

## COUNTRY PROFILE



## Estonia

GLOBAL RANK: 36th= of 104



Estonia scores an Economic Competitiveness rank of 30th, but due to low scores on several social indicators manages only 53rd place for Comparative Liveability. Overall, the country ties with Uruguay for 36th place.

## ● BACKGROUND

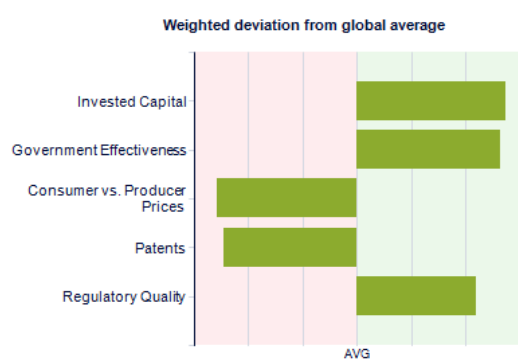
This small Northern European country, annexed by the USSR from 1940 to 1991, now boasts a diversified modern economy with particular strength in electronics, software development, and telecommunications. In the four years after EU accession in 2004, the economy expanded by over 40%, boosted by a flat tax on income and openness to foreign investment. However, there are now strong indications that, in common with the other 'Baltic Tigers', Estonia's boom is ending, amidst rising levels of inflation and personal indebtedness and a bubble in the construction sector. Diplomatic tensions with Russia led to violent protests in both countries in 2007.

## FAST FACTS

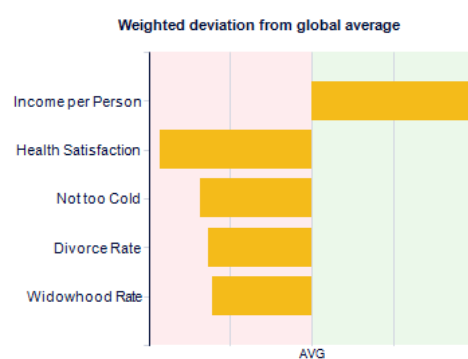
<b>Population:</b>	1.3 million (2008 est.)	<b>FDI (net inflow):</b>	9.82% (2006 est.)
<b>Life Today</b>	5.4 (2007 est.)	<b>Exports</b>	52.71% (2006 est.)
<b>GDP (PPP)</b>	\$29.35 billion (2007 est.)	<b>Imports</b>	71.55% (2006 est.)
<b>GDP (Growth)</b>	7.1% (2007 est.)	<b>Unemployment:</b>	4.7% (2007 est.)
<b>GDP (per Capita)</b>	\$21,100 (2007 est.)	<b>Life Expectancy</b>	72.56 years (2008 est.)
<b>Political System:</b>	Parliamentary Republic		
<b>Foreign Aid:</b>	1.14% (2004 est.)		

## ● KEY SCORE DRIVERS

## ECONOMIC COMPETITIVENESS



## COMPARATIVE LIVEABILITY



Since the beginning of its economic transition, Estonia has performed outstandingly. Through openness and good governance, the country has attracted foreign direct investment, enabled international trade, and successfully promoted local entrepreneurship.

Mass education figures are not as strong as in other countries in the region, with less than three years' secondary education on average per worker. Nonetheless, Estonia hosts a stock of \$13 billion foreign direct investment, and export volume exceeds \$10 billion annually.

Consequently, foreign investment and trade total more than 130% of

The indicators of Comparative Liveability present a mixed picture. Although political life and employment conditions are favourable, a number of other indicators for Comparative Liveability reduce Estonia's overall ranking, with the health, family, and religious life measures all scoring significantly below regional averages. A mere 65%<sup>9</sup> of the population is satisfied with their personal health conditions and the share of widowed and divorced are both over 10%<sup>9</sup>. The cold climate is also a difficulty for those without the means to afford adequate housing or heating.

