Estonia: membership application

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PURPOSE : To present the 1999 Regular Report on Estonia's progress towards accession. CONTENT : This report describes relations between Estonia and the Union, analyses the situation in respect of the Copenhagen criteria and addresses the question of its ability to take on the acquis. It also covers judicial and administrative capacity as required by the Madrid European Council. Relations between the EU and Estonia: Estonia's trade with the EU has continued to increase its share of total trade. Its main exports are machinery, equipment, wood and mineral products, while the most important imported products are machinery and electrical equipment, and agricultural products. With regard to pre-accession aid, total financial assistance in the years 2000-2002 will amount to between 168 and 213M EUR. (Phare 72M EUR, Sapard 36M EUR,and ISPA between 60M EUR and 105M EUR.) Political criteria: The Commission judges that Estonia fulfils the Copenhagen political criteria. The adoption of the Language Law, however, which restricts the access of non-Estonian speakers to political and economic life, is a step backwards and should be amended. Economic criteria: Estonia is a functioning market economy where market forces play their full role. It should be able to cope with competitive pressures within the Union, provided it completes key remaining structural reforms. Privatisation is almost complete. All small and medium sized companies are privately owned. At this stage, it is envisaged that only the Port of Tallinn, the Airport of Tallinn and some utilities, including water and sewage companies, will remain in public ownership, although some minority stakes might be sold to private investors. Some sectors, notably agriculture, face difficulties in their access to finance. The absence of a functioning market for agricultural land is one of the reasons why the decline of agricultural activity is continuing, despite direct support granted to farmers. The increase in foreign direct investment inflows that has been recorded since June 1998 has been impressive. The vast majority comes from EU countries. In 1998, it was concentrated in the financial sector, and foreign capital controlled about two thirds of the total capital of the banking sector at the end of 1998. The Russian crisis has, however, revealed weaknesses, including a low level of productivity. Transparent restructuring of the oil-shale sector is required. Ability to assume the obligations of membership: In general terms, Estonia has continued its alignment in the single market area at a steady but slow pace, in particular as regards intellectual property and data protection, free movement of goods and state aid monitoring. Good progress has been made in the fields of energy and transport, where legislative alignment and liberalisation have been taken further. The capacity to enforce environment acquis remains an issue. Delays in the customs area are a matter of concern. Considerable efforts are needed on capacity building. It remains difficult to recruit and retain qualified staff, and priority should be given to this matter. Standards and certification require work, as do agriculture, andregional policy. Administrative capacity to apply the acquis: Progress has been limited in improving judicial and administrative capacity, where the short-term accession partnership priorities have only been partially met. Although some progress has been made in the agriculture, and fisheries sectors, significant efforts are required to build up the necessary institutional structures and to develop the capacity to manage funds.