% of the Estonian FDI stock in 2000. Denmark, in turn, is the biggest investor both in Latvia and Lithuania. The Baltic States covered only a modest part of the FDI in another Baltic State. Only Estonia managed to climb among the top 10 investor countries with approximately a 6% FDI stake both in Latvia and Lithuania [10]; [11].

The FDI has supported the recovery of the Baltic States from the transition slump and has enhanced the improvement of enterprise competitiveness both directly (foreign owner impact) and indirectly (via competition or copying competitiveness). Along with the development of their competitiveness, the Baltic companies have not only intensified their export activities, but they have begun to invest outside their home market.

As the authors were not able to find any comprehensive report on the outward investments from the Baltic States, it is impossible to state how much the Baltic companies have already invested abroad. Even without any investigation concerning outward investments from the Baltic States, it can be rather safely stated that investment inflows to the Baltic States are still larger than the investment outflows from the Baltic States. Although the investment outflow is insignificant when compared to the investment inflow, some single Baltic companies have already shifted a great share of their assets abroad. In fact, a Latvian company was ranked the second most transnational company among the Central and East European firms in 1999 (see Table 1).

Though only one Baltic company reached the top 25 list, the importance of the monitoring the Baltic companies' expansion abroad becomes emphasised, due to the accelerating globalization of business. The Baltic corporations cannot simply afford to underestimate the pressures created by globalization.

2. The REM Internationalization Model

The REM model is comprised of three main components: (1) the R-factor - reason to internationalize; (2) the E-factor - environmental selection; and (3) the M-factor - modal choice.

Table 1. Top 25 Non-Financial Transnational Corporation based in Central Eastern Europe (ranked by foreign assets, 1999). Source: [12]

CORPORATION	COUNTRY	INDUSTRY	ASSETS (USD mn)		SALES (USD mn)		EMPLOYMENT (Empl. number)		TNI [1] (%)
			FOREIGN	TOTAL	FOREIGN	TOTAL	FOREIGN	TOTAL	
1. Lukoil Oil Co.	Russia	Petroleum & gas	3 236.0	8 422.0	4 642.0	10 903.0	10000	120 000	30
2. Latvian Shipping Company	**Latvia**	**Transportation**	**459.0**	**470,0**	**191.0**	**191.0**	1 **124**	1 **748**	87
3. Hrvatska Elektroprivreda	Croatia	Energy	296.0	2 524.0	**10.0**	780.0		15 877	4
4 Podravka Group	Croatia	Food & pharmac.	285.9	477.1	119.4	390.2	501	6 898	33
5. Primorsk Shipping Co.	Russia	Transportation	256.4	444.1	85.3	116.5	1 308	2777	59
6. Gorenje Group	Slovenia	Domestic applian.	236.3	618.1	593.3	1 120.6	590	6 691	33
7. Far Eastern Shipping Co.	Russia	Transportation	236.0	5850	134.0	183.0	263	8 873	39
8. Pliva Group	Croatia	Pharmaceuticals	181.8	915.9	3847	587.6	2 645	7 857	40
9. TVK Ltd *	Hungary	Chemicals	175.4	553.2	248.9	394.3	927	5 225	38
10. Motokov	Czech Rep.	Trade	163 6	262.5	260.2	349.1	576	1 000	65
11. Skoda Group Plzen	Czech Rep	Diversified	139.1	973.4	150.7	1 244.5	1 073	19 830	11
12. Atlanska Plovidba	Croatia	Transportation	138.0	154.0	46.0	46.0		509	63
13 MOL Hungarian Oil & Gas	Hungary	Petroleum & gas	126.3	3 131.0	582.4	3 129.6	833	20 684	9
14. Krka	Slovenia	Pharmaceuticals	120.7	447.0	209.0	283.0	429	3 218	38
15. Adria Airways	Slovenia	Transportation	116.3	129.2	103.4	104.6	19	597	64
16. Petrol	Slovenia	Petroleum & gas	90.4	574.9	105.7	924.4	75	2 356	10
17. Slovnaft *	Slovakia	Petroleum & gas	82.8	1 367.1	627.5	1 035.7	119	7 540	23
18. Zalakeramia	Hungary	Clay product	69.0	125.0	39.0	64.0	2 022	3066	61
19. Matador	Slovakia	Rubber & plastics	51.9	305.0	34.0	203.4	5	3 878	11
20 Malev Hungarian Airlines	Hungary	Transportation	43.3	206.3	274.1	367.5	49	3 162	32
21 KGHM Polska Miedz	Poland	Mining	34.0	1266.0	265.0	1 155.0	25	28 300	9
22. Croatia Airlines	Croatia	Transportation	29.9	288.6	60.2	77.9	39	842	31
23 Elektrim	Poland	Diversified	21.0	1 228.0	42.0	874.0	62	26 475	2
24. Petrom National Oil Co.	Romania	Petroleum & gas	19.0	2 970.0	211.0	2041.0	67	82 054	4
25 Intereuropa	Slovenia	Trade	16.0	168.0	17.0	136.0	511	2 103	15

[1] The TNI, the transnational try index, is calculated as the average of three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment (see EBRD, 2000). * TVK and Slovnaft have been taken over by MOL.

The R-factor: a reason for internationalization creates the foundation of the REM model, as it answers why a firm decides to internationalize in the first place. According to [13], some companies internationalize due to external motives, for instance, their rivals and customers' operations have become global. There is also evidence that internal factors, such as a goal to increase the firm's profitability, push enterprises to begin their internationalization [14].

The E-factor: the environment selection stands for the choice of business environment(s). As national borders arc disappearing out of the way of various free trade areas or economic unions, the environment seems to be a more appropriate term than that of country or location [15].

There are a multitude of factors, which influence environment selection. [16] describes some variables influencing the environment selection decision and how the issues behind the decision-making have changed during the 1970s and the 1990s (see Table 2).

The M-factor: the modal choice answers the question of how a firm implements its internationalization. Since neither a universally superior mode nor environment exists, the modal choice depends on the environment selection, and vice versa. The selection between the different modes is influenced by many issues, such as the control requirement, commitment, costs, the value creative potential and the complexity involved, experience, the capabilities and resources possessed,.partner-related risks and national/cultural preferences, the knowledge-sharing policy, and most of all the firm's overall strategy (e.g. [17]; [18]; [19]; [20]; [21]) [22] name various operation modes based on the operation

type and the ownership of production and distribution (see Table 3).

To conclude, the REM model is designed as a simplistic theoretical tool for the analysis of internationalization at the enterprise level. Even if the REM model had been created particularly for the purposes of this research, it might also provide other case studies with an adequate framework to investigate internationalization (see Table 4).

3. Methodology

During the Soviet era, the primary goal of the Baltic corporations was to serve the needs of the whole Soviet economy i.e. the Baltic enterprises' production was large when compared to the size of their economy.

