

IN JUST OVER A DECADE, the former Soviet Bloc states of Eastern Europe have sloughed off the shackles of socialism, armed themselves with the tools of capitalism and forged out a prominent economic role in the New Europe.

Such is the growing confidence of these formerly poor and depressed states, that many are now fully-fledged members of the European Union, their delegates sharing the same tables as emissaries from France, Germany, Britain and Spain.

Confidence is at such a soaring level that the new players, particularly those in the Baltic states of Latvia, Estonia and Lithuania, prefer to refer to themselves as founder members of a New Europe, a subtle, self-given designation that suggests, not inaccurately, that they are nations filled with fresh, innovative and young-minded people, ready to challenge the old order.

Anyone who has spent time in Eastern Europe would generally agree with that description. In the time since the 1989 collapse of the Soviet Union and the subsequent gleeful establishment of independence by its former satellite states, they have gone from grey and regimented places, firmly under the stifling socialist thumb of Moscow, to bustling, energetic and ambitious nations. Among the 10 new entrants to the EU last

nightclubs began to emerge.

“It became easier and easier and easier, and then the main airlines started flying in – Lufthansa and British Airways. There was also a change in attitude and a change in style; the big thing of course was the application to join the European Union; they had to change the laws to get eligibility.”

The short, and dynamic, history of the bank Mr Bourke heads up illustrates the changes well. It was founded from scratch in 1992 as a western-style bank (the name translates directly as Western Bank), aimed at corporate customers, small to medium business and large companies and corporations. Within three years Rietumu had become the fifth largest bank in the country and is still expanding rapidly.

A glance at a regional map quickly reveals why countries like Latvia, and neighbours Estonia and Lithuania, have come such a long way in such a short space of time. The nations are small, and therefore adaptable to changing circumstances, but more importantly all are located on the Baltic Sea, blessed with ports that allow quick and cheap shipment of goods to the world at large. Also, the countries are located just across the water from Finland, a modern, affluent and open-minded

# EASTERN

*Many former Soviet Bloc countries are now members of the European Union and are in a hurry to enjoy the good life*

*By Mark Graham*



year were the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia and Slovenia.

Banker Michael Bourke has personally witnessed the seismic changes: he was initially posted by the International Monetary Fund to help the Baltic states modernise their banking systems. The work was a great success, so much so that Mr Bourke ultimately decided to become a more permanent part of the local financial scene, taking up the role of president and chief executive officer with Rietumu Bank in the Latvian capital of Riga.

“When I first came in 1992 it was pretty miserable and depressing,” he recalls. “There were not many shops or bars and restaurants, and it was very quiet in the evenings. The changes were slow at first but by the mid 1990s you could begin to see the results – new hotels, bars and restaurants and

neighbour that has acted as a role model for entry into the outside world, post independence.

The Baltic states, which have a combined population of around seven million, have also been able to use their former Soviet satellite status as a business advantage. The large pool of ethnic Russians, and Russian speakers, allows easy communication and transactions between them and their hulking neighbour.

The seeds of their freedom were sown long before the Soviet Union finally collapsed by an unknown Polish shipyard electrician called Lech Walesa. Some 25

*Clockwise from top left: The old days, queuing in Lithuania in the early 1980s; Central Square in Parnu, Estonia; family fun at the Art Fair in Tallinn, the capital of Estonia; fine dining at the restaurant “Bocca” in Tallinn.*



# PROMISE





*Clockwise from above:*  
**The old town of the Latvian capital, Riga; clubbing and enjoying the good life in today's Eastern Europe.**

years ago he led a strike by the trade union Solidarity at the Gdansk shipyard, calling for greater workers' rights. Protests quickly spiralled into a nationwide strike, forcing the Soviet-puppet government into making major concessions.

It was the beginning of the end for the whole Soviet system of satellite states. A decade later, it was President Walesa who set Poland on the road to economic prosperity with wholesale privatisations of industries, the beginning of the liberalisation and western-leaning processes that has seen the nation recently become a member of the EU and NATO.

Another former Soviet satellite, landlocked Hungary, has also dismantled the state machinery that once so effectively suffocated

ed free enterprise and independent spirit. Its self-made millionaire premier, Ferenc Gyurcsany, recently went to Hong Kong and Mainland China in search of opportunities and investment that would benefit his 10 million fellow countrymen. This is a region hungry for consumer goods and with new purchasing power to afford luxuries.

