

Estonia: The Baltic/Nordic Identity

Master's Thesis
Master's Degree Programme
Nordic Cultural and Social Resilience
Faculty of Humanities
University of Turku
June 2020

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This thesis is dedicated in the memory of my Dad,

Clas Lensander (1955-2020)



His legacy continues to live on in the Scandinavian and Baltic Sea Regions and is an inspiration to me in writing this thesis and to continue living my dreams.

THE UNIVERSITY OF TURKU

Nordic Cultural and Social Resilience
Faculty of Humanities
LENSANDER, BJORN: Estonia: The Baltic/Nordic Identity
Master's thesis, 86 p., 3 appendix pages
Nordic Cultural and Social Resilience
June 2020

Abstract

This Master's thesis is presented on the subject of Estonia: The Baltic/Nordic Identity. My research on Estonia focuses on identifying key points of how a small Baltic nation was able to become the successful hub of technology and innovation after being under Communist rule for many years. Identifying historical, cultural, and scientific trends throughout Estonia are also discussed in this thesis to provide a solid foundation for Estonia's position in the Baltic Region. The collapse of the Soviet Union was the perfect opportunity for Estonia to establish a modern identity and in my research, I looked at whether or not if the reforms passed by the Estonian government were successful in helping modernize their economy. In the long term, I see the reforms implemented by Estonia as successful in promoting economic growth and encouraging private enterprises to invest their products in the country.

By investigating Estonian advancements in the fields of technology and science, I will explain in the thesis how Estonia is the most advanced and sophisticated of the three Baltic countries. The most successful innovation of the tech industry was the development of Skype in Tallinn. Along with Skype, I also look at concepts such as e-democracy and e-government services in the country. I will look at other technological sources to show that Estonia continues to work on expanding their technological sector.

Developing a thesis revolving around Estonia enabled me to conduct research on a practical level about the impact the Baltic Region has on Europe. By observing different cultural and historical trends along with the latest advances of technology, I am able to create a positive conception of Estonia's legacy as both a Nordic country and a Baltic country. A mixture of Western cultures and Eastern cultures is noted in the thesis because of Estonia's connections with Germany and Russia, giving the nation a distinct identity.

The sources of this thesis will be composed of both historical and modern evidence to develop a conceptual narrative about Estonia along with scholarly articles. Each source is diverse and provides structure on how Estonia successfully became a modern hub for industrialization and development. I will incorporate different political and tech sources in my analysis to discover why Estonia became successful in its technological endeavors. The possibilities of researching present day Estonian companies are endless, and learning about the new discoveries they make each day to improve the Estonian quality of life.

I confirm in this thesis that Estonia has evolved significantly during the past 30 years and has successfully transformed into a leading edge country on the European continent. Estonia has successfully used their connections with the Scandinavian and other Baltic countries to come up with a unique identity. I also mention the Signing Revolution in this thesis because Estonians were able to use this event to make a successful attempt of reclaiming their independence from the Soviet Union. Upon completion, my hope is that this thesis will be used to continue further research on Estonia's position in the Scandinavian/Baltic region.

The thesis has many significant key terms that are important in order to understand Estonia's Nordic and Baltic connections in Northern Europe.

Search Words

Nordic:

The thesis will describe the cultural and linguistic connections between Estonia and Finland and how these ties have been beneficial for both countries, particularly Estonia's goal of becoming a Nordic country. The embrace of technology and personal freedom by Estonians elevate the country to operate on the same level as the Scandinavian countries. Estonia's history under both the Danish and Swedish Kingdoms also confirm the regional ties between the countries. The values of these countries are connected together in their embrace of the rule of law, human rights, democracy, and technological innovation.

Baltic:

The main national identity of Estonia revolves around being a prominent part of the Baltic Region. Estonia, Latvia, and Lithuania unite with each other in a common theme of Baltic unity and protecting national sovereignty. From developing defense mechanisms and embracing a Western lifestyle, Estonia looks to be a part of the European community after many years under the Soviet Union. The thesis explores how the Baltic nations share a common history with each other, having been under occupation by both Nazi Germany and Soviet Russia.

E-Government:

When it comes to providing important services, Estonia has a system known as E-Government, that allows its residents to access government services on a computer through a specialized electronic I.D. card. Estonia is one of the first countries in the world to implement an e-government program for its citizens. Along with e-government, the country also modernized commerce and business services online making the usage of these products accepted in mainstream society.

Skype:

The most famous product that originates from Estonia is Skype, the communication app that allows people to make contact with others around the world either for free or at an economical cost. The company's headquarters is located in the San Francisco Bay Area and has offices in Tallinn. Skype is a uniquely Estonian product that debuted in 2003 from a group of Estonian software engineers, Ahti Heinla, Jaan Tallinn, and Priit Kasesalu.

Cultural and Social Affairs:

The contributions of Estonia play a prominent role in advancing modern technology throughout Europe and developing a dual identity that revolves around being a Scandinavian nation and a Baltic nation. Estonia has a unique history that comes from having to stand up for its own right of existence. Cultural connections play a big role in the country's identity, particularly Finland, where it shares similar language and cultural norms.

1. Introduction

Estonia is a shining star in the Scandinavian/Baltic region. The country, which has dealt with occupation throughout its history, has transformed into a hub of innovation and sophistication. In an attempt to answer the question: “how has Estonia changed from a Communist country to a modern high tech country of innovation and entrepreneurship?” this thesis will investigate how Estonia’s commitment to technology, free markets, history, and cultural preservation enabled the country to achieve its goals of being a regional player in the Scandinavian/Baltic region. Technology and entrepreneurship have been encouraged to grow the Estonian economy, thereby giving the country its nickname, “the Baltic Silicon Valley.” Estonia’s newly found freedom allowed the country “the will and the ability to develop its economy the way it wants.”¹ Even though the country is still catching up to Western European standards, Estonians continue “to feel their country is developing favorably and that an improvement in their lifestyles is in the pipeline.”² Major reforms were implemented by the Estonian government to maintain Estonia’s Baltic heritage, while advancing innovation in the business style of the Nordic countries.

The thesis will look at how Estonia began a process to revitalize in order to catch up with its Western European neighbors after the collapse of the Soviet Union. The values of democracy, human rights, technological innovation, cultural preservation, and pioneering spirit establish the foundation of modern Estonian society. In order to understand Estonia’s place in continental European and Baltic regional affairs, it is important to look back to the historical and cultural connections that the country has developed. Estonia developed the unique ability to exist as both a Nordic country and a Baltic country during the years of occupation. The goals of the modernization process prioritize “efforts to raise the standard of living, to build up the economy, and to develop democratic institutions.”³ A majority of Estonians desire to be part of the West with “discussions and public speeches about citizenship issues and the significance of Europe in Estonian life.”⁴

¹ Centre for Finnish Business and Policy Studies (EVA), *Estonia’s Tomorrow: A Report on the Present and Future of Estonia*, Helsinki: Centre for Finnish Business and Policy Studies (EVA), 1999, 45.

² Centre for Finnish Business and Policy Studies (EVA), *Estonia’s Tomorrow: A Report on the Present and Future of Estonia*, 20.

³ Ibid, 7.

⁴ Ibid, 7.

I believe that the story of Estonia is a reminder to countries that “nations, no matter of what size, must be allowed to determine their own affairs, and the free world must take warning of the kind of imperialism that Communism bestows on other nations.”⁵ Estonia’s occupation in the Soviet Union resulted in complete persecution of the native populace and censored any ideas that involved Estonian sovereignty.

Estonia offers many opportunities with its geographical location in Northern Europe. The country has “a contact area of cultures from the south, west, north, and east for centuries and millennia.”⁶ These connections had “a strong impact on the development of the original Estonian culture, which is related to the environment.”⁷ The freedom that Estonia obtained prior to World War II and after the collapse of the Soviet Union is “living proof of the strength for development that exists in a small nation left to determine its own fate.”⁸

The embrace of a free market economy allowed Estonia to open the country up to exchanging its products and ideas with the world. The actions taken by Estonian businesses and entrepreneurs to modernize the economy will help researchers better understand the effects on stabilizing Estonia’s position as a leader in economic and social affairs of the Baltic Region. This thesis will go into detail about why Estonia is considered a Nordic and a Baltic country and how Estonians used their entrepreneurial and free thinking spirit to advance their county to greater heights.

Estonia began a series of initiatives that implemented “a broad range of stabilization and structural reforms, such as a new currency, trade liberalization, and extensive privatization

⁵ Estonian House, *Estonia: Story of a Nation*, New York: Konstantin Päts Fund and the Estonian Commemoration Committees of the United States and Canada, 1974, 7-8.

⁶ Tony Hackens, Valter Lang, and Urve Miller eds., *Estonia: Nature, Man, and Cultural Heritage Proceedings of a Round Table held at Tallinn, April 1991 at the Estonian Academy of Sciences*, Journal of the European Study Group on Physical, Chemical, Biological, and Mathematical Techniques Applied to Archaeology, Part 37 (1992), 15.

⁷ Hackens, Lang, and Miller eds., *Estonia: Nature, Man, and Cultural Heritage Proceedings of a Round Table held at Tallinn, April 1991 at the Estonian Academy of Sciences*, 15.

⁸ Estonian House. *Estonia: Story of a Nation*, New York: Konstantin Päts Fund and the Estonian Commemoration Committees of the United States and Canada, 1974, 7.

programs”⁹ after finally reobtaining independence in 1991. The reforms paid off and enabled Estonia to have good economic standing with no significant budget deficit or financial debt. Estonia also enacted guidelines “to privatize state-owned enterprises so that Western companies are able to invest in the country in fields such as retail trade, financial intermediation, and telecommunication.”¹⁰

The Estonian political and cultural officials started a process of modernization for the country. In order to understand Estonia’s modern identity, it is important to look at the actions implemented to provide stability among the populace. The main objectives were to overcome security risks “that threatened both the internal and external spaces of state sovereignty.”¹¹ The Russian community, which is the largest ethnic minority in the country, is included in society if “they are content with the existing Estonian laws according to democratic principles.”¹² Based on negotiations for establishing border security, Estonia advocates policies that “keep the border tightly monitored in order to prevent smuggling and activities of criminal groups.”¹³ Defense mechanisms are also taken seriously in the country, especially cyber security matters, in the event other countries, particularly Russia, try to intervene in their internal affairs.

Estonia is “located in a geo-strategically important area, and even more to the point, bordering a great power with an inherently imperialistic culture and global ambitions,”¹⁴ despite being a small country with an advanced defense capability. Estonia is “consolidated and secure with the goals of maintaining the identity and national state”¹⁵ of the country. When it comes to Scandinavian/Baltic affairs, the country is able to assist the needs of the region with its strategic and geopolitical locations. It is important to remember that the state need not be seen as “a guardian of identity, but rather as a practical structure whose main function is to create a

⁹ Tauno Tiusanen, *The Baltic States: Successful Transition in Estonia, Latvia, and Lithuania*, Lappeenranta University of Technology: Northern Dimension Research Center, No. 5 (2004), 5.

¹⁰ Tiusanen, *The Baltic States: Successful Transition in Estonia, Latvia, and Lithuania*, 33.

¹¹ Pami Aalto, *Constructing Post-Soviet Geopolitics in Estonia: A Study in Security, Identity, and Subjectivity ACTA Politica No. 19*, Helsinki: University of Helsinki, 2001, 123.

¹² Aalto, *Constructing Post-Soviet Geopolitics in Estonia: A Study in Security, Identity, and Subjectivity ACTA Politica No. 19*, 123.

¹³ *Ibid*, 124.

¹⁴ *Ibid*, 124.

¹⁵ *Ibid*, 127.

stable society that protects humane values and inclusive democracy.”¹⁶ Estonia’s parliamentary democracy has developed successfully for the last 30 years under the Scandinavian model .

Estonia’s transition from a Communist country to a parliamentary democracy was important for the country’s future to match its Scandinavian counterparts. Due to cultural, technological, and social connections to Finland, Estonia was able to overtake its fellow Baltic countries, Latvia and Lithuania, with regard to economic opportunities and westernizing their society. The first decade of Estonia’s post-communist history was “a very important socio-economic experiment, during which central planning was replaced by a decentralized market.”¹⁷ New opportunities came about from a decentralized market, which include opening up the Estonian economy to free market capitalism and infrastructure investments from other nations. The growth of Estonia’s free economy has been a positive influence on the country. Many international companies have more freedom to take “business risks in post-communist countries such as Estonia on a large scale”¹⁸ to develop new business models and see if they work in the long term. Estonia, along with Latvia and Lithuania, have “a favorable environment for economic success because of their geographic location by the Baltic Sea and the Scandinavian countries.”¹⁹

The quality of life has risen in the past couple of decades because the country has established good management capabilities as well as by opening the economy to new investments and technology. A safe reason to invest in Estonia is because “there is no danger of serious turmoil to occur and the FDI (foreign direct investment) is excellent,”²⁰ in comparison to Latvia and Lithuania. The country has been a success story, despite having to overcome a traumatic Communist past. Estonian economic policy implemented “a fixed exchange rate policy and by resolving external bookkeeping matters”²¹ to maintain economic growth. The Baltic

¹⁶ Ibid, 127.

¹⁷ Tauno Tiisanen and Jari Jumpponen. *The Baltic States in the 21st Century: Western Investors in Estonia, Latvia, and Lithuania*, Lappeenranta University of Technology: Studies in Industrial Engineering and Management, No. 11 (2000), 7.

¹⁸ Tauno and Jumpponen. *The Baltic States in the 21st Century: Western Investors in Estonia, Latvia, and Lithuania*, 7.

¹⁹ Ibid, 7.

²⁰ Ibid, 8.

²¹ Ibid, 31.

countries, including Estonia, are prominent players in stabilizing the economic and technological advancements of the Scandinavian/Baltic region.

As a consequence of economic growth, Estonia was allowed to join the European Union in 2004. The new EU membership allowed Estonia to be a prominent voice in debating the future of the Scandinavian/Baltic region. Estonia has benefited from “a relatively high investment quota and a strong demand of visitors, mostly Finns, who appreciate the low price levels in Tallinn.”²² The stocks maintained by Estonian companies are a stable alternative to investing in new technologies in the Baltic region. Estonia enjoys more freedoms and less bureaucratic hurdles to invest in new ideas with the support from the Estonian government. Estonia has become a unique country to conduct business with because of its connection in both the Scandinavian and Baltic regions of Europe.

1.1 Approach:

The topic of the thesis promotes a thoughtful discussion as to why Estonia continuing to obtain international recognition for its pioneering roles in the fields of business and technology. The thesis will incorporate a thorough analysis on Estonia’s position as a Baltic country, with its own perspective on regional and social policy. This thesis asks whether and on what terms Estonia may be considered to be the most advanced and the most sophisticated of the three Baltic countries, in terms of technology, transparency, and social capabilities. I believe that Estonia has accomplished a lot to modernize the country over the past 30 years.

Historical context will play an important role in this thesis, particularly the occupation period that started to take place when Estonia was occupied by both Germany and Russia. An even longer historical process will also be discussed to cover the time period prior the rise of Nazi Germany because Estonia had good contacts with Germany through its influential Baltic German population. Despite being a minority, the Baltic Germans were the political and cultural elites of Estonia during the 18th and 19th centuries. It’s necessary to mention that most of the technological and artistic advancements in the country prior to the two World Wars originated

²² Ibid, 87.

from the Baltic German community. They were the early innovators and entrepreneurs that enabled Estonia to become a major hub in the Baltic Sea Region. Estonia, under the control of the Swedish Empire, promoted trade and exchange of services. Connections with Finland were also important for Estonia's success because the countries shared linguistic and cultural similarities. The Finnish and Estonian languages derive from the Finno-Ugric family of languages which also includes Hungarian.

The thesis aims to put the topic in broad cultural context and discuss Estonia's transformation from an old Communist country to a technology oriented nation. Estonians take pride in their cultural traditions, which they have had to stand up for continually during every occupation. The Estonians were able to maintain their traditions in privacy whether in manuscripts or in historical books. After the collapse of the Soviet Union, Estonia was finally free to achieve its potential and started on the path to economic freedom and prosperity. The technology companies were able to establish themselves in Tallinn, Estonia's capital, as a result of cheaper prices and flexibility to try out new ideas. The country continues to reach out to the other neighboring Baltic nations, Latvia and Lithuania in solidarity, particularly when it involves foreign affairs with Russia. Estonia's visibility continues to become prominent as other countries take time to learn about the success of their thriving business model that promotes technology and telecommunication industries.

Primary sources are a critical component in this thesis because I provide many sources of historical, cultural, and technological evidence to affirm Estonia's path of modernization. The thesis methodology was inspired by an historical perspective revolving around Estonia's history. By integrating historical references, the paper will analyze the reasons why Estonia is able to achieve two identities, despite being located in Eastern Europe. Prominent examples of historical sources used in this thesis include the Treaty of Tartu and the Treaty of Nystad. Primary sources such as historical documents, technological sources, constitutional and political law sources from the Estonian constitution, and political/economic sources written by political scientists and economic scholars are quoted throughout the thesis to develop a greater awareness of Estonia's position in the Baltic Sea Region.

Along with primary sources that enrich my investigation, I mainly rely on secondary sources that explore the distinct identities that Estonia developed throughout its history. Many researchers argue that using historical methodologies are the best approach to investigate the connections that Estonia has with the Scandinavian and Baltic regions. The thesis will also divulge how Estonia continues to influence the Baltic region's economic and digital policies. Democracy sources such as government material and election processes are also analyzed to understand why the Estonian government saw this process as a solution to developing their social system to match Scandinavian standards, similar to that of Sweden and Finland. The concepts of digital democracy and e-government had also been thoroughly researched within a technological context to understand how Estonia allows their citizens to have a voice in daily matters either on their computer screens or phones.

Through investigating various subjects regarding Estonia, I find it important to note that there are a diverse number of opinions about the subject among the historical and academic communities. The thesis will go through a cultural discourse route that explains the roots of Estonia's development from an old Soviet republic to a modern high tech capital. Scholars need to embrace a sense of cultural knowledge in order to fully understand Estonia's place in the world. The increasing visibility of opinions made by the academic and political communities represent how Estonia will only become more visible in the coming years. Estonia has inspired many entrepreneurs and technicians to come up with innovative ideas, while remembering the positive contributions of the past.

