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Rt Hon Douglas Hurd CBE MP
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Sir,

ESTONIA: ANNUAL REVIEW FOR 1992.

1. Estonians can look back with satisfaction at a year of solid, sometimes spectacular, achievement, which saw the passage of a Citizenship Law, the adoption of a Constitution and the first free elections since 1938. Additionally, the Estonian currency, the kroon, was successfully floated in June. Estonia has gained membership of a host of international organisations and, crucially, obtained access to an IMF stand-by arrangement, World Bank and EBRD loans and substantial G-24 balance of payments support. She has concluded a Trade and Cooperation Agreement with the EC. She has formed close and friendly relationships with a number of Nordic and Western countries, including the United Kingdom, and while problems remain in her relations with Russia these are better now than seemed possible some 6 months ago.

2. Yet the year began badly with food shortages and an energy crisis. People in Tallinn were dispirited, cold and, if not hungry, certainly ill-nourished. Staple foods were rationed: elderly people collapsed in queues. Savisaar's centre-left government resigned at the end of January thwarted by the Supreme Council's refusal to vote it the special powers Savisaar was demanding to deal with the crisis. A caretaker government was appointed under Tiit Vahi, Savisaar's Minister of Transport, consisting largely of non-political technocrats. Prices were liberalised and food and other goods soon reappeared. Rationing ceased. Vahi introduced a tough austerity programme which was later to gain the enthusiastic endorsement of the IMF. Estonians tightened their belts and soldiered on.