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ESTONIA'S  
EUROPEAN UNION  
POLICY  
2011–2015

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## NOTES FOR THE READER

Since accession in 2004, several framework documents have been drawn up in order to ensure common grounds for the government's activities in the European Union (EU). These documents describe Estonia's EU policy and set the main principles for meeting its objectives in the EU. The framework document also explains the government's main goals in different policy areas. The government's EU-related activities, including the implementation of the government's action programme, are planned in accordance with the framework document. This document is also the basis for the Prime Minister to present an annual overview to the *Riigikogu* of the activities of the Government of the Republic in implementing European Union policies pursuant to section 152<sup>5</sup> of the *Riigikogu* Rules of Procedure and Internal Rules Act.

The framework document "Estonia's European Union Policy 2001–2015" has been drawn up to meet the goals set in the Government of the Republic Action Programme<sup>1</sup> and the political guidelines for the formulation of the EU policy<sup>2</sup> approved at the government's cabinet meeting of 28 April 2011. This document is based on clear-cut interests expressed through concrete operational objectives (35 in total) (see also the table in the annex<sup>3</sup>). The implementation of Estonia's EU policy is focused on the implementation of these objectives through particular EU legislative drafts or projects (109 in total).

This document was composed by the Government Office and ministries from April to November 2011. The presentation of the draft for public consultation was approved at the government's cabinet meeting of 22 September 2011. The consultation period lasted from 23 September to 18 October 2011 (see also <http://www.osale.ee>); simultaneously, the *Riigikogu* provided its own opinion regarding the document. The decisions regarding the proposals were made at the government's cabinet meeting of 10 November 2011. In addition, the Prime Minister introduced the draft at the plenary session of the *Riigikogu* of 15 November 2011. The document received final approval by the Estonian Government on 24 November 2011.

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<sup>1</sup> The Government of the Republic Action Programme 2011–2015 includes thirty actions and goals that are directly related to the activities of the Government of the Republic in the European Union.

<sup>2</sup> The guidelines are described in the chapter 'Estonia's EU policy framework'.

<sup>3</sup> Available at <http://www.valitsus.ee/et/riigikantselei/euroopa-liit/cesti-eesmargid-ja-poliitika/cesti-euroopa-liidu-poliitika-2011-2015> (Estonian only).



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## ESTONIA'S EU POLICY FRAMEWORK

In shaping and implementing European Union policies during the period 2011–2015, Estonia abides by the following framework statements:

- I. The EU must retain its internal strength, openness and capacity for growth. Estonia is willing to place new areas under EU jurisdiction and broaden its current powers. Estonia does not support reversing or limiting the EU's powers.
- II. Estonia is ready to integrate with new cooperation formats, including the expansion of policy areas operating on the basis of enhanced cooperation.
- III. The decision-making process in the EU and the euro area must be balanced between different cooperation models and interests. Whenever possible, Estonia prefers the use of the Community method. The role of institutions that balance the size and interest of Member States (the European Commission in particular) must be strengthened.
- IV. The EU must speak with one voice at the international level. Estonia supports the coherent representation of the EU and the euro area in international forums and organisations. Where the EU as a whole has a separate seat by the table, consistency between the messages of the Member States and that of the EU representative must be ensured.
- V. Estonia's EU policy is focused on the development of the internal market and the expansion of its operating principles and supporting actions (including the development of infrastructure). The most important topics include the wider opening of the internal market and bringing it closer to Estonian businesses and citizens as well as breaking down the regulatory barriers inhibiting the cross-border economic activities, especially services.
- VI. In addition, Estonia emphasises the following lines of action:
  - strengthening of the euro area, the single financial market and EU competitiveness, including the development of a knowledge-based economy;
  - shaping and building of a budgetary framework that observes the EU's economic context, new tasks and the interests of Estonia;

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- tighter political and economic integration of neighbouring countries with the EU (including enlargement);
  - implementation of measures aimed at the green economy and more efficient use of resources; and
  - developing solutions for cyber security.

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## I. SINGLE MARKET

1. For the coming years, the activities of the European Union must focus on the enhancement of the EU's competitiveness by developing a knowledge-based economy, on the development of the internal market and on the enhancement of its principles and supporting actions as part of the general strengthening of the EU and the euro area (see next chapter). This is particularly important due to the fact that creating an effective single economic space will support the budget consolidation efforts of Member States. A fully functioning Single Market with 500 million consumers could generate larger economic growth, create more jobs and therefore increase *inter alia* the budget income of Member States. In order to meet this goal, we have to overcome the fragmentation of the internal market and to create in Europe a genuine **single market** with as few regulatory differences that hinder the cross-border movement of services, goods and persons as possible. In addition, Estonia recognises the need to renew the general framework of the internal market, by using directly applicable EU legislation rather than directives when regulating the market, by increasing the role of the European Commission in the supervision and implementation of the four freedoms and by creating mechanisms to ensure the effectiveness of the supervision and implementation of the four freedoms at the national and regional levels.
2. The continuous simplification of the business environment and the reduction of administrative burden arising from EU legislation are also important. In new regulations, market supervision should be preferred to ex-ante control. The regulation of the internal market should be simplified and unified, especially in the fields of intellectual property rights and contract law. The potential of the services sector should be put to better use by increasing the freedom of the cross-border provision of services and avoiding potential new barriers to the free movement of services, such as numerous national standards and qualification requirements. One of the important prerequisites for the Single Market is the development of trans-European infrastructure (transport, energy and ICT) to ensure the connection between Member States and regions.
3. Employment and social policy regulation at the EU level must enhance the competitiveness of the European Union, provide clear added value

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to the functioning of the internal market and take into account the goal of ensuring the sustainability of national budgets.

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4. The first step towards the development of the single market is to create an efficient **Digital Single Market** by 2015, where citizens and businesses are able to use electronic services in any EU Member State. This is forecast to increase the GNP of the EU by 4% and create 30,000 new jobs a year. Currently, the key problems in connection with providing cross-border e-services are related to **electronic identity (e-authentication and digital signatures)**. The Member States' national problems related to e-authentication and digital signatures have mostly been solved, but in order for different technical and procedural solutions to also be effective across borders, the trans-European interoperability of these systems must be ensured. The EU legal framework regarding digital signatures was created with the adoption of the directive on electronic signatures in 1999, but in practice, digital signatures between Member States are not operable. Regarding authentication, there is no EU regulation at all. A goal of Estonia's EU policy is to adopt EU legislation in the field of e-authentication and to ensure the actual interoperability of cross-border digital signatures<sup>4</sup>.
5. The prerequisite for creating a Digital Single Market in Europe is the access of citizens and businesses to a fast and contemporary Internet connection, which requires that attention be paid to such key enablers as **access to broadband Internet and contemporary mobile communications** and public key infrastructure (PKI). In order to avoid the digital divide, it is essential to create broadband infrastructure in regions where business interests in such activities are limited or non-existent. Most EU Member States have launched projects to create broadband connections in low-density and peripheral areas with the help of EU financial instruments. The pan-European establishment of a broadband infrastructure allowing for fast Internet access requires time and resources, and will continue to be important in the next multiannual financial framework

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<sup>4</sup> See annex for operational objective I-a.

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(MFF). One goal of Estonia's EU policy is to ensure the continuing possibility for support schemes within EU financial instruments regarding the creation of broadband infrastructure to provide fast Internet access and the reduction of administrative burden related to the relevant state aid regulations.

6. The rapid development of technology and globalisation have changed the world enormously and brought about new problems in the field of protection of personal data. The ways in which personal data is processed have become extremely complicated and not always easy to identify. This calls for a new discussion in regard to updating data protection legislation and finding a **balance between free movement of data and the protection of privacy** that is suitable for the information society. From the regulatory aspect, data protection is a significant part of the internal market of the EU, which *inter alia* means that on the internal market the free movement and protection of personal data within Member States must be ensured. This in turn means the expansion of the minimum standards set in the Data Protection Directive, taking into account the needs of different areas<sup>5</sup>. It is also important to reduce administrative burden by reviewing and simplifying the existing notification system and to solve the problems related to applicable law. A goal of Estonia's EU policy is to update the EU's data protection legal framework, in particular due to the development of the Internet and cross-border data processing.<sup>6</sup>
7. A favourable business environment requires simple access to legislation, business information and e-services of other Member States in all of the official languages of the EU. The **cross-border exchange of information** will considerably increase the efficiency and availability of the protection of the rights of citizens and businesses in the case of cross-border disputes. Estonia's goal is to turn the European e-Justice portal<sup>7</sup> into a uniform environment that provides citizens, businesses and legal practi-

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<sup>5</sup> A comprehensive approach to personal data protection in the European Union. Brussels, 4.11.2020 COM(2010) 609 final. Online: [http://ec.europa.eu/justice/news/consulting\\_public/0006/com\\_2010\\_609\\_en.pdf](http://ec.europa.eu/justice/news/consulting_public/0006/com_2010_609_en.pdf)

<sup>6</sup> See annex for operational objective I-c.

<sup>7</sup> Estonia wants to be a pioneer in developing e-Justice, a portal for European legal information established in 2010 with the current function of a voluntary information portal; the proposed features include the e-CODEX project with the goal of developing a functional interoperability framework for e-Justice. Estonia's task in e-CODEX is to coordinate a work package dealing with issues of cross-border eSignatures and e-identity.

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tioners with electronic access to law-related information systems, services and definitions at the level of Member States and the EU alike<sup>8</sup>.

8. For a well-functioning internal market, facilities for the public sector need to be established in order to organise efficient and effective procurement proceedings and for companies to sell and provide their services and products EU-wide via an Internet-based electronic procurement system<sup>9</sup>. An objective of Estonia's EU policy is to create a functioning cross-border **e-procurement** system and develop interoperable EU infrastructure for e-procurements<sup>10</sup>. This calls for improved access to public procurements, quicker and simpler proceedings, enhanced transparency within the process and EU-level standardisation of basic e-procurement processes and systems. For Estonia, it is important to create a favourable e-procurement environment that enables communication between businesses and governmental institutions via a single contact point at the same time avoiding the creation of new barriers.
9. The further integration of the Single Market in financial services and freedom of movement of financial services is one of the prerequisites for the further enlargement of the Single Market as a whole (see chapter on economic and fiscal policy). The smooth functioning of the Single Market for payments strengthens the Single Market of Europe and enhances competition, thus supporting the economic development of the region<sup>11</sup>. An objective of Estonia is to develop a secure electronic environment for payments and settlements and create the **Single Euro Payments Area**<sup>12</sup><sup>13</sup>. A functional, interoperable and secure Single Market is of particular importance to small countries who will above all benefit from economies of scale. Issuing invoices and making payments are closely interrelated. Therefore, the establishment of SEPA will encourage the implementation of European regulation on interoperable **e-invoices**<sup>14</sup>. An objective

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<sup>8</sup> See annex for operational objective I-b.

<sup>9</sup> According to research, e-procurements account for 5% of all EU procurements.

<sup>10</sup> See annex for operational objective I-d.

<sup>11</sup> Analysis in the study 'SEPA: Potential Benefits at Stake' carried out by CapGemini Consulting for the European Commission showed that the potential direct and indirect benefits of SEPA exceed EUR 300 billion over a six-year period, assuming that migration to SEPA instruments is comprehensive and rapid.

<sup>12</sup> Single Euro Payments Area – SEPA.

<sup>13</sup> See annex for operational objective I-d.

<sup>14</sup> Accepting e-invoices as equivalents of paper-based invoices has not yet been successful at the European level.

