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REPORT

on Estonia's membership application to the European Union and the state of negotiations
(COM(1999) 504 - C5-0027/2000 - 1997/2177(COS))

Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy

Rapporteur: Gunilla Carlsson

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PROCEDURAL PAGE

By letter of 20 October 1999, the Commission forwarded to Parliament its Regular Report on Estonia's progress towards accession (COM(1999) 504 - 1997/2177(COS)).

At the sitting of 21 January 2000, the President of Parliament announced that she had referred this Regular Report to the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy as the committee responsible (C5-0027/2000).

The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy had appointed Gunilla Carlsson rapporteur at its meeting of 23 September 1999.

The committee considered the Commission report and the draft report at its meetings of 22 June and 13 September 2000.

At the latter meeting it adopted the motion for a resolution unanimously.

The following were present for the vote: Elmar Brok, chairman; Baroness Nicholson of Winterbourne, William Francis Newton Dunn and Catherine Lalumière, vice-chairmen; Gunilla Carlsson, rapporteur; Sir Robert Atkins (for Silvio Berlusconi), Danielle Auroi (for Daniel Marc Cohn-Bendit), Alexandros Baltas, Bastiaan Belder, Andre Brie, Carlos Carnero González (for Linda McAvan), Maria Carrilho (for Hannes Swoboda), Paul Couteaux (for Cristiana Muscardini), Rosa M. Díez González, Andrew Nicholas Duff (for Bertel Haarder), Olivier Dupuis (for Emma Bonino), Pere Esteve, Giovanni Claudio Fava (for Sami Naïr), Monica Frassoni (for Per Gahrton), Michael Gahler, Jas Gawronski, Alfred Gomolka, Klaus Hänsch, Magdalene Hoff, Jan Joost Lagendijk, Alain Lamassoure, Cecilia Malmström (for Francesco Rutelli), Pedro Marset Campos, Emilio Menéndez del Valle, Philippe Morillon, Pasqualina Napoletano, Raimon Obiols i Germa, Arie M. Oostlander, Hans-Gert Poettering, Jacques F. Poos, Luís Queiró, Mechtild Rothe (for Mário Soares), Lennart Sacrédeus (for Johan Van Hecke), Jannis Sakellariou, José Ignacio Salafranca Sánchez-Neyra, Jürgen Schröder, Elisabeth Schroedter, Ioannis Souladakis, Francesco Enrico Speroni, Ursula Stenzel, Freddy Thielemans, Geoffrey Van Orden, Paavo Väyrynen, Demetrio Volcic (for Gary Titley), Jan Marinus Wiersma, Matti Wuori, Christos Zacharakis.

The report was tabled on 15 September 2000.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on Estonia's membership application to the European Union and the state of negotiations (COM(1999) 504 - C5-0027/2000 - 1997/2177(COS))

The European Parliament,

- having regard to Estonia's application for membership of the European Union, submitted on 24 November 1995, pursuant to Article 49 of the TEU,
 - having regard to the opinion of the Commission on this application (COM(1997)2006 - C4-0378/1997),
 - having regard to the 1999 Regular Report on Estonia's progress towards accession (COM(1999) 504 - C5-0027/2000) and to the 1999 Composite Paper of the Commission (COM(1999) 500 - C5-0341/2000),
 - having regard to the decisions taken by the European Council, notably in Copenhagen (21-22 June 1993), Luxembourg (12-13 December 1997) and Helsinki (10-11 December 1999),
 - having regard to the Europe Agreement between the European Communities and its Member States of the one part and Estonia of the other part,
 - having regard to the 1999 Accession Partnership for Estonia,
 - having regard to its resolution of 15 April 1999¹ on the first Regular Report from the Commission on Estonia's progress towards accession,
 - having regard to Rule 47(1) of its Rules of Procedure,
 - having regard to the report of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy (A5-0238/2000),
- A. whereas the EU is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms and the rule of law and whereas it is committed to respecting fundamental rights, as guaranteed by the European Convention on Human Rights (Art. 6 TEU); whereas competence to combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation has been bestowed upon the European Community (Art. 13 TEC) and whereas the EU's policies relating to fundamental rights are in the process of being further developed,
- B. whereas Estonia is a stable parliamentary democracy with orderly procedures, sound relations between the different branches of government and open and constructive political debate,

