

ACCESSION OF ESTONIA

Elements of a Draft Report  
of the Working Party of the Accession of Estonia

1. In March 1994, the Government of Estonia requested accession to the General Agreement on Tariffs and Trade (GATT 1947). At its meeting on 23-24 March 1994, the GATT Council of Representatives established a Working Party to examine the application of the Government of Estonia to accede to the General Agreement under Article XXXIII, and to submit to the Council recommendations which may include a draft Protocol of Accession. Membership of the Working Party was open to all contracting parties indicating the wish to serve on it. In pursuance of the Ministerial Decision of 14 April 1994 on Acceptance of and Accession to the Agreement Establishing the World Trade Organization (WTO) and to the decision of 31 May 1994 of the Preparatory Committee for the WTO, the Working Party examined the application of Estonia for membership in the WTO and agreed to pursue the market access negotiations for goods, including an agricultural country schedule, and for services. The WTO Agreement entered into force on 1 January 1995. In pursuance of the decision adopted by the WTO General Council on 31 January 1995, the GATT 1947 Accession Working Party was transformed into a WTO Accession Working Party. The terms of reference and the membership of the Working Party are reproduced in document WT/ACC/EST/7.
2. The Working Party met on 25 November 1994, 6-7 June and 14 November 1995, 28 March and ..... 1996, under the Chairmanship of H.E. Mr. D. Kenyon (Australia).
3. The Working Party had before it, to serve as a basis for its discussions, a Memorandum on the Foreign Trade Régime of Estonia (L/7423) and the questions submitted by contracting parties on the foreign trade régime of Estonia, together with the replies thereto, and other information provided by the Estonian authorities (L/7529 and Addenda 1 and 2, WT/ACC/EST/2, WT/ACC/EST/4, WT/ACC/EST/9 and Corrigendum 1). The Government of Estonia made available to the Working Party the following documentation:

- The Customs Law of 24 September 1993;
- Law on Amending the Customs Law of 1 December 1993;
- Law on Foreign Relations of 16 November 1993;
- Law on Competition of 7 July 1993;
- Law on the State Border of 30 June 1994;
- Law on State Budget (amended version of 20 April 1994);
- Law on Municipal and Town Budget of 28 June 1993;
- Law on Correlation between Municipal and Town Budgets and the State Budget (amended version of 2 February 1994);
- Law on Privatization of 7 July 1993;
- Law on Export and Transit of Strategic Goods of 21 April 1994;
- Law on Amending the Law of the Central Bank of the Republic of Estonia of 20 April 1994;
- The Food Law of 9 February 1995;
- The Law of the Republic of Estonia on Foreign Investments (in WT/ACC/EST/2, Annex IV);
- Statutes of the Estonian Foreign Investment Agency (9 May 1994);
- Law on Bankruptcy of the Republic of Estonia of 10 June 1992;
- Law on Taxation of 29 December 1993;
- Law on Amending the Law on Taxation of 30 March 1994;
- Income Tax Law of 21 December 1993;
- Law on Land Tax of 12 May 1993;
- Law on Local Taxes of 10 October 1994;
- Law of the Central Bank of the Republic of Estonia of 31 May 1993;
- Law on Motor Vehicle Excise Tax of 8 February 1995;
- Law on Alcohol Excise Tax (with 1994 amendments);
- Law on Tobacco Excise Tax (new version of 13 July 1994);
- Law on Revenue Stamps of 28 March 1994;
- Law on Value Added Tax (amended version of 30 June 1994);
- Act on Customs Valuation (SG I 1995) of 8 February 1995;
- A draft Law on Public Procurement;
- Copyright Law of 23 November 1992;
- Patent Law of 30 March 1994;
- Utility Model Law of 30 March 1994;
- Law on Securities Market of 14 June 1993;
- Insurance Law of 18 November 1992;
- Memorandum on the Export Control System in Estonia;

- Rules of Origin in Free-Trade Agreements with the European Union, the Ukraine and the Trilateral Free-Trade Agreement with Latvia and Lithuania;
- Rules of Origin in Free-Trade Agreements with EFTA countries (Norway and Switzerland);
- Economic bulletins.

### **Introductory Statements**

4. The representative of Estonia noted that Estonia had been an observer to the GATT 1947 since June 1992 and had accordingly witnessed the successful conclusion of the Uruguay Round and looked forward to its implementation. Estonia had adopted new laws and regulations forming a solid legislative foundation. Moreover, Estonia's economy, which encouraged competition and an entrepreneurial spirit through a liberal trade régime for agricultural and industrial products and openness regarding foreign investment and foreign exchange, was expanding steadily. Estonia's free and open market had been underpinned by bilaterally binding and mutually beneficial market opening commitments in trade agreements covering more than two thirds of Estonia's trade. Bilateral free trade agreements had been concluded with Latvia, Lithuania, EFTA countries and the European Union and Estonia had trade agreements based on the GATT with several other countries. Having followed the code of conduct laid down by GATT principles, full membership in the GATT 1947 and its successor - the World Trade Organization - was the one important missing aspect in Estonia's trade policy. Estonia intended to join the GATT 1947 and upon its entry into force the WTO Agreement as a developed country, fully aware of, and ready to assume, all the obligations and responsibilities this entailed. Estonia's accession to the WTO should, however, also be viewed in the context of an overall political objective to integrate with the European Union. The representative of Estonia looked forward to the beginning of an active negotiating process which should be concluded by Estonia's accession to the WTO in the very near future.

5. Members of the Working Party welcomed Estonia's initial application for accession to the General Agreement and, upon conclusion of the Uruguay Round, to the WTO. Solid growth and rising investment were indicative of the relative success of Estonia's liberal economic policies. Membership in the WTO would offer Estonia the opportunity to consolidate its small, open economy within a multilateral framework. The free, open market principles adopted by Estonia would also facilitate its assumption of obligations and commitments arising from the Uruguay Round. Several members accordingly expected the establishment of market access conditions for goods and services to proceed smoothly and looked forward to the successful and timely conclusion of the tasks of the Working Party.

6. The Working Party reviewed the economic policies and foreign trade régime of Estonia and the possible terms of a draft Protocol of Accession to the WTO. The views expressed in the course of the deliberations of the Working Party are summarized below in paragraphs 5 to 83.

## **ECONOMIC POLICIES**

### **Monetary and Fiscal Policy**

7. Questions by some members of the Working Party focused on the tax components of government revenue and the scope for raising revenue from taxes on trade in Estonia in the light of important free trade agreements which covered a large share of Estonia's foreign trade.

8. In response, the representative of Estonia recalled that as a way to improve the competitiveness of the domestic industries at the present time Estonia did not apply import or export duties. He said that the main sources of government revenue in 1995 were the Value Added Tax (46.3 per cent), income taxes (31.8 per cent), and excise taxes (12.4 per cent). He confirmed that exemptions would only be those accorded in the context of free trade agreements as provided for in Article XXIV of the GATT 1994 should Estonia apply import duties in the future. Estonia confirmed that all taxes including the corporate income taxes were applied equally to domestic and foreign products and enterprises. In the case of amendments to the tax régime in the future Estonia would continue to comply with the national treatment principle. The Working Party took note of these commitments.

### **Foreign Exchange and Payments System**

9. Some members of the Working Party requested up-to-date information on Estonia's foreign exchange régime, i.e. the determination of the exchange rate, convertibility, availability of foreign exchange for trade and payments purposes, and the retention of foreign currency.