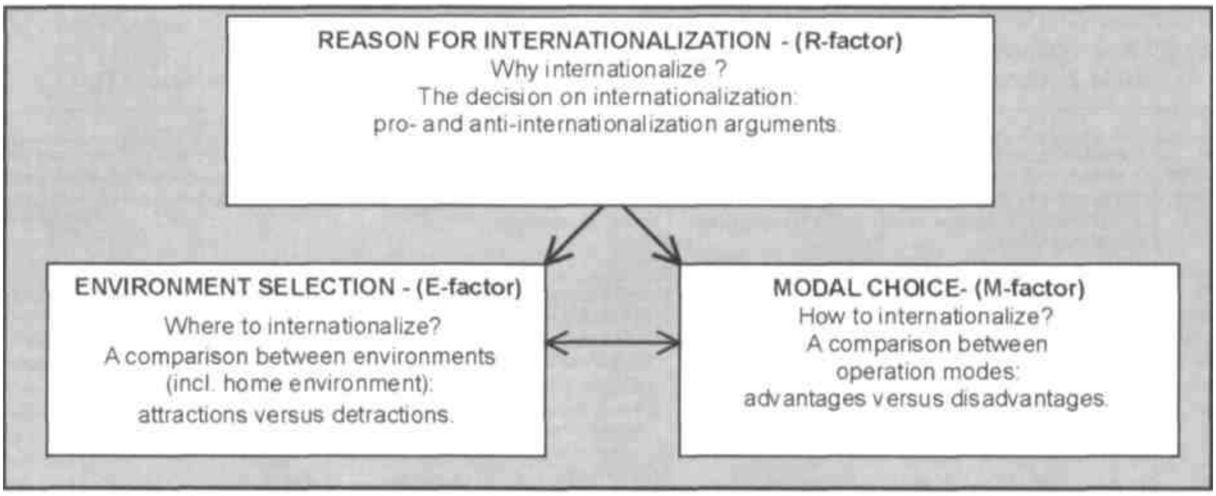
Table 2. Some Variables Influencing Environment Selection in the 1970s and the 1990s. Source [16]

	In the 1970s	In the 1990s
(A) Resource Seeking	1. Availability, price and quality of natural resources. 2 Infrastructure to enable resources to be exploited, and products arising from them to be exported, 3. Government restrictions on FDI and /or on capital and dividend remissions. 4. Investment incentives, e.g., tax holidays.	1. As in the 1970s, but local opportunities for upgrading equality of resources and the processing and transportation of their output is a more important locational incentive. 2. Availability of local partners to jointly promote knowledge and/or capital-intensive resource, exploitation.
(B) Market Seeking	1. Mainly domestic, and occasionally (e.g., in Europe) adjacent regional markets. 2. Real wage costs; material costs. 3. Transport costs; tariff and non-tariff trade barriers. 4. As A3 above, but also (where relevant) privileged access to import licenses.	1. Mostly large and growing domestic markets, and adjacent regional markets (e.g.. NAFTA, EU etc.). 2. Availability and price of skilled and professional labor. 3. Presence and competitiveness of related firms, e.g., leading industrial suppliers. 4. Quality of national and local infrastructure, and institutional competence. 5. Less spatially related market distortions, but increased role of aggbmerative spatial economies and local service support facilities. 6. Macroeconomic and macro-organizational policies as pursued by host governments. 7. Increased need for presence close to users in knowledge-intensive sectors. 8. Growing importance of promotional activities by regional or local development agencies.
(C) Efficiency Seeking	1. Mainty production cost related (e.g., labor, materials, machinery, etc.). 2. Freedom to engage in trade in intermediate and final products. 3. Presence of agglomerative economies, e.g., export processing zones. 4. investment incentives, e.g., tax breaks, accelerated depreciation, grants, subsidized land.	1. As in the 1970s, but more emphasis placed on B2, 3, 4, 5 and 7 above, especially for knowledge-intensive and integrated MNE activities, e.g., R&D and some office functions. 2. Increased role of governments in removing obstacles to restructuring economic activity, and facilitating the upgrading of human resources by appropriate educational and trading programs. 3. Availability of specialized spatial clusters, e.g., science and industrial parks, service support systems etc.; and of specialized factor inputs. Opportunities for initiatives by investing firms; an entrepreneurial environment, and one which encourages competitiveness enhancing cooperation within and between firms.
(D) Strategic Asset Seeking	1. Availability of knowledge-related assets and markets necessary to protect or enhance O specific advantages of investing firms - and at the right price. 2. Institutional and other variables influencing ease or difficulty at which such assets can be acquired by foreign firms.	1. As in the 1970s, but growing geographical dispersion of knowledge-based assets, and need of firms to harness such assets from foreign locations, makes this a more important motive for FDI. 2. The price and availability of "synergistic" assets to foreign investors. 3. Opportunities offered (often by particular sub-national spatial units) for exchange of localized tacit knowledge, ideas and interactive learning. 4. Access to different cultures, institutions and systems; and different consumer demands and preferences.

Table 3. Twelve Entry Modes and Their Variants Source [22]

TYPE	DESCRIPTION	VARIANT
1. Normal FDI	Entrant owns foreign production and distribution facilities.	1.1. Both facilities are greenfield. 1.2. Both facilities are acquired. 1.3. Production is greenfield and distribution is acquired. 1.4. Distribution is greenfield and production is acquired.
2. FDI in production	Entrant owns foreign production but uses independent distribution facilities.	2.1. Production is greenfield. 2.2. Production is acquired.
3. Subcontracting	Entrant owns foreign distribution but uses independent production facilities.	3.1. Distribution is greenfield. 3.2. Distribution is acquired.
4. FDI in distribution	Entrant exports to own distribution facility.	4.1. Distribution is greenfield. 4.2. Distribution is acquired.
5. Exporting/franchising	Entrant exports to independent facility.	
6. Licensing	Entrant transfers technology to independent integrated firm.	
7. Integrated JV	Entrant jointly owns an integrated set of production and distribution facilities.	
8. JV in production	Entrant jointly owns foreign production but uses an independent distribution facility.	
9. JV in distribution	Entrant jointly owns foreign distribution but subcontracts production to an independent facility.	
10. JV exporting	Entrant exports to a jointly owned distribution facility.	
11. FDI/JV combination	Entrant owns foreign production and jointly owns foreign distribution.	11.1. Production is greenfield. 11.2. Production is acquired.
12. JV/FDI combination	Entrant owns foreign distribution and jointly owns foreign production.	12.1. Production is greenfield. 12.2. Production is acquired.

Table 4. The REM Model



Due to the disintegration of the Soviet Union, the Baltic companies' home market diminished dramatically, and the Baltic firms were either forced to adjust their production to domestic demand or to find compensating markets abroad.

As no earlier empirical study has been conducted on the internationalization of Baltic corporations (at least no such study was found), the authors decided to search for an answer to the following research questions:

* To what extent have the largest Baltic companies already moved their operations abroad?
* What are the main driving forces behind the internationalization (R-factor)?
* What are the main target environments of the internationalization (E-factor)?
* What are the main operation modes used (M-factor)?

Due to limited research funds, the researchers were forced to limit the sample size, and thus, they focused the study on the 100 largest companies in each Baltic State. These 300 were selected on the basis of their net turnover/sales.

The authors deliberately decided to focus the study on the largest corporations for three main reasons. First, should the researchers have aimed at random sampling among almost half a million registered business units in the Baltic States, the outcome of the study would most probably have been less successful, because a large proportion of the registered enterprises do not operate. This would inevitably have caused an enormous non-response. Secondly, smaller companies have usually less need, resources or skills for their internationalization. This would most probably have resulted in a great percentage of those answers indicating that the firm has not yet started its internationalization. Thirdly, the investigation was focused on the largest companies, due to their economic importance. The success of these companies' internationalization is crucial for the economic development of the Baltic States, since they form a significant part of the Baltic GDP and industrial production.

The questionnaire designed for the research is based on the REM model. In other words, the questionnaire deals with the reason, environment, and mode of the internationalization. The authors considered that the questionnaire should be linguistically as clear as possible, to avoid the possibility of misunderstanding. It was also decided that the questionnaire should not exceed two pages and it should not include too sensitive issues, such as exact performance indicators or ownership arrangements, since both a lengthy questionnaire and too sensitive questions would have reduced the Baltic managers' willingness to fill the questionnaire (see Appendix 1).

