

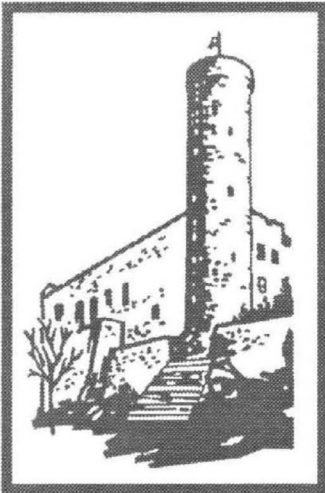
area handbook series

Estonia, Latvia, and Lithuania country studies



Estonia, Latvia, and Lithuania country studies

Federal Research Division
Library of Congress
Edited by
Walter R. Iwaskiw
Research Completed
January 1995



On the cover: Toompea Castle, Tallinn (upper left);
tower of the Dome Cathedral, Riga (right); and way-
side wooden sculpture near Druskininkai, Lithuania

First Edition, First Printing, 1996.

Library of Congress Cataloging-in-Publication Data

Estonia, Latvia, and Lithuania : country studies / Federal
Research Division, Library of Congress ; edited by Walter
R. Iwaskiw — 1st ed.

p. cm. — (Area handbook series, ISSN 1057-5294)

(DA pam ; 550-113)

"Research completed January 1995."

Includes bibliographical references (pp. 267-279) and
index.

ISBN 0-8444-0851-4 (hard cover : alk. paper)

——— Copy 3 Z663.275 .E86 1996

1. Baltic States. I. Iwaskiw, Walter R., 1958- . II.
Library of Congress. Federal Research Division. III.
Series. IV. Series: DA pam ; 550-113.

DK502.35.E86 1996

96-4057

947'.4—dc20

CIP

Headquarters, Department of the Army
DA Pam 550-113

Foreword

This volume is one in a continuing series of books prepared by the Federal Research Division of the Library of Congress under the Country Studies/Area Handbook Program sponsored by the Department of the Army. The last two pages of this book list the other published studies.

Most books in the series deal with a particular foreign country, describing and analyzing its political, economic, social, and national security systems and institutions, and examining the interrelationships of those systems and the ways they are shaped by historical and cultural factors. Each study is written by a multidisciplinary team of social scientists. The authors seek to provide a basic understanding of the observed society, striving for a dynamic rather than a static portrayal. Particular attention is devoted to the people who make up the society, their origins, dominant beliefs and values, their common interests and the issues on which they are divided, the nature and extent of their involvement with national institutions, and their attitudes toward each other and toward their social system and political order.

The books represent the analysis of the authors and should not be construed as an expression of an official United States government position, policy, or decision. The authors have sought to adhere to accepted standards of scholarly objectivity. Corrections, additions, and suggestions for changes from readers will be welcomed for use in future editions.

Louis R. Mortimer
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Acknowledgments

The authors are indebted to the numerous individuals and organizations who contributed to the preparation of this volume. Valuable advice was provided by Stephen R. Burant and Jonathan Bemis of the Department of State. The collection of data was assisted by the contributions of the embassies of Estonia, Latvia, and Lithuania. Sincere thanks go to all individuals who so graciously allowed their photographs to be used in this study, particularly to Priit Vesilind, from whose vast collection many photographs were selected.

The authors gratefully acknowledge Ralph K. Benesch, who oversees the Country Studies/Area Handbook Program for the Department of the Army, and Sandra W. Meditz, the Federal Research Division's coordinator of the handbook series, for her guidance and suggestions. Special thanks also go to Marilyn L. Majeska, who supervised editing; Andrea T. Merrill, who managed production; David P. Cabitto, who provided graphics support and, together with the firm of Maryland Mapping and Graphics, prepared the maps; Thomas D. Hall, who assembled the materials for the maps; Wayne Horne, who prepared the illustrations on the title page of each chapter and on the book cover; Pirkko M. Johnes, who researched and drafted the country profiles; and Helen Fedor, who coordinated the acquisition of photographs. The following individuals are gratefully acknowledged as well: Vincent Ercolano and Janet Willen, who edited the text; Beverly Wolpert, who performed the final pre-publication editorial review; Barbara Edgerton and Izella Watson, who did the word processing; Victoria Agee, who compiled the index; and David P. Cabitto, Stephen C. Cranton, Janie L. Gilchrist, and Izella Watson, who prepared the camera-ready copy.

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Preface

Estonia, Latvia, and Lithuania: Country Studies is the latest in a new subseries examining the fifteen newly independent states that emerged from the disintegration of the Soviet Union at the end of 1991. Hitherto, aside from their coverage in the 1991 *Soviet Union: A Country Study*, none had received individual treatment in the Country Studies/Area Handbook series. This volume aims to provide an overview of the history, Soviet legacy, and post-Soviet development of the Baltic states, whose first modern period of independence (1918–40) was a casualty of the 1939 Nazi-Soviet Nonaggression Pact. The authors describe the quest of Estonia, Latvia, and Lithuania for self-determination, their struggle to reestablish independent statehood, and their attempts to cope with the political, economic, and social problems confronting them in the 1990s.

Transliteration of all Slavic names generally follows the system developed by the United States Board on Geographic Names (BGN). Conventional English-language variants, such as Moscow and Yeltsin (rather than Moskva and Yel'tsin), are used when appropriate. Estonian, Latvian, and Lithuanian names appearing in the text of this volume regrettably are missing some diacritics because the typesetting software being used cannot produce all the necessary diacritics (although they do appear on the maps). Measurements are given in the metric system; a conversion table is provided in the Appendix.

The body of the text reflects information available as of January 1995. Certain other portions of the text, however, have been updated. The Introduction discusses significant events and changes that have occurred since the completion of research; the Chronology, Country Profiles, and Glossary include updated information as available; and the Bibliography lists recently published sources thought to be particularly helpful to the reader.

Table A. Chronology of Important Events

Period	Description
CA. 2500–1500 B.C.	Finno-Ugric and proto-Baltic tribes settle on Baltic shores.
FIRST CENTURY–SIXTH CENTURY A.D.	Early Baltic peoples experience rapid cultural progress and expansion of trade with Roman Empire and Germanic tribes.
EIGHTH CENTURY–TWELFTH CENTURY	Scandinavian Vikings and, subsequently, Slavic tribes engage in trade and war with Baltic peoples.
THIRTEENTH CENTURY	Northern Estonia conquered by Danes and rest of Estonia and Latvia by Germans.
1253	Mindaugas crowned king of Lithuania.
FOURTEENTH CENTURY	Grand Duke Gediminas and his descendants expand Lithuania's territories southward to Black Sea.
1343–45	Estonian peasant uprising prompts Danes to relinquish control of northern Estonia to Germans.
SIXTEENTH CENTURY	
1558–83	Army of Russian tsar Ivan IV (the Terrible) invades Livonia; Sweden and Poland help repel invasion.
1569	Lithuania unites with Poland, forming Polish-Lithuanian Commonwealth.
1584	Northern Estonia incorporated into Sweden's Duchy of Estland.
SEVENTEENTH CENTURY	
1629	Swedish-Polish struggle for control of Livonia ends with Poland's being forced to cede entire territory, except southeastern province of Latgale, to Sweden.
1632	Tartu University founded by Swedes.
EIGHTEENTH CENTURY	
1710	Russian tsar Peter I (the Great) succeeds in wresting control of Estland and Livland (southern Estonia and northern Latvia) from Sweden.
1795	Poland partitioned; Lithuania annexed by Russian Empire.
NINETEENTH CENTURY	
1816–19	Serfdom formally abolished in Estland and Livland.
TWENTIETH CENTURY	
1905	Tsarist Russian authorities respond with violence and repression to Baltic demands for radical political change during Revolution of 1905.
1917	Tsar Nicholas II abdicates Russian throne; tsarist regime collapses. Russian provisional government allows Estonia's territorial unification as one province. Bolsheviks take power in Russia and make significant political inroads in Baltic region.
1918 February	Estonia and Lithuania proclaim independence.

Table A. Chronology of Important Events

Period	Description
November	Latvia proclaims independence.
1918–20	Baltic states engage in war to defend independence; Bolshevik, White Russian, German, Polish, and other forces struggle for control of territories. Lithuania fails to regain Polish-occupied Vilnius region.
1920	Baltic states sign peace treaties with Soviet Russia; Moscow recognizes their independence and renounces all claims to their territories.
1920–22	Land reform carried out in Baltic states. Democratic constitutions introduced.
1921	Estonia, Latvia, and Lithuania admitted to League of Nations.
1923	Lithuania annexes Klaipeda region.
1924	Soviet-backed communist coup attempt in Estonia fails.
1926–29	Military coup in Lithuania; authoritarian regime gradually introduced.
1934	State of emergency declared in Estonia and Latvia amidst growing political instability; parliaments suspended and authoritarian regimes introduced.
1939	August Nazi-Soviet Nonaggression Pact signed; Estonia, Latvia, and, soon, Lithuania assigned to Soviet sphere of influence.
	October Baltic states pressured into signing treaties allowing Moscow to station troops on their soil; Vilnius given back to Lithuania.
1940	Red Army occupies Estonia, Latvia, and Lithuania; pro-Soviet governments "elected," and Baltic states annexed to Soviet Union.
1941	June Soviet authorities arrest and deport tens of thousands of Estonians, Latvians, and Lithuanians to Siberia; deportations interrupted by Nazi Germany's invasion of Soviet Union; Lithuanian resistance movement launches revolt against Soviet rule.
1941–45	Baltic states under German occupation; Nazi regime institutes compulsory draft of Balts into labor or military service; Jews and Gypsies subjected to mass annihilation; nationalist and communist resistance movements active.
1944–45	Soviet forces reoccupy Estonia, Latvia, and Lithuania; hundreds of thousands of refugees flee to West.
1945–52	Anti-Soviet guerrilla war in Baltic republics claims tens of thousands of casualties on both sides.
1947–51	Agriculture collectivized in Baltic republics.
1949	March Soviet authorities resume campaign of terror in Estonia, Latvia, and Lithuania; more than 100,000 people from Baltic republics deported to Siberia.

Table A. Chronology of Important Events

Period	Description	
1953	Repression eases after death of Joseph V. Stalin.	
1959	Nikita S. Khrushchev purges Eduards Berkļavs and other national communists in Latvia.	
1968	Repression increases after Soviet invasion of Czechoslovakia; dissident movement grows, particularly in Lithuania.	
1970–82	Period of stagnation under Leonid I. Brezhnev; living standards decline; Russification intensifies.	
1972	Lithuanian student Romas Kalanta immolates himself in protest against Soviet rule.	
1973	Publication of <i>The Chronicle of the Catholic Church in Lithuania</i> begins.	
1985	Mikhail S. Gorbachev introduces policies of <i>glasnost</i> and <i>perestroika</i> .	
1987–88	Baltic dissidents hold public demonstrations in Tallinn, Riga, and Vilnius.	
1988	April June October November	Estonian Popular Front founded. Estonian communist leader Karl Vaino removed. Sajudis founded in Lithuania. Popular Front of Latvia holds first congress. Sajudis congress in Lithuania elects Vytautas Landsbergis chairman. Algirdas Brazauskas becomes Lithuanian communist leader. Estonian Supreme Soviet adopts declaration of sovereignty.
1989	March May July August December	Soviet loyalist Intermovement founded in Estonia. Lithuanian Supreme Soviet proclaims Lithuania's sovereignty. Latvian Supreme Soviet adopts declaration of sovereignty. Human chain forms from Tallinn to Vilnius as a protest on fiftieth anniversary of Nazi-Soviet Nonaggression Pact. Intermovement stages strikes in Estonia. Communist Party of Lithuania splits from Communist Party of the Soviet Union.
1990	February March April May	Elections held for Congress of Estonia, rival parliament to Estonian Supreme Soviet. Lithuanian Supreme Soviet elects Vytautas Landsbergis chairman of presidium; votes for declaration of independence. Estonian Supreme Soviet votes for transition to independence. Moscow imposes economic blockade on Lithuania. Baltic Agreement on Economic Cooperation signed by Estonia, Latvia, and Lithuania. Latvian Supreme Council votes for transition to independence. Baltic countries renew 1934 Baltic Treaty on Unity and Cooperation.

Table A. Chronology of Important Events

Period	Description
	June Lithuanian Supreme Council agrees to six-month moratorium on independence declaration; Moscow lifts economic blockade.
1991	January Lithuanian prime minister Kazimiera Prunskiene resigns after dispute with Vytautas Landsbergis. Soviet military intervention in Vilnius and Riga results in massacre of civilians.
	February–March Referenda in Estonia, Latvia, and Lithuania show overwhelming support for independence.
	August Estonian Supreme Council and Latvian Supreme Council vote for full independence following coup in Moscow; coup collapses; Baltic states restore diplomatic relations with many countries.
	September Soviet Union recognizes independence of Baltic states. Estonia, Latvia, and Lithuania admitted to United Nations.
	November Estonian Supreme Council decides to require naturalization of Soviet-era immigrants.
1992	January Estonian prime minister Edgar Savisaar resigns; Tiit Vähi forms new government. Latvian Supreme Council reaffirms validity of Latvia's pre-Soviet borders.
	June New Estonian constitution adopted by referendum.
	July Lithuanian prime minister Gediminas Vagnorius resigns after vote of no confidence; replaced by Aleksandras Abisala.
	September Election of new parliament, Riigikogu, in Estonia yields center-right coalition government led by Fatherland Party (Isamaa).
	October Lithuanian Democratic Labor Party wins absolute majority of seats in Seimas; Algirdas Brazauskas elected chairman; Sajudis fares poorly. Lennart Meri elected president of Estonia; Mart Laar becomes prime minister.
	October–November Lithuania's new constitution approved by referendum and adopted by Seimas.
	December Seimas chairman Brazauskas appoints Bronislovas Lubys prime minister of Lithuania.
1993	February Algirdas Brazauskas elected president of Lithuania.
	March Lithuanian prime minister Bronislovas Lubys resigns; replaced by Adolfas Slezevicius.
	June Political crisis in Estonia follows passage of Law on Aliens; measure amended after presidential veto. Latvia's Way finishes first in first post-Soviet national elections to Saeima.
	July Saeima restores 1922 constitution and elects Guntis Ulmanis president of Latvia; Valdis Birkavs becomes prime minister.
	August Russian military forces withdrawn from Lithuania.

Table A. Chronology of Important Events

Period	Description	
October	Isamaa fares poorly in Estonia's first post-Soviet local elections; Tiit Vähi's Coalition Party finishes first.	
1994	May	Latvian National Independence Movement finishes first in Latvia's first post-Soviet local elections; ex-communists fare worst.
	July	Ruling coalition in Latvia breaks up; Birkavs government resigns.
	August	Russian military forces withdrawn from Estonia and Latvia. Citizenship bill signed into law in Latvia; controversial restrictive quota on naturalization excluded.
	September	Estonian prime minister Mart Laar loses vote of no confidence; Andres Tarand confirmed as prime minister. Maris Gailis confirmed as prime minister of Latvia.
1995	February	Latvia admitted to Council of Europe, after abandoning restrictive quotas on naturalization.
	March	Coalition Party-Rural Union alliance finishes first in Estonian parliamentary elections; Russophone community gains representation. Lithuanian Democratic Labor Party fares poorly in local elections.
	April	Tiit Vähi confirmed as Estonia's prime minister.
	May	Latvia's Baltija Bank collapses.
	July	Lithuanian economics minister Aleksandras Vasiliauskas resigns after cabinet dispute over economic reform.
	September–October	Democratic Party Saimnieks finishes first in Latvian parliamentary elections; followed closely by far-right For Latvia.
	October	Estonian interior minister Edgar Savisaar implicated in scandal; Vähi government resigns.



Figure 1. Estonia, Latvia, and Lithuania: Geographic Setting, 1995

Introduction

FORCIBLY ANNEXED TO THE SOVIET UNION fifty-one years earlier, the Baltic states—Estonia, Latvia, and Lithuania—regained independence in 1991 after an abortive coup in Moscow that accelerated the collapse of the Soviet regime. Having been, in the words of former British foreign secretary Douglas Hurd, "stolen or kidnapped from the European family," these nations embarked on a course of political and economic restructuring and reintegration with the West. Their experience with independent statehood and, to a lesser extent, with democracy in the 1920s and 1930s (an advantage not enjoyed by the other former Soviet republics), as well as their ability to maintain a strong sense of national identity under foreign hegemony, has helped them in their efforts to deal with the legacies of Soviet rule. The challenges, nonetheless, remain formidable.

A major demographic shift occurred during the Soviet era in the Baltic region, particularly in Estonia and Latvia, where, according to the 1989 census, the titular nationalities accounted for only 61.5 and 52 percent, respectively, of each country's population. The Russians, by far the largest ethnic minority, made up 30.3 percent of Estonia's population and 34 percent of Latvia's. There were high concentrations of Russians in Tallinn, Riga, and Vilnius—the capital cities of the Baltic republics. Encouraged by the Soviet authorities, a massive influx of immigrants reduced Latvians and Estonians to minority status in a number of their largest cities. After independence, Estonia and Latvia faced the challenge of integrating into their political life these large, mostly insular Russophone communities, whose loyalty to the new states had yet to be demonstrated, without jeopardizing their hard-won independence. Unlike Lithuania, whose higher birth rate and larger indigenous work force permitted the republic to maintain an approximately 80 percent share of ethnic Lithuanians, Latvia and Estonia refused to grant automatic citizenship to the Soviet-era settlers. Lithuania's relatively small ethnic minorities, of which the Russians and the Poles are the most significant, have been easier to accommodate.

The issue of ethnic minority rights in Latvia and Estonia gained prominence primarily in the international arena, espe-

cially in 1992 and 1993 when Moscow tried to link it to the departure of Russian (former Soviet) troops from the two countries. Under Western diplomatic pressure, Russian military forces finally were withdrawn in August 1994, yet Moscow continued to view the region as "the near abroad," an area contiguous to Russia and within its sphere of influence. To punish its former colonies—Latvia and Estonia, for allegedly mistreating their Russian minorities, and Lithuania, for refusing to legitimate Russia's right of military transit to and from the exclave of Kaliningrad—Moscow resorted to economic measures. The Russian government levied prohibitive tariffs on imports of Baltic goods and raised prices on Russian fuel and other essential commodities. These actions spurred on efforts by the three countries to mitigate their geopolitical and economic vulnerability through the development of stronger relationships with the West.

In 1994 Estonia, Latvia, and Lithuania signed and ratified free-trade agreements with the European Union (EU—see Glossary), and in 1995 each country signed an Association Agreement with the EU. Estonia and Lithuania became members of the Council of Europe (see Glossary) in 1993; Latvia was admitted in 1995, after its parliament backed down from a controversial quota system that would have restricted the naturalization of permanent residents. All have joined the North Atlantic Cooperation Council, the Organization for Security and Cooperation in Europe, and the Partnership for Peace program of the North Atlantic Treaty Organization (NATO), and all have participated in NATO exercises. They have reaffirmed their desire to join NATO, in spite of Russia's hostile reaction. That reaction included a warning in September 1995 from Russian deputy foreign minister Sergey Krylov that his country reserves the right to employ military, economic, and political measures to prevent the Baltic states from becoming members of the NATO alliance. Shortly afterward, the Moscow newspaper *Komsomol'skaya pravda* quoted high-level Russian military sources discussing a draft military doctrine that would authorize the invasion of Estonia, Latvia, and Lithuania if they were to join NATO.

On the domestic front, although the political exclusion of many Soviet-era immigrants in Estonia and Latvia could impede the process of building stable democratic systems, there has been no political violence against the Russophone population and less ethnic tension than in many other newly

independent states. In Latvia 62 percent of the Russian speakers interviewed in a public opinion survey in the fall of 1993 described relations between their group and the ethnic Latvian population as good; only 22 percent said relations were not good. In Estonia 87 percent of the local Russians polled in late 1994 indicated that they had experienced few or no problems with the indigenous population, and 92 percent wanted to stay in the country. According to Aleksandr Kinsburskiy, a Moscow sociologist who studies Russian minorities in the former Soviet republics, "The overwhelming majority of ethnic Russians in Estonia have accepted the Estonian government's tough policy toward them and decided to adapt to it." They do not wish to relocate to Russia, if for no other reason than that they enjoy a higher standard of living in Estonia.

The Baltic countries generally have made greater progress in rebuilding their economies than Russia and the other former Soviet republics. Estonia, at the forefront of economic reform, was the first to introduce its own currency, which is fully convertible today. The country also has had considerable success in attracting foreign aid and investment and reorienting foreign trade to the West. Like Latvia and Lithuania, it has experienced painful economic downturns since reestablishing independence but in the mid-1990s was showing signs of a sustained economic recovery. The Economist Intelligence Unit estimated that Estonia's gross domestic product (GDP—see Glossary) grew by 4.7 percent in 1994 and predicted a growth rate of 5 percent in 1995, citing a continuing fall in unemployment and increases in capital equipment purchases, port and other transit volumes, and foreign trade. Detracting from an otherwise strong economic performance is a large trade deficit, which was estimated to be US\$389 million in 1994 and was expected to reach US\$600 million in 1995, although the government is taking steps to assist Estonian exporters.