¹ OJ C 219, 30.07.1999, p. 437

- C. whereas steady progress is being made in the integration of ethnic minorities into Estonian society,
- D. whereas Estonia has an open and very dynamic market economy that has proved its capability of withstanding external pressures and of generating strong growth,
- E. whereas the transposition of the *acquis communautaire* and the strengthening of Estonia's ability to implement it is progressing at a steady pace,
- F. whereas the negotiations on EU accession have likewise been characterised by a good momentum,
- G. whereas Estonia has a chance of becoming one of the first candidate countries to accede to the EU,
- H. whereas increased regional co-operation in the Baltic Sea area will benefit all states concerned,

General

- 1. Notes with satisfaction the continuous progress in Estonia's preparations for EU accession and is confident that in areas where complex challenges remain, solutions will be found;
- 2. Welcomes the opening for negotiation of the remaining negotiating chapters under the Portuguese Council Presidency;
- 3. Emphasises that a situation in which accession of a candidate country would be delayed because of a failure by the EU to complete its own preparations for enlargement must be avoided; stresses, therefore, that the timetable adopted by the Helsinki European Council for the conclusion of the intergovernmental conference and the ratification of the resulting treaty must be adhered to;

Political criteria

- 4. Notes that Estonia fulfils the Copenhagen criteria of stability of institutions guaranteeing democracy, the rule of law, human rights, and the protection of minorities;
- 5. Regards the forthcoming adoption by *Riigikogu*, the Parliament, of the State Integration Programme as an important event; welcomes the Government's proposal affirming that Estonia is a multicultural society that recognises that successful integration presupposes a situation where all parties feel confident and safe; welcomes the amended language law, adopted by *Riigikogu* on 14 June 2000, which is fully in line with international standards;

Economic criteria

- 6. Congratulates Estonia on its highly successful economic transition process and notes its extensive reliance on market mechanisms, the choice of an open trade regime and the

membership of the WTO; urges the Estonian government, in order to counter increasing social disparities, to enhance its efforts in the field of labour market policies and social security, as well as the transposition and implementation of the provisions of the European Social Charter, including those on equality, and to support the establishment of a representative and autonomous social dialogue;

7. Notes the keenness with which Estonia embraces the new information technologies; urges the EU to intensify its work with e-Europe, so that Estonia, being part of the “new economy”, can prepare and adopt proper legislation to support the development;
8. Notes that, in addition to having adverse effects on agriculture in developing countries, the EU’s Common Agricultural Policy also distorts competition in candidate countries’ markets for agricultural products; points out that this is particularly true in the case of Estonia, whose farmers receive minimal subsidies but have to compete against imports from the EU, sold at artificially low prices made possible only by massive subsidies;
9. Stresses that negotiations on liberalisation of trade, in particular in agricultural products, should duly take into account the development needs of Estonia's agricultural sectors; underlines that the restructuring of the agricultural sector and rural development measures must focus on the multiple functions of rural economies and the diversification of income in rural areas by appropriate use of local resources and specificities, while support for agricultural production has to integrate aspects of environmental protection, biodiversity and food quality;

Acquis criteria

10. Appreciates the scale of the environmental degradation caused by the communist Soviet Union's occupation of the country and the magnitude of the task to meet the EU environmental standards; recognises the need for time and resources to complete this task and points to the benefits that early accession can bring, both in terms of increased EU aid and of accelerated private investment in new and cleaner production equipment;
11. Calls on Estonia and the Commission to explore all the possibilities for aid for the environment in the north-east part of the country, which has been seriously damaged by the processing of uranium and the oil shale industry, considers that in view of this region's characteristics (economic dependence on the oil shale sector and high unemployment rate) it should be given particular attention;
12. Urges the Estonian authorities to continue their efforts to curb drug trafficking and drug addiction, in particular through close collaboration between legal bodies, police forces and Europol; congratulates Estonia on ratifying the 1999 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, calls on the Member States to provide Estonia with controlled and up to date information regarding possible cross-border criminal activities; calls on Estonia to prepare suitable structures for participation in the network that already exists for exchanging information between the Member States;
13. Underlines the importance of the fight against corruption, which requires co-operation at all levels in the society, calls on the Estonian authorities to ratify the 1999 Council of

