

**GENERAL AGREEMENT  
ON TARIFFS AND TRADE**

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ACCESSION OF ESTONIA

Questions and Replies to the Memorandum on  
the Foreign Trade Regime (L/7423)

Addendum

The Foreign Ministry of Estonia has transmitted to the Secretariat on 20 January 1995 the following replies to the questions put to Estonia concerning its foreign trade regime at the last meeting of the Working Party.

The legal texts mentioned in the replies are available in the Secretariat (Accessions Division, Room 2075) for consultation.

## ACCESSION OF ESTONIA

### Australian Questions

#### Question 1

**Does Estonia intend modifying its system for "creating" agricultural tariffs, for example by adopting a formula approach based on differences between internal and external prices? (paragraph 9 of L/7529).**

#### Answer

The Government does not foresee the adoption of formula approach for agricultural tariffs.

#### Question 2

**In paragraph 10 of L/7529 Estonia states that some tobacco and tobacco products as well as spirits, wine and beer are subject to different excise duty rates.**

- **Is the purpose of this different treatment revenue related or designed to protect local products?**
- **When will Estonia phase out these measures given that they are inconsistent with GATT Article III (national treatment)?**

#### Answer

Applying a different excise tax rate on domestic and imported tobacco products and spirits was designed to protect local producers. The difference will be equalized during 1995.

#### Question 3

**Estonia has not advised whether any domestic products are exempt from VAT (paragraph 11, L/7529). Can Estonia please provide this information and also advise whether different rates apply to domestic products?**

#### Answer

VAT rate (18 per cent) is equal to domestic and imported products. The value-added tax is not charged on the supply of the following services and goods and the import of goods:

- elementary, basic, secondary and higher education, as well as advanced training and continuing education;
- public postal services;
- medical services under health insurance and medical requisites;
- funeral requisites and services;
- banking and insurance services;
- organization of gambling;
- lottery tickets;
- letting of housing;
- medicines and equipment for health and medical diagnostics;
- treating dangerous waste.

Question 4

**Would Estonia provide further information on the nature and purpose of the procedure tax (paragraph 12, L/7529)? What procedure is being taxed? Is this tax consistent with GATT Article VIII?**

Answer

Estonia is aware that currently applied customs procedure tax is inconsistent with GATT Article VIII. It will be replaced with State duty in fixed amount of EEK 200 per customs declaration in the first half of 1995.

Question 5

**Notwithstanding arrangements under agreements likely to be covered by Article XXIV, does Estonia maintain any preferential tariff arrangements, for example with CIS countries (paragraph 25, L/7529). If yes, how are these consistent with GATT Article I?**

Answer

Estonia's tariff rate on imports is zero (except 10 per cent on cars and 16 per cent on furs) and it does not maintain any preferential tariff arrangements with any country.

Question 6

**We would like to pursue further Estonia's response given in answer to question 28 (services) in L/7529 on the temporary entry of natural persons. The answer states that there are no special regulations concerning the temporary entry of natural persons into Estonia provided that the person is registered with the local authorities and has got a licence of activity. We would like to know under what conditions a licence of activity can be obtained and whether registration with local authorities is subject to a discretionary element?**

Answer

Temporary entry of natural persons is regulated only by visa regulations, so for temporary entry into Estonia there is no need for licence of activity, but to work in Estonia aliens must require an employment permit. For the issuance of the employment permit, the licence of activity of the company may be required. (The Law on Aliens is available in the Secretariat for consultation.)

PRESENTATION OF THE UNITED STATES DELEGATION TO THE FIRST MEETING OF  
THE WORKING PARTY ON THE ACCESSION OF ESTONIA TO THE GATT -  
ADDITIONAL QUESTIONS AND OTHER STATEMENTS CONCERNING  
ESTONIA'S MEMORANDUM ON FOREIGN TRADE REGIME (L/7423),  
AND RESPONSES TO QUESTIONS SUBMITTED,  
CONTAINED IN L/7529 AND ADD.1

II. ECONOMY AND FOREIGN TRADE

Foreign exchange measures

Question 7

**In light of the numerous laws and decrees established in the foreign exchange sector since the issuance of L/7423, please give an updated description of Estonia's foreign exchange practices, with particular attention to the determination of the rate of exchange, the accessibility of the foreign exchange for trade and payments purposes, the level of convertibility, and any restrictions on holding or trade in Estonia's currency.**

Answer

As from 20 June 1992 the exchange rate regime has been a fixed rate against the German mark of 1 DM = 8 Estonian Kroon.