More troublesome is the situation in neighboring Latvia following the collapse in May 1995 of Baltija Bank, the country's largest commercial bank. Baltija's collapse exposed serious weaknesses in what had been considered to be a healthy banking sector, shaking the confidence of foreign investors and dampening economic growth. Latvia's rate of GDP growth, which was earlier expected to increase from an estimated 2 percent in 1994 to 3 percent in 1995 and 4.5 percent in 1996, was scaled down to 1 percent in 1995 and 3 percent in 1996. Latvia

also has had to cope with a high unemployment rate (6.7 percent in June 1995) and a worsening budget deficit.

Controlling unemployment and balancing the budget are concerns shared by Lithuania as well, although declining foreign investment is a greater problem there. In part because, unlike Estonia and Latvia, it does not allow foreigners to own land and buildings, Lithuania has had greater difficulty in attracting foreign capital. Direct foreign investment in Lithuania totaled US\$170 million at the end of 1994, compared with US\$474 million in Estonia and US\$327 million in Latvia. Russian companies account for the largest number of joint ventures in Lithuania. Fluctuating industrial output and sales in 1995 made it difficult to determine to what extent the country's economy was recovering. Lithuania's GDP grew by an estimated 0.6 percent in 1994; a growth rate of 3 percent in 1995 was predicted.

Controversy in the Lithuanian Democratic Labor Party (LDLP) government over the pace of Lithuania's economic reform, which is the slowest overall in the Baltic region, resulted in the resignation of the economics minister, Aleksandras Vasiliauskas, in July 1995. Several other members of the cabinet disagreed with Prime Minister Adolfas Slezevicius, who advocated accelerating the pace of reform. Lithuania's banking sector, although more stable than that of Latvia, is arousing public concern and could divide the government further. In July some 1,000 people assembled for a rally in Vilnius to call for improved legislation to protect bank deposits and to demand the resignation of Prime Minister Slezevicius and President Algirdas Brazauskas for their failure to remedy the weakness of the banking and financial system. Another call for the resignation of the government came in September from the Fatherland Union, the main opposition grouping and successor to the Sajudis movement. The Fatherland Union accused the ruling LDLP, successor to the Communist Party of Lithuania, of condoning corruption, intentionally driving businesses to bankruptcy, and impoverishing the population. The opposition has also accused the government of taking a weak negotiating stance toward Russia, particularly over the issue of Russian military transit through Lithuanian territory.

Popular disenchantment with the ruling leftist government and with politics in general was evident in Lithuania's March 1995 local elections, which generated a low voter turnout and gave right-of-center parties more than half the total number of

seats. In April, however, the LDLP succeeded in winning a parliamentary by-election in the Kaisiadorys district. The March elections also showed an increase in political fragmentation: seventeen parties were registered in the elections; sixteen of the seventeen secured seats on local councils.

Even greater was the degree of fragmentation on Latvia's political scene in early 1995: more than forty parties prepared to contest the general elections in the fall. Many of these parties merged subsequently in an attempt to pass the threshold for parliamentary representation. After its defeat by the right-wing Latvian National Independence Movement in local elections one year earlier, the Latvia's Way government had just regained some ground in public opinion polls. The collapse of Baltija Bank and the ensuing financial crisis, however, seriously undermined its credibility. Moreover, many Latvians' patience with low wages and meager pension benefits had begun to wear thin. Foreign investment had increased and economic ties to the West had grown stronger, but corruption was widespread, and, according to official estimates, 20 percent of the population lived in poverty. (Unofficial estimates were much higher.)

With 14.6 percent of the vote, Latvia's Way finished third in the September 30–October 1, 1995, parliamentary elections. The center-left Democratic Party Saimnieks was in first place with 15.3 percent of the vote, followed closely by the far-right For Latvia with 15 percent. The latter party is headed by Joachim Siegerist, a failed German politician facing a prison sentence in Germany for inciting racial hatred. His political success in Latvia has stunned many people both in Latvia and abroad. Much of Siegerist's support has come from the country's most vulnerable citizens—young people and the elderly—who have been impressed by his efforts to distribute food, medicine, and clothing to the needy and his promises to crack down on corruption, stabilize the currency, and bring Latvia out of its "deep misery."

Dissatisfaction among elderly and rural voters, who had yet to experience the benefits of Estonia's economic revival, was an important factor in that country's general election in March 1995. Political infighting and bitter disputes among members of former Prime Minister Mart Laar's government, as well as charges of corruption, were other reasons that many voters rejected the center-right grouping of the Fatherland Party (Isamaa) and the Estonian National Independence Party, which received less than 8 percent of the vote. With nearly one-third

(32.2 percent) of the vote, the victorious center-left Coalition Party-Rural Union alliance, led by former Prime Minister Tiit Vähi, took forty-one of the parliament's 101 seats. Next came the staunchly pro-market Estonian Reform Party with 16.2 percent of the vote and the moderate Estonian Center Party with 14.2 percent. Six percent of the vote was garnered by Our Home is Estonia!, an alliance of two ethnic Russian parties. Thus, Estonia's Russophone community secured parliamentary representation.

After negotiating a coalition agreement with Edgar Savisaar, leader of the Estonian Center Party, Vähi was confirmed as prime minister in April and Savisaar became minister of interior. Although somewhat more mindful of the agrarian sector's concerns, the new government pursued policies essentially similar to those of its predecessor. In October, however, Savisaar was implicated in the bugging of conversations of several Estonian political leaders. Consequently, President Lennart Meri relieved Savisaar of his ministerial duties, and the government resigned. President Meri characterized the scandal as a crisis for democracy. Overcoming such crises posed yet another challenge for the nascent democratic institutions of the Baltic states.

October 14, 1995

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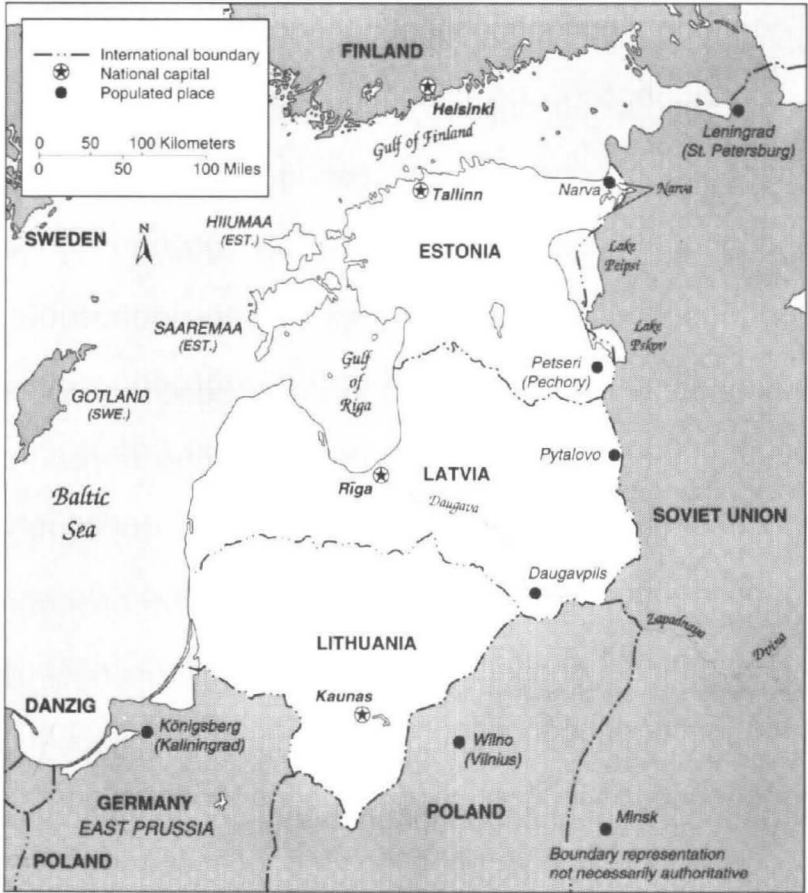
Following preparation of this manuscript, several significant events occurred in the Baltic states. In Estonia, shortly after the resignation of the government in October 1995, President Meri decided against holding early elections and asked outgoing Prime Minister Vähi to form a new government. Upon negotiating a coalition agreement with Siim Kallas, chairman of the Estonian Reform Party, Vähi was confirmed as prime minister, and Kallas became the foreign minister. Vähi pledged to continue the previous policies of economic reform and integration into European structures. He also stressed the need to reach an agreement with Moscow regarding the Estonian-Russian border, which had been shifted by Soviet leader Joseph V. Stalin at the end of World War II, in violation of the 1920 Tartu Peace Treaty (see fig. 2). The issue of the validity of the 1920

treaty remained unresolved, however, despite several rounds of border talks in late 1995 and early 1996.

Estonian-Russian relations were complicated further in February 1996, when the Estonian Orthodox Church left the jurisdiction of the Moscow Patriarchate and renewed canonical ties with the Ecumenical Patriarchate of Constantinople, the historical center of Orthodox Christianity. In protest against Ecumenical Patriarch Bartholomew's decision to resume his patriarchate's canonical jurisdiction over the Estonian Orthodox Church, Patriarch Aleksiy of Moscow suspended relations between the Russian Orthodox Church and Constantinople. Moreover, Aleksiy accused the Estonian government, which had recognized the newly independent church as the legal successor to the pre-World War II Estonian Orthodox Church, of "stripping the Russian Orthodox Church of its property rights." At Aleksiy's behest, Russian president Boris N. Yeltsin and Russia's Ministry of Foreign Affairs protested to the Estonian government as well.

Also in Estonia, the commander of the armed forces, General Aleksander Einseln, resigned in December 1995. Einseln, a retired United States Army colonel, resigned at President Meri's demand, following a political row with Defense Minister Andrus Oovel. In January 1996, the Estonian parliament approved Meri's nomination of Colonel Johannes Kert, previously commander of the country's paramilitary Defense League (Kaitseliit), as the new commander of the armed forces. In a February address to the Estonian community in Stockholm, Einseln attacked Oovel as a communist who had regained power.

In Lithuania the refusal of Prime Minister Slezevicius to resign after he was implicated in a banking scandal impelled President Brazauskas to ask the Lithuanian parliament, the Seimas, to vote in February 1996 on the dismissal of Slezevicius from office. The banking scandal had erupted in December 1995, when Lithuania's two largest commercial banks, LAIB and Litimpex, were declared insolvent and their accounts frozen. Slezevicius prematurely terminated a fixed-term, high-interest account with LAIB two days before the bank's operations were suspended, prompting media reports that he had used inside information to withdraw his savings and angering thousands of depositors. In January 1996, President Brazauskas asked Slezevicius to resign as prime minister, but, with the backing of the leadership of the ruling LDLP, Slezevicius



Source: Based on information from Anatol Lieven, *The Baltic Revolution*, New Haven, 1993, 63; and Toivo V. Raun, *Estonia and the Estonians*, Stanford, California, 1987, 138, 221.

Figure 2. *Estonia, Latvia, and Lithuania, 1938*

refused. In February the Seimas voted by a wide margin to approve a presidential decree dismissing Slezevicius. One month later, under pressure from many LDLP members, Slezevicius was also ousted as party chairman.

After Prime Minister Slezevicius's dismissal, Brazauskas nominated Mindaugas Stankevičius for the post. Stankevičius, hitherto the minister for government reform and local rule, was confirmed promptly. He retained twelve of the nineteen ministers who had served in the previous government, and he pledged to continue the policies of economic reform and integration into the EU and other European bodies. His govern-

ment's objectives included admission to NATO, the gradual demilitarization of the neighboring Russian exclave of Kaliningrad, the reduction of Lithuania's dependence on fuel imports from Russia, and the bringing of Lithuania's economic legislation into line with EU standards. Stankevicius also stated that he would give priority to stabilizing and strengthening Lithuania's banking system, stabilizing the national currency, reducing inflation, and improving the social security system.

The strengthening of relations with Poland has become a highlight of Lithuania's foreign policy. In March 1996, President Brazauskas and his Polish counterpart, Aleksander Kwasniewski, met in Vilnius to discuss a broad range of political and security issues. They agreed to coordinate their countries' efforts to gain membership in the EU and NATO, to establish joint airspace control, to allow mutual military overflights under an "open sky policy," to form a joint battalion, and to hold joint military exercises. The two sides also agreed to cooperate in building the Via Baltica highway and a new railroad between Lithuania and Poland, and they reaffirmed their opposition to a Russian-Belarusian proposal to build a highway across either Lithuanian or Polish territory to the heavily militarized Russian exclave of Kaliningrad.

Lithuania and the neighboring Baltic country of Latvia, however, had yet to agree on the demarcation of their common maritime border. The subject of their dispute is a continental shelf area considered rich in oil deposits, where Latvia has unilaterally awarded drilling rights to a United States-Swedish joint venture. Latvian-Lithuanian border talks had been expected to begin in late 1995 but were canceled because of protracted government crises in the two countries. Talks on demarcating the Latvian-Estonian border in the Gulf of Riga were held in February 1996 in Stockholm but did not produce an agreement.

The failure of rival political blocs in Latvia's parliament, the Saeima, to reach an agreement repeatedly obstructed the formation of a new government after the country's September-October 1995 general election. The impasse finally ended in December when President Guntis Ulmanis nominated Andris Skele as prime minister. Skele, a professional agronomist and successful entrepreneur, had widespread appeal as a respected nonpolitical figure and was confirmed shortly afterward.

In December 1995, Latvian government representatives joined their counterparts from Estonia and Lithuania in Madrid to lobby EU leaders assembled there for equal consid-

eration for admission to the EU. Some EU officials and member governments had favored giving priority to the Czech Republic, Poland, and Hungary, but the efforts of the Baltic governments resulted in a decision to treat the Central European and Baltic countries equally. Discussions with individual countries are to begin after mid-1997.

Also in December 1995, the governments of the Baltic countries made final plans for the participation of their armed forces in the Bosnia peacekeeping operation under the command of NATO. Each country will assign one platoon, which will become integrated with NATO forces. Before being airlifted to Bosnia, the Baltic platoons will train with Danish forces in Denmark, a NATO country with which the Baltic countries have established close military cooperation. The Baltic contingent's close integration with the troops of NATO countries is seen by the Baltic countries as an important step toward meeting NATO military standards and toward eventually joining the alliance.

The first joint military force of the three Baltic countries, the Baltic Battalion, held its first combat exercise in Latvia in January and February 1996. It was the largest military exercise held in the Baltic states since they regained their independence in 1991 and the first joint exercise of troops from the three countries. Britain, Norway, Denmark, and Sweden provide military assistance to the integrated battalion. Other forms of military cooperation among the Baltic states are to include linking the three countries' airspace surveillance systems, engaging in joint mine-laying and mine-sweeping operations in the Baltic Sea, and harmonizing equipment and logistics. Moreover, in March 1996 senior naval officials of Estonia, Latvia, and Lithuania met in Tallinn to discuss plans for the formation of a joint naval squadron and joint naval training groups.

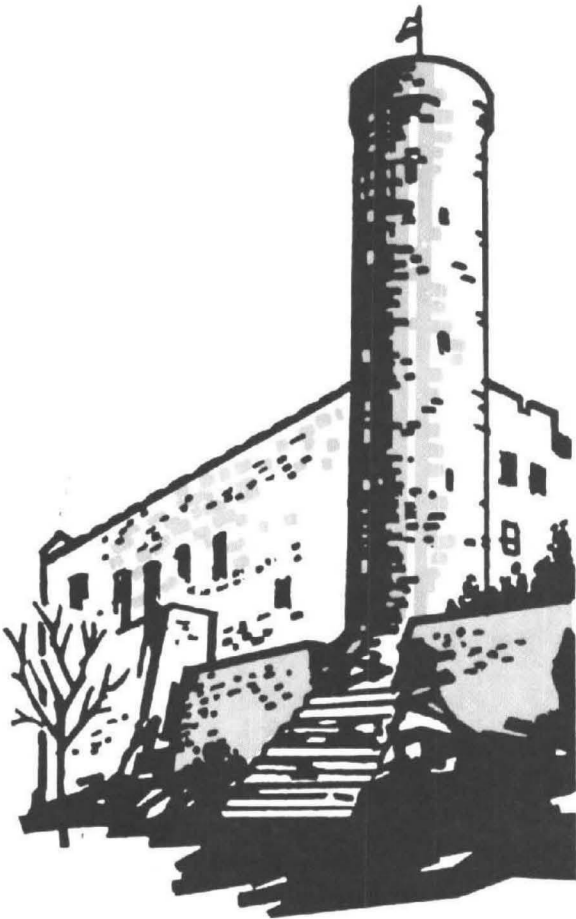
Safeguarding their security continues to be the foremost concern of the Baltic states. At a briefing after the first exercise of the Baltic Battalion, the defense ministers of Estonia, Latvia, and Lithuania reaffirmed their countries' common goal of joining NATO. Recent developments in Russia, most notably the Russian Duma's nonbinding resolution of March 15, 1996, declaring the dissolution of the Soviet Union illegal, have reinforced the fear of Russian revanchism. Estonian foreign minister Kallas characterized the action by the communist-dominated lower house of the Russian parliament as "an inten-

tion to recreate the Soviet Union, which would pose a threat to the entire world. The world should be concerned, not just us."

March 20, 1996

Walter R. Iwaskiw

Chapter 1. Estonia



Toompea Castle, Tallinn

Country Profile

Country

Formal Name: Republic of Estonia (Eesti Vabariik).

Short Form: Estonia (Eesti).

Term for Citizen(s): Estonian(s).

Capital: Tallinn.

Date of Independence: During abortive Soviet coup, declared immediate full independence August 20, 1991; Soviet Union granted recognition September 6, 1991. February 24, Independence Day, national holiday; on this day in 1918, independent Republic of Estonia proclaimed.

Geography

Size: 45,226 square kilometers (land area 43,200 square kilometers), slightly larger than Vermont and New Hampshire combined; includes 1,520 islands in Baltic Sea.

Topography: Mostly low-lying land with many lakes, rivers, and forests. Forest 1.8 million hectares, arable land 926,000 hectares, meadows 252,000 hectares, and pastureland 181,000 hectares. Highest elevation 318 meters.

Climate: Temperate, influenced by Eurasian land mass to east, Baltic Sea to west, and North Atlantic Ocean farther west. Cool summers and mild winters. Rainfall moderate, averaging about 568 millimeters per year.

Society

Population: 1,506,927 (1994 estimate). Population declined in early 1990s because of negative natural growth rates and net out-migration. In 1993 birth rate 10.0 per 1,000 population; death rate 14.0 per 1,000 population. Total fertility rate 2.0

children per woman in 1994. Population density 33.7 persons per square kilometer. Life expectancy 70.0 years in 1994 (65.0 years for males and 75.2 years for females).

Ethnic Groups: According to 1989 census, Estonians 61.5 percent, Russians 30.3 percent, Ukrainians 3.1 percent, Belorussians 1.7 percent, Finns 1.1 percent, and others (including Jews, Tatars, Germans, Latvians, and Poles) 2.3 percent. In 1994 estimates of Estonian and Russian groups 63.9 percent and 29.0 percent, respectively.

Languages: Official language Estonian; Russian, Ukrainian, Belarusian, Finnish, and other languages also used.

Religion: Predominantly Evangelical Lutheran. Other denominations include Orthodox Christian, Old Believer, Methodist, Baptist, Seventh-Day Adventist, Jewish, and Roman Catholic.

Education: Estonian-language schools have twelve years of education (nine in elementary schools and three in secondary schools). Russian-language education lasts eleven years. Education compulsory to ninth grade. In 1993 some 215,000 elementary and secondary school students in 724 schools. About 142,000 students enrolled in Estonian-language schools and 70,000 in Russian-language schools. Individual schools offered instruction in other languages as well. Seventy-seven vocational schools, in which about 26,000 students enrolled. Literacy nearly universal. According to 1989 census results, 99.7 percent of adult population literate.

Health and Welfare: In 1992 thirty-two doctors and ninety-two hospital beds per 10,000 inhabitants, but shortage of auxiliary staff. Retirement pensions very low (about EKR260 per month); other welfare benefits include financial support for invalids, low-income families, and families having three or more children.

Labor Force: 785,500 (August 1994); industry 33 percent, agriculture 12 percent, education and culture 10 percent, construction 10 percent. Services sector, accounting for 44.7 percent of employment, was the most developed in former Soviet Union and is expected to expand.

Economy

Gross National Product (GNP): Estimated at US\$4.7 billion in 1993; per capita income US\$3,040. Gross domestic product (GDP) declined from 8,681 million Russian rubles (as expressed in 1990 Russian rubles) in 1989 to 5,320 million Russian rubles in 1993. Annual rate of inflation, which had averaged 3.3 percent in 1980s, jumped to 1,000 percent in 1992. By 1993 government's radical budgetary and monetary reform program had reduced rate of inflation substantially to an average of 2 to 3 percent per month. Rate of inflation averaged 3.5 percent per month in 1994. Annual decline in output, recorded in all sectors in 1991–92, slowed in 1993 and reversed in 1994. Real GDP grew by an estimated 5.0 percent in 1994.

Agriculture: Sector small but largely self-sufficient; in 1991 contributed 15.4 percent of GDP and 12 percent of employment. Fishing and animal husbandry among main activities. About 30 percent of land cultivable; principal crops grains, potatoes, and vegetables. Agricultural production declined by an estimated 19 percent in 1992 and by 22 percent in 1993.

Industry: 42.5 percent of GDP in 1992; main products electricity, oil shale, chemical products, electric motors, textiles, furniture, cellulose and paper products, building materials, ships, and processed foods. Industrial production estimated to have declined by 39 percent from 1991 to 1992, and by 27 percent in 1993. Overall output increased by an estimated 7 percent in 1994.

