



# Weekly Briefing

**Estonia Economy briefing:  
Eyeing the 2019 parliamentary elections  
E-MAP Foundation MTÜ**

## China-CEE Institute

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## A positive outlook?

*As a Member State of the European Union (EU), Estonia represents a stable example of a country that holds its own pace of economic development – its 25<sup>th</sup> place within the EU (population wise) is identical to the rank that the country occupies in the nominal GDP-related table. The OECD-originated statistical profile on Estonia indicates the country's real GDP growth in 2017 been recorded as 4.9%, with the GDP per capita – USD 31,739,<sup>1</sup> passing the USD 30,000 level for the first time in history.*

On 13 June 2018, *Statistics Estonia* summarised some its data in a report, arguing that the country's economic growth in 2017 had a broader nature, if compared to the previous periods. More specifically, the document stated that “[t]he value added in manufacturing, the largest economic activity, increased 3.9% [...] [having] [t]he fastest growth in value added [...] in mining and quarrying, which emerged from a short-term crisis and where value added increased by as much as 46.1%”<sup>2</sup>. **Construction**-related activities became the largest contributor to GDP growth – 17.8% in the value added growth segment and 0.9% of the total GDP growth; correspondingly, **information and communication** (15.6% in the value added growth and 0.8% of the total GDP growth) with **professional, scientific and technical activities** (13.9% in the value added growth and 0.6% of the total GDP growth) were also indicated as significant contributors to the positive outcome<sup>3</sup>.

In regards of 2018 and further on, the Estonian Public Broadcasting (*Eesti Rahvusringhääling* or *ERR*) cited Toomas Tõniste, the country's Minister of Finance, who suggested that “[m]oderate and balanced growth of the Estonian

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<sup>1</sup> ‘Country statistical profile: Estonia 2018’. Available from [[https://www.oecd-ilibrary.org/economics/country-statistical-profile-estonia-2018-3\\_csp-est-table-2018-3-en](https://www.oecd-ilibrary.org/economics/country-statistical-profile-estonia-2018-3_csp-est-table-2018-3-en)].

<sup>2</sup> Robert Mürsepp, ‘Economic growth in Estonia increased significantly’, 13 June 2018. Available from [<https://www.stat.ee/article-2018-06-13-economic-growth-in-estonia-increased-significantly>]

<sup>3</sup> Mürsepp.

economy will continue”<sup>4</sup>. Analysing a forecasting report, the material underlined that the Estonian Republic’s economic growth will be in the vicinity of 3% in the next period, from 2019 to 2022, while there is a likelihood for the country’s average wage (it was €1,221/month in 2017) to be **€1,307** in 2018 and €1,385 next year<sup>5</sup>. Finally, as reported, the Estonian Ministry of Finance’s expectations for the country’s unemployment rate to be settled at 5.7% by the end of 2017, forecasting the figure to be raising to 6% in 2019<sup>6</sup>.

### **On cooperation with the Asia-Pacific region: a focus on China**

On 11 September 2018, the official web-portal of the Estonian President Kersti Kaljulaid reported that the Head of State of the Republic of Estonia is to make a working visit to the People’s Republic of China the following week, and the meetings with President Xi Jinping and Prime Minister Li Keqiang are scheduled<sup>7</sup>. Interestingly enough, it is going to be the first visit to China made by an Estonian Head of State since August 2005, when President Arnold Rüütel visited the world’s most populous country, positively responding to the invitation of President Hu Jintao.

While visiting China, President Kaljulaid will be attending the annual technology and innovation conference of the World Economic Forum in Tianjin (located in Northern China, it is one of the country’s national central cities), participating at an Estonia-China round table arranged for entrepreneurs, and having a meeting with those Chinese students who are mastering the Estonian language<sup>8</sup>. Before the aforementioned important visitation takes place, both Lauri Kuusing, Foreign Affairs Adviser to the Estonian President, and Marten Kokk, the Estonian Ambassador to China, commented on it. Lauri Kuusing, for example, noted that “[m]eeting with the Chinese President and Prime Minister

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<sup>4</sup> Toomas Tõniste in ‘Finance Ministry sets 2018 economic growth forecast at 3.6%’. 11 September 2018. Available from [<https://news.err.ee/860593/finance-ministry-sets-2018-economic-growth-forecast-at-3-6>]

<sup>5</sup> ‘Finance Ministry sets 2018 economic growth forecast at 3.6%’.

<sup>6</sup> Ibid.

