



Why Estonia is a Country for the Future

BY RICHARD W. RAHN

GOOD POLITICAL LEADERSHIP AND DIGITAL INNOVATION
EXPLAIN THE BALTIC SUCCESS STORY

Tallinn, Estonia — Estonia is arguably the most advanced country in the world when it comes to use of the Internet and related technologies. Estonia is a most improbable success, in that a mere quarter of a century ago it was still under domination of the Soviet Union as a very poor backwater on the Baltic Sea. Now it is a developed country and a member of both the EU and NATO.

Estonia is a Scandinavia country, having been part of the German-led Hanseatic League, and was ruled by Denmark, then Sweden, and then Russia beginning in 1721. In 1918, it received its independence, only to be invaded by the Soviet Union in 1940. The Germans kicked out the Soviets in 1941, but then the Soviets reoccupied Estonia in 1944 until it again achieved its independence in 1991 after the “singing revolution.” Tallinn is only 43 miles from Helsinki, Finland, to which it is connected by a high-speed hydrofoil and other ships.

Estonia has been the most successful of the former communist-controlled countries, in part because of excellent political leadership since independence, including the remarkable Mart Laar — the father of the economic reform, who served as prime minister from 1992-1994, and again from 1999-2002. Mr. Laar, a historian by training, was only 33 years old when he was first

elected prime minister. Up to that time, the only economics book he had read was Milton Friedman’s “Free to Choose.” He said that it sounded good to him, “so we went ahead and did it.” Mr. Laar has received many well-deserved honors, including the Friedman Prize for Advancing Liberty awarded to him by the Cato Institute in 2006.

The Estonians now have the rule of law, the lowest debt-to-GDP ratio in the EU, a balanced budget, free trade, and a flat-rate income tax — all of which have led to their high economic growth and prosperity. The Estonians now rank globally number 22 out of 152 countries on the Human Freedom Index, number 8 out of 186 economies on the Index of Economic Freedom, and are in the number 1 category in the Freedom in the World report.

All of the former communist countries were plagued by the corruption of the Soviet system. To radically reduce corruption, the Estonians moved to e-government, whereby citizens could do most of their necessary business with government over the Internet, thus greatly reducing personal interaction between the assorted bad apples in government and the people — eliminating most bribery.

Estonians have taken their initial success with e-government and moved to what they call e-Estonia. As of January 2012, 90 percent of the Estonians chose to acquire an electronic ID card, which they use for almost all on-line services. The card contains a chip “which holds not only information about the card’s owner, but two certificates, one of which is used to authenticate identity and the second to render a digital signature.” It has a number of security features, including pin codes. The card is an identity and travel document for use within the EU.

Estonia has also been a leader in Internet voting, taxpaying, banking, ticket services, drug prescriptions, schooling at all levels, etc. Using only their PC and ID card, Estonians can now do all of the necessary work to establish a new business in as few as 18 minutes.

The Estonians are also using e-government to both open and streamline government information and decision making. For instance, the public can now get access to

“every piece of draft law that has been submitted since February 2003.”

In late 2014, Estonia became the first country in the world to offer digital residency to non-Estonians living anywhere in the world. Non-residents can obtain an Estonian smart ID card which enables them to have access to many electronic services available to Estonian citizens, including the ability to create and operate an Estonian company. The non-citizen e-card, however, does not give the right of non-Estonians to enter the country or to use it as a travel document.

What is even more remarkable is that the Estonians have managed to do all of the above in a small geographic area with a population of 1.3 million, only slightly larger than that of Fairfax County in Virginia. And oh, by the way, Skype was created by Estonians, and much of the technical work for it is still done in Estonia.

Estonia does, however, face major challenges. About a quarter of its population is made up of ethnic Russians, many of whom have not assimilated, including learning the Estonian language (which is closely related to Finnish). Many of the Estonian Russians still have considerable loyalty to Russia, and even to Russian President Putin. Given Mr. Putin’s expansionary tendencies, there is considerable concern in Estonia about potential Russian incursions into their country (which is probably justified because of the historical record).

But all in all, Estonia is a remarkable and improbable success. Here in their glorious and fully and beautifully restored “old town” which goes back to the Middle Ages, one can access the most comprehensive set of Internet services on the planet.

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