The above methodological decisions proved to be correct, since the response rate was rather satisfactory, over one-third, especially taking into consideration that the mail survey was conducted among the post-socialist companies, which arc usually reluctant to reveal any information to researchers (see [23]). In this context, it should be mentioned, that due to the researchers' persistent efforts, two reminders, the response rate then increased from some 20% to 38% (see Table 5).

The Estonian companies were more active in participating in the survey than the Latvian and the Lithuanian firms. Even if the Latvian and Lithuanian corporations were less enthusiastic to take part in the research, the response is not so much unbalanced by their lesser enthusiasm that the over- or under-representation of any country would distort the analysis on the internationalization of the largest Baltic corporations. The participating companies also represent various business fields in each of the countries in question, so no distortion was resulted in this matter, either (see Appendix 2).

The analysis of the fulfilled questionnaires indicates that those questionnaires received by the researchers were rather accurately answered; though deficiencies could be detected from the questions concerning the geographical division of the exports. On the basis of the response analysis, it can be assumed that using English in the questionnaire did not result in an incorrect interpretation of the questions, and thus, the received answers are believed to be valid and credible. Most probably, the research language did not cause the non-response as much as managers' hectic timetables or a fear of the data getting into 'wrong' hands.

The questionnaires were sent for the first time on the 12th of January and the last questionnaire, which was included in the analysis was received two months later, on the 11th of March, 2001. Because the firms from transition economies expand their activities abroad at an ever-increasing speed, the empirical data will become outdated relatively fast, and therefore, it is extremely important to conduct follow-up studies frequently.

4. Empirical Results

4.1. Exports of the Baltic Companies

Almost two thirds of the respondents (64%) indicated that their company has exports. The export frequency among the Latvian corporations was considerably lower, only one half of the studied Latvian companies have exports. When one remembers that the Latvian firms were more active in their activities abroad than the Estonian and Lithuanian ones, their lower export activity is a bit puzzling.

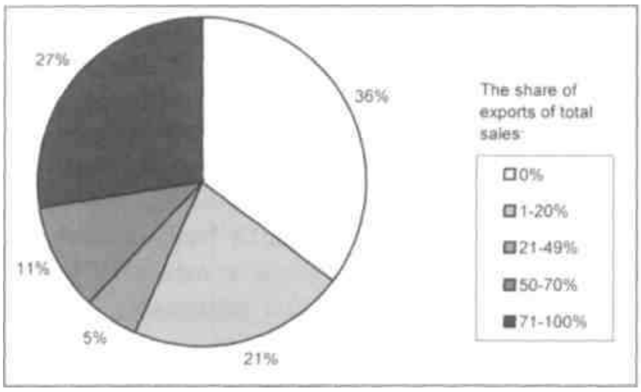
The companies that have exports were asked to indicate the share of the exports out of their total sales.

Table 5. The Response to the Survey

Response description	
No reply	179
Replied that the company does not reveal information	8
Usable reply	**113(38%)**
Total	300
The division of usable reply by country	
Estonia	**42%**
Latvia	27%
Lithuania	**31%**
Total	100%

The data reveals that over one-third of the companies have no exports, a fifth of the companies exports less than one-fifth, and for the rest, the exports compose 50% or more of the total sales (see Table 6).

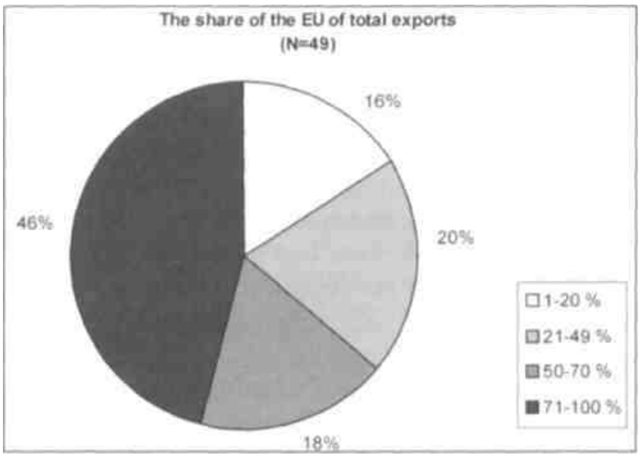
Table 6. The Share of Exports of the Total Sales in the Baltic Companies (N=113)



The EU and another Baltic State(s) are the most common destinations for the exports. Of those companies that have exports, more than two-thirds export to the EU or/and to another Baltic State(s). The EU is especially favored among the export-oriented companies i.e. if the proportion of the exports from the total sales is high, the company is likely to export to the EU. To put it differently, if a Baltic company exports to the EU, it seldom has any other significant destinations for exports. Respectively, if a company exports elsewhere, the exports are divided between many countries (see Table 7).

Russia is the third most favored export destination, after the EU and another Baltic State(s). The share of Eastern Europe was not so high. In fact, the Baltic companies export more often to the USA than to Eastern Europe.

Table 7. The Division of the Baltic Companies' Exports to Another Baltic State and to the EU



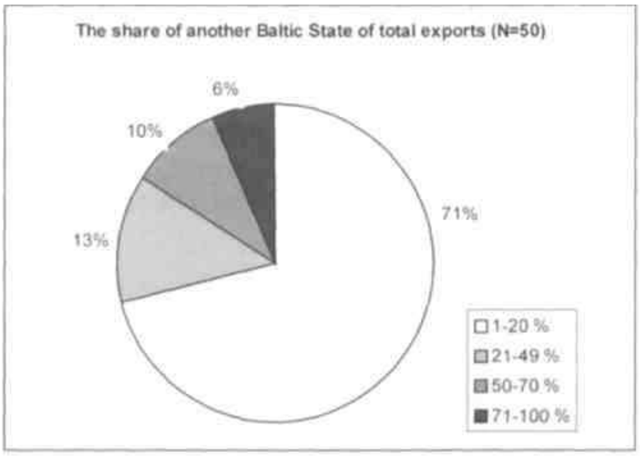


Table 8. The Studied Baltic Companies Abroad

		Does the company operate abroad?	
		No	Yes
Country	Estonia	57%	43%
	Latvia	50%	50%
	Lithuania	65%	35%
Total		58%	42%

4.2. The Baltic Corporations' Operations Abroad

It is not exceptional to find a Baltic enterprise, which have already started its operations abroad. Some 42% of the studied companies have begun their operations in a foreign market (see Table 8).

The table above shows that operations abroad are more common among the Latvian corporations than the Lithuanian and Estonian ones. The empirical data cannot reveal any apparent explanation, why Latvian companies are more active in starting operations abroad than their Estonian and Lithuanian counterparts.

The majority of the Baltic companies stated that driving force for their internationalization was getting a foothold in a larger economy. The option "internationalization is a necessity" was in second position. The aim of getting a better price was the third most frequently selected alternative. Surprisingly, "preparation for the EU accession" was selected by only 13% of those companies which have operations abroad. All in all, it can be concluded that the domestic factors pushing Baltic companies abroad seems to be behind the reasons for their internationalization rather than the attractions of foreign markets per se (see Table 9).

Table 9. The Reasons for Baltic Companies to Operate Abroad (N=48). (As a company may have several reasons for operating abroad, the sum of percentages exceeds 100%.)