An important aspect of this thesis discusses the westernization of Estonia's views of its role in both the European and international stage. In this thesis, the field of international relations is also mentioned because Estonia wanted to affiliate with the West. Foreign policy is important for Estonia because as a small country, the people want to have their say on societal affairs and to maintain the security of the region. NATO membership is highly prioritized, especially if Estonia needs assistance in the event that another country tries to occupy the region. Even though Russia does not control Estonia, Estonians still have a sense of skepticism over their larger neighbor.

Estonia had the chance to control the rotating Presidency of the EU council in 2017, where it had involvement in European affairs, particularly in the areas of technology and digital media. Estonia is a leader, where their ideas and policies on technology and government efficiency are implemented by neighboring countries, Latvia and Lithuania. It is important that the thesis highlighted the success of Estonia's economic policies as a consequence of the country opening up to the free market and implementing a flat tax on certain services, without much progressive taxation on the populace. The mixture of Scandinavian and Baltic concepts has been beneficial for Estonia's long term growth and reputation among the European community.

1.2. Structure:

After introducing the topic and providing an introduction about Estonia's identity in the Baltic region, the thesis will cover Estonia's position as a Nordic country. As a result of their historical connections with Scandinavian countries such as Denmark, Sweden, and Finland, Estonia was able to proceed with modernizing their economy and society at a faster pace, in comparison to the other Eastern European countries. The Danish and Swedish Kingdoms controlled Estonia for the purpose of economic and foreign trade from the capital city of Tallinn. In Estonia's history, the minority Baltic German population played a prominent role in developing the arts, technology, culture, and architectural contributions of the country. Many Baltic German influences are still present within Tallinn, and many Germans like to visit Estonia, whether to conduct business transactions or enjoy a family vacation. Estonia boasts a lot of cultural and social achievements, which establishes the country as the most advanced of the three Baltic nations.

The next chapter will focus on Estonia's position as a Baltic country. Estonian culture is distinct and has developed throughout its history of being under occupation. The thesis will cover how Estonians were able to keep their cultural traditions alive during difficult times. Cooperation between Latvia and Lithuania are mentioned because they are Estonia's closest allies and together, they support each other in the name of Baltic solidarity. The history of Estonia under Nazi Germany and Soviet Russia are thoroughly investigated in order to understand how Estonian society developed under foreign occupation. The Singing Revolution is

discussed and its unique legacy of helping Estonia develop a modern Baltic identity after the collapse of the Soviet Union.

The thesis will next discuss Estonia's greatest achievement in transforming into a high tech hub known by most people as the "Baltic Silicon Valley." The nation's embrace of creativity and technological innovation allowed economic prosperity to expand throughout the country. Many prominent government services in the country are completed with the use of a computer chip such as e-government and e-residency. Estonian residences are able to start a business, file taxes, vote in elections, and deal with financial transactions through their own personal computers. The thesis will also discuss Estonia's most famous technological product, Skype. Skype revolutionized the telecommunications industry and allows people to connect with each other at little or no cost all around the world. Cryptocurrencies are also discussed as to whether these types of payments will conduct future financial transactions within society. Services such as BitCoin and Forex have provided alternative payment methods without the need of using cash or a credit card. The embrace of technology has allowed Estonia to advance their quality of life standards and operate economically on the same level as other Western European countries.

The final chapter will cover Estonia's position on foreign affairs and their desire to become a prominent member of the European community. The thesis will discuss the current state of Estonian politics and the functions of the Estonian Parliament, known as the Riigikogu. Estonia's position on its membership of NATO is also included in the thesis as well as a discussion of how the organization is viewed by most Estonians as a critical component to their external security. The relationship with Russia is outlined in this thesis because the inter-connection between the two countries is complex, and provides a delicate balance on how to maintain peace with a country that occupied Estonia for many years.

The thesis will return to the question on Estonia's role in the Scandinavian/Baltic region and the future prospects the country has developed. It will be discussed whether Estonia could be seen as a role model for other Eastern European countries that want to modernize and enhance with the latest technologies. Estonia is a one of a kind country with a lot of opportunities to invest in and support with its connections as both a Nordic country and a Baltic country.

1.3. Methodology:

The thesis methodology is inspired by historical analysis that revolves around Estonia's history. My starting point is James Mahoney's idea of historical comparison where "the importance of these methodologies depend in part on how commonly probabilistic or deterministic necessary and sufficient causes are found"²³ in the field of social sciences. I follow the idea that historical methodologies are the best approach to investigate the connections that Estonia has with the Scandinavian and Baltic regions. By integrating historical references, the thesis will analyze the reasons why Estonia is able to achieve two identities, despite being located in Eastern Europe. The thesis will also divulge how Estonia continues to influence the Baltic region's economic and digital policies.

A second methodology incorporated into the thesis is the process of concept analysis. The technique otherwise known as comparative historical analysis, "has been a leading site for both the development of new concepts and the creation of new methodologies regarding the use of concepts."²⁴ The process can lead to "new conceptual understandings and perhaps the formation of entirely new concepts."²⁵ More information was necessary regarding the concepts which derive from Estonia's embrace of modernization, democracy, and the rule of law. When investigated, these concepts can be broken down into different sections. In this thesis, Estonian technology is analyzed via the concepts of e-government, e-services, and Skype. The thesis is analyzing how these different concepts surrounding Estonia's multiple identities work to construct its current identity as a Nordic-Baltic Silicon Valley in the West. The best way to express "the goodness of a concept is to define it by different evaluations such as coherence, operationalization, validity, field utility, resonance, and contextual range."²⁶

²³ James Mahoney, "Comparative Historical Methodology," *Annual Review of Sociology*, Vol. 30 (2004), 88, accessed May 28, 2020, <http://www.jstor.org/stable/29737686>.

²⁴ Mahoney, "Comparative Historical Methodology," 93.

²⁵ *Ibid*, 93.

²⁶ *Ibid*, 95.

The method of concept analysis has assisted to determine new concepts that specifically show a diverse amount of information pertaining to Estonia and the entire Baltic region. The subject is intriguing, considering how far the country has come after 30 years of reobtaining independence. The information on Estonia continues to change each day with new discoveries on a technological and analytical level. This thesis is a way to help educate others to learn about Estonia's position on regional affairs in the Scandinavian/Baltic region.

In my research, I believe that Estonia offers unique ideas for the international community to continue innovating and making new discoveries to improve the quality of life among the general population. We still have a lot to learn about the world and there are many innovators, who are ready to present their findings. Estonia continues to succeed because it allows young scientists and entrepreneurs to bring about new ideas beneficial to humanity. This thesis will present the findings by going into detail first about Estonia's position as a Nordic country.

2. Estonia as a Nordic Country

Estonia has been considered a Nordic country, despite being classified as a Baltic country, as a result of their cultural and historical relations to the Scandinavian countries. The quality of life in Estonia has risen to standards apropos to the other Nordic countries. When it comes to maintaining their values of human rights and the rule of law, Estonia is inspired by the same rules that the Scandinavian countries adhere to for their own populations. Estonia was also influenced by connections to Demark and Sweden during the time of occupation by both empires. In this chapter, I am analyzing what similarities Estonia has in comparison to the Nordic countries.

I begin with a discussion of the cultural and historical similarities Estonia shares with Finland. Finland and Estonia experience many similarities on how they see life, with the exception of Estonia having had to deal with Soviet occupation. The history of Estonia under the rule of the Danish and Swedish Kingdoms will also be discussed in this thesis. Estonians have used their time under occupation to learn about Swedish and Danish ways of life and promote an exchange of goods and services among the countries. I will analyze why Estonia is considered to

be the most advanced of the three Baltic nations. In comparison to Latvia and Lithuania, Estonia has successfully been able to implement Nordic policies of modernization and innovation, enabling the country to move forward after many years under Communist rule. The thesis will also discuss the importance of the Nordic inspired reforms used to advance Estonia into the 21st Century.

The last section of this thesis chapter will focus on the influence of the minority Baltic German community in Estonia. Even though the Baltic Germans do not represent a Nordic culture, the German community enjoyed good relations with the Scandinavian countries and have many cultural similarities. The history of the Baltic German community dates all the way back to medieval times, where Christianity was rapidly expanding throughout the European continent. The pinnacle of the Baltic German influence in the region took place during the 18th and 19th centuries, most notably in the political and cultural decision making processes during that time. In legal matters, the Baltic German authority was protected by the signing of the Treaty of Nystad in 1721.

The Treaty of Nystad was a treaty that decided which parts of the Baltic Sea region were given to the Swedish Empire and the Russian Tsar. Russia was bestowed “Livonia (Latvia), Estland (Estonia), a part of Karelia, Ingermanland, and other territories.”²⁷ Baltic Germans were giving the right under this treaty to maintain their political and financial authority in Estonia and Livonia, which is modern day Latvia. Russian Tsars, which started with Peter the Great, respected the rule of the Baltic German elites in the region. As a consequence of obtaining their right to exist as a community, the Baltic Germans continued to support the rule of the Russian Tsar. The primary goal of both Tsarist Russia and the Baltic German elite was realized with “complete free access to the Baltic Sea and an absolute and eternal possession”²⁸ of the Baltic Sea region. The end of the Swedish Empire and the rise of the Tsarist Russia was the start of a Golden Age for the Baltic German community. It is important to remember the Baltic German influence in addition to the similarities with the Nordic countries. To understand Estonia’s place

²⁷ “Treaty of Nystad of 1721,” Boris Yeltsin Presidential Library, accessed May 15, 2020, <https://www.prlib.ru/en/history/619530> (The Treaty of Nystad of 1721 is only in the Russian language provided by the website: <http://www.hist.msu.ru/ER/Etext/FOREIGN/nishtadt.htm>).

²⁸ Boris Yeltsin Presidential Library, “Treaty of Nystad of 1721.”

in the historical and geopolitical evolution in the region, the thesis will look at Estonia's similarities with the Nordic countries, particularly Finland.

2.1. Finnish Cultural and Linguistic Connection:

In order to learn about Estonia's rise to Nordic standards, I will present a discourse in this thesis about their connections with Finland. Unlike Latvia and Lithuania, Estonia shares many similarities with Finland enabling the country to learn about the process of modernization at a quicker rate. Both countries have also been under the occupation of the Swedish Empire and the Russian Empire. Estonia and Finland connect through "a Finno-Ugric ethnic and linguistic background and there are obviously associated genetic similarities that go with this."²⁹ The major difference between the two countries was recognizable after World War II, with "Estonia becoming a republic in the Soviet Union and governed by communists, while Finland remained an independent and democratic nation, even though Soviet influence was strongly felt."³⁰ Estonia and Finland have been able to reconnect and rediscover the cultural roots that allow both countries to have good relations, despite having different circumstances take place within each country during the 20th century.

The Finno-Ugric cultures of Finland and Estonia are connected through a sense of solidarity and cooperation in the Scandinavian/Baltic region. This consciousness recognizes "how people react to external changes, how intended changes are absorbed, and the manifest social and economic consequences of change."³¹ The experiences that Estonia and Finland have faced developed independently as to how each of their cultures have evolved over time. Despite Estonia and Finland belonging to "the Western culture and the Protestant Lutheran faith, it can be theorized that over the last 50 years or so and due to different kinds of turbulence, different

²⁹ Raimo, Nurmi and Raoul Üksväre, *Estonia and Finland: Culture and Management, A Conjectural Presentation Series A-9*, Turku: The Turku School of Economics and Business Administration, 1994, 7.

³⁰ Nurmi and Üksväre, *Estonia and Finland: Culture and Management, A Conjectural Presentation Series A-9*, 7.

³¹ *Ibid*, 8.

sets of values have been produced.”³² Finland was able to maintain their traditional and cultural institutions and values even during difficult periods, while Estonia had to evolve and replace their institutions as a consequence of being under occupation of Nazi Germany and Soviet Russia. Both countries have been classified as similar in their aspects of life, yet different in the experiences endured in European history.

Geographically, Estonia is “a part of the Baltic area with a direct continental link to Central Europe,”³³ while Finland is “part of the Russian land mass and is separated by the gulfs of the Baltic from Central Europe.”³⁴ Their capitals, Helsinki and Tallinn, are closely connected with each other on a cultural and commercial level. Estonia and Finland are “both seen as gateways between the East and the West.”³⁵ The two countries relate to each other because they are neighbors with Russia and must maintain good relations with the country. Estonians and Finns have similarly “reacted to political pressures, which have been intrinsic to their geopolitical location close to Russia and between East and West.”³⁶ Trade between the two countries has been successful due to “their values and beliefs, along with their goods and services being exchanged.”³⁷

The social aspect Estonia and Finland value the most is their prioritization of academia and educating the populace. Education was seen in Estonia as “an important route to social evaluation and promoting Estonian national identity.”³⁸ In Finland, education is highly valued as “the most important route to social advancement.”³⁹ The country also has the distinction of having the most advanced education system in the Western world. The education systems of both nations have been influential in developing their economies and promoting the next generation of visionaries and thinkers. Educational standards are high, along with a commitment to ensure their communities are given a chance to receive a quality education. Even though Estonia has

³² Ibid, 13.

³³ Ibid, 13.

³⁴ Ibid, 15.

³⁵ Ibid, 15.

³⁶ Ibid, 19.

³⁷ Ibid, 19.

³⁸ Ibid, 31.

³⁹ Ibid, 30.

been classified as Eastern Europe, their education system has “matched the standards of the Western countries.”⁴⁰ Estonia has benefited from having “close operation between companies and educational institutions”⁴¹ in the West. Education is critical to the success of both countries’ economies and social wellbeing. The possibility of “joint cooperation of education issues”⁴² has great potential to benefit both Estonia and Finland.

Raimo Nurmi and Raoul Üksväärv argue that Estonia and Finland’s similarities vastly outnumber the differences in their lifestyles. Their cultures have been established by “similar historical, political, and geographical forces over the centuries.”⁴³ The collapse of the Soviet Union in the early 90s made a significant impact on both countries. They reformed their economies as a consequence of “the loss of markets in the East and also a loss of competitiveness in the West.”⁴⁴ Estonia was under influence of “the Soviet Union’s policy and Finland was influenced economically and politically by the bloc.”⁴⁵ New opportunities came about for both countries with Estonia and Finland connected “in terms of trade and commerce.”⁴⁶ The economies of Estonia and Finland depend on each other for survival and exchanging new ideas with each other. Despite their differences, Estonia has flourished through close relations with their Nordic neighbor, Finland. Estonians and Finns use cooperation as “a means of learning and maintaining a distinct identity, rather than a process towards an end in itself.”⁴⁷

2.2 Danish and Swedish Kingdoms:

Throughout Estonian history, the country was heavily influenced by the politics of the Nordic region implemented by the Kingdom of Denmark and the Kingdom of Sweden. The connection with Denmark is historically closer because both countries shared the same king during Estonia’s founding as a modern nation. The legend of “Dannebrog,” was instrumental in establishing the

⁴⁰ Ibid, 31.

⁴¹ Ibid, 31.

⁴² Ibid, 32.

⁴³ Ibid, 71.

⁴⁴ Ibid, 71.

⁴⁵ Ibid, 71.

⁴⁶ Ibid, 71.

⁴⁷ Ibid, 45.

cultural identities of both Denmark and Estonia. According to the legend, “the Dannebrog, a symbol of Danish nationalism, fell from the sky during the Battle of Lyndanise in 1219.”⁴⁸ When the Dannebrog fell, “Estonia and Denmark had the same kings establishing a relation that continues to make an impact on both countries.”⁴⁹ The relations between the countries was difficult at first, but later developed into a strong friendship. The year 1219 was historic for Estonia and Denmark for different reasons with “Denmark remembering the birth of their flag and for Estonia, the capital city of Tallinn is mentioned for the first time under the control of the Danish crown.”⁵⁰ The legend of “Danneborg” celebrated “800 years in 2019 commemorating the strong bonds between Estonia and Denmark.”⁵¹

The connection between Estonia and Denmark goes all the way back to the medieval times, where Christianity was expanding throughout the Scandinavian/Baltic region. Denmark was responsible for bringing the Christian faith to Estonia through Christian missionaries and crusaders. The kings of Denmark were active “at a very early stage in the Crusades to take back the Holy Land.”⁵² After the successful first Crusades, Danish forces decided to forge an occupation in the Baltic region. The region was “one of the last areas in Northern Europe that was not of the Christian faith at the time.”⁵³ Estonia would convert to Christianity with the approval of Pope Eugenius III in 1147. Pope Eugenius authorized “the papal bull, *Divini Dispensatione* (The Divine Dispensation), to spread Christianity into the Baltic region.”⁵⁴ The Danish crown believed that having the Baltic region under their rule would benefit their interests. These Danish conquests were seen as “an important strategic opportunity for the expansion and consolidation of the power and security of both the King and the nation.”⁵⁵ Denmark, under the

⁴⁸ Ivar Leimus, Thomas Lyngby, Ain Mäesalu, Per Seesko, Metter Skougaard, and Maarja-Helen Tamm, *Danneborg 800: The Story of Denmark and Estonia* (Tallinn: The Estonian Institute and Tallinn City Museum, 2019), 6, <https://estinst.ee/wp-content/uploads/2019/05/Danneborg-Eng-WWW-.pdf>

⁴⁹ Leimus, Lyngby, Mäesalu, Seesko, Skougaard, and Tamm, *Danneborg 800: The Story of Denmark and Estonia*, 6.

⁵⁰ *Ibid*, 9.

⁵¹ *Ibid*, 9.

⁵² *Ibid*, 26.

⁵³ *Ibid*, 26.

⁵⁴ *Ibid*, 26.

⁵⁵ *Ibid*, 26.

leadership of King Canute, sailed across the Baltic Sea to reach both “the Åland Islands and Estonia to take part on a conversion crusade.”⁵⁶ Their goal was to convert many locals in Estonia and Finland to the Christian faith. German crusaders also “aided the Danes in the 13th century”⁵⁷ in converting the Estonian populace to Christianity. Sweden participated with Denmark in the conversion efforts in those countries. However, Swedish missionaries chose to stay “in Finland and the Danish crusaders decided to focus on Estonia.”⁵⁸ Along with conversions in Estonia, the Christian missionaries also focused their time on converting the population of Livonia, which is modern day Latvia.

