

Dear celebrants of the Republic of Estonia here at Jõhvi, in East Viru County, all over Estonia and all over the world.

Today, we are celebrating the anniversary of the Republic of Estonia under circumstances very different from those of the previous years. In quite another spirit than last year. And we all know why.

The tornado shaking global finance and economy has risen fierce against us and drawn also Estonia into its whirl. The consequences are visible all around us. Uncertainty and confusion about what tomorrow might have in store has reached a level unknown to us for many years.

In such a situation, it is common to start looking for a culprit, someone to reprove and reprimand. Even the President – perhaps especially the President – is today expected to condemn all misdeeds severely.

This desire, this expectation is human. But in a situation such as this, it is not for the Head of State to expound on our mistakes. Even if we have memories of earlier Independence Days, when all the imperfections and all the offenders were enumerated.

You can read all that in the papers, discuss it with neighbours; form opinions and voice your criticism – objective or emotional –, make excuses or recriminations.

My task today is different. The avalanche of indignation is powerful enough without reproof from the President.

Let me then have the privilege and the duty to recount the grounds of our problems, as well as the impending risks and some possibilities of pulling through.

Solutions I cannot promise, because at the moment it is impossible to forecast the behaviour of economy. Events of the past and the present, to say nothing of the future, cannot be fully explained or construed even by Nobel economists or the top analysts of the world.

Ladies and gentlemen,

First, the situation in our economy.

In everyday life we don't look far, we see what is happening here around us. The growth of unemployment in Estonia has indeed been one of the fastest in Europe. Yet the reality around us is even grimmer than we actually can sense when concentrating just on Estonia.

The wave of corporate bankruptcies, insolvency of whole countries, and the huge increase of indebtedness in both Eastern and Western Europe is acquiring dimensions unseen after the end of World War II.

The possibly worse predicament of others brings us no relief. Suffice it to say that economic decline knows no national borders.

Still, we should be able to see what is vital:

first, that this setback is not unique to Estonia;

and second, how unnecessary and even harmful it is to look for non-existent culprits in our midst.

The current situation in Estonia and in the countries where the banks active in Estonia have their headquarters has ever since the last quarter of 2008 got past the point where someone or something could be blamed for what has happened in this country.

We are in a crisis that is largely out of our control. Our only resource is the ability to realise this and our resolution to overcome it together.

The absence of a clearly identified villain does not relieve us from responsibility. To the contrary. The responsibility for what has happened and is happening in Estonia lies here in Estonia.

This is where all decisions that affect us are made in accordance with the rules of representative democracy. All our governments have been formed in the spirit of our Constitution, in accordance with the will of the majority of voters.

So who else but we should share the responsibility for the fact that government after government has been expanding budgets, increasing salaries, pensions and benefits faster than the growth of our economy or the productivity of our industries would have allowed?

As citizens and voters, we have too light-heartedly opted for a single bargain, be it 500 extra kroons for pension or a 1000-kroon rise in salary.

Both borrowers and lenders became greedy, elections became sale-and-purchase campaigns; fast success went into our heads, we took too many risks; we believed the indices of economic growth and disregarded the warning figures.

As Head of State, I too admit my responsibility:

I did not, with sufficient emphasis and clarity, take my chance to check the frenzy that had engulfed our society, the prevalent illusion that Estonia's economic growth of the past years would last forever.

Dear fellow countrymen,

If we shoulder the responsibility together, it will be easier to make an effort and change our attitude.

Last Friday, our parliament passed a state budget containing considerable cuts. A budget that

had already been reduced once last year.

The cuts affect almost all walks of life; some less than others, and the choices made have been met with disapproval.

Disapproval is always an easy resort. But I fear we haven't seen the last of such decisions, and that they will be made in the near and not in the faraway future.

Therefore I wish that those least affected at the moment would not concentrate on their losses, but realise that others have suffered harder.

If many lose their jobs and all their income, complaints of someone else's salary rise being smaller than promised are cold comfort.

Cheap political gains will show no way out of our present predicament.

Whether we like it or not, we must openly admit:

Without the hard and painful decisions of today, our situation would become much more complicated in a couple of years. And the decisions to be taken then would be even more painful. A negative supplementary budget, with all its faults, was inevitability. Actions, unlike inactivity, can be remedied.

Ladies and gentlemen,

For years, we have been over-sensitive to any opinions that other countries and nations might have of Estonia. Compared to the present situation, the significance of those opinions at the time was – frankly – negligible.

Unfortunately, we find ourselves in a situation where our already globally plunging credibility may be the only prop that can and will keep our economy upright. Maintaining Estonia's reliability – something that the economies and currencies of so many countries have simply lost within the past year –, it is of paramount importance for us to preserve the credibility of our financial policy and the working democracy of our country.

