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11. The changes were also dictated by the results of the local elections in October in which Pro Patria made a poor showing, losing out to the Coalition Party, a centre and left-of-centre grouping headed by former (and probably future) Prime Minister Tiit Vahi who was elected Chairman of the Tallinn City Council, a traditional power base. The run-up to the elections themselves was not without controversy. In May, two weeks after Estonia's election to the Council of Europe, Parliament passed a Local Election Law. This stipulated that, while all permanent residents could vote irrespective of nationality, only citizens could stand for election. This drew fire from all sides, not least since, in the run-up to her election to the Council of Europe, Estonia had done nothing to dispel the widely-held belief that non-citizens would also be able to stand. In the event the Prime Minister defused the situation by granting citizenship to some 50 Russian-speaking candidates. As a result the Russian-speaking community is well-represented on the main city councils.

12. The future of the Government is delicately poised. A no confidence vote in the Riigikogu could topple it and Vahi is waiting in the wings. However, with Parliamentary elections due in March 1995, my guess is that if the government survives until the Spring then it will go the full term. Forming a lame-duck Government only a few months before elections are due makes little political sense. Meanwhile President Meri and Prime Minister Laar are at pains to be seen, at least publicly, to be capable of working together.

THE ECONOMY

13. This was an almost unqualified success story. The Government's harsh stabilisation programme bore its first fruit when the third quarter of last year saw GNP rise (by 6.4% over the previous quarter) for the first time since independence, although real recovery is not expected to take hold until late this year. Visible foreign trade doubled to £1 billion in 1993, 80% with non-FSU countries. Estonia runs a smallish (£75 million) deficit on visible trade but this is more than compensated by earnings from services, mainly harbour dues and shipping. Industrial production for the first 9 months of last year was worth £500 million. Inflation for the year was some 32% with 21% forecast for this year. The kroon remained sound and foreign exchange reserves are now equivalent to almost 6 months' imports. The official reason for sacking the Minister of the Economy (para 10) was that he had failed to introduce any new legislation during his tenure. He is wryly amused by this, firmly believing that the economy's success was largely due to his laissez faire policy.