Reason	Frequency
To get a foothold in a larger economy	58%
Internationalization is a necessity	54%
To get a better pnce	44%
To secure the availability of raw materials or skilled labor	19%
Competition is not so hard abroad	17%
More stable business environment	17%
Foreign owner's influence	13%
Domestic clients are already abroad	13%
Preparation for the EU accession	13%
To decrease transportation costs	10%
To avoid/reduce custom duties or other tariffs	6%
Production costs are lower	6%
To reduce their tax burden	4%
Investment incentives offered by host/home government	0%

Though the EU has an important role as a destination for the Baltic companies' exports, companies do not self-evidently seem to turn to the West in their operations. In fact, operations in other Baltic State(s) and in Russia arc more common than operations in the EU (see Table 10).

Table 10. The Operations of the Baltic Companies Abroad (N=48). (As a company may have operations in many regions, the sum exceeds 100%.)

Environment	**Frequency**
Another Baltic State(s)	**63%**
Russia	**44%**
TheEU	**40%**
Other ex-Soviet republic(s)	**23%**
Eastern Europe	**21%**
The USA	**17%**
Asia	**13%**
Elsewhere	**6%**

Starting operations in other Baltic State(s) is natural, as the Baltic States form a relatively familiar market place. Their geographical proximity can be another explanatory factor. The Estonian and Latvian companies, in particular, seemed to have chosen to expand their operations in another Baltic State, while the Lithuanian firms have penetrated into some other regions.

It is noteworthy to mention that also distant regions, like the United States and Asia, are represented among the environments where operations have been started. Latvian companies, in particular, have discovered these 'remote' environments.

If one analyzes the reasons for the internationalization and the environment selection together, an extremely interesting finding can be discovered. The EU is not regarded as "a larger economy", but Russia and the CIS are. In other words, Russia and the CIS are selected if the Baltic corporation's goal is to search for a larger market. The EU is chosen on a different basis.

The data clearly indicates that the largest Baltic companies do not prefer to start production abroad. Similarly, joint ventures are not a very widely-used operation mode. Instead, almost half of the companies with operations abroad indicated that they have their own representative offices (see Table 11).

Table 11. Baltic Companies' Operating Modes Abroad (N=48). (As a company may use many operation modes simultaneously, the sum exceeds 100%.)

Mode	Frequency
Own representative office/s	48%
Marketing co-operation with foreign firms	40%
Own sales unit/s	35%
Subcontracting/licensing/franchising	23%
Completely owned production unit/s	19%
Joint venture with another firm	17%
Equity ownership in a foreign company	10%
Own investment/holding company abroad	10%

27 out of 32 corporations indicated that they have employees abroad. However, not more than two firms stated that they have the majority of their staff abroad. 28 companies announced they have assets abroad, but not more than six companies have moved over 50% of their assets outside their country. Estonian companies have been more active than their counterparts in Latvia and Lithuania to shift their assets abroad (see Table 12).

As indicated already in Table 1, only one Baltic company reached the list of the 25 most transnational companies coming from Central and Eastern Europe. The empirical evidence of this study also indicates that several other transnational Baltic companies exist. The data also makes reference to the fact that the field of operation is not the main explanatory factor for moving assets and employees abroad, but several different fields of operations can be detected behind these Baltic companies.

4.3. Future Operations Abroad

Table 13 shows that only 28% of the companies studied expressed having plans to start operations abroad. The data does not reveal a significant difference bc-

Table 12. The Transnationality Analysis of the Studied Baltic Corporations

Country	Flek)	Assets abroad (%)	Sales abroad (%)	Employment abroad (%)	Transnationality index
Latvia	Shipping	85	90	60	78
Latvia	Trade	60	60	50	57
Latvia	Pharmaceuticals	75	80	5	53
Estonia	Shipbuilding	15	80	10	35
Estonia	Automobile equipment	1	90	10	34
Lithuania	Construction	10	60	30	33
Estonia	Beverages	15	67	5	29
Estonia	Trade	30	20	35	28
Estonia	Security services	30	25	25	27
Lithuania	Textiles	2	76	2	27
Estonia	Trade	20	20	20	20
Estonia	Construction	22	22	11	18
Estonia	Travel services	15	15	20	17
Estonia	Textiles	10	30	5	15
Estonia	Port services	10	20	10	13
Latvia	Foodstuffs	5	23	2	10
Lithuania	Stevedoring	2	20	3	8
Estonia	Foodstuffs	1	20	3.5	8
Latvia	Computers	6	15	3	8
Lithuania	Construction	1	15	5	7
Estonia	Transport	90	75	N/A	N/A
Estonia	Trade	75	N/A	N/A	N/A
Lithuania	Oil-petroleum products	67	N/A	N/A	N/A
Estonia	Shipping services	40	80	N/A	N/A
Lithuania	Textiles	30	30	N/A	N/A
Latvia	Oil products	20	N/A	2	N/A
Latvia	Dairy	10	20	N/A	N/A
Latvia	Transport	N/A	70	2	N/A
Lithuania	Construction	N/A	N/A	20	N/A
Estonia	Forestry	N/A	N/A	2	N/A
Lithuania	Cereals	N/A	28	1	N/A
Lithuania	Vehicles	N/A	1.6	0.4	N/A

tween the Baltic companies' interest in beginning operations abroad in the future. Moreover, the answers indicate that the company's existing operations abroad does not seem to reflect whether a company plans to start further operations abroad i.e. firms with no experience in foreign operations are planning to start operations abroad (15%) as frequently as those enterprises with experience (13%).

While eleven companies indicated that they have plans to expand their operations in another Baltic State, only seven companies mentioned the EU as the target environment. In fact, Russia was more popular than the EU. Nine companies planned to start their operations in the EU. Keeping in mind the small number of the response, the empirical evidence tentatively indicates that the largest companies in the Baltic States perceive the EU as a trading partner rather than a destination for their expansion.

Table 13. The Companies' Intentions to Operate Abroad

		Company already operates abroad		Total
		No	Yes	
Planning to start operations abroad	Yes	15%	13%	28%
	No	46%	26%	72%
Total		61%	39%	100%

Conclusion

Over 60% of the studied enterprises expressed that they have exports. Also a relatively high percentage of the firms indicated that they have started operations abroad, some 40%. These high percentages do not come as surprise, since the Baltic States are small markets, which automatically pushes most of the largest Baltic corporations abroad.

Some 60% of the companies indicated that a foothold in a larger economy was one reason to start operations abroad. The second most frequently given answer was *"internationalization is a necessity to survive in future business"*, over 50%. Thirdly, the Baltic corporations expand their activities in foreign markets to receive a better price for their commodity.

All these aforementioned responses could be easily anticipated, but it is very surprising that the preparation for EU accession did not rank higher among the

Table 14. The Internationalization of the Baltic Companies in the REM Model

R - REASON FOR INTERNATIONALIZATION: WHY INTERNATIONALIZE ?

10 main reasons behind the Baltic corporations' internationalization:

1) Small domestic market forces the Baltic companies abroad (small economy-related driving force).
2) Survival in future business requires internationalization (a global trend in business).
3) Baltic firms expect to receive a better price for their commodity abroad (relatively low buying power in the post-socialist countries).
4) Securing a resource supply (the Baltic States are relatively poor in natural resources).
5) Baltic companies are searching for less competitive markets, especially in other former Soviet republics (inter-enterprise competition seems to be fiercer in the Baltic States than in other ex-Soviet republics).
6) The Baltic firms are searching for more stable markets in the West (a goal to increase predictability in their enterprise development).
7) Foreign ownership in the company influences their internationalization decision (internal driving force).
8) Domestic clients have expanded their operations abroad (following the own client principle).
9) The preparation for EU accession (a need for Pan-European 'internationalization').
10) Logistical reasons have attracted Baltic companies abroad (a goal to improve efficiency).

