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President Trichet, Commissioner Rehn,  
Excellencies,  
Ladies and gentlemen,  
Dear friends!

In few months Estonia will make a major breakthrough in refining its economic environment. The fully fledged membership in the European Monetary Union will deepen our presence in one of the biggest and prosperous economic power of the world.

Here I would sincerely thank our people for their efforts and patience while preparing for this important accession. I am also grateful to our friends and partners in the European Commission, European Central Bank and member states for their excellent cooperation and guidance.

Estonia has in a way been preparing for changeover to European common currency since regaining independence and reintroducing its own currency, the kroon. Past 18 years of consistent learning should render a student well ready for further life. And I am sure Estonia will become a duly committed partner in the Eurozone.

It might be surprising, but for many Estonians besides positive emotions the changeover to Euro could easily remain almost unnoticed. This is greatly due to the monetary system which was chosen for Estonia back in 1992 and firmly kept since then.

At the beginning of nineties Estonian society faced a lot of challenges. The command economy had ceased to function, former trade relations broke down, and the Soviet ruble was loosing its value day-by-day, higher nomination ruble-notes were even declared null and void, most of convenience goods were rationed or sold only for foreign currencies etc. In other words, the economy was seriously lacking trustful means to facilitate its everyday functioning. Therefore we had to overhaul the entire economy and its institutions together with re-establishing a sovereign state.

The underlying principle behind all of these changes has been the effectiveness of the government institutions and regulations. We have tried to keep things as clear and straightforward as possible. Perhaps this can be explained as a reaction to the overregulated Soviet past or by the flexibility of a small country. Whatever the reason, this approach has definitely worked.

The most important and visible step at the beginning of our economic reform was introduction (or reintroduction) of our own currency. We decided to give up monetary discretion and introduce a currency board like monetary system, akin to the gold standard. For more than

eighteen years, the Estonian currency has been permanently pegged to the strongest European currency – at first, the D-mark and then to the Euro. All of our central banks' liabilities have been more than fully backed by its holdings of the reserve currencies.

Right from the start of Estonia's transition to the market economy, our citizens and enterprises have been able to make their decisions without worrying about changes in the metric. They have enjoyed keeping financial costs lower and more predictable. Such an anchor was much needed after the society has experienced a total collapse of the Soviet economic model. At the same time, credibly fixed exchange rate gave rise to high structural flexibility of the Estonian economy. It has been the duty of each and every entrepreneur to raise its competitiveness by keeping its costs at check and by being innovative in enhancing productivity. There should have been no hope to lower the production costs via the exchange rate depreciation.

In addition, our central bank had no rush in early nineties to invent complex models for guessing the monetary transmission mechanisms and cyclical positions of our small, open and very dynamic economy. There was also less reasons to worry about the turbulences in the infant currency markets as our central bank was always ready and able to balance it.

In Estonia, the fixed exchange rate has been reinforced, as it should be, by exemplary fiscal discipline. Indeed, since the reintroduction of own currency and despite the challenges of an emerging economy, public finances in Estonia have been on average in surplus. Today Estonia's public debt is by far the lowest in the European Union. And it will remain so for years to come. Instead of debt, we were able to build up public reserves to a tenth of GDP during good times. Our recent experiences do show how valuable is such an insurance policy for a small country.

Estonia has also put many efforts in creating better environment for doing business. We were probably the first country in Europe introducing a flat or universal tax rate for enterprises and individuals. Companies are taxed only when distributing profits, while reinvested earnings are exempted. This policy is good for economic reasons and it also keeps the administrative burden low with no need for complex tax accounting. Estonia has also been one of the most active proponents of the e-Government services. We are already so used to vote in elections, interact with government agencies, or even establish companies without having to leave our homes.

Until joining the European Union more than 6 years ago, Estonia's trade policy was truly liberal. Our agricultural sector, for example, was almost entirely exposed to all of the beasts and beauties of the free market. The reward today is one of the most competitive agricultural sectors in the European Union. In general, and in hindsight, there is no reason to believe that more protectionism would have somehow benefitted any of our legacy industries or have created new champions.

Rules-based policies and streamlined government leaves less room for lobbyists and for the outright corruption also. Hence the corruption perception in Estonia is the lowest in Central and Eastern Europe.

I am convinced that monetary and fiscal as well as structural policies Estonia has followed so far have been the best way to prepare us for the successful membership in the European Monetary Union. Our economy has shown good flexibility in coping with changing circumstances and the culture of fiscal discipline has been deeply rooted in our society.

No doubt the European Union has benefitted a lot from introduction common currency. The European Central Bank's track record on price stability has been exemplary; the participating economies have got rid from excessive exchange rate risks and have lowered the transaction costs, the economic as well as political relations have deepened in Europe. I am sure that already extensive global use of the European currency is still on the rising trend. Recent turbulences in global financial markets and markedly in the European sovereign debt markets are once again highlighting the importance of fiscal prudence and proper market regulations. In my view, Europe has been pretty decisive and effective in dealing with the crises at home as well as in more global arenas.

But more needs to be done. Some progress in upgrading financial regulations has been already agreed. We are also in the process of making the economic policy coordination framework within the EU more effective and proactive. This has not been always the case as our recent experiences have shown. If needed we should be ready for opening the Treaty and making it more demanding towards our fiscal policies. Although the current global crisis seems residing, we have to find strength and decisiveness to complete the revision of our rulebooks.

It has been more often said in Estonia, that while our big tasks of joining EU, Eurozone, NATO and OECD have been accomplished, we might risk of having no widely shared admirations in our society anymore. I hope this is an exaggerated concern, especially when taking into account those numerous challenges the Europe has both at home and globally. Yes indeed, we do need more EU identity in Estonia as well as probably in all member states.

Establishing the common currency is a prime example how effective can Europe be in acting together. Many Estonians are probably also going to feel some nostalgia for our own currency, but I am sure using Euro is pretty soon going to be an integral and unquestionable part of being Estonian.

Thank you and have a successful conference!