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British Embassy  
Tallinn

12 January 1994

The Rt Hon Douglas Hurd CBE MP  
London

Sir,

#### ESTONIA: ANNUAL REVIEW FOR 1993

1. 1993 was a mixed year for Estonia which however ended with the balance sheet comfortably in the black. The economic stabilisation programme began to bear fruit with some growth in GNP in the third quarter. Living standards improved. The shops are full of local and imported goods, many of the latter cheaper thanks to Estonia's free trade policies and Scandinavian (mainly Finnish) dumping. The currency remains strong. Estonia joined the Council of Europe in May and negotiations for a free trade agreement are well underway with the European Commission.

2. On the debit side a much needed tax reform has not come about. The pace of privatisation is slow and bedevilled by incompetence and, sometimes, corruption. Crime grows unchecked. A Russian military presence remains, albeit much reduced and which should have left by the end of August this year. Injudiciously drafted legislation on Aliens, Local Elections and Education provided Moscow with ammunition for allegations of discrimination against the Russian community and abuse of their human rights. And there are considerable internal strains in the body politic with unresolved tensions between President, Government and Parliament. Ministerial heads have rolled and in Parliament the Government Coalition no longer has an outright majority. My guess is however that most of the present players will hang on until the Parliamentary elections due in March 1995.

#### RUSSIA

3. As ever relations with Russia remained the main preoccupation with Russian troop withdrawal top priority for the Estonians. During the year eight rounds of talks took place without a final agreement being hammered out. However the Estonians have publicly accepted Russia's November offer to have all her troops out by 31 August 1994 provided the pace of withdrawal increases. And the exodus has continued: at year's end only some 2400 remained. Just before Christmas President Clinton urged Presidents Yeltsin and Meri to sign an agreement before his arrival in Moscow on 12 January. This has not so far happened but the Estonians are pinning their hopes on reaching an agreement, including a timetable for withdrawal, at the next