According to the Law on the Bank of Estonia, the Bank of Estonia determines the exchange rate for the Estonian Kroon against foreign currencies. However, this has been superseded by the Law on the Security of the Estonian Kroon, under which the official rate of the Estonian Kroon is determined by the Bank of Estonia against the German Mark. The Bank of Estonia has no right to devalue the Estonian Kroon: the limit of technical fluctuation is set at 3 per cent. Any changes in the exchange rate of the Kroon leading to devaluation against the German Mark must be approved by the Parliament.

According to the Law on the Security of the Estonian Kroon, the Bank of Estonia guarantees on the territory of Estonia the free exchange of the Estonian Kroon to convertible foreign currencies for the current needs of customers, according to the official rate of the Bank of Estonia. The conversion of the Kroon into other currencies is left to the commercial banks.

There are no restrictions on current account transactions. The last of the restrictions set at the time of the June 1992 monetary reform was lifted in March 1994.

As to restrictions on capital account - purchase of land by overseas residents is not subject to exchange control, but the permissions of the government and the local authority are needed.

There are no further restrictions on capital account transactions, though there are customs rules for export of cash and securities.

(1) EconomyPrice controlsQuestion 8

In response to No. 1 in L/7529, Estonia indicates that price controls are still in place for "goods and services of natural monopolies".

- Please indicate specifically what prices still remain under control.
- Please list the "natural monopolies" referred to, outline their scope and involvement in international trade, and explain what other restrictions, if any, are placed on their operations domestically and in international trade.
- What percentage of commerce still occurs under price control and what are Estonia's plans concerning its future application?

Answer

Price control may be applied in the fields where one enterprise has a dominant market position. As "natural monopolies" we consider energy supply, railway, heating-water pipe-lines etc. Prices are fixed to oil-shale (main fossil energy resource in Estonia); electricity; heat of central boilerhouses; partially city transport. Usually these enterprises are not involved in foreign trade, but if it is the case, export prices are free. As far as consumer products are concerned, prices are fixed only on spirits and on alcoholic beverages of 21 per cent and over produced in Estonia. It is necessary for improving tax collecting.

Sales of alcohol and alcoholic beverages comprise up to 10 per cent of foodstuffs retail, and about 30-40 per cent of it is sold at fixed prices. Beer, alcohol of less than 21 per cent and imported alcoholic beverages constitute the remaining alcoholic beverage sales. The prices of these are free.

PrivatizationQuestion 9

Concerning Estonia's privatization efforts:

- What portion of Estonia's industry and agricultural enterprises are now in private hands? What, in general terms, are Estonia's plans for the ultimate proportion of its industrial and agricultural establishments to remain State-owned?
- Approximately what portion of Estonia's international trade is currently accounted for by State-owned firms?
- Could Estonia provide for the Working Party, after meeting, information by sector in terms of percentage of GDP, production, imports and exports accounted for by the non-privatized part of Estonia's economy?
- Estonia's documentation mentions State monopolies in trade in tobacco products and scrap metal. What other such monopolies exist? Which of the State-owned firms or State-sanctioned monopolies does Estonia intend to notify under Article XVII?

Answer

Almost 100 per cent of agricultural enterprises and 50 per cent of industrial enterprises are privatized by now. For 1995 an ambitious and extensive privatization plan has been accepted, targeted at transferring the ownership of big State-owned companies.

Approximately 20 per cent of Estonia's international trade; 27.7 per cent of GDP and 61 per cent of production is contributed by State-owned firms, although these figures are subject to constant change.

State monopolies in trade in tobacco products and scrap metals no longer exist. So Estonia does not intend to notify anything under Article XVII.

Competition policy

Question 10

**Concerning the response to Question 5 in L/7529:**

- **Does the Competition Board's authority to permit agreements restricting competition extend to limiting imports or exports or foreign investors?**
- **Chapter II of the Law on competition lists six specific types of unfair trade practices prohibited by the Act. What are these unfair practices? Is there any overlap with the pending anti-dumping statute?**

Answer

The Competition Board may grant permissions to agreements and concerted practices restricting competition on certain conditions. This does not extend to limiting imports or exports, but may extend to foreign investors, if their agreements with somebody from the Estonian side restrict competition.

