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British Embassy
Tallinn

05 January 1995

The Rt Hon Douglas Hurd CBE, MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
London SW1

Sir,

ESTONIA: ANNUAL REVIEW FOR 1994

1. 1994, Year III of Estonia's new-won independence, was the year "in which for Estonia the Cold War ended". That was how Foreign Minister Luik described the final withdrawal on August 31, after tortuous negotiations, of Russian troops. It was also the year in which the ship bearing the country's name was lost at sea, killing 375 Estonians. This was a terrible blow, from which this young nation has yet to recover. 1994 was the year in which the country's longest-serving Prime Minister so far, Mart Laar, was forced out of office. But thanks to his economic policies, the economy started to grow, entrepreneurs to flourish, and living standards to improve for most, but not all, of the Estonian people.

INTERNAL POLITICS

2. All year long the pressure to unseat Laar intensified. He succeeded in fighting off several such moves, both from within his Cabinet and in Parliament. In May, he sacked and replaced the Ministers of Defence and Justice, who had led a revolt. In June, a faction of Fatherland MP's split off from the party, reducing its voting strength. The government was deeply unpopular (hovering at about 5 % approval rate) owing to its austere economic stabilisation policy, and Laar's habit of by-passing Parliament lost him support there. In addition, rumours constantly circulated about his involvement in murky loans, in an Israeli arms deal (over which the army commander tried to resign, though the president stopped him), and a dredged-up affair involving the sale in 1992 to Chechnya of old Estonian roubles.

3. In late September Laar was finally forced out of office in a no-confidence vote. He left office with insouciance. It took two goes for the Riigikogu (Parliament) to approve a successor, after Meri's first choice, the clever and

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