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of Estonia's EU policy is to ensure that e-invoices are extensively used in Europe by 2020<sup>15</sup>. At the EU level, the prerequisite for adopting e-invoices all over Europe is the introduction of a single standard for e-invoices. The regulation on e-invoices must also be taken into account when developing national regulations on trade, taxation and procurement.

10. The European Union is moving towards the establishment of favourable conditions for the development of cultural and creative industries, wherein updating copyright law is of key importance. Although **copyright law** has already been partly harmonised within the EU, many differences still exist<sup>16</sup>, which means that the EU market for electronic content services remains fragmented and that the buying of copyrighted works or services is difficult for consumers<sup>17</sup>. In order to improve the availability of online services and digital content, a European framework for the cross-border collective management of copyright should be established. This would support the development and wider provision of new services. This is of particular importance to countries where the number of consumers is relatively small and which are therefore not economically attractive to global corporations. Simplification of licensing procedures would allow them to enter the market with lower costs.
11. A goal of Estonia's EU policy is the **harmonisation of copyright law to the widest extent possible** in order to achieve better functioning of the internal market<sup>18</sup>. The first step towards this goal could be the introduction of an optional unitary EU Copyright Title and a European framework for multi-territorial copyright licensing. If necessary, Estonia is also willing to consider solutions based on enhanced cooperation.

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<sup>15</sup> See annex for operational objective I-d.

<sup>16</sup> For instance, Member States apply various limitations on exclusive licences and exceptions in the public interest, systems of private copying levies are different etc. For pan-European distribution of digital content, copyright and related rights must be protected in each Member State by entering into agreements with the collective management organisation(s) in each country. The distributors have also raised problems related to the multitude of collective management organisations in most Member States and the lack of transparency in their activities.

<sup>17</sup> For instance, in regard to music services, eMusic is available in 27 Member States, iTunes in 15 Member States, 7digital and Vodafone in 12 Member States, Nokia (OviMusic) in 11 Member States, YouTube in 10 Member States and LastFM in 9 Member States (see the strategy on intellectual property rights, COM(2011)287).

<sup>18</sup> See annex for operational objective I-e.

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12. Services amount to over two-thirds of European jobs and two-thirds of the EU's GDP. In addition, around 75% of trade in services consists of services provided to other companies in almost every economic sector in Europe. At the same time, cross-border services (including professional services) constitute just one-fifth of the EU's internal trade – a modest indicator compared to the weight of the services sector in the economy. A **more integrated and efficient services market** is a prerequisite for economic growth, the creation of jobs and the increased competitiveness of the union's economy. For the purpose of full exploitation of the potential of services, they must be able to 'move' between Member States as freely as within any Member State. This would benefit both consumers and businesses – especially small businesses, which constitute 95% of the services sector.
13. The application of the Services Directive does not include several areas (e.g. health services and gambling)<sup>19</sup>, where there is nevertheless clear interest in establishing a business in another Member State as well as in the provision and use of cross-border services. A goal of Estonia is to **achieve maximum freedom in the provision of cross-border services by 2015**<sup>20</sup>. The priority areas are health, gambling, private security services and social services. If freedom of services cannot be extended across the EU, Estonia recognises the need to use enhanced cooperation for the extension of the freedom of the services market. A promising general trend in removing barriers to accessing markets in the services area is the possibility of automatic mutual recognition based on the principle that if a business is qualified to operate in a particular field of activity in one Member State, it is allowed to operate in the same field throughout the EU.

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<sup>19</sup> There are two types of services that are excluded from the scope of application of the EU Services Directive: the first group comprises services that are regulated at the EU level by a separate regulation (financial and audio-visual services); and the second group includes services not yet regulated at the EU level (e.g. social services, education and gambling). The directive on cross-border provision of health services and free movement of patients must be implemented by the Member States by 25 October 2013. However, the establishing of businesses in the field of health services, including pharmacy services, has not been harmonised at the EU level. Public discussions regarding the separate regulation of gambling are currently being held.

<sup>20</sup> See annex for operational objective I-f.

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14. Additional barriers to intra-EU trade in services are created by the multitude of national standards, which can be contradictory and thus create technical barriers in chains of supply or trade barriers for companies. In order to enhance the effectiveness of the Single Market, Estonia supports the development of European standards and the **extension of the EU standardisation framework to service standards**, provided that this does not bring about a significant increase in prices or deterioration in access to services<sup>21</sup>.
15. Estonia's EU policy aims to remove unjustified barriers to the free movement of health services and make information regarding cross-border health services available to patients and the public. Enhancement of the capacity for international digital data exchange is important for the promotion of the cross-border provision of health services and movement of patients. Estonia's goal is greater harmonisation of EU standards regarding e-health systems and e-authentication for the purpose of the better interoperability of e-health systems.
16. **Simplification of the recognition of professional qualifications** serves as a prerequisite to greater professional mobility and the development of trade in services. This would also allow for partial alleviation of the lack of skilled employees by using employees who have acquired their professional qualifications from outside of the EU<sup>22</sup>. It is important to remove all unreasonable and disproportionate qualification requirements so that specialists can fully benefit from freedom of movement. Today, the 27 Member States regulate around 4700 professions on the basis of professional qualifications. These professions can be grouped into around 800 different categories. Although the mechanism of mutual recognition is in place for most of these professions, there are still many cases where Member States have established disproportionate and unnecessary qualification requirements so that a specialist who carries out an economic activity in his or her Member State of origin faces difficulties in performing the professional activity in another Member State. Another problem is the length of the recognition procedure, which should be considerably

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<sup>21</sup> See annex for operational objective I-f.

<sup>22</sup> Simplification of recognition of professional qualifications also affects third-country nationals who have rights pursuant to European legislation, since family members of EU citizens, long-term residents, refugees and Blue Card holders are entitled to the same treatment as EU citizens as regards the recognition of professional qualifications.

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shortened. The European Union should have a modernised system for mutual recognition of professional qualifications by 2015<sup>23</sup>. Estonia feels that the goal should be to reduce overregulation of professional qualifications in each Member State as well as to simplify the system of mutual recognition of professional qualifications. The administrative burden of beneficiaries and the competent institutions must be reduced and the recognition procedure must be more closely linked to other instruments supporting the comparability of qualifications<sup>24</sup>. The key factor in the acceleration of the recognition process is the introduction of digital data exchange and electronic document processing, using the tools of the internal market information system.

17. The possibility to **provide services by posting workers** is also important for ensuring the functioning of the European market of services. A goal of Estonia's EU policy is to ensure that in the context of free movement of services, the principle of proportionality is applied when exercising fundamental social rights, including the right to strike<sup>25</sup>. In the event of a conflict of fundamental rights and freedoms, a proportionality test should always be carried out. The main focus in facilitating the posting of workers and provision of cross-border services must be on the development of the information system of posted workers on the basis of the internal market information system, and on better cross-border enforcement of administrative decisions regarding such workers.
18. Taking into account the demographic trends in Estonia and the European Union, **employment regulation should be made more flexible** in order to increase competitiveness, facilitate job creation and increase labour supply<sup>26</sup>. A goal of Estonia's EU policy is the revision of EU working time regulation by 2015. An updated working time regulation that better takes into account the needs of the labour market, employees and businesses should allow for the more flexible organisation of on-call time and the compensatory rest periods in order to prevent potential problems in some sectors arising from labour shortage. In addition, the option of entering into individual agreements regarding overtime (individual

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<sup>23</sup> See annex for operational objective I-f.

<sup>24</sup> The European Qualifications Framework (EQF) and the European Credit Transfer and Accumulation System (ECTS).

<sup>25</sup> See annex for operational objective I-f.

<sup>26</sup> See annex for operational objective I-g.

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working time opt-out) should be clearly regulated at the EU level so that employees can also use this option in future based on the principle of freedom of contract.

19. It is necessary to take joint measures at the EU level to increase the **availability of medicines** in small markets<sup>27</sup>. It is necessary to develop a mechanism for joint tendering to allow Member States to jointly procure medicines and vaccines on a voluntary basis. The conditions of joint tendering procedures must also be suitable to small Member States.

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20. In order to foster a favourable business environment, it is important to ensure that no EU initiatives result in over-regulation and additional administrative burden for businesses. This principle is of special importance to small and medium-sized enterprises. Estonia considers it necessary to create a common frame of reference of European contract law, since a **common European contract law**<sup>28</sup> would promote the proper functioning of the Single Market. This would facilitate cross-border business and trade business-to-business as well as business-to-consumer, reduce transaction fees and increase legal certainty for both traders and consumers. In the long run, the European Union should have a single code of contract law. A further goal of Estonia's EU policy is the harmonisation of general principles of civil law and contract law (ideally including consumer law) to the maximum extent possible for the purpose of the better functioning of the Single Market<sup>29</sup>.

21. Providing extensive cross-border mobility to businesses would enhance freedom to conduct business within the EU. Today, the possibility of transferring the registered office within the EU is not actually guaranteed, since the differences in the rules and regulations regarding company law and maintenance of registers do not allow for such action. Another measure to decrease the administrative burden of companies and increase their mobility is the facilitation of information exchange

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<sup>27</sup> See annex for operational objective I-h.

<sup>28</sup> Common Frame of Reference of European Contract Law (CFR).

<sup>29</sup> See annex for operational objective I-i.

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between commercial registers. Increasing the transparency and legal certainty of cross-border business transactions is even more important. In regard to improving company law, Estonia considers it important to **facilitate the cross-border mobility of companies**. The solutions for the development of any EU-wide forms of enterprises should be innovative and competitive, offering advantages as opposed to the current national regulations of Member States<sup>30</sup>.

22. An important measure in the full implementation of the Single Market and the related principle of free movement of persons is the **promotion of free movement of judicial decisions and other official documents within the EU**. The free movement of persons requires legal certainty that can be provided by the harmonisation of private international law, especially in areas regulating private relations between persons such as inheritance law and family law in general. The reinforcement of the four fundamental freedoms of the European Union requires **harmonisation of the provisions of private international law** and implementation of the automatic recognition of official documents<sup>31</sup>.

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23. The current internal market is not sufficiently innovation-friendly and its fragmented nature hinders the full exploitation of the potential of research and development (R&D) and innovation in the EU. The goal of the European Union is to become an Innovation Union by 2020. An important prerequisite in meeting this goal is the development of the European Research Area (ERA) by 2014<sup>32</sup> in order to create a Single Market of knowledge, research and innovation. Increasing innovativeness in the EU requires the prioritisation of and an increase in investments in the knowledge base, the reduction of costly fragmentation and the

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<sup>30</sup> See annex for operational objective I-i.

<sup>31</sup> See annex for operational objective I-i.

<sup>32</sup> According to the European Research Area Vision, Europe should promote the following: full implementation of the 'fifth freedom' or free circulation of researchers, knowledge and technology; increasing the volume and ensured quality of research and development activities; a sufficient number of motivated scientists and senior specialists in order to achieve positive results; special attention must be paid to the open recruitment of scientists, scientific visas and the issue of the social guarantees of young scientists.