10. The representative of Estonia replied that the Bank of Estonia guaranteed free exchange within Estonia of the kroon at the official rate according to current needs of customers for convertible currencies. Non-convertible currencies were obtained at the commercial banks. The last restrictions on current account transactions were lifted in March 1994. Capital account transactions were unrestricted, but exports of cash and securities were subject to customs regulations, and purchase of land by non-residents required permission of the Government and the local authority. Since June 1992, the Estonian kroon had been pegged against the Deutsche mark at the official rate of 8 kroon to DM1,

with a technical fluctuation limit of 3 per cent. The fixed exchange rate was enshrined in the law on the Security of the Estonian Kroon; a devaluation required approval by Parliament.

### **Competition Policy**

11. Some members of the Working Party requested a detailed description of Estonia's competition policy, including the provisions in the Law on Competition which prohibits unfair trade practices and the authority of the Competition Board to permit agreements restricting competition.

12. In response, the representative of Estonia said that the Competition Act of 1993 prohibited unfair trade practices with specific reference to the following six types of practices:

- (i) misleading advertising;
- (ii) incorrect use of the designation of a firm, trade mark or other attributes;
- (iii) disparaging a competitor or his goods;
- (iv) abuse of business secret;
- (v) using of an employee of another market participant in;
- (vi) unlawful restricting or favouring of the sale of goods and services.

Provisions concerning abuse of dominant market position had entered into force on 1 October 1993 and agreements and concerted practices restricting competition on 1 January 1994. The Estonian Competition Board was established under the Ministry of Finance in December 1993. In its procedural way of making decisions the Board gave priority to the interest of the consumers. Supervision of banking and insurance was carried out by a separate State body. The terms of international agreements ratified by Parliament prevailed over provisions in the Competition Act in cases of contradiction. Upon entry into force, the WTO Agreement would have the status of an international agreement.

### **Pricing Policy**

13. Some members of the Working Party requested information on the process of price liberalization in Estonia and the extent of any remaining controls on prices for goods and services. Estonia was requested to provide a description of existing price controls; list the affected products by HS tariff line with reference to the legal provisions under which controls were applied; provisions, if any, for border charges that increase import prices; and the conditions under which the authority to control prices was to be exercised.

14. The representative of Estonia replied that prices of most goods and services had been deregulated. Price controls remained in the domains of "natural monopolies", i.e. supply of energy, heating, oil-shale and to some extent on urban transport.

15. [The representative of Estonia confirmed that prices of goods and services in every sector of Estonia were determined freely by market forces with the exception of those listed in paragraph 14 above. He added that, except in the case of critical situations, the existence of natural or government-sanctioned monopolies, or the protection of consumers, prices for goods and services would not be subject to State control. He further confirmed that in the application of such controls now or in the future, Estonia would apply such measures in a WTO-consistent fashion, and take account of the interests of exporting WTO members as provided for in Article III.9 of the GATT 1994. Estonia would publish the list of goods and services subject to State price controls in the official journal, including any changes from the list in paragraph 14 above. The Working Party took note of these commitments.]

### **Privatization**

16. Some members of the Working Party requested details concerning progress in Estonia's privatization programme and plans to retain State ownership in enterprises or sectors. Further questions addressed relations between the State and company management, the application of competition legislation to State-owned enterprises, bankruptcy or dissolution provisions in Estonian legislation and general or exclusive funds available for State-owned enterprises.

17. The representative of Estonia said that an enterprise was considered privatized when the majority share holding was in private hands. According to this definition all agricultural enterprises had been privatized by January 1995, and about 70 per cent of industrial enterprises had been privatized by July 1995. Companies had been sold in eight tender rounds with successful bidders offering guarantees with regard to investment and employment. Public offering of shares began in mid-1994; in a public offer the majority stake was sold to a local or foreign "core" investor. Recent privatization plans concerned air, maritime and land transportation. Some tenders had only been published in Estonia, but foreign investment had only been restricted in the case of enterprises processing agricultural commodities or offering services to farmers. These companies were now owned by farmers' co-operative societies. State ownership would be retained in Estonian railways and power stations. Estonia's sole oil shale mine, the electricity distribution companies and the service structures of railway depots were to be privatized.

18. In response to questions concerning the appointment and dismissal of the management of State-owned enterprises, the representative of Estonia said that the administrative council or board and the management of a State-owned enterprise or joint stock company was appointed in accordance with the company's by-laws or by the responsible Ministry. The administrative council or board could dismiss the general director of the enterprise; council or board members were released by the Government or the appointing Ministry. The provisions of the Competition Law, including its sanctions, applied equally to private and State-owned enterprises. Since 1 September 1995, the Civil Code and the Commercial Code contained procedures for the liquidation of enterprises.

19. State-owned and private enterprises had equal access to government funds, i.e. the Export Credit Fund, the Fund of Crediting Agriculture and Rural Life, the Fund of Crediting Small Enterprises and the Innovation Fund.

### **Investment Régime**

20. Some members of the Working Party sought information on Estonia's strategies in attracting foreign investment and restrictions or conditions attached to investment.

21. The representative of Estonia replied that no specific promotion programmes were envisaged; investments were encouraged through an open, non-restrictive régime. The Government had established a Foreign Investment Agency in 1994, providing various services to foreign investors, and had concluded bilateral agreements on investment promotion and protection with the following countries: Austria, Belgium, China, Czech Republic, Denmark, Finland, France, Germany, Israel, Latvia, Lithuania, Netherlands, Norway, Poland, Sweden, Switzerland, Ukraine, United Kingdom, United States. He added that the procedures for registration of companies in Estonia distinguished between domestic and foreign investment in only six areas namely, mining; power engineering, gas and water supply; administration of waterways, ports, dams and similar structures; railways and air transport; telecommunication and communication network; and retail trade in medicines; where foreign investors would need a "Foreign Investment Licence" from the Ministry of Finance while a "Licence of Activity" was required for domestic investors. The licences carried the same rights, the procedural difference being the issuing authority. When State enterprises were sold against privatization vouchers majority stakes were offered to "core" investors (domestic or foreign) who were selected by an open bid. In purchasing State-owned enterprises investors (domestic or foreign) might undertake specific commitments with regard to the amount of capital to be invested and minimum workforce ("performance guarantee").

The Contract Control Department of the Estonian Privatization Agency checked the compliance with agreed conditions. The performance guarantee did not extend to local content or export requirements.

22. The representative of Estonia confirmed that Estonia applied national treatment with respect to taxation. The income tax law allowed losses to be carried forward up to five years. Revenue could be repatriated freely.

## **FOREIGN TRADE REGIME**

### **Registration**

23. The representative of Estonia said that from 1 September 1995, the Commercial Code had replaced the Enterprise Law. The Commercial Code defined five types of business association (general partnership, limited partnership, limited liability company, joint stock company and co-operative association) and the Individual Private Entrepreneur, and stipulated procedures for opening a foreign company's branch office in Estonia. The Commercial Registry was to be kept by local city courts. Enterprises set up under previous legislation, not meeting the requirements of the new Code, would need to be restructured or terminated by 1 September 1997. Stricter mandatory capital requirements would apply from 1 September 1999.

