

Ladies and gentlemen, dear friends!

We are all of us thinking and trying to solve the urgent problems of Estonian economy. We have come quite a long way on this path, but the solutions are not within our reach yet.

Still, we have to reach them. Lost opportunities are the price of inactivity.

On global scale, we are witnessing the biggest financial and economic crisis since World War II.

We all know, all too well, what this crisis has meant for Estonia, there is no need to spell it out once more.

Instead, we should dispassionately assess our situation and find an answer to the question – how to proceed?

We know that in Estonia's case, the problems of world economy are aggravated by the fact that the economic crisis brought out the bottlenecks in our economy, including the relatively inefficient economic structure.

We must recognize the fact that the last few years' deluge of cheap loans will never happen again. Not even when the world economy will be on the way uphill once more.

Also the recovery of Estonian economy will therefore happen in different circumstances, much harsher than those we remember from the past.

Despite those hardships, we have to restructure our economy. If we fail to do that, Estonia will be facing both mental and physical poverty.

Today, it would be premature to guess what the post-crisis features of world economy will look like. Several megatrends, such as the global ageing of population, energy deficit, global warming and the surfacing of Asian countries or the shift of economic power more and more eastwards, will probably remain unchanged.

Also, it seems certain that in the coming years, activity in the so-called green sector of the economy will grow significantly. Energy conservation is topical all over Europe today, and viewed as a sustainer of long-term economic growth.

The question of more or less covert protectionism in economy will also remain open, as well as the role to be played by the state in post-crisis Europe as well as in, for instance, the US.

Still, we may presume that protectionism, as well as the controlling arm of the state in a more general sense, will be felt much more strongly in economy in the future than it was before the outbreak of crisis.

Ladies and gentlemen.

In the world of the 21st century, it is openness and innovation, not cheap labor, which brings success. We, too, must take this into account, and shape Estonia's future revenue system accordingly.

Theory – as well as earlier practice of other countries – warns us against making major and principal changes in economic policy – including tax policy – in the time of crisis.

For this, the economy must be stabilized first. Also the OECD's report on Estonia, published last week, indicated the same. Nevertheless, it is today we must work out the possible solutions.

One thing is clear – if today, we start making cuts at the expense of innovation and brains, we will also cut off the premises of future development. In this case, the whole of our discussion would be rendered pointless.

Consequently, we must see the difference between long- and short-term perspectives, and not sacrifice the former for the latter. Cutting of costs is necessary not only for meeting the criteria for our transfer to Euro. It is also the way to guarantee the financial sustainability of the state and the local governments in the circumstances of falling economy.

Likewise, we must swiftly implement the measures for supporting export enterprises as well as small and medium-sized enterprises, which would also enhance employment.

As I have pointed out, all the above are short-term rather than long-term measures. They are our response to the economic depression. But they will not generate a new rise.

In longer perspective, economy can take a turn for the better when we have restored our credibility with both domestic and foreign investors. This would mean transfer to the Euro, which would dispel the investors' uncertainty about the future.

The coming of the Euro would also change the general attitude towards us: not only European and global capital, but also enterprises and people all over the world would consider a stable, innovative and open economic environment inviting, perhaps even worth considering as a permanent site of residence.

None of this is possible without the growth of economic productivity. We cannot count on becoming even better at what we do today. We must produce new, different things, which have a stable market especially on foreign markets.

For this purpose, we have to create a new kind of economic environment in Estonia, an environment that would attract talented people.

Such an environment would invest in people and their skills. So that the top brains of the world would, among other possibilities, also consider coming to Estonia; this is why Estonia must offer them a high-quality environment.

This would mean that our society must be tolerant towards the newcomers. This would mean a

well-developed infrastructure, safety, good study opportunities for both children and adults, quality healthcare and other social services.

The example of the Nordic countries is convincing – to reach this end, taxes may have to be raised beyond our present level.

None of us knows or can as yet know what the post-crisis world will look like in detail. But we assume that compared with the past, the future environment will be considerably more complicated.

The road to this target can only be found by searching and joint discussions, followed by firm action. And this is the reason why we have gathered here today.

Thank you for your attention!