Unfair trade practices listed in Chapter II, Article 7 of Estonian Law on Competition do not overlap with the anti-dumping statute and are as follows: misleading advertising; incorrect use of the designation of a firm, trademark or other attributes; disparaging a competitor or his goods; abuse of business secrets; abusing of an employee or another participant in market relations; unlawful restricting or favouring of the sale of goods and services.

Applying of dumping prices as abuse of dominant position in the market is mentioned in Chapter III, Article 17.

**III. FOREIGN TRADE REGIME**

Question 11

**Are all of Estonia's laws and regulations related to trade, as noted in Article X of the GATT, published prior to implementation?**

**Is Estonia currently able to implement the transparency provisions of the Agreements on Import Licensing Procedures and Technical Barriers to Trade, including time-limits and periods for comment?**

Answer

All Estonian laws and regulations are published prior to implementation in a regular official publication "Riigi Teataja" (Legal Acts of Estonia).

Estonia is able to implement the transparency provisions of the Agreement on Import Licensing Procedures and Technical Barriers to Trade.

(1) Import regulationsThe evolution of the customs tariff regulationQuestion 12

Regarding Estonia's ongoing "elaboration" of a number of basic trade laws, e.g., concerning the Customs Tariff, customs procedures, Commercial Code, anti-dumping measures, etc.:

- What is the status of the legislation on Commercial Code, Anti-Dumping, the Customs Tariff, and when is adoption anticipated? Please describe the main elements of the legislation.
- We request that Estonia prepare a comprehensive list of its basic trade legislation currently in place, those laws in development or under "elaboration", and those foreseen for future establishment.
- Major legislation relating to operations covered by the GATT and the WTO should be submitted to the GATT Secretariat or circulated to WP members for review.
- It would also be useful to have a brief description of the content of these laws, including the nine listed in response No. 2 of L/7529, as they relate to GATT and WTO obligations.

In Response 3 in L/7529, Estonia notes (a) the Law on Stamp Duty of 10 March 1994, (b) the Law on State Support for Entrepreneurship of 10 May 1994, and (c) the Law on Tobacco Excise of 13 July 1994.

Please describe the provisions of these laws with special emphasis on (a) the application of the Stamp Duty to imports and domestic goods, including the incidence of the duty and its point of application; (b) the sorts of supports provided for in the Law on State Support for Entrepreneurship; and (c) the method and point of application of the Tobacco Excise Tax.

AnswerA. The status of the legislation on:

Commercial Code that regulates the establishment and activity of the enterprises has passed the first reading in Parliament. Adoption is anticipated in the first half of 1995. After that the text of the Code will be submitted to the WTO Secretariat immediately.

Law on Anti-Dumping that is based on the results of the Uruguay Round and GATT Article VI is presented to the Parliament. Adoption anticipated in 1995.

Law on Customs Tariff will be presented to the Government by the end of February 1995. Adoption anticipated in 1995.

No new trade legislation acts have been adopted since July 1994. In addition to the legal acts mentioned above, under the elaboration are currently Law on Advertising and Law on Government Procurement. In the process of elaboration of trade related legal acts Estonia adheres the principles of GATT and the results of the Uruguay Round.

As to the subquestion that requests a brief description of nine laws listed in Response No. 2 of L/7529, please name these nine in the number of 18.

The Law on Tobacco Excise Tax of 13 July 1994 is in force from 1 January 1995. In accordance with the law circulation of tobacco products without revenue stamps is forbidden. Excise tax is paid upon the purchase of revenue stamps by the manufacturer in the case of tobacco products manufactured in Estonia and by the importer in the case of tobacco products conveyed into Estonia. The price of revenue stamp consists of excise tax rate. Excise tax rates are different for imported and domestically manufactured tobacco products. The tax rates are subject to adjustment according to the consumer price index.

Sorts of support provided for in the Law on State Support for Entrepreneurship are loans under favourable conditions to small- and medium-sized enterprises for financing their business projects.