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transformation of the EU into an environment that supports scientific research, innovation and the bringing of new ideas into the market. Fostering the union's competitiveness and achieving a functioning research-intensive economy requires the facilitation of highly skilled, scientific and learning mobility. It is in the best interests of Estonia to achieve the full development of the European Research Area and the creation of the conditions needed for its implementation in Member States<sup>33</sup>. Above all, Estonia places importance on scientific mobility within sectors and Member States, open and harmonised recruitment conditions, integrated and simple financing rules and procedures and open access to the R&D results and scientific infrastructures of Member States by the research community of the EU. It is important that the EU budget include increased financing for R&D and innovation and aims to achieve the goals of the Europe 2020 Strategy. The new budget should create better synergy between scientific and cohesion policy and also integrate R&D and innovation activities with other policy areas, including agricultural policy.

24. In the field of R&D and innovation in the EU, there is an increasing number of large, new initiatives that directly influence the activities and programmes of Member States – for example, innovation partnerships, initiatives on joint programming in research and the establishment of trans-European research infrastructure<sup>34</sup>. Horizon 2020<sup>35</sup>, the new strategic EU framework programme for funding research and innovation, must be fostered as an innovation-funding framework with simple rules, harmonised application and consideration for the specific nature of small Member States<sup>36</sup>. The first criterion in making funding decisions for research should be the excellence of projects. The location of extensive European research infrastructure funded by the framework programme should be regionally balanced and every Member State should have an equal opportunity to participate in the establishment and decision-making processes of programmes<sup>37</sup>. The support of small and medium-sized projects should be increased, as they allow for a quick and flexible response to

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<sup>33</sup> See annex for operational objective I-j.

<sup>34</sup> The 'ESFRI Roadmap'.

<sup>35</sup> Combines all current framework programmes for research and innovation and the European Institute of Innovation and Technology.

<sup>36</sup> See annex for operational objective I-k.

<sup>37</sup> See annex for operational objective I-l.

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changes in the external environment and function as initiators for large projects. A good example thereof is the cross-border Knowledge and Innovation Communities<sup>38</sup> initiated by the European Institute of Innovation and Technology (EIT) to cover key topics for Europe. The communities involve both research institutions and leading European enterprises.

25. From the point of view of boosting the competitiveness of the European Union, it is important to bring the outcomes of R&D and innovation to the market in the form of innovative products and services. This calls for better funding conditions of innovative start-up companies. The role and significance of young, innovative companies in the economy is influenced by a plethora of factors, most of which are relevant for all new companies and are the result of the general economic environment, e.g. conditions of establishing a company, taxation regime, access to external markets etc. **Young, innovative companies** need access to capital with high risk tolerance and ‘patience’ more so than other companies. Compared to the US, the situation of such companies in Europe is significantly worse. In the EU, the volume of venture capital investments is €15 billion smaller than in the US; this has a notable impact on the potential of R&D activities to reach the market as new products and services. In addition, there are considerable differences between the Member States themselves, with 55% of venture capital investments being made in five states (the UK, France, Germany, Italy and Belgium). The venture capital market has not fully developed in new EU Member States (with the volume of available capital being one tenth of the EU average) and needs more support from the public sector. This is a structural problem, which requires intervention at the EU level.
26. In regard to the EU level, the establishment and growth of young, innovative companies can be fostered not only with horizontal measures for the development of the internal market, but also by consolidating the single financial market, including taking regulatory and fiscal policy steps to support the cross-border activities of venture capital funds and using budgetary resources more efficiently. There are two kinds of support measures that need to be implemented in order to support young

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<sup>38</sup> The first three Knowledge and Innovation Communities (KIC) are EIT ICT Labs, KIC InnoEnergy and Climate KIC.

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innovative companies<sup>39</sup>: 1) facilitation of their **access to support activities within the single R&D funding framework and to structural funds** by alleviating both bureaucratic barriers (e.g. administrative burden in applying for funding) and financial restrictions (e.g. long periods of bridge financing), with the option of submitting e-applications and checking them via the Internet as additional facilitative measures; and 2) facilitation of their access to venture capital: creating opportunities for the implementation of instruments derived from venture capital in the single R&D funding framework and structural instruments, and creating the conditions necessary for the development of a trans-European venture capital market with special emphasis on those regions where the venture capital market is still in its early phase and needs support from the public sector. We are of the opinion that **cross-border venture capital funds should be established** at the EU level in order to create better opportunities for start-up companies to integrate with the international market and to support the more rapid and uniform development of the venture capital sector.

27. The fragmented and complex intellectual property area of the EU should be modified in order to make the protection and development of the main (intellectual) assets of innovative companies easier and less costly. The European patent granted by the European Patent Office is expensive and complicated. Average general fees for obtaining a European patent valid in each Member State exceed €32,000 and are therefore not always an option for small enterprises. Estonia strongly supports the establishment and enforcement of an **EU patent** in order to reduce expenses related to the protection of industrial property and to make it available to small and medium-sized innovative companies. The judicial system foreseen should ensure that each party to a proceeding has access to justice with sufficient appeal opportunities.

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28. The **EU Strategy for the Baltic Sea Region**<sup>40</sup> is an important measure

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<sup>39</sup> See annex for operational objective I-m.

<sup>40</sup> See annex for operational objective I-n.

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in increasing the competitiveness of the region and promoting the EU's internal market. Projects should be included in the action plan of the strategy in which cooperation provides added value at the regional level and, where possible, paves the way for trans-European solutions. Being in charge of the coordination of the internal market policy area in the strategy framework, Estonia is of the opinion that the hindrances to the internal market in the Baltic Sea Region should be removed by the following solutions that are most accommodating to businesses: e.g. interoperable IT solutions (including the establishment of a system of e-payments and e-invoices<sup>41</sup>), recognition of professional qualifications, establishment of a network of research institutions, identification and removal of legislative barriers, development of transport and energy infrastructures etc. Estonia considers it important that the updated action plan of the Strategy be taken into consideration by both the European Commission and Member States when planning and implementing the EU budget<sup>42</sup>, including the **instruments for the cohesion policy and territorial cooperation**. This promotes the joint planning and enactment of projects with strategic importance at the regional level and the achievement of the territorial goals of the EU's cohesion policy as a whole.

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<sup>41</sup> See annex for operational objective I-d.

<sup>42</sup> See annex for operational objective II-c.

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## II. ECONOMIC AND FISCAL POLICY & EU BUDGET POLICY

29. The major and paramount objective of Estonia's EU policy is to do the utmost to strengthen the euro area further. This must be done in conjunction with further deepening of the Single Market (see Chapter 1) and the strengthening of the financial system and the Single Market in financial services. The Economic and Monetary Union and the single currency are the pillars of a single Europe for both economic policy and general policy reasons. Secured price stability in the euro area, the safe single currency euro and the Single Market in financial services (relying largely on the single currency) are the underlying providers of the efficiently functioning EU internal market and free movement of resources and consequently the most important prerequisites for achieving the social and economic goals of the European Union. Hence the strong euro area and Estonia forming part of its core are fundamental for the development and economic security of Estonia. For these reasons, Estonia is ready to support the amendment of the Treaties if this is needed in order to strengthen the euro area, preferring solutions for the EU as a whole for the EU27 to strengthen the role of common institutions.
30. The primary task for the period 2011–2015 is to exit the crisis in the euro area and to ensure a stable economic **environment to foster sustainable economic growth** all over EU. The first task of the Member States is to reduce budget deficit and government debt and also ensure that in the medium term, the perspective budget positions are close to balance or in surplus. As part of the policy for sustainable economic development and increasing stability, it is important to achieve the goals of the Europe 2020 Strategy and its flagship initiatives, remove bottlenecks hindering the competitiveness of the Single Market and adopt the new Multiannual Financial Framework of the European Union for the period 2014–2020 supporting the competitiveness of the European Union.
31. Estonia supports the stronger **integration of the EU and the euro area** and also the introduction of new cooperation formats in order to foster the competitiveness, growth and financial stability of the euro area. The stability of the euro and competitiveness of the euro area rely *inter alia* on the following principles. First, a **strong and stable euro requires**

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**strict fiscal policy in each and every Member State.** In accordance with the main principles of the Stability and Growth Pact, the Member States of the euro area are committed to achieving a budget surplus or balance within an economic cycle and reduce government debt in order to ensure that the ratio of government debt and GDP remains constantly below 60% of the reference value, taking into account the effect of the ageing population and other risks related to public finances. The Member States need to introduce the rules of budget balance in their legislation. Secondly, in order to ensure sound budgetary positions of Member States and sustainable growth, **the factors influencing the budgetary decisions of the Member States need to be reinforced;** such factors include the effective functioning of the financial markets and the significantly more extensive coordination and surveillance of the budgetary and economic policies of Member States. It is also important to ensure consistency in the policy decisions of Member States and to assess the impact of the Member States' decisions regarding economic policy on the entire euro area and other Member States. Thirdly, **EFSF and ESM mechanisms** created or to be created to ensure the financial stability of the euro area must guarantee the emergency support to Member States in major crises so as to enable any state concerned to implement the reforms necessary to stabilise its economy and budget. In the medium and long term, emergency financial support should not be targeted at minimising expenses of loan servicing (so-called 'moral hazards') but at promoting a sustainable and responsible budget policy. Estonia supports **the smooth incorporation of crisis management mechanisms into the community treaty framework** and is willing to ratify the treaty establishing the European Stability Mechanism (ESM)<sup>43</sup> and the corresponding amendments to the Treaty as the relevant prerequisite. Fourthly, **the European Central Bank guarantees the stability of monetary policy and price stability in the euro area.**

32. In order to implement these principles, the Member States of the European Union and the euro area should:
- implement the new Excessive Deficit Procedure and the Excessive Imbalances procedure under the reformed Stability and Growth Pact and

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<sup>43</sup> The European Stability Mechanism (ESM) is an international institution that must be approved by the Parliaments of Member States and will be audited by external auditors.

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- the new directive on the budgetary policy framework, and pay more attention to macroeconomic imbalances that give an early indication of economic and budgetary problems in Member States;
- set ambitious medium-term budgetary goals to pursue cyclically balanced budgets and a permanent decrease in indebtedness. In addition, the requirement of a balanced budget (a debt brake) should be introduced in national legislation in order to ensure budgetary discipline;
  - enhance compliance with the Stability and Growth Pact in the Member States of the euro area through more stringent intervention in the budgetary processes of states under the Excessive Deficit Procedure or financial assistance programme;
  - in the stability and reform plans of Member States, set concrete and ambitious national objectives in the framework of the European Semester and the Euro Plus Pact that support the implementation of the Europe 2020 strategy, meet the objectives set and also reinforce relevant supervision at the European level (including sanctions);
  - at the EU level, increase (downward) nominal wage flexibility by using legislative measures and/or by consulting social partners;
  - find a balanced solution to prevent and resolve cross-border financial crises that takes into account the functioning of the Single Market. This solution should include enhanced financial supervision over cross-border financial groups, improved and harmonised capital and liquidity requirements of financial institutions and the introduction of credible stress tests for banks (see below);
  - ensure that the stability mechanisms of the euro area have the necessary power to react in a crisis situation, bearing in mind the extraordinary nature and inherent strict conditionality of the stability mechanisms. The principles and conditions of use of the stability mechanisms must ensure that their implementation supports the economic and budgetary policies of any particular Member State and is aimed at the responsible and sustainable growth and effective functioning of the financial markets;
  - respect, without exception, the principle that any extraordinary assistance received under the stability mechanisms is based on an economic programme of the Member State that is concrete, ambitious and per-

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tinent to the form of the assistance, and on constant monitoring of the implementation of this programme;

- increase the reliability of official statistics in Europe by fully implementing the European Statistics Code of Practice; this also calls for Eurostat to continue its efforts to increase the quality of the debt and deficit statistics of Member States. In addition, it is important to increase the quality of statistics used on the scoreboard for monitoring macroeconomic imbalances between Member States;
- enhance the efficiency of the management of the euro area by supporting the central role of the European Commission therein; and
- continue pursuing the enlargement policy based on the sustainable fulfilment of the Maastricht criteria, attaching particular significance to integrating the countries of the Baltic Sea region with the euro area.