Europe Criminal Law Convention on Corruption;

14. Is impressed by the administrative capacity of Estonia, and trusts the ability to implement the acquis in a verifiable manner as there seems to be more or less a political consensus to make Estonia a good member of the EU;
15. Understands the problems for a small nation with a limited number of civil servants and experts to implement the EU acquis, but has confidence in Estonia's capacity to implement it;

Other

16. Underlines the importance of further strengthening co-operation between all countries in the Baltic Sea area, congratulates Estonia on its contribution to the development of regional co-operation as a member of the Council of the Baltic Sea States;
17. Invites the Commission and the Council to explain its policies in this area to Estonia and to associate Estonia to its work, including the implementation of the Common Strategy on Russia;
18. Calls on the Commission to produce a study examining how a special form of cooperation between the Baltic Republics, Poland and the Kaliningrad region of Russia can be ensured so that Kaliningrad maintains good trade and border relations with the future Members of the European Union;
19. Invites its President to forward this resolution to the Commission, the Council, the Parliaments of the Member States and the Estonian Government and Parliament.

EXPLANATORY STATEMENT

Introduction

Estonia submitted its application for EU Membership on 24 November 1995. A Europe agreement had been signed earlier the same year and entered into force on 1 February 1998. This agreement is being implemented correctly and trade between Estonia and the EU has grown rapidly. The EU is now Estonia's dominating partner as regards exports as well as imports. With the exception of EU exports of agricultural products to Estonia, there are no significant problems in bilateral trade. The root of this problem lies with the EU's Common Agricultural Policy, which creates serious imbalances and uses massive and costly export subsidies to prevent these imbalances from upsetting the EU market.

Estonia receives pre-accession aid and this is now increasing substantially as the ISPA (support for transportation and environmental projects) and SAPARD (agriculture and rural development) programmes become effective. Aid through ISPA, SAPARD and the continuing Phare programme (support for institution building and investment with a view to increasing the capacity to implement the EU acquis) will be in the order of € 250 million in the year 2000.

Accession negotiations with Estonia started in November 1998. There are 31 negotiating chapters and negotiations on the remaining chapters, with the exception of institutional matters, will be opened before the end of the Portuguese presidency, i.e. before 30 June 2000. At the end of April 2000, twelve chapters had been provisionally closed.

Fulfilment of the political criteria

In its meeting in Copenhagen in June 1993, the European Council laid down the following political criteria: "Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities". Although still young in its reconstituted shape, the Republic of Estonia shows most features of a long-since-established parliamentary democracy with orderly procedures, sound relations between the different branches of government and open and constructive political debates. The legal system is firmly based on values and principles that characterise states where freedom reigns and rights are effectively guaranteed. Also, Estonia fared very well in the most recent comparison of perceived corruption published by the NGO Transparency International.

Integration and the Language Law

With its historical background, Estonia has been forced to deal with a delicate and potentially dangerous problem. Conflicts between ethnic Estonians and the large Russian speaking population, which was introduced into Estonia under Soviet occupation, could have been severe. The inhabitants of Estonia have, however, been able to construct a well functioning society without major tension or even bloodshed. There are few other examples like this in the history of Europe. Even though it is important for everyone to know Estonian, the widespread knowledge of Russian in Estonia is an asset worth making use of in, for example, expanding business transactions between Russia and the EU. Integration demands efforts from both sides: those who have to integrate the society and those who need to be integrated. With good political

leadership, the integration process can continue to be successful. While Estonia will remain a nation-state, it has been, and still is, a challenge for the Estonian leadership to integrate the different ethnic groups in Estonia as well as keeping Estonia an open society. The EU has a lot to learn from this process as it is a problem of various degrees in most of the member states. Your rapporteur thinks that language knowledge is a key element for common understanding.