In 1215, the crusades in the Baltic region obtained “equal status of importance for the Church along with reconquering the Holy Land.”⁵⁹ The Danish crusaders established a base for themselves in Estonia for their missionary work. The new Danish headquarters was called Danskeborgen, which eventually became the Estonian capital, Tallinn.⁶⁰ In 1215, the Danish forces believed that “the fall of the Danneborg flag from the sky was viewed as a symbol of the Christian faith and consequential of their victory in the Battle of Lyndanise.”⁶¹ This historical event took place on “June 15th, which is the national flag day of Denmark.”⁶² Estonia and the Baltic region remained with the Catholic faith, until the Protestant Reformation, with Estonia and Latvia converting to the new Lutheran faith, while Lithuania remained connected with the Catholic faith as a consequence of their alliance with Poland. Christianity was a unifying force that allowed Estonia and Denmark to maintain cultural and social ties with each other.

The life of Estonia under the Danish Kingdom has not been thoroughly investigated, as researchers are still trying to discover what was Estonia’s real purpose under Danish rule. The Danish crown was able to govern Estonia through “representation by a regent, who resided in

⁵⁶ Ibid, 27.

⁵⁷ Toivo Raun, *Estonia and the Estonians*, Stanford, California: Hoover Institution Press, 1987, 112.

⁵⁸ Leimus, Lyngby, Mäesalu, Seesko, Skougaard, and Tamm, *Danneborg 800: The Story of Denmark and Estonia*, 27.

⁵⁹ Ibid, 28.

⁶⁰ Ibid, 28.

⁶¹ Ibid, 29.

⁶² Ibid, 29.

Toompea Hill in Tallinn.”⁶³ Tallinn was established as the capital city of Estonia during the Danish rule. The economy at the time was mostly focused on trade in the Baltic Sea region. During the 1260s and 1270s, Danish rulers issued decrees that “ordered the safeguard of German and Gotland cargo ships in Estonian waters on their trips to Novgorod.”⁶⁴ Trade items such as “Russian furs and wax were sold along with the exchanging of fine textiles, salt, and silver.”⁶⁵ People along with “goods and ideas have been crossing the Baltics for centuries.”⁶⁶ Tallinn’s reputation was positive both on the Western and Eastern sides of Europe and enabled the city “to secure an important place in the Hanseatic League, which was forming at the time.”⁶⁷

After many years of Danish rule, Estonia captured the attention of the King of Sweden, who wanted to conquer the country for influence in the Baltic Sea region. The Kingdom of Sweden, the Danish-Norwegian Union, and the Grand Duchy of Lithuania-Poland fought against the Tsarist Russia over the control of the Baltic Region in the Livonian War. The three competing Empires came out victorious against Russia. Northern Estonia was bestowed to the Kingdom of Sweden by “the Noble Corporation of the Livonian Order in 1561.”⁶⁸ The Teutonic Knights brought “a chivalry to the Baltic that most had learned as members of the Ministerial class.”⁶⁹ Most recruits of “the Teutonic Order grew up in Ministerial families in Germany, and carried the ideals of their youth”⁷⁰ for their political goals in the Baltic region. The Teutonic Order’s influence is vast in Estonia particularly in “art and architecture, economic growth and education, orderly government, and noble mores and manners.”⁷¹ During the war’s final year in 1583, Sweden solidified its rule “over Western and Northern Estonia.”⁷²

⁶³ Ibid, 41.

⁶⁴ Ibid, 42.

⁶⁵ Ibid, 43.

⁶⁶ Michael North and Kenneth Kronenberg tr., *The Baltic: A History*, Cambridge: Harvard University Press, 2015, 1434.

⁶⁷ Leimus, Lyngby, Mäesalu, Seesko, Skougaard, and Tamm, *Danneborg 800: The Story of Denmark and Estonia*, 43.

⁶⁸ “The Swedish Era,” Histrodamus All Stories 2010, accessed May 18, 2020, http://www.histrodamus.ee/index.php?event=Show_main_layers&layer_id=173&lang=eng.

⁶⁹ William Urban, “The Teutonic Knights and Baltic Chivalry,” *The Historian*, Vol. 56, no. 3 (Spring 1994): 519.

⁷⁰ Urban, “The Teutonic Knights and Baltic Chivalry,” 519.

⁷¹ Ibid.

⁷² Histrodamus, “The Swedish Era.”

Sweden “divided Estonia and Livonia into the Governorate of Estonia and the Governorate of Livonia”⁷³ to govern the populaces. The peasants living in Estonia and in the territory of Livonia saw the quality of life standards improve for them under the rule of the Swedish Kingdom. The Swedish rule improved “their legal situation and tax collection was simplified by their farms’ capabilities.”⁷⁴ The economy of the region focused on trade along with “grain storage, handicraft guilds, and manufacturing.”⁷⁵ Education was also prioritized in Estonia under the Swedish rule. The greatest achievement in academia during the Swedish rule was the establishment of the University of Tartu in 1632. King Gustaf II Adolf signed “the Foundation Decree of Academia Dorpatensis on June 30, 1632 which effectively started the university’s distinguished history.”⁷⁶ At the beginning of the university’s life, Tartu provided study programs “with philosophy, law, theology, and medical faculties on the basis of the University of Uppsala privileges.”⁷⁷ With an established accredited university, Estonia began a new age of publishing books and manuscripts. The University of Tartu had “about 1,300 volumes of academic material published.”⁷⁸ The connection between the University of Tartu and Uppsala University solidified the connection between both countries. In Tartu, there is an academic house named the Uppsala House as a reminder of the University of Tartu’s historical connection with Sweden. The era of Swedish rule came to an end “in 1710 when Russia reconquered Tallinn for their regional needs.”⁷⁹ Sweden was a positive influence in Estonia’s history establishing a Nordic outlook on how Estonians viewed life and their country’s position in the Scandinavian/Baltic region.

2.3 Most Advanced of the Baltic Nations:

As a result of the modernization policies implemented by the Estonian government, I believe that the country is positioned to be the most advanced of the Baltic countries. The country has

⁷³ Ibid.

⁷⁴ Ibid.

⁷⁵ Ibid.

⁷⁶ “Facts about the History of the University of Tartu,” University of Tartu, accessed May 18, 2020, <https://www.ut.ee/en/university/general/history>.

⁷⁷ University of Tartu, “Facts about the History of the University of Tartu.”

⁷⁸ University of Tartu, “Facts about the History of the University of Tartu.”

⁷⁹ Histrodamus, “The Swedish Era.”

the technology, the infrastructure, and open market economy necessary to make this move. Estonia also benefits by having a Scandinavian style environment, which allows them to use their resources to advance their own causes. Similar to the Scandinavian countries, Estonia is “covered with many forests, and the air quality is considered to be one of the best in the world.”⁸⁰ I believe that Estonia’s environment has many similarities to the Scandinavian countries, which confirms my assessment that Estonia has a dual Nordic/Baltic identity. The love of forests and nature has “spiritually connected Estonia to the environment, giving the Estonians the nickname of “forest people.”⁸¹ Forests represent a major part of the Estonian cultural heritage. To combat the current environmental trends, Estonia has developed ways “to change consuming habits and working with other nations to develop greener technologies.”⁸² Inventions include “new biomaterials and accelerating green energy innovation”⁸³ made with Estonian technology.

The technology is very similar to how Scandinavian countries such as Denmark, Norway, Sweden, and Finland make their economies and technologies environmentally friendly. Technology has enabled Estonia to become the headquarters of new ideas and entrepreneurship in the Scandinavian/Baltic region. Estonia benefits by having their free market develop through “a green-thinking, engineering mindset, and super entrepreneurial eco-system.”⁸⁴ Estonia will be able to contribute to the international markets of the 2020s with “many new world leading innovations in solar, hydrogen, grid tech, and autonomous vehicles.”⁸⁵ These ideas are only a part of what is innovated in the country’s Nordic style environment. Estonia aspires to develop an identity where “new opportunities are explored and discovered towards the development of a modernized economy and healthy planet.”⁸⁶

⁸⁰ Raido Lember, “Let the Greentech Race Begin,” *Life in Estonia Magazine Issue No. 52*, March 2019, 3.

⁸¹ Lember, “Let the Greentech Race Begin,” 3.

⁸² *Ibid.*, 3.

⁸³ *Ibid.*

⁸⁴ *Ibid.*

⁸⁵ *Ibid.*

⁸⁶ *Ibid.*

The fact that Estonia has been able to catch up so quickly to Scandinavian standards after the collapse of the Soviet Union is a remarkable achievement. Estonian promoters of investment write that “their world class human capital, unique digital capabilities, and a competitive business environment make it a smart choice for businesses with regional and international interests.”⁸⁷ Estonia continues to outperform expectations and win over critics, “ranking as one of the most open, competitive, and transparent economies in the world.”⁸⁸ There is no surprise that Estonia wanted to open up to the rest of the world, after being under occupation throughout most of its history. The recipe for Estonia’s success as the most advanced Baltic nation with Nordic capabilities is “their commitment to reducing red tape, the rule of law, and significant investments in infrastructure and human capital.”⁸⁹ The spirit of entrepreneurship which “demonstrates flexible and needs based legislation to facilitate the country’s needs”⁹⁰ is openly encouraged in the country. The simplicity of the Estonian social and economic system has been “one of the key drivers of foreign direct investment into the country,”⁹¹ where investors are looking for a cheaper alternative to an expensive Western European country with a Nordic style. Estonia is the leading country “in regards to foreign direct investment per capita in Central and Eastern Europe.”⁹²

Internationalization and interconnectivity increased among the European countries, allowing Estonia to open up their country to new opportunities. To make their voice heard in the international community, the Estonian government took the initiative to promote their own brand of products. Many Estonian firms have been able “to internationalize themselves successfully to enter several markets, not only in Europe, but also in Asia and America.”⁹³ Internationalization of Estonian companies to Nordic standards was bound to happen after reobtaining their independence in the early 90s. Estonian companies experienced difficulty at first because of the

⁸⁷ Invest Estonia, *Investment Guide* (Tallinn: Invest Estonia, 2019), No Page Numbers in the Manuel.

⁸⁸ Invest Estonia, *Investment Guide*.

⁸⁹ Ibid.

⁹⁰ Ibid.

⁹¹ Ibid.

⁹² Ibid.

⁹³ Larimo, Jorma and Sami Rumpunen, eds., *Internationalization and Management of Foreign Operations*, Vaasa: University of Vaasa, 2006, 70.

“lack of contacts and knowledge of the Western markets.”⁹⁴ Despite these hurdles, Estonia has been able “to internationalize faster than others and develop at least some characteristics of the Western markets.”⁹⁵

Business leaders and entrepreneurs saw “an uptick of niche markets, global networks and alliances, specialized consumer products and a rise of communication technologies,”⁹⁶ in the free market Estonian economy. The network approach to business has been successful in advancing Estonian interests in Europe and overseas. Estonian companies used the network approach “to establish and develop business relationships in networks of other countries.” That ability has allowed the expansion of “international opportunities, acquire brands, and access experience and skills in the local markets.”⁹⁷ By opening their doors to both European neighbors and international connections, Estonia’s modernization took off at a rapid rate.

An example of a successful Estonian company that opened up to the international markets is Asper Biotech. Asper Biotech is “a biotechnology company that offers custom genotyping services, genotyping software, genotyping hardware, and genotyping consumables.”⁹⁸ The company has grown into one of the largest and most successful tech companies in Estonia. By 2001, the company established new offices “in the United States and Asia and has been touted as one of the Fast 50 Technology Companies in Central Europe.”⁹⁹ Their work has been recognized for contributions to the growing Estonian economy and has been “bestowed the Estonian PricewaterhouseCoopers Gene Technology Award”¹⁰⁰ for their services. Along with promoting their own products, Asper Biotech also invests in venture capital and “state support such as the Estonian Export Agency and the Estonian Innovation Foundation.”¹⁰¹ The company continues to enjoy success and plans “to invest in medicine and the medical fields in the future.”¹⁰² Asper

⁹⁴ Jorma and Rumpunen, eds., *Internationalization and Management of Foreign Operations*, 70.

⁹⁵ *Ibid*, 70.

⁹⁶ *Ibid*, 72.

⁹⁷ *Ibid*, 73.

⁹⁸ *Ibid*, 77.

⁹⁹ *Ibid*, 77.

¹⁰⁰ *Ibid*, 82.

¹⁰¹ *Ibid*, 78.

¹⁰² *Ibid*, 78.

Biotech represents an Estonian company that is innovative and embracing of the most cutting edge research in the fields of technology and science.

Along with investing in the environment and technology, Estonia also invests in the manufacturing industry to help advance their economy. The Estonian manufacturing industry is “characterized by the rapid developments both in the local and foreign markets after their independence in the early 90s.”¹⁰³ The manufacturing industry was able to recover quickly as a consequence of “foreign investors who use the production of these industries as an input in their production plants in other countries,”¹⁰⁴ and guarantee the production market distribute their goods. A good example of a successful expansion in the Estonian manufacturing industry through internationalization was the successful growth of the wood industry. International investment has resulted in “a rapid increase in foreign activities both in the terms of export and establishment of foreign subsidiaries.”¹⁰⁵ Estonian wood companies were able to “successfully integrate into the Nordic wood cluster through the ownership of Finnish and Swedish investors.”¹⁰⁶ The connections that Estonia has with other countries in the Scandinavian/Baltic region have enabled the country to become the most technologically and socially advanced of the three Baltic countries. The one group that inspired Estonia’s reputation as a Nordic country is the Baltic German community, whose members shaped Estonia’s cultural and historical past.

2.4 Baltic German Influence:

Estonia and the other Baltic states were heavily influenced by the Baltic German community prior to World War I and World War II. Although the Baltic Germans comprised only a small segment of the Estonian population, they made a significant impact on the country, which is still seen throughout many aspects of Estonian society. Baltic Germans were executing “political and economic power in the Baltic territories for 700 years prior to World War I through a rigid

¹⁰³ Ibid, 466.

¹⁰⁴ Ibid, 466.

¹⁰⁵ Ibid, 466.

¹⁰⁶ Ibid, 466.

estates based system.”¹⁰⁷ German nobility controlled “half of Estonian agricultural land and played a disproportionately large role within the urban economy.”¹⁰⁸ The position of power for the Baltic Germans remained unchanged for many years until the rise of Estonian nationalism and Russian imperialism under the Russian tsarist regime. German was prioritized as “the main language of education and culture within the Baltic provinces.”¹⁰⁹ It was a mandatory requirement for the Estonian working class by the Baltic German elite “to conform to Germanization to advance their social interests.”¹¹⁰

The Baltic German status in the country changed with the rise of Estonian nationalism at the end of World War I. Estonia’s return as a nation state resulted in a drastic change in policy with “the redistribution of land to the local populace and the Baltic Germans being designated as a national minority within the new Estonian Republic.”¹¹¹ The Germans living in the country started to ask for minority rights in order to advance their needs. Requests included “self-government along non territorial lines and greater rationalization of German education.”¹¹² There were also controversy surrounding the situation of “the privileged position of German language schools and their appeal for ethnically mixed Estonian-German families.”¹¹³ Cultural differences were still visible when the majority Estonian population and the German minority population had to figure out ways to resolve their differences. Most of the Baltic Germans left Estonia after a new policy implemented by Nazi Germany in the 1930s, whereby Baltic Germans were called to return to Germany to replenish the country’s population.

The history of the Baltic Germans in Estonia originates in the medieval times, where the Baltic region was one of the last parts of the European continent to convert to Christianity. The Baltic Germans first arrived in “the 13th century when the territory of modern Latvia and

¹⁰⁷ David J. Smith, “Estonia: A Model for Inter-War Europe?,” *Ethnopolitics*, 15:1, (2016): 92, <https://doi.org/10.1080/17449057.2015.1101841>

¹⁰⁸ Smith, “Estonia: A Model for Inter-War Europe?,” 92.

¹⁰⁹ *Ibid*, 92.

¹¹⁰ *Ibid*, 92.

¹¹¹ *Ibid*.

¹¹² *Ibid*.

¹¹³ *Ibid*, 98.

Southern Estonia was conquered by German crusaders.”¹¹⁴ Estonia was governed by a German organized “Livonian Confederation comprised by noblemen, clergymen, and merchants.”¹¹⁵ The demographics of the Estonian population at time was overwhelmingly ethnic Estonian, but “8% of the population was of Baltic German heritage.”¹¹⁶ The Baltic Germans owned almost every aspect of Estonian society, including “large portions of lands, leased state estates, controlled municipal governments, and dominated organizations.”¹¹⁷ The Lutheran Church was prominent in Estonian life as a result of the Baltic German minority. The teachings of Martin Luther inspired the German community in the region to leave the Catholic Church and practice the Lutheran faith. The Lutheran pastors in the Baltic German community came up with many new ideas at the time, such as “criticism of serfdom, helping to spread the ideas of Enlightenment in the Baltic region, along with being the first promoters of local cultural traditions.”¹¹⁸

Many historical events that have taken place throughout the Baltic region were influenced by the Baltic German community. The Baltic region has always been “a heterogenous, multiethnic space, homeland, and emotional place for many groups,”¹¹⁹ particularly the Baltic Germans. Estonia and Latvia were especially influenced by the policies of the Baltic German elites. Despite supporting their own interests, Baltic Germans supported “the rule of the Russian Empire and saw the Russian Tsar as their guardian.”¹²⁰ As a consequence of the Russian Empire’s influence in the region, Russian language and culture made a significant impact on the lives of Estonians and Baltic Germans. At the time, the Baltic Germans also had to deal with a rise of “popular nationalism among Estonian intellectuals in their ambitions for linguistic,

¹¹⁴ Alise Vitola, and Theocharis Grigoriadis, “Diversity & Empire: Baltic Germans & Comparative Development,” *Diskussionsbeiträge*, No. 2018/6, Freie Universität Berlin, Fachbereich Wirtschaftswissenschaft, Berlin, (June 2018): 5, <http://hdl.handle.net/10419/176830>.

¹¹⁵ Vitola, and Grigoriadis, “Diversity & Empire: Baltic Germans & Comparative Development,” 5.

¹¹⁶ *Ibid*, 5.

¹¹⁷ *Ibid*.

¹¹⁸ *Ibid*, 6.

¹¹⁹ Katja Wezel, “Introduction: German Community – German Nationality? Baltic German Perceptions of Belonging in the Nineteenth and Twentieth Century,” *Journal of Baltic Studies*, 48:1, (2017): 1, <https://doi.org/10.1080/01629778.2016.1269427>.

¹²⁰ Wezel, “Introduction: German Community – German Nationality? Baltic German Perceptions of Belonging in the Nineteenth and Twentieth Century,” 5.

cultural, and social emancipation of their nation.”¹²¹ Many cultures that made an impact on the Estonian nation continue to live on in the country today, even though the Baltic German community is mostly gone.