Energy: Produces roughly 23 million tons of oil shale per year; exports electrical energy but depends heavily on imports of oil and natural gas.

Exports: US\$827 million (1993 estimate). Major commodities foodstuffs and animal products, textiles and footwear, base metals and jewelry, minerals, glassware, wood products, furniture, and machinery.

Imports: US\$902 million (1993 estimate). Major commodities

machinery and transport equipment, mineral products, textiles, food products, and fuel.

Major Trading Partners: Finland, Russia, Germany, Latvia, Lithuania, Netherlands, Denmark, Ukraine, Japan, and United States.

Currency and Exchange Rate: 1 kroon (EKR) = 100 cents; pegged to German deutsche mark (DM) within 3 percent of EKR8 = DM1. In March 1996, EKR11.83 = US\$1.

Fiscal Year: Calendar year.

Transportation and Telecommunications

Roads: 30,300 kilometers total; 29,200 kilometers with hard surface, 1,100 kilometers unpaved. Bus routes exist to Poland, Germany, and Denmark. Bus and taxi service within Tallinn and surrounding area good. Rental automobiles available.

Railroads: 1,126 kilometers of railroads, of which 132 kilometers electrified (1993). Chief center Tallinn. Main lines link Tallinn with Narva and St. Petersburg, Tartu with Pskov (Russia), and Pärnu with Riga (Latvia). Train service available to Moscow, St. Petersburg, and Warsaw.

Civil Aviation: Service to many international destinations from Ulemiste International Airport at Tallinn, as well as domestic flights to Estonian islands. National carrier Estonian Air, which had sixteen former Soviet aircraft in 1992 and operated flights to Amsterdam, Copenhagen, Frankfurt, Helsinki, Kiev, Minsk, Moscow, Riga, St. Petersburg, Sochi (Russia), Stockholm, and Vilnius. Service also provided by Aeroflot, Drakk Air Lines, Finnair, Lithuanian Airlines, Lufthansa, and SAS (Scandinavian Airlines).

Shipping: 500 kilometers of inland waterways navigable year round. Inland port Narva; maritime ports Pärnu and Tallinn. Twenty main ports, but Tallinn handles four-fifths of ocean-going transport. Ice-free port of Muuga, near Tallinn, is underused modern facility with good transshipment capability, high-capacity grain elevator, refrigerated/frozen storage, and oil tanker off-loading facilities. Excellent Tallinn-Helsinki and

Tallinn-Stockholm ferry links exist year round.

Telecommunications: One television set per 2.6 persons; one radio per 1.7 persons; one telephone per 3.9 persons. Three radio stations and three television stations.

Government and Politics

Government: Parliamentary democracy. President, elected for term of five years, is head of state and supreme commander of armed forces. Riigikogu (parliament), with 101 members, has broad organizational legislative functions. Members elected in direct elections for term of four years. Candidate for prime minister forms new government (no more than fifteen ministers) after Riigikogu has approved basis for its formation; after selection, president formally appoints government, which has executive power.

Judicial System: Post-Soviet criminal code introduced in 1992, based on civil law system, with no judicial review of legislative acts. Death penalty retained for murder and terrorism. Legal chancellor, appointed by Riigikogu, provides guidance on constitutionality of laws but has no powers of adjudication. Criminal justice administered by local first-level courts as well as second-level appellate courts. Final appeal may be made to National Court, which sits in Tartu. Court system comprises rural and city, as well as administrative, courts (first-level); district courts (second-level); and National Court, highest court in land.

Politics: First post-Soviet elections, held in September 1992, yielded center-right coalition government led by Fatherland Party (Isamaa). Isamaa-led coalition disintegrated in June 1994. Center-left Coalition Party-Rural Union Alliance victorious in March 1995 elections.

Administrative Divisions: Fifteen counties (*maakonnad*), subdivided into 255 local administrative units, of which forty-two are towns and 213 are townships (*vald*).

Foreign Relations: In September 1991, Estonia joined United Nations (UN) and Conference on Security and Cooperation in

Europe (in January 1995, name changed to Organization for Security and Cooperation in Europe) and is a signatory to a number of UN organizations and other international agreements. In February 1994, Estonia joined Partnership for Peace program of North Atlantic Treaty Organization. Member of Council of Europe and Council of the Baltic Sea States. Cooperation with European Union includes significant economic aid as well as talks on a free-trade agreement. Relations with Russia remain cool.

National Security

Armed Forces: Following establishment of Ministry of Defense in April 1992, Estonia began to form independent armed forces. In 1994 total armed forces numbered 3,000, including army (2,500) and navy (500). Also reserve militia of about 6,000. Paramilitary border guard of 2,000 under command of Ministry of Interior. Military service lasts twelve months. By end of 1993, fewer than 3,500 Russian troops remained in Estonia; last Russian troops withdrawn in August 1994.

Military Budget: About EKR250 million allocated for defense in 1994.



Figure 3. Estonia, 1995

ESTONIA'S FOUR-YEAR STRUGGLE for sovereignty and independence from the Soviet Union culminated in victory in August 1991. A failed coup d'état in Moscow was followed by a final declaration of freedom in the Estonian capital, Tallinn, and by worldwide recognition of the country's renewed statehood a few days later. The determination of the Estonians to regain their independence, lost since 1940, had been proclaimed by artist and future politician Heinz Valk in 1988: "One day we will win in the end!" ("Ükskord me võidame niikuinii!"). Indeed, when victory came, it was at a surprisingly low cost. Unlike Latvia and Lithuania, Estonia suffered no casualties in its independence struggle. Unlike Lithuania, Estonia was spared any direct economic blockade by Moscow. Unlike most secessionist campaigns, that of Estonia, like those of the other Baltic states, enjoyed the tacit support and acknowledgment of Western governments, which had not recognized the incorporation of the Baltic states into the Soviet Union a half-century earlier and which supported their right to seek redress. The events of 1988–91 were in many ways a process of advancing step by step, keeping the pressure on a wavering Soviet Union and laying the groundwork for a leap to statehood.

In campaigning for independence, most Estonians were intent on escaping and reversing their Soviet past: years of stifling social and political rule, growing economic inefficiency and languor, cultural deprivation under a policy of Russification, and increasing environmental waste and destruction. This was the sentiment that came forth in the "singing revolution" of 1988, when Estonians gathered in large, peaceful rallies to sing their national songs and give voice to their pent-up frustrations. At the same time, the Estonians were equally intent on a future as an independent nation enjoying economic prosperity in a post-Cold War Europe.

In the mid-1990s, several years after independence, Estonia's past as a Soviet republic was proving itself a legacy that could not easily be put aside. The challenges Estonians faced included integrating a 500,000-strong Russophone population that was largely the product of Soviet-era immigration policy, as well as restructuring an economy that had been developed along impractical guidelines dictated by an overbearing center. The future, meanwhile, was not unfolding entirely as had been

expected. The process of regaining prosperity by means of economic shock therapy was beginning to tear at the fabric of Estonian society, which, despite Soviet rule, had achieved a certain equilibrium since the 1960s. Widening gaps between the newly rich and the newly poor were putting a strain on the Estonians' erstwhile social cohesion. On the diplomatic front, a new Europe and genuine Estonian sovereignty also were proving slow to materialize. Estonia's proximity to vast Russia was still a given, despite a desire to be rid of Russian influence once and for all. Post-Cold War Europe calculated its policies with an eye to the superpower to the east just as much as it had in the days when the Soviet Union was still intact. Still, as Estonia marked four years of independence in 1995, domestic peace and a measured pace of progress—the hallmarks of the independence struggle—had been maintained; these two factors offered the best guarantee of the country's continued advancement.

Historical Setting

Early History

Estonia's struggles for independence during the twentieth century were in large part a reaction to nearly 700 years of foreign rule. Before 1200 the Estonians lived largely as free peasants loosely organized into parishes (*kihelkonnad*), which in turn were grouped into counties (*maakonnad*). In the early 1200s, the Estonians and the Latvians came under assault from German crusaders seeking to impose Christianity on them. Although the Estonians' resistance to the Teutonic Knights lasted some twenty years, the lack of a centralized political organization as well as inferior weaponry eventually brought down the Estonians in 1227. The Germans, moving from the south, were abetted by Danish forces that invaded from the north and captured Tallinn. Together with present-day Latvia, the region became known as Livonia; the Germans and Danes settled down as nobility, and the Estonians were progressively subordinated as serfs. During 1343–45 an Estonian peasant uprising against the German and Danish nobility prompted the Danes to relinquish their control of northern Estonia to the Germans. After this resistance was crushed, the area remained generally peaceful for two centuries.

Commerce developed rapidly because Estonia's larger urban centers at the time—Tallinn, Tartu, Pärnu, and Narva—were



Anti-Soviet demonstration on the fiftieth anniversary of the Nazi-Soviet Nonaggression Pact, Tallinn, 1989
St. George's Eve commemoration of 1343–45 rebellion by Estonian peasants against their German and Danish overlords, Tallinn, 1991
Courtesy Priit Vesilind

all members of the Hanseatic League, an organization established by merchants of various, mostly German, cities to protect their mutual trading interests. Still, foreign rivalries over the strategic Livonian region began to reemerge in the mid-sixteenth century as the fighting capacity of the Germans diminished and that of neighboring Muscovy began to increase. The ensuing twenty-five-year struggle for control of Livonia was precipitated by an invasion by Ivan IV (the Terrible) (r. 1533–84) in 1558. The advancing Russians wiped out the disintegrating forces of the Teutonic Knights and nearly succeeded in conquering the whole area. However, Swedish and Polish intervention reversed the Russian gains and forced Ivan eastward, back behind Lake Peipsi. Peace between Sweden and Poland in Livonia was also slow in coming, with Sweden eventually winning most of the territory by 1629. By this time, decades of war had caused huge population losses (in some areas, over 50 percent), affecting urban and rural areas alike.

Under Swedish rule, northern Estonia was incorporated into the Duchy of Estland. The southern part, together with northern Latvia, became known as Livland. This division of Estonian lands would last until 1917. The German-based nobility in both areas retained and even strengthened its position under Swedish suzerainty. Meanwhile, the Estonian peasants saw their lot worsen as more and more of their land and output were appropriated by seigniorial estates. Still, during the Swedish era, Estonian education got its start with the founding of Tartu University in 1632 and the establishment of the first Estonian parish schools in the 1680s. Although the population also began to grow during this period of peace, war and suffering once again were not far away. Swedish hegemony during the late seventeenth century had become overextended, making the Swedes' holdings a prime target for a newly expansionist Russia.

In his first attempt to conquer Estland and Livland, during the Great Northern War (1700–09), Peter I (the Great) (r. 1682–1725) met with defeat at Narva at the hands of Sweden's Charles XII (r. 1697–1718). A second campaign in 1708 saw Peter introduce a scorched-earth policy across many parts of the area. The outcome was victory for Russia in 1710 and acquisition of a "window to the West." In taking control of Estland and Livland for what would be the next 200 years, tsarist Russia recognized the rights and privileges of the local German nobility, whose members amounted to only a small fraction of the population. Although the extent of the nobles' autonomy in

the two areas was always contested, especially under Catherine II (the Great) (r. 1762–96), the Baltic Germans did develop a strong loyalty to the Russian tsars as guarantors of their landed privileges. German control over the Estonian peasantry reached its high point during the eighteenth century. Labor overtook taxes-in-kind as the predominant means of controlling the serfs. The first real reforms of serfdom, which gave peasants some rights, took place in 1804. In 1816 and 1819, the serfs were formally emancipated in Estland and Livland, respectively.

By the mid-nineteenth century, the Estonians were fast developing into an independent society and nation. The number of urbanized Estonians had grown considerably, overtaking what had been German majorities in the cities. Industrialization was also breaking down the old order. An Estonian cultural awakening began in the 1850s and 1860s (see Religion; Language and Culture, this ch.). Tsarist reaction and a fierce Russification campaign in the 1880s could not extinguish the new Estonian spirit, although for the most part Estonian demands continued to focus on culture. Political demands for Estonian autonomy found strong expression during the Revolution of 1905, and an All-Estonian Congress was organized in Tartu that same year. Although radical Estonian politicians such as Jaan Teemant and moderate leaders such as Jaan Tõnisson were deeply divided on tactics, there were widespread calls from the Estland and Livland provinces for a unification of Estonian lands and an official end to Russification. Repression of the 1905 movement was severe in Estland, although Tõnisson's moderate Estonian Progressive People's Party survived and went on to participate in Russia's new assembly, the Duma. Amid the turmoil, Baltic Germans also grew apprehensive; they would be upset even more with the outbreak of World War I, which would pit Russia against their conationals.

The fall of the tsarist regime in February 1917 forced the issue of Estonia's political future. Vigorous lobbying in Petrograd by Tõnisson and the large Estonian population living there forced the provisional government to accept Estonia's territorial unification as one province and the election of a provincial assembly, the *Maapäev*, later that year. The election results showed significant support for leftist parties, including the Bolsheviks, Social Democrats, and Social Revolutionaries. Voting was complicated, however, by the presence of numerous military personnel from outside Estonia.

The Bolshevik takeover in Petrograd in November 1917 extended to Estonia as well, until Germany occupied Estonia in February 1918. Most of Estonia's other political parties realized they were caught between the two forces and agreed to begin an active search for outside support. Representatives were sent to the major European capitals to secure Western recognition of an Estonian declaration of independence. As the Bolsheviks retreated from Tallinn and the German occupation army entered the city, the Committee of Elders (or standing body) of the Maapäev declared the country independent on February 24, 1918.

Interwar Independence, 1918–40

In contrast to its later peaceful return to independence in 1991, Estonia's first modern era of sovereignty began with a fifteen-month war (1918–20) against both Russian Bolshevik and Baltic German forces. In the end, the War of Independence took the lives of about 3,600 Estonians and left about 14,000 wounded. In the Tartu Peace Treaty, which was concluded with Russia in February 1920, Moscow relinquished all claims to Estonia in perpetuity. A year later, Estonia gained international recognition from the Western powers and became a member of the League of Nations. In June 1920, Estonia's first constitution was promulgated, establishing a parliamentary system.

With a political system in place, the new Estonian government immediately began the job of rebuilding. As one of its first major acts, the government carried out an extensive land reform, giving tracts to small farmers and veterans of the War of Independence. The large estates of the Baltic German nobility were expropriated, breaking its centuries-old power as a class.

Agriculture dominated the country's economy. Thanks to land reform, the number of small farms doubled to more than 125,000. Although many homesteads were small, the expansion of landownership helped stimulate new production after the war. Land reform, however, did not solve all of Estonia's early problems. Estonian agriculture and industry (mostly textiles and machine manufacturing) had depended heavily on the Russian market. Independence and Soviet communism closed that outlet by 1924, and the economy had to reorient itself quickly toward the West, to which the country also owed significant war debts. The economy began to grow again by the late 1920s but suffered another setback during the Great Depres-

sion, which hit Estonia during 1931–34. By the late 1930s, however, the industrial sector was expanding anew, at an average annual rate of 14 percent. Industry employed some 38,000 workers by 1938.

Independent Estonia's early political system was characterized by instability and frequent government turnovers. The political parties were fragmented and were about evenly divided between the left and right wings. The first Estonian constitution required parliamentary approval of all major acts taken by the prime minister and his government. The Riigikogu (State Assembly) could dismiss the government at any time, without incurring sanctions. Consequently, from 1918 to 1933 a total of twenty-three governments held office.

The country's first big political challenge came in 1924 during an attempted communist takeover. In the depths of a nationwide economic crisis, leaders of the Estonian Communist Party (Eestimaa Kommunistlik Partei—EKP), in close contact with Communist International (Comintern—see Glossary) leaders from Moscow, believed the time was ripe for a workers' revolution to mirror that of the Soviet Union. On the morning of December 1, some 300 party activists moved to take over key government outposts in Tallinn, while expecting workers in the capital to rise up behind them. The effort soon failed, however, and the government quickly regained control. In the aftermath, Estonian political unity got a strong boost, while the communists lost all credibility. Relations with the Soviet Union, which had helped to instigate the coup, deteriorated sharply.

By the early 1930s, Estonia's political system, still governed by the imbalanced constitution, again began to show signs of instability. As in many other European countries at the time, pressure was mounting for a stronger system of government. Several constitutional changes were proposed, the most radical being put forth by the protofascist League of Independence War Veterans. In a 1933 referendum, the league spearheaded replacement of the parliamentary system with a presidential form of government and laid the groundwork for an April 1934 presidential election, which it expected to win. Alarmed by the prospect of a league victory and possible fascist rule, the caretaker prime minister, Konstantin Päts, organized a preemptive coup d'état on March 12, 1934. In concert with the army, Päts began a rule by decree that endured virtually without interruption until 1940. He suspended the parliament and all political parties, and he disbanded the League of Indepen-

dence War Veterans, arresting several hundred of its leaders. The subsequent "Era of Silence" initially was supported by most of Estonian political society. After the threat from the league was neutralized, however, calls for a return to parliamentary democracy resurfaced. In 1936 Pääts initiated a tentative liberalization with the election of a constituent assembly and the adoption of a new constitution. During elections for a new parliament, however, political parties remained suspended, except for Pääts's own National Front, and civil liberties were only slowly restored. Pääts was elected president by the new parliament in 1938.

The Soviet Era, 1940–85

Although the period of authoritarian rule that lasted from 1934 to 1940 was a low point in Estonian democracy, in perspective its severity clearly would be tempered by the long Soviet era soon to follow. The clouds over Estonia and its independence began to gather in August 1939, when Nazi Germany and the Soviet Union signed the Nazi-Soviet Nonaggression Pact (also known as the Molotov-Ribbentrop Pact), dividing Eastern Europe into spheres of influence. Moving to capitalize on its side of the deal, the Soviet Union soon began to pressure Estonia, Latvia, and Lithuania into signing the Pact of Defense and Mutual Assistance, which would allow Moscow to station 25,000 troops in Estonia. President Pääts, in weakening health and with little outside support, acceded to every Soviet demand. In June 1940, Soviet forces completely occupied the country, alleging that Estonia had "violated" the terms of the mutual assistance treaty. With rapid political maneuvering, the regime of Soviet leader Joseph V. Stalin then forced the installation of a pro-Soviet government and called for new parliamentary elections in July. The Estonian Communist Party, which had only recently reemerged from underground with fewer than 150 members, organized the sole list of candidates permitted to run. Pääts and other Estonian political leaders meanwhile were quietly deported to the Soviet Union or killed. With the country occupied and under total control, the communists' "official" electoral victory on June 17–18 with 92.8 percent of the vote was merely window dressing. On July 21, the new parliament declared Estonia a Soviet republic and "requested" admission into the Soviet Union. In Moscow, the Supreme Soviet granted the request on August 6, 1940.

For all the ups and downs Estonia's independent government experienced during the interwar period, its termination by Stalin in 1940 was clearly not among the range of solutions favored by most Estonians. Yet, chances of holding off the Soviet onslaught with an army numbering about 15,000 men were slim at best. Thus, Estonia's only real hope for the future lay in continued Western recognition of its *de jure* statehood, which other European countries and the United States declared in 1940. Over the next fifty years, this Western policy of token recognition nearly fell into desuetude. Yet, the policy's survival into the late 1980s would allow it to become a rallying point for Estonia's new drive for independence. Thanks to this continuing Western recognition, Estonia's calls for sovereignty from Moscow by early 1990 could not be considered merely secessionism. Rather, they represented demands for the restoration of a state still existent under international law. This appeal to international legality dating to 1940 would frustrate the attempts of Soviet leader Mikhail S. Gorbachev to control Estonia and the other Baltic states in the late 1980s.

Estonia's absorption into the Soviet Union as the Estonian Soviet Socialist Republic was interrupted in June 1941 by the German invasion. Still, that one year of Soviet rule left a deep mark on the Estonians. In addition to the takeover of their country and the rapid nationalization of their capitalist economy, on June 13–14, 1941, before the German invasion, Estonians also saw the mass deportation of some 10,000 of their countrymen to Siberia. Of those seized during the one-night operation, over 80 percent were women, children, or elderly people. The purpose of this action seemed to be to create terror rather than to neutralize any actual threat to the regime. The 1941–44 German occupation witnessed more repression, especially of Estonia's Jewish population, which numbered about 2,000. In September 1944, as the Red Army again neared Estonia, the memories of Soviet rule resurfaced vividly enough to prompt some 70,000 Estonians to flee the country into exile. These émigrés later formed ethnic communities in Sweden, the United States, Canada, Britain, Australia, and elsewhere, continuing to lobby for Estonia's rights during the next fifty years. Altogether, from 1939 to 1945 Estonia lost over 20 percent of its population to the turmoil of Soviet and German expansionism.

After the war, the Sovietization of Estonia resumed. The republic's war-ravaged industry was rebuilt as a component of

the centrally planned economy. Agricultural collectivization was enforced, climaxing in March 1949 with another, more brutal wave of deportations involving some 25,000 people. The Estonian Communist Party was purged in 1950 of many of its original native leaders; they were replaced by several prominent Russified Estonians who had grown up in Russia. After Stalin's death in 1953, Nikita S. Khrushchev's liberalization also touched Estonia. Efforts at economic reform were undertaken, and repression was eased. By the late 1960s, consumerism had taken root, and intellectual life was relatively vibrant. Following the Soviet Union's suppression of Czechoslovakia's "Prague Spring" reform movement in 1968, the trend toward openness suffered a reversal, but Estonia continued to maintain a standard of living well above the Soviet average. In 1980, during the period of stagnation under Soviet leader Leonid I. Brezhnev, some 2,000 schoolchildren demonstrated in the streets of Tallinn against a major Russification campaign launched from Moscow. Several dozen Estonian intellectuals later came together to write their own protest letter, but to no avail. Karl Vaino, the Russified Estonian leader of the Estonian Communist Party at the time, was particularly hostile toward dissent of any kind.

