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INVEST

FOREIGN DIRECT INVESTMENT

Estonia is open to foreign direct investments. According to UNCTAD's [World Investment Report 2023](#), net FDI inflows rebounded to USD 1.2 billion in 2022, compared to an outflow of USD 832 million one year earlier. In the same period, the total stock of FDI was estimated at USD 29.97 billion, around 78.6% of the country's GDP. According to the national investment agency Invest Estonia, most of the FDI stock is concentrated in financial and insurance activities (27%), real estate activities (18%), professional, scientific, and technical activities (13%), manufacturing (12%), wholesale and retail trade (12%), and information and communication (7%). The main investing countries are Finland (23%), Luxembourg (20%), Sweden (13%), Latvia (8%), Belgium (5%), and Lithuania (5%).

As with other small-scale open economies, Estonia requires a constant flow of foreign investment in order to maintain its economic expansion. Estonia is among the leading countries in Eastern and Central Europe regarding FDI per capita. The country has a very pro-business legislative framework and, more broadly, the Estonian society has a business-friendly attitude which is the expression of the country's perfect integration into the northern circuit of production, in which the Estonian subsidiaries often function as outsourcing sites for Scandinavian parent companies. Estonia is highly developed in the FDI-attractive fields of IT, biotechnologies, and green industries. A balanced budget (constitutionally protected), a free trade regime, a fully convertible currency, a competitive banking sector, and an investment-favorable environment have all contributed to the success of the country, which ranks 16th among the 132 economies on the [Global Innovation Index 2023](#) and 8th out of 184 countries on the latest [Index of Economic Freedom](#). A new FDI regime in Estonia, effective September 1, 2023, scrutinizes direct and indirect investments by non-EU entities in critical sectors. This includes areas such as military goods, dual-use items, geological exploration, oil extraction, and companies providing vital services, media, or transport infrastructure. Failure to obtain prior authorization for foreign investments may prompt the CPTRA (Consumer Protection and Technical Regulatory Authority) to enforce corrective measures like share transfers or transaction reversals. Foreign investors must obtain licenses to participate in several sectors, including mining, energy, gas and water supply, railroad and transport, waterways, ports, dams, water-related structures, and telecommunications networks. The Estonian Financial Supervision Authority oversees licensing for foreign entities aiming to invest in or establish banks. Furthermore, the Estonian Competition Authority examines transactions for potential anti-competitive issues. Governmental reviews and licensing procedures adhere to standard practices and are nondiscriminatory.

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	3,419	-832	1,205
FDI Stock <i>(million USD)</i>	30,073	29,184	29,975
Number of Greenfield Investments*	30	22	20
Value of Greenfield Investments (million USD)	610	788	397

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Estonia	Eastern Europe & Central Asia	United States	Germany
Index of Transaction Transparency*	8.0	7.5	7.0	5.0
Index of Manager's Responsibility**	3.0	5.0	9.0	5.0
Index of Shareholders' Power***	6.0	6.8	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN ESTONIA

Strong Points

The main advantages of the country are:

- One of the most liberal economies in the world (it ranked 18th out of 190 in the Doing Business report in 2020).
- Public accounts at equilibrium with a very low level of indebtedness
- A very favourable business environment enriched by independent and stable institutions
- All reinvested corporate profits are exempt from income tax
- A geographical position that places it at the crossroads of Europe and Russia
- Effective international relations strengthened by the country's membership in the European Union.

Weak Points

The main weaknesses of the country are:

- The small size of its domestic market makes it particularly sensitive to external shocks
- High energy dependency on Russia and its imports from Finland and Sweden
- Lower purchasing power than in other countries in the region
- Declining workforce and lack of skilled workers
- Limited ground connections with the rest of the European Union

Government Measures to Motivate or Restrict FDI

In terms of investment, trade, government intervention and property rights, Estonia has developed policies that are amongst the most liberal in Europe. The company tax rate is relatively low compared to other Nordic countries, a fact which is one of the country's strong points. In order to encourage companies and attract foreign direct investment, all reinvested corporate profits are exempt from income tax. In addition, the government has decided for the period 2015-2020 to focus particularly on entrepreneurship and seeks to create a highly competitive environment where it is easy to create and develop its businesses.

According to the World Bank, Estonia is considered one of the most liberal countries in the world. [Its 18th place in the *Doing Business* report](#) in 2020 attests to this.

INVESTMENT OPPORTUNITIES

Tenders, Projects and Public Procurement

[Tenders Info](#), [Tenders in Estonia](#)

[Ted - Tenders Electronic daily](#), [Business opportunities in EU 27](#)

[Globaltenders](#), [Tenders & Projects from Estonia](#)

[DgMarket](#), [Tenders Worldwide](#)

Finding Assistance For Further Information

Investment Aid Agency

[Invest in Estonia](#)

Other Useful Resources

[Estonian Chamber of Commerce and Industry](#)

Doing Business Guides

[Estonia Commercial Guide - export.gov](#)

[Estonia Tax Guide - Deloitte](#)

[Estonia Commercial Guide - ITA](#)

[Doing Business Report - World Bank](#)