The presence of the Baltic Germans in Estonia helped the country evolve to become a country where cultural dialogue is possible among the members of their populace. In 1925, Estonia passed the Cultural Self-Government for National Minorities (CSGNM) law to determine how cultural minorities are able to live their lives in Estonia. Although the law did not resolve “all outstanding points of divisions between ethnic Estonians and Baltic Germans, it helped regulate ethnonational tensions in the region.”¹²² To understand the CSGNM, it’s important to look at how the law was visionary in protecting the rights of minority communities. The law was inspired by “other treaties signed by the new states under the terms of the post-First World War peace settlements brokered by the victorious Allied Powers.”¹²³

Minorities such as the Baltic German communities were bestowed with “guaranteed equal rights as citizens and positive rights pertaining to the preservation and practice of their distinct cultures.”¹²⁴ The Estonian government was responsible for how the rules of minorities were implemented in the country. The Estonian German and Jewish minorities both used the law to improve their quality of life standards and promote cultural dialogue among the majority ethnic Estonian population. The law on the protection of cultural minorities had “a positive impact on the Baltic German community, who were satisfied with the agreement allowing them to maintain cultural autonomy”¹²⁵ in Estonia. However, there were still prominent cultural differences that had to be resolved among the Baltic German community involving cultural dialogue among the ethnic Estonians and Russian populations. The Baltic German community allowed Estonia to maintain a Nordic connection in Europe by establishing good contacts with their German and Scandinavian neighbors.

¹²¹ Ibid, 6.

¹²² Smith, “Estonia: A Model for Inter-War Europe?,” 89.

¹²³ Ibid, 90.

¹²⁴ Ibid.

¹²⁵ Ibid, 98.

3. Estonia as a Baltic Country

Even with Nordic influence, Estonia has a unique identity and is easily classified as a Baltic country with a distinct way of life. An important factor that distinguishes Estonia as a Baltic country maybe best understood in the memory of its past way of life and the right to exist as an independent nation. Estonia had a resurgence of “memory politics defining the nation as formally occupied, but finally restoring independence and democratic institutions”¹²⁶ for the people, particularly in the 1990s. Memory politics was a popular way for Estonian political leaders to rally the general public to promote unity in the country. As a newly restored nation state, Estonia sought to “establish historical truth after fifty years of totalitarian memory manipulation and historical falsification.”¹²⁷ Estonians from all walks of life continued to “assert for recognition, representation, and participation in the construction of collective memories and political memories in the new pluralist democracy.”¹²⁸

Estonia was allowed the right to develop its own identity after reobtaining their freedom, without interference from other countries. Estonians connected on “shared values, beliefs, entities, and share historical perceptions with each other.”¹²⁹ A Nordic style democracy with its own distinct style of Baltic traditions enabled Estonia to carve out its political niche in the European community and define the social status of the country. The principles of democracy gave Estonia “many options of how to deal with the plurality of social memories that are continuously generated and appropriated in changing their political and socio-economic contexts.”¹³⁰ By focusing on memory politics, Estonia allowed a debate to take place where the public decided “what particular political direction takes place”¹³¹ in their country. After a thorough debate on national identity, Estonians turned to their political officials to implement policies that “create a sense of loyalty among the majority of citizens”¹³² in Estonia. The history

¹²⁶ Eva-Clarita, Pettai, ed., *Memory and Pluralism in the Baltic States*, London: Routledge Taylor & Francis Group, 2011, 1.

¹²⁷ Pettai, ed., *Memory and Pluralism in the Baltic States*, 1.

¹²⁸ Ibid.

¹²⁹ Ibid, 3.

¹³⁰ Ibid, 5.

¹³¹ Ibid, 5.

¹³² Ibid, 5.

of Estonia has always been under the occupation of a nation or an empire. By the end of the 20th century, Estonians finally obtained the right to chart their own course in the political and cultural areas of the Scandinavian/Baltic region.

In this chapter, I will focus on five important topics regarding Estonia's identity as a Baltic nation: Cultural and National Identity, Cooperation with Latvia and Lithuania, Nazi Germany and Soviet Union Occupation, the Singing Revolution, and Post Soviet Union.

When it comes to writing about Estonia as a Baltic nation, there are many concepts to consider due to the uniqueness of Estonia's Baltic heritage in the European community. The Baltic nations of Latvia and Lithuania are the only other two countries that are considered Baltic nations. Estonia has created a unique culture and national identity that has allowed the country to survive despite being under occupation throughout most of its history. Cooperation with Latvia and Lithuania is also discussed in the thesis because the three countries tend to connect with each other on many issues to display unity in the Baltic Region, particularly when dealing with their neighbor Russia.

The occupation by Nazi Germany and Soviet Russia is discussed in order to understand how Estonians were able to survive, despite being persecuted by both empires throughout most of the 20th century. In the midst of occupation, there was a glimmer of hope in the Baltic Region when the Singing Revolution took place in the late 1980s. The Singing Revolution is also discussed in this thesis because it was a creative way for Estonia, along with Latvia and Lithuania, to affirm their own distinct Baltic identities, yearning to be free again. The collapse of the Soviet Union brought upon many promises and many challenges. This section of the thesis will investigate how Estonians started the process of rebuilding after the collapse of the Soviet Union. Freedom was the goal of the Estonian people and by regaining their freedom, Estonia was able to flourish with its own distinct style. There are only a few countries in Europe, "which during less than one hundred years have experienced as many fundamental changes as the three Baltic Republics,"¹³³ including Estonia.

¹³³ Markku Suksi, *On the Constitutional Features of Estonia*, Turku: Åbo Akademis Tryckeri, 1999, 1.

3.1 Cultural and National Identity:

The Estonian culture was developed both during occupation and subsequent independence. According to former Estonian President Toomas Hendrik Ilves, most Estonians do not consider themselves as Baltic people. This is due to the country's traumatic past of having to live under constant occupation of a foreign empire. For example, President Ilves, sees that the concept of Estonia being a Baltic identity "derives from shared unhappy experiences imposed upon us from the outside: occupations, deportations, annexation, Sovietization, and Russification."¹³⁴ The popularity of the term Baltic nation became visible in the academic community after the collapse of the Soviet Union, once Estonia, Latvia, and Lithuania were able to reassert their independent Baltic identities. Scholars and historians were ready "to move away from a concept they thought was part of an outdated Cold War typology."¹³⁵

Although the European political scene recognizes Estonia, Latvia, and Lithuania as Baltic countries, "the number of people that would exclusively identify themselves as Baltic is infinitesimally small."¹³⁶ The Baltic nations were overwhelmingly "supportive to be recognized and accepted by the European fold."¹³⁷ Estonia wanted to establish a culture that is uniquely European and also preserves Baltic cultural traditions, that had been protected by the Estonian population during the occupation. Cultural traditions have been passed on for generations and include manuscripts and folksongs. Estonia's challenge in the 21st Century is to maintain "recognition in the history of the Baltic region and of Europe on their own merits."¹³⁸

Estonia's visibility in the European community is a result of the country's assertiveness of beliefs and values. The Estonian people had a strong desire to "maintain their cultural identity,

¹³⁴ Aldis Purs, *Baltic Facades: Estonia, Latvia, and Lithuania Since 1945*, London: Reaktion Books, 2012, 10-11.

¹³⁵ Purs, *Baltic Facades: Estonia, Latvia, and Lithuania Since 1945*, 11.

¹³⁶ *Ibid*, 11.

¹³⁷ *Ibid*, 13 and 16. (pages 14 and 15 are a map of Europe)

¹³⁸ *Ibid*, 17.

how they see themselves as a people and about how others see them.”¹³⁹ The history of the Estonian nation was heavily influenced by “cultural and political legacies that influenced their development in the twentieth century.”¹⁴⁰ Every now and then according to Aldis Purs, Estonian Baltic culture evolved from the early tribes of Finno-Ugric people. The Finno-Ugric people shared “territory of the Eastern coast of the Baltic Sea with early Indo-Europeans known as proto-Baltic people.”¹⁴¹ Along with moving into modern day Estonia, the Finno-Ugric people moved “north into modern day Finland, while the proto-Baltic people settled more into modern day Latvia and Lithuania.”¹⁴² The cultural similarities are the reason why Estonia maintains a close connection with Finland. Estonia is distinctively Baltic, with a history of being under occupation and advocating for cultural preservation, similar to Latvia and Lithuania, even with its Finnish connections.

Estonian nationalism was a popular option for the majority of the peasant population in the nineteenth century. The Baltic German minority was in charge of the daily operations of the country at the time with loyalty to the Tsarist Russia. Unlike Finnish nationalism, which was an elite driven movement, Estonian nationalism derives from peasants, who were tired of the old ways of thinking endorsed by the Baltic German elites, wanted to promote an identity that “recognized their respective language and cultural customs.” The people wanted to live in a nation where “they had national epics, literature, arts, and a vocabulary capable of expressing the new modernizing, scientific world.”¹⁴³ After the first World War, Estonia was finally able to obtain independence and national sovereignty, even though it was for a short time, prior to the occupations of both Nazi Germany and Soviet Russia. The drafting of the Estonian Declaration of Independence in 1918 by Estonian nationalists, rekindled “the hope that in spite of enslavement and oppression by other nations, the time will come in Estonia when it will be able to shape the destiny of its own lands and people.”¹⁴⁴

¹³⁹ Ibid, 20.

¹⁴⁰ Ibid, 22

¹⁴¹ Ibid, 23.

¹⁴² Ibid, 23.

¹⁴³ Ibid, 37.

¹⁴⁴ EESTI.ee, “Estonia Declaration of Independence, 1918,” accessed May 23, 2020, <https://www.president.ee/en/republic-of-estonia/declaration-of-independence/>.

The Estonian War of Independence came to an end with the signing of the *Treaty of Tartu* on February 2, 1920. In using the historical university town of Tartu as a background, Estonia and Soviet Russia agreed to recognize each other's sovereignty as nations with Estonia being fully recognized as an independent nation. *The Treaty of Tartu* opened the door for "Estonian recognition in the international community."¹⁴⁵ The treaty, comprised of 20 articles, "contains not only the termination of the state of war, but also articles on the recognition of the Estonian state concerning border, security, economic, social and traffic policy."¹⁴⁶ There were terms in the treaty that both Estonia and Russia had to accept in order to bring about peace in the Baltic Sea region. The most significant article in the treaty was Article II, in which "Russia unreservedly recognizes the independence and sovereignty of the State of Estonia, and renounces voluntarily and forever all sovereign rights possessed by Russia over the Estonian people."¹⁴⁷

Estonians and Russians wanted to maintain good relations and prevent another war from taking place in the region. Article VII of the treaty prohibits "the presence in their territory of any troops with the exception of those of their own Government or of friendly States with whom one of the contracting parties may have concluded a military convention, but which are not *de facto* in a state of war with one of the contracting parties."¹⁴⁸ Estonia and Russia also prohibited within their respective countries, "the recruiting and mobilization of particular corps by states, organizations and groups, intended for armed conflict against the other contracting parties."¹⁴⁹ Estonia's unique cultural identity as a Baltic country was finally recognized by Russia after the signing of the *Treaty of Tartu*. However, it was only for short term as a consequence of the second World War and the rise of the Soviet Union. Estonia saw their connections with fellow Baltic countries Latvia and Lithuania as an important strategic asset to face the challenges of a resurgent Germany and Russia.

3.2 Cooperation with Latvia and Lithuania:

¹⁴⁵ "100 Anniversary of the Tartu Peace Treaty," City of Tartu, accessed May 22, 2020, <https://www.tartu.ee/en/peacetreaty100>.

¹⁴⁶ City of Tartu, "100 Anniversary of the Tartu Peace Treaty."

¹⁴⁷ "The Treaty of Tartu of 1920 Article II," The Singing Revolution, accessed May 21, 2020, https://truecostmovie.com/img/TSR/pages/section_01/1920_Treaty_of_Tartu.pdf.

¹⁴⁸ The Singing Revolution, "The Treaty of Tartu, 1920, Article VII."

¹⁴⁹ Ibid.

Baltic solidarity is a critical aspect of Estonian foreign policy, taking into account cooperation with fellow Baltic nations, Latvia and Lithuania. The alliance between the Baltic nations lasted for many years. Prior to World War II, Estonia, Latvia, and Lithuania signed a cooperation agreement to solidify their relations. *The Treaty of Good Understanding and Co-Operation* was signed by the three Baltic Nations on September 12, 1934 in Geneva, Switzerland. The Presidents of Estonia, Latvia, and Lithuania signed the treaty in the hopes of “developing good cooperation and promoting a closer understanding between the Baltic nations.”¹⁵⁰ The treaty defines the role of each Baltic country and how they could assist each other to resolve the challenges facing the region. Article I of the treaty specifies that the three Baltic governments must come together “to solve questions of foreign policy and afford mutual political and diplomatic assistance in international relations.”¹⁵¹ Solving problems in the region with joint cooperation is mentioned in Article IV of the treaty. Article IV states that “each country should settle matters amicably in the spirit of justice and equity.”¹⁵² Although the treaty had good intentions, the agreement was unsuccessful in the long term because the unity of the three Baltic countries was not strong enough to overcome the rising threats against ambitions of Nazi Germany and Soviet Russia. However, the treaty is a good example of how Estonia wanted to maintain contact with fellow Baltic nations, Latvia and Lithuania.

Baltic cooperation continued after the collapse of the Soviet Union in the fields of capital flow and entrepreneurship education. The economies of the Baltic states were taking a risk to modernize their capital flows because “their financial system was not developed and supervised at the time along with having a high account deficit.”¹⁵³ Prior to the collapse of the Soviet Union, global liquidity was continuing at a fast pace in the Baltic countries which “increased capital flows to emerging markets which had problems in absorbing and managing the flows.”¹⁵⁴

¹⁵⁰ “Treaty of Good Understanding and Co-Operation of 1934 Preamble,” League of Nations Treaty Series, accessed May 20, 2020, <http://www.worldlii.org/int/other/LNTSer/1934/227.html>.

¹⁵¹ League of Nations Treaty Series, “Treaty of Good Understanding and Co-Operation of 1934 Article I.”

¹⁵² Ibid, Article IV.

¹⁵³ Pekka Sutela, *Managing Capital Flows in Estonia and Latvia*, Bank of Finland: Institute for Economics in Transition, No. 17 (2001), 7.

¹⁵⁴ Sutela, *Managing Capital Flows in Estonia and Latvia*, 9.

Estonia, along with Latvia and Lithuania, experienced good results in their endeavors of economic recovery because “their banking systems were mostly owned by Western banks,”¹⁵⁵ who were willing to help them recover their economies. The Baltic countries were also protected “from questionable capital flows and low equity market capitalization”¹⁵⁶ as a result of being small countries. Along with capital flows, the Baltic countries, particularly Estonia and Latvia, were seen as rising stars in the field of entrepreneurial education. Estonia and Latvia were ranked “as innovation driven countries according to the classification for economic development levels in the World Economic Forum.”¹⁵⁷ Entrepreneurial education was prioritized in these countries as a way to encourage the populace to help innovate and create new ideas for the region. In 2013, entrepreneurial activity was “the highest in Europe in the Baltic region at 13%, well above the average of 8% in the European Union.”¹⁵⁸ Despite the economic recession of 2008 and 2009, entrepreneurial education based on acquiring opportunities “increased over necessity based entrepreneurship in order to grow economic income”¹⁵⁹ in the Baltic nations. The Baltic countries formed a joint cooperation together to “have their universities develop transferable enterprising skills and attitudes, and innovation awareness by developing entrepreneurial courses”¹⁶⁰ in their curriculums.

Estonia also cooperates with Latvia and Lithuania in the fields on science and technology, free market economics, education, and entrepreneurship. As “the Baltic Silicon Valley,” Estonia shares their innovations with fellow Baltic nations to help modernize their ways to life. During the Soviet Union, the three Baltic countries worked together on science and technological projects for the Soviet government. They were “in constant interaction with the science of the rest of the USSR along with the military-industrial complex of the empire.”¹⁶¹ After the collapse

¹⁵⁵ Ibid, 7.

¹⁵⁶ Ibid, 8.

¹⁵⁷ Inna Kozlinska, *Evaluation of the Outcomes of Entrepreneurship Education Revisited: Evidence from Estonia and Latvia*, Turku: Juvenes Print Turku, 2016, 142-143.

¹⁵⁸ Kozlinska, *Evaluation of the Outcomes of Entrepreneurship Education Revisited: Evidence from Estonia and Latvia*, 143.

¹⁵⁹ Ibid, 143.

¹⁶⁰ Ibid, 145.

¹⁶¹ Birgitta Berg-Andersson, *Comparative Evaluation of Science & Technology Policies in Lithuania, Latvia, and Estonia*, Elinkeinoelämän Tutkimuslaitos: The Research Institute of the Finnish Economy, No. 622 (1997), 1.

of the Soviet Union, Estonia, Latvia, and Lithuania teamed up “to modernize the scientific and technological infrastructure”¹⁶² of their respective countries. Technological production is “heavily prioritized throughout Estonia, in the construction industry of Latvia, and the smaller service sector in Lithuania.”¹⁶³ Innovation is considered to be “of crucial importance for industrial efficiency and competitiveness to economic growth and to the benefit of the whole society.”¹⁶⁴ The goal of technological policy in the Baltic countries is “to maximize and increase welfare for the general population.”¹⁶⁵ Estonia was especially involved in advancing their technological endeavors in the Baltic region. The success of their technology policy was a result of “raising the standards high for Estonian companies to perform innovative activities and utilizing the results of science,”¹⁶⁶ while cutting red tape and bureaucratic hurdles at the same time. Latvia and Lithuania generally followed Estonia’s technology policy, striving to reach Western European standards. Baltic cooperation between Estonia, Latvia, and Lithuania has been an important component in advancing the region into the 21st century. Before their technological successes, the countries had to overcome occupations from both Nazi Germany and Soviet Russia.

3.3 Nazi Germany and Soviet Russia Occupation:

The history of Estonia in the 20th century was not an easy time for the country as a result of being under occupation of both Nazi Germany and Soviet Union empires. The occupation troubles for Estonia took place during the Second World War. Hitler’s Germany and Stalin’s Russia viewed Estonia and the Baltic territories as necessary for strategic control of the Baltic Sea region. The Soviet Union first took charge of Estonia in 1940 after the Estonian President, Konstantin Päts, signed a treaty to relinquish his power. Soviet officials proposed that Estonia along with Latvia and Lithuania “receive mutual assistance in order to secure their borders and

¹⁶² Berg-Andersson, *Comparative Evaluation of Science & Technology Policies in Lithuania, Latvia, and Estonia*, 1.

