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SEAPORTS

IN THE BALTIC STATES

FLANDERS INVESTMENT & TRADE MARKET SURVEY



Vlaanderen
is internationaal
ondernemen

Seaport in the Baltic States

December 2017

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Introduction

This market study aims to provide an overview of the 5 major ports in the Baltic states. It will start with the port of **Klaipėda**, which is the major port of Lithuania. It will continue by discussing the ports of Latvia, which houses not less than three major sea ports along its long coastline: the port of **Liepāja**, the Freeport of **Ventspils**, and the Freeport of **Rīga**. The fifth Baltic port discussed in this report is the port of **Tallinn** in Estonia. The uniqueness of the geographical location of the three Baltic States is given by the fact that lie on the crossroads of the European continent, Scandinavia and the CIS. Through the latter, its railroads, and the Silk Road project it is connected with markets as far away as Kazakhstan, Mongolia and China. And the upcoming Rail Baltica project will ensure connections between the Baltic Sea Ports and the rest of Europe over land.

Historically the Baltic Sea region has acted as a major transport corridor both in itself and for the rest of the world. The Hanseatic League was the dominant trading bloc in the region during the Middle Ages and united towns around the Baltic Sea in this way. Therefore, the harbour activity on the coast of the Baltic Sea - earlier during the times of the Hanseatic League and now again with the rather recently regained independence - has always been a significant driving force behind the economic growth of the region. Today, the Baltic Sea region is one of the fastest growing business regions in Europe. Trade flows between the countries of the region have increased constantly year by year, serving as a connection point between east and west, as said before.

Recently, however, the ports of the Baltic states have come to suffer under reciprocal Russian & EU sanction regimes and boycotts as a consequence of the crisis in the Ukraine. Lithuania was a non-permanent member of the UN Security Council when that crisis emerged. It became one of the strongest critics in the UN Security Council of the Russian annexation of Crimea and of other frozen conflict zones in Europe such as in Georgia and Moldova. With other words, the issue became one of the most important foreign policy issues for Lithuania and also for the two other Baltic states. It is markedly shaping the current foreign policy agenda of the three Baltic States and the trade boycotts are a direct consequence of this.

In October 2016, the Russian state-owned rail company, Russian Railways, announced that it would introduce a 25% discount on the transit of oil products (gasoline, diesel and fuel oil) from Belarusian oil refineries to Russia's north-western ports, making its rail transit tariffs similar to the rates of the Baltic ports, valid until December 31, 2018. Earlier the Russian media reported that the Kremlin was proposing to introduce an obligation for Belarus to export certain volumes of oil products via Russian ports in an intergovernmental agreement regulating duty-free oil transportation from Russia to the Belarusian oil refineries. For decades, Russian railways have already been charging less for cargo heading to a Russian port within Russia than they do for cargo crossing land borders, say into the Baltic states. The result has been enough financial incentive for filling the capacities of most Russian ports, but to get to Russia's Kaliningrad enclave, one still has to cross Lithuania.

Before the decision of giving a 25% discount to all Belarusian companies shipping through Russian ports, over 90% of oil exports from Belarus were shipped through the ports of the Baltic states and the Black sea ports of Ukraine. The increased volume of shipments of high-margin oil products would

provide additional revenue of about 8 billion Russian roubles per year to the Russian Railways (JSC RZD) (over \$126 million).

However, Belarusian exporter of oil products BNK in August 2017 said that switching from Baltic ports to Russian ones was not in their interest, because the export routes offered by Russia, even with the discount, are no less expensive than the routes BNK usually uses. So exporting through the Baltic ports remains economically viable for Belarus. Additionally, shipping oil products through the Russian north-western ports may be problematic for other reasons too. The Russian Baltic ports have had problems with processing oil products in the past and with the Russian terminals. They cannot guarantee that the quality of Belarussian oil products would not suffer if they were transported through the Russian ports. Logistic costs for shipments through the Baltic are lower and all of this makes the economic advantages and viability of export routes offered by Russia questionable. Moreover, harsh winters mostly hit Russian ports more than the ports of the Baltic states, which stay ice-free longer during the coldest months.

Vladimir Putin, the president of Russia, made a statement on 16 August 2017 demanding that Belarus would stop exporting its oil products through Latvian and Lithuanian ports. The following day, however, on the 17th of August the acting director general of Belarusian Oil Company, Siarhei Hryb, made clear that Belarus intends to continue its cooperation with the Baltic states. In order to defend his statement he gave a simple argument: “Even the high discount offered by Russia would not make much difference. It is still cheaper to send Belarusian oil products through the Baltic States. Besides that, there remains the problem of the damage that is likely to occur to the oil products in the Russian ports because of winter conditions.” Hryb promised to offer his customers the option to transport through the Russian ports. They will, however, most probably prefer to continue to use the ports in the Baltic states.

On the other hand, Minsk demonstrated its commitment to its largest neighbour by taking part in the combined Belarussian-Russian Zapad military exercise in September 2017. According to the Lithuanian ministry of defence, Moscow and Minsk were simulating a blockade of the Baltic countries. But Minsk also wants to preserve its sovereignty and independence vis-à-vis Moscow. The Belarussian analyst Siarhei Bohdan estimates that cutting the links to the Baltics would mean significant financial losses for Belarus and also a deterioration of political relations with the EU, as well as a return to political isolation. This would also lead to a fatal dependence on Russia and its oligarchic capital, reducing Belarussian statehood to a nominal status like that of Abkhazia or South Ossetia. There are no reasons to believe that such a situation would be acceptable for the current Belarussian leadership and therefore the continuation of transport going to Lithuania and Latvia will also be guaranteed. Nevertheless, the statistics of the Baltic ports do show a negative impact by the discount. It seems that the Port of Klaipėda is the only port that has not suffered by the Russian boycott attempt. We shall now take a look at the different Sea Ports one-by-one, starting by the port of Klaipėda.

Klaipėda State Seaport

Overview

Port territory area	538.7 ha
Port water area	884.9 ha
Length of port quays	27.6 km
Maximum length of vessels	337 m
Maximum width of vessels	50 m
Maximum draught of vessels	13.4 m
Port railway length	97 km
Length of Northern breakwater	733 m
Length of Southern breakwater	1374 m
Maximum annual port cargo handling capacity	65,000,000 t
Area of covered warehousing facilities for general cargo	99,380 m ²
Area of warehousing facilities for bulk cargo	933,700 t
Area of warehousing facilities for refrigerated cargo	66,000 t
Area of open storage sites	1,045,879 m ²
Capacity of liquid cargo tanks	749,000 m ³

Klaipėda State Seaport is Lithuania's only seaport, and lies on the shores of the southeast Baltic Sea where the Curonian Lagoon and the Neman River meet.

The port is located about 230 kilometres southwest of the Port of Riga in Latvia and some 123 nautical miles southeast of Sweden's Port of Ronehamn. The entrance channel to Klaipėda State Seaport is 15 m deep, and the inner internal channel is from 13 to 14.5 m deep (plans exist to deepen both the entrance and the internal channel – see further on). The port can accept large dry-cargo vessels of up to 100 thousand DWT and tankers up to 160 thousand DWT. Klaipėda State Seaport contains 33 specialized terminals, including terminals for oil products, liquid fertilizers and other liquid cargo, bulk fertilizers, agricultural products, other

bulk cargo, containers, roll-on/roll-off cargo, refrigerated cargo, timber and other general cargo. The port is a leader for container-handling in the Baltic States, and it specializes in smooth inter-modal transport of cargo and passengers.

Klaipėda is important as a transit port for Russia, in particular for exports of bulk freight. Since 2004, when Lithuania entered the European Union, there has been a shift of cargo flows to the EU instead of Russia. 80% of the cargo is assigned to the hinterland and a considerable part is transported by train (for example the Viking train connection with Belarus). Klaipėda presents itself as a strong transit port between East and West. In contrast to the other Baltic ports, Klaipėda barely suffers from the Russian crisis and the trade embargo. Klaipėda State Seaport is an important ice-free port, although this argument seems to have become of lesser relevance over the past years.

Klaipėda State Seaport is home to large shipbuilding yards that make floating docks and fishing trawlers, supports a large deep-sea fishing industry, and has a fish cannery. Other important industries in Klaipėda State Seaport include the manufacture of amber jewellery, paper, cotton textiles, and radio and telephone parts. Timber working is also important to the local economy. Located at the Baltic

coast's white sand beaches and adjacent to the country's most popular coastal resort of Palanga, Klaipėda is growing as a tourist destination.

A Cruise Vessel Terminal was built at the port in 2003, beginning a new era of cruise shipping. That year, 30 cruise ships and 9,000 cruise passengers visited Klaipėda State Seaport. The terminal covers 1.2 hectares, can accommodate vessels of 315 m long with draft of 8.5 m, and offers hotels, restaurants, bars, souvenir shops, currency exchange, telephone, internet, mail services, etc. Due to rapid growth, a new Passenger and Cargo Terminal have been built in the city centre in 2011, as well as a new Public Logistics Centre in Southern Klaipėda adjacent to the port. In 2015, 30 cruise ships and 60,000 passengers visited the port.

The port of Klaipėda has been growing rapidly since the independence of the country and claims to be the fastest-growing seaport on the Baltic Sea. During 1990–1999, when major foreign markets were opened and moderate investments were done, the fluctuation of cargo turnover was noticeable. During 2000–2008 the port enjoyed a rapid growth of cargo turnover. In 2009, the port activity was influenced by worldwide economic downturn. However, in 2010 - 2011, cargo turnover in Klaipėda port again enjoyed a significant growth. It even rose swiftly to 36.6 mln.t (million tonnes) per annum in 2011. In 2015 the port handled a freight volume of 38.6 mln.t of which about 34.2% consisted of fertilisers. From January 2017 to September 2017 alone the port already handled a 31.1 mln.t, indicating the continuing rise. This was mainly due to the increase in bulk cargo. The port is constantly being modernized and has big ambitions for growth; there are plans in the near future to deepen its access channel to 17.5 m. Fertiliser companies such as Belaruskali, Lifosa (Eurochem) and Achema are companies that call in at the port and which also have investments there.

Activities

Klaipėda State Seaport is owned by the Lithuanian government and depends directly on the Ministry of Transport of the Republic of Lithuania.

The State Enterprise Klaipėda State Seaport was founded after Lithuanian independence from the Soviet Union in 1991. In 1992, Klaipėda won status of a state seaport. In 1996, a law was passed stating that the land and water, quays, hydro-technical equipment, navigation routes, canals, and infrastructure of Klaipėda State Seaport belong to the state and cannot be privatized. The state manages all of these with the objective of developing Klaipėda State Seaport, maintaining its competitiveness, and increasing cargo-handling volumes. The port authority employs about 250 people. More than 800 economic agents are directly involved in the operations of Klaipėda Port, and the port itself is a member of five international organizations that dictate important movements in the world of transportation. More than 800 types of companies engaged in port-related activities employ over 23 thousand people in the Klaipėda State Seaport area. Klaipėda State Seaport directly contributes 4.5% of the country's gross domestic product.

Main functions of Klaipėda State Seaport Authority:

- Leases port land and collects port dues
- Uses and manages state-owned property
- Ensures safe navigation in the port
- Plans and implements port strategy and projects, including scientific research

- Coordinates the protection of Klaipėda State Seaport (protect the port from pollution and eliminate existing pollution) and port users, maintaining and handling reserve port properties
- Constructs, operates and develops port infrastructure,
- Coordinates with municipal institutions on infrastructure developments
- Provides social and utility services for seamen

Connectivity and advantages

Klaipėda State Seaport claims to be the northernmost ice-free port on the Eastern coast of the Baltic Sea. It is the most important and biggest Lithuanian transport hub, connecting sea, land and railway routes from East to West. The port is regarded as one of the primary bases to connect Lithuania with the rest of Eastern Europe, especially the Baltic countries, and is at the crossroads of the international transportation corridors between Europe and Asia. It is close to 4 international airports, providing access to all major European cities within a 2-3 hour flight. There are container shuttles with the Commonwealth of Independent States (CIS, Moscow, Minsk, Odessa, Almaty, Dostyk), China and Asian countries (Urumqi, Chongqing, etc.) and a railway connection with Russia, Belarus, Latvia, Poland, Germany, Ukraine and Asia (incl. China). Lithuania's truck fleet is 25,800, compared to Germany: 308,078 - Denmark: 21,038 - Sweden: 15,248. Ferries connecting to Sweden and Germany operate from Klaipėda State Seaport.

Klaipėda State Seaport is attractive for investors thanks to the Baltic Logistics Centre and the Free Economic Zone.