33. The **strength and credibility of the single financial market** of the EU is of the utmost importance in the development of a stable economic environment promoting growth and ensuring the effective allocation of deposits and other financial resources throughout the European Union. The main objective of the period 2011–2015 is to eliminate the effects of the financial crisis and to develop and implement common crisis prevention and management measures that support the Single Market<sup>44</sup>. Being a small and open economy, the financial market of Estonia is strongly integrated with the Nordic financial markets in particular. The financial integration of the Baltic Sea region is one of the most critical factors supporting the entire region, including Estonia, in recovering from the crisis swiftly.
34. A prerequisite for the integration of the banking and financial system is comprehensive cooperation and exchange of information between supervisory authorities and central banks (and ministries, where necessary) in the region in both day-to-day supervisory activities and preparatory activities regarding crisis prevention and management systems in the framework of the Nordic-Baltic Cross-Border Stability Group and the Memorandum of Cooperation. In this context, Estonia is interested in **supporting the European System of Financial Supervisors and its material and institutional development**, which is a prerequisite for the

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<sup>44</sup> See annex for operational objective II-b.

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financial stability and effective functioning of the Single Market for financial services in the European Union<sup>45</sup>. Whereas:

- Estonia supports the **effective functioning of the European financial supervision system** as reformed in 2009, including (a) the efficient implementation of institutionalised cooperation formats (in particular the colleges of supervisors and stability groups) between Member States and their supervisory authorities; and (b) the functioning of the three financial supervisory institutions of the EU and their coordinating role in the European System of Financial Supervisors, including in the implementation of common supervisory standards and also in facilitating information exchange and cooperation.
  - **The division of rights and responsibilities in cross-border relations must be balanced** in order to avoid new barriers and ensure each party's access to information, group-based supervisory decisions and financial stability in each relevant Member State.
  - In crisis solutions, private sector resources should be clearly preferred to taxpayers' money. In establishing crisis management funds based on the contributions of financial institutions, it is necessary to integrate deposits, investor protection and insurance guarantee schemes with the system. Improving the financial literacy of the population is a growing priority in the strengthening of the single financial market.
  - In order to ensure the functionality of the comprehensive crisis management and prevention system, it is important to agree on principles for dividing any potential state budgetary commitments arising from the implementation of the system.
  - In order to mitigate risks, **capital requirements** must be established that provide for the building up of sufficient capital buffers. In addition, supervisory authorities should have sufficient and appropriate measures and competences for intervention in the activities of financial institutions as early as possible to prevent a potential financial crisis.
35. The main objective of **coordinating taxation matters**<sup>46</sup> and the relevant legislation in the European Union is creating conditions to achieve an

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<sup>45</sup> See annex for operational objective II-b.

<sup>46</sup> See annex for operational objective II-a.

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economic environment that fosters growth, competitiveness and sustainable public finances. The tax regimes of Member States need to support the better and more efficient functioning of the Single Market. Simplicity, transparency and a broad tax base are the cornerstones in achieving these objectives. In developing tax policy, including implementing new taxes, the integrity and effectiveness of tax systems and also the impact on the general tax burden and development of the Single Market must be borne in mind. Furthermore, the global competitiveness of the European Union must be taken into account. For the sake of increasing competitiveness and resource efficiency, we advocate shifting taxes from capital and labour to resources.

36. Indirect taxes have a direct effect on trade between Member States. To reap the full benefits of the Single Market, the value-added tax system must be harmonised, simplified and made less vulnerable to fraud. It is also important to pursue a more uniform implementation of excise duties. Estonia seeks the reduction of exceptions in indirect taxes and the promotion of measures for simplifying taxation and detecting fraud<sup>47</sup>. In the area of direct taxes, we are unwilling to go further than coordinating direct tax systems<sup>48</sup>.
37. An important task for the coming years is the development of a **budgetary framework**<sup>49</sup> for the next period (2014–2020) that supports European competitiveness. The activities funded from the EU budget must provide clear trans-European added value compared to funding at the national or municipal levels. The EU budget must be designed to achieve the priorities of the Europe 2020 Strategy and its national implementation strategies that support the strengthening of competitiveness. The breakdown of resources in the EU's long-term budget and all common policy areas, including the common agricultural policy and EU cohesion policy, must support the achievement of the priorities of the Europe 2020 Strategy. Given the pressure for budgetary consolidation in Member States due to the crisis, the volume of the current financial framework as a percentage of EU GNP is optimal for the next period. More should be invested in research and development activities and the

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<sup>47</sup> See annex for operational objective II-a.

<sup>48</sup> See annex for operational objective II-a.

<sup>49</sup> See annex for operational objective II-c.

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development of trans-European infrastructure networks. In the development of transport infrastructure, not only rail but also urban transport should be given greater priority, since there are often significant problems in this field and it is also possible to achieve climate goals by supporting public transport and light traffic.

38. In allocating cohesion policy resources we support strict conditionality, including a strong connection with the Europe 2020 Strategy and the requirements of balanced budgets and low government debt. The allocation of instruments should primarily be based on the relative wealth of regions but also on their capacity to use the instruments efficiently. During the next budget period, Estonia will continue to benefit greatly from the EU budget. One of Estonia's objectives is to enhance competitiveness by means of investments under the cohesion policy and, thereby, the welfare of the state so as to eliminate the need for cohesion policy resources in future. Such investments foster the development of Estonia.
39. In the long run, Estonia favours the introduction of autonomous, transparent and simple own resources that would make the collection of budgetary revenue more transparent for citizens and reduce distortion arising from exceptions. While considering the introduction of new own resources (EU tax), it is important to bear in mind its effect on the tax burden and the sufficiency, stability and long-term fairness of new own resources and also added value compared to the simplified version of the current system.

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### III. CLIMATE AND ENERGY POLICY

40. The goal of the European Union's climate and energy policy is to integrate the climate change mitigation activities with activities designed to increase the competitiveness of the economy, strengthen the internal market of energy and secure energy security. On the one hand, this ambition will support achieving the important goal of more resource-efficient energy production and the overall EU economy by reducing energy consumption and increasing energy efficiency and the share of renewable energy. On the other hand, it puts to the test the EU's energy security. Therefore it is important to ensure both the production of energy (including nuclear energy that meets the common safety criteria) within the EU and conditions for importing energy that meet the EU's environmental and safety requirements. The main goal of energy-related external relations continues to be security of supply, including the implementation of the principles of the Energy Charter Treaty. A uniform approach and efforts regarding the safety of nuclear power plants located and being built in the neighbourhood of the EU are also necessary.
41. Estonia supports a **common EU climate policy** and the leading role of the union in international climate policy matters. Estonia promotes entry into a legally binding global climate agreement that includes the world's largest economies, while still being open to accept the Second Commitment Period of the Kyoto Protocol. It is important to achieve the EU target of reducing greenhouse gas emissions by 20% by 2020 compared to 1990. Estonia is prepared to consider increasing this target to 30%. However, this calls for planning and implementation of measures at the EU level to mitigate the unwanted effects of the vigorous climate policy on competitiveness. Considering the environmental goals, Estonia also feels it important to limit the carrying-over of assigned amount units to subsequent commitment periods. Setting long-term targets for the reduction of greenhouse gas emissions by 2050 must proceed. In order to reduce greenhouse emissions and make a transition to the low-carbon economy, the EU emission trading system should be expanded to other economic sectors. The main prerequisites for an effective climate policy are technological development and the better use of indigenous EU resources. Development of technology must support changes in the

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energy balance<sup>50</sup>. Another reason to support renewable energy is the diversification of energy production in the EU. In addition, all domestic energy sources should be put into appropriate use, which includes incrementally making fossil fuels a temporary replacement source for renewable energy in cases where it is not possible to produce enough renewable energy.

42. The European Union depends on energy imports and therefore **energy infrastructure** must be developed in order to support the internal market and promote the diversification of suppliers. Projects that meet these criteria should be financed by both economic operators and the EU budget. From the regulatory viewpoint of the internal market, rules and regulations for energy trading and the external dimension of the internal market are important for the EU. Common rules regarding **importing electricity from third countries** need to be established in order to achieve an effectively functioning European energy market and to ensure energy independence. Estonia is interested in increasing energy security by establishing energy interconnections and creating a level playing field for EU energy producers vis-à-vis third countries. The Baltic electricity market needs to become a part of the Nord Pool Spot energy exchange system<sup>51</sup>.
43. In order to reduce the overall resource intensity of the economy, the framework conditions need to be established at the EU level – this is the only way to avoid competition distortions on the energy market. Estonia supports setting minimum EU excise duty levels for energy products according to their carbon dioxide emission and energy content. In the longer term it will be necessary to analyse ways of reducing the distortive effect of public support mechanisms. **Supporting renewable energy sources** must be reasonable and depend on the market price of energy; it must also ensure that the proportion of renewable energy in the energy balance increases. From Estonia's point of view, the most important task is to achieve the general renewable energy target. If the target of 10% renewable energy in the transport sector cannot be rationally achieved in our climatic zone and/or problems regarding competition in food

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<sup>50</sup> The technological development of such areas as smart grids, energy storage options, third generation biofuels, photo tubes, carbon capture and storage, nuclear reactors, shale gas production and shale oil production would serve the interests of EU climate and energy policy.

<sup>51</sup> See annex for operational objective III-a.

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production persist, this deficiency could be compensated in the heating or electricity sector, where it is undoubtedly more advantageous to the community. Estonia will benefit from the establishment of a favourable environment for the more extensive use of renewable energy. The first step in promoting the production of renewable energy is to implement statistical transfers of renewable energy<sup>52</sup>; in the long run, the viability of related EU-wide mechanisms are needs to be analysed. Estonia supports the development of common EU policy on principles for the support of renewable energy in order to achieve the aforementioned goals. Support measures for renewable energy in different Member States must be market-based and follow the common principles of EU state aid. It is also important to update the Energy Taxation Directive to match the climate goals<sup>53</sup>.

44. An important element and a key area of EU climate policy is an **increase in energy efficiency** aimed at reducing greenhouse gas emissions in the agreed volumes and saving on resources. These targets cannot be achieved quickly without the support of EU funds<sup>54</sup>. The funds need to be allocated during the next budget period once the investment needs have been calculated. In setting a binding target for increasing energy efficiency, Estonia supports an indicator based on end use, since the main goal is to influence consumer behaviour. Due to energy exports, production of primary energy in Estonia may continue to increase<sup>55</sup>.

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<sup>52</sup> Renewable energy produced in one country will be exported to another and taken into account in energy balance calculations; the legal basis is provided in the Renewable Energy Directive 2009/28/EC.

<sup>53</sup> See annex for operational objective III-b.

<sup>54</sup> Additional funds may be necessary e.g. in the case of investment aid for the implementation of energy-efficient technology and systems for co-generation and energy management, building renovations, energy efficiency research and innovation programmes etc. Estonia has listed its specific activities in the National Energy Efficiency Action Plan.

<sup>55</sup> See annex for operational objective III-b.

