

Freedom, Togetherness, Vigilance

Speech by former Federal President Professor Horst Köhler

on the occasion of the awarding of the

International Prize of the Friedrich August von Hayek Foundation

to Prime Ministers Ingrida Šimonytė, Kaja Kallas and Krišjānis Kariņš

Berlin, 4 September 2022

Excellencies,

Ladies and Gentlemen!

I.

For the first time ever, the Friedrich August von Hayek Foundation is presenting its International Prize to three personalities at the same time – to each of them individually, and yet somehow also to all of them together. This is neither a coincidence nor the result of inflation; instead, there are good reasons for it. Welcome to Berlin, Prime Minister Šimonytė, Prime Minister Kallas and Prime Minister Kariņš!

For geographical, historical, and political reasons, it is not uncommon simply to speak of “the Baltic States”. But this term should not obscure three important facts: all three Baltic nations are unique; each has been choosing its individual path in freedom and democratic self-determination; and all three have achieved distinctive, admirable feats since 1989, both individually and together. This, of course, has a lot to do with good governance. That is why today we want to honour the personalities who are entrusted with running the governments of Estonia, Latvia and Lithuania, and who have accomplished their task in outstanding fashion.

II.

Freedom and togetherness—the Baltic nations love both and have proven it many times. For this love, there is no finer evidence than The Baltic Way of August 1989: more than a million people formed a human chain that extended 600 kilometres across all three countries linking Vilnius, Riga and Tallinn. They peacefully demanded freedom and celebrated togetherness musically, singing folk songs and protest-songs such as “The Baltics are waking up”. This was surely the greatest choir the world has ever seen and their Singing Revolution is so inspiring that the United Nations Educational, Scientific and Cultural Organization UNESCO has rightly included The Baltic Way in its Memory of the World programme. The Baltics celebrated freedom and togetherness, and in the end, they prevailed.

Freedom beloved may yet be lost: as Hayek warned us, “The Road to Serfdom” is never closed, and while some nations are pushed down its path with brute force, others choose it in self-delusion. Furthermore, even freedom preserved is no guarantee for wealth and abundance. As Hayek reminds us, “we may be free and yet miserable. Liberty does not mean all good things or the absence of all evils”. Still, there is much to suggest that free and democratic self-

determination fosters prosperity. To quote the MIT economist Daron Acemoglu, “there is an economically and statistically significant positive effect of democracy on future gross domestic product per capita” and thus “a positive causal effect of democracy on economic growth”.

Liberal democracies have good reason to be vigilant as well as confident. They have to guard their liberty, and it will help them thrive. How have the Baltic States dealt with this challenge and opportunity?

III.

Exceedingly well. The Cato and the Fraser Institutes, think tanks based in America and Australia, publish The Human Freedom Index. In their 2021 analysis of 165 countries, Lithuania, Latvia and Estonia ranked 19th, 21st and 4th, respectively, with Germany coming in 15th. The International Institute for Management Development (IMD), an independent academic institution with Swiss roots and global reach, analyses the capacity of countries to create and maintain an environment which sustains the competitiveness of enterprises. In its annual IMD World Competiveness Ranking of more than 60 countries, the Baltic States improved their wholly respectable positions by a total of another 14 ranks since 2020.

These Baltic achievements are hardly surprising, of course. After all, the Baltic States rapidly met the demanding conditions for membership of the European Union (EU); and they soon achieved the high level of sustainable economic convergence demanded for membership of the European Monetary Union (EMU). And in the EU as well as the EMU, they don't just strengthen the ranks, they shine: Estonia is a role model for the development of information and communication networks, with internet access guaranteed by law and reportedly the most access points per capita worldwide, with free Wi-Fi everywhere and all schools long enjoying online status. Incidentally, this school system and its students score top results in PISA, the Programme for International Student Assessment. Latvia has digitalised thoroughly as well, with an especially high proportion of fibre optic networks, and has further improved its excellent business climate by legislation benefitting the rare species of start-up unicorns: they are entitled for tax benefits or co-financing of talent to help them thrive. Lithuania's GDP more than quadrupled between 2000 and 2017 and it is one of the six countries worldwide with the highest proportion of tertiary educated citizens, a strength which accordingly attracts innovative investors as well as research and development.

So, Lithuania, Estonia, and Latvia have all guarded their liberty well, and they all thrived.

IV.

Which brings us back to the important issue of good governance. I already mentioned the IMD Ranking. It also measures government efficiency, that is, the “extent to which government policies are conducive to competitiveness”. In the 2022 ranking, Latvia reached 28th place (of more than 60), Lithuania 23rd, and Estonia 15th. Germany slotted in at 21.

The three Baltic governments rely on transparency and flat hierarchies, on service-orientation and responsiveness, on digital government and empowering their citizens via information and communication technologies. Within the European Union and the European Monetary Union,

they highlight the self-responsibility of member states and the need for sound budgetary policies.