Klaipėda Free Economic Zone

Operating since 2002 - total area of 412 hectares - employment: more than 3,000 workers - export: 0,7 billion EUR - turnover: 0,9 milliard EUR - 26 foreign companies from 14 different countries - companies have invested over 550 million EUR - investors from Great Britain, Germany, Ireland, Thailand, Sweden, Finland, Denmark, Japan, Norway, Switzerland, Belarus, Ukraine, Italy, Lithuania, ...

The Klaipėda Free Economic Zone or Klaipėda FEZ (Lithuanian: Klaipėdos laisvoji ekonominė zona) encloses an area of 412 hectares and is exploited by a private company. It endeavours to promote Klaipėda and Lithuania as a gateway to Europe for non-European companies and points at the many links with Germany and the Scandinavian countries as an advantage. Excellent logistical facilities are offered at a low price and a recent investigation by Ernst & Young demonstrated that Lithuania is at the top, when the wage/productivity rate is considered. The Klaipėda FEZ is furthermore offering low electricity and gas prices. There's a great variation in the origin and activities of the investors in the Klaipėda FEZ. There are, for instance, companies involved in logistics, the processing of plastics, metal and food. About one third of the companies consists of local Lithuanian, the second third originates from Scandinavia, and a last third is formed by companies from other countries of the world.

What does the Free Economic Zone offer to investors? Tailored guidance during and after the investment project.

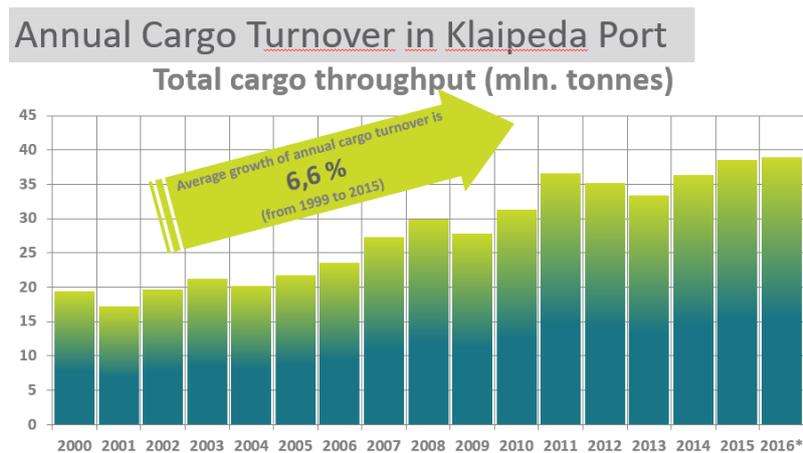
Tax incentives:

- 0% business tax during the first 6 years, 7,5% during the 10 consecutive years
- 0% real estate tax until 2045
- 0% tax on dividends

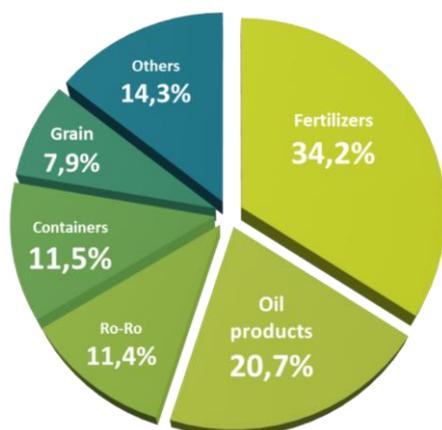
The ports of Klaipėda and Antwerp have a number of features in common: both are centrally located, are served by an extensive network of hinterland connections, handle varied kinds of freight in their multifunctional facilities, use LNG as a sustainable fuel and form the main economic engine of their respective countries. Moreover the two ports are hardly strangers to one another: in the past the Lithuanians have called upon Port of Antwerp International for help with their port development, while Klaipėda Port Authority regularly sends personnel to Antwerp to attend seminars held by the APEC training centre. The Baltic states are also further developing their rail links with the rest of Europe, for which they have set up the "Rail Baltica" project with financial help from the EU under the TEN-T programme. The trade numbers with the Flemish port take an average position within this framework: 1387,4 ton (x 1000).

Cargo volume & structure

Cargo volume

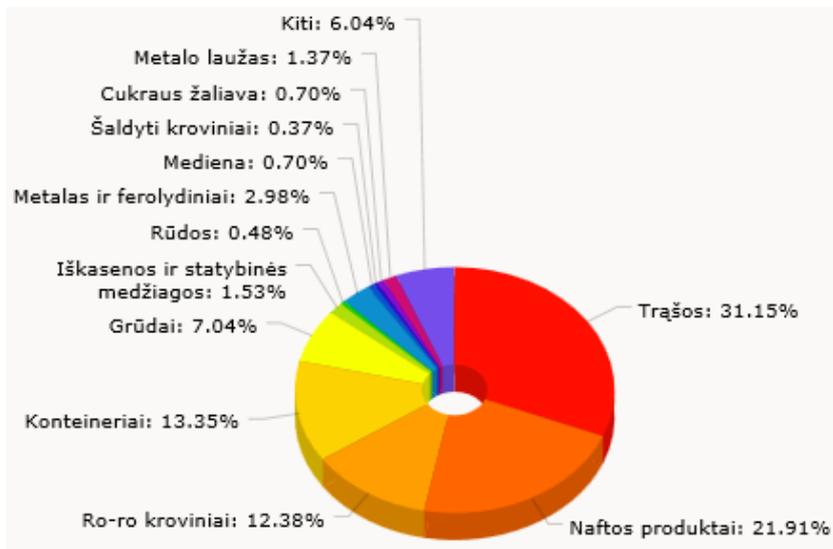


Cargo structure

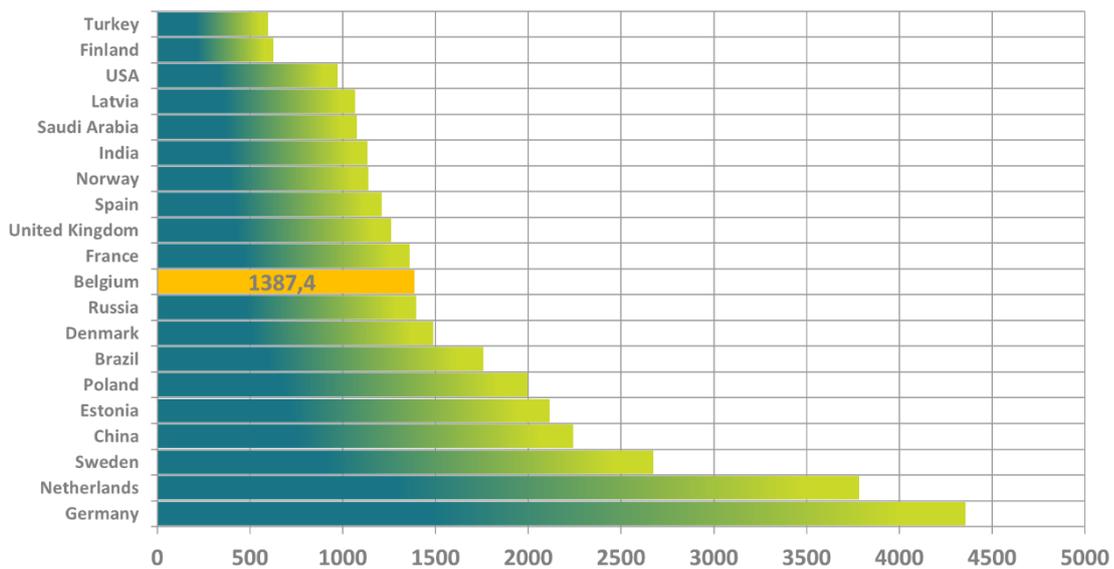


Types of cargo in Klaipėda

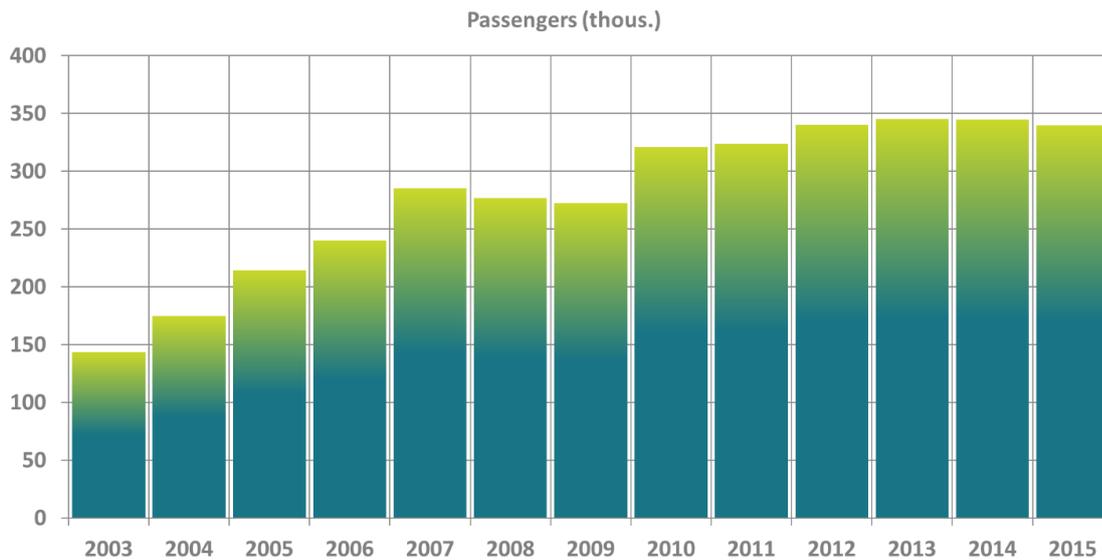
The port of Klaipėda cargo structure of 2016



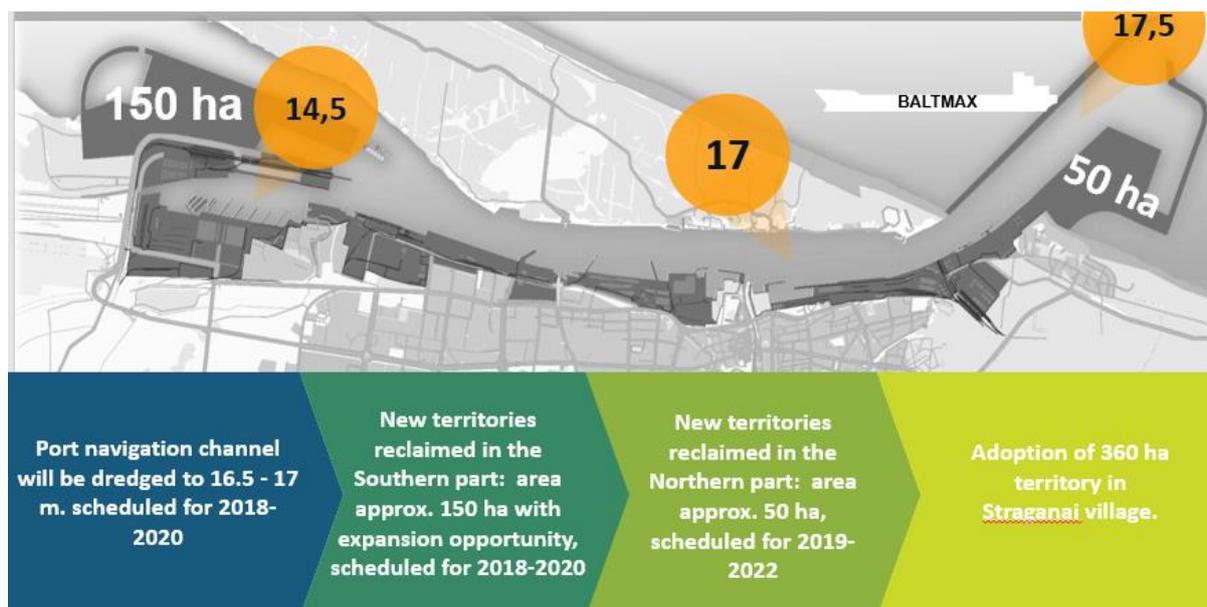
Most important partners by shipping (2015)



Passenger Traffic in Klaipėda Port



Klaipėda port expansion and dredging 2018-2022



At this moment the depth of the entrance to the port is 15 m and the internal channel is up to 14.5 m deep. There are plans to deepen the port entrance to 17.5 m, deepen a first part of the port to 17 m and to dredge the southern part of the port to a depth of 14.5 m.

Additionally, there are plans for expansion. Two projects are being considered: new territories reclaimed in the Southern part, an area of approximately 150 ha with expansion opportunity, scheduled for 2018-2020, and new territories reclaimed in the Northern part, an area of approximately 50 ha, scheduled for 2019-2022. Also, adoption of 360 ha territory in Straganai village is planned. In order to make this expansion possible, first an underwater wall will be built to protect the nature reserve the Curonian Spit.

