ESTONIA – 2023

Key findings

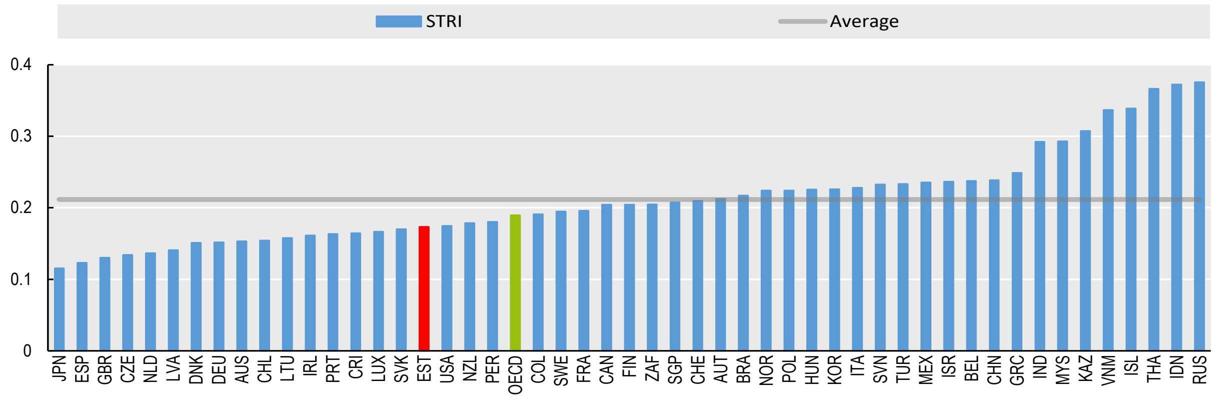
- The 2023 STRI of Estonia is slightly below the OECD average and relatively low compared to all countries in the STRI sample. The index has increased slightly compared to 2022.
- In 2023, Estonia introduced a foreign investment screening mechanism, resulting in a more restrictive regulatory environment for trade in computer services, telecommunication, broadcasting, maritime transport, rail freight transport, and commercial banking services.
- Insurance services is the most open sector in Estonia while architecture is the most restricted, relative to the sectoral average.
- Despite the overall favourable environment for services trade, some restrictions to the movement of professionals remain, with regard to quotas, labour market tests, the recognition of foreign qualifications, and licensing conditions.

Recommendation

- Trade in services strengthens resilience across supply chains, facilitating environmental sustainability and promoting greater inclusiveness. To ensure the benefits of open markets and a rules-based international trading system, national and multilateral action is needed to lower barriers and reduce trade costs, promote greater regulatory interoperability, and facilitate the digital transformation of economies.

The 2023 STRI of Estonia is below the OECD average, and relatively low compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2023[i]



OECD (2023). STRI and TiVA databases.

Restrictions applying to key services sectors, such as legal services, architecture, and maritime transport services, contribute to the 2023 index. Trade in these sectors is primarily hampered by restrictions on the movement of professionals. Quotas and labour market tests are applied to workers seeking to provide services in the country on a temporary basis as intra-corporate transferees, contractual services suppliers, or independent services suppliers.