¹⁶³ *Ibid*, 1-2.

¹⁶⁴ *Ibid*, 5.

¹⁶⁵ *Ibid*, 5.

¹⁶⁶ *Ibid*, 6.

prevent the Baltic countries from participating in the war.”¹⁶⁷ Communist supporters in Tallinn came together in 1940 to support an agreement that called for Estonia “to establish a government which would respect the Soviet Mutual Assistance Pact, set free political prisoners, guarantee political freedoms, and raise the living standards of the working people.”¹⁶⁸ The Estonian Communists were able to take control of the government and establish “the Estonian Soviet Socialist Republic on July 21, 1940 as well as begin the process of nationalizing the banks and big industrial enterprises”¹⁶⁹ across the country. Estonia started to become “a socialist state in a comparatively short time.”¹⁷⁰ The progress made by Soviet Russia in annexing Estonia stopped after Nazi Germany launched “an attack on the Soviet forces on June 22, 1941.”¹⁷¹ Germany managed to successfully conquer Estonia along with Latvia and Lithuania in 1941 from Soviet Russia in order to advance the Nazi agenda of total domination across the European continent.

Many Estonians, who remembered the cultural and artistic contributions of the Baltic German community, initially welcomed the German forces as liberators of their country, after experiencing complete brutality from the Soviet officials. However, the welcome was short lived as the Nazis used Estonia to advance their political agenda. Reichskommissariat Ostland was formed in Berlin, led by “one of the Nazi head ideologists, Tallinn-born Alfred Rosenberg,”¹⁷² to govern Estonian affairs. Karl Siegmund Litzmann was appointed as “the leader of the newly occupied General Region of Estonia.”¹⁷³ This Estonian leadership was basically “a puppet-government representing the interests of Nazi Germany.”¹⁷⁴ The Nazi regime eliminated the small Jewish population of 1,000 adherents of the faith and any ethnic Estonian, who pledged their loyalty to Communist forces. By July 1, 1942, German Nazi officials declared “Estonia

¹⁶⁷ L. Valt, *Soviet Estonia: Land, People, Culture*, Tallinn: Valgus Publishers, 1980, 97.

¹⁶⁸ Valt, *Soviet Estonia: Land, People, Culture*, 98.

¹⁶⁹ Ibid, 99.

¹⁷⁰ Ibid, 100.

¹⁷¹ Ibid, 100.

¹⁷² “Germans create a Reich Ministry for the Occupied Eastern Territories,” Histrodamus, accessed May 15, 2020,

http://www.histrodamus.ee/index.php?event=Show_event&event_id=3293&layer=208&lang=en#g#3293.

¹⁷³ Histrodamus, “Germans create a Reich Ministry for the Occupied Eastern Territories.”

¹⁷⁴ “Estonian Self-Administration,” Histrodamus, accessed May 15, 2020,

http://www.histrodamus.ee/index.php?event=Show_event&event_id=3295&layer=208&lang=en#g#3295.

Jew-free, being the first out of all the occupied Eastern areas.”¹⁷⁵ An overwhelming majority of Estonians did not support the agenda of the government and tried to form resistance groups with the goal of attaining Estonian independence. Unfortunately, Estonia was reconquered by the Soviet armies in 1944, which started a nearly 50 year occupation of the country.

After World War II, the Soviet Union started a process of rebuilding Estonia that matched their own vision of a Communist utopia. Soviet officials were seeking to unify Estonia as part of “the soviet state, under the cover of concepts such as the “soviet citizen” and “soviet people” as a way to stop the manifestations of Estonian nationality.”¹⁷⁶ KGB institutions sought “to obliterate the values that were cherished in the Baltic States during the period of independence and suppress manifestation of nationality and social awareness.”¹⁷⁷ Punishment for those that resisted collectivization policies was deportation to Siberia, which affected “the families of people who participated in the independence movement.”¹⁷⁸ Soviet security officials of Estonia continued to “primarily deal with suppressing persons who favored independence, and also imprisoning them to a limited extent throughout the entire occupation of the country.”¹⁷⁹

Economic reforms were also carried out by the Soviet Union including “socialist industrialization of manufacturing and the collectivization of agriculture.”¹⁸⁰ Collectivization of farms in Estonia strengthened “the socialist relations of productions where all members of society were the same and the social structure consisted of the working class, collective farmers

¹⁷⁵ “Estonia is Declared Jew Free by Nazi Germany in 1942,” Histrodamus, accessed May 15, 2020, http://www.histrodamus.ee/index.php?event=Show_event&event_id=3299&layer=208&lang=en#g#3299.

¹⁷⁶ “Areas KGB, Suppression of Aspirations for Statehood and National Self-Awareness 1940-1991,” KGB Documents, accessed May 10, 2020, <https://www.kgbdocuments.eu/areas-of-kgb-activities/suppression-of-aspirations-for-statehood-and-national-self-awareness/>.

¹⁷⁷ KGB Documents, “Areas KGB, Suppression of Aspirations for Statehood and National Self-Awareness 1940-1991.”

¹⁷⁸ “KGB History in the Baltic States, Soviet State Security in Estonia 1940-1991,” KGB Documents, accessed May 10, 2020, <https://www.kgbdocuments.eu/kgb-history-in-baltic-states/estonia/>.

¹⁷⁹ KGB Documents, “KGB History in the Baltic States, Soviet State Security in Estonia 1940-1991.”

¹⁸⁰ Valt, *Soviet Estonia: Land, People, Culture*, 105.

and intellectuals.”¹⁸¹ Labor growth took place in factories all across Estonia as a result of “an all round complex mechanization of productivity.”¹⁸² The viewpoint of the Communist Soviet Union firmly believed that “progress in society, economy, and culture is the result of the work of the whole people,”¹⁸³ with help from the Estonian Communist authorities.

By the 1980s, Estonians were ready for a change in their lifestyle yearning for more freedoms and an independent country aligned with the West. The ascension of reform minded Soviet Premier, Mikhail Gorbachev, emboldened the Estonian population to take back their country after years of Soviet oppression. In 1988, the *Declaration of Estonian Sovereignty* was set forth as a legal document stating that Estonian laws were prioritized over Soviet rules. Policies implemented under “Stalinism and in the stagnation period ignored those aims fixed by the Estonian Constitution.”¹⁸⁴ As a result, an unfavorable situation developed “demographically for Estonians, who are the indigenous population on Estonian land and the continuing destabilization in the economy was having a negative effect on the living standard of the entire population.”¹⁸⁵ The Declaration states that “sovereignty of the Estonian Republic means that, through its supreme bodies of power and administration and judicial bodies, it wields supreme power in its territory.”¹⁸⁶ The sovereignty of “the Estonian republic is one and indivisible”¹⁸⁷ for Estonian people. The Declaration was part of the Singing Revolution taking place across the Baltic region, where Estonia, Latvia, and Lithuania sang their cultural songs in their desire for independence.

3.4. Singing Revolution:

¹⁸¹ Ibid, 106.

¹⁸² Ibid, 109.

¹⁸³ Ibid, 112.

¹⁸⁴ “Declaration of Estonian Sovereignty 1988,” Seventeen Moments in Soviet History, accessed May 22, 2020, <http://soviethistory.msu.edu/1991-2/baltic-independence/baltic-independence-text/declaration-on-estonian-sovereignty/>.

¹⁸⁵ Seventeen Moments in Soviet History, “Declaration of Estonian Sovereignty 1988.”

¹⁸⁶ Ibid.

¹⁸⁷ Ibid.

In the late 1980s, Estonians united in an event that would have a profound impact of their eventual reobtaining of their independence in the 90s. The Singing Revolution was an event that would unite Estonians, Latvians, and Lithuanians from all walks of life to sing their traditional folksongs as way to show Baltic solidarity with each other. The Singing Revolution in Estonia actually started as “an environmental protest after the Soviet Union decided to mine phosphorous in the northeast of the country.”¹⁸⁸ Estonians took to the streets stating that “mining would destroy the native forests and pollute the surrounding area.”¹⁸⁹ The Soviets and Estonians successfully resolved the issue with a compromise. After the debate on forest mining, Estonians decided now was the time to take initiative and ask the Soviet Union for more economic freedoms. Estonians sent to the Soviet government in Moscow “a new economic proposal requesting economic ties with Western markets.”¹⁹⁰

At the same time of the economic debate, there was a “fresh breeze of creativity and activism blowing throughout Estonia”¹⁹¹ in the music industry. A song called *No Country is Alone* by Estonian musician, Alo Mattisen, exploded in popularity and “became one of the staples songs of the Singing Revolution.”¹⁹² It was a call for Estonian unity and to come together as one nation. The Song Festivals of 1988 were the jumpstart to the Estonian Singing Revolution. Mattisen composed four more patriotic songs for a music festival in Tartu “which became known along with *No Country is Alone* as the Five Fatherland Songs.”¹⁹³ These songs brought a desire from the audience for an independent Estonian nation. The Singing Revolution transformed “from a protest against environmental encroachment to a full on rally for political independence.”¹⁹⁴

¹⁸⁸ Warren Waren, “Theories of the Singing Revolution: A Historical Analysis of the Role of Music in the Estonian Independence Movement,” *International Review of the Aesthetics and Sociology of Music* Vol. 43, No. 2 (December 2012): 444, <https://www.jstor.org/stable/23342831>.

¹⁸⁹ Waren, “Theories of the Singing Revolution: A Historical Analysis of the Role of Music in the Estonian Independence Movement,” 444.

¹⁹⁰ *Ibid*, 444.

¹⁹¹ *Ibid*, 444.

¹⁹² *Ibid*, 444.

¹⁹³ *Ibid*, 445.

¹⁹⁴ *Ibid*, 445.

In 1989, Estonia, together with Latvia and Lithuania, formed a human chain known as the Baltic Way, to sing for independence. The Baltic Way was “a 375 mile long human chain from Tallinn, to Riga, Latvia, and all the way to Vilnius, Lithuania with participants holding hands across the three countries.” The participants sang a song known as “Ärgake Baltimaad (Wake Up Baltic Countries),” to express their desire “to obtain independence from the Soviet Union.”¹⁹⁵ In a thought provoking and heartwarming moment for the Baltic countries, the song was sung in Estonian, Latvian, and Lithuanian languages as a sign of Baltic unity and solidarity. In one last attempt to keep Estonia under their control, the Soviet Union sent “military tanks to take control of the Tallinn T.V. tower.”¹⁹⁶ Estonians formed a circle around the tower and successfully stopped the Soviet attack in a nonviolent manner. Estonians ultimately attained their independence from the Soviet Union in September 1991.

In 2010, a film documentary called *The Singing Revolution* was released to the general public. The film was created by an American film couple, James and Maureen Castle Tusty, who took a great interest in Estonian culture from James’ Estonian heritage. “Using archival clips, news footage and scores of talking-head interview segments,”¹⁹⁷ the film tells the story of how the people of “the small Baltic nation of Estonia bloodlessly broke free from the Soviet Union in 1991.”¹⁹⁸ The film reveals that “a longtime tradition of Estonians participating in mass music festivals in which tens of thousands gathered to sing native songs held the social fabric together during the decades of repression.”¹⁹⁹ *The Singing Revolution* is an inspiring story of “one nation’s dramatic rebirth and of humankind’s irrepressible drive for freedom and self-determination.”²⁰⁰ The film connects Estonia’s Nordic-Baltic heritage with their historical connections with the Scandinavian countries and fellow Baltic countries Latvia and Lithuania. Former Estonian Prime Minister Mart Laar, a leader of the Singing Revolution, saw this historic

¹⁹⁵ Ibid, 445.

¹⁹⁶ Ibid, 445

¹⁹⁷ Soren Andersen, “Singing Revolution Recounts Estonia's Path to Freedom,” *McClatchy - Tribune Business News*, June 27, 2008, <https://search-proquest-com.ezproxy.utu.fi/docview/464842256?accountid=14774>.

¹⁹⁸ Andersen, “Singing Revolution Recounts Estonia's Path to Freedom.”

¹⁹⁹ “About the Film: The Background,” *The Singing Revolution*, accessed May 16, 2020, <https://singingrevolution.com/about-the-film#the-background>.

²⁰⁰ *The Singing Revolution*, “About the Film: The Background.”

moment occur because of participation from “young people, without any political party, and without any politicians, just coming together to gather and to sing and to give this nation a new spirit.”²⁰¹ In 1999, the Tustys lived in Tallinn, Estonia, while “teaching film production at an Estonian University, which sparked their interest in the Singing Revolution.”²⁰² The Tustys started a major research project on Estonian culture in the 2000s, which involved gathering evidence for their film, which was completed at the start of the new 2010 decade. In an interview with Bob Andelman about their film, James and Maureen discussed how the Singing Revolution was “the greatest story never told.”²⁰³

3.5. Post Soviet Union:

The goal of independence evolved into fruition in the early 1990s with Estonia reobtaining their own sovereignty. However, it was not an easy transition and the country had to find a way to recover their standing in the Baltic region. The process of “reconstruction and state building was long and torturous work, along with continuing corruption and massive disparities in wealth and power.”²⁰⁴ Even though there were obstacles, Estonia is looked upon as “an example of successful transition from the centrally planned economy of the Soviet era to the liberal free market economy”²⁰⁵ of the West. The success was a result of “promoting the enterprise sector and privatization of the Estonia economy.”²⁰⁶

There were challenges as to how to include everyone in Estonian society with the rewards that came out of these economic gains for the country. Certain groups in society such as “the Russian speaking population, agricultural workers, people with disabilities, senior citizens, and

²⁰¹ Ibid.

²⁰² Ibid.

²⁰³ Mr. Media Interviews by Bob Andelman, “*The Singing Revolution Recalled in New Documentary Film 2009*,” Youtube video, 55:21. February 10, 2016, <https://www.youtube.com/watch?v=ayNn7P6uhtA>.

²⁰⁴ Purs, *Baltic Facades: Estonia, Latvia, and Lithuania Since 1945*, 174.

²⁰⁵ Leeni Hansson, *Networks Matter: The Role of Informal Social Networks in the Period of Socio-Economic Reforms of the 1990s in Estonia*, Jyväskylä: Jyväskylä University Printing House, 2001, 11.

²⁰⁶ Hansson, *Networks Matter: The Role of Informal Social Networks in the Period of Socio-Economic Reforms of the 1990s in Estonia*, 11.

single mothers,”²⁰⁷ had many challenges to successfully integrate into Estonian society, because the system was not yet advanced enough to adopt to their needs. It has raised questions such as how “certain people who grew up in the socialist society have become successful in adopting to the market economy,”²⁰⁸ while others “had a considerable amount of difficulty to integrate into the system.”²⁰⁹ People who needed support to successfully transition into the new Estonian economy relied on social exchange, “which is support and assistance provided by kinship and friendship based social networks”²¹⁰ to improve their outcome.

Estonia’s recovery was able to successfully revitalize the capital city of Tallinn, but other parts of the country are still striving to meet Western standards. By the mid 1990s, there were obvious differences “in absolute and relative income, and a division between the successful regions (Tallinn) and the least successful regions (rural areas of Southern and Southeastern Estonia).”²¹¹ The middle class took more time to grow in the country as a consequence of people living in poverty as well as a volatile job market. Even if parents of a middle class Estonian family had “low paying jobs, cutting expenditures and growing their own food,”²¹² it would not be enough, and they would have to find “some additional sources of income.”²¹³ The 90s were mostly a tumultuous time for the Estonian middle class, where most of the population had to “seek help or assistance to cope with economic instability, employment insecurity, and political transitions”²¹⁴ taking place across the country.

Like Leeni Hansson argued, the 21st century was the time when Estonia really started to take off and become a successful economic and technological powerhouse. Estonia figured out how to modernize their economy and become “a formal and equal member of the European Union and the North Atlantic Treaty Organization (NATO).”²¹⁵ The goal to attain Western European

²⁰⁷ Ibid, 13.

²⁰⁸ Ibid, 15.

²⁰⁹ Ibid, 15.

²¹⁰ Ibid, 17.

²¹¹ Ibid, 68.

²¹² Ibid, 74.

²¹³ Ibid, 74.

²¹⁴ Ibid, 77.

²¹⁵ Purs, *Baltic Facades: Estonia, Latvia, and Lithuania Since 1945*, 174.

growth was realized “through the rapid growth of the better part of the first decade of the 21st century.”²¹⁶ Estonia had a temporary economic setback with the recession of 2008 and 2009. However, the economy was able to recover quickly after drastic economic austerity measures were implemented by the Estonian government. Estonia is now producing “a democratic, political continuous, and stable society,”²¹⁷ after many years of continually reasserting their independence. In order to understand how Estonia achieved a modern society successfully at a fast rate, it is necessary to look at the country’s technological sectors that have given Estonia and its capital Tallinn, a famous nickname, which is “the Baltic Silicon Valley.”

4. Baltic Silicon Valley

In order to understand why Estonia is known as the “Baltic Silicon Valley,” the thesis will look at how “Estonia rebuilt their economy all over again and how they outpaced other advanced nations by a taking a risk on the latest technologies and deploying innovative public services.”²¹⁸ By taking this challenging risk, Estonia was able to overcome many obstacles and quickly catch up with Western European standards. Within two decades, Estonia was transformed “into one of the world’s most technologically advanced and economically dynamic countries with a high income free market economy.”²¹⁹ It is such a remarkable story, that the media started to portray Estonia as the rapidly rising “Baltic Tiger.” Once Estonians reobtained independence, they had the freedom to choose their own destiny. With a clean slate, the country pursued “social economic models they wanted to emulate and tailor fit to their unique social and geographic contexts.”²²⁰ The reforms carried out by the Estonian government encouraged “privatization of companies and lands,” so that innovators and entrepreneurs enjoyed the freedom to start creating their own business models without state interference. The Swedish and Finnish models were used by Estonian officials, who were looking to develop their country with a Nordic outlook.

²¹⁶ Ibid, 175.

²¹⁷ Ibid, 180.

²¹⁸ DHL *Delivered: The Global Logistics Magazine*, “Estonia: The Rise of the Baltic Tiger,” *Delivered: The Global Logistics Magazine*, March 2019, <https://www.dhl.com/global-en/home/about-us/delivered-magazine/articles/2019/issue-2-2019/estonia-the-rise-of-the-baltic-tiger.html>.