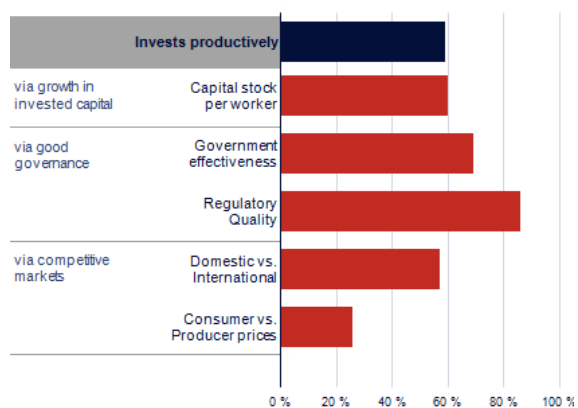
As in many Eastern European countries, community life scores are weak. Community life has also been affected by deteriorating

Estonia's GDP. Government effectiveness and regulatory quality are also outstanding and foster high levels of capital investment. In another indicator of the quality of regulation, the costs of starting a business are low. Despite this success in trade, the commercialisation of innovation has lagged behind, as illustrated by the low number of patents awarded.

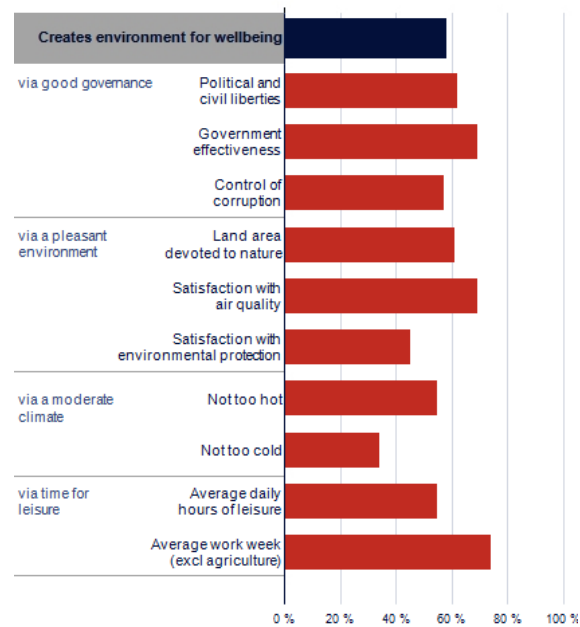
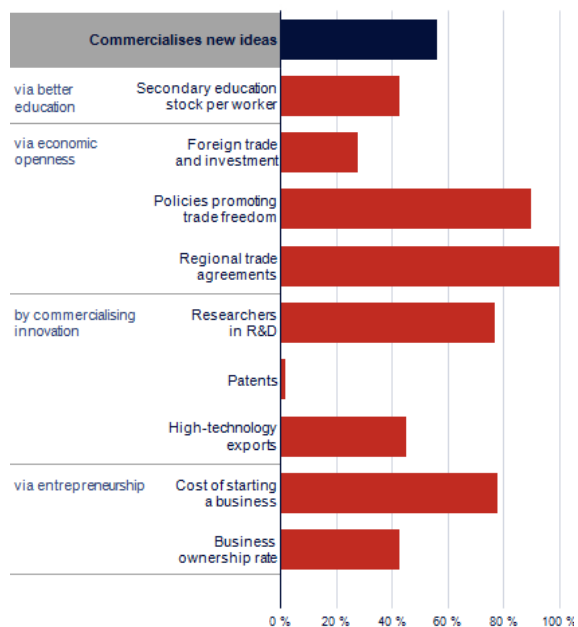
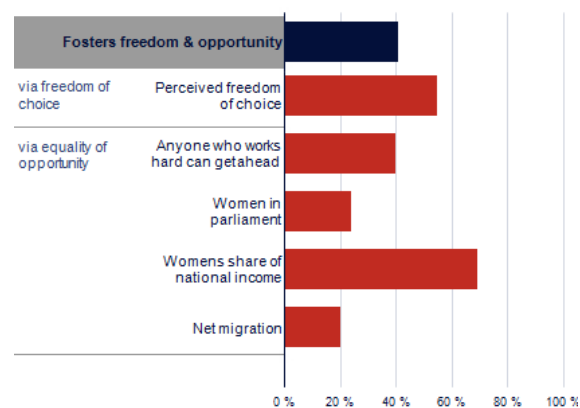
relations between Estonians and Russians, as ethnic tensions have been repeatedly exploited for political purposes in recent years. Very few people report engaging in volunteer work or charitable giving, with just over 10%<sup>9</sup> of people saying they have given money in the previous month, according to the Gallup World Poll.