There are still problems to be sorted out; for example, there are too few teachers of Estonian that are willing to move to the area where there is a high density of Russians, in the North East. There are also adjustments to be made to the language laws but if the process continues as planned, changes will have been adopted in Riigikogu before September 2000. The EU supports efforts to improve the accessibility and quality of Estonian language teaching through the Phare Estonian Language Programme (launched in 1998 with a budget of € 1.4 million for a 2.5-year period) and should continue to do so. It is also a positive development that more members of ethnic minority groups gain the right to vote in parliamentary elections, as the granting of citizenship to applicants who fulfil the criteria continues. Those who have not yet been naturalised or have opted for the citizenship of another nation, but hold a permanent residence permit have the right to vote in local elections.

Due in part to the Russian Federation's continued demands for special treatment for its people living abroad, concerns have been expressed about Estonian citizenship and language laws. The Law on Citizenship adopted shortly after the restoration of independence automatically recognised the citizenship of the citizens of the pre-1940 Republic of Estonia and their descendants regardless of their ethnicity. About 400 000 immigrants from various parts of the former Soviet Union including a substantial number of ethnic Estonians who had never held Estonian citizenship, continued to hold Soviet passports. These individuals needed to decide whether to opt for naturalisation as Estonian citizens or to apply for some other nation's passport. Since then, some 110 000 non-citizens have received Estonian citizenship, most of them through a naturalisation procedure that includes a language test and a test of knowledge of the Estonian constitution. In July 1999, an amendment that makes it easy for stateless children under 15 years to obtain citizenship entered into force. Since then, the OSCE's High Commissioner on Human Rights considers that the Law on Citizenship conforms to international standards.

Amendments to the citizenship law have generally facilitated integration. Amendments to the language law that entered into force in July 1999 might be interpreted as making provisions more severe for members of ethnic minority groups. The law lays down that Estonian is the only official language, that Estonian must be used in a number of different contexts - requiring different levels of proficiency in Estonian - and that limited rights to use other languages also in official contexts exist, subject to various conditions. These basic principles need not be criticised, but the detailed provisions are in some cases over-zealous. Since there are signs that the law will be amended so as to make it compatible with EU and international legislation, your rapporteur does, at present, not consider it necessary to address this issue in the motion for a resolution included in this report.

In the State Programme "Integration in Estonian Society 2000-2007", which has been approved by the Government and is currently being studied by Riigikogu, a national strategy for the integration of non-Estonians into the Estonian society is set out. The programme contains a number of good initiatives and its affirmation that "the most important aspect of the integration issue is the Estonian version of a multicultural society, which is still under development" should

be welcomed.

Fulfilment of the economic criteria

Estonia has almost completed the privatisation process, it has a stable currency that is pegged to the D-mark/Euro, a functioning banking system, a very liberal trade regime, a strong inflow of foreign direct investment and an impressive level of ambition when it comes to the introduction of modern information technology such as the Internet and e-commerce. Estonia is a dynamic market economy which after the disruptive impact of the Russian economic crisis is now returning to a healthy growth rate, forecasted to be around 4-6 % this year.

Estonia became the 135th member of the World Trade organisation, WTO, in November 1999. This step not only sets another milestone on the road of transforming Estonian economy in a rather short time – 8 years – from planned economy to that of in full conformity of market principles, but also contributes towards the country's accession to the European Union.

To look back on the related statistics of Estonian trade since the restoration of its independence in 1991, gives impressive figures. At that time Estonia was forcefully part of the planned economy of the Soviet empire and had a very limited degree of freedom in conducting its foreign trade policies. 95% of Estonian trade was with the rest of the Soviet Union and only 5 % with other countries. Having abolished all tariffs including those on agriculture products, as well as subsidies and other trade distortive measures, Estonia set itself on to a reform path in 1992. As a result, the situation today has radically changed. Trade figures of 1998 show that trade flows have diverted mainly to Western Europe – 54.8 % of exports and 60.1 % of imports were conducted with the European Union. This development is truly a “win-win-solution” where prosperity is increasing in both Estonia, as well as in the EU-member-countries.