²¹⁹ DHL *Delivered: The Global Logistics Magazine*, “Estonia: The Rise of the Baltic Tiger.”

²²⁰ Ibid.

Estonia fully completed its transition as a Western country “by joining the EU in 2004, the Schengen Area in 2007, and the Eurozone in 2011,”²²¹ by fully integrating into “the socio-economic and security institutions of the West.”²²² Estonia wanted to establish a business model that was professional and efficient in developing products of the highest quality, by investing full time resources in the field of technology. Rather than being stalled by older technologies that other countries had, they jumped “right ahead into the technological cutting edge, leapfrogging many of these more established countries along the way.”²²³

The desire for new technologies increased as the international community advanced into the 21st century. Estonia was ready to take initiative in this evolving market producing memorable products such as Skype and TransferWise. Estonia’s investments into technology transformed “the small Baltic state into a global hotbed of innovation, with startups coming up with some of the most disruptive technologies”²²⁴ on the market. Estonia was able to become a testing ground for the latest technologies, “thanks to its small population willing to try out these new ways of living.”²²⁵ All of Estonia’s services are “digitally linked, meaning that information shared between entities, and people can seamlessly move from one to the other from the comfort of their personal electronic devices.”²²⁶

Estonia developed new ways to rebuild their economy just in time for the arrival of the 21st century. The arrival of new technological innovations allowed Estonians to achieve economic prosperity in their country. Afterwards, some of the most important government services were powered by Estonian technology such as e-government and e-democracy. E-Government allows Estonians to access their needs on their computer, phone, or tablet. People are able to file their taxes, start a business, or access government services in the comfort of their own homes and at their own time. E-Democracy is a special concept of democratic decision making by allowing the

²²¹ Ibid.

²²² Ibid.

²²³ Ibid.

²²⁴ Ibid.

²²⁵ Ibid.

²²⁶ Ibid.

Estonian public to vote online for issues and the candidates of their own choice protected by a digitally secure system. Estonia's crowning achievement in the field of technology is Skype. Skype enabled new possibilities for everyone to make connections all across the world. Another important form of technology is cryptocurrencies and their use in the cybermarkets. Scientists and innovators have debated whether or not these currencies will be the next generation for conducting business and personal transactions in our everyday lives. The journey to Estonia's success in the technological industry begins with their access to economic prosperity.

4.1 Economic Prosperity:

Estonia's embrace of new technologies and free market economic reforms enabled the country to achieve strong economic growth and prosperity for the country's citizens. The goal of these economic reforms was to promote prosperity and "integrate the Estonian economy more deeply with the European economic sphere to improve the country's economic and political stability."²²⁷ Rapid structural reform had to be implemented for the Estonian economy to "invest into sectors of the economy producing higher value added and high tech products, which generally allow for higher earnings."²²⁸ Investments in "infrastructure and local development were also needed to maintain regional development"²²⁹ in the country. The growth of science and technology in Estonia was made possible by the efforts of Estonian companies "to adopt production technology in their local environment."²³⁰ Estonia retained their own technological experts in the country "to obtain the understanding of technology required and know the environment that technology is to be used."²³¹ Government policies such as "limited government expenditures, a lower marginal tax rate, and removing business restrictions"²³² have permitted the Estonian economy to encourage financial prosperity for businesses and the middle class.

²²⁷ Marat Terterov, ed., *Doing Business with Estonia: Enterprise Estonia*, London: Kogan Page Limited, 2003, 22-23.

²²⁸ Terterov, *Doing Business with Estonia: Enterprise Estonia*, 25.

²²⁹ Ibid.

²³⁰ Birgitta Berg, Kaarel Kilvits, and Mihkel Tombak, *Technology Policy for Improving Competitiveness of Estonian Industries*, Helsinki: Taloustieto Oy, 1996, 15.

²³¹ Berg, Kilvit, and Tombak, *Technology Policy for Improving Competitiveness of Estonian Industries*, 15.

²³² Ibid, 10.

These reforms have “played a key role in Estonia’s success in attracting significant amounts of foreign direct investment.”²³³ By opening the doors to foreign investment, Estonia was able “to facilitate privatization and technology transfer initiatives”²³⁴ at a faster rate in comparison to Latvia and Lithuania. The Baltic countries enjoyed the benefit of serving as “an attractive hub for investors wanting to invest in the markets of Russia, Western Europe, and the Baltic region.”²³⁵

Estonian government officials encouraged the formation of new companies, particularly in the fields of technology, by advancing economic opportunities in the country. Questions have arisen “concerning the nature and effects of different ownership structures,”²³⁶ including the debate on whether the employer owned or employee owned businesses need to be prioritized to grow the Estonian economy. Each ownership option provides certain benefits for their respective companies. If a company is looking “for higher employment levels, managerial ownership is safer in comparison to employee ownership.”²³⁷ On the other hand, empirical evidence has shown that “employee ownership along with participation in decision making, improves the company’s economic performance.”²³⁸ Both ways of operation involve taking certain risks to maintain a successful business. Any company that wishes “to offer its products and services in Estonia under its own name on a permanent basis, must establish a branch office”²³⁹ in the country. Economic changes also play “a critical role on how a company maintains their operations.”²⁴⁰ Estonia’s success in the free market economy comes from embracing entrepreneurship in their business model.

²³³ Terri Ziacik, *An Assessment of the Estonian Investment Climate: Results of a Survey of Foreign Investors and Policy Implications*, Bank of Finland: Institute for Economics in Transition, No. 3 (2000), 5.

²³⁴ Ziacik, *An Assessment of the Estonian Investment Climate: Results of a Survey of Foreign Investors and Policy Implications*, 7-8.

²³⁵ *Ibid*, 9.

²³⁶ Derek C. Jones, Panu Kalmi, and Niels Mygind, *Choice of Ownership Structure and Firm Performance: Evidence from Estonia*, Bank of Finland: Institute for Economics in Transition, No. 7 (2003), 7.

²³⁷ Jones, Kalmi, and Mygind, *Choice of Ownership Structure and Firm Performance: Evidence from Estonia*, 9.

²³⁸ *Ibid*, 9.

²³⁹ Aku Sorainen, Theis Klauberg, Eva Berlaus, and Tomas Davidonis, *A Foreign Investor in the Baltics 2002*, Helsinki: Kauppakaari Finnish Lawyers’ Publishing, 2002, 52.

²⁴⁰ Sorainen, Klauberg, Berlaus, and Davidonis, *A Foreign Investor in the Baltics 2002*, 52.

A successful business model that allowed Estonia to economically prosper was the modernization of the telecommunications industry. Estonian telecommunication companies had to start over after the collapse of the Soviet Union and viewed “their position as subcontractors to Western companies in handling mature products,”²⁴¹ as the perfect opportunity to rebuild their prominence in a free market economy. The company policies implemented by these telecommunication companies were “a response to the rise of mobile and internet services transforming Estonia as a country, not only using advanced new technologies, but also as a generator of creative service innovation.”²⁴² Many new opportunities for investment came to Estonia from “the diversification of existing telecommunication firms and the collaborative relationships of new companies.”²⁴³ Estonia showed the world that “it was possible for a small and originally, a relatively poor country, to actually have generated new processes and products, although not always as fancy as the Western products.”²⁴⁴ Estonian technological inventions allowed the country to obtain financial prosperity at the same time when Estonian officials decided to use these new technologies to modernize their services to the general public.

4.2 E-Government:

Unlike other governments across the world, the Estonian government has been a leader in enabling citizens to access their governmental services through new forms of technology known as e-government. Estonia prioritized the process of “computerization and new data communication networks”²⁴⁵ to help rebuild the economy. The country has progressed in developing this system in the 90’s after the collapse of the Soviet Union and advanced the concept through “bold new digital initiatives.”²⁴⁶ As a result of investing in digital infrastructure,

²⁴¹ Per Högselius, *The Dynamics of Innovation in Eastern Europe: Lessons from Estonia*, Cheltenham: Edward Elgar Publishing Limited, 2005, 264.

²⁴² Högselius, *The Dynamics of Innovation in Eastern Europe: Lessons from Estonia*, 267.

²⁴³ *Ibid*, 272.

²⁴⁴ *Ibid*, 280.

²⁴⁵ *Ibid*, 229.

²⁴⁶ Nick Heath, “How Estonia became an E-Government Powerhouse, February 19, 2019, <https://www.techrepublic.com/article/how-estonia-became-an-e-government-powerhouse/> (accessed March 24, 2020).

Estonia has “99% of their public services and records available online.”²⁴⁷ As part of the process, Estonia also established networks, where government resources would be easily accessible by computer.

The origins of the project came from “the State Web Center that connected services to the internet and allowed an IT system expansion project”²⁴⁸ throughout Estonia. Different services were added on each year to the system, which helped improve the Estonian quality of life. Another aspect included in the e-government service is filing tax returns online. The Estonian Tax Board knew that Estonians wanted to conduct financial transactions online. After consultations with financial officials, the Tax Board established “services allowing the submission of income tax declarations over the web and expanded internal interconnection of branch offices”²⁴⁹ throughout Estonia. Estonians were able to file their taxes and conduct online banking services at their leisure. The success of “the E-Tax Board services inspired quicker development for other public internet services.”²⁵⁰

The Estonian tech community pioneered another groundbreaking concept which was the digital ID card. The ID card was created to “provide an interconnection of the country’s public databases.”²⁵¹ Cards were readily obtainable and easy to use by connecting the card to a computer or laptop. It was now possible “to check out data about oneself through a centralized state web portal on the internet.”²⁵² New services continued to be added on, such as filing paperwork to start a business, vote in elections, or acquire residential service in a concept known as e-residency. E-residency provides permanent residents in Estonia the right to access services, such as opening a bank account. Government agencies teamed up with the tech company, Cybernetica, “for developing an Estonian ‘Public Infrastructure Key’ (PIK) to envision the

²⁴⁷ Heath, “How Estonia became an E-Government Powerhouse.”

²⁴⁸ Ibid, 230.

²⁴⁹ Ibid, 231.

²⁵⁰ Ibid, 232.

²⁵¹ Ibid, 233.

²⁵² Ibid, 233.

creation of a new technological architecture that would pave the way for future innovation in internet services in all fields of society.”²⁵³

While developing the e-government technology, Estonia partnered up with their Nordic counterpart Finland, which was also experimenting with the e-government technology on a smaller scale. The goal of the Finnish government was to “develop more user-centered public e-services.”²⁵⁴ Common IT services were “consolidated into one IT service center and partial recentralization of IT functions from single government agencies took place.”²⁵⁵ Along with Estonia, Finland “modernized their public sector data management infrastructure to deliver high quality, cost effective, and secure service.”²⁵⁶ In the coming years, avant-garde services will advance Estonia and Finland to revolve around “new innovations and phenomena along with a great deal of reform and modernization of government with existing technology.”²⁵⁷ Digitalization will continue to lead the way in all aspects of life, including personal services and the right to have say on matters affecting both Estonia and Finland. As a small country, Estonia has developed its leadership characteristics by embracing “a culture of innovation and experimentation on how to find new ways to deliver public services.”²⁵⁸

4.3 E-Democracy:

Democracy has been a key component, providing stability for Western nations, including Estonia. Estonia has modernized a transparent concept of democracy known as e-democracy. E-Democracy allows Estonians to vote for the candidate of their choice through online services. The success of the e-democratic system has many politicians and scholars pondering “if they found a new way of developing democracy or at least modernizing the concept in the digital

²⁵³ Ibid, 234.

²⁵⁴ Suvi Kivistö, *E-Democracy, E-Governance, and Public Sector Reform Revisited: Experiences of the Main Themes of the PADOS Project in Finland and Estonia*, Kurikka: Painotalo Casper, 2016, 32.

²⁵⁵ Kivistö, *E-Democracy, E-Governance, and Public Sector Reform Revisited: Experiences of the Main Themes of the PADOS Project in Finland and Estonia*, 32.

²⁵⁶ Ibid, 32.

²⁵⁷ Ibid, 38.

²⁵⁸ Heath, “How Estonia became an E-Government Powerhouse.”

world.”²⁵⁹ Post World War II Western democracies are having to deal with many changes that include “fear of the loss of sovereignty and cultural identity, decrease in the quality of life standards, and overreach of big corporations.”²⁶⁰ The challenge is how to modernize a democratic society, while finding solutions to resolve the issues that most Western nations face in the 21st Century. Estonia is a pioneer in democratic reforms, allowing the country “to develop a new social contract between the state and its citizens”²⁶¹ by e-democracy. Through this social contract, Estonians use “the transparency within their system to effectively control the way their government operates in public.”²⁶² However, the Estonian system does not work for every nation and as a result, each country will have to find their own way of developing an e-system for their citizens. The country successfully managed to develop “a digital model of e-democracy that is highly interesting to help imagine the future of states and their institutions.”²⁶³

The Estonian government continues to implement policies to support the expansion of the e-democracy concept in the country. E-Democracy allows “a more participatory form of governance to deepen democratic engagement and expand the participation of citizens in the processes of governance within the state.” Estonians are permitted to have a greater say on how their government needs to represent them on the domestic and international stage. Policy shifts that take place with e-democracy include “a changing administrative culture, empowerment of citizens, and harnessing the opportunities of new technologies.”²⁶⁴ Along with the basic concept of e-democracy, social media “such as Facebook and Twitter have gained importance in political campaigning and political movements among the Estonian youth.”²⁶⁵ Estonia prioritizes resources to actively engage their youth to continue participating in their digitally evolving democracy.

²⁵⁹ Geoffrey Berson, “E-Estonia, the Ultimate Digital Democracy?,” *Medium*, November 4, 2018, <https://medium.com/@geoffrooy/e-estonia-the-ultimate-digital-democracy-f67bc21a6114>.

²⁶⁰ Berson, “E-Estonia, the Ultimate Digital Democracy?,” 2018.

²⁶¹ *Ibid.*

²⁶² *Ibid.*

²⁶³ *Ibid.*

²⁶⁴ Kivistö, *E-Democracy, E-Governance, and Public Sector Reform Revisited: Experiences of the Main Themes of the PADOS Project in Finland and Estonia*, 12.

²⁶⁵ *Ibid.*, 13.

Estonians are allowed through an e-voting system, which is part of the process of e-democracy, to decide which political candidate would best represent their interests. The first documented use of the e-voting system took place around 2005 in time for the Estonian local elections. Estonia incorporated a concept known as “the envelope voting method, which gives the voter the possibility to vote outside the polling division of the voter’s residence”²⁶⁶ in any part of the country. The process is simple and transparent without any interference or voter fraud risks. After voting, the ballot is stored in a safe place “where the voter’s choice remains a secret and is recorded in the list of voters in the polling division of the voter’s residence.”²⁶⁷ An application containing the vote is “downloaded in the voter’s computer, which e-voting encrypts the vote before being sent in to be counted.”²⁶⁸ Before the vote is sent off, the voter has to give “a digital signature to confirm their choice.”²⁶⁹ Through a digital signature, the voter’s data is “added to the encrypted vote.”²⁷⁰ After the vote is sent to the Estonian Electoral Committee, “the encrypted votes and the digital signatures with personal data are separated,”²⁷¹ and afterwards, “the e-votes are opened and counted.”²⁷² The e-voting system continues to evolve with Estonian companies developing new technologies to protect the dignity of the voter’s right to participate in a democratic election. E-Democracy is a unique concept that might be considered in other countries, who wish to modernize the way of how their citizens are able to participate in governmental affairs.

4.4 Skype:

Out of all the technological innovations originating from Estonia, the most famous product not surprisingly is the online telecommunication application Skype. Consulting technological sources to understand Skype’s position in the tech community is a critical component of this

²⁶⁶ Ülle Madise, *Elections, Political Parties, and Legislative Performance in Estonia: Institutional Choices from the Return to Independence to the Rise of E-Democracy*, Tallinn: Tallinn University of Technology Press, 2007, 22.

²⁶⁷ Madise, *Elections, Political Parties, and Legislative Performance in Estonia: Institutional Choices from the Return to Independence to the Rise of E-Democracy*, 22.

²⁶⁸ Ibid, 23.

²⁶⁹ Ibid, 23.

²⁷⁰ Ibid, 23.

²⁷¹ Ibid, 23.

²⁷² Ibid, 23.

thesis because it confirms Estonia's position as a place of technological discoveries. The name Skype derives from "the amalgamation of the words "sky" and peer."²⁷³ The technology enables people to communicate with personal and business contacts in an efficient manner. Skype made its debut in 2003 and has become a success story with "280 million active users around the world even overpowering its rival MSN."²⁷⁴ The application started with "only the use of voice calls and then later debuting the start of video calls."²⁷⁵ Skype's purchase by Microsoft helped other businesses and entrepreneurs trust the product to conduct transactions and conference calls. Skype saves people from having to fly many miles "to conduct business deals which is now possible without leaving the office."²⁷⁶ The majority of calls from the video calls market are conducted by Skype because "every second video call in the world is made with Estonian-created software."²⁷⁷ Skype's success story has been an inspiration for "new start up companies and the most successful IT entrepreneurs have worked there"²⁷⁸ during some point of their careers.

Skype has special features that allow users to access the technology for both personal or business related matters. It's built for "both one-on-one and group conversations and works wherever you are – via mobile, PC, Xbox and Alexa."²⁷⁹ Skype messaging and High Definition voice/video calling will "help you share experiences and get things done with others."²⁸⁰ With Skype, users can have "meetings and create great things with your workgroup, share a story or celebrate a birthday with friends and family, and learn a new skill or hobby with a teacher."²⁸¹ Skype services allow users "to send messages and have audio and video calls with groups of up

²⁷³ Kristina Traks, *Made in Estonia: Best Practices from Estonian Businesses*, Economic History Museum, Tallinn: Tallinna Raamatutrukikoda, 2014, (No pages numbers in the book).

²⁷⁴ Traks, *Made in Estonia: Best Practices from Estonian Businesses*.

²⁷⁵ Ibid.

²⁷⁶ Ibid.

²⁷⁷ Ibid.

²⁷⁸ Ibid.

²⁷⁹ "What is Skype?" About Skype, Microsoft, accessed May 25, 2020, <https://www.skype.com/en/about/>.

²⁸⁰ Microsoft, "What is Skype?"

