

Open letter of Foreign Investors' Council in Estonia to the government

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To the Government of the Republic of Estonia, To Mr Andrus Ansip, Prime Minister

FICE, the Foreign Investors Council in Estonia, likes to express its support for the budget policy and principal course of the Estonian Government.

While FICE might not agree on some of the details of current and past policies of the present Government; the organizations that FICE represents do like to express their full support for the difficult and courageous steps that the Estonian Government is currently taking.

We also recognize the courage of the Estonian population that supports its government in these not easy times.

We agree with the Government that budgetary discipline is – now maybe more then ever- crucial for Estonia. The policy with the goal to maintain a healthy state of Government is one that Estonia has become well known and admired for abroad in the past 20 years. All successive governments during this 20-year period can be proud of this achievement. This policy clearly sets us aside from some of our neighbours that have serious difficulties to keep their house in order. The current budget policy even sets Estonia positively aside from some of the wealthier long established western European nations!

Estonia is a young start-up on the European landscape; this 'Benjamin' position might on the one hand bring stricter obligations but on the other hand also offers great opportunities if Estonia indeed succeeds to access the EURO zone, which is a situation that becomes more likely each day.

Accession to the Euro zone will boost interest of foreign investors. In FICE's opinion, the likely green light next year for Estonia to join the EURO zone in 2011 will positively benefit new direct foreign investments. This will be an important impulse; it will help our economy to grow again. At this moment many potential foreign investments are not realized because of a perceived currency risk. Once Estonia has joined the EURO zone these risks for investors will be gone and Estonia will be considered a full member of the European economy. But benefits from joining the EURO zone not only come from increased investments. Tourism will benefit because Estonia will be considered by visitors to be more a part of Europe then before. Trade and export will benefit because of this as well, as business with other EURO countries becomes simpler. Estonia's economy needs a healthy growth for its citizens to enjoy the same prosperity as those of the 'old European countries'; joining EURO will be the start of this.

Access to EURO zone is not a solution for all problems. FICE considers EURO adoption as a necessary and important next step for a healthy future of the country, but becoming member of the EURO zone alone does in our opinion not guarantee a healthy economic recovery. More will be needed in the opinion of FICE.

Issues that FICE considers important from its viewpoint are: Increased international orientation (government, business and citizens) Improvements in educational system (best practice starts with education) For Estonia to work on being 'An investor friendly Estonia' Becoming a

more open outward looking and welcoming society To keep the position as innovative country that first realized the idea of a simple and competitive tax system To successfully re-engage with Russia, an important neighbour and an economic partner with great potential. The effort comes with hardship but will bear fruit

We realize that the current shrinkage of the Estonian economy results in hardship for many, but FICE is convinced that ultimately the current course will benefit Estonia, its citizens and also foreign investors.

Estonia has enjoyed a great economic boost since 2004, a large part of that was real growth but another part was speculative and this is now paid back to us at our own expense. All know, the party is over and a new reality has kicked in.

Arguments that try to make us believe that the current government is neglecting the wellbeing of its citizens in pursuit of joining the EURO are not correct in our opinion. To our opinion there are no better alternatives that can do the job that Estonia is currently facing.

In the background there is of course the sad and true reality that Estonia has been under Soviet occupation for 50 years. This is partly the reason why the country is in its current difficult position. That unfortunate past is an important cause of the current hardship to Estonian citizens. Fortunately Estonia is now slowly and successfully recovering.

The budgetary policy that the current government is focused on will in FICE's opinion be of great help to a successful development of the Estonian society in the future even if that means more hardship for many at the moment.

United for the last stretch Life and politics is full of tricks, treachery and opportunities for a fast gain, everywhere, not only in Estonia. FICE sincerely hopes that government, parliament and society will stick together successfully and united on the last stretch to the EURO. The silent support of the opposition in parliament for the 2010 budget last week is a good sign that the country does indeed unite. The finish line for the EURO is clearly in sight!

On behalf of FICE

Martin Breuer Chairman

Made in Tallinn, November 23, 2009 Background: FICE - Foreign Investors' Council in Estonia is a lobby group acting on behalf of the Austrian, British-Estonian, Danish, Finnish, German-Baltic, Holland, Norwegian and Swedish Chambers of Commerce, Business Clubs and Marketing Offices in Estonia. Together, the eight countries represented in FICE account for more than 80 % of the total foreign direct investments in Estonia [source: Eesti Pank].