

President Toomas Hendrik Ilves says in his exclusive interview with the Päevaleht that the welfare of the state is sometimes overshadowed by the inner struggle over political parties.

Kärt Anvelt

Discussions about imminent changes in the Government have been in the air for a long time now...

... I know nothing about this.

... and politicians finally admitted to the public that there is a crisis. Would a crisis in the Government in the current complicated times be a catastrophe or would it be the way out and the solution to our problems?

One thing about Estonia is, and they probably know it up there on Toompea as well, that our ability to maintain a stable Government is a strong indicator of the reliability of our state. Now to create a new coalition...

... would not be reasonable in your opinion?

Politicians will have to decide this. But look at some countries around us. Changing their governments has had an adverse impact on the reliability and economy of all these countries. We see countries where governments fell, because the decisions that had to be made were too difficult. The new government, however, went for the easy option and is making decisions that are clearly populist.

So it is up to our coalition to decide how it will act. Breaking up a government is a risk for those who organise it – what will they gain and what will they lose by doing it? Of course, those who are forced out can also gain – they can start attacking the others and keep telling everyone what great ideas they had, but...

But I personally think that the current coalition could try and hold it together at least until the worst of the crisis is over. They have a responsibility to the whole state.

What would you have done if you were the Minister of Finance at present? Would you have set yourself up as the number one candidate of your party in the European Parliament elections and tried to do the work of the Minister of Finance, which is very difficult in this complicated situation, at the same time?

I was an apolitical Minister of Foreign Affairs in 1998. I left the Government in October 1998 in order to run as a candidate in the parliamentary elections (in spring 1999 – Ed.).

What would you do if you were the Prime Minister?

Whatever I say could be taken as a reproach. It is sticking your nose in things, which does not help us move on. The Prime Minister is in a difficult situation – he is leading a coalition consisting of three parties. I would be very frustrated if I was the Prime Minister and my party and the other parties failed to agree.

I often sit together with the heads of the coalition as different supplementary budgets are prepared, because I want to know what is going on and what the situation is like. It seems to me that it may discipline them a bit and make them understand their responsibility to the state a little better.

You see no inner struggle – the state or the party?

Sometimes, when I hear what people say and see how they act, it seems to me that the welfare of the state is sometimes overshadowed by the inner struggle over political parties. But it seems to me that the parties who stand up for the state and do not want to undermine the others are winning at the moment.

There are two choices at the moment – either go for the euro or admit that we are unable to meet the criteria for this. Explanations have been insufficient and people do not understand why we need this euro so much.

Explanations really have been insufficient. However, I have tried to do it in my interviews and speeches. The main reason is that we will not attract investments without the euro. Our economic growth was supported by a) our own actions, b) borrowed money and c) foreign

investments. We are not attracting any of the latter at the moment, because the confidence in our economy is gone and loans have also become more expensive for us.

Maybe we have also been victims of our neighbours because people cannot tell Estonia apart from them?

True. The media in the West often contains articles about some uniform Baltic State whose capital is Riga and if something went wrong in another state, it was automatically transposed on us. Even though some things about Estonia have been clarified in recent times, confidence in our economy is still low and it is difficult to attract investments.

All estimates, beginning from the IMF and ending with local businessmen, suggest that joining the euro zone should increase that confidence again. Even though the Estonian kroon is strong and under no threat, the heightened hesitance about the currencies of Latvia and Lithuania has made investors cautious about the Estonian kroon as well.

Devaluing the kroon would not bring us any benefits. We do not have any goods that would be easier to sell after devaluation. Skype is not going to become attractive because the exchange rate of our kroon changes. But the threat of devaluation and the resulting concerns are currently limiting investments. Businessmen do think that if they invest a million euros in Estonia today at the rate of 15.65, but two months later the rate is 20 kroons, they will find that they have lost 25 percent of their money. Therefore, the euro is the thing that gives a guarantee to foreign investors. Investments, however, play a very important role in restoring our economy.

But the euro is no miracle cure?

No, it is not. And it should not be turned into a fetish. But it is a strong precondition to economic development. The alternative is to give up on introducing the euro, but this will send us into a worse downward spiral. Even if our deficit stayed on 3.2 percent, nothing would really get much better. Going into a big deficit means we subject our financial decisions to the IMF. Latvia, Romania and Hungary have gone down this bath, and Lithuania is still negotiating. We would then lose our right to make decisions and someone else would be telling us that we have to cut our costs by another 40 percent.

So there are no easy solutions. We have to try harder to get into the euro zone. This will create confidence in our economy.

The Government is trying really hard. However, the picture created for the public is of the three coalition parties squabbling over everything.

Fights between parties are another matter altogether. The problem there is not how much to cut, but where to cut. Because all coalition parties agree that our budget deficit must be less than three percent of GDP.