In countries where politics is made in the streets, not much is happening in economy these days. We can see that also in Europe today.

To see the alternatives, we must look past our borders. This is bound to convince us that the East European countries that made the effort and met the requirements for the transfer to Euro are better off today.

If not economically, then at least in the sense that no one will doubt their currency. This has spared those countries additional turbulence in a situation where the foundations of economy are shaking all over the world.

If the Estonian government did, out of foolishness or negligence, squander our opportunity to acquire this insurance policy against future setbacks within a few years, that would mean a considerably graver failure in terms of our future than any other mishap or misjudgement.

Keeping the state budget deficit under three per cent of the gross domestic product is the measure of our financial credibility. At a time when we are being associated with countries who have forfeited that measure of credibility, it is our only, I repeat, our only chance to prevent the worst.

If the Government promises to stick to the allowed margin of budget deficit, while at the same time increasing the margin for part of the expenditure, that is hypocrisy and therefore unacceptable in our current circumstances. In times such as this, a job half done is not a good solution.

My dear fellow countrymen,

The threats Estonia is facing are not limited to economy.

The need for stringent and prompt decisions does not relieve anyone from the responsibility to maintain parliamentary democratic order in Estonia.

Economic decline cannot suspend the Estonian Constitution.

Smaller funds must not affect the transparency of our decisions in any way.

The Estonian government made the budget cuts an issue of their credibility, that is, an issue of their ability to continue as a government. The democratic debate was brief, almost non-existent.

It is true that a similar expedited, or rather an emergency procedure has also been applied elsewhere in Europe, for instance lately in Latvia. In complicated budget situations and in principal issues, governments have also earlier asked for their parliaments' trust – in Finland, in Germany, and in other countries.

But today, in Estonia, it is absolutely inevitable that further discussions of the budget and the ensuing amendments of legal acts must take place strictly in the presence of all the powers represented in the Parliament.

I expect also the debate on the nature of the present cuts to be completed in the course of drafting next year's budget.

That is not going to be an easy budget – neither for the people nor for the parliament to decide on; rather to the contrary. And the opposition must be able to take all the steps possible in a parliamentary democracy to introduce and defend their positions.

Yet let us admit that reducing the budget to such an extent is, on the European scale, a rather exceptional as well as brave decision.

I call upon the Government to follow, in its further budget decisions, the same rule that I expect the Riigikogu to apply: to proceed strictly, without reservations, from the needs dictated by the crisis.

This means accepting unconditionally that the election promises made in 2007, in a completely different economic situation, are no longer valid today.

This is not, in fact, an issue of the amounts to be allocated, or outdated election promises or earlier agreements.

What is at stake is the society's faith in the fairness of all decisions.

What is at stake here is the credibility of parliamentary rule. The certainty that in a complicated situation, it is the essential issues, vital for Estonia's future, that are addressed, and not local election campaigns and political games that are bound to make a mockery of representatives of the people.

If the people, at the time of crisis, are asked to show understanding, this presumes that everyone shall carry their part of the burden. This is one of the meanings of the word „solidarity”.

If we ask for the people's solidarity, that must include everybody. Also political parties – the mainstay of our democracy – must cut their expenditures

This is not just an ethical principle. This is an issue of the credibility of democratic order.

In many crises, democracy tends to be one of the first victims. And that is mostly due to populism. From the 20th century history of Europe and the world, we know all too well what will happen if common sense goes under, or if reason is overridden by the pressure of populism.

We know that it was the want of trust in democratic institutions that brought about the rise of populism in Estonia in the 1930s.

As a result, democracy was rendered ineffective, which brought about all the decisions paving the way to our loss of independence, 50 years of foreign occupation, decline and separation from the Western values.

Populism rears its head when democratic mechanisms and institutions seem to have failed. Often, it is first and foremost the very same democratic institutions that are to blame.

Decisions, however complicated or hard, must therefore always and unconditionally be accounted for.

It is populism and thirst for power, not democracy that has already resulted in pseudo-choices veiled with the fig leaf of opinion polls. They have no legitimacy whatsoever. They are used to

cover up for political decisions already made and are therefore not worthy to be associated with ascertaining the will of the people.

Such demeaning of democracy will, unfortunately, only undermine the people's faith in democratic rule.

Likewise, the faith in democracy is subverted by corruption, which we regrettably have noted in some local governments of Estonia. If a citizen can see that laws have no effect, that money means more than fair competition, or that legal procedures do not work without bribes, he will distance himself from the state and the local government.

Exactly the same purpose – to undermine the people's trust in democracy and the rule of law – is served by unfounded allegations that authorities responsible for legal protection are politically biased.

Ladies and gentlemen,

So far, I have mostly concentrated on the state when discussing economy.