E - ENVIRONMENT SELECTION: WHERE TO INTERNATIONALIZE ?

5 main environments, where Baltic firms have started their operations:

1) The Baltic market is the key foreign environment (a familiar and close foreign market).
2) Russia's potential attracts (earlier business relationships and experience).
3) The EU has attracted surprisingly few Baltic companies to start their operations there, though the EU is the main export direction (a fear of competition or EU regulations ?).
4) Other ex-Soviet republics (earlier experience and less-fierce competition).
5) Eastern Europe (Baltic products' price-quality ratio suit both East European demand and buying power).

M - MODAL CHOICE: HOW TO INTERNATIONALIZE ?

- Various marketing operations dominate (a goal to increase sales, while keeping financial investments low).
- Subcontracting, licensing, franchising (minimizing risks, while penetrating a foreign market).
- Joint venturing is a mode, which allows partners to join their resources and knowledge.
- Their own production unit abroad is still a relatively rarely used operation mode.
- Acquisition of a foreign company is still a rare option, mainly due to financial constraints.

PECULARITIES CONCERNING THE BALTIC FIRMS' INTERNATIONALIZATION:

- Despite the EU dominance in exports and the approaching EU membership of the Baltic States, surprisingly few Baltic firms have started their operations within the current EU.
- The ex-socialist bloc clearly dominates as an environment, where foreign operations have been started.
- The majority of the Baltic firms are not planning to start operations abroad in the near future.

Table 15. Foreign Direct Investment Stock in the Baltic States by Investing Countries

Estonia			Latvia			Lithuania		
Investing country	FDI stock in 2001* (mn USD)	%0f total	Investing country	FDI stock in 200Г* (mnUSD)	%0f total	Investing country	FDI stock in 2001*** (mn USD)	%of total
1. Sweden	1031.4	37.6	1. Denmark	191.9	14.0	1. Denmark	426.1	18.3
2. Finland	790.9	288	2. Germany	174.4	12.7	2 Sweden	404.5	17.3
3. Netherlands	156.5	5.7	3. Sweden	139.8	10.2	3. USA	229.4	9.8
4. USA	137.9	5.0	4. USA	127.6	9.3	4. Germany	172.3	7.4
5. Denmark	107.8	3.9	5. Russia	99.8	7.3	5. UK	155.9	6.7
6. Norway	83.1	3.0	6. UK	91.1	6.6	6. Estonia	149.3	6.4
7. Germany	83.0	3.0	7. Estonia	83.2	6.1	7. Finland	140.7	6.0
8. UK	71.4	2.6	8. Finland	73.4	5.4	8. Switzerland	113.0	4.8
9. Liechtenstein	41.7	1.5	9. Norway	56.7	4.1	9. Norway	99.3	4.3
10. Russia	39.1	1.4	10. Netherlands	41.0	3.0	10. Luxembourg	*792*	3.4
						16 Russia	23.4	1.0
TOTAL	2741.7	100.0	TOTAL	1371.0	100.0	TOTAL	2334.3	100.0

* As of 30.6.2001, currency converted using EEK 18.22:US$1 ,** = As of 1.1.2001, currency converted using LVL0.607:US$1, *** = As of 1.1.2001.Sources: Bank of Estonia (2001), [11], [10].

reasons for starting internationalization. The responses of the Baltic managers indicate that the approaching EU membership is not the driving force

for the Baltic corporations' internationalization, even though the EU is clearly the major export destination.

The Baltic corporations' management may think that they are able to maintain sales to the EU even without starting-up their own operations inside the current EU. In a way, maintaining production inside the Baltic States can be rational decision since it allows the Baltic corporations to take advantage of lower production costs while enjoying the benefits of the European Single market. On the other hand, EU membership may attract more EU and even non-EU companies to the Baltic States, and hence, increase competition inside the Baltics.

Consequently, increasing competition will force the Baltic companies to improve their effectiveness, either via increasing their size or by sharpening their focus. If the Baltic corporations do not manage to improve their competitiveness, we can witness an increase in bankruptcies, mergers and takeovers in the Baltic States in this decade (see Table 14).

The empirical evidence shows that the operations of the Baltic companies in foreign markets have concentrated on the cx-CMEA countries, especially in the former USSR. The explanation for focusing on the ex-CMEA market may stem from the fact that the Baltic commodities' price-quality ratio better fits these markets than those of the developed West. Also, their earlier business relations and experience in these markets may have offered a competitive advantage to the Baltic corporations, compared to their Western rivals.

The empirical evidence supports the presumption that most of the operations abroad are related to marketing, such as establishing their own representative office or their own sales unit in a foreign market. These sales increasing activities are a logical modal choice since they do not require heavy financial investment. It can be assumed that operational modes, which require more investment and risk taking will increase along with the improvement of the Baltic firms' financial position.

In closing, it can be argued that internationalization is a necessary condition, though not a sufficient condition by itself, for securing the Baltic corporations' survival in future business. Therefore, Baltic corporations must build strategic alliances between each other or some foreign companies to be able to cope with the competitive pressures arriving both from the EU and from the East, as it can be predicted that Russian companies will intensify their investment activities in the Baltic States in years to come.

Until now, Russian investments in the Baltics have remained relatively modest (see Table 15). In Latvia, Russia formed some 7% of the FDI stock in 2000. Both in Estonia and Lithuania Russian investments represented only some 1-2% of the FDI stock ([10]; [11]). However, it would not be a surprise if Russian companies would decide to use the Baltic States as a familiar foothold to the EU single market, and hence, would already decide to increase their investments in the Baltic States before the Baltic States receive their EU membership [24].

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APPENDIX 1. The Questionnaire

1. Does your company have exports (mark appropriate alternative with X)?

( )Yes ( ) No - if no, move to question **4.**

2. The share of exports of total sales ?

( )l-5%	( ) 6-10%	( ) 11-20%
( ) 21-30%	( ) 31-40%	( ) 41-49%
( ) 50-60%	( ) 61-70%	( ) 71-80%
( ) 81-90%	( ) 91-99%	( ) 100%

3. What is the share of the following markets of your company's exports ?

EU ___ %
Another Baltic State ___ %
Russia ___ %
Other ex-Soviet republic/s ___ %
Eastern Europe ___ %
USA ___ %
Asia ___ %
Other, what ______________________________ %

4. Does your company operate abroad <u>(not taking into account exports)</u> ?

( )Yes ( ) No - if no, move to question 7.

5. Which operation mode/s is your company using abroad (many answers possible) ?

(
) Marketing co-operation with a foreign firm/s
) Own representative office/s
) Own sales unit/s
) Joint venture with another firm
) Completely owned production unit/s
) Equity ownership in a foreign company/ies
) Own investment / holding company abroad
( ) Subcontracting / licensing / franchising agreement with a foreign company
( )Other, what __________________________

6. In which regions your company has started business operations <u>(not exports)</u>?

EU	( )Yes	( )No
Another Baltic State	( )Yes	( )No
Russia	( )Yes	( )No
Other ex-Soviet republic/s	( )Yes	( )No
Eastern Europe	( )Yes	( )No
USA	( )Yes	( )No
Asia	( )Yes	( )No
Other, what _____________________	_	( )Yes

7. **What is the share of the following activities of your company's performance ?**

	Home market	*Abroad*
Assets	**%**	**%**
Sales	**%**	**%**
Employees	**%**	**%**
Profits	**%**	**%**

8. What are the reasons why your company has started operations abroad ?

( ) To get a foothold in a larger economy
( ) To get a better price
( ) Production costs are lower abroad
( ) To decrease transportation costs
( ) To secure availability of raw materials or skilful labor
( ) To avoid / to reduce custom duties or other tariffs
( ) To reduce tax burden
( ) Due to investment incentives offered by host or home government
( ) Due to more stable business environment
( ) Due to better business infrastructure
( ) Domestic clients have started their operations abroad
( ) Influence of foreign owner in your company's management
( ) Competition is not so hard abroad as in the home market
( ) Preparation for the accession of your country in theEU
( ) Internationalization is a necessity to survive in the future business
( ) Other, what ________________________

9. Are you planning to start operations abroad <u>(not exports)</u> ?

( ) Yes , when _______________
( ) No - if no, move to the end of the questionnaire.

