

Estonia 2014

Total: 72.05

Quick facts

Population:	1.32 million
Unemployment rate:	7.01 %
GDP:	25.95 billion \$
GDP growth rate:	2.08 %
GDP per capita:	19670 \$

Political Freedom

Free and Fair Elections : 9.64

Elections in Estonia are generally free and fair, and political parties operate in an unrestricted environment. Members of the *Riigikogu*, Estonia's unicameral parliament, are elected for four-year terms. The prime minister - the head of government - is appointed by the president and confirmed by the parliament. The president's role is by-and-large a ceremonial one as head of state.

While all permanent residents of Estonia may cast their vote in local elections, parliamentary ones are restricted to Estonian citizens. This has largely excluded the country's ethnic Russian population whose citizenship remains uncertain. The right to stand for office, both at the national and local levels, is reserved for Estonian citizens.

Absence of Unconstitutional Veto Players : 10

The government has the effective power to govern free from undue interference by actors without a constitutional mandate.

Freedom of Press : 8.4

Freedom of press and expression are protected by Estonia's constitution and for the most part upheld in practice. A wide array of media outlets voices its views without restrictions and the relationship between media and government is all in all a smooth one. Although journalists may be

sued for civil defamation, no such case has been filed during 2013.

Rule of Law

Independence of the Judiciary : 6.5

Judiciary is considerably more independent, transparent and professional than in comparable countries Latvia and Lithuania. As Freedom House has noted, “judiciary is independent and generally free from government interference”. Global Corruption Barometer 2013 showed that relatively meager percentage of Estonian citizens (26%) found their judiciary corrupt. Only 2% reported that they, or their close relatives, had paid bribes to judiciary during the previous 12 months. But the judiciary, especially the criminal justice proceeding on the ground, is still a weaker spot in a remarkable advance of rule of law in this former Soviet republic, now an EU-member country. Enforcement of contracts in courts is slow. Even though arbitrary arrest and detention, or denial of the right to a fair trial, are not a problem anymore, the average length of pre-trial detentions, the overcrowding of prisons and prisoners’ poor access to health care still are.

Corruption : 6.8

With the score 68, and taking the place 32 (of 177) in Transparency International’s Corruption Perception Index ranking, Estonia is the best among the three Baltic states that joined the EU in 2004. It improved its score, as compared with 64 achieved in 2012. Advances in the introduction of e-government have contributed to those improvements. But at the same time a neighbouring country which is just 50 km north across the sea, Finland, culturally quite similar to Estonia, shared the third place in the world with Sweden (while in 2012 it even shared the first place with Denmark and New Zealand). Be it the role of Soviet-time political culture in Estonia which is still not eradicated, or other factors, the difference is stark. As Global Corruption Barometer 2013 showed, Estonian citizens had perceived (by 55%) political parties as the most corrupt part of the system. The biggest scandals recently have occurred exactly there. In May 2012, an alleged scheme of illegal (anonymous) contributions to a ruling political party was uncovered (the “Silvergate”), leading to the resignation of the secretary general from his posts, both in the party and in the government. But in the aftermath there were no convictions. Earlier that year, two local government officials in the capital city, this time ones belonging to a party in opposition at the central level, were sentenced for bribery. Much of those scandals were uncovered owing to whistleblowers and the support to them by the civil society organizations. Some of them were later awarded state decorations. The same year, anti-corruption legislation was severed regarding the politicians’ asset declarations. On the other end, just 8% of citizens saw the Estonian military as corrupt.

Protection of Human Rights : 7.65

In some areas of life, Estonia has reached, or sincerely struggled to reach the highest levels of respect for human rights, ones that have distinguished the EU from other regions on the globe. Freedom of the press, electronic media and Internet access is guaranteed and well preserved, including in a minority Russian language. Access to information on matters of public concern is respected by the government, both in legislation and in practice. Same goes for academic and

