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Summaries

EDITOR-IN-CHIEF'S COLUMN

To be – no doubt – but how?

MART RAUDSAAR,

Editor-in-chief of Riigikogu Toimetised

Never before has Estonia been so well-known in the world as now, a hundred years later. The reason is simple: we exist now, we are visible also in the international arena now, and we have been there for quite some time already. The international situation of recent years definitely raises existential questions for us again, but, despite that, the question “to be or not to be?” is beginning to be replaced by the question “how to go on?”.

What the vision or big narrative of Estonia should be, was discussed in the “Riigikogu Toimetised” conversation circle with participation by representatives of all factions, as usual. A number of ideas were revealed in the conversation circle as to how a self-confident and wealthy nation could securely live here also in a hundred years’ time. All participants in the conversation circle mentioned as an important aim that the Estonian people should be educated.

This issue of “Riigikogu Toimetised” discusses the topic of the future of Estonia as the focus topic, and is more essayistic than usually. The writings keep in mind also a further time horizon, but in details they have mostly remained in the predictable future, the forthcoming decade.

The focus topic is divided into three sub-fields: economy, population and

education. First, as Estonia’s wealth cannot lie in the prospect of being a merely raw material country, it is extremely important to engage in innovation in our economy, and Tea Danilov writes about that. She is seconded by Indrek Tammeaid, who discusses the problematics of product design which is an inseparable companion to innovation.

Second, it is impossible to build up a state without people. It would certainly be the best if our birth rate increased, but Urmas Varblane and Rein Taagepera speak about immigration culture and economy. Leaving aside potential immigration, it is possible to make better use also of our existing labour force, and those over 45 need on no account be written off. Aimar Altsaar writes about social (labour force) innovation.

Third, education and research could be a “fool-proof” field of investment. Andres Koppel and others study where Estonian science has reached in the past twenty five years, and where it might reach in 2051. In their opinion, research and development in Estonia could take more account of social and economic interests in the future.

Two remaining remarkable writings are also directly related to the issue of education: “The Role of Regional Institutions of Higher Education in Local Development” by Anne Keerberg, and the essay “Local Institution of Higher Education as the Best Regional Policy Tool” by Garri Raagmaa. Anne Keerberg, who is the Director of Kuressaare College of Tallinn University of Technology,

introduces the results of a relevant study, and Garri Raagmaa (who has been the Head of Pärnu College of the University of Tartu in the past) brings a number of practical examples of how taking institutions of higher education to problematic regions has been one of the most effective regional development measures of all.

Space prohibits mentioning all articles, but in conclusion we will point out that, in cooperation of the Chancellery of the Riigikogu, the “Riigikogu Toimetised” editorial office and the Website Coordinator of the Public Relations Department of the Chancellery Kristi Püümann, a new web environment of “Riigikogu Toimetised” has been launched now. This is not a thing in itself. The progress in user convenience can be compared to taking into use of certain new buses on a certain bus line in Estonia. The whole text corpus, starting from the first issue of “Riigikogu Toimetised”, is searchable with any keyword, and the environment is very conveniently navigable and, there is no denying it, simply looks beautiful!

CONVERSATION CIRCLE

How to survive and become richer

RIIGIKOGU TOIMETISED CONVERSATION CIRCLE

In “Riigikogu Toimetised” conversation circle on 21 April, the representatives of the factions of the Riigikogu discussed the vision or the big plan of Estonia. Should Estonia have it and what should it be like? What are our important development goals? Martin Helme (Estonian Conservative People’s Party), Jaanus Marrandi (Socialist Party), Mart Nutt (Pro Patria and Res Publica Union), Erki Savisaar (Centre Party), Artur Talvik (Free Party), and Urve Tiidus (Reform Party) were the participants of that comprehensive and sometimes even heated discussion.

Mart Nutt: The advantage of Estonia lies in the fact that Estonia is not a part of some other country, but a state that at the same time also carries the nature of a smaller, compact unit. I consider this to be the advantage of Estonia. Perhaps the negative side of Estonia is that we are not rich enough in comparison to some other countries. When we think how many countries there are that have become rich thanks to their natural resources, then we can name only some Arabian oil monarchies. The wealth of most rich countries is actually not based on natural resources, but on work. So that, in principle, the source of wealth is work. Education has a very important role in preserving our national culture, preserving the education in our language enables us to reproduce our identity.

Urve Tiidus: Certainly the strength of Estonia is its beautiful nature, much of free land and forests – clean environment. I share the opinion of all who say that education is important. If we can do something for our future, for the next century, then it is certainly school education and university education! In connection with robotisation, we have to prepare our children for specialisations that are completely different from ours. An important task of education is to develop the creativity hidden in absolutely every person, every child. It is vital that people cooperate in that context, regardless of their political views.

Artur Talvik: The courage to be different, the courage to do things unlike the global market trends demand, that could be our chance. Like the idea of Organic Estonia, that is, to declare the whole country organic and start selling the idea of living in harmony with nature, and to do it purposefully, by giving it added value. Scenario is what we need at the moment! A long-term vision that naturally covers demography, education and natural environment. But what we do with them, and how we can use that in the emerging new world – that is the point.