### **1. Import Regulation**

#### **Market Access Negotiations**

24. In the interest of accelerating the process of accession to the WTO Agreement, the representative of Estonia submitted Estonia's draft schedule of specific commitments in trade and in services (WT/L/59) and the initial offer for market access negotiations on goods (WT/L/60) which were circulated to WTO Members in April 1995. Estonia's initial offer for the market access negotiations proposed bound m.f.n. rates in agriculture in the order of 50 per cent and in some cases a lower ad valorem rate with a specific supplement. Bound m.f.n. rates in the initial offer for manufactured goods ranged from free to 29 per cent. The initial offer was presented at the HS four-digit level for agricultural products and at the two-digit level for manufactures. Estonia submitted a Revised General Offer for Market Access Negotiations on Goods (WT/ACC/EST/3) and a Revised Draft Schedule of Specific Commitments in Trade in Services (WT/ACC/EST/6) in August 1995. The market access schedules of Estonia on goods and services are annexed to the Protocol of Accession of Estonia which is reproduced in the

Appendix to this Report. As indicated in the conclusions of this Report, the Working Party took note of Estonia's market access commitments and the services commitments of Estonia.

### **Customs Duties and Charges**

25. Noting that the current absence of a customs tariff demonstrated Estonia's free trade determination, some members of the Working Party commended the successful and effective outcome of Estonia's free trade policies. Expressing the hope that Estonia would continue to pursue these policies, these members requested information about the imposition of customs duties and other charges in Estonia, criteria for application of zero and non-zero rates, and Estonia's future intentions in this area, particularly in the light of its market access offer in goods. Some members of the Working Party noted that Estonia had applied an ad valorem tax to customs clearance operations and wondered whether the revised fee was commensurate with the approximate costs of the services rendered as provided for in Article VIII of the GATT 1994.

26. The representative of Estonia reaffirmed the free trade orientation of his country noting, however, that Estonia would reserve the right to impose customs duties when economic circumstances so warrant. According to the Law on Customs Tariffs in preparation, zero duties would be applied to raw materials for the domestic industry and products with no or insufficient domestic production. The law allowed imposition of specific duties and mixed duties, the applied rates of duty were to be determined by the Government. At the present time, Estonia had zero duties on all items except certain furs, fur products, yachts and water skis on importation (and objects of cultural value on exportation).

27. The representative of Estonia added that customs duties had not been required so far since prices of local resources had yet to reach the approximate international level. A ceiling tariff binding would offer Estonia the same regulatory opportunities in external trade as its main trading partners. Therefore, Estonia would prefer to bind its tariffs at levels comparable to the average duty levels prevailing in WTO Members in line with the agreements and commitments on market access achieved in the Uruguay Round.

28. The representative of Estonia informed the Working Party that, in the first half of 1995, the 0.5 per cent customs procedure tax had been replaced by a flat EEK 200 fee per customs declaration. The fee was collected by the National Customs Board as a procedure fee covering customs formalities. He assured the Working Party that this fee, which represented the approximate cost of the services rendered, was fully consistent with the provisions of Article VIII of the GATT 1994. After accession,

Estonia would not reintroduce an ad valorem customs fee. [The Working Party took note of these commitments.]

### Excise Taxes

29. Some members of the Working Party noted that the excise taxes for certain domestic and imported tobacco products and alcoholic beverages were different. These members requested Estonia to phase out all measures inconsistent with GATT 1994 Article III. Some members also questioned the conformity of Estonia's excise tax on automobiles with Articles II, VII and VIII of the GATT 1994 and the WTO Agreement on Customs Valuation and requested details about the new tax régime.

30. The representative of Estonia described the rates of excise tax applied in 1996 on tobacco, petroleum products, alcohol and motor vehicles (Table 1). These tax levels were considered optimal and no reductions were foreseen upon accession to the WTO. Estonia confirmed that the different excise tax rates levied on domestic and imported tobacco products and spirits had been designed to protect local producers. For tobacco products, the excise rates were equalized on 1 January 1996 by bringing taxes on domestic products up to the level applied to imports. According to the Law on Alcohol Excise Tax, the rates on domestic and imported beer would be equalized on 1 July 1996. An excise duty of 16 per cent on furs and fur products had only been levied on domestic producers. At present this tax was eliminated.

**Table 1**  
**Excise Duties in Estonia**  
**(Excise tax rate in EEK)**

<b>Raw tobacco, cigarettes, cigars and cigarillos:</b>	<b>Excise duty on imported tobacco</b>	<b>Temporary excise duty on tobacco and cigarettes until 31 December 1995 for local production</b>
Filter cigarettes	3 *	1 *
Cigarettes without filter	3 *	0.5 *
Cigarettes	3 *	1 *
Cigarillos	3 *	3 *
Cigars	3 **	3 **
Smoking tobacco	3 ***	1 ***
Snuff	3 ***	3 ***
Chewing-tobacco	3 ***	3 ***
Others	3 ***	3 ***

* per up to 20 cigarettes or cigarillos; case with amount of cigarettes from 21 up to 40 cigarettes will be marked with two tax stamps
** per one cigar
*** per up to 50 grams of tobacco; case with amount of tobacco from 51 up to 100 grams will be marked with two tax stamps

<b>Fuel:</b>	
Petrol (gasoline)	0.40 EEK per litre
Diesel fuel	0.25 EEK per litre
Jet fuel	0.50 EEK per litre
Lubricating engine oil	0.05 EEK per litre

<b>Alcohol:</b>	<b>Until 1 July 1996</b>	<b>From 1 July 1996</b>
Sparkling wines and other wines of fresh grapes with an alcoholic content by volume up to 15% vol	10.40*	10.40*
- unbottled wines of fresh grapes	8.00*	8.00*
Sparkling wines and other wines of fresh grapes with an alcoholic content by volume exceeding 15% vol	15.60*	15.60*
- unbottled wines of fresh grapes	12.50*	12.50*
Other fermented drinks (e.g. cider, berry wine etc.) and their blends:		
1) with an alcoholic content by volume up to 15% vol	4.90*	4.90*
2) with an alcoholic content by volume exceeding 15% vol	6.50*	6.50*
Beer:		
1) with an alcoholic content by volume up to 4.7% vol in case of annual production in thousands of dekalitres:		
up to 300 (incl.)	1.50*	2.00*
over 300	2.00*	2.50*
2) with an alcoholic content by volume exceeding 4.7% vol in case of annual production in thousands of dekalitres:		
up to 300 (incl.)	2.00*	2.50*
over 300	2.50*	3.00*

<b>Alcohol:</b>	<b>Until 1 July 1996</b>	<b>From 1 July 1996</b>
Imported beer:		
1) with an alcoholic content by volume up to 4.7% vol	6.00*	2.50*
2) with an alcoholic content by volume exceeding 4.7% vol	9.00*	3.00*
Other alcohol	1.15**	1.15**
Rectified spirits produced in Estonia, used in medicine, pharmaceuticals, veterinary medicine, for scientific and study purposes, the production of perfumery	0.20**	0.20**
* per litre		
** per one % vol. of absolute alcohol a litre		