²⁸¹ Ibid.

to 50 people.”²⁸² Skype subscribers can “pay as you go or buy a monthly subscription, whatever works for their budget.”²⁸³

After its creation, Skype is now considered to be “one of the software world's most subversive and fastest-growing businesses.”²⁸⁴ The tech app was founded by “a Swede, Niklas Zennstrom, a Dane, Janus Friis, and a group of Estonian programmers.”²⁸⁵ The company's business culture prioritizes long-distance communication in their products. The telecommunication industry changed with Skype’s debut which allow its members to make phone calls for free even “from the very north of Finland right to the south of New Zealand.”²⁸⁶ The most important internal business tool used in the telecommunications industry “is Skype itself, particularly its instant-messaging system, Skype Chat.”²⁸⁷ People can signal “whether you are out, busy, reachable elsewhere or free, and all your colleagues can see your actions.”²⁸⁸ If needed, users can “add a video-conference or phone call at the click of a mouse.”²⁸⁹ Skype chats are not only “encrypted, but work only between people who trust each other, the best possible defense against spam.”²⁹⁰ Everybody’s chat history is “instantly accessible to all participants.”²⁹¹ Skype's programmers are mostly composed of young employees, “with an average age of just under 28 and there are around 150 of them in total.”²⁹² The Estonian programming talent pool is “heavily over-fished, not just by Skype, but by other software companies that appreciate its nonhierarchical, open-minded and direct business environment.”²⁹³ The success of Skype has

²⁸² Ibid.

²⁸³ Ibid.

²⁸⁴ Sten Tamkivi, “Business: Communicating the Skype Way; Face Value,” *The Economist* Vol. 380, Iss. 8491 (August 19, 2016): 59.

²⁸⁵ Tamkivi, “Business: Communicating the Skype Way; Face Value,” 59.

²⁸⁶ The Baltic Review, “Skype-Estonia’s Greatest Contribution to the Global Telecommunication Industry,” October 11, 2016, <https://baltic-review.com/estonia-skype/> (Accessed March 24, 2020).

²⁸⁷ Ibid.

²⁸⁸ Ibid.

²⁸⁹ Ibid.

²⁹⁰ Ibid.

²⁹¹ Ibid.

²⁹² Ibid.

²⁹³ Ibid.

propelled Estonia's economy to greater heights and "drastically increased the country's living standard over the past 20 years."²⁹⁴

4.5 Crypto Currencies:

Estonia is one of the first European countries to allow the use of cryptocurrencies, such as Bitcoin to complete financial transactions in both the public and private markets. In order to use Bitcoin in Estonia, individuals need to obtain a special permit from the government. The two permits issued by the Estonian government allow companies "to operate digital asset exchange platforms and approve wallet providers for the cryptocurrency users."²⁹⁵ Each application is reviewed for transparency manners by "the Estonian Financial Intelligence Unit to enforce know-your-customer and anti-money laundering regulations within the legal framework of the European Union."²⁹⁶ Proposals have been made for residents and nonresidents to eventually use a new "Estonian digital token for transactions between participants in the country's e-residency program."²⁹⁷ The proposed digital currency known as Estcoin was the idea of Kaspar Korjus, the managing director of Estonia's e-residency program. In this program, digital Estcoins are issued by the Estonian government and launched through "an initial coin offering (ICO), where digital tokens are sold to raise money."²⁹⁸ Supporters of this currency, including Korjus, believe that Estcoin will empower "more people to have a voice on the future of Estonia along with providing investment and expertise to help economic growth."²⁹⁹

²⁹⁴ The Baltic Review, "Skype-Estonia's Greatest Contribution to the Global Telecommunication Industry."

²⁹⁵ Lubomir Tassev, "Estonia Issues Over 900 Licenses to Cryptocurrency Businesses." *BitCoin*, November 17, 2018, <https://news.bitcoin.com/estonia-issues-over-900-licenses-to-cryptocurrency-businesses/>.

²⁹⁶ Tassev, "Estonia Issues Over 900 Licenses to Cryptocurrency Businesses," 2018.

²⁹⁷ Ibid.

²⁹⁸ Ryan Browne, "Estonia Says It won't Issue a National Cryptocurrency and Never Planned to." *CNBC*, June 4, 2018, <https://www.cnbc.com/2018/06/04/estonia-wont-issue-national-cryptocurrency-estcoin-never-planned-to.html>.

²⁹⁹ Ryan Browne, "Estonia wants to launch its own government backed cryptocurrency called 'Estcoin'." *CNBC*, August 23, 2017, <https://www.cnbc.com/2017/08/23/estonia-cryptocurrency-called-estcoin.html>.

The status of Bitcoin varies in countries that value the use of new technologies. Contrary to paper currencies, Bitcoin does not “rely on any central authority, but uses cryptography to control its creation and management.”³⁰⁰ The currency is viewed as “an alternative to fiat currencies or even as part of an alternative economy.”³⁰¹ Controversy still arises on issues whether Bitcoin is able to survive “the market volatility and if the speed of transaction of processing is efficient.”³⁰² Trading of Bitcoin depends on the economic situation of the countries that accept the use of the currency in their economies. Estonia wholeheartedly endorses the concept of Bitcoin being used to conduct financial transactions. The Estonian government supports the expansion of “blockchain technology supporting its use in healthcare and banking services.”³⁰³ Bitcoin is still a new concept and the possibility to use it to make financial transactions is a distinct possibility.

Despite having a prominent impact on the Estonian economy, controversy arises as to the debate on whether or not Estonia should establish its own cryptocurrency to conduct financial transactions. The concept has many critics, including former ECB (European Central Bank) President Mario Draghi, who believes Estonia needs to follow the EU guidelines of having only a single currency, the Euro. Concerns brought up by the ECB about a separate cryptocurrency include “the lack of control over the supply of money for consumers,”³⁰⁴ along with providing instability for the Euro currency across the European Union. Other European countries, such as Italy, have viewed the Euro as an unpredictable currency and proposed alternative forms of

³⁰⁰ Agata Kliber, Paweł Marszałek, Ida Musiałkowska, and Katarzyna Świerczyńska, “Bitcoin: Safe Haven, Hedge, or Diversifier? Perception of Bitcoin in the Context of a Country’s Economic Situation- A Stochastic Approach,” *Physica A: Statistical Mechanics and its Applications* Vol.524 (June 15, 2019): 247, <http://www.elsevier.com/locate/physa>.

³⁰¹ Kliber, Marszałek, Musiałkowska, and Świerczyńska, “Bitcoin: Safe Haven, Hedge, or Diversifier? Perception of Bitcoin in the Context of a Country’s Economic Situation- A Stochastic Approach,” 247.

³⁰² *Ibid*, 247.

³⁰³ *Ibid*, 248.

³⁰⁴ Francesco Canepa, “ECB’s Draghi rejects Estonia’s virtual currency idea.” *Reuters*, September 7, 2017, <https://www.reuters.com/article/us-ecb-bitcoin-estonia/ecbs-draghi-rejects-estonias-virtual-currency-idea-idUSKCN1BI2BI>.

payment, such as “government issued small-denomination, interest-free bonds to pay off suppliers.”³⁰⁵

As a consequence of the former ECB President’s statement, Estonia scaled down the proposal to establish Estcoin and instead focus on establishing legal ways to maintain an ICO in the country, similar to Japan’s proposal of legalizing cryptocurrency fundraising. Estonia supports the enormous potential of blockchain technology as an option “to empower public and private institutions in promoting economic opportunity, empowerment and inclusion”³⁰⁶ of the general populace. The debate envisioning how new technologies play a positive role in modern society confirms that technology continues to play a valuable part in the Estonian way of life.

In recent years, cryptocurrency has been spotlighted in financial markets by economists. Cryptocurrency continues to promote a debate on “their nature and how they should be regulated.”³⁰⁷ A couple years ago, a new cryptocurrency called Stablecoin was created. Stablecoin was touted as “a digital coin that could be used as a common currency for digital transactions.”³⁰⁸ Many new cryptocurrencies have been established as a response to “the expansion of mobile payment methods and digital payment facilitators.”³⁰⁹ Each new cryptocurrency should “be subject to flexible regulations that are tailored to recognize and regulate different purposes.”³¹⁰ Cryptocurrency has the potential to make life easier for Estonians, who want to conduct their own transactions online. Along with technology, Estonia also takes their regional and foreign affairs with other countries seriously, especially since other countries look up to Estonia as a leader of innovation and technology.

³⁰⁵ Ibid.

³⁰⁶ Ryan Browne, “Estonia Says It won’t Issue a National Cryptocurrency and Never Planned to.” *CNBC*, June 4, 2018, <https://www.cnn.com/2018/06/04/estonia-wont-issue-national-cryptocurrency-estcoin-never-planned-to.html>.

³⁰⁷ Michael C. Tomkies and Lindsay P. Valentine, “Are Cryptocurrencies on their Way to Becoming a Trusted Payment Alternative?” *Banking & Financial Services Policy Report*, Gainthersburg Vol. 38, Iss. 1 (Jan 2019): 1, <https://search-proquest.com.ezproxy.utu.fi/docview/2273138764/fulltextPDF/85CEC7C87EF64633PQ/1?accountid=14774>.

³⁰⁸ Tomkies and Valentine, “Are Cryptocurrencies on their Way to Becoming a Trusted Payment Alternative?” 1.

³⁰⁹ Ibid, 1.

³¹⁰ Ibid, 4.

5. Estonia's Position in European Affairs

Despite being a small country, Estonia continues to play a prominent role in European affairs on many levels, defining the political and cultural discourses of the continent. Estonian influence has the potential to be “of great use in strengthening Europe’s digital society, connecting governing institutions and citizens”³¹¹ along with “improving the connectivity between European countries.”³¹² Estonia’s successful connection with the European community comes from supporting democracy, human rights, and the rule of law. These values are advocated in the country through “their extensive experience of creating advanced digital networks that interlink national information systems and databases.”³¹³ The long term geopolitical trends show that Estonia needs to continue good relations with the Scandinavian and Baltic countries in order to maintain prominence in the 21st Century. In doing so, Estonia is able to remain part of an alliance that “includes several overlapping networks, consisting of both sub-state, state, and supra-state agents, each having different ideas as to the purpose of the region.”³¹⁴

Many political and cultural officials throughout Europe visit Tallinn to learn about Estonia’s success as a small democratic nation. There is a delicate balance between how the majority ethnic Estonian and minority Russian populations influence the country’s external and internal affairs. Their interactions play “a role to the game of post-Soviet geopolitics in the Baltic region”³¹⁵ in how European affairs are conducted. Although Estonia will not be a superpower in European Affairs, they are still able to make an influence on how operations are carried out in their own country and to some extent, the other European countries. The country usually plays “a

³¹¹ Viljar Veebel, “Pioneer and Far: Estonia’s European Ambitions.” *European Council on Foreign Relations*, April 15th, 2019,

https://www.ecfr.eu/article/commentary_pioneer_and_far_estonias_european_ambitions.

³¹² Veebel, “Pioneer and Far: Estonia’s European Ambitions,” 2019.

³¹³ Ibid.

³¹⁴ Pami Aalto, *Constructing Post-Soviet Geopolitics in Estonia: A Study in Security, Identity, and Subjectivity ACTA Politica No. 19*, Helsinki: University of Helsinki, 2001, 187.

³¹⁵ Ibid, 30.

junior and mostly subjugated role in both great power rivalry and processes”³¹⁶ in the Baltic Sea region.

The Estonian political cooperation in the Baltic region is inspired by “the Nordic example, but not as well institutionalized.”³¹⁷ As a consequence of being a younger democracy that developed out of a Communist Empire, the Scandinavian countries, particularly Finland and Sweden, come to Estonia’s assistance whenever they are called to on the European stage. A challenge for Estonia, along with Latvia and Lithuania, is not to just “successfully integrate into the West, but also enter into more open ended and flexible regional arrangements with their fellow European partners.”³¹⁸ Each Baltic country has the capability “to make an important contribution to the region that would provoke political and normative attention.”³¹⁹ In this chapter, I will discuss the question of Estonia being a Nordic/Baltic country and how this has played in International/European politics.

5.1 Estonian Politics:

Estonian politics is an example of a successful transition back to a democratic society after many years under Communist rule. The system is inspired by a Scandinavian style liberal democracy and their own parliament known as the Riigikogu. The Riigikogu has “101 elected members and establishes “the governing of the state primarily by determining the income and expenses of the state.”³²⁰ The parliament has many responsibilities such as “to present statements, declarations and appeals to the Estonian people, ratify and denounce international treaties with other states.”³²¹ Estonia is represented on the European and international stage by a President and a Prime Minister. The President of Estonia is elected by members of the Riigikogu and is allowed to serve two 5 year terms. The current President is Kersti Kaljulaid, who is the

³¹⁶ Aalto, *Constructing Post-Soviet Geopolitics in Estonia: A Study in Security, Identity, and Subjectivity ACTA Politica No. 19*, Helsinki: University of Helsinki, 2001, 32.

³¹⁷ Ibid, 186.

³¹⁸ Ibid, 187.

³¹⁹ Ibid, 193.

³²⁰ “Political System,” Estonian Chamber of Commerce and Industry, accessed May 2, 2020, <https://www.koda.ee/en/about-estonia/political-system>.

³²¹ Estonian Chamber of Commerce and Industry, “Political System.”

first female President of the Estonian Republic. When it comes to governing affairs, the Prime Minister of Estonia is in charge of daily operations with the support of the Parliament. The current Prime Minister is Jüri Ratas of the Estonian Centre Party. The government of Estonia shapes “the country’s domestic and foreign policy, co-ordinates the work of the government, and bears full responsibility for everything occurring within the authority of executive power.”³²² Democracy is considered to be a critical component of a stable Estonian society allowing the people to have a say in the governing operations of their own country.

Estonian political culture is characterized by a strong “readiness and ability from the public to participate in political life and acknowledgement of the legitimacy of their political institutions.”³²³ The general perception of Estonian democracy is to provide a sense of stability and rational decision making for everyday affairs. A majority of political debates are characterized by “utopian visions of a bright future where everybody is happy.”³²⁴ It is not surprising that the Estonian political discourse is directed towards “a mythologized past, and towards a promising future.”³²⁵ The Estonians wanted to maintain a system that preserved and protected their regained freedoms due to Communist occupation.

Estonia successfully held “the first free parliamentary elections in the newly independent Estonia and a new constitution was successfully approved by the voters”³²⁶ in 1992. National decision making in Estonian politics is defined “by the constitution and in respect of the creation of the constitution.”³²⁷ The elections were a test to see if the newly established Estonian democracy will stand and be considered as a successful alternative to Communist rule. Modern Estonian political culture evolves around “a quick development of the Estonian economy with

³²² Ibid.

³²³ Marju Lauristin and Peeter Vihalemm, eds., *Return to the Western World: Cultural and Political Perspectives on the Estonian Post-Communist Transition*, Tartu: Tartu University Press, 1997, 198.

³²⁴ Lauristin and Vihalemm, eds., *Return to the Western World: Cultural and Political Perspectives on the Estonian Post-Communist Transition*, 203.

³²⁵ Ibid, 203.

³²⁶ Ibid, 205.

³²⁷ Suksi, *On the Constitutional Features of Estonia*, 4.

clarification of political interests and the disappearance of negative ideological taboos.”³²⁸ Opportunities opened for Estonia because of their committed goals to establish a democratic society based on the Western European and American models. After years of implementing reform policies, an advanced democracy was established in Estonia after “a democratization of their social institutions, development of multiparty systems, and the freedom of political expression.”³²⁹ The country still searches to have a distinct profile in political affairs, where their democracy and economic system is able to prosper into the 21st century.

The Estonian parliament, known as the Riigikogu, functions as the most important governing body for the people of Estonia. After the drafting of the Estonian constitution, political officials made sure that their system would be similar to the US concept, where there are functioning legislative, executive, and judicial branches of government. In accordance with Article 59 of the Estonian constitution, the Riigikogu holds “the legislative power to adopt legal acts and pass state budgets that determine the revenues and expenditures for the following year.”³³⁰ The legislative authority is “vested in the Riigikogu.”³³¹ Each member of the parliament must take “an oath declaring loyalty to the Republic of Estonia and constitutional order.”³³² A member of parliament is allowed to serve a four year term and is allowed reelection to their seat. Voting for members of the Riigikogu is allowed for “Estonian citizens over 18 years with an active legal capacity.”³³³

Many policies and procedures that govern the daily lives of Estonians are implemented by the Riigikogu. Human rights and personal liberties are valued when the Riigikogu works to uphold Estonian law. In accordance with Article 11 of the Estonian constitution, the Riigikogu

³²⁸ Lauristin and Vihalemm, eds., *Return to the Western World: Cultural and Political Perspectives on the Estonian Post-Communist Transition*, 210.

³²⁹ *Ibid.*, 211.

³³⁰ “What is Riigikogu?,” Parliament of Estonia, accessed April 30, 2020, <https://www.riigikogu.ee/en/introduction-and-history/riigikogu-tasks-organisation-work/what-is-riigikogu/>.

³³¹ “Constitution of the Republic of Estonia Fourth Version,” Article 59, Tallinn: Office of the President of Estonia, 1992, <https://www.president.ee/en/republic-of-estonia/the-constitution/>.

³³² Office of the President of Estonia, “Constitution of the Republic of Estonia Fourth Version,” Article 61.

³³³ Parliament of Estonia, “What is Riigikogu?”

may only restrict rights, if “these restrictions are necessary in a democratic society,”³³⁴ such as during a national emergency. The parliament holds “two regular sessions a year, where work takes place through plenary sittings, in committees and factions.”³³⁵ The Estonian parliament continues to be transparent and efficient in dealing with the issues that face Estonia, particularly in the new decade of the 2020s, when geopolitical changes are taking place at a rapid rate.

Estonia has a thriving democratic process with many political parties that voters are able to choose from to represent their interests in the Riigikogu. The political parties establish factions in the parliament. These factions develop “political opinions, promote parliamentary debate, and constitute the majority necessary for the functioning of the parliament.”³³⁶ The political parties in the current Riigikogu are the Reform Party, Centre Party, Conservative People’s Party (EKRE), Isamaa Party, and the Social Democratic Party. Topics discussed during parliamentary sessions include current events and legislative proposals that affect the everyday lives of Estonians. Representatives of their respective parties in their factions “exchange opinions and develop common positions on bills, matters of significant importance, and other decisions within the field of activity of the parliament.”³³⁷ Members may only “belong to one political party and may not change parties.”³³⁸ The parties assume that their members “affirm loyalty to the majority of their factions and subjection to the decision of the majority.”³³⁹ A common governing program is agreed upon by the parties going into government and is voted on by the majority of members of the Riigikogu. The current governing coalition is comprised of Centre, EKRE, and Isamaa. Estonia also takes into account their role in international affairs, particularly their membership to the NATO alliance along with prioritizing domestic affairs and maintaining an efficient democracy.