Jaanus Marrandi: One of the great advantages of Estonia is the educated people. Nature and our geographical location are also our advantages – we have lots of space, we have much land. So that clean nature is our advantage. At the same time it is also a problem. We are geographically too far in the north for doing certain things. Our location also causes geopolitical problems that have made us a real battleground several times in history. In my opinion, it is also important that Estonia is such a small country that we should be able to ensure uniform regional development here comparatively easily.

Martin Helme: Estonia should acknowledge more than it has done so far that actually we are a country that is rich by natural resources. One part of the wealth of Estonia is unquestionably oil shale. Actually there is much more here that could be used rationally and reasonably to make us rich.

Our demographic situation is a great disadvantage: first the emigration of people, second the ageing and decreasing of population, and third that our population is not homogenous. Regarding the problems of demography, the public authority has certain levers or impact mechanisms that can be used to direct the behaviour of the people. I would also like to add that our goal is that in a hundred years from now, the people of Estonia should be safe, self-assured and wealthy.

Erki Savisaar: In today's information society economy, we should dedicate more attention to natural sciences or real sciences, so that we had more engineers, architects and mechanics who would be able to design and create systems, and keep them working, and we also need programmers. When we think how to create wealth, then one possibility is naturally to increase export, but another possibility is to reduce import. We do not have to bring everything here from all

over the world, we can also make something ourselves. And when it is good to live in this country, emigration will start to slow down, people will return and the demographic problems will change.

FOCUS

Insights into innovation and export: current situation and background

TEA DANILOV

Enterprise Estonia, Director of the Entrepreneurship and Export Centre

Studies have shown that while many indicators qualify Estonian businesses as innovative, they seem unable to convert this innovation into money. This article argues that the main reason why process innovation dominates and product innovation is low in the Estonian businesses is that meeting orders is the predominant business model among them. This means that the businesses have no contact with the end product, while their development methods mainly involve diversification of production opportunities and increase in quality and volumes. The issues of product development, supply chain management, marketing, and sales are largely ignored.

As the marketing margin of the business model of production orders tends to be lower than that of the business model of original products, Estonian businesses mainly suffer from low profitability. This in turn means that they are low on funds that could be invested into growth or innovation projects. In addition to money, studies have identified other obstacles to innovation that are at least of equal important: low ability to detect and test market signals, insufficient design and development competences, and no direct contacts with the end consumer, etc. Estonia's export price index has been falling instead of growing over the past three years, and concessions in export

prices have exceeded the EU average. This shows a lack of competitive advantages that could justify raising the consumer prices.

From the point of view of innovation policy, it is important to understand that making funding for product development accessible to businesses who follow the business model of production orders is usually not enough for them to make the shift towards developing and selling original products. This type of businesses are not in a condition to launch or carry out product development or, eventually, to trade independently at foreign markets. We must first help them to get into this condition.

The conclusions for the Estonian innovation policy are that by directing the bulk of measures at the businesses that take part in research and development – by launching support programmes that require high innovative capabilities from the participants – the group of beneficiaries remains small, excluding the majority of the actors in the Estonian economy. For the economy as a whole, it would be more efficient to help the businesses who follow the business model of production orders to move towards the business model of original products. The benefits of this would be twofold: the businesses would increase their potential marketing margin, while the economy would see increased demand for other, so-called accompanying sectors.

Studies and feedback from businesses both show that good advice or the opening of a door at the right moment are often much more beneficial than financial aid. The private sector either does not offer services to solve the bottlenecks to innovation in businesses, or offers these at a price that an average business cannot afford. Access to high quality services that help the businesses along in their development must be the key focus of the government support policy.

Migration and politics

URMAS VARBLANE

*Professor of International Business, Academician,
University of Tartu*

VILVE RAIK

*Master's student, Faculty of Economics,
University of Tartu*

The Estonian migration policy must be managed and forward-looking. This is complicated because the preservation of the Estonian culture as well as managing in international competition must be kept in mind. The migration policy is a sensitive issue. Estonia has a numerous non-Estonian population and, through them, there is a continuous influx of “new immigrants” from the former USSR republics. Integrating them is a demanding challenge and therefore our social opinion is not very willing to listen to rational arguments.

The starting point of migration policy is the ultimate goal of preservation of the Estonian people and culture, provided for in the Constitution. The ways to achieve this goal may be different. As the starting point of the discussion, the interests of Estonia as a small state and a national state should be considered. Development of a knowledge-based society needs highly educated workers, economic development needs sufficient labour force with suitable skills. At the same time, the demographic situation of Estonia is such that, already now, the retiring generations are considerably more numerous than the new groups entering the labour market.