The GDP growth rate in Latvia last year was 7.6 per cent, slightly stronger than Lithuania (6.6 per cent) and Estonia (6.9 per cent), but way ahead of the 2.4 per cent for the EU as a whole.



“It is one of the emerging markets,” says Wing Chu, the Hong Kong Trade Development economist for the region. “Trade will grow bigger and bigger, the market potential is there.”

A.S. Watson is one of the Asian-based companies that has made significant forays into the region, convinced that now is the right time. Early arrivals such as Michael Bourke take enormous satisfaction in being a major part of that change, bringing the former Soviet states charging full tilt into the 21st century, with a young, English-speaking, internationalised population, modern banking and finance facilities, good transport links and democratic forms of government.

Mr Bourke can regale people at De Lacy's, the Irish pub he owns in Riga, with stories of the dark old days when entrepreneurs were few and far between. In fact it was easy to spot the neophyte businessmen by their huge, brick-sized mobile phones. “They used to carry them round like handbags,” he recalls. “I went in a restaurant and there were two guys with phones and I'm sure they were talking to each other from each end of the restaurant...”

## POLISH PORT READY FOR GROWTH

IT IS NOT JUST consumer goods that are providing great business opportunities in Eastern Europe. Transport and logistics are needed to get these goods to market and that means bigger, better ports. Later this year, the first phase of upgrading at the Hutchison Port Holdings (HPH) container facility in Poland should be completed, ready to take advantage of the trade boom expected to follow the nation's recently-acquired membership of the European Union.

HPH acquired Gdynia Container Terminal (GCT) last year and began to develop it into a major port in the Baltic region. With a quay length of 550 metres and a depth alongside of 10.5 metres, GCT will handle boxes to and from Hamburg, Rotterdam, Antwerp and Felixstowe.

John Meredith, Group Managing Director of HPH, said: “Gdynia Container Terminal will become a major container port in the Baltic region as we embark on a series of investment programmes to convert the terminal into a modern container handling facility. HPH considers this a very significant step towards developing our presence in the region.”



## SPLASHING CASH

**E**ASTERN EUROPEAN CONSUMERS, starved of quality goods for so long, are relishing the change to shop at A.S. Watson-run stores springing up in the region's new republics.

The company is using the Latvian capital of Riga, on the Baltic Sea, as a beachhead for developing business in the surrounding states. Even though the states have been free of stifling Soviet rule for more than a decade, it is only in recent years that people have become affluent enough to splash out on once-extravagant items such as branded cosmetics, sleek tights and packaged toiletries.

Latvia, Lithuania and Estonia have all blossomed under the new openness. The younger generation are reaching adulthood with good English-language skills, Internet and e-commerce fluency and exposure to television and movies. They are demanding the kind of consumer choice their counterparts in the West have long taken for granted.

A.S. Watson has tapped into that market with its acquisition of the Drogas chain in 2004, which has 63 stores in Latvia and 31 in neighbouring Lithuania. The Group also has a joint venture with the Rossmann group which expanded its portfolio into Poland, Hungary, Czech Republic and Germany. Recently, two stores opened in Estonia under the Watsons brand.

Supervising the rapid expansion is Dennis Casey, Chief Executive Officer of Health and Beauty for Eastern Europe. Mr Casey is a long-serving employee who worked on the A.S. Watson expansion in Singapore, Malaysia and Taiwan during the late 1980s and 1990s; he is seeing the same spending patterns emerge in Eastern Europe, as people exercise their new-found consumer power.

Women in the region, known for their fair-skinned beauty, are flocking to the Drogas stores that are stocked with a wide range of international-standard products. "People here spend a lot of money on fashion and cosmetics," says Mr Casey, who is based in Riga. "I think these are new frontiers. The work ethic here is very, very strong. People want to get out and get on."

Mr Casey is impressed by the elegant architecture of Riga, the long, clean beaches outside the city, its burgeoning nightlife and the ultra-modern airport. Working in the region has also given him a chance to visit Russia again, a country he first went to 32 years ago when securing a visa was extremely difficult.

Returning to Russia to scout out business possibilities has been like going to another country. "Retail is coming on in leaps and bounds," said Mr Casey. "People have more money to spend on fashion and the changes are phenomenal."

The next stage of A.S. Watson's growth in the region has just been announced with the acquisition of the Russian health and beauty retail chain Spektr Group in St Petersburg. Further expansion is planned in the Commonwealth of Independent States such as Georgia and Ukraine as well as the Nordic countries of Finland, Denmark, Sweden and Norway. Add the populations together and that is close to 300 million potential consumers.