#### Customs duties

#### Question 13

**Please report on progress towards establishment of a tariff schedule, and an update on the status of draft legislation and work to establish tariff levels for industrial and agricultural products.**

**We believe that Estonia should eliminate or incorporate into its tariff schedule charges on imports other than domestic taxes applied at a rate equal to that applied to domestic goods and customs processing charges approximately equal to the cost of the services rendered and applied in conformity with the provisions of Article VIII of the GATT.**

- **In this regard, the 0.5 per cent procedure fee should be restructured to approximate the cost of services rendered, in line with Article VIII of the GATT and the panel report on the United States Customs User Fee.**
- **Alternatively, this revenue tax should be incorporated into Estonia's customs tariff or domestic taxation regime.**

**Estonia has stated that it intends to bind its tariffs at levels similar to that applied by the European Union.**

- **Will Estonia establish applied tariffs at this level?**
- **Does Estonia intend to raise its tariff rates in conjunction with the implementation on 1 January 1995 of its FTA with EU?**

**Membership in the WTO requires a commitment to establish and maintain a liberal trade regime that operates on the basis of, inter alia, most-favoured-nation and national treatment**



**principles. In this regard, Estonia should be prepared to offer tariff bindings that provide members genuine and significant market access, including in agriculture.**

Answer

The Law on Customs Duty with tariff schedule is still under elaboration. It will be presented to the Government by the end of February. Estonia intends to bind tariffs approximately at the same level as those of the European Union taking into account the changes in tariff rates on agricultural products as the results of the Uruguay Round.

Currently applied customs procedure tax is 0.5 per cent, but not less than EEK 15 or more than EEK 65,000, will be replaced with State duty in fixed amount of 200 EEK per customs declaration in the first half of 1995.

Excise duties

Question 14

**Estonia reports in its documentation that it applies higher excise duties on imported tobacco products and alcoholic beverages than on similar domestic goods, and that it intends to maintain this practice until the end of 1995.**

- **Estonia should equalize these taxes prior to accession, and any others where the incidence varies based on the national origin of the goods. The current inequality of application violates Article III of the GATT. The current practice should not be carried into the GATT or the WTO.**

Answer

According to the Law on Tobacco Excise Tax, different excise duties on imported and domestic tobacco products are in force until 31 December 1995. Since 1 January 1996 excise duty rates will be equalized. Estonia is aware, that the application of different excise duty rates violates Article III of the GATT and does not intend to carry it into the GATT/WTO. We believe that the equalizing excise duty rate on the date named above remains in the time-frame of the completion of the procedure of the accession of Estonia to the GATT/WTO.

Value-added tax

Question 15

**Would Estonia please list for the Working Party the items exempted from the Value-Added Tax? (Although Estonia suggested in its response that the VAT Law which is with the GATT Secretariat be consulted, we believe that it would be useful to have on the record what the exemptions are.)**

Answer

The value-added tax is not charged on the supply of the following services and goods and the import of goods:

- elementary, basic, secondary and higher education, as well as advanced training and continuing education;

- public postal services;
- medical services under health insurance and medical requisites;
- funeral requisites and services;
- banking and insurance services;
- organization of gambling;
- lottery tickets;
- letting of housing;
- medicines and equipment for health and medical diagnostics;
- treating dangerous waste.

Taxation regime

Question 16

**Concerning the application of taxes to imported automobiles:**

- **In its response on page 6 of L/7529/Add.1, Estonia indicates that it maintains an artificial valuation list for the application of an import tax on automobiles.**
  - **Does Estonia have domestic automobile production? If so, is this tax or any similar tax applied to domestically produced articles? Is it applied to automobiles brought into Estonia as personal property?**
  - **Why does Estonia use an artificial list of values for the application of the tax?**
  - **How does Estonia intend to bring this tax into conformity with Articles II, VII and VIII of the GATT and the Valuation Agreement?**

Answer

Estonia does not have domestic automobile production. Currently the customs duty on imports of motor vehicles is applied only on imports by natural persons. The reason for using such an "artificial" list of value is because of avoidance of forgery in prices declared to customs by importers. In the first half of 1995 the duty will be replaced by an excise tax which is equal to natural and juridical persons.