Estonia must participate in the international division of labour also as regards the preparation of labour force. At present, our participation in the international division of labour is very one-sided – numerous young people with good education are moving to work outside Estonia. At the same time, little qualified labour force arrives in Estonia. In view of the external environment, our

own well-educated labour force is under a very strong pressure to apply their abilities outside Estonia. Therefore competition for talents is increasingly more acutely manifested in today's world economy. A migration policy survey completed by the National Audit Office in mid-2015 states that the organisation of immigration has not increased the influx of workers with high-level knowledge and skills into the Estonian economy. If the state has set the aim of the immigration of top specialists in particular, then the migration policy also needs to be enhanced concurrently. The legislator's attitude towards new immigrants has become more positive in recent years. Nevertheless, when reading the Acts, the obligation to control the aliens stands out as dominant. At the same time, the state lacks effective feedback on whether the amendments made to Acts meet their aims and simplify the life of undertakings, for example. Or does every agency act by itself, and there simply is no public information about it. National statistics must be integral, and it must measure things that are important for the economy. It is complicated to make migration policy decisions on the basis of today's statistics. Generally, the Estonian migration policy seems to be directed more at helping the weaker than at making the living environment of highly specialised, top-notch professionals more comfortable.

A managed migration policy in Estonia should be directed more at attracting into Estonia people from countries that are culturally closer. Immigration is harmful for Estonia if its aim is to keep the labour costs for companies at a permanently low level, and to postpone the development of the place in the value chain for companies operating in Estonia. In the Estonian conditions, this means that the main emphasis should be on welcoming to Estonia well-educated labour force, for whom our social system is not something to crave for but, rather, work should be suitable and sufficiently remunerated.

The solution does not lie in replacing our own labour force with undemanding and poorly educated labour force. Rather, every effort must be made to ensure that the jobs available in Estonia are turned into ones that the Estonian people would be willing and able to do. A managed migration policy should not create a situation where we have to postpone the structural changes in the economy. Estonia needs human resources for smart specialisation in several different fields. Unfortunately, labour force forecasts are balanced in favour of IT specialists.

A migration policy also covers the living environment, that is, how aliens adapt here. The implementation of an adaptation programme in Estonian agencies is positive. Integration can be effective if it is based on target groups. Within the framework of the migration policy, we should clearly define the target groups who have different needs and whom we need to different degrees to achieve the objectives of the state. In summary it can be said that success is achieved with skilful management. When developing the migration policy, the aim of the migration needs to be pointed out clearly, indicating its place in the development of the Estonian state and nation.

Immigration culture in a childless country

REIN TAAGEPERA

Professor Emeritus of University of Tartu and University of California, Irvine

It is a basic human right to leave one's country freely. To enter another country freely is not. Permission is needed. It is common decency to give shelter to refugees when they are few. But one has the right to control one's borders when there are so many refugees or other would-be immigrants that the society would crumble under their weight, or would change beyond recognition.

For a culture to survive, it is necessary to avoid overly abrupt change as well as stifling lack of change. Having children is the simplest way to pass on culture. When a nation is too lazy to raise children, it needs immigrants to support its pensioners. To preserve culture, these immigrants must be acculturated to those aspects that are deemed essential.

For Estonia, language is the central focus of national culture. Efficient ways for language acquisition by immigrants must be found. Formal classroom teaching of Estonian is a hopeless strategy, if Estonians in the street shift to broken English when hearing broken Estonian. Estonia risks becoming a transit station on the way toward the Nordic countries. Its interest lies in keeping those immigrants who already have learned some Estonian. This means making life tolerable for those immigrants rather than shunning them.

The next development leap of economy is stuck in social instrument base

AIMAR ALTOSAAR

*Member of Board, OÜ Altosaar&Bernadt,
Member of Board, NGO Golden League Initiative*

Social resources have so far been underestimated in Estonia, but if they were taken into use, it may bring along growth of productivity in economy and better functioning of all sectors of society. Economic activities, production, product development and marketing are actually work with people, involving them, listening to them and explaining your ideas. The traditional boss-subordinate relationship does not work anymore today, because the worker is ready to give their best to achieve the goals of the organisation only when they feel they are in an emotional safety zone, or if they are treated as an equal member of community. Each area of activity and work situation requires the resolving of a specific communication task,

or the use of adequate social instruments, from those who initiate it and the leaders. We need the updating of the social instrument base in order to use the infinite social resource effectively. The article also proposes in which areas the social innovation should be implemented first.

Product development is inevitable

INDREK TAMMEAID

Entrepreneur, business angel and innovation expert

When analysing the economic growth of Estonia that has slowed down, and the factors that influence the growth of productivity, it is inevitable to pay greater attention to the issues of product development. If product development is scarce, the goods produced and exported remain valued lower, and there is no movement from the raw material based economic model to the innovation model with greater added values. Also, without product development, many companies remain companies “intermediating work time resources”. The limited innovation absorption capacity – capacity to find and implement new know-how and technologies to increase productivity – of companies significantly reduces the development of productivity, including products. In this context, five central hindering factors may be highlighted. First, confusion in the roles, indicators and terms of science, innovation and the private sector. Second, low intellectual property intensity and awareness of the Estonian economy and economic policy. Third, the lack of an innovation policy on the part of undertakings and the professional and central confederations in industry. Fourth, undertakings, developers of economic policy and universities lack a clear shared situational awareness of the innovation environment, the roles of technology transfer structures, and

the division of tasks. A functioning and effective knowledge transfer environment is a precondition for the functioning of a competitive information society – the central infrastructure of a knowledge intensive society, and not merely one of the side activities of universities. Fifth, despite the noticeable development of the Estonian venture capital market, continuing attention to increasing the investment management capability is also necessary, besides increasing the volume of investments.

