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Estonia: priorities of the Kristen Michal's government

On 23 July 2024, the government of Prime Minister Kristen Michal was sworn in at an extraordinary meeting of the Riigikogu after Kaja Kallas was nominated as EU High Representative for Foreign Affairs and Security Policy ("IEŚ Brief Commentaries", no. 1167). Kristen Michal, Minister of Climate in Kaja Kallas' government and previously Minister of Economy and Infrastructure as well as Minister of Justice, has moderate public support with 22%, slightly higher than Kaja Kallas's 19%. The highest percentage of the population supports Defence Minister Hanno Pevkur at 35%, and the lowest support is for Finance Minister Mart Vörklaev at 9% (Kantar Emor, February 2024). The current cabinet, as before, is composed of the Reform Party (6 portfolios), the Social Democratic Party (4), and Estonia 200 (3).

In the area of security and defence policy, the Prime Minister pledges: to maintain the defence budget at 3.4% of GDP, to continue military aid to Ukraine at 0.25% of GDP until 2027, to develop the arms industry and increase munitions stocks, to develop Estonia's navy and air defence, to strengthen the public's resistance to disinformation, and to speed up the legislative process on civil defence and crisis management. In domestic policy, on the other hand, the focus will be on stimulating economic growth and reducing the deficit from a projected 5.6% of GDP this year to 3% of GDP in 2025 through: an increase in taxes by 2028; an increase in excise duties on alcohol, tobacco and petrol; budget cuts in the public sector and state-owned enterprises by 10% over three years; and reductions in ministerial posts.

Comment:

Based on Prime Minister Kristen Michal's declarations, it is possible to indicate three main objectives of the new government: strengthening security and defence, reducing the deficit, and economic growth.

Firstly, due to the ongoing Russian-Ukrainian war and the hybrid threats provoked by Russia, the new government will continue the course of Kaja Kallas' cabinet in the foreign and security policy sphere, based on close cooperation with allies and the development of its own military potential. The new Prime Minister made his first two official phone calls to Ukrainian President Volodymyr Zelensky and to Finnish Prime Minister Petteri Orpo. These foreign policy directions – Ukraine and Finland – have been among Estonia's priorities for years. In his conversation with Volodymyr Zelensky, Prime Minister Michal confirmed the continuation of support for Ukraine and efforts to transfer funds from frozen Russian assets to Ukraine. For both Finland and the rest of the Baltic Sea region, Estonia pledges efforts to protect maritime critical infrastructure and energy security. Estonia will also continue its border infrastructure projects. Permanent defence installations and around 600 bunkers along the Estonian-Russian border are to be built as part of a Baltic defence zone, created jointly with Lithuania and Latvia, for both deterrence and, if necessary, defence against military threats. This idea was presented by the defence ministers of the three Baltic states at a meeting in Riga in January 2024 and aligns with the Polish government's plans to strengthen the border with Belarus.

Secondly, in the face of a recession due to weak export prospects and falling investment, major changes will take place in economic policy. These include, above all, reducing debt and cutting the costs of state administration. Thirdly, the focus will be on increasing the competitiveness of the economy.

The update of domestic policy priorities is also evidenced by organisational changes. The Ministry of Economy and Information Technology will be restructured into the Ministry of Economy and Industry. In addition, a new Ministry of Infrastructure will be created, which is likely to focus on solving problems related to the Rail Baltica investment, whose estimated cost has increased several times over seven years. An audit report published this year indicated that an additional EUR 2.7 billion was needed to complete the Estonian section of Rail Baltica,

although in 2017 the total cost of the investment was estimated at EUR 1.35 billion. Furthermore, a state audit indicated that the project remains at least five years behind the schedule approved in 2017.

The Ministry of Justice will be restructured into the Ministry of Justice and Digitalisation. This change is linked to a plan to reduce over-regulation and bureaucracy, develop e-services, and integrate the use of artificial intelligence. It also heralds the realisation of the concept of *the personal state* ("Personaalne riik", or "Personal Government"), which aims to change the delivery of public services through more innovative, fast and proactive digital solutions, based on the needs, preferences, and capabilities of service users. By early 2025, both a legal framework to implement this concept and regulations to protect service users' privacy are expected to be in place.