Source: www.portofklaipeda.lt/en

Port of Liepāja

Overview

Port territory	1,182 ha
Incl. dry land	372 ha
Incl. water basin	810 ha
Number of berths	80
Length of berths	10 km
Maximum length of ships	240 m
Maximum width of ships	35 m
Maximum draught of ships	10.8 m
Open cargo storage	440,000 m ²
Warehouses	100,000 m ²
Liquid cargo reservoirs	75,000 m ³
Silos	74,400 m ³
Cold storage	25,200 m ³

Liepāja is located in western Latvia, North of Klaipēda and south of Ventspils. It is currently the third largest city of Latvia (after Riga and Daugavpils). Liepāja has a long history as an import port town. It already made part of the connection between Amsterdam and Moscow during the time of the German Teutonic knights. After its incorporation into the Russian Empire it only developed further as an important centre of economic and industrial development. Note that being an ice-free port, the port of Liepāja, then called Libau by its German name, even became the second biggest harbour of the Russian Empire at the turn of the 19th century. A major military base called *Kara Osta* ('War Port' in Latvian) was constructed in the North.

The militarisation of the city and the enlargement of the military harbour continued under the Soviet Union. One third of the city became enveloped by the base,

which would also contain nuclear facilities. This part of the city was closed and sealed off towards ordinary citizens. The last Soviet troops left in 1994 and this clearly left its traces in the city. The breakup of the Soviet Union also brought the bankruptcy of a lot of big companies with it, because they were used to produce for the whole Soviet Union from which they were now cut off. This had resulted in a detrimental economic situation at the time. Still profiting from its favourable geographical location, the city, nevertheless, quickly recovered during the last two decades. The main advantage of this location is that it is connecting knot between the CIS and the rest of Europe. A part of the old manufacturing traditions also continued. A well-developed infrastructure, many years of experience, know-how, availability of skilled workforce, as well as long-lasting industrial tradition still result in a strong processing industry.

The Port of Liepāja is an ice-free port and has a wide water area and consists of three main parts. The winter harbour is located in the trade channel and serves small local fishing vessels as well as medium cargo ships. Immediately north of the trade channel is the main area of the port, separated from the open sea by a line of breakwaters. This part of the port can accommodate large ships and ferries. Further north is Karosta, also called Karosta channel, the former military harbour, but it's now used for ship repairs and other commercial purposes. Liepāja also welcomes yachts and other leisure vessels which can enter the trade channel and moor almost in the centre of the city.

The port of Liepāja has a draught of 12.5 meters. There are 5,500 m berths for dry cargo and general cargo; 1,500 m berths for fishing vessels and the vessels of the port fleet; 1,300 m berths for liquid cargo; 1,200 m berths for ship building and repair; 550 m berths for pleasure boats and yachts. The port is mainly aimed at dry bulk cargo and is also very seasonal. It had 6 million cargo turnover in

2015 of which the major part consisted of agricultural products. Besides industry, Liepāja is also strongly promoting tourism. It's well known for its sport activities and its many festivals. Two ferry lines connect the city with Sweden and Germany. The number of inhabitants in the city of Liepāja is currently almost 80,000.

Activities

The port of Liepāja is part of the Liepāja Special Economic Zone. The Special Economic Zone Authority is an independent Board that vouches for the attraction of companies to Liepāja. The Board counts 9 members among them the mayor, representatives of the Ministry of Transport, Economy and Finances and of the private sector. The Liepāja Special Economic Zone is comprised of the territory where the Liepāja Special Economic Zone companies are running their business, based on an agreement with the Liepāja Special Economic Zone Authority. The Liepāja SEZ comprises a territory of 3,979 ha, 65% of the entire area of the city of Liepāja, and includes the port, industrial territories, the Liepāja International Airport, and the former military base Karosta.

Functions of the Board of Liepāja Special Economic Zone:

- approves the development plans of the Liepāja Special Economic Zone in accordance with the law on the Liepāja Special Economic Zone, and interests of the government, municipality and society;
- enters into agreements with the Liepāja Special Economic Zone commercial companies and investors on entrepreneurial activities and investments in the territory of the Liepāja Special Economic Zone;
- issues licenses to the Liepāja Special Economic Zone commercial companies enabling them to exercise tax incentives, as stipulated by the Law "On Application of Taxes in Free Ports and Special Economic Zones";
- determines free zones and the borders, thereof, by coordinating conformity of such zones to the implementation of the free zone regime;
- enters into lease or sales agreements with regard to the land within the territory of the Liepāja Special Economic Zone, excluding sale of the land within the Port, as well as, such cases, where privatization of the land and other real estate within the territory of the Liepāja Special Economic Zone territory is carried out by other institutions;
- enters into agreements with commercial companies of the Liepāja Special Economic Zone on general transfer of certain executive functions to such companies within the sphere of services of the Liepāja Special Economic Zone, or within certain territory parts of the Liepāja Special Economic Zone;
- controls fulfilment of concluded agreements;
- approves prospective budget and the financial expenditure budget for the next year;
- appoints, manages and controls executive body of the Liepāja Special Economic Zone;
- carries out the free zone administration duties within the Liepāja Special Economic Zone territory in compliance with the provisions of respective enactments.

Connectivity and advantages

Liepāja has a railway connection to Jelgava and Riga and through them to the rest of Latvia's railway network. There is just one passenger station in the New Town, but the railway extends further and links to the port. There is also a northward railway track leading to Ventspils, but in recent decades it has fallen into disuse for economic reasons. The railway provides the main means of delivering cargo to the port. Two main highways, the A9 and A11, connect the city and its port to the rest of the country. The A9 leads north-west towards Riga and central Latvia and the A11 leads south to the border with Lithuania and its only port Klaipėda and to Palanga International Airport. The city also hosts Liepāja International Airport, one of three international airports in Latvia; it is located outside the city limits, north of the Lake of Liepāja near Cimdenieki. The airport is serviced by charter flights and an Air Baltic connection to Riga International Airport.

Geographical distance from the Port of Liepāja to major European ports: 216 nautical miles - 16 h Stockholm; 325 n.m. - 26 h Copenhagen; 1,025 n.m. - 70 h Hamburg; 1,025 n.m. - 70 h London; 1,173 n.m. - 72 h Rotterdam; 1,024 n.m. - 80 h Antwerp; 1,231 n.m. - 85 h the Hague.

Distance from Liepāja to major European cities: Vilnius 523 km; Tallinn 664 km; Minsk 727 km; Smolensk 856 km; St. Petersburg 948 km; Moscow 1,055 km; Kiev 1,621 km.

Due to the favourable location of the industrial areas in the neighbourhood of the Port of Liepāja, it is possible to keep logistics costs low enough to provide convenient export routes for the manufactured goods to both the European Union and to the Commonwealth of Independent States. Manufacturers highly appreciate the direct and indirect tax incentives, provided by the Liepāja Special Economic Zone.

SEZ Advantages

According to the law of Liepāja SEZ, Liepāja Special Economic Zone was established on March 1, 1997 and it will exist until December 31, 2035. The purpose of the LSEZ is to develop business environment, manufacturing, shipping and air traffic, as well as international trade through Latvia.

The aim of the LSEZ is to attract investment for expanding of manufacturing and infrastructure, and to create new work places and to ensure the development of the region.

According to the „Law of the Liepāja Special Economic Zone” there are following forms of performing business activities in the Liepāja SEZ territory:

- Operation receiving direct tax reduction by acquiring Liepāja SEZ company status;
- Operation receiving direct and indirect tax reduction by acquiring Liepāja SEZ and Free Zone company statuses;
- Operation in generally adopted order without acquiring Liepāja SEZ and Free Zone company statuses;
- Liepāja SEZ authority provides leasing out of territories and other properties managed by Liepāja SEZ Authority to the SEZ and other companies.

According to the “Law of application of taxes in free ports and special economic zones”, Liepāja SEZ and Free Zone companies are subject to direct and indirect tax rebates.

Direct tax rebates

Liepāja SEZ commercial company can receive these direct tax rebates:

- 80% rebate on the applicable Corporate Income Tax (which makes the tax rate as low as 3%, as opposed to the standard tax rate of 15% in the country), and applies to all kinds of profits;
- 80% rebate on the applicable Property Tax (which makes the tax rate as low as 0.3%, as opposed to the standard tax rate of 1.5% in the country), in addition to the fact that the real estate costs and, subsequently, taxes are comparatively low.

Direct tax rebates shall be applied under the condition, that the accrued direct tax volume combined with the calculated rebates in the taxation period, does not exceed the below mentioned applicable interest from the accrued investment sum by the particular company:

- SEZ company or licensed capital company, which does not comply with the criteria of the Annex I to EU Regulation 651/2014 (the category of micro, small and medium-sized enterprises ('SMEs') employing fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million) - subject to 35% from the accrued investment sum;
- SEZ company or licensed capital company, which complies with the criteria of the Annex I to EU Regulation 651/2014 (the category of **medium-sized enterprises**, employing fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million) - subject to 45% from the accrued investment sum;
- SEZ company or licensed capital company, which complies with the criteria of the Annex I to EU Regulation 651/2014 (the category of **small enterprises**, employing fewer than 50 persons and which have an annual turnover not exceeding EUR 10 million, and/or an annual balance sheet total not exceeding EUR 10 million) - subject to 55% from the accrued investment sum.

In order to qualify for the direct tax incentives, provided by the Law, the Special Economic Zone investors within the Special Economic Zone territory shall make their investments only after they have entered into an agreement with the Liepāja Special Economic Zone Authority.

Large investments (total investment volume exceeding EUR 50 million) shall be subject to special provisions.

Indirect tax reductions

The Liepāja SEZ companies, dealing with the non-EU commodities, may apply to the Free Zone Status. The territories of such capital companies shall be deemed free zones and the companies shall be eligible to the free zone regime. i.e. an aggregate of tax incentives combined with specific customs control measures. Storage of goods within the free zone territory shall be subject to specific procedure, no customs declaration or warranty shall be required.

The Law provides the opportunity to operate under the free zone status, thus obtaining additional tax incentives, such as:

- 0% rate of the Value Added Tax (VAT), applicable for virtually all supplies and services;
- excise tax and customs duty exemptions.

Cargo

Statistics of the Port of Liepāja in 2017

In 10 months, companies in the Port of Liepāja handled 5,247.9 thousand tons of different type of cargo, including:

- dry bulk cargo 3,821.5 thousand tons
- general cargo 1,035.4 thousand tons
- liquid cargo 391.0 thousand tons

Port of Liepāja works with increasing and stable cargo turnover.

In July 2017, companies in the Port of Liepāja handled 401,677.72 tons of different cargo, increasing the turnover by 18.9% if compared to July 2016. Dry bulk cargo still has the biggest proportion in the total cargo turnover with 59.9%, followed by general cargo with 33.1% and liquid cargo with 7%. In July, number of vessels served was 115 and the number of passengers was about 5,953 which has increased by 44%.

In July, grain and agricultural products in the dry bulk cargo segment made only 43% or 102.5 thousand tons. It is mainly connected to the seasonality of grain and agricultural products. Currently grain terminals are getting ready for the new season, which could start already in the end of August. In order to increase the cargo storage and quality of services, "Dan Store" LSEZ Ltd. has put into operation a new storage. "Liepāja Bulk Terminal Ltd" LSEZ Ltd. also is developing its terminal and is preparing for the new season.

Second biggest cargo group in the dry bulk cargo segment was building materials, including cement produced in Latvia. The amount of handled building materials have significantly increased, if compared to July 2016. In July (2017) 70.9 thousand tons or 60% more than the previous year, were handled. Third biggest group in the dry bulk cargo segment was enriched anthracite coal with 20.3% or 48.7 thousand tons.

In July, the amount of the handled general cargo in the Port of Liepāja were 133 thousand tons, increasing the general cargo turnover by 133.3% if compared to the previous year (in July 2016, 56.8 thousand tons). The increase in general cargo turnover is connected to the increase in turnover of ro-ro and timber cargo. In July, the turnover of ro-ro cargo was 63 thousand tons or 75% more than year before (in July 2016, 35.9 thousand tons). Ro-ro cargo is ensured due to regular ferry traffic Liepāja-Travemunde, which runs 5 times a week. Cargo turnover of the handled timber also has increased. In July 2016, 14.7 thousand tons of timber were handled. But in July 2017 the turnover of the timber was already 58.4 thousand tons (+289.3%). In July, turnover of liquid cargo was only 7% of the total cargo turnover, or 28 thousand tons.