Scientific research in Estonia: a temporal perspective

ANDRES KOPPEL

Estonian Research Council, Head

INDREK REIMAND

Ministry of Education and Research, Deputy Secretary General for Higher Education and Research

TAIVO RAUD

Ministry of Education and Research, Head of Research Policy Department

KARIN JAANSON

Estonian Research Council, Executive Director

In twenty-five years, Estonia has become a capable space nation. The intelligent and brave decisions of the 1990s on reorganising the network of research institutions, establishing a competition based system of research grants, introducing international expert analyses in assessing the performance indicators of research, and reshaping the decision making mechanism of higher education and research policy were instrumental in reshaping the Soviet style research system into a Western system in only a short time. Long-term strategic planning and strategic management increased state funding, and also supported the increasing presence of research in the private sector. A strong push towards the development of the research system has come from the EU

Structural Funds. This has helped to create a contemporary research environment, improve the quality of research, and increase the overall volumes.

During the last decade, Estonia has risen among the top of the OECD countries with the fastest development rate by the volume of research papers. The quality of research in Estonia is also above the average global level. The top 10% of the most quoted research papers include 13.5% of all articles published by Estonian researchers.

Research in Estonia has become more international. Over two thirds of the published papers of our researchers have been written together with a foreign co-author. Estonian researchers have enjoyed outstanding success in the largest European research and innovation funding programme Horizon 2020.

Although the number of research workers has grown, we are still lagging behind developed countries. The formerly positive trend has been falling since 2012. The toughest challenge is increasing the number of private sector research workers. We need them to make the structure of our economy more knowledge intensive, and to increase productivity. Another challenge is keeping smart people in the public sector, or attracting them to Estonia in the first place.

Estonia's Research and Development and Innovation Strategy 2014–2020 *Knowledge-based Estonia* (RDI Strategy) sets the objective of allocating three percent of the GDP to funding research and development by 2020. The relevant expenditure of the public sector should have reached one percent by 2015 already. Sadly, this objective has remained out of reach. We have come to a turning point in the basic research funding, where continuing on the same level will not allow us to keep employing the researchers we currently do, nor – and what is more important – attract talented young people to research work. This continues to make it even

harder to achieve the main goal: increase the economic effect and the social role of research.

International studies on the links between research funding and economic growth have quite unanimously shown the strong positive impact of research funding on the economy. The volume and range of cooperation between businesses and research institutions has broadened over the last years. Examples abound on how methods used in research create new business opportunities. The best known among these are Transferwise, which offers good-value money transfers, and Lingvist, which has developed a revolutionary approach to language studies. Scientific research has an even wider impact on the society as a whole. After all, without a strong knowledge base or long-term investments into research it would have been impossible to introduce bone marrow transplanting, in vitro insemination, or other technologies that have become standard procedures in modern medicine.

The current RDI strategy gives us the best clues about what Estonia might be like in twenty-five years' time. The objectives listed in the Strategy include high quality of research; its functioning for the benefit of the Estonian society and economy; making the economic structure more knowledge intensive; and pro-activity and visibility in international cooperation. We need to implement the Strategy to reach these objectives. By investing into research, we are guaranteed to reap the profits – and not just in the financial sense – for decades to come. Just as the choices made twenty-five years ago ensured the success of Estonian research, we need to make just as brave and intelligent decisions today, so that our ambitious objectives would become a reality in twenty-five years' time.

POLITICS

Will we getLost in history? Semiotic knots in a post- modern state. Estonia

IGOR GRÄZIN

Member of the Riigikogu, Reform Party

Post-modern technological factors of societal development (Internet, digitalization, sharing economy, etc.) are objectively aimed against the fundamentals of modernistic culture. Globalization sweeps away relative economic advantages, national traditions, languages, cultural codes (rituals, carnivals, etc., as defined by Meletinsky). The migration crisis not only demonstrates this objective tendency, but also the total inability of the European elites to manage new problems of significant magnitude. Neither Merkel nor Hollande are leaders, but bookkeeper types that perform at the mid-managerial level of a mid-size company. Two crises combine to form a perfect storm: objective globalization (or Europeanization), and mediocrity in cabinets.

This gives Estonia its chance within the degrading environment of the EU. Although both (Estonia and the EU) are destined to disappear, a small country with a wealth of culturological frontiers (rural v. urban, archaism v. digitalism, Moscow/Russians v. Europe/Estonians, Tallinn v. Tartu, closed semiosphere of forests v. open sphere of the seas, Nordic ethnic v. Central European substrate, etc.) may buy the prolongation of its identity. Paradoxically, it is the EU officialdom that helps to carry out this task by restoring the infrastructural identities of the recent past. The fundamental decay of Southern Estonia set against the accelerated movement of Northern Estonia towards Finland can be countered by the restoration of Livonia as a fundamental Central European entity around the metropolitan

Riga, Daugava River, and the East-West highway from Saint Petersburg to Paris that runs through Livonia. Livonia was the birthplace of ethnic Estonian culture, and will be able to prolong its existence, while Northern Estonia will go along with the internationalization processes of Finland and Scandinavia. (Official political goal of modern Estonia is "A New Nordic". This is perfectly true for Tallinn and its surroundings alongside the Gulf of Finland.) Europe should be brave enough to overcome the narrowness of accidental political borders of the last century.