10. In which regions you are planning to start operations <u>(not exports)</u> ?

EU	( )Yes	( )No
Another Baltic State	( )Yes	( )No
Russia	( )Yes	( )No
Other ex-Soviet republic/s	( )Yes	( )No
Eastern Europe	( )Yes	( )No
USA	( )Yes	( )No
Asia	( )Yes	( )No
Other, what _____________________		( )Yes

Thank you for your valuable contribution ! If you wish to receive the research report on the internationalization of the 300 largest Baltic companies, please write your company's address below or enclose your business card in the reply letter.

APPENDIX 2. The Sample ' ESTONIA

	Company	Field	Net sales (1000 EEK)[2]
1.	**Eesti Energija AS**	**Energy**	**3 923 722**
2.	**Eesti Telefon AS**	**Telecommunication**	**2 404 577**
3.	Hansatee Grupp AS	Transport	1 825 772
4.	Eesti Mobiiltelefon AS	Telecommunication	1 469 597
5.	Eesti Põlevkivi AS	Mining	1 455 408
6.	**Eesti Raudtee AS**	**Transport**	**1 401 398**
7.	Sylvester Grupp AS	Wood processing	1 070 939
8.	**Tallinna Kaubamaja AS**	**Trade**	**996 079**
9.	**Kreenholmi Grupp**	**Textiles**	**984 846**
10.	**Pakterminal AS**	**Transit**	**978 644**
11.	**ETK Hulgi AS**	**Trade**	**878 205**
12.	Neste Eesti AS	Oil - petroleum trade	874 918
13.	**Tallinna Soojus AS**	**Energy**	**822 504**
14.	**Kaupmees & Ko AS**	**Trade**	**812 140**
15.	**Tallinna Sadam AS**	**Port services**	**803 732**
16.	Stockmann AS	Trade	793 736
17.	Eesti Gaas AS	Energy	762 646
18.	**Balti Laevaremonditehase AS**	**Shipbuilding**	**761 264**
19.	**Merko Ehitus AS**	**Construction**	**733 657**
20.	Estonian Air AS	Transportation	720 981
21.	Saku Õlletehase AS	Beverages	715 040
22.	EMV AS	Construction	686 735
23.	Bankend Eesti AS	Trade	652 237
24.	**Onako Eesti AS**	**Oil - petroleum trade**	**646 990**
25.	Premium Oil AS	Oil - petroleum trade	627 320
26.	E.O.S. AS	Transit	621 627
27.	Eesti Statoil AS	Oil - petroleum trade	592 466
28.	**Estline AS**	**Transport**	**590 729**
29.	EE Grupp AS	Construction	590 727
30.	**Stora Enso Mets AS**	**Wood processing**	**586 865**
31.	**Fanaal AS**	**Building materials**	**582 393**
32.	NT Marine AS	Services for ships	578 321
33.	Eriõli Kaubanduse AS	Oil - petroleum trade	553 534
34.	**Viru Keemia grupp AS**	**Chemicals**	**552 538**
35.	Rakvere Lihakombinaat AS	Foodstuffs	539 555
36.	**Eesti Metallieksport AS**	**Metal trade**	**531 159**
37.	**FKSM AS**	**Port services**	**524 326**
38.	**Norma AS**	**Automobile seat belts**	**516 400**
39.	**Eesti Post AS**	**Post services**	**507 602**
40.	G.S.G. AS	Oil - petroleum trade	507 316
41.	ETK Maksimarketi AS	Trade	499 084
42.	Saurix Petroleum AS	Oil - petroleum trade	496 409
43.	**Falck Baltics (ESS AS)**	**Security services**	**480 547**
44.	Tallinna Külmhoone AS	Foodstuffs	454 988
45.	**Eesti Mereagentuur AS**	**Stevedoring**	**438 830**
46.	**Jungent OÜ**	**Trade**	**430 151**
47.	**Tallinna Vesi AS**	**Utilities**	**426 803**
48.	S-Marten AS	Trade	408 116
49.	Elcoteq Tallinn AS	Electronics	403 663
50.	**Rannila Profiil AS**	**Building materials**	**400 150**
51.	*(AVR Trans AS*	*Transit*	*390 718)*[3]
52.	**Tamro Eesti**	**Pharmaceuticals**	**388 930**
53.	**Estravel AS**	**Travel services**	**388 500**
54.	Eesti Coca-Cola Joogid AS	Foodstuffs	382 195
55.	JOT Eesti OÜ	Electronics	380 144
56.	Horizon Tselluloosi ja Paberi AS	Paper production	379 042
57.	Kunda Nordic Tsement AS	Building materials	373 967
58.	Tallinna Piimatööstuse AS	Dairy	366 748
59.	Maseko AS	Foodstuffs	366 923
60.	SI-Kaubabaasi	Trade	350 959
61.	Kalev AS	Confectionery production	338 511
62.	ES Sadolin AS	Building materials	332 417
63.	Famar-Desl AS	Trade	329 876
64.	**Toyota Baltic AS**	**Trade**	**326 277**
65.	Repo Vabrikud AS	Wood processing	325 793
66.	**Kesko Eesti AS**	**Trade**	**325 460**
67.	Veho Eesti AS	Trade	323 167
68.	**Hiiu Kalur AS**	**Foodstuffs**	**314 721**
69.	**HTM Sport Eesti OÜ**	**Sport equipment**	**309 213**
70.	Siemens AS	Electronics	308 168
71.	**Silmet Grupp AS**	**Chemicals**	**305 213**
72.	**Tallegg AS**	**Foodstuffs**	**303 772**
73.	**Metsind AS**	**Timber products**	**292 247**
74.	**Silberauto AS**	**Trade**	**291 018**
75.	**Baltika AS**	**Beverages**	**288 926**
76.	Ericsson Eesti AS	Trade	283 362
77.	Tech Data Eesti AS	Information technology	282 024
78.	**Mets & Puu AS**	**Forestry**	**281 405**
79.	**Marat AS**	**Textiles**	**279 964**
80.	Rapla Dairy	Dairy	279 157
81.	ABB AS	Energetics	274 881
82.	Liviko AS	Alcohol products	258 813
83.	Radiolinja Eesti AS	Telecommunication	253 419
84.	**Nitrofert AS**	**Chemicals**	**253 151**
85.	*(NB Oil Group OÜ*	*248 427)*	
86.	Nordic Jetline AS	Travel services	248 406
87.	AbeStock AS	Wholesale trade	243 285
88.	**TVMK AS**	**Wood processing**	**242 551**
89.	**Forestex AS**	**Wood trade**	**239 161**
90.	Valga Liha- ja Konservitööstus AS	Foodstuffs	236 662
91.	Saksa Auto AS	Vehicle trade	235 706
92.	Microlink Arvutite AS	Information technology	235 370
93.	Tartu Õlletehas AS	Beverages	235 132
94.	Skanska Ehituse AS	Construction	232 651
95.	**Holmen Mets AS**	**Trade**	**227 005**
96.	**Tarmeko AS**	**Furniture manufacturing**	**226 283**
97.	Baltex 2000 AS	Textiles	224 963
98.	**EVR Koehne AS**	**Construction**	**224 843**
99.	**Teede REV-2 AS**	**Construction**	**224 061**
100.	**Amisco AS**	**Shipping services**	**220 049**
101.	Kommest Auto AS	Trade	219 648
102.	Södra Eesti AS	Paper products trade	216 447

[1] The companies marked with bold returned a usable reply.

