

January 26, 2021

## **An Open Letter to Prime Minister Kaja Kallas and Members of the New Estonian Government**

When President Biden assumed his new responsibilities in the White House, then as is customary, he redecorated the Oval Office, to have it reflect his priorities and inspirations. Near the Resolute Desk, he had a painting installed of Benjamin Franklin – the entrepreneurial early statesman, diplomat and inventor. And it is a thought from Franklin that we would like to use to welcome your government into office:

*"The way to wealth is as plain as the way to market. It depends chiefly on two words, industry and frugality; that is, waste neither time nor money, but make the best use of both. Without industry and frugality nothing will do; with them, everything."*

And we wish you and your government industry, a willingness to work and to engage the challenges that face this country and to lean into the community of businesses that often have the drive, knowledge and skills to help solve those challenges. Alongside healthcare providers and first responders, there are many private companies who have played and will play an important role in managing the epidemic; developing, distributing vaccines, personal protection equipment and keeping the economy running and saving jobs.

We find the new coalition treaty of the two parties that join in this government to be positive; it leaves the business and foreign investor community hopeful that many of the issues that are important to the success of this nation, get adequate attention. Please allow us to inform you of the key areas that our members, whose business operations span from Estonia to America and everywhere else, wish to highlight as those where we see most room for improvement and where we can partner the government in constructive dialogue:

Estonia should build on its position in the **Digital Frontrunners (Dg+) Group** in the EU to guarantee that the Single Market of digital services will be developed on the principles of open economy, free trade and transatlantic co-operation, railing against the poisonous effects of protectionism. Estonia is a hotbed of technology startups and overzealous regulation will hamper its growth, restrict its ambitions and pull a blanket of administrative burden over it so thick that it will discourage many new innovators from taking the leap of faith.

We welcome the government's pledge to increase public sector **R&D funding to 1%** of GDP. It is clear – if the universities do not have the science programs needed to spur innovative thought, if there is no mechanism to transfer those ideas to industry, if there is no automation and digitization of the manufacturing space, then our joint dreams will remain only those.

We are supportive of the government's decision **not to institute new taxes** and to refrain from raising existing ones. In addition, we ask of you to fight the good fight also in the EU and OECD, helping build consensus around **anti-discriminatory** rules for the planned **digital services tax**. Additionally, in order to preserve the ability of the businesses to transfer personal data to the U.S., we ask all relevant authorities, at national and EU level, to urgently negotiate with the U.S. upon a new transfer mechanism to replace the invalidated "**Privacy Shield**".

We propose to the government that it continue to work towards a **totalization agreement** with the **United States** that would **avoid dual taxation** of wages. This would further attract talent and would enable workers from both countries to work between the nations, and receive the benefit of social support without suffering from double taxation.

It is clear that the government's continuing enthusiasm of supporting **Artificial Intelligence** (AI) represents one of the biggest technological opportunities for innovation and productivity growth in Estonia – in the public and private sector. We support the proposals included in Estonia's national AI strategy for the period 2019-2021 and accompanying Report of Estonia's AI Taskforce (i.e. Kratt Report). It is important to refrain from "one size fits all" solutions in legislating AI as it would unnecessarily stifle development of the very diverse universe of potential applications. The **proper approach** is to take a **sectoral and application-specific** view of needed rules and regulation and engage the parties that will be in charge of developing them – the business community.

The Estonian **healthcare system** is one of the most efficient in the world, taking into account how **under-financed** it is. Lack of finance for actual treatment reduces GDP and quality of life. At the same time, there is potential beyond what is imagined today in the area of **digital health services**. The attractiveness or even feasibility of the Estonian business environment is contingent on how well the health system functions, whether medicines and health services are accessible for all residents. We are willing to engage the government on continuing the work of building an **eHealth** system that allows for this to happen.

The **plight** facing the **travel and tourism** industry is beyond pale. It is in the short term, the most under-appreciated challenge in the Estonian economy and has received scant attention from policy makers. The value destruction that is taking place in this sector, where due to understandable restrictions there is no economic activity, is almost unprecedented in the modern times. In a sector where the lack of qualified staff was already a problem, this may further cause a devastating effect, lowering the high standard of hospitality and service that people have come to expect from Estonia. Our Travel & Tourism Committee is willing to meet the the new government to provide a detailed overview of what can be done for the industry to stop it from collapsing.

The Estonian economy must again become vibrant and open. We welcome the decision to continue further developments in **attracting international talent** to Estonia. We look forward to working with the new government to make sure the Estonian economy can be kickstarted immediately after the COVID-19 situation allows it.

We call upon a permanent dialogue between the foreign investor community and the Estonian government. This will give businesses the added predictability that comes with a better understanding of the government's plans and intentions, as well as an opportunity to voice ideas and proposals in the common interest.

Your government is not alone with its challenges. The people, the businesses and the civil society of Estonia are here to help out where they can – the epidemic has demonstrated this. In Benjamin Franklin's words: "I early found that when I worked for myself alone, myself alone worked for me; but when I worked for others also, others worked also for me."

Sincerely,

**Heads of AmCham Committee 2021**

(Elo Tamm, Pirjo Jha, Martin Lään, Michael Burich, Nele Normak, Andreas Kaju)

**AmCham Estonia Board of Directors 2021**

(Indrek Laul, Kai Tammist, Niels Hollender, Nele Normak, Michael Burich, Carl Pucci, Megan Riley, Hannes Reinula, Daria Sivovol, Andrea Lindren)



Indrek Laul



Kai Tammist



Niels Hollender



Hannes Reinula



Carl Pucci



Nele Normak




Michael Burich



Megan Riley



Daria Sivovol



Andrea Lindgren