Democratic civic education in times of crisis

ALAR KILP

Lecturer in comparative politics, University of Tartu

Should democratic civic education produce informed, patriotic, conformist and law-abiding citizens, or critical individuals with a mind of their own, who are capable of democratic participation both in defence of their individual interests and in extension of social justice in the democratic sense? Should all citizens, including future initiators, activists, spokespersons and contesters, first learn the sense of responsibility, conformity and patriotism? How many critical citizens does a democracy need? Do we need critical citizens in larger or smaller numbers during times of crisis?

The article addresses these dilemmas by distinguishing four types of informed citizen behaviour and political participation: conformist, active, liberal critical, and radical democratic. In times of crisis, governments are tempted to strengthen conformist civic education, which in itself is not sufficient for a long-term preservation of democracy. All systems of government (including non-democratic ones) need conformist and responsible citizens. Conformist civic education is also

vital in democracies for sustaining public order and securing political support for the government. Democracy, however, also requires significant proportions of citizens who are participating critically either for liberal and individual reasons, or for the sake of protecting and extending social justice. As critically participating democratic citizens require significantly more sophisticated political knowledge, elaborated insights and social skills than conformist citizens, the education of critical democrats is significantly more complex and more difficult to achieve and assess. It also depends on the shared commitment of the government, the citizens and the educators to advance democratic civic education, which would encourage an increasing number of students to assume the role of critically participating citizens. When these conditions are met, it becomes possible to advance democracy through democratic civic education even in times of crisis.

Parliament in the media society – crossing of parliamentary and media arenas

STEFAN MARSCHALL

Professor at Heinrich Heine University Düsseldorf

The weakening of parliaments that has been diagnosed in political science is associated with the changes in the society and structural changes in the political decision-making process. The structural change in the general public, mainly the emergence of the mass media, is an essential challenge for parliamentarianism, as the vital power resources of parliaments lie in functioning external communication. The parliamentary and media arena cross in two areas of activity: management of public relations, and the shaping of the will and proceeding of the decisions of the parliament. On the

example of the Bundestag of Germany, the adaptation processes with the structures of mass media system can be seen in both areas. The boundaries of adapting are in the places where room for negotiations is needed, regardless of the postulate of openness. Besides that, the efforts made for adapting clearly show how the politicians recognise the relationship between publicising and power, and strive to use it in institutional arrangement.

STUDIES

Administrative reform within the context of urban planning (theories)*

KERTU ANNI

PhD Student, Department of Geography, University of Tartu; Coordinator, Union of Põlva County Municipalities

TÕNU OJA

Professor of Geoinformatics and Cartography, University of Tartu

This article is a contribution to the discussions pertaining to the Estonian administrative reform, analysing the issue from the urban planning point of view and making proposals as to how the administrative borders could be changed in urban sprawls. Based on the development of the urban region of Tartu in the context of theoretical urban models, discussed in depth in a Master's thesis by Kertu Anni, the authors try to point out if and to what extent the general principles of urban planning should be taken into account when changing the administrative borders in urban regions in the course of the implementation of the administrative reform. We also discuss the reasonability of taking whole administrative units as "units" in the "merging and dividing", and what the alternatives are. On the example of the urban region of Tartu, a more

detailed insight is provided into what directions and to what extent the development of the city could go in the perspective of the next 30 years, and a theoretically suitable border solution. As a result, the authors identify the "third stage" (the first was the leasing of the manorial lands surrounding the city, and the second was the transfer thereof to the city) mechanism of extending the city lands in the more general context of Estonia.

As a theoretical ideal, and as a mechanism of extending the city lands, border changes could be made so that the urbanised regions of the neighbouring local governments are added to the city (Tartu). This could be called the third stage mechanism of extending the city lands, which would logically be accompanied by an administrative reform of the territory with rural way of life within the context of the county (of Tartu) or more widely. The aim of the changes should be to create sufficiently large, and consequently administratively capable, rural municipalities that function as well as possible.

The authors consider it important that, when making the abovementioned changes in the administrative borders, today's borders of the administrative units would cease to be regarded as "untouchable", and *out of the borders* thinking would be adopted in the course of the process. This means that the current "merging and dividing" of administrative units should be forgotten for a moment. Instead of that, studies and analyses should be made that would bring out a scientifically grounded functional zoning on the basis of which new borders could be drawn. In this way also the currently functioning structure of attraction centres would be more supported.

Changes of administrative borders in urban sprawl regions are necessary for several reasons. In a longer perspective and from the standpoint of urban

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* Peer-reviewed article.

planning, it is not sustainable to have the city on the territory of a rural municipality because, without changing the administrative border, the city will have few levers and power to direct the development or, in certain cases, also curb undesired developments on the outskirts of the city. In order that “new growth areas” could become part of the “old” whole, the administrative border must be changed for a start. Then the issues of the compactness, the functions, and the location of services and centres of the city, and other issues affecting the development of the city could be resolved. Rural municipalities in the new borders should at the same time focus on the issues that are important to rural areas, stop opposing to the city, and support the functioning of the whole region as a well-functioning rear land.