<b>Motor Vehicles:</b>		
<b>1. Excise tax based on the cylinder capacity of motor vehicles</b>		
<b>Heading, sub-heading in the Nomenclature of Estonian Goods</b>	<b>Description of the Motor Vehicle</b>	<b>EEK/cc</b>
8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading No.8702), including station wagons and racing cars:	
8703 10	Motor vehicles specially designed for travelling on snow; golf cars and similar vehicles Other vehicles, with spark-ignition internal combustion reciprocating piston engine:	1
8703.21	Of a cylinder capacity not exceeding 1,000cc	1
8703.22	Of a cylinder capacity exceeding 1,000cc but not exceeding 1,500cc	1
8703.23	Of a cylinder capacity exceeding 1,500cc but not exceeding 3,000cc	1
8703.24	Of a cylinder capacity exceeding 3,000cc	3
	Other vehicles with compression-ignition internal combustion piston engine (diesel or semi-diesel):	
8703.31	Of a cylinder capacity not exceeding 1,500cc	1
8703.32	Of a cylinder capacity exceeding 1,500cc but not exceeding 2,500cc	1
8703.33	Of a cylinder capacity exceeding 2,500cc	1
8711	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without sidecars; sidecars (except those specified in subheading 8711.90)	1
<b>2. Excise tax based on the age of the motor vehicle</b>		

<b>Motor Vehicles:</b>		
<b>1. Excise tax based on the cylinder capacity of motor vehicles</b>		
<b>Heading, sub-heading in the Nomenclature of Estonian Goods</b>	<b>Description of the Motor Vehicle</b>	<b>EEK/cc</b>
	New motor vehicle, irrespective of age	EEK 1000
		<b>EEK/year</b>
	Used motor vehicle of up to 12 years of age	100
	Used motor vehicle from 13 years of age:	
	up to 12 years (incl.)	100
	from 13 years	150
<b>Note:</b> The age of the motor vehicle is determined on the basis of the following example:		
	The year of charging excise tax	1995
	The year of manufacturing the motor vehicle	1990
	Age of the motor vehicle	5 years

31. Concerning the taxation of automobiles, the representative of Estonia referred to the Law on Motor Vehicle Excise Tax, in force since 1 April 1995, replacing a 10 per cent import tax which had been levied in accordance with original invoices for legal persons and a valuation list for natural persons in order to avoid fraud. The new system taxed vehicles in fixed amounts according to vehicle age and engine cylinder capacity. The excise tax on motor vehicles was consistent with general principles of imposing excise tax.

32. The Law on Stamp Duty prescribed revenue stamps, issued against payment of taxes by the National Tax Board at no extra charge, for goods subject to excises, at present affecting only imported and domestically produced tobacco products.

### **Value Added Tax (VAT)**

33. Some members of Working Party requested information on the application of value-added tax, including product and user-specific exemptions and equal treatment for imported and domestic products. Questions were also raised regarding the calculation of VAT on motor vehicles.

34. The representative of Estonia said that the value-added tax at a 18 per cent rate was applied equally to domestic goods and to all imports regardless of country of origin. VAT on motor vehicles imported by natural persons had been based on a standard valuation list until the excise tax system was changed on 1 April 1995. He added that the following goods and services were exempt from

VAT: education and advanced training, postal services, medical services, banking and insurance, funerals, gambling and lotteries, rents, medical equipment, treatment of dangerous waste and since February 1995 reusable packaging and municipal sauna services. Exports, subscriptions to periodicals published and printed in Estonia, and theatre tickets had a VAT zero rate. Certain legal entities (turnover below EEK 130,000) were not registered as obligatory payers of VAT. The turnover of goods such as medicines, medical goods, medical treatment equipment and lottery tickets was tax free and imports for non-profit purposes were tax exempt. Imports required for official purposes of foreign representations and diplomats were not subject to VAT provided the foreign country granted the same right to Estonia's representations abroad.

### **Customs Valuation**

35. Some members of the Working Party asked about the status of the Customs Valuation Law and its content. Relating the request for information to Estonia's implementation of the WTO Agreement on the Implementation of Article VII of the GATT 1994, these members enquired whether Estonia's Law was fully consistent with the WTO Agreement.

36. The representative of Estonia explained that the Customs Valuation Law had been adopted on 8 February 1995 and had entered into force on 1 January 1996. The delay had been necessary to undertake preparatory work for its implementation, including practical arrangements such as the printing of documents, the training of customs officers, informing traders, etc. Estonia considered that the Law was in full conformity with the WTO Agreement on the Implementation of Article VII of the GATT 1994. Estonia's response to the questionnaire on "Information on Implementation and Administration of the Agreement" was submitted in August 1995 (document WT/ACC/EST/5).

37. The representative of Estonia confirmed that Estonia no longer used any form of reference price or fixed valuation schedule for the valuation of imports or to apply duties and taxes, and that all methods of valuation used were in strict conformity with those provided for in the WTO Agreement on the Implementation of Article VII of GATT 1994. He added that Estonia intended to implement Decision 4.1 of the Customs Valuation Committee concerning the valuation of carrier media bearing

software for data processing equipment (the Software Decision) by [date]. [The Working Party took note of these commitments.]

### **Non-Tariff Measures**

38. Some members of the Working Party sought information about the scope of "licences of activity" and related requirements; licensing arrangements for trade in metals, spirits, tobacco and tobacco products, medicaments, weapons, ammunition, and explosives; and the use of quantitative restrictions. Some members expressed the concern that under certain circumstances the conditions of sale of imported products could be affected in a manner not consistent with Article III of the GATT 1994, for instance, trade in alcohol and tobacco required prior declaration.

39. The representative of Estonia said that licensing was not applied to restrict imports, the production or the wholesale of any product. The "prior declaration" requirement simply implied that all customs procedures and formalities needed to be completed before goods could cross the border.

40. In document WT/ACC/EST/9 (Annex II), the representative of Estonia provided the information on import licensing procedures according to the format applicable to WTO Members. He stressed that general government policy was to maintain the free-market economy and to reduce the areas of activity subject to licensing. He noted that Estonia considered the licensing arrangements to be consistent with the WTO Import Licensing Agreement. In its submission, Estonia listed 41 economic activities in which operators needed a "Licence of Activity" for production and/or trade, valid for maximum five years, and the corresponding regulatory authority (Table 2). Among the justifications listed were safety (e.g. medicaments); a technological level adequate to comply with compulsory standards (e.g. alcoholic beverages); registration requirements to prevent threats to security and the environment (e.g. firearms and vehicles); and registration and accounting requirements for tax purposes (alcoholic beverages, tobacco, metals, etc.). The criteria for issuing of licences were published in the Official Journal "Riigi Teataja" (Legal Acts of Estonia). The number of licences was not restricted. Licences were granted to national and foreign operators under equal conditions.

