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President Toomas Hendrik Ilves's message to Prime Minister Andrus Ansip and members of his cabinet: "No one will judge the present Government based on how the coalition agreement of April 2007 has been performed. Judgement will be given on the basis of how the Government deals with the economic crisis."

The Government's duty is to lead the state out of the economic crisis, says President Toomas Hendrik Ilves in an interview with the Maaleht newspaper. But what is the Government doing? Cabinet ministers are quarrelling and the Government tossing solutions to the public which are in fact proposals that have never even been discussed.

Mr President, Estonia is in a situation that was difficult to imagine a year ago: Strong economic growth has turned to strong decline, 2,500 people per week are losing their jobs, many companies are cutting wages. People are afraid of the future. What would you say to them?

No one believes in permanent optimism these days. These are difficult times.

I believe that our people will manage. If we admit that we are in a crisis, then it's easier for us to assess our options and adjust our behaviour both as people and as a state. Fear is not a good advisor.

The fear is aggravated by the feeling that overcoming this crisis doesn't depend on us that much. You have said that in a crisis the state must not leave the impression that the Government is no longer in control of the situation. Has our Government in your opinion excessively emphasised that we are inevitably being held captive by the global economic crisis?

As long as there are politicians and other public figures in Estonia who find that all the problems that the Estonian economy is facing have arisen here and from the acts of the present Government, I have to tell them: no, the problems are global and Estonia is by far not in the most difficult situation.

An excessively optimistic and, as we now in retrospect can say, incorrect attitude towards the continuance of the economic crisis has been characteristic of several Governments as of the start of this decade.

On the other hand, Estonia has to take some responsibility and we cannot wait for the situation to improve while we keep arguing among ourselves. The Government has the responsibility to solve and mitigate the situation. After all, how we cope with the crisis depends on us.

I have refrained from publicly criticising the Government's doings. When I hear calls that the President should do something or discipline someone I would like to remind these people that according to our Constitution the head of state does not have any means for directing the state's day-to-day policies, aside from the Executive.

However, I cannot remain a simple bystander in a situation where political parties infected by their election campaign are violating the public peace and readiness for overcoming the difficulties by making a joint effort and bringing sacrifices. This is not responsible behaviour on the part of politicians.

What has the Government done wrong?

I have repeatedly emphasised that now we cannot bring Estonia out of the economic crisis in a way that the political parties will try to keep their election promises they gave in a totally different economic situation by cutting the budget.

Previous promises and dogmas must be set aside – they are invalid – because the state's revenue has contracted. The Government must run the state, not think only about keeping its election promises at any cost.

I think that the Government assessed the situation too optimistically when making a negative supplementary budget a few months ago. Now there may be need for another budget cut, but every week that we lose reduces the possibilities of cutting costs and the expected impact of the budget cuts.

The fear of another cut increases stress. And now we find ourselves in a situation where we are looking forward to each new economic forecast as if it was our saviour or Judgment Day.

Secondly, I am not pleased with the situation where the Government has not presented any action plan regarding the underlying principles of the budget for 2010. We cannot calculate the revenue and expenditure for next year in the same way as the last ten years. We need a different approach, perhaps amendment of some taxes.

All this calls for a thorough-going public discussion. Unfortunately, it is not being discussed, although it's already spring. Instead, we see mutual criticism or proposals, which the Government has not yet discussed, not to mention agreed on, being offered as decisions.

All my meetings throughout Estonia confirm that voters expect the Government to come to an agreement and make decisions – that is, action, not quarrelling in their midst.

No one will judge the present Government based on how the coalition agreement of April 2007 has been performed. Judgement will be given on the basis of how the Government deals with the economic crisis. The votes will judge the Government, not the political parties forming the Government or who the author of one or another idea was or who was able to defeat whom.

According to the latest forecast of the Ministry of Finance the economy will decline by 8.5 percent this year. At the same time SEB Pank expects a 12-percent decline and the Fitch rating agency a 10-percent decline. The Government is not making the situation look better than it actually is, is it?