Impact of diversity on the efficiency of Estonian companies*

MIKO TAMMIK

Analyst, PRAXIS Centre for Policy Studies

MARI RELL

Analyst, PRAXIS Centre for Policy Studies

The Praxis Centre for Policy Studies conducted a study in Estonian companies to establish the existence of data that describe diversity, to describe the diversity in the management boards of Estonian companies, and to evaluate the links between diversity and economic performance.

International studies examining the connections between diversity and economic indicators of companies have reached different conclusions. The results of studies have been diverse, finding proof of both the negative and the positive

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* Praxis study “Diversity in Estonian Enterprises” was a part of the Law School of Tallinn University of Technology project of promoting equal treatment.

effects of diversity. However, one of the most widespread conclusions is that the impact of diversity to a great extent depends on the context of the organisation. The companies that actively create such working environment that respects diversity and consciously make use of the advantages of diversity benefit the most from it. At the same time, ignoring of diversity may result in a situation where it becomes an obstacle to the development of a company.

The study included all Estonian businesses and their management boards which have two or more members on the board. In total, information about the management boards of approximately 25,000 companies was analysed. The following aspects were analysed: gender (man and woman), nationality (Estonian and other nationality), age (the difference of the ages of the youngest and the oldest member of management board), health (no long-term health problems / has a long-term health problem) and religious beliefs (religious and non-religious).

The analysis of diversity showed that, from the various aspects that were studied, a great number of Estonian companies lack diversity. 45% of companies can be considered diverse by gender. In less than one third of Estonian companies, members of the board differ due to their health; in 23% of companies, there are both religious and non-religious members in the board. 91% of the companies have the board of only Estonians or only of people of other nationalities, thus only 9% of companies have Estonians working with other nationalities on the board.

Analysis of the links between diversity and business efficiency showed that age and gender diversity has a positive correlation with corporate profit margins. The profit margin of companies where both genders are represented in the management board is 1.3 percentage points higher than that of the companies where

the board consists of only one gender. Companies which have age diversity at the board level have a 2.3 percentage points higher profit margin than companies where the board is homogenous by age.

The study confirmed that diversity can be a competitive advantage for businesses, and the opportunity to stand out. The positive impact of diversity on companies and on the society as a whole is evident through conscious management of diversity. In further studies, it should also be analysed in order to get a bigger picture.

The role of regional universities in local development*

ANNE KEERBERG

Director, Kuressaare College of Tallinn University of Technology

In 2011–2014, a study of the role of regional higher education institutions in local development was conducted within the framework of research and innovation policy monitoring programme TIPS. The head of the work group was Garri Raagmaa, Associate Professor of the University of Tartu. The report analysed what role of the units of public universities that are located outside Tallinn and Tartu have in regional development, and gave recommendations on enhancing the regional innovation system and making better use of the potential of universities.

Regional colleges of universities mostly emerged in Estonia in the end of the 1990s. There was no national policy to regulate the process of establishing such colleges, the decisions were mainly born as a result of the agreement between the local initiative and the universities. Two decades later, in 2016, there are seven units of public universities outside Tallinn and Tartu, which form a regional

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* Peer-reviewed article.

network with considerable human capital (367 employees, 3229 students), through which the universities direct their regional activities and are partners to entrepreneurs, local governments and development institutions throughout Estonia.

Development of the network of regional centres of excellence is an important step in improving the business environment of regions. It has expanded the cooperation of local companies and universities. The areas the centres of excellence focus on are related to the regional growth areas that are to be developed as a priority according to the Regional Development Strategy of Estonia for 2014–2020, and to the subjects taught at the universities.

During the studying of the role of regional higher education institutions, interviews with key persons were conducted in order to gather, in addition to quantitative data, also qualitative information about the activities and roles of regional colleges in counties. 102 key persons, leaders of the regional institutions, were interviewed. The questions were grouped into five categories: regional identity, social capital, human capital, innovation and leadership quality.

From these categories, social capital, identity and leadership quality were assessed as above average, but human capital and innovation were assessed more critically. When the same data were grouped by counties with and without higher educational institutions, a significant difference can be seen in assessments to innovation. It may be assumed that the activities around colleges and centres of excellence had an impact on shaping these assessments. Regional development centres, vocational schools and city governments were appreciated as important institutions that develop entrepreneurship. In the counties with colleges, higher education institutions were, on the average, considered as

important entrepreneurship development institutions as the city governments. Thus it can be said that in the short time they have been functioning, the colleges of universities have achieved a trustworthy place among the regional entrepreneurship development institutions.

The division of roles and resources in regional development activities should be defined in more detail between the ministries, universities and regional development institutions. In addition to teaching and research and development activities, the human resources of regional colleges could also be used in more significant roles in planning the development of regions.

The effectiveness of regional innovation system is ensured by its territorial coverage. The regional colleges of universities that are dispersed across Estonia, together with the regional development centres and in cooperation with them, should be the key institutions of the innovation system covering the whole country in the roles of providers of training, centres of excellence related to region-specific entrepreneurship, and centres of innovation and creativity.