Small- and medium-sized enterprises (SMEs), which comprise 99% of the total number of enterprises, are the backbone of the Estonian economy. Since 1994 there has been a boom of SMEs, from 28,200 registered enterprises to 55,500 in 1999. SMEs are the main generators of employment. Estonian government realises that SME support policy, which main aim is to create a favourable business environment, is a key factor in achieving sustainable economic growth and social stability. Participation of Estonian enterprises in the EU SME support programmes is also perceived as an important part of the SME support policy. SMEs are encouraged by the flat taxes and the lean bureaucracy. Your rapporteur recognise that what we are trying to create in the EU, Estonia already has achieved in many fields. For example, bureaucracy is focused on solving problems and dealing with the necessary tasks rather than being as large as possible.

Capacity to assume the obligations of membership

Estonia is continuing its alignment to the EU acquis, but the very long list of tasks that all EU candidates have to complete still contains a number of items that cannot yet be ticked off. A very detailed picture is provided in the Commission's 1999 Progress Report. Since it was published, further progress has been made. In particular, thousands of European standards have been adopted. The capacity to comply with internal market rules therefore appears to be less of a problem than was the case last year. In the customs area, alignment means for Estonia the raising of tariffs and import barriers for the countries which are not members of the EU, which is regrettable. In order to be able to comply with the Schengen rules now being integrated in

the EU acquis, the simplified border-crossing regime for Russian citizens visiting relatives on the Estonian side of the border, although limited to inhabitants of a narrow border area, has to be brought to an end. Estonia plans to do this before the end of 2000 and an agreement with Russia has already been reached to issue long-term multiple entry visas instead.

Environment

For Estonia, as for most other candidate countries, the EU's environmental acquis presents a major difficulty, in particular because of the huge investments that are necessary for the alignment with the EU acquis. Half a century of Soviet dictatorship and planned economy has left Estonia with a number of installations which must be upgraded or replaced and damages to the environment that need to be repaired. The cost will be huge and there is no indication that Russia, the Soviet Successor state, will make any contribution to this repair. Adopting and implementing the EU's environmental acquis is a major challenge for Estonia. It should, however, be remembered that doing this is very much in Estonia's own interest. For all us concerned about the environmental problems in Estonia, it is important to remember that the best way to tackle these problems, for all parties involved, is a fast accession to the European Union. With Estonia as an EU-member it will be easier to solve our common environmental problems. Pollution moves across borders, and for example for the neighbouring country Finland, the oil shale mining that produces about 40 % of the sulphur emissions, is a problem.

Obviously, transitional arrangements will be necessary. Clear and realistic timetables for the expiration of these arrangements must be set and these should be supplemented with indications of when intermediate objectives should be reached. In the context of pre-accession aid as well as EU funding after accession, technical and financial support in this area must be a top priority. Provided that Estonia works hard on alignment to the EU environmental acquis, remaining shortfalls should not be seen as an argument for delaying accession. This would not only be unfair, but possibly also counter-productive. Such a delay could namely have an adverse effect on investments and thus also on the introduction of new and cleaner production equipment.

Conclusion

By the European Council's declaration, in Copenhagen, June 1993, that "the associated countries in Central and Eastern Europe that so desire shall become members of the European Union", the EU recognised the rightfulness of the claim of these countries to belong to the same family of nations as the EU Member States. And in deed they do. Half a century of communist occupation and isolation imposed on them left these countries with a long list of challenges to tackle before they could fully re-integrate into the Europe of the more fortunate. Now they are working hard on that.

Estonia is not only a country where those challenges were very great at the time of the dissolution of the Soviet Union, but also one that has done the basic reconstruction work in a remarkably swift, yet thorough way. Its success was recognised by the EU when it included Estonia in the first group of candidate countries to be admitted to the negotiation table. For good reasons, the two-group model has now been replaced by the "regatta model" always favoured by Parliament. Independently of this, Estonia continues to distinguish itself as a country with a particularly strong bid in the quest for membership. As the Commissioner responsible for enlargement, Mr Verheugen, has pointed out, Latvia and Lithuania should not delay Estonia's accession, if they will not be fully ready at the same time. Neither should Latvia and Lithuania

be deprived of the opportunity they have been promised to try to catch-up with former first group countries like Estonia, however difficult that task may be.