In 7 months (2017) 3,674,598.91 tons of different cargo in the Port of Liepāja were handled, increasing the turnover by 21.5% if compared to the previous year. Still the biggest cargo group is grain and

agricultural products (33%), followed by enriched anthracite coal (23%), ro-ro cargo (10%), building materials (9%), but timber and oil products each are 7% of the total cargo turnover. In the Port Liepāja companies also handle wood chips, non-ferrous materials, ferro-alloys, mineral fertilizers and other cargo. From January until July, the number of served vessels was 841 (+10%), the number of passengers was 21,919 (+13%), and the number of containers was 2,501 (TEU, +114%).

Source: www.liepaja-sez.lv/en

Freeport of Ventspils

Overview

Total area of the port (ha)	2.451,39
Port water area (ha)	242,60
Free industrial territories (ha)	700
Maximum depth (m)	17,5
Maximum capacity - DWT	150.000
Maximum draft - liquid cargo, bulk cargo (m)	15
Maximum draft - general cargo, ro-ro, containers (m)	14,1
Number of piers	57
Total length of piers (m)	10.910
Maximum ship length - liquid cargo, bulk cargo (m)	275
Maximum ship length - general cargo, ro-ro, containers (m)	240
Total value of liquid cargo storage tanks (m ³)	1.500.000

Ventspils is a town in north-western Latvia. It is situated on the Venta River and the Baltic Sea, and has an ice-free port. The Freeport of Ventspils is a transport, transit and industrial centre of international significance in Latvia and the Baltic Sea region.

Due to its convenient geographical location on the Baltic Sea coast as well as its non-freezing port, Ventspils has long served as an important East-West trade corridor. The port has been situated on important transit routes since the time of the Livonian order in the Middle Ages and it's still a strategic point for the export and import of goods into and out of Russia and other CIS countries.

The port of Ventspils also contains a multi-purpose cargo handling centre, called Noord Natie Ventspils Terminals (NNVT). It's the most modern terminal for handling of general cargo, containers and ro-ro cargo in the Baltic region. Noord Natie Ventspils Terminals is a joint-venture. It was established by Noord Natie n.v., which is the leading stevedoring and logistics company

at the port of Antwerp. During centuries it has accumulated experience and international contacts, which allow Noord Natie to have the most advantageous conditions for close cooperation with the world's leading cargo forwarders. Today the company provides a wide choice of services (loading/unloading and warehousing services, intermodal solutions, cargo forwarding services) and successful development of new projects at the port of Ventspils.

Connectivity and advantages

The advantages include the ice-free deep-water port, the diverse range of transport connections and logistics opportunities. It makes the port easily accessible from the EU, the CIS and the direction of Central Asia. Ventspils offers beneficial terms of cooperation, customized manufacturing infrastructure

and provision of strategic resources, rich intellectual capital, scientific and educational potential, as well as an attractive city environment on the coast of the Baltic Sea. The ice-free port of Ventspils is one of the leading deep-water ports of the EU on the East coast of the Baltic Sea. According to the destinations of customer's import and export - mainly the EU, CIS and Asian regions - the port creates a multi-modal transport solution infrastructure for fast and high-quality service.

The Port of Ventspils is a Convenient Traffic Connection between the countries of the EU and the CIS. Ventspils is a part of the European TEN-T transport core network. Today the port is multi-modal for any freight. The annual total cargo turnover of the port was over 30 million tons in 2012, but dropped to below 20 million tons in 2016. The cargo turnover began to rise again in the first half of 2017. 13.6 million tons of cargo were reloaded during the first seven months of that year. That's a growth by 2.1 million tons or an 18% increase compared to the first seven months of 2016. (see graph p. 21 - Historical Cargo Volume and Structure).

The Freeport of Ventspils is one of EU's special economic zones (SEZs) that stimulates all kinds of investments in production. As a SEZ, it is one of the Baltic Sea ports with especially favourable conditions for foreign investors. The accessibility of the infrastructure and qualified labour force of the port and production parks has been appreciated by partners in the fields of engineering, chemical industry, wood processing, electronics, IT and others, who have favoured production in the Ventspils industrial zone.

Tax Incentives in Ventspils Free Port

Ventspils Free Port is a special economic zone (SEZ) with considerable tax incentives that promotes export and industrial activities as well as strengthens the global competition of EU companies. In accordance with the law Application of Taxes in Free Ports and Special Economic Zones and EU regulations, licensed companies are entitled to apply considerable direct and indirect tax breaks.

In the special economic zone the Corporate Income Tax and Real Estate Tax is reduced by 80% until the company compensates up to 35% (55% for small companies and 45% for medium-size companies) of the investments. It means that during the compensation time the Corporate Income Tax rate is 3% and the Real Estate Tax rate is 0.3%. The Ventspils Free Port also offers the following tax relief to its companies: 0% VAT (Value Added Tax), 0% excise and 0% customs duties. After having satisfied certain criteria, companies can apply for a license to operate to operate in the special economic zone, which entitles the companies to the tax reductions provided in the law of the Republic of Latvia on Application of Taxes in Free Ports and Special Economic Zones.

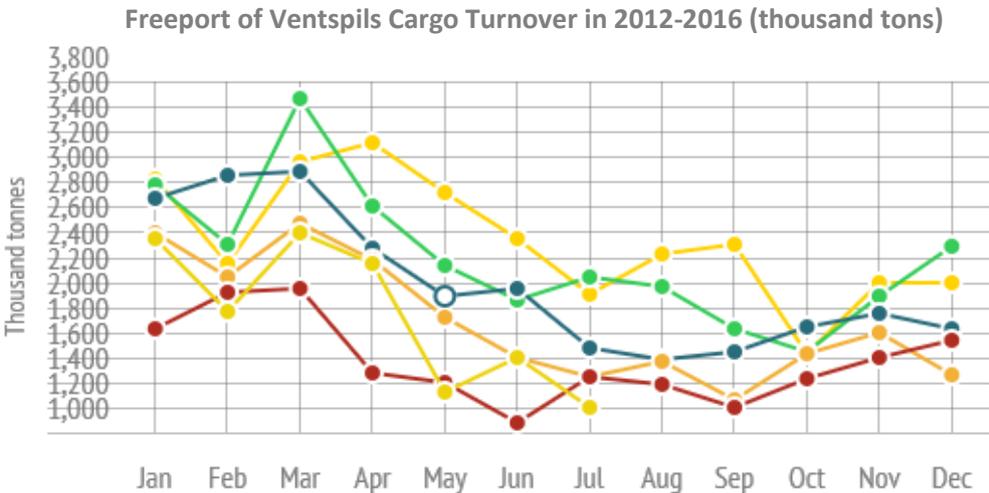
The Port of Ventspils serves as a TEN-T base for effective delivery of goods in the Northern part of the EU. The Port offers complex transport solutions to companies by using sea, road, rail and air transport links. Ventspils is also connected with the Russian oil pipeline system Polotsk - Ventspils with a total capacity of 6,000,000 tons per year. Over land, the port is connected with Russia through the E-22 Motorway, which goes directly to Moscow and through the East-West Railway Corridor Connections. This railway connection is integrated in the common Eurasian transport system. It connects Europe and the regions of Asia with the Baltic Sea ports, and is one of the busiest traffic connections in the Baltic States. The maximum railway capacity is 34 million tons per year. The single 1520 mm railway system of Latvia, the Baltics and CIS countries, the single road transport system and the good motorway connections are some of the benefits of the location of Ventspils.

The regular ferry lines from Ventspils to Sweden, organised by one of the world’s largest ferry operators, Stena Line, ensures the connection with the west. The connection between Ventspils and Nynäshamn runs 12 times a week. Nynäshamn is located 58 km from Stockholm and 545 km from Oslo. This is the fastest overseas connection between Latvia and Sweden. It connects Stockholm, the central part of Sweden and also the economic activity centres of Norway with Latvia, from where it is possible to reach Russia, other CIS countries and further regions with the help of land transport. Stena Line also operates between Ventspils and Travemünde, which is approximately 80 km from Hamburg. It offers cargo deliveries to and from Germany. More info: www.stenaline.lv

Air Traffic of Ventspils

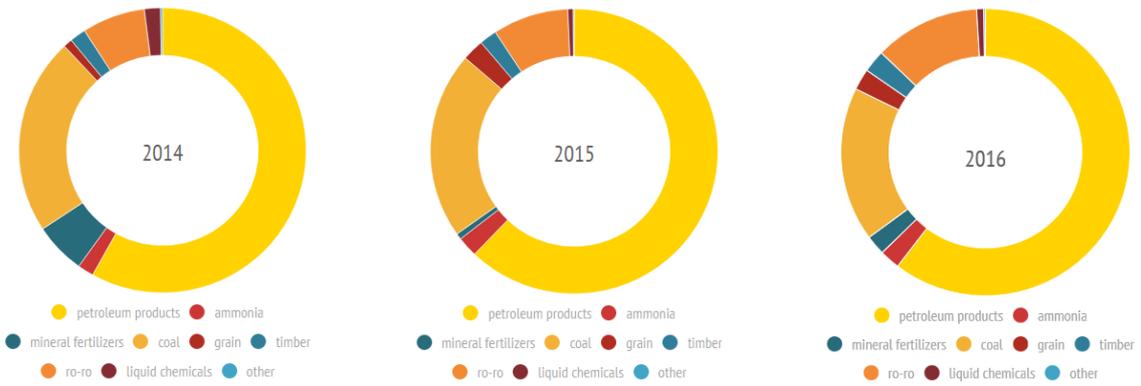
The Ventspils Airport is located in the territory of the Freeport of Ventspils. The airport is specialised in servicing general aviation flights. The airfield is certified to perform visual flights in the daylight and darkness. The technical parameters of the airfield are as follows: one 1,298 m long and 32 m wide asphalted runway for servicing aircrafts with the maximum take-off mass up to 30 tons. The Ventspils Airport has a passenger terminal, a meteorology information service (ATIS) and the aviation fuel is available 24 hours a day. The unoccupied area adjacent to the Ventspils Airport is available for locating new businesses and production plants. Ventspils is located approximately 175 km or 2 hours away from the biggest air traffic centre in the Baltics - the Riga International Airport (RIX).

Cargo volume and Cargo structure

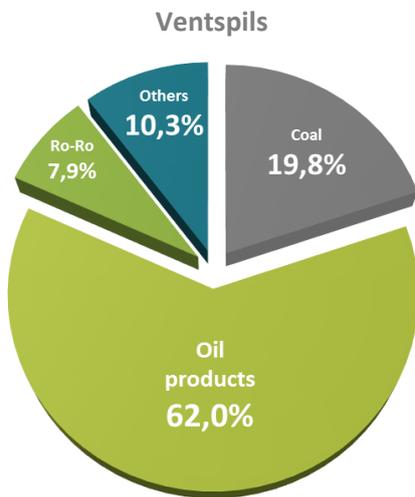


Structure of cargo

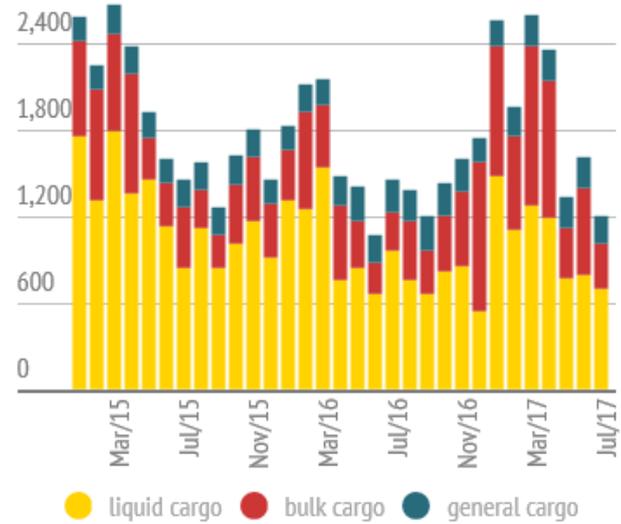
Structure of cargo handled in 2016 (thousand tons)



Types of cargo

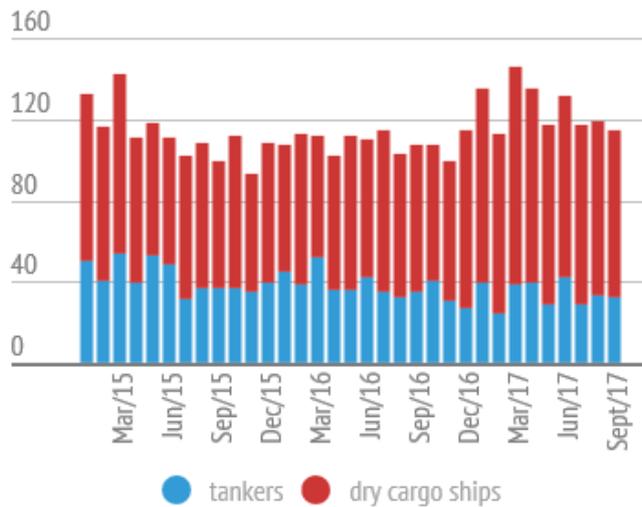


Types of cargo handled in 2015-2016 (thousand tons)