religious freedom. Civil society is vibrant, while NGOs participate in the legislative process. Trade union rights are secured and widely practiced. Although imperfect as compared to the highest EU standards, treatment of LGBT people is considerably better than in Latvia or Lithuania. If not the same sex marriages, at least the unions are legalized (the law to be enacted from 2016 on). But the most important limitation factor to full respect of human rights is the “identity politics” implemented in Estonia since regaining of independence in 1991. The large Russian-speaking minority (mainly people who had moved to Estonia from other parts of the USSR during Soviet times and their progeny) have got citizenship problems. They are treated as any other immigrants, who need apply and pass serious (including B1 language) testing for citizenship. Thus, in 1992, one third of the population was without any citizenship, while even in 2012 there were 6.8% who were stateless. Non-citizen residents, to their part, have no right to vote at national elections, but just at municipal ones. Estonian language is favoured to the degree that minority-language high schools are obliged to deliver 60% of their curricula in it. Another questionable facet of the identity politics is the official narrative on the WW2 and on the Holocaust. Even though direct Holocaust denial is just occasional, a de-contextualization or other distortion of the facts on Holocaust is widespread. Especially the role of domestic actors (e.g. Nazi collaborators) is blurred in school curricula or in other public discourse. On the ethnic Russian side, however, similar distorters tend to portrait any Anti-Sovietism or any anti-communism in Baltic countries as “historic revisionism” or even “fascism”. Besides identity politics, Estonia needs to improve a lot in gender politics. Gender wage gap is bigger than in comparable countries, while human trafficking and domestic violence also pose problems.

Economic Freedom

Security of Property Rights : 7.16

Private property is relatively secure and respected in Estonia. The state has the right of expropriation in certain cases in the public interest (mostly for building of public infrastructure) but for a market remuneration. Judicial independence is respected and the integrity of legal system is not undermined. However, there are in some cases doubts in impartiality of court's ruling. Legal enforcement of contracts remain one of the weakest links in the overall well performance of the judiciary: there are many lengthy procedures, which make enforcing contracts in Estonia time consuming and expensive. The police is mostly reliable and business costs of crime are low.

Size of Government: Expenditures, Taxes, and Enterprises : 0

Estonia has a very limited government. Government revenues stand at 38% of GDP in 2014, which is lower than in most EU countries. The public debt is among the lowest in the world, below 10% of GDP due to frugal budgetary policies, prior to the economic crisis as well as during it. Although there was plenty of room for increase in government spending via budget deficit, harsh austerity measures were implemented in 2009 to eliminate government borrowing. Robust economic growth followed. Estonia was the first country in Easter Europe to adopt flat tax system. Taxation is still flat on paper, but has minor progressive characteristics, due to limited basic exemption of the personal income of 1728 EMU (i.e. this amount of income is not taxable, but is included in tax base for social security contributions). Personal income tax has been steadily decreasing in the previous decade, from 26% in 2004. to 20% in 2015. Social security contributions for pensions and healthcare are still high, making the tax wedge full 40% of the

labour costs, slightly above the OECD average. However, further personal income tax cuts were announced for the following year, in accordance with government plans. Only a handful of companies are state owned, mostly in the field of transport: the main port, railway system (which was renationalized), airport, the national post and the lottery. Additionally: Estonia has 0 corporate tax for reinvested profits. That was also source for huge economy boost for Estonia. : http://ime.bg/pr_en/eng36-6.htm

Regulation of Credit, Labour, and Business : 7.12

Estonia has a dominantly business friendly environment. It is a home for many successful companies who grew to international prospects, mostly in technology sector including IT, but it is also among the countries with highest number of entrepreneurs per capita. Starting a business is easy and cheap, compliance with tax regulation among best in the world due to simple procedures and high usage of electronic tax filing. Obtaining construction permits and getting electricity is quick, albeit the latter can be expensive. There are little administrative requirements and licensing in conducting daily business, which supplemented by the culture of transparency of state institutions brought low levels of corruption. Banking sector, dominated by Nordic banks, is regulated in line with European practice, securing free movement of capital as well as credit financing. The labour regulations are characterized by flexibility of the work place, with little requirements and costs for redundancy workers (notice period from one to three months and one month severance pay). Maximum work week is set at 5 days but with prolonged workweeks in case of workload increase, and there are restrictions of night work, which both can have the effects of increased labour cost to businesses. Compulsory military service of 8 – 11 months is still present. The monthly minimum wage is approximately 40% of the average wage.

Freedom to Trade Internationally : 8.78

Estonia, as a small economy, has been oriented to foreign trade more than other European countries. It has pursued very liberal trade policy which eliminated almost all tariffs and other free trade restrictions. When it joined the EU, in order to adopt the common European trade policy, Estonia had to increase the overall level of tariffs - the only up to now that had to do this, while others had to decrease it. Good transport infrastructure also foster trade links and open trade due to lower cost. Quick and easy administration allows for good to be imported or exported with minimum paperwork and costs (only 3 or 4 documents and 5 to 6 days). Estonian main trade partners are it Nordic and Baltic neighbors, Germany and the Russian Federation.