

## **The Future of the Union and Estonia's Membership**

**Speech of Mr. Toomas Savi, President of the Riigikogu,  
at the Institut für Europäische Politik**

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Excellencies,  
Honourable guests,  
Ladies and gentlemen,

I am very happy for the opportunity to take the floor of the Institut für Europäische Politik today for presenting my views on the Future of the European Union and Estonia's membership. At first, I would like to give you a brief overview of the viewpoint that prevails in Estonia on the eve of enlargement. Second, I would like to bring some examples from our negotiations, which has brought us to think more deeply about our future in the European Union. Third, I would like to say some words about the decision-making process, the topic, which is actually the substance of the Convention for the Future of the European Union.

Let me start with a brief inventory of the processes, which have brought Estonia to the final stage of preparations for the EU membership.

Estonia's developments to join the European Union have been very dynamic. In the August of 1995, our parliament ratified with overwhelming majority the Association Agreement. In 1997, at the Luxembourg summit, Estonia was invited to start accession process to join the European Union. The negotiations started on the 31<sup>st</sup> of March 1998. Today we have 24 chapters closed. In remaining chapters, we are quite optimistic and we hope to convince the Commission that our positions on energy, agricultural policy and regional policy are justified and in the long run will contribute not only for Estonia, but also for entire Europe.

The timing for today's presentation about the future of the Union and Estonia's membership seems to be perfect – we have been in the process of negotiations for more than three years which has given us a good opportunity to learn about the EU and to understand its mechanisms and its substance. It is also excellent timing for discussions about the future of the Union – almost nobody has a clear, finalized and systematic understanding of the future of the European Union. Estonia is not an exception – we have no official, clearly determined and broadly accepted positions in this matter – debates on the future of the European Union have already started and they are duly going on.

But, as politicians, we have to know and we do know what are the predominant views in Estonia. Even more, as responsible politicians, we have to be ready to shape these views to reach the desired goals. In order to have a better understanding of this topic we have done also our theoretical preparations – we have organised annual international conferences since 1993. This year it will be the ninth conference titled “Estonia and European Union – Estonia on its Way to a Changing Europe” and it will be held from the 30<sup>th</sup> of October to 1<sup>st</sup> of November in Tallinn.

The discussions about the changing Europe are on the agenda in all Member States of the European Union and in the countries preparing for the accession. This topic is

very important to Estonia: we need to know what the European Union, to the membership of which we want to belong soon, will be like. The nearer the accession of Estonia, the more clearly we would like to know what this will bring about for the people of Estonia.

Ladies and Gentlemen.

The coming enlargement of the EU has been described as unique by almost all the European politicians. Mainly they are considering it unique due to the size of enlargement and definitely they are right. The word “size” has of course a broader meaning. It includes also a huge amount of uncertainty stemming from different imaginations and myths. This enlargement is considered to be unique, because it may bring along much more risks and uncertainties than the former enlargements ever before.

From the viewpoint of the present candidate countries it is also called unique and not only because it will bring these countries back to Europe. It is unique first and foremost due to the dynamism of the present moment. The Union we are preparing to join will soon be probably quite different from the Union of today. Is it unique for us, because we shall have to decide our joining without having a clear understanding of what the Union is like that we are trying to join?

The predecessor of the European Union, the European Coal and Steel Community was founded in 1951 as a project of general stabilization of European economies, largely destroyed during the Second World War. The aim was to join the efforts to protect the internal market and to avoid unfair competition. It was a new approach at that time in order to find new opportunities for avoiding collapses in the process of rebuilding the European economy. The harmonization of standards and legal acts, and building up the necessary institutions capable to carry out the common policies were the main activities at that time.

Today’s Europe has new challenges and the scope of common policies is broadening. The propositions accepted at Nice summit partly determined the direction of further developments. These changes were viewed in Estonia as a step in the direction of a unitary state, in the direction of diminishing the role of every each member state, of increasing the role of supranational bodies and, in general, restricting the democracy. In any case, the declining public opinion was partly influenced by these processes. By the way, it was for the first time in our modern history that the public opinion polls showed less than 50% support to Estonia’s joining the EU.

Our worries are not totally ungrounded. The changes will be legitimised not before the end of the next IGC, which will definitely not going to take place before the end of 2004. We have to make our domestic decisions about joining the EU earlier. We still don’t know whether that Union will be built on the principles of the federal state or a loose co-operation of independent states. We don’t know yet what will happen to our sovereignty.