I hope that the Government's analysis is not making the situation look better than it actually is. Unfortunately, these days the state of today is no longer valid tomorrow and tomorrow the state is worse than one could have thought yesterday.

Therefore we should all be ready for more of a dark rather than bright future. It is clear that the state of the real economy may continue to worsen for some time.

Over the last year or two the forecasts have not exactly been accurate. This means that we have to be conservative.

If we have to choose whether to proceed from an 8.5-percent or 10-percent economic decline, I recommend that the more pessimistic forecast be chosen just in case.

How much does the President and his team engage in economic analysis? Who's on your economic team?

Advisor Ilmar Lepik is responsible for economic affairs and he has the same information as the Government and Eesti Pank.

In addition, I regularly read the main European and US newspapers and regularly meet with the best experts.

Where do you think it is wise and possible to cut costs?

Let's start from the fact that with the last negative supplementary budgets and the budget of 2009 public authorities have cut their operating expenses on average by 15%.

Some state authorities have laid off so much of their staff that the quality of performance of the duties imposed on them by law is suffering. In some other places there is certainly room for cuts or economising.

It seems to me that without having the big picture and cutting and reducing here and there we will have a result that no one likes and it will be very expensive to remedy the mistakes made hastily.

Hence, we need foresight of what we will be able to afford and what we will need in the coming years. In other words, the state should review all its expenses, assess their effectiveness and fit them into an active and forward-looking economic policy.

As for cutting costs, I have another observation to make: if an entrepreneur criticises public expenditure and if the same entrepreneur has enjoyed the abundant orders received from the public sector sometimes under not the most transparent conditions, such entrepreneurs should

look in the mirror before opening their mouth.

One of the cutting options on the table is the suspension of contributions to the second pillar of the pension system. This plan seems to be a wise decision at the time when the money is "burning" in the pillars. Do you think it is wise?

From an economic point of view, perhaps temporary suspension of contributions to the second pillar should be given some serious thought and perhaps it should be asked if this sacrifice will guarantee introduction of the euro.

The stupidest and the most regrettable – I am not speaking only of contributions to the pension pillar – would be a situation where all the sacrifices would bring nothing and we would not get the euro.

The Government should definitely avoid this scenario and make all cuts conservatively, with room to spare.

However, the pension pillar is a matter of trust. Over half a million people make contributions there in the knowledge that it is a certain thing as decent pension insurance has to be.

Now, when the state in a state of emergency changes the system, it has to offer guarantees in return that retroactively, after the crisis it will perform its obligations.

Only in that case can one be certain that by freezing the contributions to the pension pillar the state takes responsibility and obligations and offers compensation for its violation of the agreement. This would be the behaviour of a just and responsible state.

What should the Government do to boost the economy?

We have two goals to attain: to come out of the economic crisis and to lay the foundations for more effective operation of the economy.

First, keeping the more distant future in mind it is necessary to introduce the euro as soon as possible. This is recommended by virtually all competent economic analysts in Estonia, the European Union and the IMF.

The euro will help us to ensure the stability and reliability of our economy in the long run.

The present Government can fulfil this task and it is hard to find excuses if they are unable to do it.

Secondly, the economic stimulation package proclaimed in February must be decisively implemented. We cannot afford any quarrels or delays here.

The stimulation package supports exports and strengthens the capital base and creditworthiness of SMEs more. It also helps us to use the money of the Structural Funds of the European Union in order to increase employment.

European Union money should be put to work as effectively as possible. The Government is responsible for it as well.

Is the slogan "Prefer Estonian" a remedy or protectionism?

When we speak of healthy nutrition that does not contain any harmful preservatives, this slogan is obviously quite fine.

However, in principle I am against protectionism, because it is very harmful for Estonia.

We know that the Estonian market is clearly too small for our entrepreneurs and the prerequisite for the development of our economy is export of goods produced by us.

Small, export-based economies have the most to lose from the spread of protectionism in Europe, while this is perhaps useful for larger economies.

The European Union is based on four freedoms, free movement of goods and services being one of them. Our economic rise depends directly on whether Europe remains an open single market. Fortunately, the Member States of the community have assured that it will.

Everyone wonders how bad the economic situation can get. Can we expect massive foreclosures?