Non-tariff measures, quotas, and licensing system

Question 17

**Estonia has stated in response to a question on page 6 of L/7529/Add.1 that import and export licences on goods have been replaced with "Licences on activity".**

- **To what extent are such licences used to control the number of persons engaged in trade?**
  - **Please list the "institutions" issuing these licences that control access to the right to conduct trade in various sectors.**
  - **Is the right to import, in effect, licensed by a competing State enterprise under this system?**

- **Has Estonia formally abolished any governmental trade monopoly? What areas of trade are restricted from open participation by any person or firm, and for what reasons?**
- **Per the response on page 20 of L/7529/Add.1, please explain the "certain technological level" that must be demonstrated to trade in alcoholic beverages.**
- **Are the criteria for receiving these licences published and publicized? Does a central contact point exist where traders can get the information necessary to receive these licences?**
- **We believe that Estonia should describe more fully the intent of these measures, e.g., how they are adequate substitutes for quantitative restrictions, and indicate to what extent such licensing restricts access to trade or the right to trade.**

Answer

The number of persons to obtain licences on activities is not limited. But there are data bases where the Customs Board, Taxation Board and other institutions can check which persons have obtained a licence and thus enjoy the corresponding rights. To some extent it substitutes the missing Trade Register.

Licences are issued by ministries, government institutions or local (municipal) government executive offices depending on the specific area of licensing. For example, the Ministry of Economic Affairs issues licences for production and wholesale of alcohol and trade in fuels. The Police Department issues licences for sale of weapons, local authorities for retail of alcohol, etc. None of the companies who are active in the market are allowed to issue licences to other companies.

The right to import cannot be licensed by a competing State enterprise. But there are some specific fields of activity (medicaments, alcoholic beverages, etc. where companies must have licences for conducting import activities.

There have been no official governmental trade monopolies in the Republic of Estonia. After privatization and formation of new companies, less than 5 per cent of domestic trade is currently accounted for by State-owned firms. There are no restrictions to participation in trade for any persons or firms.

In producing beverages, a certain technological level must be met. This must correspond to compulsory standards (analogical to EU standards). Stores are allowed to sell only beverages corresponding to certain standards, conformity with which is tested in laboratories.

The criteria for receiving licences are published in a regular official publication "Riigi Teataja" (Legal Acts of Estonia). There is a special Division of Licences in the Ministry of Economic Affairs.

Licences on activity do not substitute quantitative restrictions and do not restrict access to trade or the right to trade. All companies willing to deal with activities where licences are required, can obtain them without much bureaucracy, if the company's background is positive.

Customs valuation

Question 18

**The response on page 21 of L/7529/Add.1 indicates that the second reading of the Customs Valuation Law is taking place in November. Please outline the provisions of the law for the Working Party.**

**We would like to review a copy of the draft Customs Valuation Law as soon as possible. In addition, Estonia should complete the questionnaire in VAL/2/Rev.2, "Information on Implementation and Administration of the Agreement" to assist the Working Party in reviewing Estonia's ability to implement the Valuation Agreement.**

Answer

The second reading of the Act on Customs Valuation in Parliament will continue in January 1995. The basis of the law is taken from Article VII of GATT and consists of six methods of determination of the customs value of imported goods. The draft text of the Act is available in the Secretariat for consultation.

Sanitary and phytosanitary measures (and technical barriers to trade)

Question 19

**Please describe Estonia's laws and regulations pertaining to the development, adoption and application of voluntary standards, mandatory technical regulations and conformity assessment procedures in Estonia.**

**Please describe Estonia's laws and regulations pertaining to the development, adoption and application of sanitary and phytosanitary measures.**

**Does Estonia publish proposed standards, technical regulations, conformity assessment procedures and sanitary and phytosanitary measures for comment? If so, please identify these publications.**

**Does Estonia publish the full texts of standards, technical regulations, conformity assessment procedures and sanitary and phytosanitary measures when finalized? If so, please identify these publications.**

**Is it policy or practice for Estonia to participate in the work of the international standardizing bodies, such as the International Organization for Standardization (ISO) and the Codex Alimentarius? Please elaborate on how it is Estonia's policy or practice to use the standards developed by such international bodies.**

**Are Estonia's sanitary and phytosanitary measures and S-PS measures based on scientific information? Please provide the criteria Estonia uses in each area.**

**Please explain how Estonia intends to comply with the obligations under the Uruguay Round Agreements on Technical Barriers to Trade and Sanitary and Phytosanitary Measures.**

**Regarding the Agreement on Technical Barriers to Trade, Estonia should complete the "statement on implementation and administration of the agreement" contained in TBT/16/Rev.7, to allow the Working Party to better assess Estonia's ability to implement the Agreement.**

Answer

There is no legal act in Estonia concerning adoption and application of standards and technical regulations. For the adoption of international standards or those of other States, a national standard has been established on the basis of ISO standard.