[2] In February 2001, one US dollar equaled 16.9 Estonian kroons (EEK).

[3] The companies marked in the brackets were not included in the research either because the researchers were not able to find the company's mail address. Also corporations operating in banking or in insurance business were dropped out of the survey. Moreover, the Latvian Privatization Agency was no approached.

APPENDIX 2. Continued LATVIA

	Company	Field	Net Turnover (LVL million)[1]
1.	Latvenergo PVAS	Energy	167,56
2.	**Lattelkom SIA**	**Telecommunication**	**129,30**
3.	Latvijas kugnieciba PVAS	Shipping	111,79
4.	Latvijas dzelzcels VAS	Transport	110,72
5.	Turiba CS	Trade, catering	84,00
6.	Latvijas Gaze AS	Energy	83,08
7.	*(Latvijas Privatizacijas agentura VAS*	*Privatization*	*70,04)*
8.	Kurzemes degviela AS	Oil products	67,77
9.	Latvijas Mobilais telefons SIA	Telecommunication	64,60
10.	Rigas siltums AS	Heating	63,95
11.	Liepajas metalurgs AS	Metal industry	56,64
12.	**Latvija Statoil SIA**	**Oil products**	**53,00**
13.	Latvijas finieris AS	Woodworking	50,10
14.	**Ventpils nafta AS**	**Transit services**	**45,86**
15.	Ventpils tranzita serviss SIA	Oil transit	44,92
16.	**Procter & Gamble Marketing Latvia SIA**	**Trade**	**43,47**
17.	Alianse-2 SIA	Trade, foodstuffs	38,73
18.	Dinaz SIA KU	Oil products	31,14
19.	*(Latvijas unibanka AS*	*Finance*	*30,98)*
20.	Nelss SIA	Woodworking, trade	29,37
21.	(Parekss banka AS	Finance	28,16)
22.	Bravo SIA	Trade, beverages	27,91
23.	Severstallat AS	Steel trade	27,57
24.	Neste Latvija SIA	Oil products	23,36
25.	Interpegro Latvija SIA KU	Trade	23,30
26.	*(Latvijas Banka*	*Finance*	*22,96)*
27.	**Air Baltic Corporation AS**	**Transport**	**22,74**
28.	Rimi - Baltija SIA	Retail trade	22,20
29.	LUKoil Baltija R. SIA	Oil products	21,92
30.	**LatRos Trans SIA KU**	**Oil transit**	**21,06**
31.	Lex-U SIA	Trade, foodstuffs	20,86
32.	**Lindeks AS**	**Wood trade**	**20,01**
33.	Greis SIA	Trade	19,99
34.	Skonto buve SIA	Construction	19,78
35.	Latvijas pasts VAS	Post service	19,49
36.	Aldaris AS	Beverages	19,35
37.	BMGS AS	Construction	19,10
38.	**Tamro SIA**	**Trade, medicines**	**18,01**
39.	**Rigas udens PU**	**Municipal services**	**17,70**
40.	Linda SIA	Wood trade	17,65
41.	*(Hansabanka AS*	*Finance*	*17,45)*
42.	**Ogre AS**	**Textiles**	**17,25**
43.	Venceb AS	Construction	17,00
44.	Krasainie lejumi AS	Metal working	16,86
45.	Skonto metals SIA	Metals	16,49
46.	**Tramvaju un trolejbusu parvalde PU**	**Transport**	**16,38**
47.	Elko Riga SIA KU	Computers, trade	16,03
48.	**Mono SIA**	**Trade, insurance**	**15,84**
49.	*(Balta AAS*	*Insurance*	*15,77)*
50.	Ventbunkers AS	Transit services	15,77
51.	**Rigas piena kombinats AS**	**Dairy**	**15,33**
52.	Riga kugu buvetava AS	Mechanical engineering	15,19
53.	**Viada SIA**	**Oil products**	**15,10**
54.	Baltkom GSM SIA KU	Telecommunications	15,08
55.	**Laima AS**	**Foodstuffs**	**15,00**
56.	Shell Latvia SIA	Oil products	14,80
57.	**Unilever Baltic LLC SIA**	**Trade**	**14,62**
58.	Latvijas Balzams AS	Beverages	14,60
59.	**Augstceltne SIA**	**Oil products**	**14,51**
60.	Preses apvieniba AS	Trade	14,02
61.	Lauma AS	Textiles	13,65
62.	Weeluk (Baltic) Ltd. SIA	Wood export	13,64
63.	Ventspils ekspedicija SIA	Transit services	13,60
64.	Cido partikas grupa SIA	Foodstuffs	13,37
65.	Valmieras stikla skiedra AS	Chemical industry	13,33
66.	*(Latvijas krajbanka*	*Finance*	*13,11)*
67.	Alkolats SIA	Beverages, trade	13,00
68.	**Karsten Latvian SIA**	**Trade**	**12,82**
69.	Rigas vini AS	Beverages	12,80
70.	Lido nafta SIA	Oil products	12,54
71.	Nelss TT	Trade	12,17
72.	Silva SIA	Forestry	12,06
73.	**Unifex SIA**	**Trade**	**11,87**
74.	**Skanska konstrukcija SIA**	**Construction**	**11,80**
75.	Latvijas nafta PVAS	Oil products	11,78
76.	Dobeles dzirnavnieks AS	Foodstuffs	11,70
77.	Baltimar VT SIA	Oil products	11,69
78.	**Fortech SIA**	**Computers**	**11,59**
79.	SEL – II SIA	Beverages, trade	11,59
80.	**Hanzas maiznicas AS**	**Foodstuffs**	**11,16**
81.	Baltfor SIA	Wood export	11,10
82.	Klangu kals SIA	Fuel trade	11,08
83.	**Rigas piensaimnieks AS**	**Dairy**	**10,91**
84.	Motors Latvia SIA	Cars	10,85
85.	**CHS Riga SIA**	**Computers, trade**	**10,80**
86.	Kurekss SIA	Wood export	10,73
87.	Cido logistika SIA	Foodstuffs, trade	10,60
88.	**Siemens SIA**	**Electronic equipment**	**10,50**
89.	Ventamonjaks AS	Transit services	10,28
90.	*(Austrumu alianse AAS*	*Insurance*	*10,22)*
91.	Tolaram Fibers AS	Chemical industry	9,88
92.	**Grindeks AS**	**Pharmaceuticals**	**9,85**
93.	Diena AS	Publishing	9,84
94.	Lattransrail SIA	Construction, transport	9,80
95.	Oilands SIA	Fuel trade	9,80
96.	Nokia Latvija SIA	Telecommunications	9,72
97.	**Ventspils tirdzniecibas osta AS**	**Stevedores**	**9,70**
98.	Rigas transporta flote AS	Shipping	9,54
99.	Juraslicis AS	Fish industry	9,50
100.	Nelda SIA	Trade	9,50
101.	Rimako AS	Textiles	9,50
102.	Ziemelu nafta SIA	Oil products	9,50
103.	*(Stalkers AS*	*Trade*	*9,48)*
104.	Latvijas Gaisa satiksme VAS	Air navigation	9,43
105.	**Philips Latvija SIA**	**Trade**	**9,40**
106.	Bolderaja	Woodworking	9,32
107.	Kalija parks AS	Port services	9,32
108.	Baltijas transporta apdrosinasana AAS	Insurance	9,31
109.	Jelgavas cukurfabrika AS	Sugar producer	9,20
110.	*(SBV SIA*	*Construction*	*9,18)*
111.	**Rezeknes piena konservu kombinats AS**	**Dairy**	**9,03**

[1] In February 2001, one US dollar equaled 0,62 Latvian lats (LVL).

