

EU-27 WATCH



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On the project

Due to the new treaty provisions of the Lisbon Treaty and the economic crises the enlarged EU of 27 member states is on the search for a new *modus operandi* while also continuing membership talks with candidate countries. The EU-27 Watch project is mapping out discourses on these and more issues in European policies all over Europe. Research institutes from all 27 member states and the four candidate countries give overviews on the discourses in their respective countries.

The reports focus on a **reporting period from December 2009 until May 2010**. This survey was conducted on the basis of a questionnaire that has been elaborated in March and April 2010. Most of the 31 reports were delivered in May 2010. This issue and all previous issues are available on the EU-27 Watch website: www.EU-27Watch.org.

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Estonia**Green light to Estonia's Euro-accession amidst tumult in the Eurozone**

Piret Ehin*

In Estonia, as in the other European countries, the Greek crisis caused concerns about the stability of the Euro, and raised difficult questions about solidarity in the EU. But highest on Estonia's agenda was the question of how the Greek crisis would impact Estonia's own bid to join the Euro. Just as European leaders decided on a massive emergency rescue package to halt a festering sovereign debt crisis, Estonia eagerly waited for the European Commission's convergence report. Having followed a strict austerity programme since the beginning of the economic crisis (public spending in 2009 was a drastic 12 percent less than in 2008), Estonia was able to keep its budget deficit in 2009 at 1.7 percent despite a 15 percent drop in Gross Domestic Product (GDP). The country is the least indebted nation in the EU (its debt stood at 7.2 percent of GDP in 2009, well below the Eurozone average of 60 percent), and the economic crisis had helped bring down inflation. Having met all three Maastricht criteria, Estonia believed it was ready to adopt the Euro, but many feared that unprecedented turbulence in the Eurozone might bring the expansion of the single currency area to a halt, or lead to the introduction of new criteria. These fears were fed by reports that Jürgen Stark, a member of the Governing Board of the European Central Bank, believed Estonia was not prepared to join the Eurozone, despite meeting the Maastricht criteria, and favoured the introduction of additional criteria such as GDP per capita.¹

For Estonia, the prospect of politics interfering with its accession to the Eurozone, just as years of prudent policies and hard work were expected to pay off, was a frustrating possibility. In the eyes of the Estonian public, the EU's decision on Estonia's Euro-eligibility constituted another test of the EU's ability and willingness to apply the same standards to old and new, large and small member states. "We don't think we have to convince somebody that Estonia is not Greece," said Prime Minister Andrus Ansip.² In an article that appeared in *The Economist*, Edward Lucas argued that making Estonia wait would send a "perverse message": "Estonia is almost the only country in the whole EU that actually meets the common currency's rules. All those that use the Euro have gaily breached the deficit and debt limits. The grit shown by Estonian politicians and the public in shrinking spending, raising taxes and cutting wages has been exemplary. Punishing Estonia, which obeyed the rules, while bailing out Greece, which has breached them flagrantly, would do little for the Euro's credibility with governments and investors alike."³

On 12 May 2010, the European Commission announced that Estonia has fulfilled the Maastricht criteria on inflation, debt, and the budget deficit, and no technical or financial barriers stand in the way of the country adopting the Euro on 1 January 2011. Provided that the final political decision follows in mid-July, Estonia will be the third post-communist country to adopt the common currency after Slovenia and Slovakia.

The Greek crisis and its impact on the Euro provided ample ammunition to domestic skeptics, who compared Estonia's prospective Eurozone accession to boarding a sinking ship. However, their calls had little resonance, as public support for the EU remains high, and the lesson Estonians seem to have drawn from the hard times is that they would be worse off without the European Union.

The Estonian government approves of the EU's rescue package for Greece and welcomes the creation of the European Stabilisation Mechanism. According to Finance Minister Jürgen Ligi, these decisions "sent an important message to the markets" at a difficult moment.⁴ Prime Minister Andrus Ansip confirmed that Estonia is ready to buy Greek government bonds and to participate in the wider bailout: "If it will be decided that EU members outside the Eurozone can also participate, then yes, I'm for bigger solidarity inside the European Union and we never know when we could be asking for help."⁵

Several analysts have suggested that the Greek crisis could eventually be for the good, because it forced member state governments and EU institutions to finally face the multiple problems with the Stability and Growth Pact.⁶ The Estonian government has for a long time emphasised the importance of strengthening the pact. In particular, this involves ensuring the sustainability of public finances,

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increasing the efficiency of government expenditure, and improving the quality of public revenue. According to the government's EU policy strategy document for 2007-2011, "[s]trong fiscal discipline, establishment of medium-term budgetary goals that are more ambitious than current goals, and strengthening the preventive part of the Stability and Growth Pact, both through increased responsibility of the member states as well as by developing a corresponding analytical framework, are important for achieving these goals."⁷ Thus, the Estonian government will certainly stand behind proposals aimed at strengthening fiscal discipline and introducing tighter monitoring and permanent crisis prevention mechanisms. Indeed, the government appears to bask in assessments praising Estonia as "a model of the fiscal discipline that the EU now wants to bring to the entire Euro area."⁸

Estonia's position on the Europe 2020 Strategy is that it should focus on identical goals as the current Lisbon Strategy, i.e. on growth and jobs, taking also into consideration the need to reduce the impact of economic activities on the environment. To ensure more effective implementation than was the case with the Lisbon Strategy, implementation mechanisms must be strengthened and more power given to the European Commission, both in initiating legislation and in monitoring and assessing the implementation of the strategy. The priorities of the new strategy should be duly taken into account in the elaboration of the next EU financial perspective. The Europe 2020 Strategy should focus on a limited number of priority areas that have the greatest potential to improve EU's competitiveness. Main priority areas for Estonia are further development of the internal market, mobility and information society, R&D and innovation, education, creation of jobs, social cohesion, and promotion of the eco-efficient economy.⁹ Prime Minister Ansip has expressed satisfaction with the fact that proposals by President of the European Council Herman Van Rompuy broadly coincide with Estonia's vision of the strategy's foundations.¹⁰

¹ Mikk Salu: Euroopa Keskpank kahtleb, kas Eesti ikka on eurokõlblik, Eesti Päevaleht, 16.04.2010.