Increasing income and cutting costs have both been discussed in association with the budget. But you cannot carry on cutting forever.

Increasing income is rather difficult. When you increase the VAT or alcohol excise, then things become more expensive, people buy less and the experience of other countries has shown that it need not produce the desired effect.

The other option is to increase income tax, but I have understood that it is out of the question in

the coalition at the moment. The Government has to make the decision and carry the resulting responsibility.

You have said many times that election promises should be forgotten and there should be no more taboos or red lines. Does it mean that the time to increase the personal income tax has actually arrived?

My personal opinion in this issue would be interpreted as political pressure. But I have lived in conditions where I paid 50 percent income tax and I survived it quite well. It was in Germany. I am not a tax fetishist or tax fundamentalist. It is important how we can overcome the current situation and I am naturally in favour of all sensible solutions.

So President Ilves is in favour of increasing the personal income tax?

I did not say that (laughs).

Do you think that the Government will manage to meet the criteria for joining the euro and achieve its goal? What do you think of the performance of the Government?

When we look at things in a wider context, then the Government has actually managed with its tasks pretty well, because they have managed to do things that other governments have been unable to do in their countries. We are moaning here, but the IMF and the European

Commission are gasping in surprise when they see that the Government of Estonia is resolute, it decides and does things. The IMF will be here next week and you can ask them yourself.

I predict that their answer is this: there is a state in Eastern Europe that does not have populism and that does what it has decided to do. It should not be too difficult for the Estonian media to compare other Eastern European countries – what economic backlashes they have suffered and what their solutions are.

So Estonia is doing well?

Estonia really stands out nicely in this context. But there are some states and nations that believe that when they are doing well then it is bad, when they are doing excellently then it is still bad and when something goes wrong then it is really bad.

I personally think that actions should be somewhat quicker.

You are used to decisions being made very quickly and this is exactly the reason why I advised you to look at what others have done. One thing that should be discussed more is the decision to create a stabilisation reserve that was made by Mart Siimann's Government. This is what allowed us to face the crisis differently from many of our neighbours. We have not spent all our money and it puts us in a better position.

What other important decisions apart from the euro should the state think about?

The so-called co-cyclical economic policy should be terminated. When the world is doing better, we spend huge amounts of money and when it is doing badly, we curb our spending massively. It should actually be counter-cyclical – when things go well, we are conservative and do not spend much and when the cycle falls, then we have something to fall back on.

The trouble of all countries is, only a few have coped better with this, that they have not been able to think further ahead than the next elections.

For example?

Take the area of education, for example. When we have a long-term goal, such as having more engineers in 15 years' time, then we have to value sciences and make them popular today and not later. The goals of the University of Technology could be specified and more money could be allocated to technological innovation.

For example, Finland started thinking about how to do well in the world 30 years ago and this is when they created Oulu University, which focuses on innovation and technology.

It will not help us come out of the crisis, but it will help us as a state to get into the situation where we are no longer a poor Eastern European country.

What are the things that should definitely not be cut?

Cutting the areas that are co-financed by the EU would certainly not be reasonable. It would be poor if we did not finance Ämari whilst getting money from NATO for this. Cuts should be based on what is generally best for people, not on the interests of parties and ministries. This logic does not work, that people support the party that shouts – I cut seven percent less! It is not a victory for the Government, the state or people. I hope that the votes will assess the decisions and cuts fairly.

I would also remind everyone that even though we have had backlashes, we are not back to 1970 but only 2005 or 2006.

What can you say to console the tens of thousands of people who have lost their jobs?

We do have national programmes that were created for situations like this. It is true that they are far from ideal, but they exist. I guess the most important thing is to rely on your family. Unemployment in Spain is currently 17 percent, much worse than here. But things do not seem so bad to them, because they have close family, community and local ties, informal connections between people. People help each other, children move back in with their parents, etc. Unofficial internal ties are the thing that helps during a crisis. I certainly advise all people who find it possible at all to use this time to educate themselves. Read and do the things you could not do when the situation was different and you had no time. Spend time with your children, your parents. The bad times will pass.

You have often used the word ‘caring’ in your speeches. Do our people care about each other, do they care about the state and does the state respond with the same?

I do think that people care about a lot of things over here, even if we don't always see it.

Especially in the tough urbanised Estonia. But this is not the whole Estonia. You often go to your farm in the country yourself and you know that neighbours, friends, working together – it's all functioning and these things help. It is much harder for people in towns, they don't even know the people who live next door to their apartments. This is why we have to try particularly hard, if you see that someone needs help and someone is having difficulties then think what you could do to help them. You will be rewarded for this in time. When our society becomes more caring – but this will only happen if everyone of us is more caring – then we will also give birth to new traditions. And the next time when help is needed, then you may find it easier, because we already have new customs.

