

Estonia races to be the S'pore of Europe

It offers free Wi-Fi even on moving buses and trains and has a working e-health-care system where all medical records are online

By Raju Chellam



IF SINGAPORE, at the tip of Asia, wishes to find a long-lost twin, there is one flourishing at a quiet corner of Europe. That twin is the Republic of Estonia. It's one of the European Union's smallest countries and regained its independence from the Soviet Union as late as 1991.

But it has striking similarities with Singapore. Both are tiny nations surrounded by big ones, both leverage greatly on their geopolitical location, both grapple with manpower challenges because of their small populations, and both are betting big on the Internet.

Estonia (population 1.34 million) has the highest GDP per capita among former Soviet republics, is an Organisation for Economic Cooperation and Development (OECD) member, is listed as a 'high-income economy' by the World Bank, as an 'advanced economy' by the International Monetary Fund, and is often described as the 'Baltic Tiger' for its rapid economic growth.

On Jan 1, 2011, it became the 17th euro zone member-state, adopted the euro, and now has the lowest ratio of government debt to GDP in the EU (6.7 per cent as on December 2010).

Just as Singapore invests in Internet infrastructure, the secret sauce of growth for Estonia has been the Internet. 'Today, 98 per cent of Estonians under 35 use the Internet regularly and systematically,' said Estonia's President Toomas Hendrik Ilves. 'This represents an altogether different population than a generation ago, a population that already demands a different approach from its government.'

Estonia has a digital ID card system, and in 2005 held local elections with Estonians using the Internet to vote, probably the first of its kind in the world. 'We don't have the right to Internet as a basic human right in the Estonian Constitution yet,' Mr Ilves told a visiting delegation from the Singapore Press Club last month. 'However, all functions of the government are transparent and available online.'

Estonia's Internet penetration was 77.5 per cent as at end-2011 and is ranked 28th in the world by Internet World Statistics. Neighbour Finland, with which Estonia has the most affinity, ranks 10th with 88.6 per cent (Singapore is ranked 30th with 77.2 per cent).

'The Estonian digital signature system, e-elections, e-police, the state portal, e-banking, e-health, e-school, e-tax declarations, the latest e-census, prove that we are e-believers,' Mr Ilves wrote in an Estonian newsletter on March 22. 'We are proud of being pioneers in e-government - as well as one of the hottest spots in the start-up scene, with Skype being born in Estonia.'

To enable citizens and visitors to use the Internet freely and fully, the country offers free Wi-Fi, even on moving buses and trains, and has a working e-health-care system where all medical records are online. 'You are the owner of the data,' Mr Ilves said. 'You have access to everything as a citizen.'

Even legal documents can be signed online and are accepted as original.

What is not normal, especially in Europe, is Estonia's balanced budget, tiny public debt, flat-rate income tax, free trade regime, a competitive commercial banking sector, and a real growth rate of 7.9 per cent while much of Europe bleeds.

'We're copying Singapore in many ways,' Estonia's youthful Prime Minister Andrus Ansip told the visiting journalists from the Singapore Press Club. 'Like Singapore, our focus is on services, including e-services. We also have a growing industrial sector.'

Estonia's GDP was about US\$22.5 billion (S\$28.1 billion) as at end-2011, compared to Singapore's US\$266.5 billion. Services account for about 68 per cent of Estonia's GDP, compared to 73 per cent for Singapore. And industrial output forms 29 per cent of GDP in Estonia, similar to 26 per cent for Singapore. Estonia's GDP per capita is about US\$20,200 - compared to Singapore's US\$59,900.

One prominent entrepreneur is Singapore-based Sonny Aswani, director of the Tolaram Group. He bought an old textile mill in 1995 and has since set up a paper and pulp manufacturing plant, called Horizon Pulp & Paper, off Tallinn, Estonia's capital city.

'This is Estonia's only producer of packaging paper which we export to 55 countries,' Mr Aswani told journalists in Tallinn. 'The factory was set up in 1939 and has undergone many modernisation programmes since. It also produces green energy for its own consumption.'

Mr Aswani is a Singapore citizen, an honorary Estonian citizen, and Estonia's Honorary Consul to Singapore since 2008.

'When Estonia became independent from the USSR in 1991, Tallinn did not have a masterplan,' Mr Aswani said. 'On the outskirts of the Old Town was a shoe factory under the Soviet regime which we acquired and converted into a 33,000 sq m Business Park, the largest real estate under one development in Tallinn. We sold it to Denmark-based Pan Baltic Property Trust in 2007.'

His group also has interests in real estate in Estonia and owns an upmarket club, as well as the former KGB HQ in Tallinn. 'That acquisition marked our first residential property development foray in Estonia,' Mr Aswani said. 'We plan to convert the building into luxurious high-end inner city apartments.'

The group also owns Horizon Tissue, which produces toilet rolls, kitchen towels and printed napkins. It is a leading supplier of private label brands in Scandinavian and Baltic countries.

'We are expanding manufacturing capacity and are setting up a new greenfield tissue paper production plant,' Mr Aswani said. 'This plant will recycle waste paper and will be commissioned next year.'

Mr Aswani decided to move his businesses from Russia to Estonia after just a couple of visits to Tallinn. 'The country has a modern market-based economy and joined the European Union in 2004,' he said.

'Estonia offers financial freedom, fair property rights and flat income, and corporate tax rates which are relatively low, compared with other countries in Europe. According to the Ernst & Young Euro Zone Spring 2011 Forecast, Estonia will be the fastest-growing economy in the euro zone over the next four years.'

That growth almost ground to a halt on April 27, 2007 when a massive bombardment of cyber-attacks originating in Russia crippled websites of the Estonian Parliament, banks, ministries, newspapers and broadcasters.

In retrospect, that was probably a blessing in disguise. In October 2007, Nato approved the setting up of the Cooperative Cyber Defence Centre of Excellence in Tallinn 'to provide a capability to assist allied nations, upon request, to counter a cyber-attack'. The centre has about 30 IT experts and conducts research and training on cyber security.

ESTONIA

- ❖ GDP (Dec 2011): US\$22.5 billion
- ❖ Real growth rate (2011):7.9%
- ❖ GDP per capita (2011):US\$20,200
- ❖ GDP contribution, agriculture: 2.6%
- ❖ GDP contribution, industry:29.2%
- ❖ GDP contribution, services:68.2%
- ❖ Population: 1.27 million
- ❖ Population growth rate:-0.65%
- ❖ Median age: 40.5 years
- ❖ Labour force: 685,400
- ❖ Unemployment: 12.1%
- ❖ Internet penetration: 77.5%

SINGAPORE

- ❖ GDP (Dec 2011): US\$266.5 billion
- ❖ Real growth rate (2011):4.9%
- ❖ GDP per capita (2011):US\$59,900
- ❖ GDP contribution, agriculture: 0%
- ❖ GDP contribution, industry:26.6%
- ❖ GDP contribution, services:73.4%
- ❖ Population: 5.35 million
- ❖ Population growth rate:1.9%
- ❖ Median age: 40 years
- ❖ Labour force: 3.22 million
- ❖ Unemployment: 2%
- ❖ Internet penetration: 77.2%

Source: CIA Factbook, Internet World Statistics, Wired Dec 2011

The writer was previously BizIT Editor with The Business Times & is currently regional head of cloud at Dell. He was a member of the Singapore Press Club delegation that visited Estonia.