And yet, the problems of the crisis arise from the actual economy, the situation in enterprising.

Today, Estonian enterprises are suffering great hardships. Due to economic difficulties, the export markets in target countries are closed or closing. The price and terms of loans are too heavy for many Estonian enterprises.

This is why Estonia is talking about invigorating Estonian enterprises, about money injections and aid packages.

But we also need to keep in mind that the steps taken today in order to balance the economy will not solve the core issue of our problems.

Public expenditure may be cut down to near zero, but if the productivity of the economy is not growing, the cuts will have but a brief therapeutic effect.

Also, we must realise that cutting the wages will create no more than a temporary competition advantage.

Let us today, therefore, speak openly also of the fact that in 2007, a whole 30 per cent of private investments went into real estate. This means that for every ten kroons invested in real estate, Estonian entrepreneurs invested a single kroon in innovation.

Dear friends, it is impossible to give new strength and quality to Estonian economy if we still believe that quick profit is worth more than our future. This way, we are making the future a pauper.

And yet, I am especially aggrieved by the way we have started, in these hard times, to set the

private sector against the public. We know that Estonia's public sector is one of the smallest among the member states of the European Union. The expenditure of the public sector has been reduced twice – by almost a fifth.

And yet I have heard no complaints, still less „wailing”, as a businessman jeered of late, from the public servants who have adjusted to a smaller income.

When profit-oriented agencies are asking for the taxpayers' money, it is, in my opinion, out of place to taunt the public sector.

If responsibility is shared by the citizen and the public authority, as well as citizens' associations and societies, also enterprises and entrepreneurs must shoulder a share of the common burden.

If industries today are openly requesting government aid, we are justified to ask: what aid packages are they offering to the society? How are you bearing your responsibility in our changed circumstances?

Perhaps, in the course of inevitable tax reforms in the future, we should also discuss the possibility of taxation of labour and profits.

Especially in a situation of crisis, where the demand for public services is not diminishing but rather on the increase. The demand for social services, healthcare, the costs of re-education – all these are bound to grow.

Dear people of Estonia,

The President cannot give you a recipe for the fast solution of our current problems. But we are going to do well in the future if our citizens make wise choices at the elections, those elected behave like statesmen and our entrepreneurs opt for innovation.

Estonia's small size allows us to sense and fathom our country together. Forgetting our differences, alone and together, we can help those who have it hardest today. Only together can we overcome this crisis.

This fellow feeling also has a more outlandish name – solidarity; it is the realisation that without the support of others, support from all of us, I, you, we cannot manage. And from there it is just a tiny step to none of us being able to manage.

It is solidarity when, if galleries are closing or rents going up, a theatre invites artists to exhibit their works in the foyer. It is also solidarity when, as part of the „Back to School” programme, we go and share our experience with schoolchildren.

It is out of solidarity we help a neighbour who has lost his job, or baby-sit for a single mother we know, or serve soup to those of our fellow humans who have drifted to the other side of hope.

There are many ways to define solidarity. Today, I would say that solidarity, for us, is a way to pay our debt of 91 and 18 years. We are all indebted to the existence of the Republic of Estonia for our own existence, our freedom today.

And this indebtedness for freedom is – let us admit – still a cheerful indebtedness, it is what we cheerfully owe each other.

Solidarity is based on understanding. Understanding both what is happening around us, home and abroad. But also understanding our fellow humans, and their situation.

Solidarity will reveal its full serenity and genuine import when those who refuse to bear their share of our common burden start feeling uneasy and cut off.

This is the time to realise that for a while, we have confused the freedom to consume with the freedom to make a choice for human values.

A life of human dignity does not consist of money and objects, luxury goods, or gloating at someone else's "Moment of Truth".

The sum of our quality of life is made up of spiritual values, rich human relations, a healthy lifestyle, happy children and strong fellow feeling.

This is where we must invest our time, intelligence, emotions and will.

If we leave behind all that is wrong,
if we get up when we have stumbled or fallen,
if we notice and help a fellow human who has fallen,
and move on, as we have throughout our history,

then we can make it.

If we can see, in today's hardships, an opportunity of a fresh start, a new life, a rebirth with new knowledge and experience that life in a free country has already given us,

then we can make it,

then, as a poet has said:

...and thus we shall go through the sea
that rises fierce against us,
and thus we shall go through the sea
no other buttress shall we need
no other buttress shall we need
than each others' lucid shoulders,
no other buttress shall we need

than what we cheerfully owe together...

These lines, good ladies and gentlemen, were written at the time when few dared even to dream of today's misfortunes.

Today, we can make a difference. We can and must stand on our own feet.

Happy Independence Day, dear Estonia.

Have a beautiful and hopeful tomorrow, dear people of Estonia.