Health is also important?

The fact that I can lose weight at the age of 55 shows that it is not a hopeless attempt. But health, especially in the case of men whose lifespan is almost ten years shorter than in Western Europe, depends largely on the people themselves. I, for example, have quit smoking. Sometimes I am attacked for chewing Nicorette gum. By the way, President Obama does the same, and he still smokes from time to time...

Do you still sneak out for a cigarette sometimes?

No! People in the office don't even offer anymore. I don't need it. Smoking is a pointless waste of money. And you do it on account of your health. You have to think about your health, because you are not responsible for just yourself, but also your family. If you have work, but you do not look after your health, then one day your family members may find themselves alone and with big concerns. And don't forget that your ability to work is better if you are in good health.

I personally think that the feeling of hopelessness and the resulting mental deterioration are the most dangerous things.

Mental deterioration occurs when unemployment has lasted for a very long time. We are far from this situation yet and we will conquer it before it happens. So let us not devote too much time to masochism. Employment in Estonia was unnaturally high in Estonia two years ago. Economists say that full employment means 4 percent unemployment, which is what we had. The current rate of unemployment in Estonia is 8 to 9 percent and it is not the end of the world. Unemployment was higher here from 2001 to 2002.

But all the Government talks about is how to reduce the benefits paid to them through the Unemployment Fund. How can this inject any optimism?

When it comes to the payment of benefits, then it may be true that we just cannot sustain all the promises that were made some time ago. The ceiling of benefits will be 15,000 kroons and this is quite high. Would it be better to reduce the benefits and pay them out over a longer period, or to leave everything as it is and then shrug your shoulders one day, seeing that all the money has run out?

If I am correct, then it was John F. Kennedy who said once that governing means making decisions of certain impact on the basis of insufficient information. I am not justifying the Government here, but having been in their shoes and knowing what the options are, I also know that we can say whether something was wise or stupid only after the fact. We have no idea how long this crisis will last.

It is the beginning of May now, so what is your opinion of the fact that there is complete

silence about what the preparation, principles and outlines of the budget for 2010 will be like?

Everyone can see that the Government is trying to put out a fire by preparing a negative supplementary budget. But I do believe that our Government has the administrative capacity to work on the outlines of next year's budget at the same time.

The state is facing a global crisis, but isn't the main problem in the fact that we have lost the ability to look into the future?

It was back in 2003 or 2004 that I wrote an article and asked: where is our vision of the future? A recent analysis of the new EU Member States done in Bulgaria pointed out that Estonia does not have any initiatives, Estonia does not block anything, but if someone else comes out with something then we support it. I believe that this lack of a big idea that I pointed out is a valid point in some ways.

On the other hand, we should not turn into a project-based nation: Aleksander School, independence, the War of Independence, then we fight and there are no problems, then the People's Front, ERSP, disclosure of the MRP, the Estonian Congress, the departure of the Russian armed forces, accession to NATO and the European Union... And then silence once the project has been successfully carried out. We do not have to live for just one goal all the time. Maybe we should focus on smaller things that, when put together, would create the image of a state that is aware of itself and works for this. Whether it is liberalising our energy market or the Baltic Sea strategy during the presidency of Sweden, active development of the Eastern partnership. Talking about one big goal is the same as talking about finding our own Nokia. Being firm about several things is what we need.

You have said that we will stay in Afghanistan for a long time, but relying on military

force alone will not solve the situation – civil partnership is needed. You mentioned the Eastern Partnership programme here that was suggested by the European Commission. It is clear for the EU to be surrounded by white or at least greyish countries where democracy and market economy prevail. At the same time, it is a difficult time for the state, everyone is looking for places where cuts can be made and it is natural that cutting development assistance is also considered.

If we pull back, then it will have consequences. In some ways it is understandable if we reduce our monetary contribution to foreign aid. However, if we say that we should not bother with this at all, then it has certain consequences. Since we are a state for whom solidarity and the support of other countries are one of the guarantees of survival, then we understand that if we contribute to joint operations or projects, then the others trust us and contribute to us in their turn. When we leave our allies alone, we also leave ourselves alone.

We have experience that we know how to pass on. We will not start teaching mountain climbing to anyone in Afghanistan, but we will teach them how to modernise their health care system.

Estonia is one of the few, if not the only country, that is doubling its participation in Afghanistan. Namely, our infantry company will go to Afghanistan to secure their presidential elections and it will probably end up right in the middle of the biggest fights alongside the US Marines. Are you not afraid that the sacrifice we make by sending them there is too big? Are we not taking on too much here?

There were quite a few brains behind this and I trust the people who made this decision.

Are you not worried about the possible cuts in our defence costs? It is clear that everyone will have to make cuts, but how can it be done in such a manner that many projects which have been launched will not become pointless? Another subject is our

trustworthiness among our partners, even though everyone probably understands that the times are tough.