² David Mardiste: We're *not* Greece, says premier of euro hopeful Estonia, 23.04.2010, available at:

<http://www.forexpros.com/news/financial-news/interview-we%27re-not-greece.-says-premier-of-euro-hopeful-estonia-132549> (last access: 01.06.2010).

³ Edward Lucas: Euro not bust, The Economist, 13.05.2010.

⁴ Ministry of Finance: Euroopa Liidu rahandusministrid leppisid kokku ühtses finantsstabiilsuse mehhanismis, press release, 10.05.2010, available at: <http://www.fin.ee/index.php?id=105199> (last access: 01.06.2010).

⁵ Baltic Business News: Ansip: Estonia is ready to buy Greek government bonds, available at:

http://www.balticbusinessnews.com/article/2010/05/13/Ansip_Estonia_is_ready_to_buy_Greek_government_bonds (last access: 13.05.2010).

⁶ Villu Zirnask: Miks Kreeka kriis võib lõpuks olla hea, Eesti Päevaleht, 20.05.2010.

⁷ State Chancellery of Estonia Estonia's European Union Policy 2007–2011, available at:

http://www.riigikantselei.ee/failid/ELPOL_2007_2011_EN.pdf (last access: 01.06.2010).

⁸ Ott Ummelas: EU's Least-Indebted State Is Model After Greek Crisis, available at: <http://www.businessweek.com/news/2010-05-11/eu-s-least-indebted-state-is-model-after-greek-crisis-update2-.html> (last access: 01.06.2010).

⁹ State Chancellery of Estonia: Aims of the Estonian Government During the Spanish Presidency, available at:

http://www.riigikantselei.ee/failid/EE_priorities_EN.pdf (last access: 01.06.2010).

¹⁰ Estonian Government: Euroopa Liidu tippkohtumisel arutati järgnevate aastate majanduspoliitikat, press release, 11.02.2010, available at: <http://www.valitsus.ee/?id=9916> (last access: 01.06.2010).

Questionnaire for EU-27 Watch, No. 9

Reporting period December 2009 until May 2010 – Deadline for country reports 21 May

All questions refer to the position/assessment of your country's government, opposition, political parties, civil society organisations, pressure groups, press/media, and public opinion. Please name sources wherever possible!

1. Implementation of the Lisbon Treaty

On the 1 December 2009 the EU-reform ended with the entering into force of the Lisbon Treaty. However, the new treaty provisions still have to be implemented. Some procedures and conditions have to be determined. In other cases, procedures, power relations, and decision-making mechanisms will change due to the new provisions.

- How is the work of the new President of the European Council, Herman Van Rompuy, assessed in your country? Which changes to the role of the rotating council presidency are expected?
- How is the work of the new High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, assessed in your country? Please take into particular consideration both her role within the European Commission and her relationship to the Council of the European Union.
- On 25 March 2010 a "Proposal for a Council Decision establishing the organisation and functioning of the European External Action Service" was presented. How is this concept perceived in your country? Which alternatives are discussed?
- On 31 March 2010 the European Commission presented a proposal defining the rules and procedures for the European Citizens' Initiative (ECI). What are the expectations for the ECI in your country? What are the various positions concerning the rules and procedures?

2. Enlargement and European Neighbourhood Policy

The European Commission has given its opinion on Iceland's application for EU-membership and a decision from the Council is expected before the end of June. Croatia seems to have settled its border dispute with Slovenia. Against this background:

- Which countries does your country expect to become members of the European Union in the next enlargement round? What are the opinions in your country on the membership of these countries?
- How are the membership perspectives of those countries discussed, which are not expected to become a member in the next enlargement round?

The Eastern Partnership and the Union for the Mediterranean were the last major projects dealing with the European neighbourhood:

- How are these projects assessed in your country?

3. European economic policy and the financial and economic crisis

The European Council agreed on 25/26 March on the key elements of the Europe 2020 strategy, the successor of the Lisbon strategy. While not being on the formal agenda the economic and financial situation in Greece was discussed. The European Council agreed on a finance package combining bilateral loans from the eurozone and financing through the International Monetary Fund.

- How is the finance package for Greece assessed in your country? Are there any opinions on the process, how the agreement on the package was reached?
- Which lessons should be drawn from the Greek case for a reform of the Stability and Growth Pact?
- How is the idea of "a strong coordination of economic policies in Europe" perceived in your country? What concepts of an European economic governance are discussed in your country and which role do they assign to the Euro group?
- How is the Europe 2020 strategy discussed in your country? What are the priorities for the Europe 2020 strategy from your country's perspective?

4. Climate and energy policy

The climate conference in Copenhagen took note of the Copenhagen Accord but did not reach a binding agreement. The next conference of the parties (COP 16 & CMP 6) will take place at the end of November 2010.

- How is the Copenhagen conference assessed in your country? Please take into consideration the negotiation strategy of European Union and the results of the conference.
- Does the European Union need to change its own energy and climate policy in order to give a new impulse to the international negotiations?
- Is a global agreement within the UNFCCC the best strategy to fight climate change? If not, which alternative strategy should the European Union follow?
- What is your country's position on financing mitigation and adaptation efforts in developing countries?

5. Current issues and discourses in your country

Which other topics and discourses are highly salient in your country but not covered by this questionnaire?