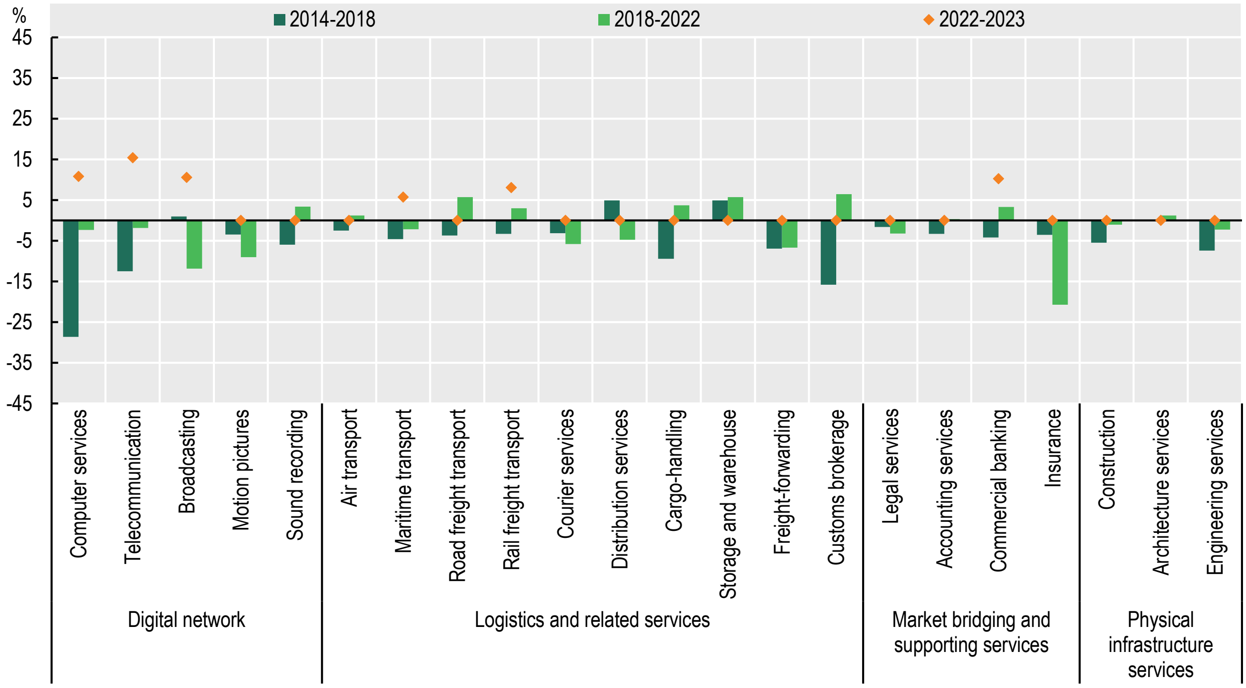
Moreover, non-discriminatory treatment in the public procurement process is only guaranteed to European Economic Area (EEA) members or parties to the WTO's Government Procurement Agreement. The standards for cross-border transfer of personal data are set at the European Union (EU) level. Transfers to non-EEA economies can take place when these ensure an adequate level of data protection or, in the absence of this, appropriate safeguards are in place, e.g. binding corporate rules or standard data protection clauses. Finally, a minimum amount of capital must be deposited in a bank or with a notary to register a public limited company, and a fiscal representative, who is jointly liable for the Estonian VAT, is required for non-EU companies.

In 2023, the level of restrictiveness of Estonia's regulatory framework for computer services, telecommunication, broadcasting, maritime transport, rail freight transport, and commercial banking increased due to the introduction of a foreign investment screening mechanism applying to these sectors (Figure 2).

Estonia has also introduced liberalising reforms in recent years, easing the conditions for trade and investment in several sectors since 2014. Examples of sectors for which steps towards greater regulatory openness were recorded include computer services, insurance, and telecommunication. For instance, a prohibition of mutual insurance was lifted in 2019. Increases observed in several sectors in 2018-22 primarily reflect EU-level regulation that allows for reciprocity-based restrictions regarding public procurement.