The Pursuit of Independence, 1985–91

The dawning of *glasnost* (see Glossary) and *perestroika* (see Glossary) in the Soviet Union initiated a period of liberalization from which the dying superpower would never recover. Estonia seized on this opportunity in 1987, beginning with public protests against a phosphorus-mining project proposed by the central government that would have seriously damaged the country's environment. Pressure for economic reform became acute later in the year when a group of four Estonian liberals put forth a plan for economic autonomy for the republic. In 1988 Estonia's "singing revolution" took off, energized by the removal of Karl Vaino as Estonian Communist Party chief in June and his replacement by a native son, Vaino Väljas. In April the Estonian Popular Front was founded as the capstone to a summer of political activity unparalleled since 1940. This mobilization proved effective in November when Estonia opposed attempts by Gorbachev to strengthen central authority through changes in the Soviet Union's constitution. In an act of defiance, the Estonian parliament, then known as the Supreme Soviet, declared the republic's right to sovereignty on Novem-

ber 16. It also called for a new union treaty to be drawn up to govern the Soviet state.

By the spring of 1989, Estonia had thrown down the gauntlets of political sovereignty and economic autonomy. A two-year effort to force their acceptance by Moscow followed. On the political front, Estonia's strongest strategy was to invoke history. At the Soviet Union's first Congress of People's Deputies (see Glossary) in Moscow, in 1989, Estonian and other Baltic deputies battled with Gorbachev to have the Soviet Union reveal the true story of the Nazi-Soviet Nonaggression Pact in time for the fiftieth anniversary of the pact in August. Just days before the anniversary, a commission charged with studying the pact concluded that secret protocols dividing up Poland and the Baltic states had indeed existed. Armed with this finding, Estonia literally linked up with its Baltic neighbors on August 23 to form a 600-kilometer human chain from Tallinn to the Lithuanian capital, Vilnius, to draw worldwide attention to the anniversary of the pact and to their cause. An estimated 2 million Baltic residents participated in the show of unity, but the action also elicited a harsh rebuke from Moscow several days later. Tensions quickly mounted in Estonia, and the Estonian Popular Front decided to cancel a major song festival and rally planned for early September. In early August, Estonian nationalists had already been shaken by their first confrontation with Soviet loyalists. Members of the International Movement of Workers in the Estonian Soviet Socialist Republic (Intermovement), primarily made up of ethnic Russians, had staged strikes in Tallinn and northeastern Estonia protesting a set of new electoral rules and a new language law requiring all service workers to speak both Estonian and Russian. Many Russians in Estonia, fearful of growing Estonian national feeling and of losing their privileges, looked to Moscow for help. But direct intervention would not come.

Throughout the fall, independence sentiment continued to mount. In October the Estonian Popular Front issued a campaign platform for upcoming municipal elections in which it publicly endorsed full independence. Meanwhile, more radical groups had begun organizing their own campaign to restore independence, completely bypassing the Soviet system. These groups, known as Estonian Citizens Committees, maintained that because their country had been illegally occupied and annexed by the Soviet Union and because the prewar republic still retained international recognition, it could not legitimate

Soviet authority by negotiating "secession." Rather, Estonia had to insist on the continuing legal authority of the prewar republic as the only sure way to ward off Soviet attempts to keep it in the union. By invoking international law, Estonia could also enlist Western support and protection at a time when the Soviet Union needed good relations with the West to facilitate its own reforms. By the fall of 1989, it was clear that this argument and strategy would become essential to the independence movement and, indeed, to politics thereafter.

To raise popular awareness of the independence issue, the Estonian Citizens Committees mounted a year-long campaign to register all citizens of the prewar republic and their descendants. Of an estimated 1 million such citizens, the grassroots movement succeeded in registering about 700,000. It was this electorate that, according to the radical committees, possessed the sole right to decide the future of Soviet-occupied Estonia—not the Soviet-era Supreme Soviet, its government, or even the half-million Soviet-era immigrants to Estonia and their descendants, whom the committees claimed had taken up residence under the terms of the Soviet occupation and who would later be denied automatic citizenship. Rather, the committees asserted the need to elect a new representative body to lead the independence struggle and the restoration of the prewar republic. In February 1990, they organized nationwide elections for a Congress of Estonia, which held its first session the following month.

Although their campaign enabled the citizens committees and the Congress to gain a fair amount of popular support, most Estonians were not totally willing to forsake the Supreme Soviet because it, too, was up for election in March 1990. The more moderate Estonian Popular Front favored the Supreme Soviet as a more realistic path to independence. The Estonian Popular Front campaigned heavily in March and won about forty of the 101 seats. The Supreme Soviet elections also allowed all residents of Estonia to vote, including Soviet-era immigrants and their descendants. These were mostly Russians who, still led primarily by Estonian Communist Party functionaries, finally elected a total of twenty-seven pro-Soviet deputies. Although the two-thirds Estonian majority consequently was slim, it was enough for the Supreme Soviet to declare at its first full session, on March 30, the country's official intention to reestablish its independence.

Unlike Lithuania's declaration of independence, Estonia's declaration was not an outright break with the Soviet Union. Rather, it was an attempt to find a compromise between the radical Congress of Estonia and moderate Estonian Popular Front positions. Still, the message of asserting independence from Moscow was the same. The Kremlin's reaction was subdued; no economic sanctions were imposed on Estonia. Neither, however, was any recognition accorded Estonia's declaration, nor were any serious attempts made to begin talks with the new government in Tallinn. In the meantime, therefore, Estonia attempted to shore up its stance by finding new allies and initiating independent economic policies. In May 1990, the leaders of Estonia, Latvia, and Lithuania met formally in Tallinn to coordinate their strategy. In July representatives of the three countries met for the first time with Boris N. Yeltsin, who had just been elected chairman of the Russian Supreme Soviet. Estonian politicians and government officials traveled in Western Europe and the United States to renew Western contacts.

Domestically, in the fall of 1990 the Estonian government, led by Estonian Popular Front leader Edgar Savisaar, began a series of moves to assert the republic's economic independence and begin market reforms. Financial contributions to the all-union budget were stopped, and wide-ranging price reform was initiated. Plans for a separate currency, begun in 1989, continued to be worked on. In October the government dispatched militia forces to patrol the republic's border with Russia and to control the movement of goods; control over western gateways remained under Soviet control.

Moscow's bloody military assault on civilians in Vilnius and Riga in January 1991 sent shock waves through Estonia as well. Although there were no violent incidents in Estonia, Soviet loyalists staged a noisy demonstration in Tallinn, and the government installed huge boulders in front of the parliament building for protection. On January 12, Tallinn was the site of a hastily organized summit meeting between the Baltic leaders and Yeltsin, who supported the sovereignty of the three republics against Gorbachev. Yeltsin and Estonian parliament chairman Arnold Rüütel signed a bilateral treaty recognizing the sovereignty of each other's republic. When, later in the month, Gorbachev announced a nationwide referendum on the issue of preserving the Soviet Union, Estonia decided to preempt the ballot with a referendum of its own on independence. The

March 3 Estonian poll showed 78 percent in favor of independence and indicated significant support for independence among Russian residents—as much as 30 percent. Most Estonians boycotted the Soviet referendum held two weeks later. With public opinion clearly favoring independence, Gorbachev agreed to official talks with Estonia beginning on March 28. The talks continued through August and the Moscow coup, but no progress was made. Estonia refused to join negotiations for a new union treaty, while the Kremlin avoided any specifics on independence. The talks were further upset by several hit-and-run attacks on Estonia's border outposts during the summer of 1991. These were generally attributed to units of the Soviet Ministry of Internal Affairs Special Forces Detachment (Otryad militsii osobogo naznacheniya—OMON), commonly known as the Black Berets, over which Gorbachev apparently had lost control.

Independence Reclaimed, August 1991–October 1992

On the night of August 19, 1991, Estonia was caught up in the uncertainty generated by the attempted coup in Moscow. A column of Soviet light tanks and troop carriers had already started to move on Tallinn as the commander of Soviet forces in the Baltics announced his support of the coup. Fearing a total crackdown by the Soviet army, the Estonian parliament met in emergency session on August 20. At 11:00 P.M., the Supreme Council, as the legislature was now known, passed a final resolution declaring full independence and requesting de facto international recognition. Volunteers were mustered to defend key government buildings and communications centers; there was no bloodshed, however. As Heinz Valk, an artist and a member of parliament, later declared, "The coup in Moscow [gave] us a chance comparable to that in 1918."

Once the coup finally collapsed, Estonia resumed its efforts to gain international recognition and otherwise reestablish itself as an independent state. Iceland was the first to acknowledge Estonian independence, on August 22; Yeltsin's Russia was quick to follow, on August 24. The United States hesitated until September 2. The Soviet Union recognized Estonia on September 6. The process of state building also began soon after the coup. In contrast to Latvia and Lithuania, Estonia, in its August 20 independence declaration, took the additional step of convening a constitutional assembly immediately to draft a new basic law for the country. The assembly drew thirty

members each from the Supreme Council and the Congress of Estonia, thus defusing rivalries between the two organizations. In mid-October the assembly settled on a working draft focused on a generally parliamentary form of government. Deliberations then slowed as the country got caught up in debates over citizenship.

In Estonia's fight to regain independence, the overall strategy of asserting the country's legal continuity as a state clearly had paid off. Yet, in terms of offering a path for the future, this strategy had many complications. One of these was the question of what to do with the 500,000 mostly Russian, Soviet-era immigrants living in Estonia. In 1990 the Congress of Estonia had been the first representative body to lay down the principle that because these people had settled in Estonia under Soviet rule, they were not automatically citizens of the legally restored Estonian state. Rather, under independence they would have to be "naturalized" on the basis of specific language and residency criteria. This position was also argued as a means of better integrating the mostly Russian noncitizen population, the majority of whom did not speak Estonian. In mid-1991, as the independence struggle seemed to languish, the Estonian government, led by Prime Minister Edgar Savisaar, showed signs of readiness to compromise on the citizenship issue in order to gain more local Russian support. However, after the failed August coup and the immediate onset of full independence, the Congress and other radical groups were emboldened to insist on the principle of restricted citizenship. Thus, the Supreme Council decided on November 11, 1991, to require the naturalization of all Soviet-era immigrants to Estonia while automatically renewing the citizenship of all prewar citizens and their descendants. In February 1992, the parliament set naturalization terms, which included a two-year residency requirement, the ability to speak conversational Estonian, and a one-year waiting period after applying.

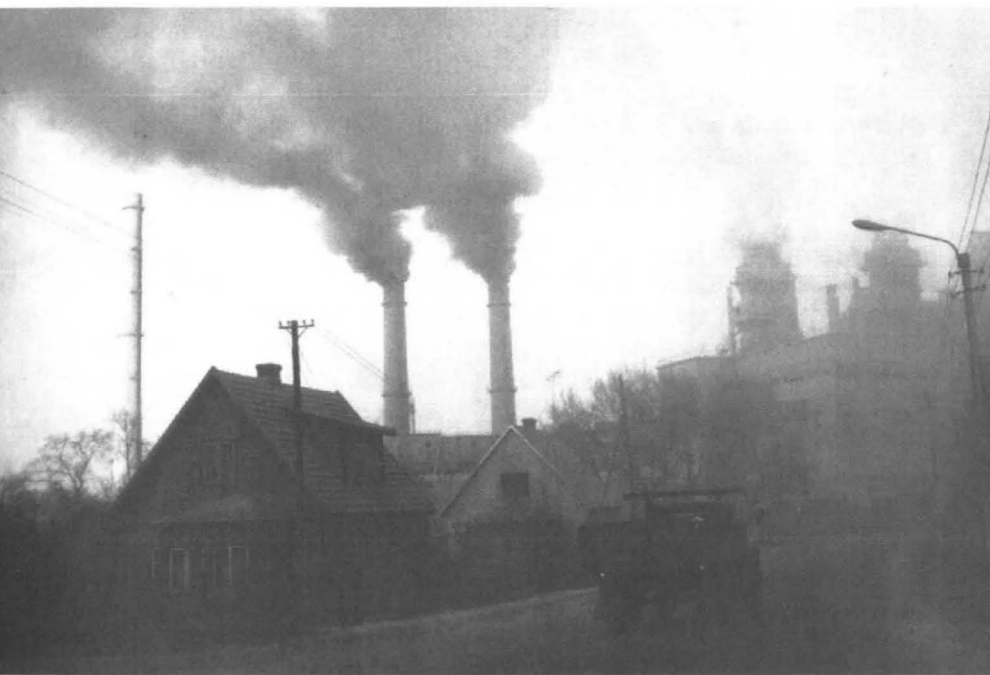
Although these terms were relatively mild, the implications in Estonia's particular situation remained less than clear. Most Soviet-era immigrants had already fulfilled the residency requirement, but at best only 20 percent were prepared to meet the language requirement. Most Russians living in Estonia had not bothered to learn the rudiments of the national language, forcing Estonians to speak Russian to them instead. It would take time for many to begin learning. In any case, the naturalization procedures would delay nationalization for at

least the one-year waiting period. This outcome had serious implications because the resident Russians would then be ineligible to vote in the September 1992 elections for a new parliament. As the only consolation to noncitizens, the Constitutional Assembly later accorded them the right to vote in local elections under the terms of the new constitution.

The citizenship issue generally heightened tensions between Estonians and Russians. The more nationalistic Estonian deputies in parliament began to accuse the moderate government of Savisaar of foot-dragging. In January 1992, in the midst of a severe economic crisis and problems securing heating oil, Savisaar asked parliament for emergency powers. When the vote on emergency powers was taken on January 16, Savisaar won, thanks only to the votes of several Russian deputies. This narrow margin revealed the extent of Savisaar's unpopularity among the Estonian deputies, and a week later he resigned. Savisaar's transportation minister, Tiit Vähi, was charged with forming a new government, which was billed as one of technocrats and caretakers in advance of parliamentary elections in the fall.

As Vähi formed his regime, several major issues remained outstanding. The new prime minister's first task was to oversee the passage of the naturalization requirements for citizenship, which occurred in late February. Then, the language and residency requirements were put into effect. Thereafter, the draft constitution drawn up by the Constitutional Assembly neared completion and required approval by popular referendum. This referendum was set for June 28, 1992, with only citizens allowed to participate. Alongside the proposed constitution, a second question asked the people whether to allow the earliest applicants for citizenship to vote on an exceptional basis in the upcoming nationwide elections. Because these applicants numbered just over 5,000, the gesture would be largely symbolic. However, a strong campaign by nationalist Estonian parties led to the defeat of the measure, 53 percent to 46 percent. The constitution was passed by a 91 percent majority.

On June 20, one week before the referendum, the Vähi government completed its third remaining task: currency reform. On that day, Estonian residents proudly cashed in their old, worn Russian rubles for crisp, new Estonian kroons (for value of the kroon—see Glossary). The kroon, pegged to the stable deutsche mark, would soon bring inflation tumbling down and serve as the basis for a new economy (see Economy, this ch.).



*Typical rural landscape near Viljandi
Industrial pollution on the northern coast
Courtesy Priit Vesilind*

With the constitution approved and a new state structure in place, the campaign began for Estonia's first post-Soviet elections. The election of a new legislature, the Riigikogu, on September 20 would mark the full restoration of the legal Republic of Estonia. On October 5, 1992, in its first session, the Riigikogu, which replaced the transitional Supreme Council, issued a declaration establishing its legal continuity with the prewar republic and declaring an official end to the transition to independence announced two-and-one-half years earlier.

Physical Environment

Geographic Features

Estonia is a low, flat country covering 45,226 square kilometers. It is about the size of Vermont and New Hampshire combined. Estonia has a long, shallow coastline (1,393 kilometers) along the Baltic Sea, with 1,520 islands dotting the shore. The two largest islands are Saaremaa (literally, island land), at 2,673 square kilometers, and Hiiumaa, at 989 square kilometers. The two islands are favorite Estonian vacation spots. The country's highest point, Suur Munamägi (Egg Mountain), is in the hilly southeast and reaches 318 meters above sea level. Estonia is covered by about 1.8 million hectares of forest. Arable land amounts to about 926,000 hectares. Meadows cover about 252,000 hectares, and pastureland covers about 181,000 hectares. There are more than 1,400 natural and artificial lakes in Estonia. The largest of them, Lake Peipsi (3,555 square kilometers), forms much of the border between Estonia and Russia. Located in central Estonia, Võrtsjärv is the second-largest lake (270 square kilometers). The Narva and Emajõgi are among the most important of the country's many rivers.

Estonia has a temperate climate, with four seasons of near-equal length. Average temperatures range from 16.3°C on the Baltic islands to 17.1°C inland in July, the warmest month, and from -3.5°C on the Baltic islands to -7.6°C inland in February, the coldest month. Precipitation averages 568 millimeters per year and is heaviest in late summer.

Estonia's land border with Latvia runs 267 kilometers; the Russian border runs 290 kilometers. From 1920 to 1945, Estonia's border with Russia, set by the 1920 Tartu Peace Treaty, extended beyond the Narva River in the northeast and beyond the town of Pechory (Petseri) in the southeast (see fig. 2). This territory, amounting to some 2,300 square kilometers, was

incorporated into Russia by Stalin at the end of World War II. Estonia is now disputing that territorial loss (see Relations with Russia, this ch.).

Environmental Issues

One of the most burdensome legacies of the Soviet era is widespread environmental pollution. The worst offender in this regard was the Soviet army. Across military installations covering more than 80,000 hectares of Estonian territory, the army dumped hundreds of thousands of tons of jet fuel into the ground, improperly disposed of toxic chemicals, and discarded outdated explosives and weapons in coastal and inland waters. In the 1990s, during the army's withdrawal from Estonia, extensive damage was done to discarded buildings and equipment. In October 1993, the Estonian Ministry of Environment issued a preliminary report summing up part of the degradation it had surveyed thus far. The report described the worst damage as having been done to Estonia's topsoil and underground water supply by the systematic dumping of jet fuel at six Soviet army air bases. At the air base near Tapa, site of the worst damage, officials estimated that six square kilometers of land were covered by a layer of fuel; eleven square kilometers of underground water were said to be contaminated. The water in the surrounding area was undrinkable. With Danish help, Estonian crews began cleaning up the site, although they estimated the likely cost to be as much as EKR4 million. The Ministry of Environment assigned a monetary cost of more than EKR10 billion to the damage to the country's topsoil and water supply. However, the ministry was able to allocate only EKR5 million in 1993 for cleanup operations.

In a 1992 government report to the United Nations Conference on the Environment and Development, Estonia detailed other major environmental concerns. For instance, for several consecutive years Estonia had led the world in the production of sulfur dioxide per capita. Nearly 75 percent of Estonia's air pollution was reported to come from two oil shale-based thermal power stations operating near Narva. The mining of oil shale in northeastern Estonia also left gigantic mounds of limestone dotting the region. Near the town of Sillamäe, site of a former uranium enrichment plant, about 1,200 tons of uranium and about 750 tons of thorium had been dumped into the Gulf of Finland. This was said to have caused severe health problems among area residents. In the coastal town of Paldiski,

the removal of waste left by Soviet army nuclear reactors was also a major concern. The combined cost of environmental cleanup at both towns was put at more than EKR3.5 billion.

Society

Population

According to 1989 census figures, Estonia had a population of 1,565,662 (see table 2, Appendix). By 1994 this number had dropped to an estimated 1,506,927 as a result of negative natural growth rates and net out-migration beginning in 1990. Females outnumbered males by some 100,000 in 1991 (see fig. 4). Seventy percent of the population was urban. The birth rate in 1993 was 10.0 per 1,000 population, and the death rate was 14.0 per 1,000.

Tallinn, the capital, is the largest city, with about 479,000 inhabitants in 1989. Tartu, the second most populous city, had about 113,000 residents in the same year, and Narva, on the Russian border, had 81,000 (see table 3, Appendix). Since the late 1980s, many place-names have had their pre-Soviet names restored. These include the Saaremaa town of Kuressaare (formerly Kingissepa) and some 250 streets throughout the country.

In 1934 Estonia had a population of 1,126,413. War losses and Soviet deportations brought that figure down to an estimated 850,000 by 1945. During the Soviet era, the population grew steadily, fueled largely by in-migration from other areas of the Soviet Union (see table 4, Appendix). During the 1950s and 1960s, net in-migration accounted for more than 60 percent of the total population growth. In recent years, net migration has reversed, with some 84,000 people, mostly Russians, having left between 1989 and 1993. In the mid-1990s, these trends were continuing, though more slowly. Since 1992 Estonia has been offering financial assistance to people wishing to resettle in Russia; in October 1993, it signed a treaty with Russia regulating repatriation and resettlement. According to public opinion polls conducted in 1993 and 1994, however, the vast majority of local Russians were not inclined to leave Estonia.

