

By Christian Ultsch and Jutta Sommerbauer

Interview. The Estonian President, Toomas Hendrik Ilves, explains why the citizens of his country have little understanding of the social protest within the EU, and why he worries about a populist wave in Europe.

***Die Presse:* Estonia joined the euro zone only at the beginning of this year. Do you regret this decision now? Did you acquire a ticket on the Titanic?**

Toomas Hendrik Ilves: The Eastern European countries outside the euro zone will suffer more and they will suffer as the first ones. By the way, joining the euro is something to which all EU member states have been committed since 2004, and for us the net effect has been a benefit. Much nonsense has been written about this, e.g. that smaller countries would have some advantage, if their currencies were devalued.

Would devaluation not have some competitive advantages?

This nonsense has been spread by US economist Paul Krugman. However, he referred to Argentina, which is a relatively closed economy with a large domestic market. One cannot apply this logic to small and open national economies within the EU.

Estonia went through a deep recession in 2008/2009. GDP shrank by 14 percent. However, in August the rating agency Standard & Poor's upgraded Estonia in contrast to the Europe-wide trend. How did Estonia manage to get out again of the deep water?

We applied a domestic devaluation. Salaries were cut, e.g. in the public sector by 20 percent, and in the private sector in some cases by even more. Unemployment was very high. It was very hard, but we did it.

The government and you as the president have been re-elected. How did you manage to avoid social unrest under such drastic austerity measures?

Estonia has experienced much hardship during its history. The wife of our EU commissioner was deported at the age of three to Siberia in a cattle wagon. Many Estonians of my age were born in Siberia and the last deportation took place in 1949. Against such a historic background cutting our salaries is no reason for unrest. I would even go further: People who protest in other European countries have to realise that they are living on money that does not exist.

What do you mean with this statement?

An enterprise determines its wealth in assets and in liabilities. Enterprises, which have a debt level of 120 percent of their economic power – which currently applies to some EU countries – would never be considered wealthy. This is illusory affluence. Estonia does not have any noteworthy debts. Therefore, Estonians do not have much sympathy towards social protests in countries that live on credit.

What could Europe learn from the experiences of Estonia?

We are a bit slow here in Estonia. We believe that we should follow the rules to which we agreed. It was fatal that Schröder and Chirac violated the euro stability treaty without suffering the consequences. Already Thukydides wrote in the Melier dialogue, that the fate of small countries is to follow the rules and lose.

Nevertheless, the only chance for the small countries lies in sticking to the rules. In Europe too many do not take the rules seriously. Estonia, Finland, Germany and Austria more or less follow the Maastricht criteria. Others have accumulated huge deficits with more than 120 percent of their GDP and have no hope of ever paying back this money. On Friday morning we heard again that this would be the ultimate agreement

. . . but you doubt that attitudes will change?

We will continue – like Estonian farmers – to follow the rules. However, institutions that allow individual members to violate the rules cannot be upheld in the long term. I am an eternal EU optimist, but I am really disappointed. I see a serious populism problem in Northern Europe. This is not right-wing populism but protestant populism. Why did Luther, Calvin or Hus become popular? Because there was widespread disgust among the people about the fact that Rome broke all the rules.

Are you suggesting that a strong political power could emerge?

We have seen it in Finland. The second strongest party is – with a few exceptions – not racist and not against immigrants. The “True Finns” became popular, because many people did not understand why they should support countries that do not follow the rules.

Will the “True Estonians” soon compete in your country’s elections?

Our parliament is very pro-Europe. 75 percent of the members of parliament voted for the euro rescue umbrella. 75 percent of the people are against it. Do not forget that Estonia is poorer than the country we are supporting financially.

The Estonian average income is approx. 800 euros.

That is less than the minimum salary in Greece.

Could the euro crisis lead to the disintegration of the EU?

I do not see this danger. I also do not see the expulsion of one or two member states as an alternative. As Joschka Fischer said, a multiple geometry of the EU will develop, with different degrees of integration.

How is the relationship with your big neighbour Russia?

ÅÅ Our priorities are with Europe and the US – with Russia we have a relationship of friendly indifference. No power from the outside will convince this country to uphold laws and to hold democratic elections. The Russians must do it themselves. We wish them good luck.

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