As of 1 January 1993 the Estonian Law on Veterinary Service was enacted which determines the principle tasks of veterinary services. By the Government of Estonia Decree of 29 April 1993, a list of animal contagious diseases is approved in which quarantine and restrictions on sale are established. This Decree also determines the list of diseases the prevention and treatment of which will be done on account of the State budget. As of 3 August 1994, the Decree of the Minister of Agriculture was enacted, concerning veterinary control on the State border. This Decree determines the goods subject to veterinary control, border check-points, requirements for veterinary certificates and the procedures of settling claims.

Law on Plant Protection and the Temporary Regulation on the State Control, Sale, Export and Import of the Seeds of Field Crops (28 February 1994) regulate the protection of plants and products derived from plants. In case the plant protection measures applying to Estonia by an international agreement, are in contradiction with the provisions of this law or any other legal act, the provisions of an international agreement will apply. Phytosanitary control on the border is regulated by the "Regulation of arranging phytosanitary control on the State border". The appendix to the regulation provides a list of goods subject to phytosanitary control, including their codes according to the HS system.

The projects of national standards are published in the bulletin "Standards of the Republic of Estonia".

Any notices concerning the registration of national standards and technical conditions are published in the bulletin "National Standards of the Republic of Estonia". Descriptions of standards and technical conditions can be subscribed. The descriptions of the standards of ISO and the Republic of Estonia are also available in the library of standards.

It is Estonia's policy and practice to participate in the work of these international organizations. Estonia is a correspondent member of ISO and an associated member of CEN. ISO standards are applied as provided by ISO rules. The requirements contained in CAC (Codex Alimentarius Commission) standards and regulations are introduced into Estonian normative acts.

Up to now, the old i.e. Soviet criteria have been and still are valid. The new recently applied standards are based on international standards and recommendations.

(3) Export incentives

Question 20

**Does Estonia maintain any supports for industry that should be notified in accordance with the Agreement on Subsidies and countervailing measures?**

**Response 24 of L/7529 states that no private or State-owned enterprises are subsidized. Under Estonia's industrial policy for economic restructuring, does the GOE foresee utilizing subsidies?**

**Does Estonia grant income-tax holidays for investments by firms that export from Estonia? If so, please describe the programmes and indicate how these relate to the requirements of the Subsidies Agreement?**

Answer

Estonia has no support for industry that should be notified in accordance with the Agreement on Subsidies and Countervailing Measures.

The Government of Estonia does not foresee any kind of subsidies.

There are no income-tax holidays for exporting firms.

**IV. OTHER POLICIES AFFECTING FOREIGN TRADE**

**(2) Agricultural policy**

Current agriculture policy

Question 21

**Estonia states on page 10 of L/7529/Add.1 that "the Export Credit Fund is to provide preferential loans to the entrepreneurial projects aiming at export".**

- **This seems to conflict with other statements in these documents indicating that Estonia has no export subsidy programmes. Please explain.**
- **Is Estonia willing to bind internal supports and export subsidies in its agricultural country schedule at zero?**

**Please describe in more detail the provisions of the Law on Agricultural Income related to farm support or export programmes, and describe Estonia's intentions in these areas vis-à-vis the WTO Agreement on Agriculture.**

Answer

The Export Credit Fund is not a institution for granting export subsidies but loans to individual companies and to a group of enterprises related to a joint project, as well as to organizations for the following activities indirectly promoting export. Loans from the assets of the Foundation shall be given:

- (1) To increase the sales volume of the export production of companies, to enlarge the variety of its Production and increase its profitability;
- (2) for single expenditures accompanied by the commencement of export activity (e.g. for patent and trademark fees, participation in exhibitions, fees of testing and accepting production, etc.).
- (3) for market research;

- (4) advertising costs.

Estonia is willing to bind internal support and export subsidies in its agricultural country schedule at zero, although these policies are dependant on the overall economic climate surrounding us.