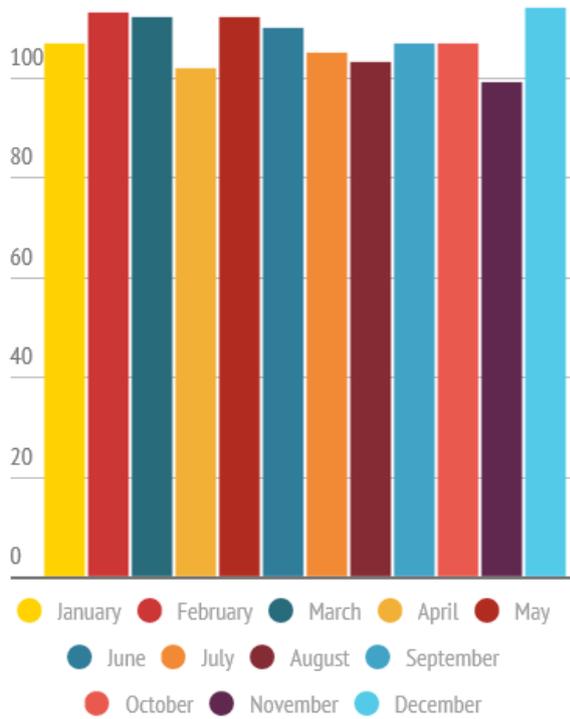


Vessel Statistics

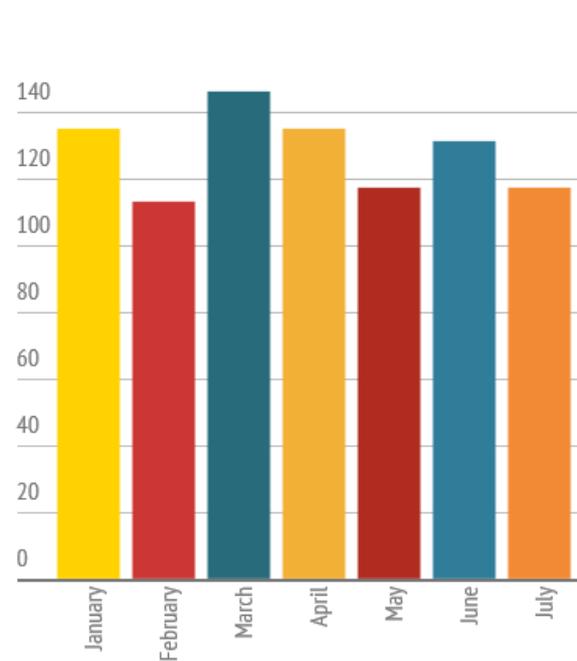
Number of vessels served in Freeport of Ventspils in 2015-2016



Number of vessels served in Freeport of Ventspils in 2016

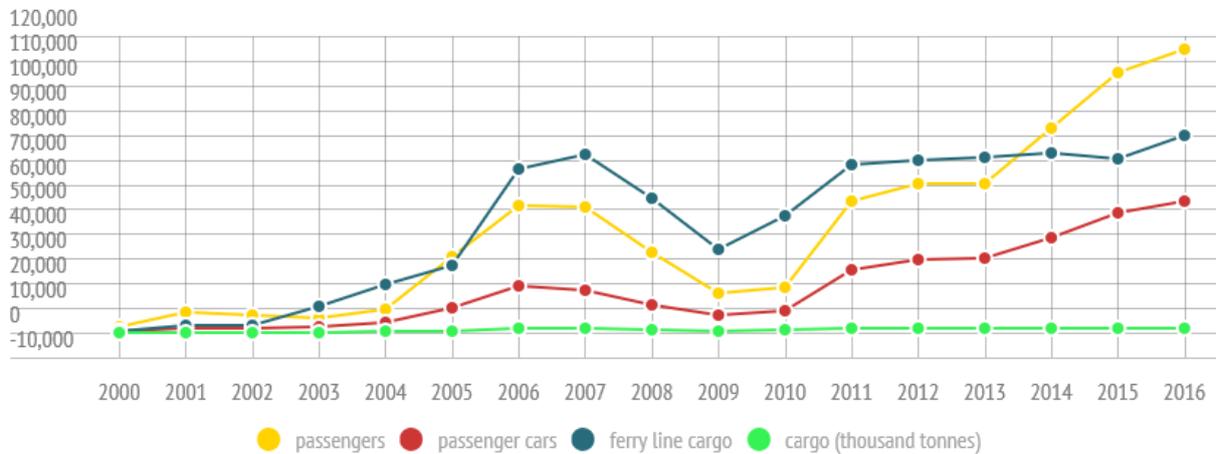


Number of vessels served in Freeport of Ventspils in 2017

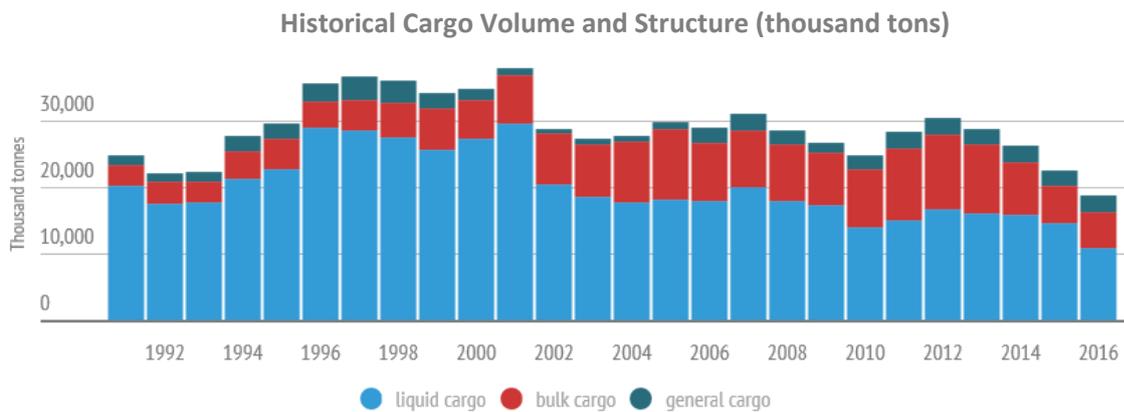


Ferry Lines in Numbers:

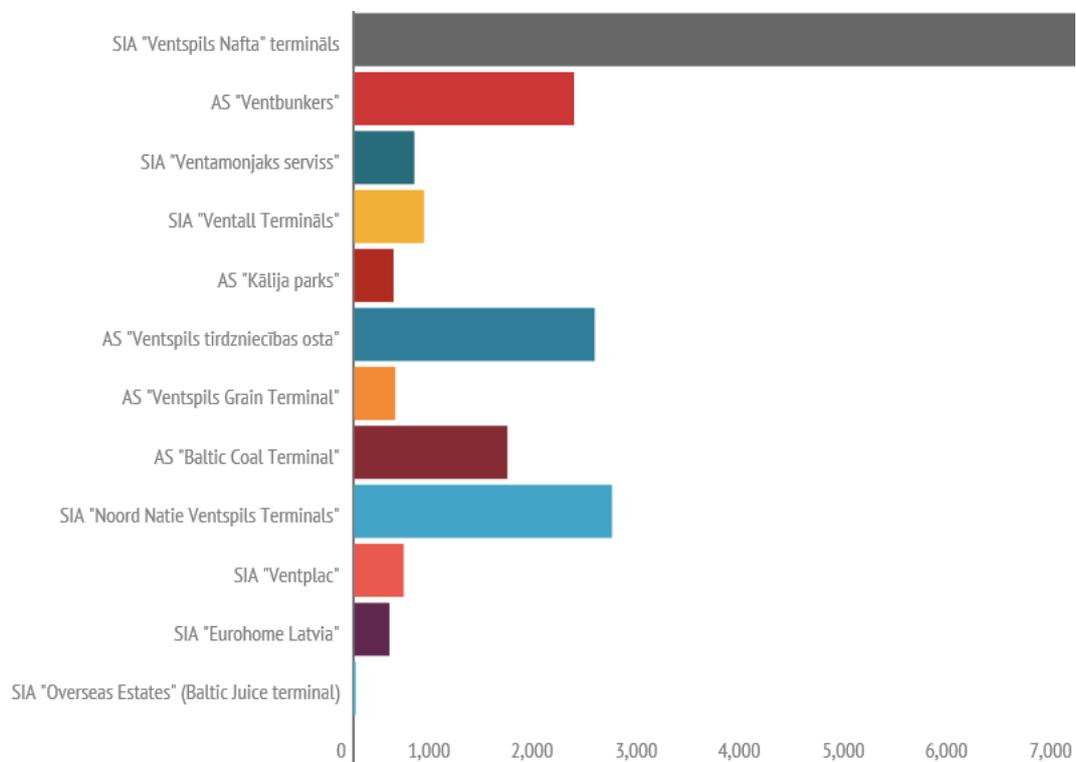
Ferry Line Cargo Amount



Total Cargo Turnover



The total cargo turnover of the Freeport of Ventspils terminals in 2016 (thousand tons)



Source: www.portofventspils.lv/en/port-in-general/port-in-numbers

Current and future developments

During the last decade, ambitious investment projects have been carried out in the port of Ventspils. They have strengthened the competitiveness of the port as well as a balanced development of industrial production. In the city, the industrial zone is developing a home for companies specializing in making high value-added services and products in the fields of IT, telecommunications, electronics, engineering, industrial automation, computer design, space technologies and others. In the 21st century, a new task (the task of a Community Manager) has been set for ports. Accordingly, Freeport of Ventspils Authority has successfully developed and maintained relations between the parties, engaged entrepreneurs and the society.

The port is constantly evolving. At present, the Freeport of Ventspils Authority has extended the area between the motorway and railway bridges, where two universal terminals have been built.

According to the North Port project, future plans include the expansion of the port towards the sea. An area slightly above 100 ha is currently allocated for the development of the North Port and it also has the potential to be extended into the sea (at the north of the existing port areas). As noted earlier, the cargo turnover has started to rise again since the beginning of 2017, in contrast to the previous years.

Freeport of Riga

Overview

Total territory of the port	6348 ha
Land of the port	1962 ha
Port water area	4386 ha
Total length of berths	18.2 km
Maximum permissible vessel draft by the berth	14.5 meters
Warehouse area	370,979 m ²
Cargo storage site area	1,926,362 m ²
Freezer capacity	25,500 t
Tank capacity	665,063 m ³

The Freeport of Riga lies on both banks of the Daugava river about 15 kilometres inland from the Gulf of Riga. The Latvian capital city is at about 80 nautical miles west-southwest of the Port of Parnu in Estonia and at about 235 kilometres northeast of Lithuania's Klaipėda State Seaport. Riga's historic centre is a UNESCO World Heritage Site, largely based on its plentiful German Art Nouveau (Jugendstil) architecture. The Freeport of Riga has made many improvements to the city's infrastructure in recent years, increasing leisure and business travel.

The Freeport of Riga is Latvia's major cultural, administrative, and industrial centre. Although icebreakers are necessary to open the Freeport of Riga from December until April, the port is an important part of the local economy. Riga contributes about 50% of Latvia's industrial output, with major contributions from the city's production of pharmaceuticals, textiles, food and beverages, furniture, wood products, communications equipment and from the printing and publishing, public utility and financial sectors. The city has many engineering companies that build ships and make electrical equipment, machine tools, diesel engines, rolling stock, streetcars and other products. The Freeport of Riga began to grow as a tourist destination when Latvia joined the European Union in 2004.

The commercial Freeport of Riga contains three sectors: the container terminal, the bulk and general cargo regions of Exporta and Andreja, and the 200 ha Riga Commercial Free Port Development Region. The Freeport of Riga is linked to the nation's road and rail networks for convenient access to the consumer markets in the Commonwealth of Independent States and Russia.

The Freeport of Riga contains over 3,100 m of quays with 21 berths with alongside depths from 6.5 to 10 m. The port offers 74.5 thousand square meters of warehouses and 329.1 thousand square meters of open storage. The berths are equipped with 41 portable cranes, 2 floating cranes, 10 container cranes, as well as a variety of other cargo-handling equipment in addition to the port's marine service fleet. Cargo transshipment capacity at the terminals of the Freeport of Riga accounts for 58.2 million

tons per annum. In 2014 the FPR was the biggest port of the Baltic States by cargo turnover that reached 41.1 million tons. Up to 80% of the Freeport of Riga cargo turnover is made up of transit cargo forwarded to or received from the CIS. 35 stevedore companies and 28 shipping agents successfully operate at the Freeport of Riga.