It is probable that summer and autumn will be the most difficult time and thereafter the situation may, and I emphasise the word 'may', start improving. Thus, we must be patient and act economically.

I see no economic value in massive foreclosures by banks. What will the bank do with the houses and apartments? How can empty and discounted realty be useful for the bank?

Obviously, families who have solvency problems should cooperate with the bank, negotiate the

terms and conditions of their loan, and apply for a grace period if necessary.

Who should mentally prepare people for “it will get worse” or “it will get really bad” and so on?

This also has to be done by state and local leaders. People want to hear calm and clear statements backed by good arguments. They do not want to see an arrogant attitude without the slightest tone of self-criticism or to be frightened.

Journalists should also not encourage hysteria by using such absurd headings as "Victory Day Parade Threatens the Euro."

Yet, decisive actions are much more important than speaking. When unemployment continues to rise, the state and local authorities have to find additional funds and staff for attending to the unemployed.

The Government has to prove by words and acts that unemployment and its impact are a priority, that people are more important than their election promises.

Speaking of encouraging hysteria...last week Edgar Savisaar, the leader of the Centre Party, again spoke of devaluation of the kroon.

In difficult times some politicians are losing the very last remains of their sense of responsibility and play directly on the fears of the people.

So far serious analysts have not been able to suggest any credible scenarios as to how devaluation of the kroon would benefit Estonia.

How dangerous is the economic recession to Estonian democracy? Are you ready to declare a state of emergency when necessary?

A state of emergency may be declared only if the independence of the Estonian state and our constitutional order are under threat. Therefore your question is not relevant.

I spoke of threats to democracy on February 24 in Jõhvi. Populist pressure and street policy are risks to be reduced by the right behaviour.

In order not to be misinterpreted I would like to explain that in the European context street policy means looting, rioting and violence as we have unfortunately seen in Europe. Peaceful demonstrations and other forms of protest are, on the contrary, a natural part of democracy. That is why they are not called street policy.

These days the right way of behaviour is to be open, communicate openly and suggest solutions.

It is clear that the Russian-speaking population understands the economic recess slightly differently and may start looking for different solutions. Does the President have a plan for communicating with the Russian-speaking population for prevention of any unpleasant surprises in Ida-Viru County?

I have no information about our Russian fellow countrymen wanting different solutions to overcome this difficult situation.

I cannot say that the Russian-speaking population is suffering any more or less than Estonians. According to statistics, like always in difficult times in independent Estonia unemployment is the highest in Southern Estonia.

All in all, I advise you to stop treating our Russian fellow countrymen as a risk group that has special needs. They are working people like all of us.

How many soup kitchens, one of the symbols of economic recession, should we open and publicly exhibit?

If a soup kitchen is needed, it is needed. Just like we have to work hard in order to make certain that as few people as possible need to use the assistance of a soup kitchen.

Poverty is not shameful in the Christian cultural space. We have to help those in need. It seems to be some sort of regrettable belief arising from our culture of success or self-adoration that the poor are to be blamed for their situation.

On the contrary, if there are people who are hungry and have no money to buy food, we have to find new opportunities for establishing new soup kitchens. We have to be really attentive to making certain that our children do not suffer. This is the responsibility of the state and local authorities.

I believe that care and helping those in need is something to think about during the coming

Easter holidays.

Once the crisis is over, will Estonia be able to quickly spurt to the real forefront, the one not based on borrowed capital?

Growth will come, but we do not know when it will happen. No doubt, our present decisions, if they are right and reasoned, will help us to reorganise our economy and alleviate any setbacks in the future. Development of the economy remains cyclical. Good times alternate with bad times.

Loans are the engine of economic development. If borrowed money is invested in principal activities that the entrepreneur knows very well, a loan is reasonable and will always be reasonable. However, if a company borrows money in the hope of quick profits, expecting to channel it to, for instance, real estate development, it is bound to end as it has ended this time.

Estonia's success has always been based on good ideas and innovative thinking. There is always a market for such activities.

Link to the original interview (in Estonian) at [the webpage of Maaleht](#) .