The aim of the Law on Agricultural Income, adopted on 29 June 1993, is to find out the cost of the total agricultural production and expenditures made for it. It specifies agricultural income, deviation of prices from the target prices and other factors regulating agricultural income. Pursuant to this law it is, in principle, possible to subsidise agriculture with the aim of compensating for the un-obtained income (the target prices are approved by the State). Until today the State has not applied the subsidizing system and maybe will not.

The Law on the Market Arrangement is currently being drafted. Pursuant to the draft, agriculture is not subsidized from the State budget (Law on Agricultural Income), but the expenditures made in agriculture should be compensated by the market price, i.e. the market price should correspond to the expenditures made, adding the profit.

Subsidizing of agriculture is not a problem of Estonia, upon its joining the WTO. When the new Law on Market Arrangement is adopted, the part on the subsidizing of the Law on Agricultural Income will not be applied.

#### Question 22

**What portion of Estonia's agricultural output is (a) produced, (b) domestically distributed, and (c) imported or exported by State-owned enterprises, collectives, or farms at this time?**

#### Answer

	Total volume of agricultural production 1994 thousand/tons	Volume of domestic market of agricultural production 1994 thousand/tons
Meat and meat products	75.0	80.5
Import %		15.9%
Milk and milk products	740	430

Surplus milk production is exported.

The major part of agriculture is privatized, so the major part of agricultural output, export and import is carried out by the private sector.

- (3) Financial, budgetary and fiscal policy

#### Question 23

**With outstanding free trade agreements with a number of its most important trading partners, how will Estonia raise future necessary revenues from taxes on trade? Will those nations without outstanding free trade agreements eventually be required to pay higher tariffs than expected?**

Answer

Estonia will bind its tariff rate ceilings in the process of accession to the GATT/WTO. Naturally in the case the tariffs will be applied we will exercise a MFN policy with exceptions made only to the countries with whom FTAs are in force.

(5) Foreign investments

Question 24

**Estonia has stated that all sectors, including services, are open to foreign company business, provided that the foreign company is registered and licensed.**

- **Are requirements different for foreign and domestic firms in the registration process? If so, please summarize the differences in licensing and registration requirements.**

V. INSTITUTIONAL BASE FOR TRADE AND ECONOMIC RELATIONS WITH THIRD COUNTRIES

(1) Bilateral trade and economic agreements

Question 25

**What portion of Estonia's imports and exports, based on current trade patterns, will be subject to preferential trade arrangements, e.g., FTAs, after 1 January 1995?**

Answer

Last year our main trade partners were Finland, Sweden, Russia, EU and the Baltic countries. Based on current trade partners about 61 per cent of our exports and 56 per cent of our imports are subject to preferential trade agreements since 1 January 1995.



Additional Questions From the United States Delegation Concerning Estonia's  
Memorandum on Foreign Trade Regime (L/7423) and Responses  
to Questions Submitted, Contained in L/7529 and Add.1

Question 26

Concerning Response No. 2 of L/7529, please provide copies in translation of the laws, rules, and procedures referred to in Parts 1, 5, 10, and 11, i.e.:

- The Law on Changing the Foreign Currency Law of the Republic, 4 February 1994.
- Rules of issuing licences for independent foreign currency transactions to Estonian banks, 7 June 1994, which replaces the former rules passed by the Bank Board on 18 June 1992.
- Bank of Estonia Regulation No. 133, (1 December 1993), "On transactions with non-convertible foreign cash", which replaces the Bank Regulations No. 90 and 91 of 2 August.
- Bank of Estonia Regulations No. 139 (1 December 1993) which replaces Regulation No. 69 (6 July 1992).

Answer

The Law on changing the Foreign Currency Law, 4 February 1993 has been rescinded on 23 March 1994

The latest rules of issuing licences for independent foreign currency transactions to the Estonian banks are those from 7 June 1993. These are still valid. (Available in the Secretariat for consultation.)

As it was not quite clear which documents the question referred to here, a short comment is provided on both Regulations - No. 132 and 133:

- Bank of Estonia Regulation No. 132 (1 December, 1993) "On transactions with non-convertible foreign cash" invalidated Regulation No. 164 (24 November, 1992).