**Table 2**  
**Activities subject to licensing (Activity Licence) in Estonia**

<b>Activity</b>		<b>Issuing Authority</b>
1.	Management of aviation and sea transport (exclude small private boats), international car and railway transport (excludes intra-enterprise rail transport)	Ministry of Transport and Communications
2.	Geology-related activities, mining of natural resources	Ministry of Economic Affairs
3.	Production and trade in objects containing precious metals and precious stones	Ministry of Finance
4.	Production, possession and trade in weapons, parts thereof, ammunition, or pyrotechnic equipment; repairs of weapons	Ministry of Internal Affairs
5.	Production and trade in medical narcotic, highly toxic, radioactive, and poisonous substances. Growing plants that contain narcotic, highly toxic and poisonous substances. Purchase and possessing of medical narcotic, highly toxic, radioactive, and poisonous substances	Ministry of Social Affairs
6.	All forms of medical treatment	Ministry of Social Affairs
7.	Production of and trade in medicines	Ministry of Social Affairs
8.	Import and export, as well as production and wholesale of tobacco and production thereof, and alcohol; and retail of alcohol	Ministry of Economic Affairs; Municipal Governments
9.	Printing and minting of money	Bank of Estonia
10.	Printing of securities	Ministry of Finance
11.	Printing of postage stamps	Ministry of Transport and Communications
12.	Building and management of public communications' networks of any kind	Ministry of Transport and Communications
13.	Management of an educational institution of a higher or general level, both vocational, or professional; together with the right to issue nation wide accepted certificates of education	Ministry of Culture and Education
14.	Management of security services' firms, installation of security, guard, and signalization systems	Ministry of Internal Affairs
15.	Opening and management of private detective agencies	Ministry of Internal Affairs
16.	Collation of measuring instruments	Ministry of Finance
17.	Production and trade in micro-organisms, plants, and animals created by genetic engineering	Ministry of Agriculture

<b>Activity</b>		<b>Issuing Authority</b>
18.	Insurance	Ministry of Finance
19.	Projecting, expertise and inspection of buildings, construction contracting activities	Ministry of Environment; Ministry of Agriculture
20.	Geodetic and cartographic activities	Ministry of Environment
21.	Ecological expertise	Ministry of Transport and Communications
22.	Management of environmentally harmful substances	Ministry of Transport and Communications
23.	Transmission or broadcasting of radio and television programmes by means of the radio and television networks	Ministry of Culture and Education
24.	Management of casinos (gambling)	Ministry of Finance
25.	Reproduction of the State symbols or their parts of the Republic of Estonia	State Chancellery
26.	Exchange management	Ministry of Finance
27.	Tourism	Ministry of Economic Affairs
28.	Ships' agencies and organizing sea transport	Ministry of Transport
29.	Lotteries	Ministry of Transport and Communications
30.	Assessment of land property, selling and buying land	Ministry of Agriculture
31.	Activities on the securities' market	Ministry of Finance
32.	Veterinary activities, veterinary practice	Ministry of Agriculture
33.	Temporary storage of commercial goods, customs-storage procedures	Ministry of Finance
34.	Commercial trade (imports, re-exports), wholesale and retail, and storage of imported fuels and lubricants	Ministry of Economic Affairs
35.	Production and repairs of weapons, ammunition, and technology for national defence purposes	Ministry of Defence
36.	Experiments with animals	Ministry of Agriculture
37.	Management of imports and exports, as well as other trade, services, repairs, and disassembling of motor vehicles and trailers	Ministry of Economic Affairs
38.	Assessment of personal protective equipment types, quality certification; assessment of machinery and equipment types	National Labour Inspection Board
39.	Logopedical aid	Ministry of Social Affairs
40.	Conservation, restoration, creating of repairs projects, and carrying out the corresponding activities on the objects of cultural importance (the objects of archaeological, architectural, technological, and historical value, objects of fine arts)	Ministry of Culture and Education
41.	Classification of goods and measuring of goods for customs' purposes	Ministry of Finance

41. The representative of Estonia explained that Estonia intended to establish a general framework for licensing which would ensure conformity with WTO provisions. Activity licences had so far been established under different regulations; a new Licensing Act would be elaborated by 1997 to regulate activity licences. No further areas would be subject to licensing while the new law was in preparation.

42. [The representative of Estonia stated that the importation of products subject to activity licences were subject only to requirements consistent with the WTO Agreement. He confirmed that no restrictions existed on the right of foreign and domestic individuals and enterprises to import and export goods and services within Estonia's customs territory[, with the exception of those specifically listed in Table 2,] and that the criteria for engaging in import and export trade in the restricted sectors were consistent with generally applicable restrictions placed on trade in similar domestically produced goods and based on criteria that were published in the Official Journal.]

### **Rules of Origin**

43. Some members of the Working Party requested information about the elaboration of rules of origin in Estonia whether in the context of free trade agreements or otherwise.

44. The representative of Estonia said that the drafting of rules of origin was a continuous process and was developing in accordance to the developments in the frame of the work of the Technical Committee on Rules of Origin of the WTO. Due to the extremely liberal foreign trade régime the use of national rules of origin was not essential. The agreed rules of origin were used in the frame of free trade agreements. The Estonian authorities had foreseen the elaboration of a law on rules of origin by the end of 1995 along the lines of existing rules of origin in preferential trade agreements and the suggestions and decisions of the Committee on Rules of Origin of the World Customs Organization and the WTO Agreement on Rules of Origin. Members of the Working Party were supplied copies of the rules of origin of Estonia's free trade agreements with EFTA countries (Norway and Switzerland); the European Union, the Ukraine and the trilateral free-trade agreement with Latvia and Lithuania.

### **Anti-dumping, Countervailing Duties, Safeguards and Balance of Payments Measures**

45. Some members of the Working Party noted that Estonia appeared not to have any specific anti-dumping legislation, but that an Anti-dumping Law, including countervailing duties procedures, was

in preparation. In view of the uncertainty regarding the date of entry into force of such a law and its content, Estonia was asked to submit draft legislation for comment to members of the Working Party.

46. The representative of Estonia said that no text of the Anti-dumping Law existed yet, but ensured the Working Party that if the Anti-dumping Law would be drafted, it would be in line with Article VI of the GATT 1994. He also clarified that while price dumping was mentioned among abuses of dominant position in Chapter III, Article 17 of the Competition Act, the listed unfair trade practices in the Act did not overlap with the pending anti-dumping statute.

47. The representative of Estonia said that in the elaboration of legislation concerning non-tariff measures related to Articles VI, XII and XIX of the GATT 1994 and the Agreement on Safeguards, Anti-dumping and Subsidies and Countervailing Measures, Estonia would ensure their conformity with the GATT 1994 and other WTO Agreements. Estonia would apply any future safeguard measures in full consistency with Article XIX of the GATT 1994 and the WTO Agreement on Safeguards. No balance-of-payments measures were envisaged at this stage; if ever needed in the future Estonia would impose them in a manner fully consistent with the GATT 1994.

## **2. Export Regulation**

### **Export Duties**

48. Some members of the Working Party noted that Estonia applied export taxes on metals and objects of cultural value and asked for a description and justification of these taxes. In response, the representative of Estonia replied that a 100 per cent export tax was levied on objects of cultural value, i.e. dating from before 1950. Export taxes on metals had been abolished, but exports were strictly controlled through the licensing of exporters and a State monopoly on scrap metal exports.

### **Export Licensing**

49. Noting that the Ministry of Economy had the right to impose export quotas on certain goods, some members of the Working Party asked the representative of Estonia to clarify licensing arrangements affecting trade in metals, spirits, tobacco products and medicaments and to justify export quotas/licences on gravel and clay. Some members also sought clarification on Estonia's intentions regarding the use of non-tariff measures on exports for emergency purposes.

50. The representative of Estonia replied that the Ministry of Economy's right to determine export quotas had been eliminated. The last remaining export quota (on quartz sand) had been abolished and Estonia did not foresee any further quantitative regulation of foreign trade. As the export quota/licence on gravel and clay had been terminated on 1 January 1995, no justification would be required under GATT or WTO provisions and Estonia would seek no transitional period for this measure. Export and import licences as such did not exist, but he referred to the earlier response regarding "Licence of Activity" (see paragraph xx). He added that Estonia would not apply regulations on exports beyond WTO mechanisms.

