

Estonia: A Look at Its Successful but Unknown Transition

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Perhaps it is ironic that so little is known by the wider audience of arguably the most successful transition in the former Soviet bloc—the reform embarked by Estonia. Within a decade since its restoration of independence, this small northern European country managed to transform itself from a Soviet backwater to a successful developing democracy at the brink of membership in both NATO and the European Union—something that could not have been imagined during the early days of reform. The 14 September 2003 referendum to join the EU affirms this “return to the Western world” by a large 66.83 percent “yes” vote.

Under the guidance of young and ambitious leaders who were not tainted by the previous occupation regime and were less burdened by the pains of history, Estonia embarked upon the most radical version of “shock therapy” in all of Central and East Europe. Estonia, like its Baltic neighbors, started two years behind countries such as Poland and Hungary, which broke free from Communist rule in 1989. Also, Estonia had to recreate every aspect of an independent state—formal and maintained borders, armed forces, a central bank, a constitution, and so forth—which most post-1989 countries already possessed. In reality, this creation of a state nearly from scratch helped Estonia to build exactly what was needed to turn the country of 1.5 million people around in record time.

Within a few years, many organizations recognized Estonia’s economy as one of the most liberal in the world. Deficit spending was disallowed, trade tariffs were nonexistent, income tax was low and flat, and the currency was strong and pegged to a European benchmark. Growth rates topped the European tables, at times reaching into double-digit percentiles. Privatization was accomplished quickly, and relatively fairly, with the influx of a high number of foreign investors. Foreign parent companies quickly turned many of the largest Estonian employers into successful enterprises. In a decade Estonia went from looking Soviet to looking Nordic, in style and feel alike.

I would like to thank the staff of *Demokratizatsiya* and its publisher, Heldref Publications, for their work in making this special issue possible. Special thanks to Julia Kilmer for her help in the production of this issue. I also would like to thank the authors, as well as ex-Prime Minister Siim Kallas for granting me an interview during such a busy time. Finally, the greatest thanks go to the founder of *Demokratizatsiya*, the person who came up with the idea of this special issue, Fredo-Arias King.

Despite such success, the reform process embarked by Estonia is little known—even in academic circles focusing on the region's reforms. Perhaps due to its small size or prejudice held by old-time Sovietologists, there is a noticeable lack of material on Estonia compared to most of the region. This special issue of *Demokratizatsiya* is meant to help redress this problem by presenting an interesting collection of articles on Estonia's transition and reform.

One of the most intriguing aspects of Estonia's reform is its liberal economic policy, which is highlighted in articles by academics Magnus Feldmann and Andreas Freytag. Feldmann focuses on Estonia's extremely liberal trade policy, which helped Estonia redirect its economic activities within a very short time. In another approach, Freytag examines the country's policies more generally, taking special interest in their flexibility.

Although Estonia's economic policies are one of the topics more commonly studied by academics, this special issue sought to present some well-examined issues along with lesser known aspects of Estonian reform. One of the more examined areas is Estonia's integration policy, which, as Greg Feldman suggests in his article, is a manifestation of natural development of security. Merje Kuus also takes an innovative approach to discussing the changing debate on the concept of security in Estonia.

Some of the lesser known areas of Estonia's reforms are covered by two of the most eminent academics at Estonia's Tartu University. Peeter Vihalemm, head of the university's journalism department, examines the developments of Estonia's media throughout the transition period. Marju Lauristin, one of the major figures of the freedom movement, surveys the social challenges of the transition period.

This issue also features separate but intrinsically linked interviews with two of the reform's key players. The interviews with two former prime ministers—Mart Laar, seen as the craftsman of the entire reform process, and Siim Kallas, the "father" of the kroon and the champion of economic reform—give a fascinating insight into the minds of reformers at a point where they can enjoy the fruits of their labor.

This special issue does indeed take a different approach in introducing Estonia's successful reforms to the wider community. Instead of covering every core area, a much more esoteric choice of articles is presented to give a more varied view of this unique northern European country. My sincere hope is that this issue becomes a springboard for further academic research into Estonia, especially in fields less exposed in the past.