

Estonia 2018

Total: 79

Political Freedom

Free and Fair Elections : 9.64

Elections in Estonia are continuously considered as free and fair, scoring 9,64 out of 10, from the beginning of the Freedom Barometer – Europe Edition, until today. During the period under review political life in this country was less turbulent and much stable than during the previous one. Citizens of Estonia faced local elections in October 2017. These elections were marked as generally free and fair and were important due to several other reasons. Most notably, this was the first local election successfully held in the new administrative setting, approved in the middle of 2017, when, in the framework of broader reforms, some local municipalities were merged. Also, Estonia, as one of the world leaders in e-voting, scored the highest online turnout in these elections, of almost 32% of all votes cast. Although overall turnout was little lower than in the previous local elections, young people ageing 16 and 17 were able to cast their votes for the first time. Local elections are the only place where non-citizen residents of the country can cast their votes, meaning that large Russian minority of around 7% still have limited access to politics, restricting them from holding office and from a vote at parliamentary elections.

Absence of Unconstitutional Veto Players : 9.17

Democratically elected authorities in Estonia have full and effective power to govern without any interference from non-state actors. Separation of powers is clear and in place, allowing for efficient functioning of all three branches - judicial, legislative and executive. Although several corruption scandals emerged in previous years, involving high ranking officials of the state, e.g. former mayor of the City of Tallinn Edgar Savisaar, the suspects were prosecuted. In general, businesses are not able to shape the country's politics.

Freedom of Press : 8.4

Media outlets in Estonia are largely free and independent, expressing a wide variety of views. This pluralism of the media landscape ensures citizens' access to the diverse spectrum of opinions. Public broadcaster is characterized with unbiased approach, no matter that the Public Broadcasting Council is composed by parliamentary party representatives or other people appointed by the parliament. Still, high presence of political figures in this body should be noted. Journalist reporting is mostly not influenced by economic and political pressure, however reporters could face imprisonment if they refused to reveal their sources of information in cases of serious crimes. Ownership of the media is transparent and controlled by the few companies. As a

response to Russian propaganda through some media outlets seeking to influence Russian speaking minority in the country, state has launched and run a public television in Russian language. This was often criticized by advocates of media freedom and independence. TV channel and newspaper run by the City of Tallinn, capital of the state, showed biased practices in favor of ruling Center Party.

* Press freedom score will be updated after data from primary source have been published. For more information see Methodology section.

Rule of Law

Independence of the Judiciary : 6.75

Freedom House in its recent reports praises Estonia for judicial independence and efficiency. A number of indicators, from the sharp decrease in backlog of cases to the opinion polls among judges or broader public, prove that positive changes have occurred throughout this decade and that there is optimism regarding future. Reforms as of 2014 seem to have already produced more merit-based selection of judges and better environment for their work once in office. According to portal GAN, the risk to encounter corruption when dealing with Estonia's judiciary is "very low". Only one in seven citizens think there is such a risk. Some political parties' and media pressure on judiciary is still felt, but it has increasingly been futile. There is a space for improvement in settling disputes between companies, in challenging regulation and (as FH noted) in domestication of various foreign court or administrative decisions (such as regarding same-sex couples).

Corruption : 7.1

Estonia is the least corrupted of all ex-communist countries in Europe, taking the astounding 21st place among 180 countries ranked by the Transparency International's Corruption Perception Index 2017 (after being 22/176 in 2016). TI attributes the success to [bold] political leadership in post-Soviet era, radical reforms of the judiciary and public administration, relatively clean and rapid privatization process and introduction of e-government with adjacent rights of citizens to access information of public interest. Earlier FNF research also showed that bold and smart deregulation of economic life, as well as strong civil society, have largely contributed. A landmark case against the former Mayor of the capital Tallinn Edgar Savisaar, accused of serial bribery, saw ups and downs in 2017-2018, with the first-degree court acquitting him (on the grounds of poor health), where after the second-tier court overran that and asked the county court to resume the proceedings. In October 2017, two vice-Mayors of the second biggest city Tartu had been summoned because of alleged taking bribes and have subsequently resigned from their posts.

Protection of Human Rights : 7.83

Human rights are further on highly respected in Estonia, while the positive trends have occurred

throughout entire 2010s. Various personal freedoms, as well as civil liberties and autonomy of a citizen vis-a-vis the government could comfortably be compared with other EU, rather than with other post-Soviet countries. As a manifestation of those, and in support of it, civil society organizations are numerous and active in many fields, from community building, culture and education to social care and citizens' watch. Estonia accepted EU quotas for refugees. Acceptance has been slow yet highly caring. LGBTs face better climate than elsewhere in Baltic countries. Same-sex civil unions were legalized in 2014 (effective since 2016), while same-sex marriages concluded abroad are recognized since 2017 (even though there are still problems in judicial implementation of the rule). Some 7% of population (mainly from the Russian-speaking minority) are still stateless, while on the other hand some recent government policies (such as in the media sphere) have become more inclusive towards them. The position of Roma is marred by discrimination in certain fields of life.