VARIA

Higher education institutions as drivers of regional development

GARRI RAAGMAA

University of Tartu, Associate Professor of Regional Planning

In the globalising and increasingly knowledge-based economy, higher education institutions (HEI) are becoming ever more important in transferring, sharing and applying knowledge and skills. Regional HEIs may function as global pipelines, gathering knowledge from around the world and creating a buzz by translating, adapting and spreading this knowledge; all this is creating a forum

for discussing crucial developments of regional strategies.

In the Nordic countries, regional HEIs and university centres serve as instruments of targeted regional and innovation policy. Despite low population density, coordination with other policies has led to the most balanced spatial development in Europe. In Estonia, as elsewhere in Eastern Europe, intensive economic restructuring and the pursuit of sector policies that do not take into account regional balance have led to one of the least balanced regional developments in Europe.

The establishment of Estonian regional HEIs was based on the increased demand for highly educated specialists in the 1990s, large numbers of young people, new management systems, and introduction of market principles in education. Despite all this, the deciding factor in actually setting up the regional colleges of Estonian public universities was the will of the counties and the local governments. The result is a regional network of HEIs with considerable human capital, which constitutes a significant partner to regional development institutions, local governments, and businesses.

Over the last decade, Estonian regional colleges have increasingly begun to fulfil the role of regional innovation and development agents. One way of promoting regional development has been the establishment of competence centres at the HEIs. These have increased the cooperation between local businesses and the universities, just like the HEI employee involvement in social networks and local politics has increased communication between the universities and local communities, and has improved the quality of decision-making.

Declining student numbers, fragmented and under-financed local administration, and the mainly project-based development policies that have remained sectorial mean that the long-term future of

the regional HEIs in Estonia remains uncertain. In order to keep regional HEIs and the Estonian Regional Innovation System from dilapidating, the role of the regional colleges in national and regional innovation policy needs to be specified. There are three applicable models. Plan A would continue the public university branch scheme but should reach a detailed understanding on their respective roles in regional development activities, and ensure relevant funding. Plan B would be a (Nordic) regional innovation system model: colleges, vocational training centres and high schools would be managed by municipalities or their associations, while the ministries would design nation-wide strategic agendas and provide relevant instruments. However, this would require a far more capable local governance, i.e. a radical administrative reform. Plan C would be a national innovation system model which would integrate the regional high schools, vocational training centres, colleges, and business centres in order to ensure the necessary workforce and business environment for enterprises. This, however, would require a much broader cooperation between ministerial silos, as well as the establishment of strong regional development structures (e.g. planning regions).

Natural resources should be managed

KALEV KALLEMETS

Adviser, Ministry of Economic Affairs and Communications

With the Natural Resources Strategy, Estonia has set itself the aim to get more added value from its natural resources, using as an example the natural resources strategies of Finland, Sweden and other countries. The situation of Estonia is unique because we know of several natural resources with significant economic potential that the state has not

seriously studied after the restoration of independence. The state has also contributed rather little to the studying of other natural resources. The problems of the oil shale sector are a serious challenge that are accompanied by social and economic challenges. Construction materials and peat have problems of their own that have to be solved, taking into account the social, economic and environmental aspects. A dynamic country constantly has to adapt to the changing circumstances.

The people of Europe and Estonia are daily consuming several end products, like food, cars, buildings, electronics, energy and infrastructure, dozens of metals and minerals, which we mostly export. But there are certain raw materials that can be found in Europe and in Estonia, and in recent years, increasing raw materials independence in addition to energy independence has been more and more emphasised in the European Union. In Europe, too, the main activity is additional financing of innovation. The natural resources that are at the moment not used in Estonia, like phosphorite, technological dolomite, glauconite, iron ore and argillite, all need major research and development.

A common understanding has been established within the framework of the Natural Resources Strategy that the state can conduct these activities through the National Geological Service.

The state should establish the rules and enable the use of such top technologies that would allow the creation of jobs with high added value outside Tallinn and Tartu, and earning profits to the Estonian society without causing serious damage to the environment.

Estonia needs a systematic approach to bowels of the Earth: academic summary with practical conclusions

DIMITRI KALJO

Member of the Academy, Tallinn University of Technology, Institute of Geology, Specialist

ERIK PUURA

*University of Tartu, Vice-Rector for Development
Doctor of Science*

ALVAR SOESOO

Tallinn University of Technology, Institute of Geology, Professor, University of Tartu, Visiting Professor

The economic potential of Estonian geology and mineral resources is much greater than is put to good use daily. One obstacle has been the inadequate organisation of geological research and survey. A possible source of change could be the Strategy on the Bowels of the Earth that is currently being developed at the initiative of the Ministry of the Environment and by a decision of the Government of the Republic. Our recommendation to the work group is not to immerse itself in the details; instead, it should leave aside everything inconsequential to the vision, and concentrate on solving the main issues. These include, most importantly, the attribution of institutional control over geology and mineral resources (either to the Ministry of the Environment, or the Ministry of Economic Affairs and Communications), and the restoration of the national geological survey. The authors have reached the conclusion that different solutions are possible under different circumstances; however, the common thread is a significant increase in the leading role and responsibility of the state, as well as an increased attention of universities to applied geological research. The latter should also involve certain measures that create premises in the organisation of scientific research in Estonia.