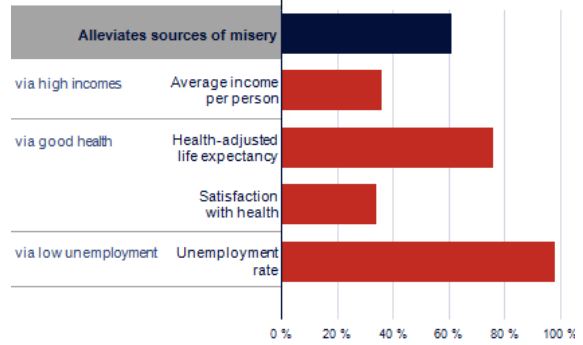
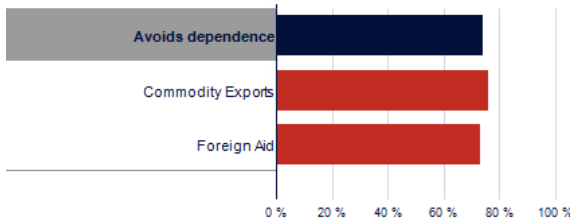
However, Estonia's rapid success has not come without risks. Through a currency board arrangement Estonia chose a unique path to Euro adoption, which provided an inflexible exchange rate mechanism. Although this system initially achieved a stable economy and rapid growth, challenges have recently started to emerge, as Estonia faces difficulties from domestic inflation and a soaring current account deficit. Perhaps partially as a result, the competitiveness indicator score is very low.

### ECONOMIC COMPETITIVENESS: SCORECARD

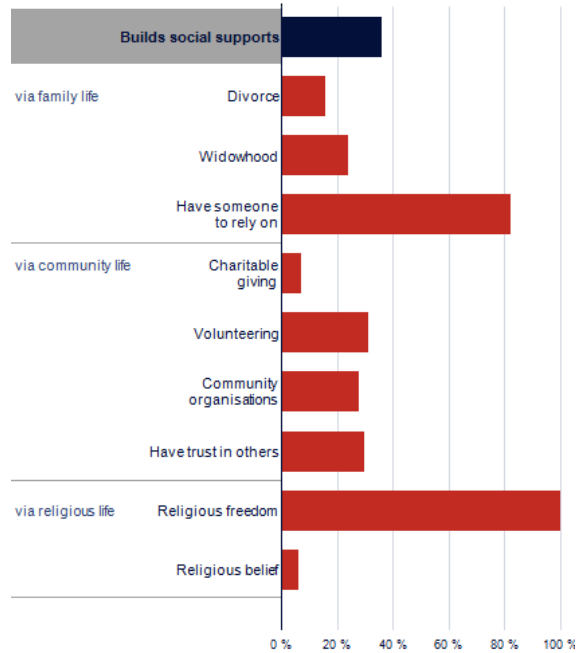


### COMPARATIVE LIVEABILITY: SCORECARD





All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



**References:**

<sup>9, w</sup> See [www.prosperity.com/references.aspx](http://www.prosperity.com/references.aspx) for further details including date of survey, sample size, and margin of error.