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## IV. TRANSPORT POLICY

45. The main task of the EU's transport policy is to develop a **common transport market** and increase its competitiveness and resource efficiency. A prerequisite for a functioning Single Market is more efficient **trans-European infrastructure** and **better connections between EU regions**<sup>56</sup>. This requires both EU support during the next financial framework and the relevant political will in Member States.
46. Due to Estonia's peripheral location and lack of transport connections, it is important to complete the Rail Baltic and Via Baltica projects in order to create **modern connections** between the Baltic States and the rest of the EU<sup>57</sup>. A goal of Estonia's EU policy is to establish a development plan for Rail Baltic by 2012 at the latest (including the initiative on establishment of a joint venture) with Latvia, Lithuania, Poland and the European Commission and to implement the project according to the agreed timeframe. According to the estimates of the European Commission<sup>58</sup>, the amount of investment needed for the development of infrastructure in the transport area from 2010-2030 exceeds €1.5 trillion. One of the bottlenecks is the development of the TEN-T transport network in the Baltic Sea Region, especially in connecting the Baltic States with the transport corridors and systems of Central Europe. Therefore the choice of funding models to be agreed on in the long-term EU budget framework (2014–2020) is of the utmost importance to the development of the union's transport area. The aims of the new EU infrastructure fund (the Connecting Europe Facility) are to support the development and integration of the internal market, to take into account both macro-regional priorities and the needs of small and peripheral states and to also be a suitable funding model for converging regions. The new long-term budget must support the achievement of the goals in the transport area set out in the government's action programme and Estonia's EU policy. Since sea connections are important to Estonia's economy, their functioning must be ensured year-round. Therefore it is important to support a joint icebreaking policy on the Baltic Sea,

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<sup>56</sup> One of the main goals set out in the European Commission White Paper on Transport (COM(2011) 144) is the unification of the transport systems in the eastern and western parts of the EU.

<sup>57</sup> See annex for operational objective IV-a.

<sup>58</sup> WHITE PAPER Roadmap to a Single European Transport Area – Towards a competitive and resource-efficient transport system (COM(2011) 144).

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operational cooperation between Member States and the effective use of available resources.

47. From the point of view of the external dimension of the single market, attention must be paid to the neighbouring regions of the EU in order to reduce the amount of time and resources necessary for the carriage of goods and passengers<sup>59</sup>. For the north-eastern part of the European Union, the most important step is to improve connections with Saint Petersburg, the largest city in the vicinity. Primary attention must be paid to the implementation of e-customs and e-declaration and the integration of the information systems of different institutions. The EU should maintain a common transport policy in communicating with international organisations (such as the UN) and non-Member States.
48. Besides physical infrastructure, the transport policy itself also needs to be developed. Estonia supports the continuous opening and liberalisation of the road transport, aviation, rail and maritime sectors in order to ensure greater integration of the EU transport market. Greater openness of the road transport market requires the **internal market to be opened up to cabotage operations**<sup>60</sup> in every Member State by 2015 in order to ensure the free provision of services<sup>61</sup>. In the rail sector, a single European railway area needs to be developed in order to remove hindrances such as the need to change engines on state borders due to different technical requirements, or blocked access to depot services due to the protectionist attitudes of Member States. The current situation hinders the smooth and effective provision of services and is economically unreasonable. In the aviation sector, the Single European Sky action plan must be fully implemented and the principles of the European Common Aviation Area must be extended to neighbouring countries in order to

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<sup>59</sup> The planning of a new TEN-T network is ongoing and will lead to a draft proposal in autumn 2011. It is important that the network include both intra-EU connections and connections crossing the EU's external borders.

<sup>60</sup> Cabotage: road haulage of goods in Member States where the operator was not established. Currently, cabotage is limited (following international haulage, operators are only able to undertake three domestic loads in a period of seven days); this inhibits the functioning of internal market and increases expenses for EU operators. In addition to strengthening the internal market and providing economic benefits, this issue is relevant in the context of climate and energy policy as well: less unladen journeys would save both environment and energy. In such issues, the cohesion between different policy areas needs to be increased.

<sup>61</sup> See annex for operational objective IV-b.

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ensure fair competition and equal safety and environmental standards. Within the framework of Open Skies agreements, further agreements must be entered into with third countries, in particular those in Asia. Estonia considers it important to implement the new generation European air traffic management system (SESAR) by 2020 and to participate in related development activities. The existing maritime sector only has an international market and no internal EU market, since vessels travelling between Member States are treated in the same way as vessels arriving from third countries. The functioning Single Market requires the removal of repetitive customs procedures in every Member State<sup>62</sup>. Operations can also be facilitated with the implementation of e-maritime.

49. The coming years will see the continued **integration of EU transport policies** with other areas, in particular **competitiveness** and **sustainability**. In addition, the transport sector as one of the largest sources of gaseous emissions must adapt to the **goals of the EU's climate and energy policies**<sup>63</sup>. Since restriction of movement is not a viable option, meeting energy efficiency and environment protection targets requires a technological leap in the introduction of both cleaner and more resource-efficient vehicles and planning systems. The development of the relevant technology requires both investment in innovation, including for the implementation of intelligent transportation systems and e-solutions for urban transport (e.g. e-parking), and stronger regulatory pressure, since the independent development of the market is not sufficient. In planning, this means management of traffic demand and the more efficient planning of land use, enabling a reduction in forced traffic and energy consumption in transport. Walking and cycling should become an integral part of urban mobility and infrastructure design. In addition, one of the potential trends includes moving the system of fees and taxes in the transport sector towards the 'user pays' and 'polluter pays' principles, which also includes fuel taxes and the general taxation of the carbon dioxide component besides imposing road user charges and taking into account expenses related to local externalities such as noise and

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<sup>62</sup> The Blue Belt initiative includes a pilot project on reducing formalities for ships travelling between EU ports; the goal of the project is to prove to the largest opponents (customs organisations) that this is actually possible. Its goal in the long run is to ensure free maritime movement in and outside of the EU. Estonia supports the rapid implementation of the Blue Belt.

<sup>63</sup> The European Commission has proposed a milestone of reducing GHGs in the transport sector by at least 60% by 2050 (COM(2011) 144).

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air pollution. At the same time, the oil dependence of the transport sector must be reduced in order to avoid endangering the mobility of goods and passengers and thus the general competitiveness of the EU.

50. The most important aspect in regard to imposing road user charges and calculating externalities is the transparency of tax revenue and channeling revenue to increase the quality of infrastructure so that users can obtain tangible returns on increasing expenses. In the internalisation of external costs, according to the 'polluter pays' principle the accruing revenue needs to be allocated to areas where problems arise, such as environmental and health protection. A downside to increasing tax burden is the potential damage to competitiveness of the EU and Estonia: increasing transportation service costs may hinder the availability of services, have a negative impact on the economic situation of transport operators and increase the need for public sector subsidies. Therefore the peripheral status and population concentration of some EU regions need to be taken into account in the development of EU policies.

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## V. ENVIRONMENTAL, FISHERIES AND AGRICULTURAL POLICIES

51. **Sustainable management of resources** is central to several EU policy areas and is becoming increasingly topical in all economic sectors and other areas of life. Achieving resource efficiency requires the sustainable management of all resources – commodities, energy, water, air, earth and soil. It is in Estonia's best interests to protect the environment and achieve resource efficiency by integrating environmental requirements into the identification and implementation of all EU policy areas that may have a significant environmental impact. Consequently, it is important to integrate the principles of development of different policy areas with principles regarding research and development, taxation, funding and legal measures. This would contribute to achieving resource efficiency and the increased competitiveness of the EU economy. In order to achieve resource efficiency, it is important to ensure the safe balance and sustainable management of natural resources, reduction of waste generation to almost zero, restoration of ecosystems, valuation of ecosystem services and acknowledgment and avoidance of systemic risks arising from economic activities. Estonia considers it important to prepare the 7<sup>th</sup> Environmental Action Programme and agree upon common goals in order to achieve resource efficiency<sup>64</sup>. In addition to implementing resource efficiency principles, the programme should also place greater emphasis on topics that until now have received inadequate political attention (e.g. noise and air) or demand more efficient regulation at the EU level (e.g. soil protection). Estonia supports additional measures to improve the harmonised implementation of the union's environmental policy in every Member State by guaranteeing fair competition conditions for manufacturers and equal rights depending on the state of the environment.
52. It is in the best interests of Estonia to include environmental policies in the development of a resource-efficient economy. An important prerequisite is the influence of the **public sector** in shaping behaviour and consumption patterns. Implementation and efficient and purposeful use of **green public procurement programmes** helps to reduce and avoid the unfavourable impact of the economy and other areas of life on the

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<sup>64</sup> See annex for operational objective V-b.

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environment, and to increase the competitiveness of the EU's economy through sustainable use of natural resources. For Estonia, the list of important criteria for public procurements includes considering the life cycle costs of products and services, gradual implementation of green public procurement principles and development of EU product regulations. In achieving resource efficiency, we consider it important that tax measures be implemented more efficiently and that an increase in taxation on the consumption of natural resources bring about a concurrent decrease in labour taxation. It is in Estonia's best interests to promote the more efficient use of resources among manufacturers and consumers and to support the adoption of green technology. Shaping the consumer decisions of the public requires easily understandable communication of product-related environmental information. Resource efficiency can only be achieved by ensuring the functioning of ecosystems and by taking the value of ecosystem services (economic and otherwise) into account in national decision-making processes.

53. An important task of **EU waste policy** in moving towards a resource-efficient economy is to reduce waste generation and to recycle or otherwise reuse the materials in waste. In order to achieve resource efficiency, waste should henceforth be treated as a resource. Estonia considers it important to develop national waste prevention programmes in all Member States and to strengthen the monitoring of enforcement of waste management legislation. Estonia supports the meeting of the waste reuse targets of 2020, according to which 50% of yearly household waste is to be recycled and 70% of yearly construction and demolition waste is to be reused. In order to meet these targets, separate waste collection must be promoted since it will ensure a higher quality of recycled waste materials. Implementation and development of new technology make it possible to reuse waste that cannot be recycled as materials for energy production or other purposes. To achieve a better and greener use of resources, the EU should further develop the concept of extended producer responsibility, where the impact of a product or service on the environment and human health throughout its life cycle must be taken into account as early as in the product or service development phase, and apply this concept to new product groups. When a product turns into waste, its collection and recycling is the producer's responsibility. Estonia promotes the notion that in product development, the aspect of reducing dispersal of waste

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and hormone and pesticide substances in the environment should be taken into account.

54. In accordance with the EU **water protection targets**, a good and natural status of all EU surface water and groundwater, including EU trans-boundary waters, should be achieved by 2015. Estonia regards it as important that the European Commission continue negotiations with third countries in order to achieve more efficient cooperation regarding international river basins. The improvement of the currently mediocre status of Lake Peipus requires improved cooperation with Russia, including agreeing on improvement measures and taking fishing resources into account in the implementation of such measures. It is important for Estonia that the updating process of EU water policy include an assessment of the need to update the water management area as a whole (with the exception of marine protection) and that proposals regarding the updating of the water policy include solutions for all major water-related problems. Estonia hopes that the new EU water policy will take into account the water problems of all Member States and include waste-related aspects. A necessary target for development is the implementation of integrated water resource management in order to allow for the effective use of particular water resources in several areas. For example, the possibilities of using cooling water and acid mine drainage in heat production should be researched and promoted; this would correspond to energy policy targets and help reduce the ecological footprint of water use.
55. **Biodiversity in the natural environment** is the basis for the vast diversity of natural resources. Estonia supports the EU's biodiversity policy<sup>65</sup> with the central target of achieving a favourable status of habitats and species and efficient functioning of the Natura 2000 Networking Programme, a trans-European nature protection network. We feel that the achievement of a resource-efficient economy requires an enhanced appreciation of biodiversity, ecosystems and their services. Estonia supports a stronger EU initiative in also protecting the natural environment outside of conservation areas and considers it of the utmost importance to ensure the coherence of habitats. In order to achieve the target of 2020 regarding combating biodiversity loss, Estonia considers it important to maintain functioning, service-providing ecosystems that also serve as a basis of so-

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<sup>65</sup> The EU Biodiversity Strategy 2010–2020.