5.2 NATO Commitment:

³³⁴ Suksi, *On the Constitutional Features of Estonia*, 37.

³³⁵ Parliament of Estonia, “What is Riigikogu?”

³³⁶ “Factions,” Parliament of Estonia, accessed April 30, 2020, <https://www.riigikogu.ee/en/parliament-of-estonia/factions/>.

³³⁷ Parliament of Estonia, “Factions.”

³³⁸ Ibid.

³³⁹ Ibid.

The Estonian commitment to the North Atlantic Treaty Organization (NATO) is essential to study in order to understand Estonia's position on the international stage. NATO plays a critical role in the country's defense and foreign policy. Defense and regional security are important for the small country's existence, especially with a large neighbor bordering them. The principles of NATO state that each member country has the commitment to "safeguard the freedom, common heritage, and civilization of their people, founded on the principles of democracy, individual liberty, and the rule of law."³⁴⁰ NATO promotes and supports "democratic values and enables members to consult and cooperate on defense and security related issues."³⁴¹

Estonians are aware that fellow Western nations will back them up along with Latvia and Lithuania in the event of an attempted occupation by a foreign nation in their territory. NATO is a distinct alliance of North American and European countries allowing "consultation and cooperation in the fields of defense and security, and joint participation in multinational crisis-management operations."³⁴² It is in their best interest in accordance of Article 2 of the NATO treaty in which "all parties will contribute toward the further development of peaceful and friendly international relations by promoting conditions of stability and wellbeing."³⁴³ Estonia has been very careful in developing a close circle of allies and business partners in the international community in establishing their own distinct brand. Connections made for Estonia by NATO have been vast allowing the country to consult other nations on various issues. The story of the Estonian nation revolves around a history of having to continue to stand up for themselves in the midst of new challenges that arise in the region.

Russia is viewed by most Estonians with skepticism because of their past occupation under the Soviet Union. There is also a perceived fear among a large part of the general populace about Russia disregarding Estonia's sovereignty as an independent nation. When the North Atlantic Treaty was written, the finalized draft provided a defense article known as Article 5 for its

³⁴⁰ "The North Atlantic Treaty April 4, 1949," Republic of Estonia Ministry of Foreign Affairs, accessed April 21, 2020, <https://vm.ee/en/north-atlantic-treaty>.

³⁴¹ "What is NATO?," North Atlantic Treaty Organization, accessed April 5, 2020, <https://www.nato.int/nato-welcome/index.html>.

³⁴² North Atlantic Treaty Organization, "What is NATO?"

³⁴³ Republic of Estonia Ministry of Foreign Affairs, "The North Atlantic Treaty April 4, 1949."

member nations. Article 5 provides security for small nations like Estonia because if “an armed attack takes place on a fellow Western nation, it is considered an attack against them all and that they had the right of individual or collective self-defense to maintain the security and peace in the North Atlantic Area.”³⁴⁴ The Russian Federation has a tendency to define their goals “departing from restoration of its status as a major global power, and occasionally not refrain from contesting other countries.”³⁴⁵ Russia also uses their “energy resources as political and economic means to advance their agenda in international relations.”³⁴⁶ As a consequence, the relations between Estonia and Russia are at the same time complex and constructive, despite the best efforts by both countries, along with other EU and NATO nations, “to maintain the security and wellbeing of the European countries.”³⁴⁷

Estonia benefits from continuing cooperation with its European partners and allies in the organization. The goal of a strong security policy for Estonia is “to retain Estonia’s independence and sovereignty, constitutional order, and public safety.”³⁴⁸ In 2010, the Riigikogu passed the National Security Concept of the Republic of Estonia to establish a legal foundation for the security issues facing the country, both domestic or international. The core values of Estonia’s security policy are to enforce “human rights, fundamental freedoms, and core human values that govern the Estonian way of life.”³⁴⁹ The NATO membership has been critical for Estonia because new security threats continue to evolve and become unpredictable. NATO creates the basis for “Euro-Atlantic security and defense co-operation, and serves as the main security policy forum for the Allies.”

³⁴⁴ Ibid.

³⁴⁵ Republic of Estonia Ministry of Foreign Affairs, “National Security Concept of the Republic of Estonia,” *Riigikogu*, (May 2010): 7.

³⁴⁶ Republic of Estonia Ministry of Foreign Affairs, “National Security Concept of the Republic of Estonia,” 7.

³⁴⁷ Ibid, 7.

³⁴⁸ “Estonian Security Policy,” Republic of Estonia Ministry of Foreign Affairs, accessed April 22, 2020, <https://vm.ee/en/estonian-security-policy>.

³⁴⁹ Republic of Estonia Ministry of Foreign Affairs, “National Security Concept of the Republic of Estonia,” 3.

Estonia depends on NATO for assistance when they need to “reinforce credible deterrence and collective defense for successfully repelling any army aggression”³⁵⁰ from a foreign country. The United States, Canada, and the majority of European nations comprise an alliance to maintain stability and peace in the Western world. However, as a result of changing geo-political trends and new guidelines set by the Trump administration in the US, NATO members have to start prioritizing their own interests and pay the costs in maintaining the alliance. The 21st Century will bring about many changes to the national security policy of the NATO countries, including Estonia. NATO will have to be reformed to deal with new security threats or be replaced with a new alliance that is willing to provide innovative solutions to regional and national defense matters.

Estonia joined the NATO alliance in 2004, allowing the small country to have a voice in international security matters. To become part of NATO, Estonia has had to participate in “international crisis management in order to ensure peace in the international arena.”³⁵¹ Estonia is flexible in maintaining its own security by using “the principle of indivisibility of security to interpret national security matters.”³⁵² Whenever a crisis takes place in Europe or on the international arena, Estonia sees the situation as a threat to its own sovereignty. Success in dealing with these threats is “vitally important for Estonia as this affects not only the security of the nation, but also of international organizations.”³⁵³ The opportunity for Estonia to participate in security operations is the country’s greatest contribution to the NATO alliance. Estonia’s reputation among the international community as “a viable security partner depends on the country’s readiness and capability to contribute to NATO, UN, and EU operations.”³⁵⁴ Estonia’s membership in the NATO alliance remains a major cornerstone in modernizing and developing the country’s strategic defense and security policies for the Baltic region.

6. Conclusion

³⁵⁰ Ibid, 6.

³⁵¹ “Estonia in NATO,” Estonian Atlantic Treaty Association, accessed April 22, 2020, <https://www.eata.ee/en/nato-2/estonia-in-nato/>.

³⁵² Estonian Atlantic Treaty Association, “Estonia in NATO.”

³⁵³ Ibid.

³⁵⁴ Ibid.

Estonia's position in the Baltic region is strategic with its technological advances and connections among the Scandinavian and Baltic communities. Countries from around the world have tried to figure out the reasons why Estonia has become a successful hub for creativity and innovation. This thesis provides a unique opportunity to discover the aspects of what makes this nation stand out from the rest of their European neighbors. Studying Estonia's history has the potential to give rise to innovative ideas on how to operate a modern society when a country is transforming "from a totalitarian society and controlled economy to a democracy and market economy."³⁵⁵ In the words of former Estonian Prime Minister Mart Laar, Estonia's success originates from the country's reformers, who wanted "to just do it and adopt necessary reforms for economic growth despite the short term pain they cause."³⁵⁶ Laar recommends the shock therapy approach for economic and tech reforms because the consequences have produced "strong results by the decisive action taken to adopt policies rather than slow reforms that result in implementation difficulties."³⁵⁷ Politics need to be prioritized because in order to sustain "radical reforms, there must be a legitimately formed consensus for change. The best way to advance politics on a positive level is to "promote democracy, using accountable institutional structures, and enable fair and free elections."³⁵⁸ The Soviet mentality had to be removed from the public sphere and replaced with "a new generation of people for the governing bodies of the country."³⁵⁹

The Estonian people want to present a new image of their country: "a place where no member of the populace is part of a suffering, miserable, and helpless nation, but rather a nation where everybody is capable of making a successful integration with the West."³⁶⁰ The cultural and political foundations of the Western European countries are looked upon by Estonia as guidance to modernizing their country for the 21st Century. Estonia establishes the rule of law as a critical aspect of "fighting corruption and organized crime that risks making a mockery of the

³⁵⁵ Mart Laar, *Little Country that Could*, Center for Research into Post-Communist Economies, Suffolk: St. Edmundsbury Press, 2002, 364.

³⁵⁶ Laar, *Little Country that Could*, 365.

³⁵⁷ *Ibid*, 365.

³⁵⁸ *Ibid*.

³⁵⁹ *Ibid*, 366.

³⁶⁰ *Ibid*.

free market economy.”³⁶¹ Every Estonian business and entrepreneur is protected in their goals of contributing to the liberalized economy without interference by the government. In developing a tech based economy, Estonia is able to create products at an efficient rate and is able to get them on the market without relying on other countries for assistance.

The Estonian Declaration of Independence in 1991 was a prominent moment in the country’s history because after years of continuous occupation, the country finally obtained its freedom for the long term. Estonia started to assert its own identity and capability to develop a Western way of life. The Estonian government declared that “all Soviet laws from the past and present were illegitimate and that the country was again a restored nation.”³⁶² Estonians felt comfortable dealing with the Russian minority knowing that they reobtained control of their homeland after years of Soviet rule. Estonia found ways to include the Russian minority population in society to avoid “any possible anti-Russian discourse in the country that would harm their identity as a Western, liberal, and democratic state.”³⁶³ Estonia continues to harbor skepticism towards their neighbor because of the past historical events shaped by the Soviet Union. Over time, Estonia and Russia were able to develop a healthy relationship including mutual dialogue and respect. The modern Estonian state established a society based on “a constitutional framework, where executive, legislative, and judicial power would be exercised in accordance to democratic principles,”³⁶⁴ similar to other Western European countries. Estonia received the backing from their allies, including the United States, in their quest for an independent state. In 1991, U.S President George H.W. Bush establish that “the restoration of the independence of the Baltic States was a result of the culmination of the 52 year policy of the United States not to recognize the incorporation of the Baltic States into the Soviet Union.”³⁶⁵

³⁶¹ Ibid, 366.

³⁶² Richard C.M. Mole, *The Baltic States From the Soviet Union to the European Union: Identity, Discourse, and Power in the Post-Communist Transition of Estonia, Latvia, and Lithuania*, London: Routledge, 2012, 88.

³⁶³ Mole, *The Baltic States From the Soviet Union to the European Union: Identity, Discourse, and Power in the Post-Communist Transition of Estonia, Latvia, and Lithuania*, 90.

³⁶⁴ Ibid, 98.

³⁶⁵ Mart Nutt. *Estonian Ministry of Foreign Affairs Yearbook 2007: The Establishment and Restoration of Estonian Independence and the Development of Estonian Foreign Relations*, Tallinn: Estonian Ministry of Foreign Affairs, 2007, 29.

I believe that the strict monetary policy and free trade liberalization policy implemented by Estonia allowed the country to grow at a phenomenal rate giving the country a nickname of “the Baltic Tiger.” Estonia’s main goal after reobtaining independence was to fully Westernize society and enhance their connections in the Scandinavian/Baltic region, particularly in the areas of economics, trade, and foreign relations. The transition to a Western economic system was seen as an important part of “the state and nation building process as a way for Estonia to distance itself from the Soviet past and return to Europe to pursue greater wealth and wellbeing.”³⁶⁶ The policies implemented by Estonia to obtain membership in the European Union are often evaluated by scholars as to “how they reduced their dependency on Russia and facilitated integration into the EU.”³⁶⁷

New strategies have been tested by the government to “increase long term economic growth for the country through innovation, lifelong learning and flexible labor markets.”³⁶⁸ The increase of foreign direct investment (FDI) resulted in “a positive contribution to the current account deficit and to the financing of new technologies and access to new markets.”³⁶⁹ Estonia was able to recruit new investment and technological support from other countries due to “rapid market reforms, unrestrained liberalization, open privatization policies, solid credit rating, low corruption levels, and market-oriented institutional structures.”³⁷⁰ The greatest contribution that Estonia has made to their economy is to open up their country to the latest sources of technological and societal innovations, in order to catch up with their Western counterparts. Latvia and Lithuania continue to look up to Estonia for leadership on how to modernize a society that was under oppression for many years.

Estonian society was not only impacted by the collapse of the Soviet Union, but also its acceptance as a member of the European Union. The membership allowed Estonia to establish connections with other European countries. The cities of Tallinn and Tartu have been named European Capitals of Culture, given them international recognition for their contributions to

³⁶⁶ Ibid, 104.

³⁶⁷ Ibid, 104.

³⁶⁸ Ibid, 116.

³⁶⁹ Ibid, 117.

³⁷⁰ Ibid, 117.

Estonian society. When implementing reforms, the country looked to Finland on how to progress to Western standards. Estonia continues to learn quickly about new innovative ways to modernize their country on both a societal and a technological level. The country has advanced significantly after 30 years of reobtaining independence.

Estonia was able to evolve quickly into a modernized country with a free market based economy, beneficial to the populace and the business community. Other Eastern European countries look to Estonia's success in hopes of replicating the strategies in their own home countries. This continues to be an uphill struggle for the former Soviet countries to transform "their state-owned, centrally planned economics to a private, market-oriented basis."³⁷¹ The countries also have to "restructure their provincial economies to benefit a sovereign state."³⁷² Estonia kept three trends in mind when liberalizing their economy: "the collapse of the Soviet power, the desire for a return to Europe, and the ethnic dimension of economic reform."³⁷³ Technology was especially prioritized with the goal of promoting a modernized infrastructure for the country. Estonia viewed their return to Europe as a way to enhance with greater financial and social prosperity. The concept of Europe was seen as "a proven model which has delivered prosperity, a place where small nations such as Estonia could easily be accommodated in the European community, and lastly, Russia has the concept of being an Asian country, which Estonia had no cultural or historical ambiguity to the term."³⁷⁴ Estonia wanted to reclaim their past and make their own decisions, without having other countries decide for them. It is not a surprise if the country decides "to reduce trade with Russia and increase them with the West along with nationalizing property to partly reclaim what existed in the past."³⁷⁵

The Scandinavian and Baltic countries firmly believe that every member of their populace needs to participate in contributing to the greater good for the region. The same principles apply to Estonia and fellow Baltic states, Latvia and Lithuania. The implementation of democracy and

³⁷¹ Ardo H. Hansson, *Transforming an Economy while Building a Nation: The Case of Estonia*, UNU World Institute for Development Economics Research, No. 113 (1993), 1.

³⁷² Hansson, *Transforming an Economy while Building a Nation: The Case of Estonia*, 1.

³⁷³ *Ibid*, 1.

³⁷⁴ *Ibid*, 4.

³⁷⁵ *Ibid*, 19.

personal freedoms for Estonia have helped the country develop its own distinct identity in the region. With the embrace of technology and by using their capital, Tallinn, Estonia found its niche as a modern “Baltic Silicon Valley.” Estonia will need to continue the path of discovering new ideas and allowing free thinkers and entrepreneurs to invest in the country’s future, especially as other countries are looking to Estonia on how to lead the way in finding solutions to challenges the world faces in the 21st Century.

Despite being a small European country, Estonia continues to show that it has influence in the Scandinavian/Baltic Region. In developing their own solutions, Estonia leads the way on how other European countries need to prioritize resources and infrastructure for the benefit of their populaces. Estonia, a nation with “a strong culture, language, and national spirit,”³⁷⁶ has an important role in resolving affairs in both “the European Union and other international organizations.”³⁷⁷ The Estonian identity continues “to evolve and so is the very essence of what it means to be an Estonian.”³⁷⁸ The country’s ascension to the European Union motivated Estonia to “not only promote normal social development, but also figure out solutions concerning internal unity.”³⁷⁹ The country that has the most to benefit from Estonia’s modernization is Finland. Finns benefit from the fact that “nearly one third of the Estonian populace can, at least to some degree, operate in Finnish.”³⁸⁰ Their respective capitals, Tallinn and Helsinki, also have close connections, with economic and trade levels that support both countries. Estonia is not only “an important tourist destination for the Finnish people, but also a market for Finnish products, and a base for increasing numbers of Finnish businesses.”³⁸¹ The situation is a win-win scenario for both countries’ economic growth and increased cultural communication opportunities.

Estonians have been able to advance their causes, despite being under occupation from different nations. Estonia is an ideal country to study in order to better understand the concept of

³⁷⁶ Centre for Finnish Business and Policy Studies EVA, *Estonia’s Tomorrow: A Report on the Present and Future of Estonia*, 3.

³⁷⁷ *Ibid*, 3.

³⁷⁸ *Ibid*, 3.

³⁷⁹ *Ibid*.

³⁸⁰ *Ibid*.

³⁸¹ *Ibid*.

dual cultural and economic identity. It took a while to finally obtain independence, but resilience paid off after the fall of the Soviet Union. Estonia so far is remarkable as to how they were able to turn around quickly as the 21st century approached. “The Baltic Silicon Valley” continues to prosper with their embrace of all things technology. According to a report published by the Centre for Finnish Business and Policy Studies EVA, Estonia has “both the will and the ability to steer its own economy the ways it wants,”³⁸² even after 30 years of reobtaining independence. The Estonian nation continues to be a source of inspiration for all European citizens, who value their pioneering spirit and their determination to maintain personal freedoms, for which they have had to fight to attain throughout their history.

Estonia’s future is bright but not without challenges, as it continues to move away from the Soviet past and embrace the newest inventions and business models on the market.

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³⁸² Ibid, 45.

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Appendix I



Skype Headquarters in Palo Alto, California (San Francisco Bay Area)

Offices are also located in Tallinn and Tartu

Source: Microsoft: <https://www.microsoft.com/en-us/stories/skype/skype-chapter-2-welcome-to-estonia.aspx>

Appendix II



Facts about e-Estonia and services provided by the Estonian government to their citizens

Appendix III



View of Old Town Tallinn

Photo Source: Lonely Planet Travel Guide:

<https://www.lonelyplanet.com/articles/48-hours-in-tallinn>