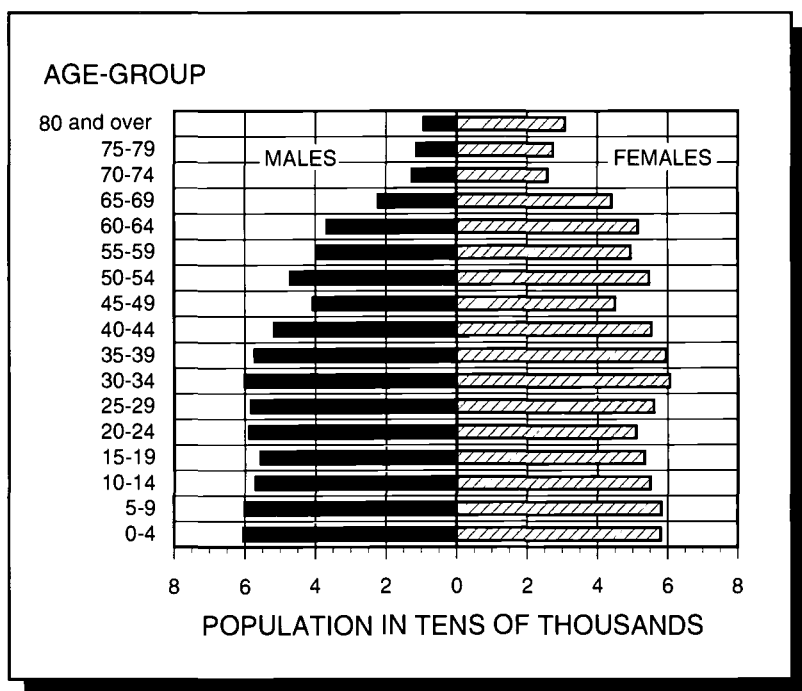
The reverse flow of migration is thought to have contributed in the early 1990s to a slight rise in the Estonian proportion of the population. In 1989 Estonians constituted only 61.5 percent of the population, while Russians made up 30.3 percent, Ukrainians 3.1 percent, Belorussians 1.7 percent, and Finns 1.1

percent; Jews, Tatars, Germans, Latvians, and Poles constituted the remaining 2.3 percent. This was in sharp contrast to 1934, when Estonians represented 88.2 percent of the population and Russians only 8.2 percent. This demographic shift was a major concern for Estonians, who feared losing control of their own country. Another worrisome statistic for Estonians was their disproportionately small share of the yearly natural population growth (births minus deaths) until 1990 and their large share of the population's decrease in 1991 (see table 5, Appendix). Although Estonians dominate in the countryside, the Russian population in Estonia is nearly 90 percent urban, living mainly in Tallinn and in the northeastern industrial towns of Kohtla-Järve, Sillamäe, and Narva. Tallinn is about 47 percent Estonian. Kohtla-Järve is only about 21 percent Estonian, Sillamäe 5 to 6 percent, and Narva 4 percent.

Health

In the mid-1980s, the average life expectancy in Estonia peaked at about sixty-six years for males and seventy-five years for females. Thereafter, these figures declined somewhat, especially for males, most likely because of deteriorating living standards. In 1994 overall life expectancy was estimated to be 70.0 years (65.0 years for males and 75.2 years for females). Infant mortality was about 19.1 deaths per 1,000 live births, according to a 1994 estimate. Fertility rates dropped from an estimated 2.3 children born per woman in 1988 to about 2.0 in 1994. Abortion remained the main form of birth control, more so among Russians than Estonians. There were 24,981 abortions in 1992 (1,389 per 1,000 live births), although that figure was down from about 36,000 a decade earlier. Most women who have abortions are married. Nearly half of all marriages end in divorce. In recent years, a greater number of people have begun living together instead of marrying. Such couples account for 17 percent of all births in the country.

The primary cause of death is cardiovascular diseases, accounting for about 64 percent of all deaths in the mid-1990s. Cancer and accidents account for a large share as well. Estonia's suicide rate over the years has reflected the country's sociopolitical condition. In the mid-1970s, during the politically stagnant Brezhnev years, there were about 530 suicides per year. In 1990, after Estonia's political reawakening, suicides dropped to 425. In 1992, as economic conditions worsened, suicides climbed again, to 498. In November 1993, twenty-nine



Source: Based on information from Marje Jõeste, Ülo Kaevats, and Harry Õiglane, eds., *Eesti A & Ö*, Tallinn, 1993, 104.

Figure 4. Population of Estonia by Age and Gender, 1991

cases of acquired immune deficiency syndrome (AIDS) were reported in Estonia, with two deaths having resulted from AIDS-related illnesses.

The state-run health care system inherited from the Soviet regime was being decentralized in the early 1990s and had yet to meet Western standards. In 1992 the number of physicians, equivalent to thirty-two per 10,000 inhabitants, was relatively high, but there was a shortage of nurses and other auxiliary medical staff. Hospital beds numbered ninety-two per 10,000 inhabitants, down from 121 in 1990. Although the cost of medicines increased, new imports from the West eased some of the chronic shortages of the Soviet era. But overall, shortages of basic medical supplies, including disposable needles, anesthetics, and antibiotics, remained a serious problem.

Welfare

In 1990 and 1991, Estonia began taking over more of the administration of its social welfare system from the central Soviet authorities. The government instituted its own system of payments, for example, to compensate the population for the removal of state subsidies and an increase in food prices. In April 1991, the republic passed its own pension law, the implementation of which was upset by inflation, although later the situation improved with the introduction of a new currency. Still, with some 307,000 pensioners and a rapidly aging population, pensions accounted for a large share of the country's social fund (see *Recent Economic Developments*, this ch.). In response, the government began gradually raising the retirement age from fifty-five for women and sixty for men to sixty for women and sixty-five for men. In January 1993, more than 1,000 angry retirees staged a protest in front of Toompea Castle to demand higher pensions. At EKR260 a month, pensions were so low that many people complained that they could barely pay their rent and utility bills.

Other welfare benefits provided by the state included financial support for invalids, low-income families, and families having three or more children. The state also provided institutional care for elderly people and orphans.

Education System

With a half-century of Soviet rule behind it, independent Estonia began a process of thorough educational reform. In addition to a restructuring of curricula, the government began a reorganization of the secondary school system with the goal of increasing specialization among the country's high schools. In 1993 there were some 215,000 elementary and secondary school students in 724 schools across Estonia. About 142,000 students were enrolled in Estonian-language schools and about 70,000 in Russian-language schools, mainly in Tallinn and northeastern Estonia. In addition, there were individual schools teaching in other minority languages, including Hebrew, Swedish, and Ukrainian. Estonian-language schools offer twelve years of education—nine elementary and three secondary. Education in Russian-language schools lasts eleven years. Under a 1993 law, education was made compulsory up to the ninth grade. Estonia's vocational education network is also

extensive, with seventy-seven schools across the country and about 26,000 students in 1993. Literacy is nearly universal.

Estonia's system of higher education centers on six universities. Tartu University, founded in 1632, is the country's largest, with about 7,600 students in 1993. The Tallinn Technical University had about 6,800 full-time students in 1993, and the Tallinn Pedagogical University had about 3,150. The Estonian Agricultural University in Tartu had about 2,800 students, and the Tallinn Art University and the Estonian Academy of Music each enrolled about 500.

Higher education was restructured in the early 1990s into a four-year system after the five-year Soviet system was dropped. A new degree structure comparable to the Western one of baccalaureate, master's, and doctoral degrees was established. Soviet ideological subjects such as "scientific communism" were abandoned soon after the independence movement began in 1988. With the help of exchange programs and guest lecturers from the West, new programs were begun in economics, business, foreign languages, religion, political science, and sociology.

Religion

The dominant religion in Estonia is Evangelical Lutheranism. Estonians were Christianized by the Teutonic Knights in the thirteenth century. During the Reformation, Lutheranism spread, and the church was officially established in Estonia in 1686. Still, Estonians generally tend not to be very religious, because religion through the nineteenth century was associated with German feudal rule. In 1992 there were 153 Lutheran congregations in Estonia with an estimated 200,000 members. Active members totaled about 70,000.

Orthodox Christianity is the second largest faith, with eighty congregations and about 15,000 members in 1992. Forty-three Orthodox congregations are Estonian, twenty-five are Russian, and twelve are mixed. There are eleven congregations of Old Believers (see Glossary) and a convent in Kuremäe, in north-eastern Estonia. After independence, ethnic divisions among Orthodox Christians resurfaced over the question of their allegiance to Moscow. Many Estonian Orthodox Church leaders favored greater autonomy from Moscow or total allegiance to the Ecumenical Patriarchate of Constantinople, the situation that existed during Estonia's first period of independence. In 1992 the Estonian Orthodox Church, despite local Russian



Old city gate with modern hotel in background, Tallinn

Courtesy David Walker

*"Kali," a nonalcoholic beverage made from rye bread, dispensed
in the southern town of Pärnu*

Courtesy Priit Vesilind

objections, requested autonomy from Moscow. The issue was a delicate one for Russian Orthodox patriarch Aleksiy II, who had been born in Estonia and had served there as a metropolitan. However, in April 1993 he agreed to grant the Estonian Orthodox Church autonomy.

Among other religions in Estonia in the early 1990s there were eighty-three Baptist congregations with about 6,000 adult members, as well as about fifteen Methodist and several Seventh-Day Adventist congregations. Estonia's small Roman Catholic community was visited by Pope John Paul II during a tour of the Baltic states in September 1993, and the Dalai Lama came to Estonia soon after independence, in October 1991. The Jewish community has a synagogue in Tallinn.

Language and Culture

The Estonian language belongs to the Finno-Ugric family of languages, closely related to Finnish and more distantly related to Hungarian. It is among the most difficult languages in Europe, with fourteen cases for the declension of nouns and complicated rules for their use. There are no articles, however, nor any grammatical gender in Estonian. Indeed, the same word is used for both "he" and "she": *tema*. Over the years, the language has been standardized, but many dialects and accents remain, especially on the islands. Most of the foreign words used by Estonians come from German. Russian, Finnish, and English also have influenced Estonian, especially in the formation of slang.

Estonian culture developed in earnest during the nineteenth-century period of national awakening. Elements of Estonian peasant culture, such as songs and folktales, were brought together by the country's first cultural elite after 1850. Between 1857 and 1861, Friedrich Reinhold Kreutzwald compiled and published the Estonian national epic, *Kalevipoeg* (Son of Kalev), which was based on various folklore themes. Written in verse, the epic tells the story of Kalevipoeg, the mythical ancient ruler of Estonia. Another achievement of this period was the establishment of Estonia's first regularly published Estonian-language newspaper, *Perno Postimees*, originally published in Pärnu by Johann Voldemar Jannsen in 1857. In 1878 Carl Robert Jakobson established the newspaper *Sakala*, which would soon become a major promoter of the cultural renaissance. Jakob Hurt, a schoolteacher and Lutheran minister, organized a col-

lection of folk songs in the 1880s and gave several speeches extolling the value of Estonian culture.

The national literature had an earlier beginning, in the 1810s, with the patriotic poetry of Kristjan Jaak Peterson. In the second half of the nineteenth century, romanticism and love of country found equal expression in the poetry of Lydia Koidula, Estonia's first woman poet and a key figure of the cultural awakening. The first Estonian song festival was organized in 1869 in Tartu, attracting some 800 participants and about 4,000 spectators. This event would become a major tradition in Estonian cultural life and was held roughly every five years. At the end of the nineteenth century, Estonian theater also got its beginnings in Tartu with the formation of the Vanemuine theater group.

During the first independence period, Estonian culture thrived. During 1926–33 writer Anton Hansen Tammsaare published his five-volume epic novel, *Tõde ja Õigus* (Truth and Justice), which covered the period 1870–1930. Lyrical poetry grew with the works of Marie Under, Henrik Visnapuu, and Betti Alver. In 1919 the Pallas art school was founded in Tartu, giving rise and expression to several new artistic currents. Architecture became a new mode of expression for Estonians as the first architects were educated in Tallinn. Their works came to include the parliament building on Toompea Hill and several functionalist buildings in the resort town of Pärnu. The Estonian Drama Theater was established in 1926, complementing the already existing Estonia Theater, which featured operettas and ballet. By 1940 Estonia had eleven professional or semiprofessional theaters.

The return of the Red Army in 1944 after the German occupation caused much of Estonia's cultural elite to flee the country. Many writers and poets settled in Sweden, where they continued to issue works through their own publishing cooperative. Under Stalin, Estonian culture was subordinated to the propagandistic needs of the regime. In 1950, as the Estonian Communist Party was being purged, so too was Estonian culture. Many writers and artists were accused of "formalism" (adherence to bourgeois standards) or nationalism and were dismissed or deported. It was only in the 1960s, during the thaw under Khrushchev, that Estonian culture regained vibrancy, the result of increased foreign contacts and the arrival on the scene of a new generation of writers, artists, composers, and poets. The last category included Paul-Eerik

Rummo (appointed minister of culture in 1992), Jaan Kaplinski (elected a member of parliament in 1992), and Hando Runnel. Novelist Jaan Kross made his debut during this period as a writer of historical works; his 1978 book, *The Czar's Madman*, was published in English in 1993 to critical acclaim. Graphic art became popular in Estonia during the 1960s, as did abstractionism among painters. The Estonian music scene saw the coming of age of Arvo Pärt, who would emigrate in 1980 to West Germany; Veljo Tormis, a composer drawing on themes from Finno-Ugric folk music; and Neeme Järvi, who emigrated in 1980 and later became director of the Detroit Symphony Orchestra. Song festivals still were held continuously, often providing a popular outlet for national feeling. In the place of the banned national anthem, the song *My Fatherland Is My Love*, based on a poem by Lydia Koidula and music by composer and conductor Gustav Ernesaks, became Estonians' de facto anthem.

During the late 1970s and early 1980s, Estonian culture again felt some of the cold drafts of official control, but by 1986 the influence of *glasnost* began to stir cultural activity anew, this time far into the realm of politics. One of the first groups to mobilize in 1987 was the Estonian Heritage Society, which led volunteer projects to restore many of Estonia's cultural landmarks. At a 1986 writers' conference, the first complaints were publicly aired about censorship and Russification. In the main literary publications—*Sirp ja Vasar*, *Vikerkaar*, and *Looming*—an unprecedented number of articles began to appear dealing with hitherto banned topics. In April 1988, during a two-day public forum, nearly fifty of Estonia's most prominent cultural figures met to voice their concerns about the state of Estonia's culture, language, and people. Open criticism was leveled against the old-guard party leadership of Karl Vaino, and demands were made for real political reform. The forum was an awe-inspiring event for the hundreds of thousands of Estonians who listened on radio; yet it was only a prelude to the "singing revolution" that would follow that summer.

During the next several years, many of Estonia's artists, poets, and writers would become involved in politics. Thirteen cultural figures were elected to the Supreme Soviet in 1990, nearly twenty to the Riigikogu, the new legislature, in 1992. Culture suffered, however, because of economic decline. Paper shortages in 1990 and 1991 limited the number of books and literary journals that could be published. Art supplies, in high

demand, often were available only in exchange for hard currency. Still, foreign contacts opened up completely with opportunities to view new creative works and to spread Estonian culture abroad. With independence again in hand, Estonia could look forward to another era of free cultural development in a common European home.

Economy

Estonia's transition to a free-market economy in the early 1990s reflected the difficulties of building an independent economy from the ruins of one that hitherto had been developed for a single market, that of the Soviet Union. The creation of new economic institutions such as a separate monetary system, new regulatory agencies, and new development strategies had to keep pace with the decline of the old economy and its institutions. Real gross domestic product (GDP—see Glossary) dropped continuously in the early 1990s (see table 6, Appendix). Yet, among the former Soviet republics, in roughly four years of far-reaching market reforms Estonia became a model of economic transformation. The right-of-center government of Mart Laar, which took office in 1992, maintained a promarket stance despite criticism from opposition parties and agricultural interests, which were most vulnerable to foreign competition. After the introduction of the kroon in June 1992, inflation fell rapidly to an average of less than 3 percent per month in 1993. Consumer goods were again in abundant supply. Foreign trade grew, although in 1993 the trade balance began to show deficits. Under a program of privatization, 80 percent of the country's state-owned small businesses were sold off, and three rounds of large-scale privatization with foreign participation resulted in the acquisition of thirty major enterprises. By January 1995, after several more rounds of privatization, only twenty large enterprises had yet to be privatized. Official unemployment dropped to 1.4 percent in November 1994, but real unemployment may have been as high as 10 percent. The squeeze on the economy and the state budget intensified as many large, privatized firms were downsized and the transition neared the decisive stage of open competition.

Economic Reform History

Estonia began its reform process in 1987 with the development of a plan for economic autonomy within the Soviet

Union. Drawing on examples from both China and Hungary, the radical proposal called for an end to central economic control over Estonia, a separate tax system, and the adoption of a convertible ruble. Until then, it had been said that as much as 90 percent of the Estonian economy was controlled from Moscow; very little was left for the Estonians to decide for themselves. The decline in living standards beginning in the early 1980s and the "years of stagnation" were viewed as direct consequences of this overcentralization. With Gorbachev calling for a "restructuring" (or *perestroika*) of the economy, the Estonian proposal was meant to respond to and test this new call for change. The idea was popular among Estonians, not least of all because of the plan's name, Isemajandav Eesti, whose acronym, IME, also means "miracle" in Estonian.

Despite initial resistance from the old-guard Estonian Communist Party leadership, IME became official policy soon after the appointment of native-born Vaino Väljas as first secretary of the party in June 1988. Teams of economists were put to work mapping out the laws and decrees that would enable the plan to begin by January 1, 1990. Much of this work would improve Estonians' knowledge of reform economics by the time more radical measures proved necessary. In May 1989, the Estonian Supreme Soviet approved the plan by an overwhelming majority, sending it on to the Supreme Soviet in Moscow. Kremlin bureaucrats, however, sought to water down the scheme, injecting contradictory clauses that would make the plan unworkable. While the final law passed by the Soviet parliament accorded economic autonomy to Estonia, along with Latvia and Lithuania, it also stipulated that all reform measures be in accord with central Soviet laws.

In the following months, as the popular mood in Estonia shifted toward full independence, it became clear that the IME plan, too, would get nowhere within the increasingly outdated Soviet system. Still, many of the details and general impetus of IME proved very useful for economic reform down the road. In December 1989, the Estonian Supreme Soviet voted to create a central bank, the Bank of Estonia, for the republic as part of the plan for an eventual Estonian currency. Price-reform policies were in full force by October 1990, and an independent law on foreign trade was adopted. Prime Minister Edgar Savisaar sought to broaden Estonia's economic contacts with other Soviet republics, organizing several economic summits in Tallinn with Central Asian and Caucasian leaders. A new tax

system was put in place in Estonia, replacing the state budget's dependence on enterprise turnover taxes and phasing in income and sales taxes. In short, economic reform simply was carried out without regard to the Kremlin.

By August 1991, with Estonia's leap to full independence, the economy was beginning to feel the pain of both market reform and collapsing ties to the Soviet Union. Gasoline shortages had been endemic since 1990, and many enterprises were forced to cut production because of a lack of raw materials previously imported from other Soviet republics. Lax Soviet monetary policy also fueled Estonian inflation, undermining reform efforts as long as the new country remained in the Russian ruble zone. An unprecedented fuel and food shortage in January 1992 prompted Prime Minister Savisaar to ask parliament for emergency powers to deal with the crisis. Deputies in parliament, however, had lost confidence in Savisaar, and in the ensuing political crisis he was forced to resign. Savisaar was replaced by his transportation minister, Tiit Vähi.

A temporary fuel loan from Finland helped stabilize the situation, but the need to hasten the introduction of Estonia's own currency became apparent. Other economic reforms such as privatization and foreign trade were also being held up by the country's dependence on the Russian ruble.

On June 20, 1992, against earlier objections from the International Monetary Fund (IMF—see Glossary), Estonia introduced its new currency, the kroon. With only US\$120 million in gold reserves and no internationally backed stabilization fund, Bank of Estonia president Siim Kallas said the country could wait no longer. At 800 exchange points across the country, residents were allowed to exchange up to 1,500 rubles at a rate of ten rubles to one kroon. Excess cash was exchanged at a rate of fifty to one. Bank accounts were converted in full at ten to one. By the end of the three-day transition period, the move was declared a success, with only minor glitches reported. For stability, the kroon was pegged by special agreement to the deutsche mark (DM) at EKR8 = DM1. This would make the kroon worth about 7.7 United States cents, or EKR13 = US\$1. The kroon would be the only Baltic currency to be officially pegged to any outside value.

Recent Economic Developments

Monetary and Fiscal Policy

The new Estonian currency became the foundation for rational development of the economy. Money began to have clear value; the currency supply could be controlled from Tallinn, not Moscow; and long-term investment decisions could be made with greater confidence by both the state and private enterprise. The president of the central bank, Siim Kallas, made "hard money" the benchmark of his policy. In return, the bank saw its reserves grow rapidly, to US\$184 million by the end of 1992 and US\$365 million by December 1993. The central bank was independent of the government but subordinate to the parliament. In addition to its president, the bank was managed by a board of directors, whose chairman was also appointed by parliament.

Although the initial success of the kroon was gratifying, many fiscal challenges remained that threatened to upset monetary policy in the future. Among these was a high enterprise tax debt to the state. In December 1992, this debt, mostly unpaid revenue taxes from large state firms, amounted to about EKR565 million. A year later, this sum had fallen to roughly EKR400 million, but the possibility that the state might need to use its own funds to bail out these ailing firms remained. Another danger to monetary stability was posed by the possible collapse of several private banks in Estonia. In November 1992, the Bank of Estonia ordered the shutdown of three private banks because of insolvency. One of these was the Tartu Commercial Bank, which in 1988 had become the first private bank to be founded in the Soviet Union. Bad loans, increased competition, and poor management were expected to force other bank closures, with which the state would have to deal.