This sense of direction is probably innate in the three personalities we honour today. But they also honed it: Prime Minister Kallas earned an MBA in economics and gathered business experience as a member of the boards of several Estonian companies involved in renewable energy. Prime Minister Kariņš made a career in business, including starting a company, and has served as Minister of Economics. While Prime Minister Šimonytė is a professor of economics and finance and has previously served as Minister of Finance and as deputy chairperson of the Board of the (central) Bank of Lithuania.

Admittedly, it may not be necessary for the whole world to be governed by economists and people with business experience. But in the Baltic states, it seems to work well.

V.

Responsible politicians and astute economists know: freedom allows an economy to prosper but the pursuit of prosperity must not be allowed to endanger freedom. Economic statecraft demands vigilance against many dangers of falling victim to economic pressure, blackmail and aggression. Free nations have to consider and calculate which *risks* of predatory behaviour exist in the international system and how to insure against them; and they have to be systemically prepared against incalculable *uncertainties* about the future – with no ifs or buts.

These truths seem to be almost self-evident, and yet they have been neglected by many Western governments and businesspeople. Not by the Baltic nations, though. They knew better, since they have been attacked and pressurised time and again: for months now, Lithuania is being wantonly boycotted by the People’s Republic of China, while Taiwan reportedly had “a Lithuania moment”, with people scrambling to buy Lithuanian chocolate, beer, and kvass, and with taxi drivers refusing Lithuanians to let them pay. Estonia’s digital infrastructure was paralysed for three weeks in 2007, in the midst of a dispute with Russia about Estonia’s intention to remove a Soviet war memorial from the city centre of Tallinn. And on 8 July this year, The Times reported that pro-Kremlin hackers had hit Latvia with the biggest cyberattack in the country’s history. The Baltic nations have witnessed first hand what has been done to Ukraine since 2014; and they know the words attributed to Mark Twain: “History never repeats itself, but it does often rhyme”.

How does it rhyme? Catherine the Great declared, “I have no way to defend my borders but to extend them”. Vyacheslav Molotov recalled, “My task as minister of foreign affairs was to expand the borders of our Fatherland”. And then former Soviet foreign minister Maxim Litvinov told a CBS correspondent in 1946 that even if the West gave in to all Soviet territorial demands “It would lead to the West’s being faced, after a more or less short time, with the next series of demands”. Can you hear the rhyme?

What has happened in recent years was there for all to see and hear. Some preferred to bury their head in the sand. The Baltic nations drew different, vigorous consequences. They hardened their cyber sphere against attacks and prepared for cyber warfare; they pushed ahead with connecting their infrastructure to the Central European rail network; they are synchronising

their electric grids with those of the European Union; and while the Lithuanian Klaipėda Liquefied Natural Gas terminal is operative even since 2014, Estonia and Latvia are also on their way towards supply through such terminals. “The Baltic Road to energy independence from Russia is nearing completion”, reported The Foreign Policy Research Institute, a think tank based in Philadelphia (USA), in May 2022. The Institute’s motto, by the way, reads, “A nation must think before it acts”.

History rhymes, over and over again: what started with President Truman’s declaration before Congress in March 1947 that the United States would “support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures” ultimately led to the Marshall Plan, the economic integration of Western Europe, and to NATO – a triad that developed compellingly and organically.

Today, some in the West are learning anew, the hard way, that European freedom and economic integration cannot forego a dimension of strong deterrence and defence capability. The Baltic States always knew that, and they never forgot it: military service is compulsory in Estonia and Lithuania, it will be in Latvia from 2023 onwards.

They have supported the Ukrainian struggle for freedom and territorial integrity, on a per capita basis, with more military and humanitarian assistance than any other country.

They vehemently supported the agreement on NATO’s new Strategic Concept and NATO’s commitment to increase its Response Force; and they naturally welcome Finland and Sweden in our defence alliance. Finland, incidentally, has also long had compulsory military service and Sweden reintroduced it in 2020.

After Russia’s attack on a sovereign neighbouring state in Europe, it is overdue that the European Union evolves into a real defence community. And for me, the reintroduction of compulsory military service in Germany (with the option of alternative service, of course) would also be an advisable consequence. That would strengthen our defence capabilities, as well as our social cohesion, and our democracy.

Since the crisis deepened, and even more so since Russia started its war of aggression, the Prime Ministers of the Baltic States have become much sought-after advisors and interview partners regarding issues of strategy. The Baltic message is clear: European history must never again rhyme with events like those in September 1938 in Munich, when the Western democracies made yet another concession to Nazi Germany, or in August 1939 in Moscow, when Stalin and Hitler conspired against their neighbouring states, or days later in Poland, when the German war of aggression began. Instead, it must rhyme with how after the Second World War a great generation built a free, prosperous and resilient Europe and forged the transatlantic defence alliance. We are grateful and full of respect for this clear Baltic message.

Excellencies,

Ladies and Gentlemen!

We are bound to the Baltic nations by a shared love of freedom and a sense of belonging together. Let us also be united by vigilance, foresight and fortitude.

Thank you.