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# country report

Regionalproject Baltic States



## Broken alliance: The collapse of Estonia's coalition government

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**On 10 March 2025, Estonian Prime Minister Kristen Michal announced the reshuffle of the Estonian coalition by dismissing the Social Democratic Party (SDE) from the coalition government. After this decision, the "Reform Party" and "Estonia200" have only a narrow majority with 52 out of 101 seats in the Riigikogu (parliament).**

The decision to dismiss four ministers: Lauri Läänemets (Minister of the Interior), Riina Sikkut (Minister of Health), Piret Hartman (Minister of Regional Affairs) and Vladimir Svet (Minister of Infrastructure) – all from the Social Democratic Party (SDE) – was the final step in a development that has been going on for some time. The three-party constellation of the Reform Party, Estonia200 and the SDE had already been unstable for some time. There were many issues on which the three partners could not agree.

The biggest topic was the tax reform. The abolition of corporate tax was proposed and promoted by both the Reform Party and Estonia200, as it is intended to attract foreign investment and be used to improve the economic environment. The Social Democrats, led by Lauri Läänemets, were against it, arguing that it would disproportionately benefit large companies, while funding for social services would be cut. The Social Democrats refused to support this tax reform, which was the main reason for the collapse of the governing coalition.

### **Gray passport as the last drop**

One of the key drivers for the coalition reshuffle in Estonia was the reform of the electoral law for Russian and Belarusian citizens as well as stateless persons (holders of the so-called grey passport). The Reform Party and Estonia200 pushed for strict electoral rules to exclude Russian and Belarusian citizens from participating in local elections after 2025. The Reform Party also spoke out in favor of the inclusion of stateless persons in this reform, while the Social Democratic Party strongly opposed this. These disagreements were ideologically motivated but played an important role in the SDE's expulsion from the coalition, as the SDE was accused of blocking key government initiatives. The SDE promised to block the change if grey passport holders are included.

Economic aspects also played a role in the coalition reshuffle. The prime minister pointed out that military spending is to be increased to 5 percent of gross domestic product (GDP). Therefore, the government must implement appropriate economic reforms. Reducing taxes and bureaucracy, as well as more efficient spending, are seen as important decisions for strengthening one's own defense capability. Prime Minister Michal believes that endless revisions, reviews and consultations on decisions based on the new political agenda are not a priority. The government needs to make decisions quickly and move forward instead of wasting time.

### **Falling approval ratings of the governing parties and strong Isamaa**

Lauri Läänemets (SDE) believes that the real reason for the collapse of the government was the Reform Party's falling poll rating. He believes that the prime minister had to do something, as the Reform Party was under pressure due to its poor poll ratings, and that this was Kristen Michal's only plan. SDE believes that this decision was made three weeks ago.

Public opinion has changed significantly since the last parliamentary election (2023). Since then, the Reform Party's poll ratings have fallen by 14 percent (from 31 percent to 17 percent). The latest rating of Estonia200 is 2 percent, up from 13 percent in 2023. Therefore, the logic of Läänemets is based on correct trends. The strongest increase is recorded in the Isamaa party. According to the latest survey, its valuation is the highest at 29 percent, and since 2023 it has gained 21 percent.

The prime minister invited the Isamaa party to join the coalition to increase its stability. Isamaa Party leader Urmas Reinsalu reacted to this process, saying that it could be seen as a recognition of the bankruptcy of the political leadership in two current ruling parties. He believes that it would be appropriate for the prime minister to resign. Isamaa's accession is very unlikely at this point. Decisions of the current government are made out of fear of the Isamaa alternative, he believes. The leader of the Centre Party, Mihhail Kõlvart, agrees with the idea of a government break as public support for the Reform Party and Estonia200 dwindles. He believes that all three parties are only responsible for failures, not successes.

According to the current state of knowledge, the governing coalition will comprise the Reform Party and Estonia200 with 52 members of parliament. Even though they are trying to negotiate with non-party MPs to strengthen their coalition, 52 seats is a narrow majority, and the results of this crisis and public polls, as well as international politics, could influence the political agenda of Estonian domestic politics. The Reform Party and Estonia 200 must soon regain the support of the population in order to avoid early elections.

### **Conclusion**

The SDE's rejection of the initiative to deprive Russians or Belarusians (as well as grey passport holders) of the right to vote at the local level is a political attempt to get closer to these groups of voters again. After all, these have been largely lost or neglected since Russia's complete invasion of Ukraine. The reason was an unclear position on this – neither clearly for nor clearly against. The increasing loss of importance and the upcoming local elections on October 19, 2025, are clear motives for the party to counteract this.

For the Isamaa party, which is leading the polls, it would not be wise to join the coalition that it has strongly criticized in recent months. Especially since they were obviously unable to solve the problems that were the reason for the criticism, namely above all high taxes, high energy costs and an overburdened bureaucracy. The last drop was the discussion about the voting rights of the holders of the gray passports. The next elections are now the measuring instrument for the governing parties. The first will be the local elections in October 2025, followed by the parliamentary elections in March 2027. Whether the government with its very narrow majority will hold out until then is at least questionable. Michal, who took over the office of prime minister only last year from his party colleague, Kaja Kallas, shows no ambitions to relinquish this office prematurely.

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