May be here in Germany, being one of the European economic leader with a population fifty times larger than that of Estonia, the diminishing of sovereignty is not as sensitive a topic, but for a nation with a population of a little bit more than one million, a nation whose sovereignty was suppressed by the Russian occupation during almost fifty years, the meaning “sovereignty” has a completely different emotional value. We have to understand it and we have to be careful in preparing the answers.

But, regardless of these risks and uncertainty, as you see, Estonia is working hard to harmonise its legislation with the EU *acquis*, to build up necessary institutions and to prepare our people for being able to work and live in accordance with the EU requirements.

How are we overcoming this ostensible controversy?

First, the reforms, carried out under the aegis of the European Union are mainly just the same as those we would have considered necessary to conduct in Estonia. The accession process itself has been as some kind of accelerator, particularly at the stage, where the Luxembourg Summit gave a clear signal that the progress will depend on each applicant country's own merit.

And we do not have to be disappointed. Taking into account the historical burden inherited from the totalitarian system – and this is definitely well known to the people of Germany – and the difficulties we faced just after regaining independence, we have made a remarkable progress towards a modern civil society. We have reintroduced the mechanisms of the functioning market economy, demonstrating one of the highest annual growths of the GDP in Europe. Estonia has become one of the most attractive locations for foreign investors. I am sorry to say, dear friends, but I think that without the EU we would have done almost the same that we have done. Maybe the speed would have been a little slower.

Secondly, and this is extremely important - we do believe in the basic values of the European Union, we do believe, that changing Europe will fully correspond to them.

We consider these values as the building blocs of modern community. Having the central role in the philosophy of Europe, they are worth to be presented here once again: the rule of law, democracy and respect for human rights, efficient and competitive market economy, balanced social policy and healthy environment. I am convinced that under the lead of this listing EU will afford the equal treatment of new and present member states, and also of small countries and countries with a huge population.

Could we claim that these basic values are persistently followed already today?

We are living in a real world, where the political or economic instability, election campaigns, or even some emotional and populist statements may determine the policies, which are quite often not in line with the above-listed values. For politicians, the interests of their constituency should have the highest priority. But usually they do not coincide with the values above. This is a question of culture, the European culture, and it is our task to make it evident.

To harmonise the process of building up the European Union based on the above-mentioned values, and having a mandate to protect the interests, which in their majority are local, is not an easy task. Are we, politicians, ready to take this new dimension of responsibility, the European responsibility, as the highest priority in our everyday political behaviour? I think, you may agree, that it is quite a risky challenge, even if we believe that our compatriots will benefit from that in the long run.

But we have to keep these values because they are like a lighthouse in our everyday work in the frame of the EU. Estonia's relations with the EU have provided us with significant experience. There are two typical cases. First, the cases, where our approach was a little bit in contradiction with some principles, namely the principles of fair competition. Second, the cases, where Estonia felt unfair approach from the

European Union. I would like to dwell briefly on these cases to describe what we have faced, what we have learnt and what we would like to say in this matter.

Firstly, the cases where Estonia acted in contradiction to the EU values. We experienced it in the very early stage of the accession process. Let's take the example of the chipboard, the building material that was a traditional Estonian-made export product to the EU market. Due to lower production costs, our product was highly competitive. But rather soon a protection mechanism was introduced and the access of our product was denied. At the beginning we considered it as unjustified protection of the producers of the European Union. And expressed our surprise that the promised and long-awaited free market wasn't actually free and open to candidate countries. It was particularly hard to understand in Estonia, because Estonia, having introduced zero customs tariffs, had completely opened its market to the producers of the European Union.

We needed some time to understand, that, actually, it was the protection of 'fair play', the main principle of the European Union's common market. To understand, that the low production costs were the result of insufficient consideration of a big amount of different factors of production. This kind of production polluted the environment, the social security system was established on quite a low level and did not cover the real expenses. The salaries were low, which was partly determined by the market price of labour, partly by the price of consumer basket. The latter included at that time subsidised electricity, government-subsidised rent payments and medical care costs etc. We discovered that the low production costs, which we considered as a cornerstone to attract foreign investments, partly worked against our society.