Figure 2. Evolution of STRI indices by sector in Estonia

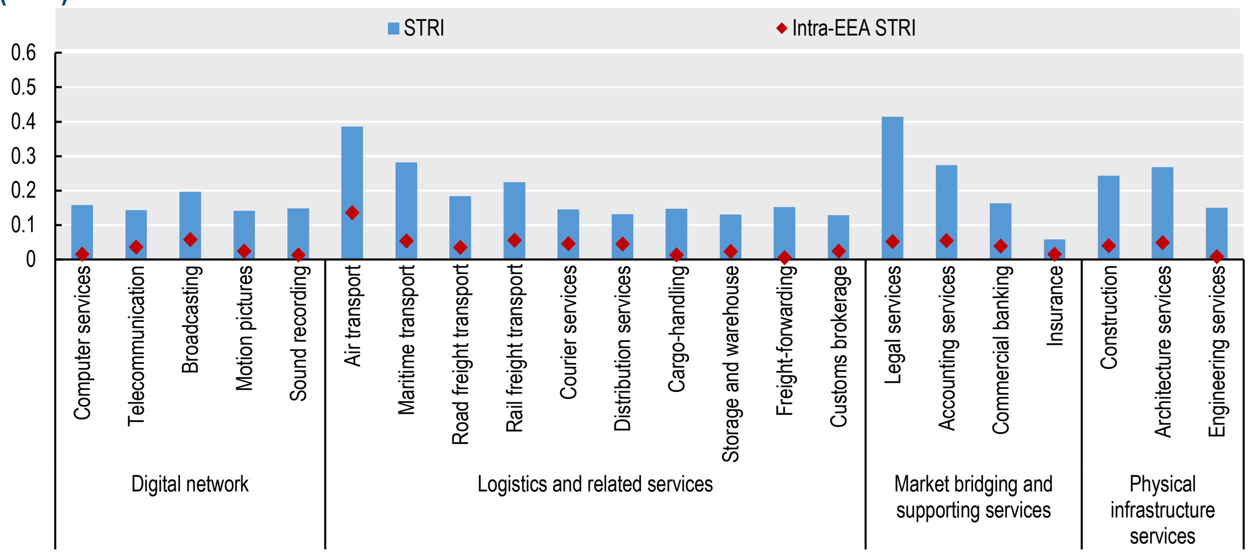
Services Trade Restrictiveness Index, percentage change over the period 2014-2018, 2018-2022 and 2022-2023



OECD (2023). STRI database.

Services trade barriers are significantly lower within the European Economic Area across all services sectors (Figure 2b). Estonia maintains an open market for services suppliers from other EU Member States.

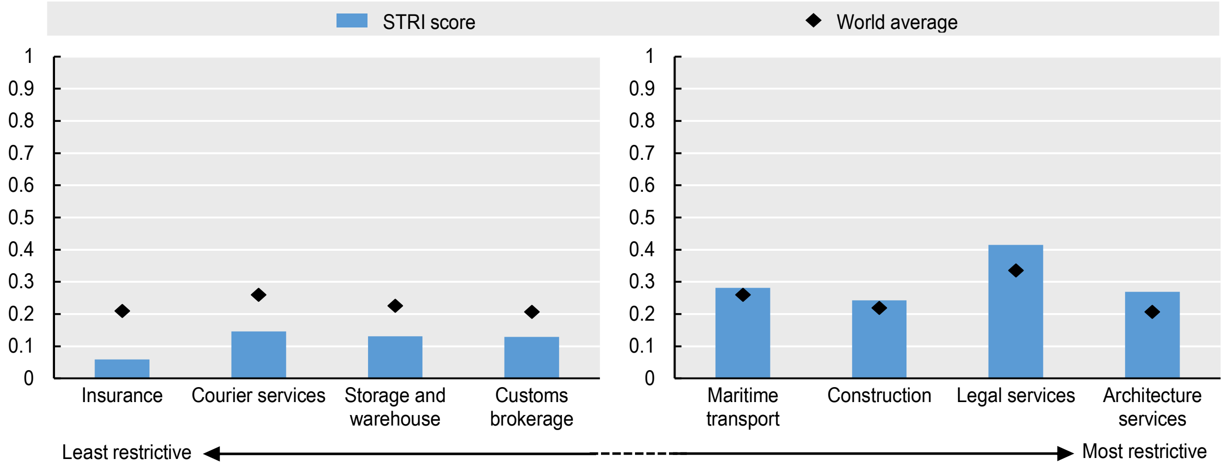
Figure 2b. Regulatory barriers affecting services trade within the European Economic Area (EEA)



Note: The traditional STRI indicates the level of restrictiveness on a most favoured nation (MFN) basis towards third countries, and the intra-EEA STRI indicates the level of restrictiveness towards EEA members. Intra-EEA STRI covers 24 countries (Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden).
Source: OECD (2023). STRI database.