In 2008, the percentage of defence costs in the GDP of the 19 NATO member states was smaller than in Estonia and in five countries they were higher.

Reducing defence costs does not mean that new recruits will not be called. This claim is wrong! An analyst would take and look at the level and the amount Estonia had in 1993 or 1997, 1999 or 2004. Nothing as drastic as this was left undone.

Let us now think about the situation where cuts are made everywhere apart from defence costs and a bigger burden is placed on other ministries. That would take us back to the subject of unemployment and what impact would that have on the security of the state? People would think that nothing was cut where NATO is concerned, but my pay was cut. Our politicians should think about this as well.

During the difficult talks of the moment, parties often release the ideas of their partners to the media to disparage these idea and then reap the cream by highlighting their own proposals. They communicate with each other by letter. What do you think of such behaviour? Can it be classified under 'aggressive vulgarity' and compared to the bloody photographs published in the media that are also seen by our children? One of the tasks of the President is to be a sort of psychiatrist for the state and the Government. Therefore, Doctor Ilves, is this Government healthy?

First of all, about that bloody photo. I was away from Estonia for two days, came back, logged on to my computer around six in the evening to see what had been happening in Estonia. My daughter comes home, climbs in my lap and looks at the computer that shows the photo of a hand, covered in blood up to its wrist and holding a knife. And she asks me: Daddy, what is it? Seriously, is this really necessary, children look at these things!

But, the question was about the Government. I can say that what bothers me in Estonian politics is that there are big goals and then short-term benefits that can be achieved by little pushes. I think the place where the result of a small push helps anyone has been lost in the current situation. You can achieve 0.000003 extra percentage points with your little push, but the voters do not see that – they want to know whether the Government as a whole is dealing with things.

Back in the time when I was doing the election campaign for the Riigikogu I was in the opposition, but people still told me off for what the Government was doing! Therefore, to think that the majority of people know what this or that politician in power is doing, is a mistake. Only very few people who are interested in politics know that.

What we need at the moment is a functioning Government, not one that even appears to try and trip up the others. Activities like that have a bad impact on work.

Since we started talking about the media, then you have called the whole Estonian media yellow said that it's and a cliquy industry.

I have said things about the media in public just three times. One time I spoke about the meanness of tabloids, the other time about aggressive vulgarity and the third time my private conversation was taped without knowing what was said at the start of the conversation. You are referring to this last case. But let me answer with a question – why are you so sensitive? The media can criticise everything and everyone, but as soon as there is even a little bit of criticism about the media, you all just completely lose it (laughs).

So what should the media really be like then?

It should not try to go into politics. Take the petition against the pay raise of the parliament. Great. But if this is done by the media, then is the media still unbiased? In such a situation where the media starts to directly interfere with politics it can no longer hide behind the excuse that we are the media and we cannot be criticised. And when I dared to say something, I got attacked – the President wants a silent era.

I was taught once that classic journalism means that there are least two sources in a story and that news and opinions are not confused with each other. Unfortunately, I often see the latter happening these days.

The media is not under attack because of a couple of comments made by the President. The entertainment media is currently the biggest enemy of journalism as it is not trying to portray the truth as much as possible. But personally, I am quite optimistic in the longer run. The publications that have the trust of the people will survive the hard times. Currently, this trust is very fragile because of the examples I listed, but all in all, editors-in-chief are offering people a service by saying that you can trust what you read in my paper, that the things we publish have not been made up and they are not malicious. Think about it.

You recently delivered a lecture titled *Who Are We and Where Are We?* at Turku University. So who are we and where are we? (This speech was noticed in Finland – Ed.)

The idea was to make people think about how they see the world, countries, geography and maybe the things that worked in 1920 and 1980 are not right any more.

We cannot change who we are. We will not become another nation. But we can change where and in which company we place ourselves. We can work on our mental geography. There were four Baltic States 80 years ago, now there are three. After World War II, Prague suddenly became Eastern Europe and Vienna, which lies further east than Prague, was Western Europe. All these changes occurred independently of the will of the countries themselves, under external pressure.

We should try to move in the direction where we can come up with our own concept that complies better with the reality and opportunities that we have inside the EU. We have to get over the classification and pigeonholing that prevailed during the Cold War.

Are we able to and do we want to create a new identity for Estonia, our region?

Let us draw some courage from our friends in Southern Europe, who say that you are one of those northern countries and you want transparency and demand this and that. And why not? Let us remember that Siim Kallas had the support of the Nordic countries when he demanded publication of the names of the recipients of EU agricultural grants and that southern countries fought against it until the very end. This requirement now exists, even though I saw that Germany still hasn't disclosed them.

Link to the original article in Estonian language on [the website](#) of Eesti Päevaleht