There are also other examples, which are not so easy to interpret in a similar way. We have asked Commission's acceptance to a transition period concerning tax-free trade on ferry connection between Estonia and its Nordic neighbours. On the one hand, there are no justifications why one country should enjoy privileges, particularly when other member states abolished tax-free trade just some years ago. On the other hand, some ferry companies of the neighbouring EU member states continue to enjoy these preferences.

I am speaking about the ferries visiting Mariehamn in Åland, which have a special treatment agreed with the EU. Does it mean that some of our islands should also declare some kind of independence to be accepted by the EU as a free-trade zone? Please don't take it very seriously, this is definitely not a point, where Estonia would like to argue, but the case is specific enough to create domestic political lobby and push the government to find solutions.

The examples above were just some episodes to describe the situation, where Estonia behaved as unfair player and I think we have learned our lessons. By the way, as the latest news, I may inform you that our government has decided to relinquish the demands of a transition period in the case of tax-free trade. I am proud of it, because this decision, although difficult from the domestic viewpoint, has been made in accordance with our common values.

I think the real awakening took place when our partners misused our extremely liberal trade policy. We faced a very strong pressure of import products subsidised by the governments of the European Union countries. According to our understanding, it was not a 'fair play'. It didn't push our producers to improve the quality or to lower the costs; it just brought about the closing of companies and shutting down the

production. Due to the lacking customs tariffs or other protection mechanisms we had very limited opportunities to fight against this invasion. Even more, looking forward to being invited to become a member state, it was also politically rather risky to launch discussions with our European friends, particularly at a time, when the menaces from the east still existed.

As a reaction to this experience, we have very high expectations for the future – becoming a member state means in the first place, that the rules of the game – ‘fair play’ are the same all over the Union. Equal treatment, no unfair competition inside the Union.

Ladies and gentlemen, this is the main principle that Estonia is considering as the cornerstone of the new relations in renewed Europe. This is the principle that Estonia would like to bring along to Europe. This is the principle, which should bring prosperity to Europe, make Europe more competitive, make Europe stronger.

Today’s Union is still a little bit different of these imaginations. I am trying to describe it once again using the example of our accession negotiations. Let’s have a look at the Common Agricultural Policy and our negotiations on the relevant chapter. It is definitely the most uncomfortable issue for the Commission and for the majority of member states.

I would like to add, that for Estonia, the Commission’s attitude to Estonia’s agricultural sector is serving as some kind of litmus test of our recent reforms in this area. Not as much from the viewpoint of the importance of agricultural sector – it actually doesn’t exceed 5% of labour and the GDP – but just from the viewpoint of ‘fair play’

The reforms in agriculture were particularly broad and deep. The soviet style kolkhozes and state farms are a forgotten past. The restructuring and technical renovation had direct impact on the productivity – during this process in many years the productivity was declining. Now, as the result of agricultural reforms, the productivity is growing again. The statistics give us a very good overview of the amounts of the production at that period. But, unfortunately, these years were taken by the Commission as the reference period to determine the production quotas for the future. The results are dramatic. We shall have to kill almost 30 % of our dairy cattle and reduce about 40% of our grain production. This is a very emotional issue not only for farmers. Dear friends, please don’t worry; we do not want to become an agricultural country – we don’t want to compete with the countries with much warmer climate or to breed a special kind of frost-hardy oranges. This is more a question of ‘fair play’, the question – how much ‘fair play’ we have in the EU?

Very many emotions also emerged after the Commission had announced the figures of agricultural subsidies. It is again not as much a question of the amount of money. We have to give an answer to our farmers why we are pushing them to compete with their member-state counterparts on artificially created unequal bases. These farmers are subsidised by the European Union, it means by allocations of the member states, including Estonia. Dear friends, I have to confess, that we have no convincing answers today. We do hope of course that the results of the negotiations will be positive and we have no need to feel, that our justified interests have been played down.

I think, these examples explain why we are worried. We can exert influence over common policies only being a part of the Union. The claiming of rights to exert

influence over supranational processes has also its impact on the meaning of national sovereignty.

This will be a new situation not only for the Member States of the European Union, but particularly for the new members. We have to look for a new identity, a new model guaranteeing the democratic legitimacy of our practical joint activities. We have to convince our people that this new co-operation will not undermine our sovereignty.