Questionable moments of the estonian legislation, on the examples of limitation period and unjustified enrichment

REIN TIIVEL

Professor Emeritus, Academy of Security Sciences

German law has been an important example in the formation of the modern Estonian civil law. However, the German legal regulations have not been mechanically copied, they have also been amended, taking into account the peculiarities of Estonia. It still seems that in some cases the reasons for changes are not clear. For example, there are questionable moments in the legal regulation of expiry of the limitation period and unjustified enrichment, which complicate the understanding of these issues.

The General Part of the Civil Code Act says that after expiry of the claim, the obligated person may refuse to perform the obligation. But the Act gives no answer whether the expiry also terminates the claim or not. It has been stated in legal reference books that expiry does not terminate the claim. But the basis for such a statement has not been explained.

The confusion is made more complicated by the fact that the reclamation of what has been transferred to a third party to satisfy the expired claim is not regulated in the context of expiry. This is done in the Law of Obligations Act, under unjustified enrichment. Unjustified enrichment presumes the absence of justification or claim. This gives rise to the possibility that the Estonian legislator, influenced by earlier laws (the Baltic private Law Code, which was in force until 1940, and the Civil Code of the Estonian SSR), and unlike the German BGB and the proposals made by international work groups, has by default proceeded from the assumption that expiry of the limitation period terminates the claim.

If a person has received anything from another person for the performance of an existing or future obligation, the transferor may reclaim it from the recipient if the obligation does not exist or is not created or if the obligation ceases to exist later. **In other words, what has been transferred to a third party can be reclaimed if there is no legal basis for the transfer. What has been transferred must not be reclaimed** if the right to demand performance of an obligation had been expired by the moment of transfer. Neither the law nor legal reference books explain why what has been transferred on the basis of an expired claim cannot be reclaimed, and what the violation of this prohibition will bring along. If the wording of an Act is not clear enough, the will of the legislator can sometimes be opened with the help of interpreting it. But whether a direct prohibition contained in the law can be mitigated by interpreting is more than questionable.

The regulation on expiry of the limitation period has been amended by a processual nuance: a court or some other body solving the dispute will take the expiry of a claim into account only upon the application of the obliged person. Keeping in mind the processual nature of this provision, one may ask whether the General Part of the Civil Code Act is the right place for it.

The claims based on public law and their expiry is regulated by other Acts. For example, the monetary claims and obligations arising from the Taxation Act terminate upon expiry. It means that if a tax official issues an expired tax claim to a tax debtor and the debtor satisfies it, the debtor may later request the return of the payment. But the law does not say if they have the right to demand the compensation of other damages accompanying the satisfying of tax claim on the basis of the Law of Obligations Act provisions on compensation for unlawfully caused damage.

In the interests of legal clarity, some proposals have been made, and if they were realised, the treatment of expiry of the limitation period would become integrated, being contained in one Act and approaching the recommendations of the international work groups. The regulation on unjustified enrichment in its turn would become free of the request for a basis or claim that makes it unclear.

Islamic impasse in Middle East

ANTS LAANEOTS

Member of the Riigikogu, Estonian Reform Party

For several years, Middle Eastern Islamic states have been in the grips of a devastating war, which has claimed hundreds of thousands of innocent lives, and forced millions of men, women and children to flee their homes. Last year, the conflict reached Europe in the shape of 1.3 million illegal immigrants, and Islamic State terrorists.

To understand what is going on, we should look at the events that have caused this 21st century plague, which has already infected the majority of the Islamic countries and is forcefully making its way into Europe.

The time bomb that had been ticking away in the Syrian government and political system has ancient and deep religious roots. Centuries ago, Islam split. This led to the development of its two largest competing branches – Sunnism and Shi'ism – and to an internal strife. The conflict between the two main branches of Islam was an important factor contributing to the foundation of the radical Islamic State. The terrorist organisation that designates itself as the Islamic State poses a threat not only to the traditional Islam but also to other nations and religions.

Since last spring, Moscow had been observing with an increasing concern the civil war that was gathering momentum

in its only Mediterranean ally. By summer, it had become clear that after the intervention of the Islamic State and its massive conquests in Syria, the position of the government forces had gravely deteriorated.

Russian President Vladimir Putin calculated that opening a new frontier in Syria – the fourth of his term – would enable him to save the regime of his trusted and only Middle Eastern ally President Assad, maintain Russian military bases and thus Russian presence in the strategically important Mediterranean region, direct attention away from the annexation of Crimea and the war in Eastern Ukraine that Moscow has frozen, become a powerful partner of the Western coalition active in the Middle East, and an important player in the fight against the Islamic State. The Russian dictator took quite a significant risk in starting this new military campaign.

More and more experts think that the Islamic State is here to stay and must be taken seriously. Seeing that it is posing a threat not only to the traditional Islam but also to other religions, particularly Christianity, experts propose a way out by joining the efforts of all the confessions to fight the radicalisation of the youth. It is extremely important to neutralise the main argument of the Islamic State as quickly as possible: the theory of justice and injustice that the terrorists are exploiting.