### **Export Incentives**

51. Some members of the Working Party sought information about subsidies, including tax incentives related to exports, the activities of the Export Credit Fund, the consideration of wide ranging use of export incentives, and existing or planned measures to tackle market disturbances or balance-of-payments problems.

52. The representative of Estonia said that no tax incentives, including tax holidays, existed to promote exports. He confirmed that loans from the Export Credit Fund carried 18 per cent annual interest, comparing the rate to commercial interest rates of 16 to 25 per cent for short-term loans in Estonia in 1994. Plans existed to develop the Fund into an Export Credit and Guarantee Board which would receive the initial capital injection from the National Budget. Estonia would not consider wide ranging export incentives, but, due to an increasingly negative trade balance, had the intention to introduce moderate export incentive schemes to bring Estonian exporters nearer to the conditions enjoyed by the exporters of developed countries. This would be done in conformity with the rules set by the WTO.

### **Internal Policies**

#### **Industrial Policy**

53. Some members of the Working Party requested details on any subsidies to private or State-owned enterprises and asked whether Estonia maintained any industry support to be notified in accordance with the Agreement on Subsidies and Countervailing Measures. Some members also asked Estonia to state its attitude regarding future resort to subsidies in the pursuit of industrial policy and clarification of the intention to restore historical trade links.

54. The representative of Estonia stated that Estonia presently had no industry support to be notified in accordance with the Agreement on Subsidies and Countervailing Measures. Estonia considered financial support provided by its Innovation Fund to be in line with criteria established by Article 8.2 (a) of the Agreement. The Law on State Support for Entrepreneurship regulated State support to small and medium sized enterprises. Support - loans and loan guarantees - were made available from funds managed by an eleven-member Council. The restoration of historical trade links would involve a shift from the past trade patterns created by the centrally planned economy of Estonia's eastern neighbour, towards free, balanced economic links with countries offering Estonia the best possibilities and real potential for mutually beneficial economic partnership.

### **Agricultural Policy**

55. Some members of the Working Party requested information on Estonia's current agricultural policy, including main principles, and specific policies regarding tariffs and tariff bindings, trade measures in the grain sector, safeguards, farm support programmes and incomes policy, price controls, export subsidies, privatization and preferential trade arrangements.

56. The representative of Estonia said that the return of land to former owners had been a cumbersome process but the major part of agriculture had been privatized. Remaining State enterprises still played an important rôle in the development of seeds and breeds. Foreign ownership existed in the food processing industry. Estonia had no tariffs or non-tariff measures affecting agricultural imports and no subsidies or price controls on food. However, the Law on Market Arrangements would allow introduction of tariffs. The 1994 Free Trade Agreement between Estonia, Latvia and Lithuania did not cover HS Chapters 1 to 24. A separate agreement or supplementary protocol covering farm products was subject to further negotiation. Estonia had reserved the possibility to regulate agricultural imports with tariffs until 1996 or 1997 under the Free Trade Agreement with the European Union. The initial offer for the market access negotiations (WT/L/60) included no zero-tariff bindings in agriculture and Estonia indicated that its tariffs would be bound at a level similar to the surrounding countries. The 1994 Law on Grain allowed the Government to restrict grain imports when domestic demand was fully covered by local production. However, quotas had not been implemented until now. Estonia confirmed its awareness of the WTO requirement to convert quantitative import restrictions into customs duties and the rule would be followed in future policy. The representative of Estonia added that licensing arrangements for food imports would be finalized in the first half of 1996. Licences would not act

to restrict the quantity of imports; they would be granted automatically with the exception of conditions related to phytosanitary requirements.

57. The representative of Estonia added that Estonia would not exclude any future resort to special safeguard measures, but was not able to indicate any specific areas where such measures might be used. Lack of financial resources had so far prevented subsidization of agricultural exports, but Estonia would reserve the right to introduce domestic support programmes and export subsidies. An offer on domestic support and export subsidies for agriculture was circulated to members of the Working Party in September 1995 (WT/SPEC/13) including export subsidy ceilings for butter, cheese, milk powder, beef, pig meat and poultry meat; income support measures subject to reduction commitments; and various "green box" measures. Estonia also listed a number of current support programmes it considered "green box" support in WT/ACC/EST/4.

#### **Technical Barriers to Trade and Sanitary and Phytosanitary Measures**

58. Some members of the Working Party inquired about the application of international and national standards in Estonia. Regarding agriculture, some members asked about the objectives of the Food Law and the resort to sanitary and phytosanitary measures, with particular reference to Government Regulations 300 and 340 of 1992.

59. In WT/EST/ACC/9 (Annex III), the representative of Estonia supplied information on technical barriers to trade and a notification on sanitary and phytosanitary measures. He added that at present no legal act regulated the adoption and application of standards, and Estonia had not concluded any agreement with other countries in this area. Current Estonian standards were based on ISO standards and generally voluntary, except for mandatory standards on spirits (white vodka) and construction cement. Estonia aimed at joining the EU Synchronized Standard System. Conformity assessments were organized in accordance with European requirements (EN 45000). Former USSR criteria, the so-called GOST standards, remained temporarily valid in some areas but were no longer mandatory. All standards applied equally to domestic and imported products. Draft standards and registration notices were published in "Standards of the Republic of Estonia".

60. The representative of Estonia said that "high quality" and "internationally competitive food" were key objectives cited in Estonia's Food Law, which was to serve as a basis for further legislation regulating food handling, quality, safety, control and inspection. Estonia did not envisage the use of

minimum import prices, but non-automatic import licensing might be employed in the pursuit of food policy objectives. A National Food Board had been established to deal with all matters concerning food and nutrition policy.

61. The representative of Estonia added that border controls on plants and plant products were effected by the State Plant Quarantine Inspection in accordance with Government Regulation 300 (of 17 October 1992) on "Regulation of arranging phytosanitary control on the State border" and amendments to this done on 19 October 1992 (Regulation No. 340) and 31 March 1995 (Regulation No. 147) as well as the Law on Plant Protection and the Temporary Regulation on the State Control, Sale, Export and Import of the Seeds of Field Crops. Goods subject to veterinary controls, border check points, requirements for veterinary certificates and the procedures for settling claims were laid down in a Decree of the Minister of Agriculture of 3 August 1994 and Government Regulation No. 17 of 10 April 1995. The authorities considered the health and safety provisions of the Food Law to be consistent with the WTO Agreement on Sanitary and Phytosanitary Measures.

62. Some members of the Working Party noted that Estonia had adopted no laws, regulations or administrative procedures relating to the implementation and administration of technical barriers to trade. In their view, these procedures should be enacted by the time of Estonia's accession to the WTO. Estonia would thus apply the WTO Agreements on Sanitary and Phytosanitary Measures and Technical Barriers to Trade from the date of accession without recourse to any transition period.

63. The representative of Estonia confirmed that procedures to grant licences to import food would be finalized in the first half of 1996 and would be in full conformity with the provisions of the WTO Agreement on Import Licensing Procedures, notably its Articles 2, 3 and 5.

#### **Trade-Related Investment Measures**

64. The representative of Estonia said that the Foreign Investment Law conformed fully with WTO rules as contained in the TRIMs Agreement. His Government applied the principle of national treatment and did not resort to performance requirements which could affect trade.