<sup>7</sup> ‘President Kaljulaid to meet with Chinese president and prime minister in Beijing next week’. Available from [<https://www.president.ee/en/media/press-releases/14528-president-kaljulaid-to-meet-with-chinese-president-and-prime-minister-in-beijing-next-week/index.html>]

<sup>8</sup> Ibid.

will give us the chance to showcase Estonia and its success story and promote bilateral economic relations with our most important trade partner in Asia at the highest possible political level”<sup>9</sup>. In his turn, Ambassador Marten Kokk underlined that “[t]ogether we are constructing a power station in [the Hashemite Kingdom of] Jordan and organising the logistics for goods ordered for Europe from Chinese e-trading platforms”, mentioning also that “[a]t least two very noteworthy investments have been made in Estonia by China in the last year as well – in the ride-sharing platform *Taxify* and in the company Magnetic MRO, which operates in the field of aircraft maintenance”<sup>10</sup>. In his final line on the occasion, the Estonian Ambassador specified that his country has already started making a difference within China’s economic environment – *Stigo* (an Estonian company that shines in pioneering a unique combination of “simplistic Nordic design and state of the art technology”<sup>11</sup>) has already been “manufacturing its electric scooters in China for some time, while only last week the Saaremaa-based company *AS Saare Erek* opened a milled timber and modular home factory in Hubei province [the Central China Region] which, measuring 15,000 sq. metres and with 100 workers, represents the biggest Baltic employee in China”<sup>12</sup>.

In continuation of this positive development, it is worthwhile noting that, as reported by *ERR*, a group of representatives of China Construction Communication Engineering Group, a Chinese state-owned enterprise, made a trip to Muhu, the third largest island of Estonia, on 5 September 2018<sup>13</sup>. The group’s visit was bound by an idea to be familiarised with the prospective plan to construct a bridge that would connect the island with the continent – in doing so, Saaremaa (the country’s biggest island populated by more than 30,000 people) would be connected, via Muhu, with the Estonian mainland. The material quoted Andrus Villem, former Member of the *Riigikogu*, who

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<sup>9</sup> Lauri Kuusing in ‘President Kaljulaid to meet with Chinese president and prime minister in Beijing next week’.

<sup>10</sup> Marten Kokk in ‘President Kaljulaid to meet with Chinese president and prime minister in Beijing next week’.

<sup>11</sup> See more in ‘Stigo is the world’s fastest-folding electric vehicle’. Available from [<https://stigobike.com/about/>]

<sup>12</sup> Kokk.

<sup>13</sup> ‘Saaremaa bridge advocates meet with Chinese business executives’. Available from [<https://news.err.ee/859212/saaremaa-bridge-advocates-meet-with-chinese-business-executives>]

suggested that “the chances to realise the bridge project would increase with every contribution”, while Kalle Laanet, a high-profile representative of the Estonian Reform Party in the Estonian Parliament and the *Riigikogu*’s Second Vice-President, noted about a certain degree of clarity that “the Chinese [side] would like to build the bridge, and that the Estonian side would like to see it built”<sup>14</sup>.

In sum, it could be argued that the above developments represent an endeavour, mutually as well as effectively conducted by China and Estonia, in order to significantly enhance interrelations between the two countries. This process seems to appear as multi-dimensional, with a diverse set of moderators – from an increased number of high-profile visits to a dramatically broadened scope of activities. Undoubtedly, the 16+1 cooperation (to be discussed in subsequent briefings at length) has started to make a difference in terms of Estonia’s more active involvement into the framework. For example, on 27 November 2017, during the China-CEEC’s 6<sup>th</sup> Summit held in Budapest, the then Estonian Minister of Entrepreneurship and Information Technology Urve Palo signed three memorandums of understanding with the Chinese ministers, focusing on improvements in bilateral cooperation between the two countries<sup>15</sup>. There is also an important factor of President Kaljulaid’s distinctly broad vision in regards of foreign policy making. Most probably and with necessity, the whole process will be leading to a more articulate position of Estonia to be established in/on China and *vice versa*. As the Estonian Embassy in China reports, there are currently **fifteen Estonian Visa Application Centres** in China, covering a significant part of the world’s third largest country. Namely, applications for short-term visa can be handed over in Beijing, Changsha, Chengdu, Chongqing, Fuzhou, Guangzhou, Hangzhou, Jinan, Kunming, Nanjing, Shanghai, Shenyang, Shenzhen, Xi’an, and Wuhan<sup>16</sup>.

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<sup>14</sup> Ibid.

<sup>15</sup> ‘Urve Palo signed three economic treaties with China’. 27 November 2017. Available from [https://www.mkm.ee/en/news/urve-palo-signed-three-economic-treaties-china].

<sup>16</sup> ‘New Visa Application Centres’. 17 July 2017. Available from [http://www.peking.vm.ee/consular\_information/consular\_news]