Economic Freedom

Security of Property Rights : 7.43

Property rights are in Estonia well respected. Although the government has the right of expropriation in certain cases, in public interest (mostly for building public infrastructure), expropriation cases are very rare and they entail market-price compensation. Foreign ownership and investments, which also includes ownership over land, face no limitations nor investment screening, but conducting business in some industries, such as banking, transportation, mining, etc., is preconditioned by obtaining a license. The restitution of the nationalized property is almost complete, apart from some complicated cases. The judiciary is independent from the government influence and is considered to maintain a high level of integrity. However, courts are often overburdened, leading to prolonged trials, which on average last for 15 months. Court automation is well used in streamlining paperwork, but the lack of stand-alone commercial courts and the maximum number of adjournments could impact process length. Arbitration is often used, because it is both less time consuming and more affordable. The use of e-services, especially in the cadastre, enables efficient and transparent process of property registration, while notary and state fees for these transactions are low. The police are mostly reliable and business costs of crime are low. Insolvency procedures are not efficient - they are lasting up to 3 years on average, to it with low recovery rates of only 40%. Non-EU nationals also have the right to own land, but this could be restricted due to necessary permission by local authorities, as well as due to the bans on acquisition of small islands or plots of land alongside the Russian border, which is justified by reasons of defense policy. Similar it is for agricultural land of a size above 10 ha.

Size of Government: Expenditures, Taxes, and Enterprises : 6.98

General government expenditures in Estonia stood at 40% of GDP in 2017 - lower than in most European welfare states. After the recession in 2009, Estonia has introduced a strong fiscal stabilization program and since then has experienced a balanced budget. Public debt is therefore low, among the lowest in the world - below 9% of GDP in 2017. Economic growth has significantly

picked up from its previous low rates, reaching 4.8% in 2017, based on rising exports and domestic demand. Unemployment is falling, standing near 6%, much lower than the Euro-zone average. Future demographic changes and high emigration rate could pose constraints on future growth. Estonian privatization program might be considered as completed, since there are only 31 companies left in predominant or sole state ownership, mostly in electricity production and transmission and transport (railways and port). Their management is appointed through an independent committee. Subsidies are very low, below the EU average. Estonia was the first country in Eastern Europe to adopt flat tax system, but minor progressive characteristics such as non-taxable exemptions make Estonian tax system stand in between proportional and progressive. The flat rate for the personal income tax, corporate tax, as well as the standard VAT rate (the preferential one is 9%), is set at 20%. The overall labour tax wedge reaches 39%, which is slightly above the OECD average, due to high social security contributions of 33% for pensions and healthcare.

Regulation of Credit, Labour, and Business : 7.01

High level of economic freedom in Estonia has translated into an overall business-friendly environment. Regulations and restrictions on businesses are not burdensome. They are evenly applied to all business entities. Widespread use of electronic procedures has significantly cut the amount of red tape. Since late 2014 electronic residency has been the way of exporting Estonian business-friendly environment abroad: entrepreneurs that are foreign nationals residing abroad can easily register and run a company under Estonian laws. Estonia has one of the highest numbers of entrepreneurs per capita. Starting a new business is easy and cheap, lasting only a couple of days, but it still involves a relatively high paid-in minimum capital of 2500 euro. Obtaining construction permits is a short procedure, but it is coupled with high fees of the public utility. Tax regulation is considered to be among the most efficient in the world, with simple procedures and high usage of electronic tax filing, both for corporate tax and VAT. Corruption in administration has been held back by a widespread usage of ICT among public institutions. Labour regulations are depicted as strict, and courts often consider employees as the economically weaker side in labour disputes. Fixed term contracts are prohibited for permanent tasks, but these contracts can be long (up to 10 years in total). Maximum work week is set at only 5 days, albeit with prolonged workweeks in case of increased workload. Notice periods increase with the duration of worker tenure (one to three months), and there are redundancy rules and reassignment priorities. Monthly minimum wage is high. It was increased in January 2018 to 500 euro, high above the growth rate of the economy and above inflation, reaching half of the average wage. The threshold for VAT payer status has recently been increased from 16 000 to 40 000 euros, which is expected to alleviate many bureaucracy hurdles for SMEs. Tax rates and inadequately educated workforce are considered as the most problematic factors for doing business.

Freedom to Trade Internationally : 8.69

Since its independence, Estonia has been open to foreign trade. Estonia was the only country that had to increase (and not decrease) its import tariffs upon its EU accession. Efficient border administration allows goods to be imported or exported timely and cheaply, due to the minimum paperwork and costs. This is further supported by high quality transport infrastructure, which decreases freight costs. Estonia's main trade partners are its Nordic and Baltic neighbors, as well as Germany and the Russian Federation. Export oriented industries are an important part of the Estonian economy, which has been experiencing a small trade surplus in the recent years. Mostly owing to demographic developments and net emigration to other EU countries, Estonia has experienced shortages of labour. In order to mitigate this problem, the government has been

amending its immigration procedures in order to allow for easier hiring of qualified immigrant workers. The latest changes are to enter into force by late 2018. Capital controls on the movement of capital are considered as too strict.