### **State Trading**

65. Some members of the Working Party noted that a significant portion of Estonia's output and trade remained in State hands and that tobacco and alcohol had been subject to State monopoly. Estonia was requested to notify under Article XVII any de facto or de jure trade monopoly and trade activities of any State-owned firm benefitting from selective support or subject to State intervention.

66. The representative of Estonia replied that following extensive privatization State-owned firms accounted for less than 5 per cent of domestic trade. Estonia notified under Article XVII of GATT 1994 in its Information on State-trading (WT/ACC/EST/9 (Annex IV)) that a State monopoly had been established on scrap metal to control metal trade for reasons consistent with Article XXI (Security Exceptions).

### **Government Procurement**

67. Some members of the Working Party asked whether Estonia intended to join the Agreement on Government Procurement and requested details about Estonian procurement legislation, its coverage and its conformity with WTO principles.

68. The representative of Estonia replied that Estonia had yet to make a decision on whether to join the WTO plurilateral Agreement on Government Procurement. The Law on Public Procurement was adopted in May 1995 and entered into force on 1 January 1996. The Government had established a Public Procurement Board to coordinate and administer public procurement activities. The legislation defined five principal methods of procurement; open tender, two-stage tendering, request for proposals, request for quotations and single-source procurement. The invitation for tenders might specify preferences to be accorded to domestic suppliers.

### **Trade-Related Aspects of the Intellectual Property Régime**

69. Some members of the Working Party requested details about legislation and enforcement of intellectual property right protection in Estonia and the compatibility with requirements of the TRIPS Agreement. Specific questions were addressed regarding exceptions from national or m.f.n. treatment, non-patentable inventions, protection of plant varieties, patent holders' rights, extension of patent terms,

granting of compulsory licences, judicial review, semiconductors, copyright, trademarks, industrial design and competition and anti-trust.

70. The representative of Estonia said that Estonia deemed its intellectual property right protection compatible with the TRIPS Agreement with no exceptions to the principles of national and m.f.n. treatment. The Patent Office opened in March 1992. Legislation on industrial property was said to be modelled on corresponding laws of the Nordic countries. Estonia had become full member of WIPO, joined the Patent Cooperation Treaty and restored its membership to the Paris Convention and the Berne Convention.

71. In response to further questions, the representative of Estonia said that plant varieties were protected under the 1994 Variety Protection Law and patent protection for microorganism strains could be granted following Estonia's accession to the Budapest Treaty. Certain inventions were non-patentable (inventions contrary to public order and morality, treatment and diagnostic methods practised on humans or animals, topology of micro-circuit and substances derived from nuclear fission). Provisions regarding a patentee's exclusive rights and exceptions were found in Chapter IV (sections 15, 17, 45 and 46) of Estonia's Patent Law. There were no restrictions on a patent owner's rights to assign, transfer or licence rights, but a licensing agreement need to be registered with the Patent Office to be valid. Compulsory licences could be granted by court order only (section 47). Estonia considered this provision to fulfil entirely the requirements of Article 31(b) and (c) of the TRIPS Agreement. Patents were not extendable under present legislation. Provisions corresponding to Article 34 of the TRIPS Agreement (Process Patents: Burden of Proof) had not yet been established.

72. The representative of Estonia added that the drafting and enactment of legislation on protection of semiconductor layout design was scheduled for 1996. The conditions governing free use and fee compilation of computer programs were set out in Chapter IV, Sections 24 and 25, of the Copyright Law. The law did not contain provisions on compulsory licensing of copyrightable works and sound recordings; full retroactive protection was provided under Sections 38 and 74. Section 75 prescribed the limitations on rights neighbouring on copyright. The collection of a levy to compensate for the use of audiovisual works and sound recordings began in January 1996. Accession to the 1961 Rome Convention was under consideration.

73. With regard to trade marks, the representative of Estonia said that signs registrable as trade marks were enumerated in Section 6 of the Trade Marks Law. The law protected well known marks

whether or not registered in the Republic of Estonia. Section 5 of the law set out the rights (and limitations) granted to holders of trademarks; registration satisfied notice of the exclusive right, and no specific provisions restricted the licensing or transfer of trademarks. The registration of an assignment was not mandatory, but it was not considered valid without registration. Registrability of a trademark generally did not depend on use. Applications were lodged with the Patents Office, its refusal to register a trademark (contravention of sections 7 and 8) might be contested through the Board of Appeals of Industrial Property. Decisions of the Appeal Board could be brought before a court of law. Estonia foresaw no changes to the trademark law at this stage.

74. The representative of Estonia said that Estonia was drafting new laws on industrial design, geographical indication and semiconductor layout designs. Trade secrets were not protected by separate legislation, but covered under Article 148 of the Criminal Code. The Second Part of Estonian Competition Law: unfair Competition was in consistence with the Paris Convention and Article 40 of the TRIPS Agreement. The Customs Law formed the legal basis for the prevention of imports of infringing goods. Amendments to the Criminal Code and the Code of Infringement of Administrative Law to include specific provisions on legal protection of industrial property awaited approval by Parliament.

[75. A member asked Estonia to become a member of the Geneva Phonograms Convention, noting that the restoration of protection for copyrighted works was required under Article 18 of the TRIPS Agreement. Protection of industrial designs, semiconductor chip layout designs and new plant varieties was also required under TRIPS. On patents, the member needed confirmation that a court, in deciding on a compulsory licence, would follow the procedures outlined in Article VIII.6 of its bilateral agreement with Estonia.]

### **Services Régime**

76. Some members of the Working Party commented on Estonia's draft schedule of commitments on trade in services. In their view, the offer was not sufficient since the documentation indicated an open services régime while Estonia had entered unbound in almost every mode of delivery. Specific questions covered procedures or restrictions on the entry of foreign labour, including lawyers, architects and accountants and cross-border trade in such services; market access conditions, cross-border trade, the effect of the economic stabilization programme, and recent legislation in the financial services sector;

licensing of operators in telecommunications and air transport; restrictions on foreign investment; establishment of trade offices and the coverage of services in preferential trading arrangements.

77. The representative of Estonia presented a revised services schedule undertaking further commitments. According to the representative of Estonia the unbound entries in the first draft reflected the lack of specific regulations with regard to foreign suppliers. He added that visa regulations governed the temporary entry of foreigners; a residence permit and a work permit was required for foreign personnel to take up employment in Estonia. The annual immigration quota was 1,000 persons. Foreign lawyers, architects and accountants could act as consultant to Estonian firms and there were no legal obstacles to the purchase of such services abroad. The representative of Estonia stated that the financial services sector was free from restrictions and that no restrictive measures were planned for the near term. Estonia confirmed that foreign suppliers were not treated less favourably than national providers of financial services, with the exception of some special requirements concerning foreign-owned insurance companies indicated in its draft Schedule of Specific Commitments (WT/L/59). Applications to establish representation offices or subsidiaries were addressed to the Bank of Estonia. Recent amendments in financial sector legislation included further regulations on prudential requirements and the adoption of a new Credit Institution Law with additional instruments for the supervisory authority and provisions on money laundering. The Estonian securities market was in its early stages of development, but growth had been substantial. The demand for insurance had been boosted by compulsory insurance for motor vehicles.

