

# Estonia's foreign economic policy

## **Bilateral foreign economic relations**

2003 developed into a busy year for bilateral and multilateral trade relations. The economic recession worried developed nations, many sectors entered cyclical declines and the preparation of Central and Eastern European to accede to the European Union determined the emergence of several government level trade disputes, which Estonia also could not avoid.

The most notable developments were the changes made in the pork market, which engaged almost all of Central and Eastern Europe. The price of pork, which rose rapidly at the onset of Mad Cow disease at the beginning of the century, entered its cyclical decline, while declining in concert with the increasing demand for beef. All of this resulted in an overall decrease in the purchase price, which resulted in a loss of competitiveness. This created grounds for the application of market protection measures.

Whereas in 2002, Estonia was able to discourage Latvia from applying temporary protective measures on imported pork, in 2003, after drawn out negotiations and the intensifying of the problems in the markets of its southern neighbours, Latvia applied general protective measures on the import of pork and live pigs. The result of time-consuming negotiations between Estonia and Latvia, partners in the Baltic States Free Trade Agreement, was an agreement where Latvia would bring its protectionist measures into accord with its obligations. When this article went to publishing, the Latvian Parliament was reviewing a draft bill, which would relieve the effect of the measures on Estonian exporters.

Estonia also stood for the protection of fair free trade in a trade dispute with Poland. With Estonia already in a difficult market situation, Poland decided in 2003 to begin supporting their domestic pork exporters with subsidies, which cut the market price of pork in half. Since, Poland refused to remove its subsidies and since most of its other trading partners applied countering market protection measures on Poland, Estonia could not ignore the problem. Special protection measures applied on Polish pork on 18 May eliminated threats to the sustainable development of the Estonian pork industry.

A week after Estonia decided to remove its protection measure on Polish pork as a response to Poland's assurances that subsidies will no longer be employed, Poland's Ministry of Agriculture informed of the reinstallation of export subsidies, which resulted in the re-implementation of Estonian market protection measures.

The Foreign Ministry contributed to the successful conclusion of a dumping charge made by the Latvian office for the Protection of Internal Markets against Estonia's Kunda Nordic Cement. Through intense co-operation with the cement factory, the accusation was rejected and duty penalties on Estonian exports were avoided.

In reviewing 2003, we must once again state that trade relations with our large neighbour to the east, continued not to be regulated by an agreement and that Russia continued to apply double import duties on Estonian goods. However, it can be declared that by this time next year, this obstacle to exporting to the east will cease to exist. After Estonian accession to the European Union, Russia will be obligated to deal with Estonia as a member of the EU Customs Union, where double duties simply cannot exist.

During 2003, Estonia's foreign representations continued to assist in the promotion of Estonia's international trade and business by participating in the organisation of business missions and business fair visits. For example: assisting in the organisation of the Estonian Chamber of Commerce Paris Business Mission from the 25-27 of November; giving support to companies operating in countries with Estonian representations – Estonian Energy who was participating in a privatisation auction in Vilnius; acting as a go-between for business partners and distributing information on potential co-operation projects. Everything is done in close co-operation between Estonian ministries and business organisations.

### **Multilateral relations**

Estonia saw success in 2003 in helping with the negotiations for Ukrainian membership in the World Trade Organisation (WTO). In December, Estonia and the Ukraine signed bilateral tariff treaties. During the negotiations, an emphasis was put on fish and fish products as the main Estonian export to the Ukraine. The results of the negotiations will be brought into force once the Ukraine joins the WTO. This will soothe the situation that will arise from the termination of the free trade agreement between the two nations, because of Estonia's upcoming accession to the EU.

The WTO's most important event in 2003 was the Ministerial Conference held from the 10-14 of September in Cancun, Mexico. 10 000 people of which 3 000 were journalists and 2 000 the representatives of NGOs took part in the conference. Permanent Under-Secretary Priit Kolbre led the Estonian delegation.

The goal of the conference was to give the first summary of results since the Doha negotiations. The main negotiation topics from Doha, Qatar in 2001 were the full opening of the agricultural and industrial production markets; the simplifying of trade related rules on investments, competition, transparency in public procurements and trade facilitation (the so-called Singapore Issues); liberalisation in the trade of services and the special situation of some developing nations in the aforementioned topics.

The main goal of the Cancun Conference was the endorsement of negotiation principles in several essential sectors (agriculture, market access of industrial products). After five days of intense negotiations, the conference was concluded on 14 September, because of the inability to reach an agreement. This situation characterises the difficulty of the entire negotiation process and brings light to the differences between developed and developing nations along with the different foreign trade practices employed between developed nations.

The principal decision made at the Ministerial Conference was the admission of the two least developed nations, Nepal and Cambodia, to the WTO. The resultless conclusion of the conference does not mean the end of the negotiation that began in 2001. Members of the WTO will have to make a considerable effort and be flexible in 2004 to assure that the negotiations are finished by the 2005 deadline.

Beginning in April 2003, Estonia began participating in the Council of the European Union workgroups and European Commission committees as an active observer. This has been an introduction of the work that will be awaiting Estonian civil servants in protecting the interests and rights of our state and our citizens in the European Union and/or with the help of the EU elsewhere in the world. The aforementioned trade regime falls into this field, especially regarding the Russian double duties question. Thus, Estonia already enjoys a markedly stronger voice in international trade relations and in bilateral relations with other nations, because of the support of other EU Member States and the strong voice of the European Commission. All the EU Member States are also members of the WTO. Even though the European Commission conveys the positions of the EU at negotiations, the EU Member States still form the trade policy.

The forming of Estonian positions on foreign trade is an important role for all Estonian ministries. Most important for the success of our foreign trade interests is intense bilateral co-operation with the private sector. The Foreign Ministry sees a clear need to enhance the existent co-operation mechanisms in 2004, the first year of full EU membership.

### **Development co-operation**

Development co-operation became a component of Estonian foreign policy in 1998. Estonia spends about 0,03% of Gross Domestic Product annually on development co-operation. Even with this modest contribution, Estonia has become a donor nation, who in co-operation with other democratic nations helps in the stabilisation of the world. Estonia continuously updates its objectives and priorities for development co-operation policy, which are outlined in "Principles of Estonian Development Co-operation" approved by the Riigikogu (the Parliament) in January 2003.

In 2003, Ukrainian, Russian, Armenian, Georgian, Kyrgyzstanian and Albanian public servants, representatives from the private sector and workers from NGOs gained know-how from Estonian experiences. As can be seen from the aforementioned list, mostly CIS and Balkan countries take advantage of Estonia's experiences. We have seen success and gained international recognition in the areas of economic reform, information technology implementation, integration of international organisations and development of democratic society. These areas offer the most useful information for countries that are implementing similar reforms.

In addition to supporting economic and social development, Estonia also helps, inasmuch its means allow it, nations that have been hit by natural disasters or war. A current example of support was that which took place after the pre-Christmas earthquake in Iran.