APPENDIX 2. Continued LITHUANIA

	Company	Field	Sales (LTL.)[1]
1.	Mazeikiu nafta	Oil - petroleum products	2.283.923.797
2.	Lietuvos Energija	Electric utilities	1.468.362.109
3.	Lietuvos Telekomas	Telecom	969.493.511
4.	Lietuvos Dujos	Natural gas utilities	555.796.474
5.	Lietuvos Gelezinkeliai	Transport	555.036.257
6.	Lifosa	Chemicals	494.171.030
7.	**Achema**	**Chemicals**	**339.954.125**
8.	Ekranas	Electrical engineering	279.361.166
9.	Lietuvos juru laivininkyste (Lisco)	Shipping	227.876.164
10.	**Rokiskio Suris**	**Dairy**	**224.573.000**
11.	Kraft Foods Lietuva	Food	214.940.933
12.	Lietuvos Avialinijos	Transport	196.718.834
13.	**Kauno Energija**	**Heating**	**190.423.314**
14.	**Alytaus Tekstile**	**Textile**	**170.637.187**
15.	Lietuvos Kuras	Oil - petroleum products	164.145.681
16.	Snaige	Electrical engineering	149.903.872
17.	Pieno Zvaigzdes	Dairy	147.098.796
18.	Birzu Akcine Pieno Bendrove	Dairy	145.811.210
19.	Zemaitijos Pienas	Dairy	138.682.501
20.	Dirbtinis Pluostas	Chemicals	121.059.952
21.	**Akmenes Cementas**	**Building materials**	**112.559.709**
22.	Utenos Trikotazas	Clothing	109.000.973
23.	Kauno Tiltai	Construction	106.210.619
24.	Klaipedos Nafta	Shipbuilding	105.044.716
25.	Klaipedos Maistas	Oil - petroleum products	102.128.317
26.	**Klaipedos Juru Kroviniu Kompanija**	**Stevedoring**	**98.318.852**
27.	**Kalnapilis**	**Brewery**	**96.789.184**
28.	**Kausta**	**Construction**	**96.191.725**
29.	Vilniaus Duona	Confectionery & bread	95.779.952
30.	Alkesta	Construction	94.627.691
31.	Klaipedos Energija	Heating	92.372.773
32.	Klaipedos Mediena	Wood products	91.013.546
33.	Panevezio Keliai	Construction	87.793.625
34.	**Panevezio Silumos Tinklai**	**Heating**	**85.781.631**
35.	**Baltik Vairas**	**Vehicles**	**85.543.158**
36.	**Baltijos Laivu Statykla**	**Shipbuilding**	**83.609.478**
37.	Marijampoles Pieno Konservai	Dairy	81.336.825
38.	**Vilniaus Vingis**	**Electrical engineering**	**81.225.034**
39.	**Alita**	**Drinks**	**79.095.636**
40.	Alytaus Silumos Tinklai	Heating	78.794.470
41.	Drobe	Textiles	76.211.074
42.	Linas	Textiles	76.112.350
43.	Anyksciu Vynas	Drinks	75.550.468
44.	**Stumbras**	**Drinks**	**74.315.800**
45.	Svyturys	Brewery	73.714.249
46.	**Panevezio Statybos Trestas**	**Construction**	**72.743.822**
47.	**Panevezio Pienas**	**Dairy**	**72.107.309**
48.	**Kretingos Grudai**	**Cereals**	**72.089.326**
49.	**Mesa**	**Meat products**	**70.956.604**
50.	Klaipedos Transporto Laivynas	Shipping	67.924.971
51.	**Ventus-Nafta**	**Oil – petroleum products**	**66.633.657**
52.	Vilniaus Paukstynas	Meat products	65.722.547
53.	**Kauno Grudai**	**Cereals**	**65.274.339**
54.	Lytagra	Trade	62.286.712
55.	**Vievio Paukstynas**	**Meat products**	**61.690.456**
56.	Viti	Construction	59.391.886
57.	Utenos Pienas	Dairy	57.551.366
58.	Klaipedos Pienas	Dairy	57.056.903
59.	**Siauliu Energija**	**Heating**	**55.715.994**
60.	Grigiskes	Paper and printing	55.032.095
61.	Montuotojas	Construction	53.707.841
62.	Hidrostatyba	Construction	52.531.905
63.	**Siauliu Plentas**	**Construction**	**52.208.124**
64.	Alna	Computer technologies	50.439.330
65.	**Apranga**	**Trade**	**50.140.484**
66.	Medienos Plausas	Paper and printing	49.090.874
67.	**Plasta**	**Plastics**	**46.334.624**
68.	Klaipedos Baldai	Furniture	46.259.300
69.	Vilniaus Pergale	Confectionery and bread	43.654.170
70.	Krekenavos Agrofirma	Meat products	43.438.295
71.	Malsena	Cereals	43.212.918
72.	Siauliu Stumbras	Leather, leather products	42.436.382
73.	Kaisiadoriu Paukstynas	Meat products	40.888.938
74.	**Vilniaus Mesos Kombinatas**	**Meat products**	**40.825.482**
75.	**Dvarcioniu Keramika**	**Building materials**	**40.609.237**
76.	Klaipedos Duona	Confectionery and food	38.554.060
77.	**Levuo**	**Trade**	**37.451.682**
78.	Siauliu Pienas	Dairy	36.314.344
79.	Lietuvos Tara	Packaging	35.726.233
80.	**Vernitas**	**Chemicals**	**34.722.023**
81.	Kauno Pienas	Dairy	34.168.133
82.	Nemunas	Building materials	33.952.173
83.	**Ragutis**	**Brewery**	**32.841.357**
84.	Vilniaus Tauras	Brewery	32.667.879
85.	Metalu Komercija	Trade	32.320.756
86.	**Vilniaus Baldu Kombinatas**	**Furniture**	**31.846.515**
87.	**Audejas**	**Textiles**	**31.759.833**
88.	Liteksas	Textiles	31.551.686
89.	Skaites	Electrical engineering	30.758.276
90.	Kauno Ketaus Liejykla	Building materials	30.080.704
91.	Aliejus	Oil production	29.722.948
92.	Silutes baldai	Furniture	29.432.643
93.	Vilniaus Degtine	Drinks	29.394.465
94.	**Ekinsta**	**Construction**	**29.054.622**
95.	Kuro Aparatura	Electrical engineering	28.356.018
96.	Kelmes Pienine	Dairy	28.129.653
97.	**Satrija**	**Clothing**	**28.124.632**
98.	**Siulas**	**Textiles**	**27.910.378**
99.	Kedainiu grudai	Cereals	26.362.957
100.	Naujoji ruta	Confectionery and bread	25.971.625

[1] In January 2001, one US dollar equaled 4,00 Lithuanian litas (LTL).