Main types of cargo handled at the Freeport of Riga are: containers, various metals, timber, coal, mineral fertilizers, chemical cargo and oil products. The port is open for navigation all year round.

Activities

The Freeport of Riga Authority was created by law in 1996 when the Riga Commercial Free Port was established. The Freeport of Riga offers tax benefits and flexible customs procedures and has autonomy to make it a competitive and attractive opportunity for foreign investment, trade, manufacturing and business. The State Joint-Stock Company, Riga Commercial Port, is responsible for: leasing port properties to entrepreneurial companies, setting tariffs for port services and entering into agreements with companies for port operations.

The Freeport of Riga Authority manages the port. The Board is the highest decision-making body and the Chief Executive Officer manages the administrative staff. The main functions of the Freeport of Riga Authority are to:

- set and collect port fees and lease payments;
- oversee security and entrance arrangements;
- monitor activities within the port in accordance with equipment safety plans;
- monitor compliance with port regulations and national laws;
- protect the port environment and participation in environmental clean-ups;
- grant permissions for activities on port territory based on environmental impact assessments;
- ensure winter navigation;
- prepare development plans for the Freeport of Riga consistent with municipal land management plans;
- implement the Latvian Port Council's development programs;
- manage and maintain port property, equipment, and infrastructure;
- plan and manage the use of financial resources of the Freeport of Riga;
- organize construction of port facilities and infrastructure;
- perform appropriate research on demand and supply of port services;
- enter into contracts to secure port services; and
- maintain and develop port infrastructure.

The shipyards at the Freeport of Riga offer a range of services for vessels as long as 235 m with breadth of 34 m. The yards have three 30-thousand tons capacity floating docks and offer hull treatment by grit blasting, hydro blasting, and mechanical methods. They also apply marine and ice-resistant paints and clean and recoat ballast and cargo tanks. The Freeport of Riga's branch yard in Liepāja has supplemented these facilities since the year 2000 and can do any type of ship repair work, including repair of controllable-pitch propellers, shaft seals, rudder and steering gears and bronze bushings.

The Freeport of Riga works closely with the city to plan and develop port and urban spaces to maintain a high quality of life and a world-class port operation. Urban decision-makers and the Freeport of Riga Authority are implementing a cooperative program to integrate city and port spaces and to maintain the port's competitive position. The Freeport of Riga Authority is currently conducting a detailed analysis of port facilities in the context of possible urban redevelopment.



They do so in order to determine the maximum value-added of compatible urban and port redevelopments in the Freeport of Riga that will create jobs and tourist opportunities while supporting sustainable development and promoting the best possible lifestyle for the city's residents. The analysis will result in a set of recommendations for a successful mix of port and urban functions and a guide of good practices.

Connectivity and advantages

Advantages: the Free Port of Riga Authority operates in compliance with the environmental policy approved within framework of the environment management system, the aim of which is to ensure that the Port of Riga becomes one of the environmentally friendliest ports in the North-Eastern region of the Baltic Sea.

Cargo volume & structure

In 2016, total cargo of the Freeport of Riga was 37.1 million tons. 385,937 TEU of containers were transported, 8.2 million tons of liquid cargo, 1.8 million tons of timber, 298 thousand tons of metal, 1.3 million tons of grain, 13.3 million tons of coal, and 2.8 million tons of fertilizers. 3,810 th. tons was imported and 4,534 th. tons exported. 14,564 th. tons was transit. 11,769 passengers were trafficked.

Types of cargo:

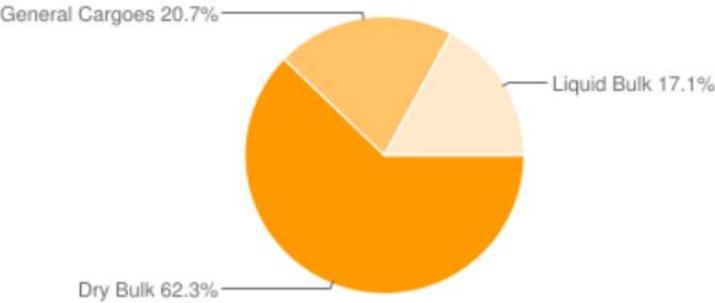
Cargo turnover in 2016 (January - December), compared to 2015

000 tons	2015 Jan-Dec	2016 Jan-Dec	growth (%)
Total	40,055.80	37,070.30	-7.5%
Dry Bulk	23,245.50	22,393.10	-3.7%
General Cargo	6,192.70	6,511.20	5.1%
Liquid Bulk	10,617.60	8,166.00	-23.1%

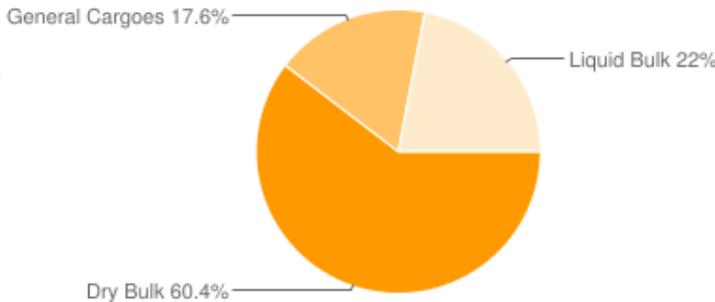
Cargo turnover in 2017 (January - November), compared to 2016

000 tons	2016 Jan-Nov	2017 Jan-Nov	growth (%)
Total	33,336.30	31,116.90	-6.7%
Dry Bulk	19,767.40	19,381.60	2%
General Cargo	5,979.10	6,428.90	7.5%
Liquid Bulk	7,589.80	5,306.40	-30.1%

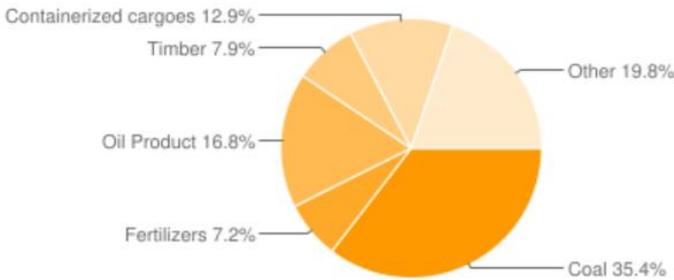
Structure of cargo handled in 2017 January - November



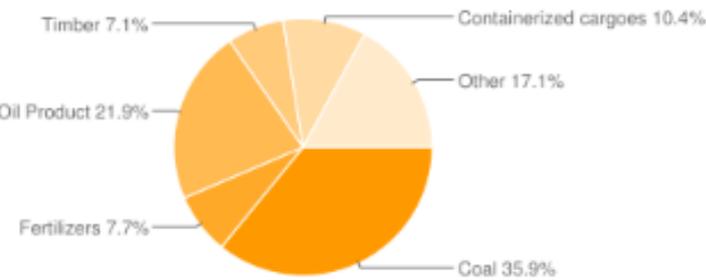
Structure of cargo handled in 2016 January - December



Structure of cargo handled in 2017 January - November



Structure of cargo handled in 2016 January - December



Source: www.rop.lv/en/about-port/statistics.html

Current and future developments

The first half of the last year has been especially fruitful for the passenger transport segment. During the first seven months of 2017 the number of ship passengers at the port of Riga grew by 45.4% against the same period in 2016 to 484,151 people, according to information posted on the port’s official website. Of these people, 57,779 were cruise ship passengers. This year, during the active cruise season, Riga has already been visited by 54 cruise ships with 57,800 passengers, which is 33,1% more than last season. As reported, Estonian ferry operator Tallink now has two ferries - the Isabelle and the Romantika - on the Riga-Stockholm route. Previously only one ferry was running on the route every other day but in December 2016 the cruise ferry Romantika started operating as a second ship on the Riga-Stockholm route, and now there is daily ferry service between Riga and Stockholm. In 2016, the

number of passengers served at the port of Riga reached 581,601, growing by 10.5% compared to 2015.

Over those same first seven months of the year 2017, the Freeport of Riga handled 20 million tons of cargo. The cargo turnover increased by 1.6% for dry bulk and by 11.5% for general cargo, including by 14.3% for container cargo. The volumes of handled liquid bulk cargo (oil products) at the port of Riga have however decreased this year. The port's press service informed that this is due to market trends. The first half of 2017 was particularly successful for container cargo shipments. July was the second-best month of the year in terms of container cargo handled. In total, the turnover of container cargo at the port of Riga over the first seven months of this year increased by 14.3%, compared to the previous year, reaching 245,200 TEU units. The increase in ro-ro cargo (up 51.3%) and metal products, the volume of which has doubled this year, also had an impact on the positive indicators in the general cargo segment.

Over the first seven months of 2017, 12.4 million tons of dry bulk were handled at the port, and the volume of such cargo increased by 1.6%. Coal is responsible for the largest share of dry bulk. This year, 7.4 million tons of coal have been sent from the port, which is 5.1% more than the year before. In the dry bulk segment, turnover for timber dry bulk, metals, crops and peat has also increased compared to 2016.

Port of Tallinn

Overview

The length of Estonia's coastline is with 3,800 km about 6 times longer than the mainland borderline. Therefore seafaring and port business have long traditions and a major impact on the whole country.

The Port of Tallinn is located in Estonia's capital and biggest city, on the country's northern coast on the Gulf of Finland, and is an important seaport as well as a cultural, political and industrial centre for the country. Estonia could be dubbed the most digital country of Europe. Having only about 45 thousand square km of land surface and not even one million and a half inhabitants, this little Baltic country is forced to punch well above its height by investing heavily in the digital sector. Amongst others, it offers Estonian E-Residency to those who are willing to invest in the country. It is home to the Institute of Cybernetics, which is housed in a Soviet-era building and Skype can also be mentioned as one of the most important start-ups originating from this country. This development is reflected on its largest and only major harbour, Tallinn, which is developing as a smart port. This system consists of a traffic flow management solution organizing pre-check in check-in and line management for the port, which is serving multiple ferry operators. It's providing holistic and easy to understand services for people with trucks and cars.

Tallinn is the oldest capital city in the Baltic Sea region and in 1997, the city's centre was designated a UNESCO World Heritage Site. Modern Tallinn is a busy commercial fishing port and industrial city. It is home to many engineering industries led by ship- and machine-building as well as manufacturing of a range of consumer goods. Being Estonia's cultural centre, it is home to an academy of sciences, a music conservatory, many museums and theatres and several institutes for fine arts, teacher training and

polytechnic disciplines. Notwithstanding the developments in the sector of information and communication, its most important economic sectors continue to be the textile and food industry and public administration.

The Port of Tallinn is a company completely owned by the Republic of Estonia. It is the biggest port authority in Estonia and as far as both cargo and passenger traffic are taken into account, the biggest port on the shores of the Baltic sea. Its strategic goal is to improve Estonia's competitiveness as a maritime country. In order to fit effectively into the competitive environment, the Port of Tallinn underwent a complete restructuring process in the mid-1990s by developing from a service port into a port of landlord type. In 1999, the last cargo-handling operations were finally given into the hands of private companies.

Today, the Port of Tallinn operates as a landlord type of port with no cargo handling operations of its own. It is maintaining and developing the infrastructure of the port and leasing territories to terminal operators through building titles giving the operators an incentive to invest into superstructure and technology. Port of Tallinn (cl) aims to be the most innovative port on the shores of the Baltic Sea by offering its customers environment and development opportunities.

Harbours

Port of Tallinn consists of five constituent harbours (Old City Marina in addition, being a part of Old City Harbour):

- Old City Harbour + Old City Marina
- Muuga Harbour
- Paljassaare Harbour
- Paldiski South Harbour
- Saaremaa Harbour

	Muuga Harbour	Old City Harbour	Paljassaare Harbour	Paldiski South Harbour	Saarema Harbour	Total
Port land territory (ha)	524.2	52.9	43.6	141.1	13.6	775.4
Port water area (ha)	752	93.6	33.5	147.2	44.3	1,070.6
Number of berths	29	24	11	10	3 + floating berth for small crafts	77
Total length of berths (m)	6,400	5,018	1,900	1,850	445	15,551
Max. depth (m)	18	11	9	14.5	10	
Max. length of vessels (m)	300	340	190	230	200	
Max. width of vessels (m)	48	42	30	35	30	
Warehouse area (m ²)	151,000	10,400	16,000	15,000		
Open storage (m ²)	670,000	95,000	105,000	500,000		
Reefer warehouse (m ²)	11,500		15,000			
Oil tank capacity (m ³)	1,550,150		42,000	357,900		

All of the harbours are open year-round and offer depths up to 18 m, allowing the port to accommodate all vessels that can pass through the Danish Straits. Muuga Harbour is the Port of Tallinn's main cargo harbour, handling about 80% of total cargo volume for the Port of Tallinn and approximately 70% of the transit cargo volume passing through Estonia. Port of Tallinn also owns Muuga and Paldiski South Harbour Industrial Parks.