Following the enactment of reform laws during 1989–90, the state budget in Estonia was broken into three parts: the central government budget, local government budgets, and nine extrabudgetary funds. In 1993 (the first year for which figures are provided entirely in kroons), the central state budget ran a surplus of EKR216 million on total revenues of roughly EKR4.2 billion (US\$323 million). This surplus, however, was immediately spent in a secondary budget drawn up in October. The central budget included the financing of government operations (ministries, schools, police, cultural subsidies, and so



*Farm laborers in northern Estonia
Small Estonian farmstead
Courtesy Priit Vesilind*

forth) as well as roughly EKR500 million in aid to cities and towns. About half of the revenue for the central budget came from an 18 percent value-added tax (VAT—see Glossary) on most goods and services. Another 35 percent came from personal income and business taxes. Social welfare taxes on employer payrolls went directly into the state's extrabudgetary social welfare and health insurance funds, which amounted to slightly more than EKR2 billion. In all, general government taxes (including local taxes) in 1991 amounted to about 47.7 percent of GDP. Although successive governments pledged to reduce the overall tax burden, the transition was slow. In 1994 the previous three-tiered progressive tax scale was replaced with an across-the-board income tax rate of 26 percent. Estonia's central budget in 1995 was expected to total EKR8.8 billion, exceeding the 1994 budget and its supplements by EKR2.3 billion, mainly because of additional expenditures on social welfare, the civil service, the police, and the border guard. It was to be a balanced budget, nonetheless, for the second consecutive year. Various forms of taxation, including the income tax, an 18 percent VAT, and a corporate tax were to provide most of the revenue.

Wages and Prices

After the beginning of economic reform in Estonia, real wages dropped precipitously. From the fourth quarter of 1989, when the first price rises began, to the third quarter of 1991, when Estonia became independent, real wages fell by more than half. Food prices rose an estimated sevenfold as state subsidies were eliminated and the population received only partial government compensation for the higher prices. Fuel prices and apartment rents also increased. Inflation soared even more after independence as trade with Russia broke down even though Estonia remained in the ruble zone. In January 1992 alone, the cost-of-living index rose 88 percent, and in February it rose another 74 percent. The average rate for the year was 1,000 percent according to some estimates. Nominal monthly wages skyrocketed to keep pace, rising from 648 rubles in May 1992 to 3,850 rubles by May 1993.

The introduction of the kroon in June 1992 did much to stabilize wages and inflation. In 1993 increases in the consumer price index averaged about 3.0 percent per month; in 1994 they averaged 3.5 percent per month. The average monthly wage settled around EKR500 in August 1992. Thereafter, it

began a steady climb, reaching roughly EKR1,200 by the end of 1993. Yet, according to Arvo Kuddo, an official of the Bank of Estonia, real wages in mid-1993 still amounted to only 95 percent of their June 1992 levels and barely 50 percent of their levels from early 1991. In the meantime, wage differentials between the highest- and lowest-paying jobs grew markedly, from 3.4 times to ten times. According to the Estonian State Statistics Board, in mid-1993 the top 10 percent of wage earners received 32.9 percent of all income, while the bottom 10 percent received only 2.1 percent. Residents of Tallinn had the highest average monthly wage, some 20 percent above the national average. Personal savings also declined during this period. In December 1992, 41 percent of survey respondents said they had no significant savings at all. In 1993 some 17 percent said they were behind in paying their utility bills for lack of money.

Employment

The complexion of the Estonian labor market changed rapidly in the early 1990s in the wake of property reform and the growth of private enterprise. In 1990 some 95 percent of the labor force was employed in state-owned enterprises or on collective farms. Only 4.3 percent worked in private cooperatives or on private farms. In 1993 a public opinion survey indicated that less than half of the respondents now received their main income from a state enterprise. As privatization continued and the privately owned share of production increased, the share of state employment was expected to drop even more. Industry (in both the public and the private sectors) employed about 33 percent of workers in 1990; agriculture, 12 percent; education and cultural activities, 10 percent; construction, 10 percent; and trade and catering, 9 percent. The remainder of the labor force engaged in a variety of other activities in the services sector (see table 7, Appendix).

As of December 1, 1993, Estonia's official unemployment rate was still very low, 1.7 percent, or 14,682 people. This figure represented the proportion of working-age people officially registered as unemployed with the government's Employment Board and hence receiving unemployment benefits. During the second half of 1993, unemployment had in fact steadily declined from a high of 22,699 in May. In addition, the number of people on unpaid or partially paid leave declined during the first half of the year. By contrast, however, more people

were reported working part-time, most often with their full-time workweek having been reduced to three or four days. These people were not included in the official figure. The highest official unemployment rates in December 1993 were in the towns of the southeast (Võru, 5.3 percent; Põlva, 4.8 percent) and the northeast (Narva, 4.4 percent). Tallinn posted the lowest unemployment rate (0.2 percent), with just 594 registered jobless people. In 1994 official unemployment peaked at 2.3 percent in April, then fell steadily to a rate of 1.4 percent in November, the lowest rate among the Baltic states.

The official unemployment figures, however, did not tell the whole story. The unemployment rate was based on the working-age population (about 880,000 people), not the smaller number of active persons in the population (about 795,000). In addition, the figure did not include unregistered jobless people. In general, the low level of unemployment benefits also discouraged many people from even registering as unemployed. In October 1992, unemployment benefits in Estonia were reduced from 80 percent to 60 percent of the minimum monthly wage. Benefits were paid for 180 days with the possibility of a ninety-day renewal. In 1993 the government allocated EKR90 million for an expected 40,000 unemployed but ended up disbursing only EKR30 million because of the low number of registered jobless people. Still, in the final quarter of 1993, the Economist Intelligence Unit estimated that the real level of unemployment was as high as 10 to 12 percent.

Foreign Trade

An integral part of Estonia's transition to a market economy during the early 1990s involved reorienting foreign trade to the West and attracting foreign investment to upgrade the country's industry and commerce. In 1990 only 5 percent of Estonia's foreign trade was with the developed West, and of this, only 21 percent represented exports. About 87 percent of Estonia's trade was with the Soviet Union, and of that, 61 percent was with Russia. In 1991 trade with Western and other foreign countries fell further as available hard currency for imports dried up and as many producers of Estonian exports had to cut output because of a lack of raw materials. Although trade with Russia struggled on during the first half of 1991, trade relations broke down after independence was attained in August. New agreements were signed in December 1991, but precise licensing procedures and bilateral trade quotas took several more



*Women laborers in Viljandi
Ethnic Russians selling produce at Tallinn's central market
Courtesy Priit Vesilind*

months to work out. This delayed shipments of fuel and raw materials to Estonia, causing a severe economic crisis.

The introduction of the Estonian kroon in June 1992 proved decisive in stabilizing foreign trade. By the third quarter of 1992, Estonia experienced strong growth in foreign trade, finishing the year with an EKR136 million surplus. The total volume of trade amounted to nearly EKR11 billion, two-thirds of that coming during the second half of 1992. Moreover, by the end of the year, the very structure of Estonia's foreign trade had begun to change. European countries accounted for 56 percent of Estonia's trade in 1992. While 28.4 percent of Estonia's imports continued to be from Russia, 22.6 percent now came from Finland. In 1993 Finland surpassed Russia as a source of Estonia's imports, 27.9 percent to 17.2 percent. The two countries were roughly equal as a destination for Estonian goods, both accounting for just above 20 percent in 1992 and 1993 (see table 8, Appendix). Textiles constituted Estonia's leading trade article in 1992, accounting for 14 percent of exports. Among imports, Estonia primarily continued to receive mineral products (27.2 percent) and machinery and equipment (18.3 percent) (see table 9, Appendix).

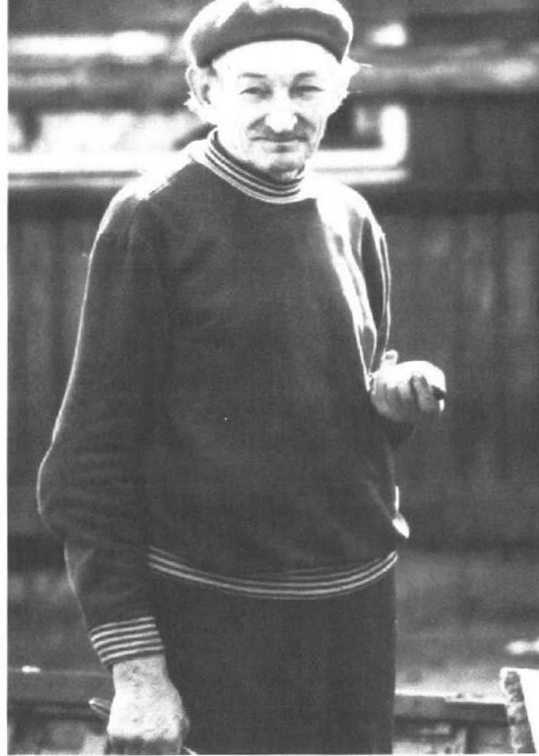
In 1993 Estonia ran a trade deficit estimated at US\$135 million. The trade balance deteriorated partly because of the strength of the kroon and partly because of a growing need for automobiles, agricultural products, and other essential goods. There was a 131 percent increase in imports from 1992 to 1993, compared with a 91.8 percent increase in exports. This imbalance was offset by a strong increase in services, leaving the country's current account in the black at EKR493 million. The trade deficit, however, continued to swell, reaching an estimated US\$389 million in 1994.

Foreign Investment and Loans

Foreign investment in Estonia began during 1987–88 with the creation of several dozen joint ventures under the Soviet Union's early reform strategy. The number of joint ventures in Estonia grew steadily after April 1990, when Estonian authorities began registering joint ventures themselves. By January 1991, 232 joint ventures had been registered in Estonia; by October 1991, there were 313. Finland led in the number of joint ventures (159), but Sweden accounted for the most foreign capital in Estonia (35 percent). In mid-1990 foreign investment also started coming into Estonia via joint-stock com-



*Woman serving sour rye bread
at Lahemaa National Park
cabin on the northern shore
Courtesy Priit Vesilind*



*Boatman in Viljandi
Courtesy Priit Vesilind*

panies—a more flexible form of ownership for both foreign investors and local capital. Joint-stock companies soon surpassed joint ventures as the prime attraction for foreign capital, totaling 803 by October 1991. In fact, many joint ventures later were converted into joint-stock companies. In September 1991, Estonia passed a new foreign investment law offering tax breaks (new ventures were granted a two-year tax exemption) and import-export incentives to foreign investors. This legislation stimulated further activity. In 1993 foreign investors were also given the right to buy land, but only through the purchase of privatized state enterprises. Non-Estonians could not own more than 50 percent of the equity in joint ventures without government permission.

From the beginning, foreign capital was heavily concentrated in Tallinn. About 75 percent of the first joint ventures were established in the capital; in March 1993, it was reported that 87 percent of all foreign capital invested in Estonia was

located in Tallinn and the surrounding area. Although the government hoped that lower property taxes and lower wages might eventually entice more foreign capital to southern Estonia, most investors continued to be drawn to Tallinn for its higher-quality communications, better-trained personnel, and broader transportation opportunities.

Among individual countries, Sweden continued to lead all others in both overall value of investments and as a percentage of total foreign investment—37.7 percent in 1993 (see table 10, Appendix). Both the Norwegian company Statoil and the Finnish firm Neste also were heavily involved in the national economy, building gasoline stations across Estonia. Tallinn's premier hotel, Hotel Palace, was owned by the Estonian-Finnish consortium Fin-Est. In 1992 Coca-Cola set up a joint venture with the Estonian bottling plant AS Tallinna Karastusjoogid to produce soft drinks for the Estonian and Russian markets. In 1993 a four-story office building, the Tallinn Business Center, was opened by a United States development group.

Estonia's transition to a market economy during 1991–93 was eased considerably by the availability of more than US\$285 million in foreign aid, loans, and credits. Receipt of this financial assistance was facilitated by the fact that Estonia, unlike many of the other countries of Eastern Europe, had no prior foreign debt. In addition, by claiming legal status as a formerly occupied country, Estonia, along with the other Baltic states, refused to accept liability for the Soviet Union's foreign debt. Instead, it claimed—and received the rights to—more than US\$100 million worth of Estonian gold deposited in Western banks by the prewar republic and frozen after 1940.

During 1992–93 Estonia received a total of about US\$125 million in humanitarian aid, including emergency shipments of fuel, grain, and medical supplies. In August 1992, Estonia signed its first memorandum with the IMF to secure a US\$32 million loan from the IMF and US\$30 million from the World Bank (see Glossary). The memorandum obligated the Estonian government to balance its budget, to limit wage increases, to privatize state enterprises, and to maintain a strict monetary policy. Fourteen months later, the IMF released the first US\$16 million of its loan to Estonia, after it was satisfied that the government has maintained its economic reforms. In early 1992, Estonia also had become a member of the European Bank for Reconstruction and Development, from which it would later

receive a total of US\$46 million in loans for improving its energy industry. Other foreign loans were received from Japan, the United States, Sweden, and the European Union (see Glossary), among others (see table 11, Appendix). In addition, in December 1993 the European Investment Bank gave Estonia a credit worth 5 million European currency units (ECUs—see Glossary) for loans to small businesses. The credit was the first from an ECU200 million fund allocated to Baltic states through the European Union's Poland/Hungary Aid for Restructuring of Economies (PHARE) program.

Property Reform

Privatization, or the selling off of state property, represented the cornerstone of Estonia's efforts at property reform during 1990–93. Although growth in simple private enterprise during this period contributed to the country's shift to capitalism, the allocation to private initiative of state-owned resources ranging from factories to kiosks was considered a more formidable engine for encouraging economic recovery. Much of Estonia's economy had been developed in accordance with central Soviet planning requisites, and it was unclear at first how viable many of Estonia's machine-building and metallurgical factories would be in the context of its small national economy. The fate of these enterprises remained unclear in the mid-1990s. In the meantime, however, Estonia had launched a successful small- and medium-scale privatization program, which showed impressive results after only two years. By August 1993, more than half of all registered Estonian enterprises were privately owned.

As in many other East European countries, property reform in Estonia was intimately linked to issues of property restitution. In Estonia's case, this meant the return of, or compensation for, property nationalized by the Soviet regime in 1940. Estonia's political strategy for independence, with its stress on the illegality of Soviet rule, raised corollary questions and debates during 1989–90 about the legality of the Soviet Union's early nationalization of the economy. The principle of a political restoration of the prewar republic also generated pressures to recognize a kind of economic restoration—recognition of the right of previous property owners to reclaim their property or at least to receive just compensation. This, it was argued, was a simple matter of fairness to society. Thus, the tension between the equally compelling needs for efficient privatiza-

tion and for judicious restitution was acute. If one accepted the necessity of fostering new economic activity, the imperative to privatize was clear. Yet, in selling off state property, the government was in danger of wrongfully profiting from the sale of property taken from Estonian citizens in 1940. Determining which property could be privatized and which property might have claims on it soon became a legal tangle with long-term consequences.

Despite some individual warnings as to the cost and rationality of such a move, in December 1990 the Estonian Supreme Soviet adopted a resolution voiding the Soviet government's 1940 nationalization of property and recognizing the continuity of all prewar property rights. In addition, it set a deadline of December 27, 1991, for the submission of claims to local government authorities for the return of property or compensation. The authorities thereafter would decide upon the validity of these claims. In June 1991, the parliament passed a second law laying out the basic principles of property reform. Among this law's three explicit objectives was one calling for the "redress of injustice committed by the violation of property rights" under Soviet rule. More than 200,000 property restitution claims were submitted, and much work in municipal archives to verify the claims lay ahead.

Although opposed to restitution, the government of Prime Minister Edgar Savisaar (1990–92) relented, with the stipulation that for any prewar property radically altered during the Soviet era, such as reconstructed factories, only compensation would be offered. In addition, persons currently in houses and apartments subject to restitution claims got assurance that they would not be summarily evicted by the previous owners. With these ground rules, in June 1990 the Supreme Soviet passed the Law on Property, legalizing various forms of property, including individually owned property. The government moved to create the State Property Board (Riigivaraamet) in August to supervise the privatization of at least small businesses and services, which would help to stimulate the economy. These enterprises mostly had been created during the Soviet era and thus were free from potential restitution claims. In early 1991, the board began selling off an estimated 3,000 such enterprises, among them small booths and shops, service outlets, and catering facilities. Initially, preference was given to employee buyouts, but public auctions later became the method of choice in order to speed up the process. By Septem-



*View of historic Tallinn
Street in small town near Viljandi
Courtesy Prit Vesilind*

ber 1992, out of a total of 855 enterprises approved for sale, 558 had been sold. Service enterprises proved easiest to sell, although retail establishments were not far behind.

Experimentation with large-scale privatization began in mid-1991. Two machine-building factories, as well as the Tallinn taxi depot, were chosen as the first properties to be sold. Preference again was given to employee buyouts, which in the case of large-scale enterprises, however, proved to be unwieldy because several competing groups emerged. The experimental enterprises soon became mired in controversy, and the policy of relying solely on local capital was abandoned. After the adoption of the new currency in mid-1992, privatization was reinvigorated.

In a change of procedure, the government set up the Estonian Privatization Enterprise (Eesti Erastamisettevõte—EERE) to begin dealing with the direct sale of large-scale enterprises to foreign and domestic investors. The EERE was modeled after the successful German agency Treuhandanstalt, with which the EERE signed a cooperation agreement. In November 1992, the EERE offered its first thirty-eight enterprises for sale through widespread advertising in local and Western newspapers. Yet, scarcely ten days later, the newly elected prime minister, Mart Laar, halted the process. He claimed that several restitution claims were outstanding vis-à-vis the advertised properties and charged that the EERE had too much power. Although the controversy took some time to resolve, the EERE's program was back on track by 1993. In May it offered another fifty-four enterprises for sale; in November forty enterprises were put on the block. In each case, sealed bids were accepted by the EERE from foreign and local investors until a certain date. Thereafter, the EERE attempted to negotiate a sale with the highest bidder based on development plans for the new enterprise as well as promises to retain a certain number of employees. The early sale offers by the EERE attracted widespread interest. In April 1993, the Estonian parliament sweetened the incentive to bid by allowing foreign investors to buy the land underneath any privatized property, rather than rent. About half of the enterprises put up in the first two rounds found buyers. Often, however, enterprises were broken up, with only parts being sold off. Many initial sales secured guarantees of employment for up to 60 percent of the acquired enterprise's employees.

In the summer of 1993, Estonia merged its two privatization firms, the State Property Board and the EERE, to create the Estonian Privatization Agency (Eesti Erastamisagentuur—EEA). The privatization of small enterprises was coming to a close, and the process needed to be consolidated. During 1991–92 the government sold 676 properties for a total of EKR64.3 million. By October 1993, another 236 small enterprises had been sold for a total of EKR169 million. Roughly 40 percent of these were in Tallinn. A total of EKR117.8 million had been garnered from the sale of the first thirty large-scale enterprises. According to an EEA official, these deals had secured some EKR52 million in investment and provided guarantees for 4,900 jobs.

By 1993 three property reform tasks remained. First, a wide variety of mostly unprofitable state enterprises had yet to be sold off. Second, the issue of how to provide compensation for prewar property claimants remained unresolved. Third, the process of housing privatization, in which the average resident was most interested, had yet to begin. These three tasks were all addressed in a Law on Privatization passed by the Riigikogu in June 1993. Throughout 1993 all adult residents had begun registering themselves and their work histories to qualify for a specific amount of national capital vouchers (*rahvakapitali obligatsioonid*—RKO) based on their years of active employment and service to the economy. According to the new Law on Privatization, residents could use their RKO toward the purchase of their apartments based on apartment values set by the government. If a resident lived in a house or did not wish to buy an apartment, he or she could buy into investment funds, which were to be the main players in the sale of remaining state property. In addition, individuals could invest in pension funds backed by the government. Finally, prewar property claimants who were due compensation for their losses were issued compensation securities, which they could use in any of the new investment modes. According to Liia Hänni, a former government minister, in 1992 the state still held about EKR36 billion worth of property, of which EKR7 billion worth was housing stock. An estimated EKR15 to EKR25 billion worth of RKO would be issued, along with EKR12 to EKR15 billion in property compensation.

Economic Sectors

Industry

The Estonian industrial sector suffered more than other sectors during the country's transition to a market economy. Most of Estonia's heavy industry had been developed and managed by central planners in Moscow with imported labor from Russia. In 1990 only sixty-one of 265 industrial enterprises were under direct Estonian control. Forty enterprises, which accounted for 12 percent of Estonia's industrial production, were controlled directly from Moscow. Because many of these were defense related, even Estonian authorities had limited access to them. After independence was regained in 1991, Estonia acquired all of the industrial enterprises on its territory and faced the challenge of finding them a place in a market economy.

In 1990 industry accounted for about 40 percent of GDP (42.5 percent in 1992) and 33 percent of employment. Within the sector, food processing was the largest subsector, accounting for 30.4 percent of production in 1992 (up from 24.5 percent in 1990). It was followed by light industry at 17.9 percent (down from 26.3 percent in 1990) (see table 12, Appendix).