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cial welfare. In addition, it is important to restore destroyed ecosystems as far as feasible. Estonia feels it is important to have the management plans of Natura 2000 sites ready by 2014 and to initiate the development and implementation of the relevant assessment methodology by 2015. It is important to promote the development of green infrastructure and the integration of biodiversity measures, first and foremost into agriculture and forestry, and to ensure sufficient instruments for nature conservation by also engaging the private sector. In regard to forests as an important resource, Estonia would rather the EU followed the concept of sustainable forestry in setting related goals in order to ensure forest vitality and productivity along with multiple use. From the point of view of Estonia, felling forests, a biological carbon stock, should not be regarded as an accountable emission<sup>66</sup>.

56. Estonia supports the efforts of the European Union in ensuring **cleaner ambient air**. In order to improve the quality of the air, the technologies used in energy and industry should be optimised. Since the pollution of ambient air means long-range transboundary pollution, such pollution must be reduced in all countries in Europe in order to achieve any results. For the purposes of developing an international regulation for the protection of ambient air, the EU actively participates in the revision process of the Gothenburg protocol to the Geneva Convention on Long-Range Transboundary Air Pollution to Abate Acidification, Eutrophication and Ground-Level Ozone providing new limit values for emissions of air pollutant for 2020. In this process, Estonia supports ensuring that the requirements of the revised protocol maintain a balance between economic development and the natural environment. In addition, all parties to the Geneva Convention should participate in the protocol review process as extensively as possible.
57. The **fishery resources** of Europe have been overexploited for decades and the current fishing capacity exceeds existing resources. National eel management plans and a long-term cod management plan for the Baltic Sea have already been implemented for the purpose of restoring fishery

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<sup>66</sup> Forests as a whole continuously absorb carbon, and timber use does not bring extra carbon into circulation. Felling (regenerative, thinning, sanitary and selective) provides timber for the manufacturing of timber products that act as carbon dioxide stores during their lifetime. Without felling, weaker, smaller and old trees die and decay; these processes produce carbon. Using timber instead of other materials supports a reduction in the consumption of fossil fuels and non-renewable resources.

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resources. Since relationships among different fish species in the food chain should be taken into consideration in managing fishery resources, the existing cod management plan needs to be replaced with a coherent cod, sprat and herring management plan<sup>67</sup>. In addition, a long-term salmon management plan for the Baltic Sea must be adopted. One way of ensuring the sustainability of fishery resources and meeting the EU's demands for fishery products is aquaculture.

58. A goal of Estonia's EU policy is the **sustainable management of fishery resources** as an important natural resource<sup>68</sup>. It is in Estonia's interests to move towards maximum sustainable yield of fishery resources, bearing in mind that long-term goals need to be observed and fishery resources need to be preserved for the future. In addition, it is important for Estonia to maintain the special status of coastal areas and the development of producer organisations. Estonia suggests that fishing opportunities be set out in accordance with long-term recovery and management plans that are based on exhaustive scientific research on fishery resources and socio-economic analyses. Financial aid must be consistent with the goals of sustainable management of fishery resources, being first and foremost targeted at supporting structural changes in the sector. Direct replacement investments should be avoided. It is important to disclose fishing data on a frequent basis in order to increase the responsibility of the fishery sector for the use of fishery resources and thus ensure their sustainable management. It is in Estonia's best interests to allocate more funds to fishery-related R&D during the new budget period in order to develop a competitive and sustainable aquaculture sector in the European Union. It is also important to allocate more funds to the restoration of fishery resources and their habitats in order to ensure the favourable status of such resources.
59. One of the most important tasks of the **agricultural policy** in Europe and the world generally is to create resource-efficient and environmentally sound methods to continue to guarantee the security of the healthy food supply for the population. In order to promote a balanced increase of agricultural production in the food production chain, it is important

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<sup>67</sup> The main food items for cod are sprat and herring; the currently increasing cod resources are causing the diminishing of sprat and herring resources.

<sup>68</sup> See annex for operational objective V-a.

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to support the development of joint cooperation horizontally and vertically. In the global framework, the agricultural sector of the EU should become more market-oriented in order to become more competitive. In addition, the agricultural sector needs to tackle such new challenges as adapting to climate change and lack of water resources. Taking into account the ever-increasing lack of food around the world, the next budget period is also one in which a solution must be found regarding the arable land in Estonia not declared so in 2004 and which therefore remained ineligible for support. An important role in increasing the competitiveness of the European model of agriculture is played by R&D and innovation. R&D is useful in increasing the production efficiency of the agricultural sector, developing weather- and pest-resistant plant varieties, supporting organic agricultural products with high market value and reducing environmental burden. In the development of a sustainable agricultural sector, it is also important to take into account the risks posed to animal and plant health and the requirements of animal welfare.

60. A goal of Estonia's EU policy is to develop a strong, sustainable and competitive European **model of agriculture**<sup>69</sup>. In developing and implementing new technology, ongoing attention must be paid to agricultural production. It is important to allocate funds to the development of local, healthy food. It is essential for Estonia to make use of the best research information in agriculture and the food production industry and to allocate more funds of the EU Framework Programmes for Research to make the agricultural sector more scientific and innovative. Research information can also be put to better use by developing an integrated counselling system that takes into account the needs of farmers. In deciding upon placing genetically modified plant varieties on the market, Estonia will draw on the best research information and expert assessments of specialist national committees. A new dimension is our support for emphasising the water protection component of the Common Agricultural Policy at the EU level due to the fact that water is a vital resource for both agriculture and the entire population. Estonia considers it important to expand activities that support favourable agricultural and environmental conditions throughout the EU, to create programmes to increase environmental awareness among farmers and

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<sup>69</sup> See annex for operational objective V-c.

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to support innovative solutions for reducing agricultural burden related to water use.

61. An important EU problem that needs tackling is setting objective criteria to **direct payment schemes** in order to increase their coherence. Along with several other Member States, Estonia believes that an important task for the next period (2012–2020) is to review the current direct payment system in order to eliminate competition distortion among Member States (and farmers) arising from wide differences in aid levels. Estonia is of the opinion that the level of direct payments to Estonia during the next budget period should amount to 90% of the EU average **without increasing the general volume of direct payments** (see also Chapter 2). Estonia supports the transformation of the direct payment system into one that resembles the single area payment scheme. Estonia regards it as important that the agricultural production industry provide not only food production but also a public good necessary for society, which should be compensated according to expenses. Based on the recommendations of the European Court of Auditors, Estonia considers it important to pay full direct payments only to active farmers, as defined at the EU level. Estonia supports the supplementing of direct payments with green components, but this should not endanger the implementation of agri-environment payments related to rural development policy, and the specific natures of the Member States must be taken into account in decision-making.
62. Estonia is of the opinion that during the next budgetary period the volume of **instruments for rural development** in the common agricultural policy should remain at the current level or increase in Member States and the EU as a whole. In regard to rural development policy, Estonia supports the strengthening of measures targeted at environmental protection, biodiversity and the competitiveness of the agricultural and food sector, increasing the competitiveness of the forestry and agricultural sectors, the diversification of economic activities and balanced development of rural areas. Such activities serve the purpose of boosting the availability of jobs and services and creating a versatile environment with various options to choose from. They are also important in light of the environmental goals of Estonia's national plan. Estonia supports simplifying the support measures, reducing the burden of controls regarding farmers and establishing measures aimed at young farmers. The defini-

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tion of Less Favoured Areas (LFA) needs to be revised so as to be based on coherent, objective and nature-related criteria at the EU level.

63. Estonia supports maintaining and updating the current principal market management tools and the implementation of a risk management system. We are of the opinion that market management tools should not influence the production decisions of farmers and therefore that such tools should be implemented consistently.
64. Estonia feels that the EU should pay more attention to the prevention of animal diseases in order to reduce expenses caused by such diseases. In addition, we support the adoption of a common plant health regime in order to reduce the spread of dangerous pests in the community and thereby increase the competitiveness of the agricultural sector.

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## VI. JUSTICE AND HOME AFFAIRS

65. The entry into force of the Lisbon Treaty led to a conceptual development, primarily in increasing EU competence in criminal law and law enforcement. The adoption of the Charter of Fundamental Rights as part of the Lisbon Treaty was one of the most important amendments. In addition, 2009 saw the adoption of the third multiannual strategy in the area of justice and home affairs (the ‘Stockholm programme’) and its action plan with an increased focus on ensuring the fundamental rights and freedoms of EU citizens. This also implies that important changes await the area of justice and home affairs, which used to be based primarily on intergovernmental cooperation. These changes are partly due to the fact that ensuring the development of the fundamental freedoms and Single Market of the European Union and its functioning requires more extensive harmonisation of security-related legislation. Estonia looks forward to approximating minimum penalties and adopting minimum standards for procedural rights, strengthening cooperation in the fight against cybercrime, illicit drug trafficking and human trafficking, implementing new IT solutions and harmonising IT systems, which all help to reinforce the positive image of Estonia. In the field of justice and home affairs, Estonia recognises the importance of migration-related issues and abiding by Schengen principles. While badly managed migration may have an impact on social cohesion and citizens’ confidence in an area without internal borders, well-managed migration could have positive value from the point of view of the EU. Special attention must be paid to aspects of personal data protection, since it is necessary to guarantee free movement of data on the one hand and the protection of privacy on the other.
66. Above all, it is important for the EU to **harmonise substantive criminal law** regarding serious cross-border crimes and to **facilitate cross-border cooperation** in criminal proceedings; this plays a particularly important role in discovering and solving crimes. Estonia considers it important to implement the principle of mutual recognition in the field of international legal cooperation<sup>70</sup>. We feel it necessary to facilitate the EU legal

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<sup>70</sup> See annex for operational objective VI-a.

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framework regarding collection of evidence<sup>71</sup>. In criminal law areas, Estonia supports the EU-wide harmonisation of constituent elements of and minimum penalties for criminal acts that are cross-border in nature<sup>72</sup>. With the simplification of criminal proceedings it is also important to safeguard the fundamental rights of parties during proceedings irrespective of the location of conducting the procedural acts. In order to ensure high-level protection of the fundamental rights of persons, Estonia promotes the EU-wide establishment of common minimum standards regarding the rights of victims, suspects and accused persons within criminal proceedings. The basic procedural rights are also safeguarded by the Charter of Fundamental Rights and the accession of the European Union to the European Convention on Human Rights and Fundamental Freedoms.