In this connection, I would like to recall Jean Bodin, one of the developers of the classic concept of sovereignty, who noted in 1576 that sovereignty is absolute, indivisible and unexpiring. Sovereignty cannot be divided and given away bit by bit. But it can be pooled. In such case of pooling one must know to what an extent and in what way the sovereign right of the state to make decisions, will be limited. We need to define the competences of the European Union and Member States in the decision-making process.

This task is not an easy one. On the one hand, the principle of subsidiarity should be highly prioritised, which means, that everything that can be solved more efficiently on a lower level than on the centralized level, should be left for the decision-makers of the lower level. And this is not only the question of efficiency. It is also very much the question of democracy, giving the opportunity to people to be involved in the decision-making process. They have to feel their right to participate in the decision-making as much as possible, and not to be just think that somebody in Brussels will decide everything for them.

Does it mean that we need some kind of catalogue of competences? I think – yes. But at the same time I have a clear understanding that the task itself to prepare this catalogue is extremely difficult. Not only due to a huge amount of different fields needed to be identified but, first and foremost, due to different understandings of the levels of efficient decision-making. To put it in more simple way – is it probable that the decision-making based on democratic principles of the delegation of sovereignty will be really efficient?

I am happy that this is also one of the main topics for discussion at the Convention. I do hope, that these discussions will reach some conclusions. At first, I hope to see some evaluations and analyses showing that one or another field should be concentrated in the competence of supranational institutions. The present division of competences inside the EU has been formed in quite unsystematic way and in many cases it is not in accordance with the principle of subsidiarity or the principle of efficiency. It seems sometimes that there are quite occasional sets of rules without clearly determined justifications.

We need these analyses and justifications. We have our representatives in the Convention having the mandate to participate in the elaboration of the proposals. I do hope it will give our politicians a good baking to convince the electorate who will actually have to legitimise this pooling of sovereignty. You may imagine, how uneasy it will be to justify the European competence to prohibit the hunting of wolves in Estonia, the country with deep forests and big number of wolves who without artificial limitation of their population would start to attack farm animals. It doesn't sound convincing if you argue that in Europe there are not enough wolves even for the zoos.

The other topic of the Convention – the role of national parliaments. Let me be more precise about this term. Speaking about the national parliament in the context of hierarchical decision-making we have to mean under this term all activities of legitimisation on national level. It includes also referenda, as the highest opportunity to express the will of citizens. The role itself is partly determined by the amount and ways of pooling of sovereignty and also by the division of competences. At first, the pooling of sovereignty and the division of competences have to be the most important subjects for scrutiny in the national parliament. This is actually the question of sovereignty and it should be legitimised in a most careful manner.

The role of national parliaments is very important. I do not emphasise this because I am an elected member of the Riigikogu, and as the President of a national parliament I would like to stress the importance of my office. I am emphasising this because the national parliament is the main democratic institution to legitimise countries' activity in the European Union. This is our constituency who will express their satisfaction or discontent on the Election Day and their votes are the litmus test of our policy as a whole. We can't say them that these bad decisions were made in Brussels and we were absolutely not involved.

I have studied the process of development of the parliamentary dimension in the European Union and I am happy to see that the role of national parliaments has grown through the years. The institutionalisation of COSAC – the permanent parliamentary body for co-operation between national parliaments and the European Parliament was an important step in this decision. The conclusions made in Laeken also serving as a good example – more than two-thirds of the Convention members are the representatives of parliaments. It is encouraging at first from the viewpoint of clear mandate of delegates.

There are different ways for involving national parliaments in the EU matters. In some countries the national parliament has a decisive role in coordinating the activities of the government representatives in EU matters. In some countries the government has a mandate to make decisions more independently.

In Estonia we have tried to follow the Nordic model where the national parliament has a decisive role in all European Union related issues. Already at the early stage of accession the European Affairs Committee was formed in the Riigikogu. This committee is approving all the Estonia's positions for negotiations before they will be discussed with the Commission and confirming the mandate of the negotiators. It is giving actually quite a strong backing to the government. And it is giving also an excellent opportunity to the members of parliament to be better prepared in different areas concerning the EU. We even discovered that after being involved in everyday parliamentary scrutiny some quite hesitant politicians became eager supporters of the EU. In general, I consider this model quite efficient and I think that we will continue in a similar way.

Dear friends, I would like to conclude my quite optimistic presentation with a very optimistic vision – I believe in Europe. I believe in the ability of European politicians to find the necessary solutions. Let's join our efforts to make this belief a reality.