Official English language version not available. The regulations consist of two articles:

1. Bank of Estonia Regulations No. 164 "On transactions with non-convertible foreign cash" (24 November, 1992) are rescinded from 1 December, 1993.
  2. The banks are allowed to use freely negotiated rates for purchase and sales of non-convertible foreign cash and no ceiling is to be set on the difference between the buying and selling rates.
- Bank of Estonia regulation No. 133 (1 December 1993) "On opening currency accounts" rescinded on 7 June 1994.

All restrictions concerning the opening of foreign currency accounts have been lifted and no special regulations covering these issues in effect.

Bank of Estonia Regulation No. 139 (16 December 1993) invalidated Regulations No. 69 (6 July 1992).

Official English-language version not available.

The regulations consist of one single sentence rescinding the Bank of Estonia Regulation No. 69 (6 July 1992), that had set limits for the commission fees and exchange rates used in commercial banking operations. These restrictions were, in effect, lifted by Central Bank Regulations No. 139, and no new restrictions of the same type were set.

Question 27

**Concerning Response No. 16 of L/7529, Estonia leaves open the possibility of using non-tariff measures for emergency purposes. Could Estonia indicate (a) its readiness to alter its legislation in this regard to bring it into conformity with Articles VI, XII, and XIX of the GATT and the Agreement of Safeguards, Anti-Dumping, and Subsidies and Countervailing Measures; and (b) what, beyond GATT/WTO mechanisms, Estonia believes it will need for such emergencies?**

Answer

In the process of working out trade related legislative acts Estonia adheres their conformity of GATT and other Uruguay Round agreements and believes that no regulations beyond GATT/WTO mechanisms will be considered necessary in Estonia's trade policy.

Question 28

**Concerning Response No. 25 of L/7529, Estonia indicates that its FTAs with Latvia and Lithuania do not cover Chapters 1-24 of the tariff schedule, and that there are restrictions of free trade in agriculture in its other FTA arrangements. How does Estonia intend to broaden the trade coverage of these agreements to meet the Article XXIV obligation that FTAs should cover "substantially all" trade?**

Answer

Estonia has concluded Free Trade Agreements on Agricultural Products that cover Chapters 1-24 of the tariff schedule with Norway, European Union and Switzerland (in December 1994). The Free Trade Agreement between Estonia, Latvia and Lithuania is still in the stage of negotiations. The main reason for not having reached a successful completion of the negotiations is because Estonia's trade policy is very liberal and Latvia and Lithuania protect their domestic markets with tariffs. Under the free trade agreement they offer to Estonian agricultural products unreasonably small quotas and have not clarified their quota's administration system.

Question 29

**Concerning Response No. 27 of L/7529, please provide the legal acts and regulations referred to, and any new ones which have been promulgated since the drafting of this document which cover the financial services sector.**

Answer

As the liberalization of the foreign exchange regime has been completed, there are no important new legislative acts or directives in that sector. The legal acts referred to in Response No. 27 of L/7529 are enclosed herewith.

Some additions have been made to the banks' prudential ratios (see annexed herewith the Decision of the Board of the Bank of Estonia on Prudential Ratios of Credit institutions, No. 9-3, 2 September, 1994).

The new Credit Institution Law was adopted by the Parliament on 16 December 1994. Official English language text will be available by the end of January 1995, after that it will be conveyed to the WTO Secretariat.

The new law does not mean any rapid changes in the existing banking environment. All the Prudential ratios for banks, capital requirements etc. remain unchanged.

The supervisory authority gains some new tools for banking supervision and the already existing procedures are better defined in the text of the new law. The articles concerning money laundering have been added.

#### Question 30

**Concerning rules of origin, Estonia has indicated that it does not have extensive origin rules, but intends to promulgate such measures in the context of implementing its preferential agreements with the EU. How is the development of these laws progressing? Please describe the philosophy on which they will be based. Please provide a draft copy to the Working Party as soon as possible.**

#### Answer

Since the existing tariff rates are overwhelmingly on zero level it is almost impossible to apply any preferential tariff rates to imports, so at present the elaboration of law on rules of origin is in a very early stage. The rules of origin will be based on suggestions and decisions of the Technical Committee on Rules of Origin of the World Customs Organization and on Uruguay Round Agreement on Rules of Origin.