Muuga Harbour

The Port of Tallinn's Muuga Harbour, located some 17 km east of Tallinn, houses six terminals for liquid bulk cargo, two multi-purpose terminals, and specialized terminals for containerized cargo, ro-ro, dry bulk, grains, steel and coal. Muuga Harbour is among the deepest (18 m) and most modern ports in the Baltic Sea region. Nearly 75% of the cargo through Muuga Harbour is crude oil and oil products, but it also handles dry bulk (grain, coal, and fertilizers) and contains a large free zone. Muuga Harbour's container terminal has capacity for 215 thousand TEUs per year, and expansion plans will bring that to 500 thousand TEUs a year. The container terminal covers about 20 ha and has railway lines for 25 railcars. The terminal also has 4,000 m² of sheltered storage space and a reefer container depot. Above its capacity for storing 1.55 million m³ of oil, it also has capacity to store 300 thousand tons of grain.

An extensive free zone in Muuga Harbour grants more flexible customs procedures for companies rendering transit and distribution services. Simplified customs procedures, easy transfer of ownership rights and value-added operations allowed in the zone are designed to foster the development of distribution centres. No import VAT is applied to goods imported temporarily to be processed and exported in due time from Estonia. In terms of land availability for extension, Muuga Harbour possesses the greatest development potential in the whole region. This is clearly demonstrated by the fact that Katoen Natie has invested in this harbour. A Katoen Natie Logistics Centre was opened in

Muuga harbour on the fifth of May, 2013. The complex has a surface of 25,000 m² and its activities are still continuing today.

Old City Harbour

The Old City Harbour is located at the gate of the Port of Tallinn's medieval old town and it is one of the biggest and busiest passenger harbours in the Baltic region. It is also the biggest passenger harbour for both Port of Tallinn and Estonia. It contains 4 passenger terminals and a mixed terminal. Tallink, Eckerö Line and Viking Line boats and ferries depart from the Old City Harbour for Helsinki, as well as the Tallink vessels operated on the Tallinn-Stockholm route and St. Peterline vessels on the Tallinn-St. Petersburg route. Round the year regular lines of Tallinn-Helsinki, Tallinn-Stockholm and Tallinn-St. Petersburg are served.

For the last decade, the Old City Harbour has focused on serving passengers for all of Estonia and it is Latvia's gate for tourism as well. Located in the heart of the Port of Tallinn, it provides convenient access to the city's historic centre and is fully equipped for the comfort and enjoyment of the 9 million passengers who come to visit each year. The Old City Harbour facilities have grown with the growth in passenger traffic over the years.

Paljassaare Harbour

Paljassaare Harbour is situated on Paljassaare Peninsula in Tallinn, approximately 6 km from the centre of the city. It has a capacity to handle about 3 million tons of cargo per year, although it is much smaller than the Muuga and Old City Harbours. Due to its geographical location, Paljassaare Harbour is sheltered from both wind and waves. Vessels to and from the harbour pass through an 800-meter canal (width 90-150 m, depth 9.0 m).

Paljassaare Harbour is a cargo port and contains specialized terminals for oil, cooking oil, coal products, timber, dry bulk and general cargo.

Paldiski South Harbour

Paldiski South Harbour, located 45 km west of Tallinn, is Tallinn's second cargo harbour. It is the largest of the 3 small harbours. The core activity of the harbour is focused on the handling of Estonian export and import of cargo and transit of cargo. Its terminals serve roll-on/roll-off and general cargo, timber, metal, peat, biodiesel/oil products, exports of local products, automobiles, and passengers. It is home to regular passenger traffic with Sweden. Recently developed fields of activity include transit of new cars for neighbouring markets and pre-sale service. Much of today's investment is devoted to Paldiski Harbour due to its potential for growth. New roads and railway networks are expanding.

There is also an industrial park area close to the harbour, which plots are ideal for companies whose operations assume direct closeness of a port.

Saaremaa Harbour

Saaremaa Harbour has 2 quays available for vessels accompanied by a quay for auxiliary vessels and a floating berth for small crafts. The new harbour with a depth of 10 m alongside the quay is capable of

servicing ships with a length of up to 200 m. The natural depth of the harbour location is sufficient for receiving the biggest cruise ships sailing in the Baltic Sea. Services offered here include pilotage, tug, bunkering, shuttle service, garbage disposal, tourist information and a wide range of tours.

Due to its favourable geographical location on the north-western coast of the island, Saaremaa Harbour has potential to host regional cruises as well as to develop regular passenger lines between Scandinavia and Saaremaa Island.

Activities

The activities of the Port of Tallinn are divided mainly between the following areas:

- Cargo and activities related to handling it

The total cargo volume of the Baltic Sea east coast ports, dominated by Russia's measurement cargo export, is expected to grow in the coming years. Port of Tallinn market share, on the other hand, is expected to decrease in the total volume, mainly caused by a substantial increase of the share of Russia's ports at the export of measurement cargo, which does not assume additional value provided in the port.

- Passengers and activities related to serving them

In passenger traffic, Helsinki-Tallinn traffic, which operates efficiently together with cargo transport, plays an important role. Proportionally the largest increase possibility is detected on Saint-Petersburg direction, which is favoured by Russia's visa-free travel for tourists arriving by sea. Increased possibilities of Swedish line are connected with increase of attraction of Estonia as a place of destination for the Swedes.

For Port of Tallinn, the Baltic Sea cruise market is directly connected with Saint-Petersburg and Tallinn's location in the proximity of the shipping lane to Saint-Petersburg.

Increase of cruise marketing is favoured by efficiently operating joint marketing of the Baltic Sea ports. Restriction on sulphur content of vessel fuel effective from 2015 has a negative impact on regular line traffic as well as cruise tourism market.

- Real estate development

Port of Tallinn owns large unimproved areas in the Old City Harbour in Tallinn city centre, there are also vacant areas in Muuga Harbour and Paldiski South Harbour. Port of Tallinn real estate development is focused on Old City Harbour, where the city and harbour community provide a unique possibility for original real estate development.

The role of Port of Tallinn at the implementation of real estate developments may vary from the setter of the building lease to the developer. On plots related to servicing of passengers and vessels Port of Tallinn prefers the role of the developer and on farther areas the role of the setter of the building lease after establishing of the plans initiated by Port of Tallinn. The objective for 2020 is to acquire the

building right or application for all areas not directly necessary for rendering port services (16.3 ha) and make 8.5 ha of the Old City harbour area earn a profit.

The perspective of the areas in the proximity of cargo ports is related to creation of additional value for cargo passing via the port and through this creating of independent cargo flows. Under the so-called rear terminals the strategy means warehouse as well as production companies.

- Shipping

In the end of 2012 the state made a decision to acquire the multifunctional ice breaker Botnica via Port of Tallinn based on the strategic needs of Estonia. During the ice breaking period the Botnica, in the service of the Maritime Board, keeps Estonian ports navigable. At other times the task of the Botnica is to earn maximum profit at shipping auxiliary operations.

Based on substantial increasing of ice breaking capacity on the Gulf of Finland established in the ice breaking plan of Estonia, a need for acquiring additional vessels may appear during the coming years. As the owning and the management of a vessel park requires special knowledge and skills, it is reasonable to consider concentration of other service vessels belonging to the state of Estonia under Port of Tallinn or acquisition of additional vessels in the coming years.

- Energetics

Historically the Port of Tallinn has, in addition to port services, also rendered energy services to the port on the territories of its harbours, as well as operators and other companies operating on the port area. Electricity, water, sewage and heat supply and other services related to these are rendered.

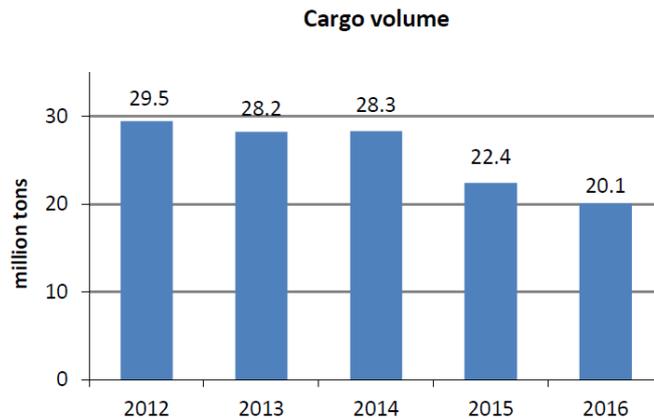
The Port of Tallinn areas of activity have started to include owning, operating and giving on lease of sea-going vessels as an important new activity in its strategy, approved for the period of 2013-2020.

Harbours administered by Port of Tallinn are located on the territories of 6 different local governments. Realization of all Port of Tallinn development projects, depends on effective plans and legislative proceedings and enacting of plans belonging to the sole competence of local governments. Port of Tallinn as a location competes with locations in other countries for plan based foreign investments.

Delay in plans, without their reaching public discussion and weighing of interests, endangers the making of important decisions and the creation of new workplaces and the remaining of additional value in Estonia. Irrespective of the final decision made on establishing of the plan, delay in the administrative procedures of the planning process is burdening for all parties involved. Hence, the objective of the strategy is to have constructive cooperation with local governments in every stage to ensure proceeding of plans during reasonable terms established in the law, if possible quicker. With the goal of manifold informing of associated groups besides local governments, also local communities are maximally involved in the planning process.

Cargo volume

In 2016 the cargo volumes passing through the ports of Tallinn declined by 2.3 million tons (10%) to 20.1 million tons, the lowest level over the last period of nearly 20 years. The decline resulted from a drop in the volume of liquid bulk. Mostly the volume of liquid cargo transported to the port by railway declined while the volume of liquid cargo serviced by the vessel-terminal-vessel scheme did not decrease considerably. The total volume of other cargo types increased, most of all the volume of dry bulk and ro-ro cargo.



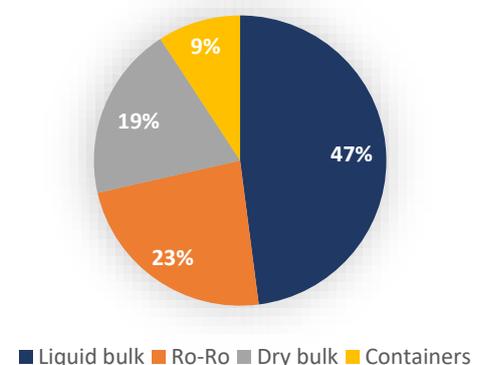
Decline in liquid cargo can be attributed to the fact that Russia preferred its own ports on shipping cargo originating from Russia which was reflected in increased volumes of liquid cargo mostly in the ports of Ust-Luga and Primorsk. However, increase in the volume of liquid cargo shipped to the port with vessels is hindered by rather low oil prices which cut back demand for added-value services provided in terminals and decreases profitability. Although decrease in the volume of containerized cargo turned into a slight increase in the second half of the year, transit to and from Russia remained at lows due to weak domestic demand in Russia. Most of the ro-ro cargo moved on the north-south routes and was less connected with Russia. Growth in the volumes of containerized and ro-ro cargo related to the consumption on the east coast of the Baltic Sea and the area beyond has been fostered by a growing trend in the trade sector to deliver goods in containers. In terms of transport direction, the most significant change was decrease in volume of transit in exports. However, the volume of Estonian exports showed rather solid growth, while the volume of imports did not grow significantly.

Cargo structure

In 2016, total cargo of the port of Tallinn was 20.1 million tons. 1,790 thousand units of vehicles, 202,327 TEU of containers, 9.4 million tons of liquid cargo, 500 th. tons of timber, 445 th. tons of metal, 419 th. tons of grain and 1.9 million tons of fertilizers were transported (no coal), 3.8 million tons were imported and 4.5 million tons exported, 14.6 million tons were transited and 11,769 passengers were trafficked.

In percentages, liquid bulk with 47% (2015: 57%) accounted for the major part of cargo volumes; ro-ro accounted for 23% (2015: 19%), dry bulk for 19% (2015: 13%) and containers for 9% (2015: 8%) of the cargo volume. In terms of transport directions, transit accounted for 58% (2015: 65%), exports for 23% (2015: 18%) and imports for 19% (2015: 17%) of the cargo volumes.

Types of cargo, 2016



In the near future, the structure of the types of bulk cargo (liquid bulk and dry bulk) will depend on further utilization of the port capacities in Russia. As regards ro-ro and containerized cargo, the structure of cargo types will mostly depend on the development of the region's economic environment, geopolitical tensions influencing it and also on the trade-boosting labour-saving electronic transaction environment developed in Estonia.