Figure 3 ranks Estonia's sectors relative to the respective sector's world average. Insurance, courier services, logistics storage and logistics customs brokerage are the sectors with the relatively lowest scores. Conversely, maritime transport, construction, legal services and architecture services are the sectors with the relatively highest scores.

Figure 3. Sectoral breakdown - The least and most restricted sectors in Estonia compared to world average

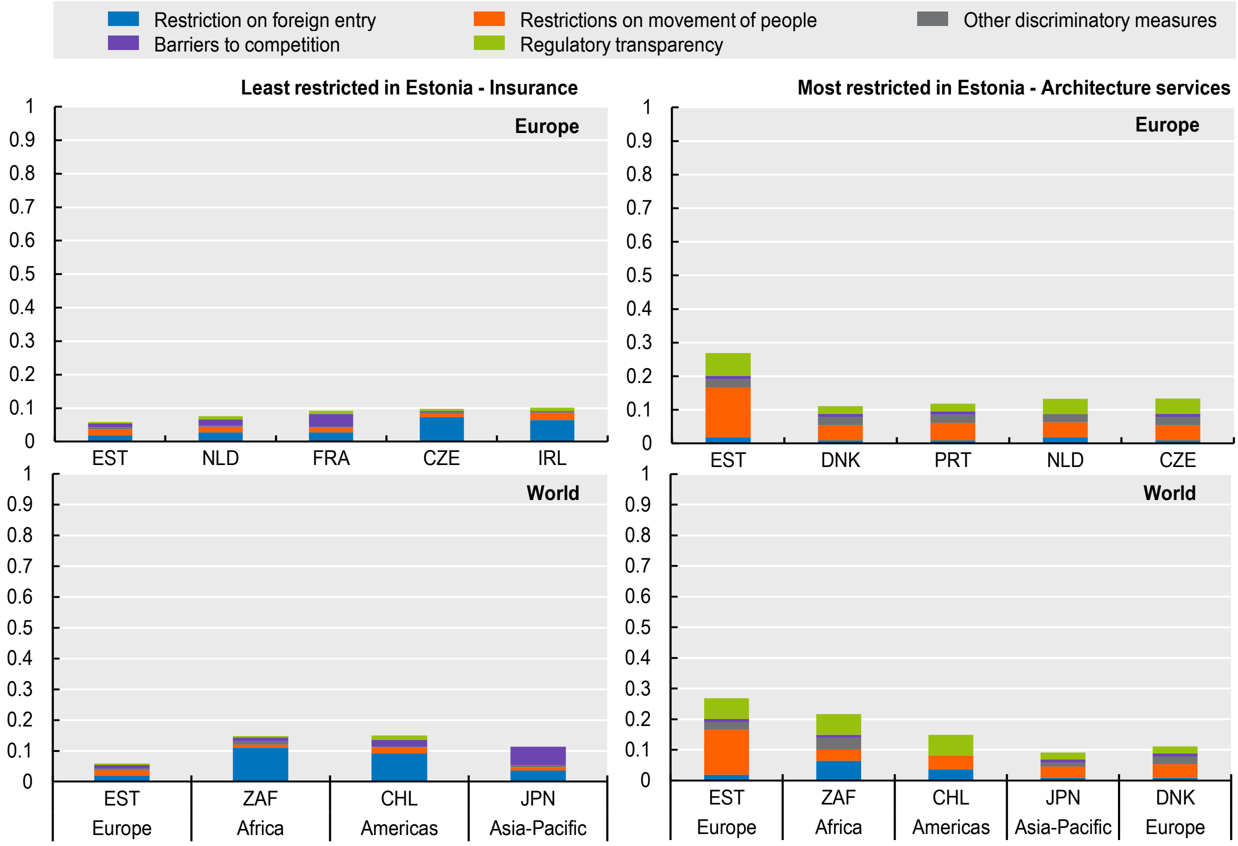


Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference i.e. $(STRI_{country, sector} - STRI_{world average, sector}) / STRI_{world average, sector}$
Source: OECD (2023). STRI database.