67. In setting priorities in combatting serious and organised crime, Estonia supports a systemic risk-based approach. Estonia considers the confiscation of assets obtained from an offence and combatting cybercrime and illicit drug trafficking to be of particular importance. Estonia recognises the importance of increasing the competence of EU agencies operating in the field of internal security. In the fight against cross-border crime, Estonia is of the opinion that attention must be focussed on organised crime, illicit drug trafficking, cybercrime and terrorism. It is important that procedural acts be carried out effectively and that evidence and procedural data be collected and exchanged efficiently in regard to cooperation in police and judicial matters. Regarding cooperation in the field of law enforcement, we support the strengthening of the analytical capacity of the European Police Office (EUROPOL) and the encouraging of international cooperation. Estonia also wishes to emphasise and increase the role of the European Police College (CEPOL) as a promoter of cooperation regarding training activities in the field of EU internal security and as the implementer of the European Training Scheme. In addition, Estonia regards it as important to enhance the efficiency of the activities of Eurojust, an international judicial cooperation unit<sup>73</sup>.

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<sup>71</sup> The Council Framework Decision on collecting evidence that was supposed to enter into force in 2011 provides a suitable solution in only half of the cases and thus increases fragmentation even more.

<sup>72</sup> For instance: terrorism, human trafficking, illegal drug trade, illegal weapons trade, money laundering, corruption and organised crime.

<sup>73</sup> See annex for operational objective VI-a.

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68. Securing internal security in the EU depends on cooperation between Member States and EU institutions and agencies; its success depends on the speed of information exchange between parties. Cross-border information exchange and efficient operational cooperation gradually take on importance in the functioning of a borderless area. It is in the best interests of Member States for the EU to keep pace with changes in modern society, where information technology can facilitate crossing borders and ensuring legal order and support their infringement at the same time. Therefore, Estonia recognises the importance of further development of the European Visa Information System (VIS), the launch of the second generation Schengen Information System (SIS II) as soon as possible, development and implementation of registered traveller programmes and a trans-European entry-and-exit system and further development of other internal security information systems<sup>74</sup>.
69. Estonia supports the implementation and integration of IT solutions, is interested in the **successful launch of an IT agency** for the management of large-scale databases in the area of justice and home affairs to be set up in Tallinn and is willing to provide every assistance in its development. Development of the IT area is of significant importance to Estonia, helping to present a positive image of the country<sup>75</sup>.
70. Because of the borderless area, **migration from third countries** and the mobility of citizens of third countries on the internal market also need to be regulated at the EU level. In developing migration policy instruments, the labour market needs of both the EU and Member States must be taken into account. It is important to maintain active cooperation with countries of origin and transit and to pay sufficient attention to the integration of immigrants into society. It is essential to continue to implement the principles of mutuality of visas and visa facilitation so as to develop the mobility rights of citizens and to open up the European Union for studying, research and tourism purposes. At the same time, Estonia considers it important that visa freedom and facilitation agreements with third countries follow a clear and common EU framework in order to reduce the risks to internal security and to channel reforms in the relevant third countries. Estonia recognises the importance of re-

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<sup>74</sup> See annex for operational objective VI-b.

<sup>75</sup> See annex for operational objective VI-b.

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admission agreements as the basis of establishing visa-free regimes. The re-admission agreements should also be a prerequisite for entry into visa facilitation agreements. From Estonia's point of view, in regard to Turkey, Russia and the Eastern Partnership countries, special attention must be paid to equal treatment during negotiations concerning visa dialogue and entry into and implementation of re-admission agreements. In addition, the movement of EU citizens to third countries needs to be facilitated and third countries should be required on an ongoing basis to treat EU Member States equally in respect of visa requirements<sup>76</sup>.

71. A **common legal framework in asylum matters** together with effective and uniform processing of asylum applications support the system of efficient international protection in accordance with European humanitarian principles and help to avoid 'asylum shopping' and other abuses of the asylum system in the Schengen Area. Hence Estonia considers it necessary to complete the implementation of the Common European Asylum System with its new common legal framework and enhanced practical cooperation between Member States and to support the European Asylum Support Office (EASO) in becoming fully operational. Practical cooperation between Member States should be first and foremost targeted at creating a common understanding of the need of protection of persons. Estonia considers it important to support Member States under migration pressure, but relocation and resettlement of refugees should continue to be voluntary for Member States<sup>77</sup>.
72. An efficient border control system, visa processing and prevention of illegal migration will increase the credibility of the functioning of the Schengen system. **Reformation of the Schengen evaluation mechanism** and strengthened supervision will be important in guaranteeing the free movement of persons, one of the fundamental freedoms of the EU. Therefore, Estonia believes that the European Union should be able to manage migration to the European Union by means of a functioning border guard system and various measures supporting and restricting migration. The EU is not only interested in facilitating legal migration but also in preventing illegal migration. Estonia considers it important that the European Union be able to secure internal security even in a sit-

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<sup>76</sup> See annex for operational objective VI-c.

<sup>77</sup> See annex for operational objective VI-c.

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uation where the extent of illegal immigration and pressure on the EU's external borders increases and the restriction of movement of unwanted immigrants between Member States requires the increasingly efficient implementation and development of compensatory Schengen measures. It is in the best interests of Estonia to carry out the reform of the Schengen evaluation mechanism in order to ensure the objective evaluation of Member States and to increase the capacity of current and future parties to the Schengen Area to meet their obligations arising from the *acquis*. Abandoning the implementation of Schengen principles would be a step backwards in current development. In addition, Estonia recognises the increasing role of Frontex, the EU agency for coordinating operational cooperation between Member States in the field of border security, in strengthening the external borders of the Schengen Area<sup>78</sup>.

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<sup>78</sup> See annex for operational objective VI-c.

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## VII. CYBER POLICY

73. Development of the Internet – a free, flexible and interactive space – constitutes one of the cornerstones of the development of the European and global economy. Speed, a global approach, openness, security and accessibility serve as important prerequisites for the realisation of the potential of the Internet. Internet freedom in turn acts as a catalyst for innovative economic and other changes in society and is an important facilitator for open society, open government and open economy. Therefore it is fair to regard **access to the Internet** as a fundamental right<sup>79</sup> and freedom in itself, but also as an important facilitator for other basic rights. With remarkable experience in developing e-democracy, Estonia supports directing the EU Common Foreign and Security Policy *inter alia* at using IT solutions to promote democracy and ensure fundamental rights in the relevant target countries. In addition to supporting the policies of open society, free competition and free Internet<sup>80</sup>, Estonia wishes to actively contribute to the Internet security area<sup>81</sup>, since an important aspect in increasing participation is the ability of using the Internet securely. The security protection measures must be necessary and proportionate and above all aimed at increasing the participation and trust of Internet users.
74. In order to achieve the functioning of a Digital Single Market, the EU must **increase the protection and continuity of critical information infrastructure** in cooperation with the public and private sectors and NGOs. These measures will help to boost trust in the electronic services environment and feeling of safety regarding use of Internet services, an important prerequisite for using online services extensively. The EU needs to take action to prevent and reduce the incidence of attacks against service provision infrastructure (e.g. servers, databases and network nodes) and exploitation of the web environment for crime (bank

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<sup>79</sup> Report of the Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression, Frank La Rue. Human Rights Council. Seventeenth session, 16th of May 2011. A/HRC/17/27. Available online: [http://www2.ohchr.org/english/bodies/hrcouncil/docs/17session/A.HRC.17.27\\_en.pdf](http://www2.ohchr.org/english/bodies/hrcouncil/docs/17session/A.HRC.17.27_en.pdf)

<sup>80</sup> In its study from 2011, Freedom House, a research institute in the United States, declared Estonia to be the country with the highest rate of Internet freedom. FREEDOM ON THE NET: A Global Assessment of Internet and Digital Media. Freedom House. April 1, 2009. Available online: [http://www.freedomhouse.org/uploads/specialreports/NetFreedom2009/FreedomOnTheNet\\_FullReport.pdf](http://www.freedomhouse.org/uploads/specialreports/NetFreedom2009/FreedomOnTheNet_FullReport.pdf)

<sup>81</sup> See annex for operational objective VII-a.

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fraud, identity theft, data falsification of individuals and businesses, creating false images of people in social networks etc.)<sup>82</sup>. Protection of cyber security must be proportionate and in line with the principles of personal and economic freedom.

75. Cyber security is of the utmost importance since the residents of many EU Member States depend on web services on a daily basis<sup>83</sup>. In addition, attacks on Internet services are often inexpensive and easily arranged. In order to ensure the functioning of the economy, financial systems and the services needed for daily life, measures must be implemented in order to prevent attacks against such information systems. We consider it important to include aspects of cyber security and related risks in the development of policies and regulations in relevant (not all) areas, taking into account the need to manage and mitigate cyber security-related risks.
76. It is in the interests of Estonia to establish a safe and unobstructed Digital Single Market in order to create an opportunity to provide and use services on the EU internal market. Estonia also supports promoting a convenient business infrastructure, providing e-services to citizens in a coherent, easy-to-use and friendly manner, ensuring personal privacy and instigating an international initiative in cyber security trends. In order to achieve these goals, it is necessary to use leading security solutions in the development of space for services of EU Member States<sup>84</sup> and to develop a quick, reliable and flexible cooperation network of national CERTs<sup>85</sup> in order to respond adequately to emerging threats and incidents<sup>86</sup>. In order to balance the level of cyber security within the EU, it is important to continue the development of cyber security policy and establish the relevant recommendations and guidelines. (See Chapter 1: “Single Market” for a more extensive overview of the Digital Single Market.)

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<sup>82</sup> See annex for operational objective VII-b.

<sup>83</sup> For instance: the rate of using online banking or personal public e-services is very high in a number of EU Member States.

<sup>84</sup> i.e. supporting a solution similar to the Estonian X-road (X-tee); Estonia has functional solutions based on the ID card and e-signature, and long-term experience.

<sup>85</sup> CERT – Computer Emergency Response Team.

<sup>86</sup> It is important to achieve a situation where the vertical management structures of Member States provide the legality of the activities of national CERTs, but at the same time refrain from inhibiting response speed with bureaucratic management rules.

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77. The Internet as an important environment for communication, business and the provision of services, including public services, is an equally attractive environment for criminals. The borderless nature of cyberspace enhances the problems related to detection and prevention of cybercrimes and apprehension of those perpetrating them. In order to avoid people getting away with crimes and to increase trust in cyberspace, it is essential to ensure that the prevention, combating and investigation of Internet crime be as quick, efficient and effective as that of ‘traditional’ crimes. Therefore, it is of the utmost importance that Member States have a common understanding of the nature of cybercrime and stipulate equal penalties for committing such offences. **The minimum standards for constituent elements of and minimum penalties for cybercrime** should be agreed upon at the EU level, and EU-level cooperation between law enforcement authorities should be actively pursued<sup>87</sup>.
78. Personal identity and its protection are important both in and outside of cyberspace. Identity theft and related offences may cause extensive material or non-material damage to those concerned. It should be kept in mind that cyberspace allows for far easier exploitation of another person’s identity, including cross-border. Therefore it is necessary to provide additional protection in criminal legislation and agree on minimum standards for constituent elements and penalties regarding identity theft regardless of whether it is committed in cyberspace or outside of it<sup>88</sup>.
79. One of the important goals of the EU for the coming four years is **to embed cyber security in the activities of the Common Foreign and Security Policy**. It is in the interests of Estonia, all other Member States and the EU as a whole to increase the proportion and representation of the EU in international discussions regarding cyber security, because this will enable participation in shaping global cyber security policy, which will affect the EU Member States separately and the EU as a whole. The implementation of an efficient Common Foreign and Security Policy requires the capacity to plan and implement cyber policy within the European External Action Service. At the EU level, it is in the interests of Estonia to approach the interdisciplinary topic of cyber security comprehensively, including cyber protection, cyber safety, combating

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<sup>87</sup> See annex for operational objective VII-b.