78. With regard to telecommunications, the representative of Estonia said that a foreign firm would need a foreign investment licence and register as a legal person in Estonia to do business in telecommunications. A concession conferring monopoly rights to "Eesti Telefon" was valid until year 2000. The Law of Broadcasting (Article 22) limited foreign ownership and possession of broadcasting transmitters to less than 50 per cent of the shares.

79. With regard to transportation, the representative of Estonia said that only companies registered in Estonia could obtain a licence for conveyance of goods and passengers; a ferry had to be owned by a citizen of Estonia or a company with headquarters in Estonia and minimum 51 per cent national ownership. "Estline" currently had a monopoly concession, valid for a further three years, on the conveyance of passengers between Estonia and Sweden. Aviation licences were issued to permanent residents of Estonia or legal persons with minimum 51 per cent resident or national ownership. Foreign air carriers operating in Estonia included Lufthansa, Aeroflot, Finnair and SAS.

80. The representative of Estonia stated that Estonia did not prohibit foreign services suppliers from establishing trade offices in any sector and that no services sectors and activities were completely closed to foreign companies.

81. He added that Estonia's free trade agreements mainly covered goods; no current agreement gave any country preferential status in services trade in Estonia. Any future association agreement or Europe Agreement with the European Union would include trade in services.

### **Economic Relations with Third Countries**

82. Some members of the Working Party enquired about Estonia's preferential agreements with the European Union and EFTA members, Latvia and Lithuania, further plans to conclude such agreements, including a Baltic Customs Union, and the existence of countertrade agreements with former CMEA members. Questions were also raised concerning the consistency of Estonia's free trade agreements with the requirements of Article XXIV, in particular the obligation to cover substantially all the trade between the constituent territories.

83. The representative of Estonia estimated that, in the beginning of 1995, about 61 per cent of exports and 56 per cent of imports were subject to preferential agreements. The Free Trade Agreement with the European Union had entered into force on 1 January 1995, also covering new members Austria, Finland and Sweden. The conclusion of free trade agreements with countries in Central and Eastern Europe was being considered. He stated that Estonia had no countertrade agreements with these countries. The free trade agreements generally granted duty free importation and exportation of manufactures (HS Chapters 25-97) while trade in agricultural goods were covered in separate agreements or protocols. Some quantitative and qualitative requirements applied to Estonia's agricultural exports. The main aim of the Baltic Customs Union would be the abolition of internal customs controls; an assessment of its effect on Estonia's liberal trade policy was not possible at this stage.

### **Conclusions**

84. The Working Party took note of the explanations and statements of Estonia concerning its foreign trade régime, as reflected in this report. The Working Party took note of the assurances given by Estonia in relation to certain specific matters which are reproduced in paragraphs..... of this report. The Working Party took note of the commitments given by Estonia in relation to certain

specific matters which are reproduced in paragraphs ..... of this report. The Working Party took note that these commitments had been incorporated in paragraph 2 of the Protocol of Accession of Estonia to the WTO.

85. Having carried out the examination of the foreign trade régime of Estonia and in the light of the explanations, commitments and concessions made by the representative of Estonia, the Working Party reached the conclusion that Estonia be invited to accede to the Agreement Establishing the WTO under the provisions of Article XII. For this purpose, the Working Party has prepared the draft Decision and Protocol of Accession reproduced in the Appendix to this report, and takes note of Estonia's Schedule of Specific Commitments on Services (document ..... ) and its Schedule of Concessions and Commitments on Goods (document ..... ) that are annexed to the Protocol. It is proposed that these texts be adopted by the General Council when it adopts the report. When the Decision is adopted, the Protocol of Accession would be open for acceptance by Estonia which would become a Member thirty days after it accepts the said Protocol. The Working Party agreed, therefore, that it had completed its work concerning the negotiations for the accession of Estonia to the Agreement Establishing the WTO.

**APPENDIX**

**ACCESSION OF ESTONIA**

**Draft Decision**

**The General Council,**

**Having regard** to the results of the negotiations directed towards the establishment of the terms of accession of the Republic of Estonia to the Agreement Establishing the World Trade Organization and having prepared a Protocol for the Accession of Estonia,

**Decides**, in accordance with Article XII of the Agreement Establishing the World Trade Organization, that the Republic of Estonia may accede to the Agreement Establishing the World Trade Organization on the terms set out in the said Protocol.

**PROTOCOL OF ACCESSION OF ESTONIA  
TO THE AGREEMENT ESTABLISHING THE WORLD TRADE ORGANIZATION  
DRAFT**

The World Trade Organization (hereinafter referred to as the "WTO"), pursuant to the approval of the General Council of the WTO accorded under Article XII of the Marrakesh Agreement Establishing the World Trade Organization (hereinafter referred to as "WTO Agreement"), and the Republic of Estonia (hereinafter referred to as "Estonia"),

Taking note of the Report of the Working Party on the Accession of Estonia to the WTO in document WT/L.... (hereinafter referred to as the "Working Party Report"),

Having regard to the results of the negotiations on the accession of Estonia to the WTO,

Agree as follows:

**Part I - General**

1. Upon entry into force of this Protocol, Estonia accedes to the WTO Agreement pursuant to Article XII of that Agreement and thereby becomes a Member of the WTO.
2. The WTO Agreement to which Estonia accedes shall be the WTO Agreement as rectified, amended or otherwise modified by such legal instruments as may have entered into force before the date of entry into force of this Protocol. This Protocol, which shall comprise the commitments referred to in paragraph ... of the Working Party Report, shall be an integral part of the WTO Agreement.
3. Except as otherwise provided for in paragraphs ... of the Working Party Report:
  - (a) Those obligations in the Multilateral Trade Agreements annexed to the WTO Agreement that are to be implemented over a period of time starting with the entry into force of that Agreement shall be implemented by Estonia as if it had accepted that Agreement on the date of its entry into force;

- (b) Those notifications that are to be made under the Multilateral Trade Agreements annexed to the WTO Agreement within a specified period of time starting with the date of entry into force of the WTO Agreement shall be made by Estonia within that period of time starting with the date of entry into force of this Protocol.

## **Part II - Schedules**

4. The Schedules annexed to this Protocol shall become the schedule of Concessions and Commitments annexed to the General Agreement on Tariffs and Trade 1994 (hereinafter referred to as the "GATT 1994") and the Schedule of Specific Commitments annexed to the General Agreement on Trade in Services (hereinafter referred to as "GATS") relating to Estonia. The staging of concessions and commitments listed in the Schedules shall be implemented as specified in the relevant parts of the respective Schedules.

5. For the purpose of the reference in paragraph 6(a) of Article II of the GATT 1994 to the date of that Agreement, the applicable date in respect of the Schedules of Concessions and Commitments annexed to this Protocol shall be the date of entry into force of this Protocol.

## **Part III - Final Provisions**

6. This Protocol shall be open for acceptance, by signature or otherwise, by Estonia until .....

7. This Protocol shall enter into force on the thirtieth day following the day of its acceptance.

8. This Protocol shall be deposited with the Director-General of the WTO. The Director-General of the WTO shall promptly furnish a certified copy of this Protocol and a notification of acceptance thereto pursuant to paragraph 6 to each member of the WTO and Estonia.

9. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at Geneva this ... day of .... one thousand nine hundred and ninety six, in a single copy in the English, French and Spanish languages each text being authentic, except that a Schedule annexed hereto may specify that it is authentic in only one or more of these languages.