Industrial production began to fall drastically as supplies of raw materials from the Soviet Union dwindled. The World Bank reported that in the first nine months of 1991, industrial activity decreased by 10 percent over the previous year's corresponding period. According to the Estonian State Statistics Board, during 1992 total production fell another 39 percent from 1991. In 1993, as enterprises began slowly buying raw materials on the world market, production in some areas began to increase. Although overall output was still down in 1993, it increased by an estimated 7 percent in 1994. Estonia's best hope lay with its lighter industries: food processing, textiles, furniture, paper, and glass. Many of these relied on domestic raw materials and hence were able to continue producing during the transition. Estonia's metallurgical and chemical industries showed the greatest decline, and their future was in doubt without new technology and markets.

Agriculture

Like the rest of the economy, Estonian agriculture has been in great flux since the degeneration of the collective and state farm systems. In 1991 roughly 12 percent of the labor force was

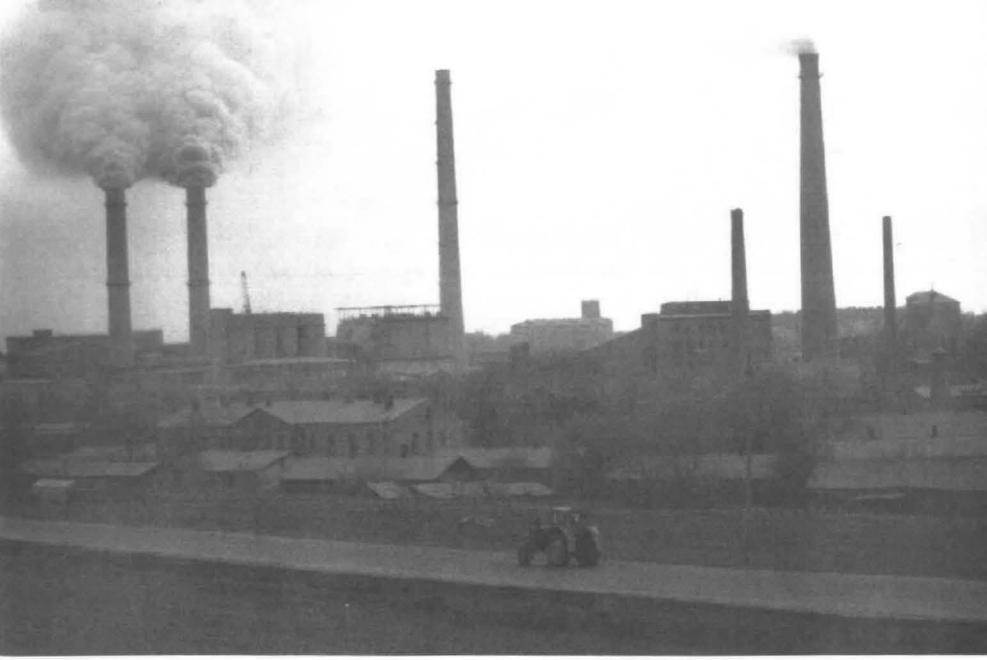
*Strip mining of oil shale in
northeastern Estonia
Courtesy Prit Vesilind*



employed in agriculture, producing 15.4 percent of Estonia's GDP. Estonia has some 1.3 million hectares of agricultural land, nearly 1 million hectares of which are arable. During the Soviet era, arable land decreased by nearly 405,000 hectares, much becoming forest. Collectivization in the late 1940s and 1950s brought great hardship to Estonian agriculture, which during the first independence period had been the mainstay of Estonian society. Still, Estonian agriculture remained more productive than the Soviet average. In 1990 there were 221 collective and 117 state farms with an average of 350 to 400 workers each. The average livestock herd per farm included 1,900 cattle and 2,500 pigs. Estonia was a net exporter of meat and milk to the other republics. Agriculture also served as the basis for the republic's strong food-processing industry (see table 13, Appendix). For its meat production, however, Estonia relied heavily on feed grain from Russia. When the republic sought to cut back on meat exports in the late 1980s, Russia retaliated by slowing the provision of feed grain, which cut Estonian production even further. Increases in fuel prices and a general fuel crisis in early 1992 also hit agricultural production very hard. Although the total area of field crops grew in the early 1990s, total production and average yields fell markedly (see table 14, Appendix).

Reform of Estonia's agricultural system began in December 1989 with adoption of the Law on Private Farming. The law allowed individuals to take up to fifty hectares of land for private planting and for growing crops. The land was heritable but could not be bought or sold. The goal of the reform was to stimulate production and return the spirit of private farming to a countryside worn down by decades of central planning. Six months after implementation, nearly 2,000 farms were set up, with several thousand waiting for approval. A year later, more than 3,500 private farms were operating. Starting in October 1991, farmers were allowed to own their land. This boosted the number of farms to 7,200 by early 1992. As of the first half of 1993, a total of 8,781 farms had been created, covering approximately 225,000 hectares, or a quarter of Estonia's arable land.

In May 1993, the Estonian parliament passed a law on property taxes, which had been a major concern for many farmers before getting into business. The law mandated a 0.5 percent tax on property values to be paid to the state and a 0.3 to 0.7 percent share to be paid to local governments. More than property taxes, the costs of commodities such as fuel and new



*Kunda cement factory
Dock facilities at harbor of Tallinn
Courtesy Priit Vesilind*

equipment were considered most likely to prove burdensome to many new farmers.

With the introduction of private agriculture, many collective farms began to disintegrate. Corruption and "spontaneous privatization" of farm equipment by farm directors grew. A number of Estonia's more successful farms were reorganized into cooperatives. Over the long term, the government predicted that 40,000 to 60,000 private farms averaging fifty hectares would be optimal. At the same time, Estonians were likely to maintain a very high rate of consumption of home-grown fruits and vegetables. A 1993 survey by the Estonian State Statistics Board indicated that nearly 80 percent of all potatoes consumed by Estonians either were privately grown or were received from friends or relatives. Thirty percent of eggs were received outside the market as well as 71.5 percent of all juice. Overall, Estonians reported getting over 20 percent of their food from private production or from friends or relatives.

Estonia has 1.8 million hectares of forest with approximately 274 million cubic meters of timber. Accounting for about 9 percent of industrial production in 1992, forest-related industries seem likely to grow further in the 1990s, thanks to expanding furniture and timber exports.

The fishing industry, once entirely under Soviet control, also has the potential to contribute to the country's economy. With 230 ships, including ninety oceangoing vessels, this profitable industry operated widely in international waters. A large share of Estonia's food-industry exports consists of fish and fish products. In 1992 about 131,000 tons of live fish were caught.

Energy and Natural Resources

Estonia is an exporter of electrical energy, but it is wholly dependent on the outside market for oil fuels and natural gas. Oil shale deposits estimated at 5 billion tons in the country's northeast help to fuel two large thermal power plants near the town of Narva (see fig. 5). Roughly 23 million tons of oil shale were mined per year up to the early 1990s. In 1990 Estonia produced about 17.2 billion kilowatt-hours of electricity, of which about 8.5 billion were exported to Russia and Latvia. By 1992, however, export production of electricity had dropped by more than one-half because of falling demand in Russia. These cut-backs in turn forced a slowdown in oil-shale mining, although no exact figures were available. In many mines, miners were employed only three or four days per week. The decline in ton-

nage also increased relative production costs. In order to start bringing Estonian oil shale closer to world prices and to cover costs, mining officials called in 1993 for an increase in the state price per ton from EKR36 to EKR50. The government resisted at first, fearing a corresponding rise in electricity prices and a new wave of inflation throughout the economy but eventually allowed oil shale producers to raise the price of their products to EKR45 per ton.

After independence, Estonia endeavored to sign barter agreements with Russia to exchange Estonian electricity and food for Russian oil and gas. Transportation problems in Russia caused this arrangement to break down in early 1992. The ensuing fuel shortages forced Estonia to venture onto the open market for the first time. In the interim, Russian oil prices began to approach the world price, meaning Estonia would find it just as competitive to begin buying fuel from other countries. In March 1993, two new oil terminals were opened near Tallinn, which will facilitate imports in the future. Foreign companies, such as Finland's Neste and Norway's Statoil, also began entering the Estonian gasoline market, building several modern filling stations in Tallinn and the surrounding areas. Meanwhile, the Estonian state oil company, Eesti Kütus, was forced to sell off many of its holdings and drastically scale back its operations in mid-1993 in order to pay an estimated EKR250 million in debts and back taxes. The company's market share was expected to drop from 70 percent to 30 percent.

Dependence on Russia for natural gas continued, with Estonia consuming about 1.3 billion cubic meters of Russian natural gas in 1990. Energy was in fact often used as a political weapon during the early 1990s. Estonia's two thermal power plants, for example, were staffed mostly by Russian workers who, to protest Estonian government policies, repeatedly threatened to shut down the plants. Although any disruption in production would also affect neighboring Russia, the possibility of problems persisted. Russia in turn threatened Estonia with a cutoff of gas supplies in June 1993 during the crisis surrounding Estonia's Law on Aliens (see Government and Politics, this ch.). The Russian gas company Lentransgas once shut down its pipelines to Estonia for a single day, ostensibly because of Estonia's US\$10 million in unpaid bills. Also, Russian leaders often threatened economic sanctions for what they called discrimination against Estonia's Russian minority.



Figure 5. Economic Activity in Estonia, 1995

Transportation and Telecommunications

Estonia had a total of 30,300 kilometers of public roads (29,200 kilometers hard-surfaced and 1,100 kilometers unpaved) in the early 1990s. There was little traffic congestion, thanks to the relatively low number of automobiles per person—140 per 1,000 inhabitants. Estonia's major roads include Highway M11 to St. Petersburg and Highway M12 to Riga. In 1990 the roads carried 214 million tons of freight, or 85 per-

cent of the total freight for that year. Estonian officials, for their part, were seeking to increase international truck transport through the country by encouraging the development of an international highway project, *Via Baltica*, from Tallinn to Warsaw (see fig. 6).

Bus transportation was widely developed during the Soviet period, totaling 4.5 billion passenger-kilometers in 1990. By 1993 the removal of state subsidies had forced an increase in ticket prices, a decline in ridership, and a contraction of service. New international routes, however, were opened to Germany and Denmark.

With a total of 1,126 kilometers of track, railroads in Estonia carried 30 million tons of freight and 16 million passengers in 1993. Estonia's main rail lines link Tallinn with Narva and St. Petersburg, Tartu with the Russian city of Pskov, and Pärnu with Riga. More than 130 kilometers of rail line are electrified.

The country's main airport, located in Tallinn, can serve medium-sized jets and accommodate up to 2 million passengers per year. Airports are also located in Tartu and Pärnu at former Russian air force bases. Domestic air service is provided only to Estonia's islands. In September 1991, the country inherited a fleet of about fifteen airplanes from the Soviet airline Aeroflot. It had a fleet of sixteen aircraft in 1992. A state airline, *Estonian Air*, was launched in December. In 1992 it served twelve international destinations—Amsterdam, Copenhagen, Frankfurt, Helsinki, Kiev, Minsk, Moscow, Riga, St. Petersburg, Sochi (Russia), Stockholm, and Vilnius—and carried nearly 175,000 passengers. Service is also provided by other airlines, including Aeroflot, *Drakk Air Lines*, *Finnair*, *Lithuanian Airlines*, *SAS* (Scandinavian Airlines), and *Lufthansa*.

International shipping was a major source of foreign currency for Estonia under the Soviet regime. In the early 1990s, the state-owned *Estonian Shipping Company* operated a fleet of eighty-two vessels with a carrying capacity of 500,000 tons. Narva is the main inland port. Five hundred kilometers of inland waterways are navigable year round. Estonia's three main commercial ports are all located around Tallinn; together they handled about 10 million tons of cargo in 1991. The Tallinn port continued to be a transit point for trade shipments to Russia, particularly grain. Ferry traffic out of Tallinn grew exponentially in the early 1990s. In 1992 an estimated 1.3 million people crossed between Tallinn and Helsinki, while traffic was said to be still growing at 50 to 60 percent a year. In 1990



Figure 6. Transportation System of Estonia, 1995

overnight ferry service was started to Stockholm; freight service to Germany followed later. Disaster struck on September 28, 1994, however, when a ferry owned by Estline, a Swedish-Estonian joint venture, sank in the Baltic Sea, killing more than 900 passengers.

Telecommunications required much modernization in Estonia after independence. Poor-quality telephone connections and outmoded equipment were among the major problems. The number of international lines was increased during the early 1990s, and beginning in 1993 new digital switchboards were being installed to replace old mechanical ones. The country's first mobile telephone networks were set up in 1990. Est-telecom, the state telecommunications company, had approximately 341,000 subscribers in 1992. However, unmet demand because of a shortage of lines indicated the existence of another 150,000 potential customers. Only two-thirds of tele-

phone customers had long-distance access within Estonia and to the former Soviet Union. To improve service, Esttelecom was negotiating with Swedtel of Sweden for outside investment and the creation of a joint telecommunications venture. In 1993 there were approximately 600,000 television receivers in use, or one television per 2.6 persons. There was one radio per 1.7 persons and one telephone per 3.9 persons.

Tourism

Tourism was a major area of growth for Estonia in the late 1980s and even more so after independence. With the expansion of ferry and air links, Estonia began to receive a growing number of visitors from Western countries as the number of tourists from the former Soviet Union dropped off. In 1990 the number of tourists was estimated at 500,000; by the mid-1990s, that figure was expected to top 1 million. New accommodations were being built, and several of Tallinn's major hotels were being privatized. Estonia established visa requirements for visitors after independence but soon rescinded them for many European countries, the United States, and Canada. The Baltic states also signed agreements allowing foreigners to travel with one country's visa in all three states. Tallinn's medieval old town, although in need of repairs, is Estonia's main tourist attraction. Many visitors also tour Tartu and the island of Saaremaa. The greatest number of visitors come from Finland and Sweden. Net tourism receipts totaled about EKR26 million in 1992.

Government and Politics

Estonia's new era of democratic politics began slowly in the 1990s with the adoption of a new constitution and the formation of stable political groupings. Several mechanisms in the constitution were beginning to function to ensure a balance of power and steady government. Citizenship issues, however, caused tensions among the country's 500,000-strong Russophone population, most of whom had been denied automatic citizenship rights in 1991. Their naturalization and integration into Estonian society remained a significant challenge.

Current Politics

The election in September 1992 of a new parliament, the Riigikogu, and the formal restoration of the Republic of Esto-

nia marked the opening of a new political era. Not only was a new set of deputies elected, but Estonia took a further step in defining its political forces and developing a new political culture. As expected, right-wing parties did best in the electoral poll, promising "to clean house" and offer a fresh beginning after the Soviet era. The contest for the 101-seat Riigikogu yielded a three-party center-right coalition government holding fifty-two seats. The Fatherland Party (Isamaa) led the coalition with thirty seats, the Estonian National Independence Party (Eesti Rahvusliku Sõltumatuse Partei) had ten seats, and the Moderates (Mõõdukad—made up of the Social Democratic Party and the Rural Center Party) had twelve seats. In opposition were the Coalition Party (Koonderakond), the Rural Union (Maaliit), the Estonian Center Party (Eesti Keskerakond), the Royalist Party (Rojalistlik Partei), and the Estonian Citizens Union (Eesti Kodanike Liit). Because noncitizens were not allowed to vote in the election, most of Estonia's Russian population was excluded from the poll. Consequently, the new Riigikogu was 100 percent ethnic Estonian.

The 1992 elections also saw a special contest for the largely ceremonial post of president. Although the new constitution stipulates that the president shall be elected by the parliament, the Constitutional Assembly in early 1992 succumbed to popular pressure and agreed to have the country's first president elected by the people. In the resulting poll, the incumbent chairman of the parliament, Arnold Rõütel, topped the list. But with only 41.8 percent of the vote, he did not muster the majority needed for direct election under the special rules. Although a former communist, Rõütel had been widely admired for his steady, balanced leadership during the independence struggle. Yet, his electoral shortfall was enough to throw the final decision into the Riigikogu, where the runner-up, with 29.5 percent, Isamaa candidate and former foreign minister Lennart Meri, had the advantage. At the parliament's opening session on October 5, Meri defeated Rõütel by a vote of fifty-nine to thirty-one.

In mid-October Mart Laar, the thirty-two-year-old chairman of Isamaa, was appointed prime minister by President Meri. The youngest person ever to hold that post, Laar promised immediately to expand Estonia's free-market reforms and defend Estonian national interests. During his first fourteen months in office, Laar cut tax rates and maintained control over expenditures (see *Economy*, this ch.). He also posted

some foreign policy successes, such as Estonia's admission to the Council of Europe (see Glossary) in May 1993. His cabinet, however, was plagued by inexperience. Four months into office, Laar's choice for economy minister resigned after accusations that he was not up to the job. In January 1993, the defense minister, an émigré Estonian, Hain Rebas, caused a scandal when he allowed some 250 Russian soldiers to enter Estonia just as the country was negotiating their withdrawal with President Yeltsin. In August a mutiny by a handful of Estonian soldiers in western Estonia prompted Rebas to resign altogether. In December 1993, President Meri was obliged to dismiss Minister of Interior Lagle Parek, a longtime dissident during Soviet rule, for several scandals involving her management of ministerial affairs (see National Security, this ch.).

In June 1993, Laar's government suffered its greatest turmoil when a major political crisis erupted over passage of a law meant to regulate the status of noncitizens (mostly Russians) in the country. Russian groups criticized the 1993 Law on Aliens as discriminatory, and for the first time some of Estonia's key Western allies, including the United States, the Scandinavian states, and the European Union, raised objections. The Law on Aliens as originally adopted would have required all noncitizens to reapply for residency permits within two years without any guarantee of acceptance. In July, after President Meri vetoed the law and requested a review of it from the Council of Europe and the Conference on Security and Cooperation in Europe (CSCE—see Glossary), the Riigikogu agreed to amend the measure and guarantee most noncitizens new permits. The domestic crisis prompted President Meri to establish the Nationalities Roundtable for future discussion of minority affairs. The United States and Sweden immediately supported the roundtable with financial contributions to cover its operating costs. In the ensuing months, the roundtable met several times, but no major decisions were reached.

The results of Estonia's first post-Soviet local elections, held in October 1993, reflected public reaction to the government's series of setbacks and the continuing hardships caused by economic reform. In all the major cities, Isamaa did poorly. Former prime minister Tiit Vähi's Coalition Party was the big winner, especially in Tallinn, where it won eighteen of sixty-four seats. Russian parties also reemerged on the political scene, supported mostly by noncitizen voters, who, under a special constitutional provision, were allowed to vote. In Tallinn

the moderate Russian Democratic Movement won eighteen seats. Despite this midterm upset and a continuing decline in public opinion polls, the Laar government later easily survived a vote of no confidence in parliament. In December it succeeded in passing a tax cut as well as a budget for 1994. To shore up the Isamaa-led coalition, in January 1994 four key portfolios in the Council of Ministers (defense, economy, finance, and foreign affairs) were reshuffled. However, the coalition disintegrated in June 1994 after a series of embarrassments, most notably the allegation that the prime minister had been involved in the secret transfer of a large sum of Russian rubles to the breakaway Russian republic of Chechnya in 1992. In September 1994, Laar lost a vote of no confidence in the Riigikogu. After President Meri's nomination of Bank of Estonia president Siim Kallas to succeed Laar was rejected, the Riigikogu confirmed Andres Tarand, the outgoing minister of environment, as prime minister in October. Tarand was to serve as a caretaker until the general elections in March 1995.

Constitutional Foundations

Under the constitution adopted on June 28, 1992, Estonia has a parliamentary system of government, with a prime minister as chief executive. Parliament also elects a president, whose duties are largely ceremonial, although the first holder of this office, Lennart Meri, sought to assert his independence. The constitution also governs the work of a legal chancellor, an auditor general, and the National Court.

The constitution opens with a set of general provisions and a forty-eight-article section establishing the fundamental rights, liberties, and duties of citizens. Freedom of expression and assembly, freedom of information, the right to petition the courts, and the right to health care are all guaranteed. Censorship and discrimination on the basis of nationality, gender, religion, or political belief are forbidden. The official language of Estonia is Estonian. However, in deference to heavily Russian areas of northeastern Estonia, the constitution allows for the use of other languages in local government where the majority of the population is non-Estonian. Article 9 of the constitution guarantees equal constitutional rights to both citizens and non-citizens living in Estonia. Noncitizen permanent residents are also allowed to vote in local elections. Noncitizens may not, however, join political parties or hold elected office.



*Parliament building, Toompea Hill, Tallinn
Courtesy Stanley Bach*

The Riigikogu (State Assembly), which replaced the transitional Supreme Council in 1992, has 101 members, who are chosen every four years by popular election. Members must be at least twenty-one years old. Each member may belong to only one committee. The president of the republic is elected to a five-year term by a two-thirds majority of the Riigikogu. The president nominates the prime minister, who must receive a vote of confidence from the Riigikogu. The Riigikogu passes legislation as well as votes of no confidence in the government. The president can dissolve parliament if there is a prolonged delay in the nomination of a prime minister or in the adoption of a state budget, or after a vote of no confidence in the government.

The president promulgates all laws after their adoption by the Riigikogu. However, he or she may also refuse to promulgate (i.e., veto) a law and send it back to the Riigikogu for reconsideration. If the Riigikogu passes the same law again by a simple majority, the president's veto is overridden. In 1993 President Meri vetoed seven laws, most of which were later modified by the Riigikogu. An early string of vetoes in the spring of 1993 especially angered members of the government

coalition in parliament who had helped to elect him. Meri declared it his obligation, however, to protect the balance of power in government. His involvement was particularly critical during the domestic and international crisis surrounding Estonia's Law on Aliens.