Insurance is the least restricted sector in Estonia compared to the average sectoral STRI across all countries. In fact, the regulatory environment for trade in insurance services is more open in Estonia than in any other country in the sample (Figure 4). Compared to other countries, the relatively low restrictions on foreign entry are particularly relevant to the overall index of Estonia in this sector. Contrary to many other countries, there are no commercial presence requirements or local availability tests restricting cross-border trade.

On the other hand, architecture is the most restricted services sector in Estonia compared to the average sectoral STRI across all countries. Compared to the best performers in this sector, restrictions on the movement of people are significant in Estonia. Estonia has a relatively high STRI in this policy area primarily because recognition of foreign qualifications, a prerequisite for obtaining a license to practice architecture, is only available for nationals of EU and EEA countries, and countries with special agreements with Estonia. Other measures that contribute to Estonia’s STRI score in architecture include restrictions related to the duration and renewal of licences, and a relatively long business visa processing time.

Figure 4. Estonia compared to Europe and World's best performers



Source: OECD (2023). STRI database.

Recent policy changes

From 1 September 2023, certain non-EU foreign investment projects require authorisation under Estonia's new Foreign Investment Reliability Assessment Act. Among the target undertakings covered by the screening mechanism are providers of vital services (including, among others, digital identification and digital signing; phone service, mobile phone service, and data transmission service; payment services), operator of an Estonian maritime port belonging to the trans-European transport network, railway infrastructure manager who operates a public railway, and providers of national television or radio service and providers of on-demand audiovisual media service.

The minimum capital requirement for private limited companies, except in the case of audit firms, has been lifted effective 1 February 2023. However, public limited companies continue to be subject to a minimum capital requirement of EUR 25 000, as required by Directive (EU) 2017/1132.

Earlier domestic liberalising reforms include a prohibition of cross-subsidisation regarding cargo-handling services at airports, in effect since 18 June 2022, and the abolishment of a commercial presence requirement for cross-border supply of services in a wide range of sectors from 31 December 2021.

Several recent changes affecting Estonia were due to changes in EU law. In August 2022, Regulation 2022/1031 (EU) entered into force, aiming to regulate access of third-country (non-EU) goods and services to the EU's public procurement and concession markets. At this stage, no implementing act restricting access to the EU procurement market has been adopted by the European Union. The Regulation applies to public procurement and concessions where the EU has not undertaken market access commitments in an international agreement.

In air transport, a series of temporary rules allowing airlines to retain historic slots, despite not using their slots according to the 80/20 grandfathering rule, were in place from 1 March 2020 to 25 March

2023 on grounds of reduced air traffic levels due to the COVID-19 pandemic. As of 26 March 2023, such slot relief rules are no longer in force.

In telecommunications, maximum Union-wide voice termination rates defined by Commission Delegated Regulation (EU) 2021/654 took effect on 1 July 2021. These maximum termination rates do not, however, generally apply to calls originating from countries outside the EU.

From 1 July 2021, the EU abolished the VAT de minimis regime for goods valued under EUR 22. In maritime transport, Commission Regulation (EU) 2020/436 extended the existing block exemption to liner shipping consortia from competition law until April 2024.

More information

» Access all country notes, sector notes, and interactive STRI tools at http://oe.cd/stri

» Read more about Services Trade Policies and the Global Economy

» More information about measuring the regulatory environment for services trade in the Intra-EEA region: oe.cd/intraeeaSTRI

» Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org

[i]Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nation basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2023. The STRI regulatory database covers the 38 OECD Members, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, Singapore, South Africa, Thailand and Viet Nam. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.