<sup>88</sup> See annex for operational objective VII-b.

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cybercrime, protection of vital information infrastructure and all other cyberspace-related areas. The general underlying principle is that the EU's activities must not restrict access to the Internet or freedom to use the Internet<sup>89</sup>.

80. Up to now there have been no considerable cyber aspects in either the EU Common Foreign and Security Policy (CFSP) or the Common Security and Defence Policy (CSDP), although both formats bear innate potential for developing cyber security. The key principles of CSDP are civil/military cooperation, diversity of present-day conflicts (new threats) and the impact of conflicts in other parts of the world on the security of European countries. The information infrastructure is global and therefore its protection needs to be likewise. The European Union, with its strong civilian capacity, must promote cooperation with third countries, *inter alia* by providing foreign aid (by means of EU partnership programmes) to countries that are not capable of protecting their cyberspace. The EU must promote the **Budapest Convention on Cybercrime** of the Council of Europe, increased cooperation between Member States and the establishment of cooperation mechanisms with third countries, with special emphasis on cooperation with key allies such as the United States. Cooperation with NATO on cyber security matters also needs to be enhanced<sup>90</sup>.

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<sup>89</sup> See annex for operational objective VII-c.

<sup>90</sup> See annex for operational objective VII-c.

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## VIII. EU FOREIGN, DEFENCE AND ENLARGEMENT POLICIES

81. The main challenge for the European Union for the coming years is to **maintain and increase its international role** in order to support the growth of security, stability and welfare, not only in the neighbourhood of Europe but all over the world, and promote the spread of human rights and democracy<sup>91</sup>.
82. Estonia regards a close relationship between the European Union and the United States of America as an important prerequisite for solving political, economic and environmental problems of a global nature. A **transatlantic partnership** based on common interests serves as one of the main guarantors of the security of Estonia and the EU. It also meets our economic interests. The intensification of cooperation between the EU and the USA is a gradual process where new activities can only be built on those already accomplished. Estonia endeavours to use every possibility to reinforce this cooperation. The most important cooperation lines include ensuring stability and development in the EU's neighbouring areas, increasing energy and cyber security, terrorism and serious crime.
83. It is of the utmost importance to promote EU relations with **strategic partners** and growing political, economic and regional powers such as China, India and Brazil. Broad-based relations with these countries need to be maintained. This requires *inter alia* the coherent representation of the coordinated positions of the EU and the euro area in relations with strategic partners and in international forums and organisations (the G8, G20, IMF and UN).
84. **The EU must be coherently represented at the international level.** It is in Estonian interests to have a strong and coherent Europe in global policy matters. We support European Union that speaks with one voice, since Estonia's influence in foreign policy matters is largely based on the

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<sup>91</sup> Estonia's choices and goals in terms of security policy are presented in the National Security Concept of Estonia approved by the Riigikogu on 10 May 2010 (*inter alia* in the section regarding Euro-Atlantic security environment) and will not be repeated here. The document is available online: [http://www.vn.ee/sites/default/files/JPA\\_2010.pdf](http://www.vn.ee/sites/default/files/JPA_2010.pdf)

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coherence and clarity of the EU platform. Where the union as a whole has a separate seat, consistency between the messages of Member States and that of the EU representative must be ensured. It is important to achieve a functioning activity framework in accordance with the Lisbon Treaty and to develop an **operational European External Action Service** (EEAS) staffed as necessary. Estonia diligently contributes to the development and staffing of the EEAS. Our goal is to achieve more close and efficient cooperation between Member States in consular affairs. We support the notion that in future the EEAS should offer consular assistance and protection to all citizens of the EU, especially in crisis situations<sup>92</sup>.

85. Estonia considers it important that the political and economic role of the European Union be further strengthened and that democratic values, principles and rules be implemented in the neighbourhood of the European Union. Estonia promotes the implementation of a consistent and meaningful **European Neighbourhood Policy** (ENP). We value the strengthening of the ENP as a whole and of the **Eastern Partnership** initiative in particular. Estonia expects the Eastern Partnership initiative of the ENP to become an efficient policy for achieving the closer economic and political integration of the target countries (Ukraine, Moldova, Georgia, Belarus, Armenia and Azerbaijan) with the European Union. In more concrete aspects, we support swift conclusion of both free trade and association agreements and visa freedom agreements with Ukraine, Moldova and Georgia in particular<sup>93</sup>.
86. Estonia considers **democratisation and reform processes in the southern neighbouring countries** of the EU and in Middle East countries to be of the utmost importance. The EU must be ready to provide assistance in organising elections and contribute to implementing reforms in different areas, should these countries seek it. In regard to the Southern Neighbourhood, Estonia supports close cooperation with all regional partners, USA and other members of the United Nations Security Council and Turkey. In developing the next financial perspective for the EU, funding of the Neighbourhood Policy must be considered as well, since partner states in the east and south should be provided with adequate support in implementing reforms.

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<sup>92</sup> See annex for operational objective VIII-a.

<sup>93</sup> See annex for operational objective VIII-b.

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87. In the development of **EU-Russia relations**, Estonia contributes substantially at every level of work and decision-making of the EU. We approach relations with Russia in a comprehensive way, taking into account human rights, rule of law and modernisation in its broadest sense. We support the efforts of the EU in creating mutually beneficial relationships with Russia and recognise the need to have an active, constructive and open dialogue on all issues. The legal basis for the relations must be renewed by entering into a new comprehensive agreement that sets mutual rights and obligations and includes an ambitious chapter on trade, bearing in mind the principles of the market economy. We consider it important that Russia joins the WTO and our long-term goal is to enter into a comprehensive free trade agreement between Russia and the EU<sup>94</sup>.
88. One of the most prominent tasks is purposeful participation in **resolving long-term conflicts in the EU neighbourhood**. In addition to EUMM, the European Union Monitoring Mission that remains the sole international force providing stability in Georgia, the new European Union Special Representative (EUSR) for the South Caucasus and the crisis in Georgia must enhance the European Union's effectiveness and visibility in the region. The EU needs to observe and emphasise the principle of the territorial integrity of Georgia, demand that Russia meet the stipulations of the settlement plan of 12 August 2008 and continue to implement the non-recognition policy. The EU Special Representative needs to improve the EU's contribution to resolving the Nagorno-Karabakh conflict. As regards Transnistria, it is essential to continue the implementation of trust-building measures. In the long run, the EU needs to support Moldova in the rebuilding of a post-conflict Transnistria in order to ensure the sustainable development of the country.
89. The **further enlargement of the European Union** will boost security and well-being in Europe as a whole. The enlargement should continue in accordance with the framework and conditions set in the Treaties, taking into consideration the renewed consensus on enlargement approved in 2006 and enlargement-related experience to date. While Estonia does not support setting additional criteria for the enlargement process, we consider it important that the existing criteria be fully met. Every Eu-

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<sup>94</sup> See annex for operational objective VIII-d.

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European country desiring to join the European Union should have the possibility to do so. Estonia continues to actively support the EU enlargement policy and our goal is to provide comprehensive support for the Western Balkans countries, Turkey, Iceland and other European countries in their efforts to accede to the EU. Estonia is ready to share its reform-related experience with all interested parties<sup>95</sup>.

90. It is in the interests of the European Union to invigorate the world economy and create better opportunities for European companies to operate on external markets. It is in the interests of Estonia that the EU **develops a liberal trade policy** with the rest of the world; this requires maintaining a strong multilateral trade system. In order to maintain the trustworthiness of the WTO system, it is important to gradually achieve agreements on the issues of the Doha Development Agenda (DDA). Another important aim for the EU is entry into agreements on the protection of investments with key trade partners. Estonia supports the implementation and further development of the Market Access Strategy, which supports the exporting of EU businesses. In a context where resources are limited, we believe that a network of EU delegations has significant added value in disseminating information and providing support services to EU companies with regard to exports and investment possibilities<sup>96</sup>. We support the establishment of a database with comprehensive information on investment conditions in third countries and the enlargement of the Enterprise Europe Network in order to even more effectively meet the interests of Estonian companies. Estonia's EU policy goal in this matter is to develop a multilateral trade system and enter into bilateral free trade agreements and agreements on the protection of investments with important trade partners<sup>97</sup>.

91. The EU's **development cooperation policies** are an important instrument of the Foreign and Security Policy. Their goals are to increase well-being and stability in neighbouring areas and all over the world, support the dissemination of European values such as democracy and human rights and increase the influence of the European Union in managing

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<sup>95</sup> See annex for operational objective VIII-c.

<sup>96</sup> The existing options, information and services may be found in the European Small Business Portal: [http://ec.europa.eu/small-business/most-of-market/international-business-outside-europe/index\\_en.htm](http://ec.europa.eu/small-business/most-of-market/international-business-outside-europe/index_en.htm) and in the market access database: <http://madb.europa.eu/mkacclb2/indexPubli.htm>

<sup>97</sup> See annex for operational objective VIII-d.

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global processes. This requires the EU to have a common foreign policy and a common development cooperation policy as a coherent part of it. Estonia wishes to ensure the more efficient use of EU taxpayers' money in reducing poverty that requires better coordination of support activities and coherence of other EU policy areas with the development goals. In development cooperation, Estonia supports joint EU activities, including joint programming in order to reduce duplicating activities. We consider the current structure of foreign instruments to be appropriate, but we would like better opportunities to be provided for sharing our experience within and outside of the union regarding reforms and transition. A goal of Estonia's EU policy is to integrate two political instruments (neighbourhood policy, in particular the Eastern Partnership, and development cooperation) in such a manner that the choice of activities depends on actual needs, not the framework to which a particular partner country belongs.

92. The European Union must implement foreign and security policy in a viable manner, maintain the political will to enforce its interests and possess enough civil and military power to pursue the policy<sup>98</sup>. Therefore, Estonia is interested in **reinforcing the Common Security and Defence Policy** so as to be convincing and able to secure the operational capabilities of the European Union. For this purpose, Estonia also recognises the importance of closer relations between the EU and NATO. Estonia supports an increased EU commitment in Afghanistan to boost its administrative capacity, reform the electoral system and operate an EU police mission (EUPOL). An unavoidable prerequisite of successful military operations and civilian missions is the development of permanent capacity for civilian-military planning and operations management, since modern crises require a comprehensive approach. Estonia supports the establishment of permanent Operation Headquarters (OHQ) and plans to contribute to its activities. In order to support the EU's capacity to respond to modern crises and the development of the rapid response capability, Estonia will continue to pursue fruitful cooperation within the framework of the Nordic Battle Group. It is in Estonia's interests to support the use of battle groups and to continue to contribute to the activities of the Nordic Battle Group in 2014<sup>99</sup>.

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<sup>98</sup> See annex for operational objective VIII-e.

<sup>99</sup> See annex for operational objective VIII-e.

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93. International defence cooperation has been a part of Estonia's everyday activities; as a result of transnational solutions, Estonia has been able to acquire capabilities that would not have been possible on its own. Therefore Estonia joins initiatives for military cooperation. Estonia is interested in cooperation on the field of higher military education and of cyber protection, in sharing training and simulation centres and training courts and in joining forces to organise English courses related to military operations. Within these areas, Estonia's top priority is cooperating with the Nordic countries and Baltic States. The European Defence Agency is a practical cooperation framework for the development of the military capabilities of Member States and the strengthening of the Common Security and Defence Policy. Estonia is most interested in the activities of the agency that are related to the defence industry market and R&D.