The legal chancellor is appointed by the Riigikogu to a seven-year term and provides guidance concerning the constitutionality of laws. This official has no powers of adjudication but can issue opinions and propose amendments. Both the legal chancellor and the president may appeal to a special committee of the National Court for a binding decision on any law, national or local, that they consider unconstitutional. The court system comprises rural and city, as well as administrative, courts (first-level); district courts (second-level); and the National Court, the highest court in the land. Criminal justice is administered by local first-level courts as well as by second-level appellate courts. Final appeal may be made to the National Court, which sits in Tartu.

Central government policy at the regional level is carried out by the administrations of Estonia's fifteen counties (*maakonnad*). These counties are further subdivided into 255 local administrative units, of which forty-two are towns and 213 are townships (*vald*). Local councils are elected for a three-year term by permanent residents of the towns and townships.

Mass Media

The mass media in Estonia played a catalytic role in the democratic upsurge of the late 1980s that led to independence. Responding during 1985–86 to Mikhail S. Gorbachev's call for *glasnost* (openness), the Estonian media, especially newspapers, began to focus on the many social and economic problems afflicting the country at the time. Yet, the blame for these social and economic ailments soon began to fall on the political system, an outcome that Gorbachev had not intended. For instance, the fight against an extensive and environmentally dangerous plan to mine phosphorus in northeastern Estonia was energized in 1987 by several articles in the monthly *Eesti Loodus*. The Tartu daily *Edasi* (later renamed *Postimees*) would become a lively forum for the discussion of economic reforms such as Estonia's economic autonomy plan, the IME plan. The daily newspaper of Estonia's Komsomol, *Noorte Hääl*, took the lead in exposing the abuse many young Estonian men were suffering in the Soviet army. Many Estonian cultural publications,

such as the weekly newspaper *Sirp ja Vasar* and the monthly journals *Looming* and *Vikerkaar*, carried historical overviews of Estonia's annexation in 1940 and of the deportations that followed. Finally, on television and radio, several roundtable debate programs were aired, where more ideas were articulated. As political mobilization grew, the mass media became interactive players, reporting on the new events while giving further voice to varied opinions.

The Estonian-language media operated in sharp contrast to Estonia's two main Russian-language dailies, *Sovetskaya Estoniya* (later renamed *Estoniya*) and *Molodezh' Estonii*, whose editors took a defensive stance toward rising Estonian nationalist feeling. The Russian community in Estonia was more heavily influenced by local communist party leaders, who remained loyal to Soviet rule. The Russian-language newspapers also echoed some of the views of the Intermovement and other Soviet loyalist groups. In the aftermath of independence, both newspapers were left searching for a new identity, as was most of the Russian community now living as a minority cut off from Russia.

In the early 1990s, the Estonian media diversified greatly as competition among newspapers grew. The flashy weekly *Eesti Ekspress*, run by a Finnish-Estonian joint venture, captured much of the early market, but it was soon joined by other rivals. Business-oriented publications emerged, such as *Aripäev*, a joint venture with Sweden's *Dagens Industri*. In 1992 a new daily, *Hommikuleht*, was launched by a group of private investors. Estonia was also the base for the Baltics' largest circulating English-language newspaper, *Baltic Independent*. Still, the growth in the number of newspapers could not compensate for a rise in subscription rates and a decline in overall readership. Print runs fell from nearly 200,000 in 1990, when newsstand copies cost the equivalent of US\$0.05, to an average of 40,000 in 1993. Still, in 1993 there were approximately 750 serial publications in Estonia, three times the number in 1987.

Television and radio changed as well. During 1992–93 three commercial radio stations went on the air. Each offered a mix of rock music, news, and features. State-owned Estonian Radio spun off one of its two stations to compete with the new formats. Several regional radio stations also began broadcasting. Estonian state television received competition in the fall of 1993 when the government gave rights to three companies to start broadcasting on two channels previously used by Russian television. Earlier, the government had decided to stop paying

for the rebroadcast of the Moscow and St. Petersburg channels in Estonia.

Foreign Relations

Both before and after independence, Estonia's foreign policy had a strong Western orientation. Western recognition of Estonia's legal independence was a key source of strength for the republic in its struggle with the Soviet Union. After 1991 Estonia worked to maintain that relationship and integrate with European political institutions as a further safeguard against potential threats from Russia. The last Russian troops stationed in Estonia after 1991 finally were withdrawn in August 1994, but relations with Yeltsin's Kremlin remained cool. Growing instability in Russia and Western attempts to placate Russian nationalism left Estonia anxious for greater European security guarantees but wary of being squeezed again in great-power politics.

Relations with the West

During 1990–91 Estonia undertook a vigorous lobbying campaign on behalf of international support for its bid for independence from the Soviet Union. The Estonian foreign minister at the time, Lennart Meri, was one of several Estonian officials who traveled widely to sustain the Western commitment to the republic's independence. Although the West generally remained in favor of renewed statehood for Estonia and the other Baltic states, Western leaders believed that the real key to that independence lay in Moscow. In August 1991, release of that key came in the form of the attempted coup d'état by conservative elements of the Soviet government.

In the wake of independence, Estonia moved quickly to join the international community. In September it was admitted to both the United Nations (UN) and the CSCE. In the UN, Estonia would later find common ground with the East European countries as well as participate in the organization's various committees and auxiliary bodies, such as the United Nations Educational, Scientific, and Cultural Organization (UNESCO), the United Nations Conference on Trade and Development (UNCTAD), the International Atomic Energy Agency (IAEA), and the United Nations Development Programme (UNDP). In March 1992, Estonia took part in the creation of the Council of Baltic Sea States, an association of all the countries bordering

the Baltic Sea and dedicated to furthering regional economic and political cooperation. A year later, the Estonian representative was elected to a one-year term as president of the organization. In the realm of security, Estonia joined the North Atlantic Cooperation Council (NACC) in late 1991 and actively sought support for its efforts to become a member of the North Atlantic Treaty Organization (NATO). Cooperation with the European Union included significant economic aid as well as talks on a free-trade agreement.

Estonia's greatest foreign policy success came in May 1993 with its admission to the Council of Europe. After applying in September 1991, Estonia had to hold its first free parliamentary elections in 1992 before being seriously considered for membership. Although Estonia's citizenship policy came under close scrutiny by council delegations, in the end they accepted Estonia's legal arguments for denying automatic citizenship to Soviet-era immigrants, taking encouragement from the noncitizens' right to participate in local elections. Estonia considered admission the equivalent of a clean bill of health for its young democracy, which Russia had sought to tarnish with accusations of human rights violations.

In the mid-1990s, Estonia's staunchest foreign allies were the Scandinavian countries, particularly Denmark and Sweden. In 1990 the three Baltic states established regular contacts with the Nordic Council, the main political organization uniting the five Scandinavian states. Denmark's prime minister, Poul Schlüter, became in 1991 the first Western head of government to visit Estonia. The Swedish prime minister, Carl Bildt, became an outspoken defender of Estonia after Russian threats to impose economic sanctions on Tallinn heightened tensions in 1993.

In some respects, the development of Scandinavian ties appeared to be a higher priority for Estonia than the fostering of greater Baltic cooperation, begun during the three republics' common struggle for independence. Baltic leaders held regular summit meetings beginning in 1990 and issued numerous joint declarations concerning their relations with Russia. An interparliamentary Baltic Council was established in 1990 to promote further cooperation at semiannual meetings. In mid-1993 Baltic military commanders even met to discuss plans for a joint infantry battalion that would be offered for peace-keeping missions around the world. Yet, progress on a free-trade agreement among the three countries was slow, and this

situation was not helped in 1992 when Estonia elected a center-right government while Lithuania voted back in Algirdas Brazauskas and the former communists. Ultimately, a free-trade agreement was signed in April 1994.

Estonia's relations with the United States were strong, although the George H.W. Bush administration's initial delay in establishing diplomatic ties with the republic disappointed many in Tallinn. The United States held off recognition for several days in deference to Mikhail S. Gorbachev. However, Secretary of State James A. Baker visited all three Baltic states in September 1991 and five months later was followed by Vice President J. Danforth Quayle. Relations with the William J. Clinton administration appeared solid, although some Estonian officials expressed concern about what they perceived as its unqualified support for Russian president Boris N. Yeltsin.

Relations with Russia

Estonia's ties with Boris N. Yeltsin had weakened since the Russian leader's show of solidarity with the Baltic states in January 1991. Issues surrounding Russian troop withdrawals from the Baltic republics and Estonia's denial of automatic citizenship to noncitizens ranked high on the list of points of contention. Immediately after independence, Estonia began pressing the Soviet Union, and later Russia, for a speedy withdrawal of Soviet troops from its territory. Estonia insisted that the process be completed by the end of the year. The Soviet government, citing a lack of available housing for its troops, said not before 1994. In January 1992, some 25,000 troops were reported left in Estonia, the smallest contingent in the Baltic states. Still, more than 80,000 hectares of land, including an inland artillery range, remained in the Russian military's hands. More than 150 battle tanks, 300 armored vehicles, and 163 battle aircraft also remained. The last troops did not leave until August 1994.

In the fall of 1991, as Estonia laid down its new citizenship policy, the Soviet Union called the move a violation of human rights. Under the citizenship policy, most of the country's large ethnic Russian minority were declared noncitizens. The Soviet government linked the further withdrawal of troops from Estonia to a satisfactory change in Estonia's citizenship stance. In response, Estonia denied the human rights charges and invited more than a dozen international fact-finding groups to visit the country for verification. As the propaganda war and negotia-

tions dragged on, Estonia and the other two Baltic countries gained international support for their position on troop withdrawal at a July 1992 summit of the CSCE in Helsinki. The final communiqué called on Russia to act "without delay . . . for the early, orderly and complete withdrawal" of foreign troops from the Baltic states. Resolutions also were passed in the United States Senate in 1992 and 1993 linking the issue of troop withdrawals to continued United States aid to Russia.

Yet, Estonian and Russian negotiators remained deadlocked throughout 1993. At several points, President Yeltsin and other Russian officials called an official halt to the pullout, but the unofficial withdrawal of forces continued. By the end of 1992, about 16,000 troops remained. A year later, that number was down to fewer than 3,500, and more than half of the army outposts had been turned over to Estonian defense officials. The Estonian and Russian sides continued to disagree, primarily over the pace of Russia's withdrawal from the town of Paldiski, on the northern coast some thirty-five kilometers west of Tallinn. The Soviet navy had built a submarine base there that included two nuclear submarine training reactors. Russian officials maintained that dismantling the reactor facility would take time; Estonia demanded faster action along with international supervision of the process. The last Russian warship, carrying ten T-72 tanks, departed in August 1994. However, Russia was to retain control of the reactor facility in Paldiski until September 1995.

Territorial issues also clouded Estonian-Russian relations. Estonia continued to stick by its demand for the return of more than 2,000 square kilometers of territory annexed to Russia by Stalin in 1945. The annexed land was within the borders Estonia and Russia had originally agreed to as part of the 1920 Tartu Peace Treaty. However, the Yeltsin government disavowed any responsibility for acts committed by the Soviet regime.

National Security

Although the ultimate goal of ensuring protection against an outside attack appeared remote, Estonia was hard at work building up a defense force in the mid-1990s, with plenty of outside help. The most dramatic step the country took was the appointment in May 1993 of Aleksander Einsele, a retired United States Army colonel and émigré Estonian, to command Estonia's fledgling armed forces. The decision drew strong

objections from the United States Department of State, which feared upsetting Russia by allowing former United States military personnel to serve in high posts in the former Soviet Union. The United States threatened to revoke Einseln's military pension and even his citizenship. Support for the new Estonian general from several United States senators, however, helped ease the controversy.

Armed Forces

The armed forces in 1994 numbered about 3,000, including a 2,500-member army and a 500-member navy. There were also a 6,000-member reserve militia, known as the Defense League (*Kaitseliit*); a 2,000-member paramilitary border guard under the command of the Ministry of Interior; and a maritime border guard, which also functioned as a coast guard. The army's equipment included eight Mi-8 transport helicopters. The navy possessed two former Soviet and four former Swedish patrol craft, as well as two small transport vessels. The government allocated some EKR250 million for defense in 1994.

The armed forces of which Einseln took command offered no shortage of work. Serious divisions existed between several commanding officers, including the army chief of staff, who had received their training in the Soviet military and younger officers and recruits who distrusted leaders who had served in the "Soviet occupation army." The appointment of an outsider as commander was meant to close this rift, but the antipathies remained strong.

Especially independent minded was the Defense League, a patriotic volunteer group from the interwar years that was revived in early 1990. The league staged several attention-grabbing maneuvers in 1990 (including an attempt to place border posts along Estonia's prewar frontier, now in Russia), which often drew criticism as being provocative. After independence the Defense League refused to merge with Estonia's budding army, preferring to remain a separate auxiliary force.

In July 1993, Estonia saw the dissension within the army erupt into a minor mutiny among a group of several dozen recruits serving in Pullapää in western Estonia. The unit was upset over poor treatment during a mission in which it had been ordered to take control of parts of the former Russian military town of Paldiski. In protest, members of the group declared their intention to leave the Estonian army and devote their efforts to fighting organized crime. The Estonian govern-

ment ordered the dissolution of the unit but eventually backed down. Hain Rebas resigned as defense minister over the government's inaction while also claiming an inability to work with some of the army's Soviet-trained commanders. The leaders of the infantry unit went free until their capture in November following a shoot-out with police.

More outside help in improving Estonia's armed forces came with the purchase in January 1993 of more than US\$60 million in Israeli light arms. The contract, signed by the government in private talks with TAAS-Israel Industries, later caused a political storm when many deputies in parliament questioned whether Estonia had gotten a fair deal. The government nevertheless convinced the Riigikogu in December to ratify the agreement. While increasing the army's firepower, part of the weaponry was also to go to Estonia's border guard.

Estonia's Nordic neighbors also were active in building up the country's defenses. Finland, Sweden, and Germany all donated patrol boats, uniforms, and small transport aircraft to equip the new soldiers. No arms sales, however, were considered.

In 1990 Estonia had been the first Soviet republic to defy the Soviet army by offering alternative service to Estonian residents scheduled to be drafted. Most Estonians, however, simply began avoiding the draft. After independence, Estonia instituted its own compulsory military service, with a minimum term of one year beginning at age eighteen. About 12,000 males reach the age of eighteen every year. Young Estonian men continue to spurn the call, however; only one-third of eligible draftees turned out for the spring 1993 conscription. In addition, the Estonian military faces a limited pool from which to choose because only citizens can be drafted and because restrictions have been placed on the induction of university students.

Estonia's security strategy was dubbed by one observer in 1993 as the "CNN defense." Ideally, Estonia would attempt to delay a presumed Russian invasion until it could draw international attention and at least diplomatic intervention. As in the case of Poland and the Czech Republic, talks with NATO about extending Western security guarantees to the Baltic area did not meet with ready success. Still, the Nordic countries seem intent on improving Baltic defense arrangements, in part to bolster their own regional security. Another gambit is Estonia's strengthening of relations with Ukraine.

Crime and Law Enforcement

The number of reported crimes in Estonia rose to 41,254 in 1992, an increase of 250 percent over 1987. The overwhelming majority represented cases of theft (33,128). In Tallinn, where many residents had begun traveling to the West and acquiring Western goods, apartment break-ins accounted for 31 percent of all thefts. Street crime also mounted, especially in the capital. In 1992 the number of murders or attempted murders climbed 75 percent, to 239. In 1993 that total was equaled in only nine months. Meanwhile, only 21 percent of all crimes were being solved as of mid-1993.

Organized crime is a major worry for law enforcement officials. Various groups originating in Russia are believed to be operating in Estonia, conducting illicit trade and exacting protection money from new shops and restaurants. A major black market in copper and other nonferrous metals developed in 1992, when lax export controls and high trading prices encouraged the theft of copper communications wire, monument plaques, and even graveyard crosses. Losses in 1992 were estimated at nearly EKR10 million. The spread of prostitution beyond hotel lobbies into fully operating brothels prompted some officials in 1993 to call for its legalization to gain at least some control over the situation.

Popular frustration at the growth in crime focused in 1993 on the interior minister, Lagle Parek. A prominent dissident during the Soviet era, she had become head of the Estonian National Independence Party, one of the three parties in the governing coalition. She was unable, however, to shake up the ministry that had once kept tabs on her protest activities, and she was forced to resign.

The penal code introduced in 1992 retained the death penalty for terrorism and murder. In 1993 two persons were sentenced to death for aggravated murder. In August 1993, about 4,500 persons were in custody in the country's eleven prisons.

Outlook

As Estonia entered its fourth year of independence, it had already built a strong record of achievements. In the midst of the August 1991 coup, Estonia's politicians had had the foresight to convene a constitutional assembly and seize the moment for political restructuring. The process of constitution making was completed in a relatively orderly manner, and the

new basic law was successfully implemented. Lasting political parties had yet to develop, however. Half a decade after open parliamentary politics began with the Supreme Soviet elections of 1990, the factions in parliament continued to fragment and regroup. Part of Estonia's problem may have been its small size. Because the circle of politicians was not very large in a country of only about 1.5 million people, there was relatively little turnover, and old rivals and allies were constantly pitted against each other. The first era of independence had witnessed the same problem. Yet, Estonia's decision to stick to a parliamentary system of government in 1992 appeared to be a good one, even though it was the same system that had been the undoing of the country's first democracy in 1934. More safeguards had been built into the 1992 constitution against parliamentary domination of politics. Lennart Meri's tenure as Estonia's first postwar president appeared to mold the new office into a source of balance, despite grumblings from his Isamaa backers. A new court system was also put into place, with effective use being made of provisions for testing the constitutionality of laws.

Yet, politics did not reach the lives of all of Estonia's residents. Having been left out of the parliamentary elections in 1992 because of citizenship requirements, Estonia's large Russian population was virtually absent from national politics. Russians dominated in the city councils of the heavily Russian towns of Narva and Sillamäe, in the northeastern part of the country, but their political presence rarely extended beyond the city limits. Even a last-ditch local referendum on territorial autonomy for the northeastern region, declared in July 1993 in response to the Law on Aliens crisis, largely failed because of numerous reports of voting irregularities. Most of these Russian leaders—who had long histories as communist party functionaries, who had tacitly supported the August 1991 coup, and who had held on to their political turf since then—finally were ousted in the local elections of October 1993. A new core of Russian leaders began to emerge in Tallinn, where two Russian-based parties did well at the polls and were poised to play an important role in the capital's city council. From that point, a responsive mainstream political society could begin to serve a Russian population that seems determined to remain in Estonia and willing to contribute to its future.

The progress of Estonia's economic reforms in the early 1990s, if only in comparison with Russia, was clearly a source of

confidence among both Estonians and Russians in the future of the country. Estonia was the first of the Baltic states to jump out of the ruble zone and create its own currency, a move that was soon rewarded by low inflation, rising wages, and an apparent bottoming out of the country's economic decline. Nevertheless, a large section of the population continued to fear unemployment. Retraining for new skills needed on the open market (such as learning the Estonian language for many Russians) also was a pressing need. The growing gap between the newly rich and the newly poor could be seen in the comparison between new Western luxury automobiles racing around Tallinn's streets and pensioners counting their kroons at a store to buy a half-kilogram of meat. For better or worse, the transition to capitalism was reordering society.

Estonia was not alone on its long road to recovery nor in its return to the European community of nations. Yet, even among so many countries with a kindred past and a common desire for a better future, the hoped-for dawning of a new geopolitical age did not appear to have taken place by the mid-1990s. Estonia and the other Baltic states remained of strategic interest to the Kremlin, and the West appeared to have little intention of crossing Russia on its very doorstep. European, and especially Scandinavian, support for Estonia's defense forces was noticeable. But it would take a long time before a credible Estonian force could be assembled. Although the Russian troops had finally departed, full security for Estonia seemed to remain distant.

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The two most comprehensive works on Estonia are Rein Taagepera's *Estonia: Return to Independence* and Toivo V. Raun's *Estonia and the Estonians*. Both contain complete overviews of Estonian history, including the most recent struggle for independence. Tõnu Parming's small book on the interwar years, *The Collapse of Liberal Democracy and the Rise of Authoritarianism in Estonia*, provides an extended analysis of that period. *Ot dogovorora o bazakh do anneksii: Dokumenty i materialy*, a collection of documents edited by Jüri Ant et al. that pertain to the Nazi-Soviet Nonaggression Pact and to Estonia's annexation by the Soviet Union, dramatizes the fateful end of Estonia's first era of independence.

The World Bank's extensive survey of the Estonian economy is an excellent source of economic and social statistics up to 1991–92. For later statistics reflecting the introduction of the kroon, as well as social trends under the market economy, the Estonian State Statistics Board has issued a statistical yearbook regularly since 1991.

Other useful sources on Estonia can be found in several general works on the Baltic states. Anatol Lieven's *The Baltic Revolution* is an incisive look at the politics of independence from an outsider's point of view. Lieven includes discussion of Estonia's Russian minority and its future. Graham Smith's *The Baltic States: The National Self-Determination of Estonia, Latvia, and Lithuania* also treats Estonia extensively. (For further information and complete citations, see Bibliography.)