Cargo transit through the Port of Tallinn is not seasonal by nature. The cargo volume passing through the port may be influenced by ice-covered shipping routes in the Gulf of Finland in the winter period as a result of extended cold weather when vessel and cargo traffic may be slowed down by ice-breaking operations. Extremely difficult ice conditions last occurred at the beginning of 2003. However, difficult ice conditions in the Gulf of Finland can give the Port of Tallinn a competitive edge over the northward and eastward ports where even more difficult ice conditions may result in more expensive and time-consuming transport of goods. Fluctuations in cargo volumes are usually subject to changes in market conditions (including changes in global market prices of transported cargo; domestic consumption in Russia; and such factors influencing exports as export duties, tariffs and export capacities).

Current and future developments

January-June 2017/2016:

		2017	2016	Change %	Share % (2017)
1	Cargo traffic (th tonnes)	9,948.1	10,704.2	-7.1	100
1.1.	By type				
	Containers TEU	102,346	97,133	5.4	
	Containerised	898	849.7	5.7	9
	General cargo	401.4	317	26.6	4
	Dry Bulk	1,902.5	1,782.1	6.8	19.1
	Liquid Bulk	4,238.1	5,488.5	-22.8	42.6
	Ro-ro cargo	2,505.8	2,262.9	10.7	25.2
1.2.	Non-marine	2.5	3.9	-36.2	0
1.3.	By destination				
1.3.1.	Inbound	3,876.6	4077	-4.9	39
	Import	1,999.3	1,864.1	7.3	20.1
	Transit	1,877.3	2,212.9	-15.2	18.9
1.3.2.	Outbound	6,069.1	6634	-8.5	61
	Export	2,362.2	2,342.9	0.8	23.8
	Transit	3,706.8	4,291.1	-13.6	37.3
1.3.3.	Domestic	0	0		0

2	Passenger traffic (th)	4,819.3	4,622.3	4.3	100
	Tallinn-Helsinki	4,063.8	3,888.2	4;5	84.3
	Tallinn-Stockholm	482.2	469.9	2.6	10
	Paldiski-Kapellskär	8.5	9.3	-8.3	0.2
	Muuga-Helsinki	0	0		0
	Stockholm-Tallinn- St. Petersburg	32.4	63.8	-49.2	0;7
	Cruise Ship Passengers	231.7	190.3	21.8	4.8
	Cargo Ship Passengers	0.7	0.8	-18.9	0
3	Ship calls	3,733	3,596	3.8	100
	Cargo Ships	873	873	0	23.4
	Passenger Ships	2,860	2,723	5	76.6

For the period of 2013-2020 Port of Tallinn set the following objectives:

- maximum preservation of measurement cargo flows and diversification of cargo groups and linking with the port via additional value services rendered in the Port of Tallinn
- ensuring of attractive port environment to passengers via services rendered to passengers and shipping lines in the port
- earning of additional income from commercial real estate via its giving into use or development
- maximum increase of income from owning of the ice breaker during the non-ice breaking season
- increasing of sales volume of energy services

[Project "Green Cruise Port – Sustainable Development of Cruise Port Locations" \(2016–2019\)](#)

The project is aimed at enhancing cooperation of cruise ports in the Baltic Sea region on developing port facilities and services focusing on the aspects of environmentally friendly and economically beneficial solutions. Project partners are ports of Hamburg, Klaipėda, Riga, Rostock, Helsinki, Bergen, Esbjerg and Kaliningrad and Maritime Institute Gdansk.

Within the project:

- a master project together with technical solutions for the Old City Harbour cruise terminal is prepared;
- a study: "Sustainable energetic solutions for the cruise terminal building in Northern climate" is carried out;
- and an international cruise conference is held in Tallinn.

The lion's share of the investment projects for upcoming years however is associated with the Muuga and Paldiski harbours and the adjacent areas.

Muuga Harbor



According to the development plans of Muuga Harbour, an important direction for extending the harbour area is eastwards towards the area in-between the existing container and coal terminals. At stage 1 of extending the eastern part of Muuga Harbour, up to 70 ha of land was developed, of which about 23 ha was covered by the sea. In the course of the project, the existing quay No 16 was extended by 100 m and a new quay (No 17) with a length of 378 m and a depth of 14.5 m was built.

Additionally, approximately 27 ha surface area of the terminal will be prepared for the superstructure erection. Also, the required general infrastructure was built for the entire eastern part: all communications and networks. The new terminal and infrastructure has increased twofold the present-day container handling capacity of the Muuga Harbour. The European Commission allocated funds from the EU Cohesion Fund to the Stage 1 of the extension project of the Eastern part of Muuga Harbour in the approximate amount of 18.9 million euros.

The preconditions for the stage 2 of the extension to the Eastern part of Muuga Harbour have been met. During this stage, it is possible to build about 1,772 m of quay line (a 120 m quay would be for the harbour fleet and the remaining 1,652 m would be for the quays of prospective terminal(s) with a depth of 16 m. Up to 67 ha of terminal area will be added.

On the long term Muuga Harbour development plans, include building a breakwater construction. The continuous expansion of port activities demands more attention to the maritime safety and facilitation of vessel navigation. The added benefit of building a breakwater construction is the increase of cargo handling volume on quays under weatherproof conditions plus a better environmental risk management in marine casualties. The project for the breakwater construction has been drafted and will be co-financed by the EU.

Paldiski South Harbour

Paldiski South Harbour has been successfully developed over the past few years. In 2009, two berths were built with a respective length of 230 m and 160 m. As a result of such land reclamation, a 2.7 ha plot of new land was created.

With the construction of the berths, the process of transferring the processing of solid bulk goods, away from the processing of vehicles and passengers, is well under way. According to the plans

and the existing berth capacities, the processing of all the solid bulk goods passing through the Paldiski harbour will be relocated to other berths. With the construction of new berths, a processing capacity will be created to accommodate the current volumes as well as the predicted increase in the future volumes of the solid bulk goods passing through the Paldiski Harbour.



In the harbour extension process, the extended harbour area will be surrounded by perimeter structures in the purposes of safety and facilitation of cargo processing. And, near the Soomepoiste road intersection, a new single entrance gate will be set up. This would allow almost the entire harbour

territory to be converted into a customs control zone. The future entrance will have parking areas, waiting areas and ticket sale areas. Access to the boats and ferries for the passengers boarding with no private vehicles will be provided by a shuttle service between the gate and the passenger terminal.

In case the volume of new passenger vehicles will exceed 300,000 and/or the ro-ro volumes will exceed 1.6 million tons, on the long term the harbour has planned the construction of an additional berth (berth no. 6a) for the processing of ro-ro volumes and passenger vehicles. The length of that new berth is planned to be 260 meters and the land reclaimed from the sea will give the harbour about 10 ha of new added territory.

On the long term, Paldiski South Harbour also plans a breakwater construction, for the same reason: the continuous enlargement of the harbour and its activities demands further attention to maritime safety and better navigational and manoeuvring conditions for the vessels. Meanwhile, the construction of the breakwater provides direct opportunity to increase the cargo processing volumes as the berths are better protected against the weather conditions and will provide better risk management for extensive environmental damage in case of a potential marine casualty.

The breakwater project of the Paldiski South Harbour is also an EU co-financed project and has been set up in two stages. Stage 1 consists of building a breakwater with a length of 0.9 km, berths of 300 m plus 360 m and reclaim 16.8 ha of new territory. Stage 2 consists of building an additional breakwater of 0.4 km, a berth of 300 m and reclaiming additional land of about 7.8 ha.

Paldiski South Harbour Industrial Park

In the recent years, the Port of Tallinn has acquired new land units adjacent to the port, in the area between the road and the railway leading to Tallinn. This was done in the purpose of employing these units as a distribution terminal for the cargo passing through the harbour and/or for the processing-production (industrial park) of such goods. The area will be developed and public roads and utilities e.g. will be connected to the utility networks.

Old City Harbour

With regards to Old City Harbour, the development plans of the Port of Tallinn envisage the Old City Harbour being converted fully into a passenger port. Therefore the cargo handling has been gradually moved out from the Old City Harbour and relocated into the Muuga and Paldiski South Harbour. Now, the Old City Harbour terminals are handling predominantly ro-ro cargo (rolling stock) and to an extent, also some break bulk cargo. In order to handle the ever increasing flow of cruise tourists, the Port of Tallinn is planning to construct an additional quay for cruise boats at the Old City Harbour.



Source: www.portoftallinn.com/

Rail Baltica

Currently all railroads within the three Baltic countries are of the Russian type. That means that they have a gauge of 1,520 mm. This is called the Russian gauge. This type is used in all former Soviet Republics, Finland, Mongolia and Afghanistan. It's the second most common gauge in the world after the Standard or European gauge, which measures 1,435 mm. That means that the Russian tracks are wider and the European ones are narrower. So the two are not compatible. The Russian tracks are a great advantage for the trade with the CIS countries. The same trains can use whole the railroad system of this region. This is not unimportant as, for instance, approximately 80% of cargo Hinterland transportation to and from the Port of Klaipėda is carried out on the railways. It's however a disadvantage for the trade with the EU, since the rails in Europe are more narrow and therefore not accessible for the trains that are currently being used in Estonia, Latvia and Lithuania.

Rail Baltica is the project that will bring a change in this situation. Without changing anything to the old tracks with the Russian gauge, which shall remain intact and shall be continued to be used in the future, a new track of the European system shall likewise be built. This track will run on a north-south axis through the three Baltic countries. It will start in Tallinn, where the possibility of a tunnel going to Helsinki is currently being discussed. The feasibility and the financial aspects of this project are still being studied, but if this tunnel would be built, it would become the longest undersea rail tunnel in the world. It could at the earliest be opened after 2030. Building the route going over land will not take that long, however. The Rail Baltica track would start in Tallinn from where it would go southwards by the Estonian city of Pärnu towards Latvia and its capital city, Riga. In Lithuania it would pass by the cities of Panevėžys and Kaunas to go from there to the Polish cities of Białystok and Warsaw. Through Warsaw the Baltic Countries shall be connect with the whole European railroad network, making it possible to travel to Brussels and Antwerp by Berlin and Poznan. The track will also be multimodal. There will be 3 multimodal terminals in the Baltic countries: one in Muuga in Estonia; one in Salaspils in Latvia and one in Kaunas in Lithuania. The railway will be connected to the international airports of Tallinn, Riga and Kaunas. There seven passenger railway stations are currently planned (Tallinn, Tallinn Ülemiste, Pärnu, Riga Central, Riga Airport, Panevėžys en Kaunas).



Source: www.railbaltica.org/about-rail-baltica/maps/

The idea of the Rail Baltica project was first mentioned in 1991. It's a greenfield project, which is a part of the European Union TEN-T (Trans-European Transport Networks), the EU's North Sea Baltic TEN-T corridor to be specific. Therefore, the project will partially be financed by the involved member states and partially by the European Union TEN-T budget, in particular in the framework of the Connecting Europe Facility (CEF) funding instrument. It will be an investment of at least € 5 billion. It will be the largest Baltic-region infrastructure project in the last 100 years and is planned to be constructed within a 10-year construction period. That means that the rail track from Tallinn to Kaunas should be finished by 2025 and the one from Kaunas to Warsaw by 2030. It will accommodate passenger as well as freight traffic and will be 870 km long. The maximum speed should be 240 km/hour for passenger transport and 120 km/hour for freight transport. The project is also supposed to be environmentally friendly, diminishing the traffic on the Via Baltica (E67) and it will be powered by electricity. As a consequence of this, it will produce less noise and vibration.

Conclusion

The five major ports of the three Baltic states: Klaipėda, Liepāja, Ventspils, Riga en Tallinn are situated on a strategically very important location. From these ports it is possible to reach all states of the CIS and even the Far East. Countries like China and Kazakhstan are becoming much more closer because of the "One Road, One Belt" project of the Chinese People's Republic, that aims at reviving the trade networks of the former Silk Road. For cargo coming from the East, they're forming a gateway to the Nordic countries and Western Europe. The sea routes that are connecting the aforementioned ports through the Baltic and North Seas with the Atlantic Ocean have proved their value throughout history and shall do so again now that these countries are independent.

The Rail Baltica Project shall likewise ensure:

- that the harbours will be better connected over land;
- the establishing of a connection through Poland and Germany with Continental Europe.
- North-South routes will also be further developed.

It's by railway, after all, that a large quantity of the cargo leaves or reaches the Baltic Sea Ports. The standoff between the European Union and the Russian Federation might have seemed to cast a dark spot on the bright future of these countries, but this will only be a little spot, which shall diminish as the mutual benefits of trade shall prevail and as these ports shall continue to develop as import hub for regional and international commerce.

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