

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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ACCESSION OF ESTONIA

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

In a communication dated 8 March 1994 circulated as L/7421, the Government of Estonia applied for accession to the General Agreement pursuant to Article XXXIII. At its meeting on 23-24 March 1994, the Council set up a Working Party to examine Estonia's application for accession. The terms of reference of the Working Party are reproduced in document L/7437/Rev.1. In GATT/AIR/3579 contracting parties were invited to submit questions in writing concerning the foreign trade regime of Estonia. The questions submitted by contracting parties in connection with the foreign trade regime of Estonia and the replies thereto provided by the authorities of Estonia are given below. Questions received at a later date will be answered as soon as possible.

Delegations wishing to raise additional questions concerning Estonia's foreign trade regime might inform the delegation of that country (with a copy to the secretariat) of such questions in advance of the meeting of the Working Party, so that considered replies can be made available by Estonia to members at the time of the Working Party meeting.

Tariff System

General

1. The aim of the price reform was to liberalize prices and minimize subsidization. Some public services are still subject to price control. Are there any plans to extend the price liberalization to these still covered areas? How has the price liberalization worked in other sectors?

After the price reform (liberalization of most prices) only the prices on goods and services of natural monopolies and public services stayed under state control. These prices have to be fixed or concerted by several ministries (Ministry of Economy, Ministry of Finance, Ministry of Transport and Communications, Ministry of Social Affairs, Ministry of Environment) under the regulation of the Government No. 408, from December 21, 1993.

The price liberalization generally has worked in a satisfactory manner, some of the price controls have been liberalized, for instance in July 1994 the price of electricity generated in domestic power stations was eased, although not entirely released.

2. The main points of the stabilization programme are mentioned in the introduction. Could more details be given on the further liberalization planned for the exchange and trade system?

**CHANGES LIBERALISING THE RULES REGULATING FOREIGN CURRENCY
USE DURING 1993 AND 1994**

In 1993, the following regulations were adopted:

- 1) On February 4, the Estonian President signed "The Law on Changing the Foreign Currency Law of the Republic of Estonia" passed by the parliament on January 26.
- 2) Bank of Estonia regulations No. 39 (March 1, 1993) imposed the procedures of opening foreign currency accounts in Estonian authorised banks for legal entities.
- 3) Bank of Estonia regulations No. 40 (March 1, 1993) imposed the procedures of opening foreign currency accounts abroad for legal entities.
- 4) Bank of Estonia regulations No. 49 (March 31, 1993) imposed the amended rules "On the registration of foreign loans in the Bank of Estonia" that took effect on April 1. The old rules imposed with the Bank regulations No. 82 of July 20, 1992, were invalidated.
- 5) The Board of the Bank of Estonia, on June 7, adopted the amended "Rules of issuing licences for independent foreign currency transactions to Estonian banks", and invalidated the former rules passed by the Bank Board on June 18, 1992.
- 6) Bank of Estonia regulations No. 90 (August 2, 1993) imposed the amended "Procedures of opening foreign currency accounts in Estonian banks", invalidated the old procedures imposed with regulations No. 39 of March 1.
- 7) Bank of Estonia regulations No. 91 (August 2, 1993) changed the procedures of opening and using foreign currency accounts abroad, imposing the amended "Procedures of opening and using foreign currency accounts abroad", invalidating the procedures imposed with regulation No. 40 of March 1.
- 8) Bank of Estonia regulation No. 99 (August 18, 1993) imposed the amended "Procedures of determining the foreign currency position of authorised banks", invalidating the procedures imposed by the Bank Board on June 18, 1992.
- 9) Bank of Estonia regulation No. 132 (December 1, 1993) "On transactions with non-convertible foreign cash" lifted the restrictions on transactions with foreign non-convertible cash, invalidated the Bank regulations No. 164 of November 24, 1992.
- 10) Bank of Estonia regulation No. 133 (December 1, 1993) imposed new procedures on opening foreign banks, invalidating the Bank regulations No. 90 and 91 of August 2.
- 11) Bank of Estonia regulations No. 139 (December 16, 1993) that took effect on December 15 invalidated the regulations No. 69 (July 6, 1992). That means abolishing any restrictions concerning the exchange rates used for commercial banking operations.
- 12) Decision of the Board of the Bank of Estonia (December 21, 1993) cancelled all restrictions on import and export of cash, invalidating the Bank Board decision of June 18, 1992.

In 1994, the following regulations were adopted:

13) Bank of Estonia regulation No. 16 (March 16, 1994) invalidated articles 3 and 8 of the regulation No. 85 (July 24, 1992) that meant abolishing any restrictions concerning opening correspondent accounts with banks of the former rouble zone and opening rouble accounts for clients.

14) Bank of Estonia regulation No. 17 (March 18, 1994): Procedure of recording foreign currency and securities at customs.

15) The "Foreign Currency Law of the Republic of Estonia" was declared invalid by the Parliament (March 23, 1994). That means lifting the last of the existing restrictions set at the time of the 1992 monetary reform.

From April 7, 1994 private individuals can open foreign currency accounts with Estonian commercial banks.

16) Bank of Estonia regulation No. 29 (April 18, 1994): The procedures for registering foreign loans (Regulation No. 49, March 31 1993) were declared invalid.

17) Decision of the Board of the Bank of Estonia No. 5-2 (May 3, 1994): The foreign currency statutes (Approved by the Board on March 30, 1993) were declared invalid.

18) Bank of Estonia regulations No. 45 (June 7, 1994): the procedures for opening foreign currency accounts in Estonian and foreign banks (Regulation No. 133, December 1, 1993) were declared invalid. In practice that means opening a foreign currency account needn't be registered with the central bank any more and no reports have to be submitted.

In August 1994 the Government approved the Law on Customs Value and sent it to the Parliament. It is a further step in improving the customs control and bringing it into the line with the GATT provisions.

The new FTA-s mentioned under question 8 will bring the share of Estonian trade under free trade conditions to the approximate level of 60 per cent in 1995.

3. Are there are planned improvements in the "incomplete framework of laws regulating their economic issues"?

Since March 1994, the time of presenting the Memorandum, the following laws have been passed:

- 1) Law on Stamp Duty of March 10, 1994.
- 2) Patent Law of March 16, 1994.
- 3) Utility Model Law of March 16, 1994.
- 4) Law on Export and Transit of Strategic Goods of April 6, 1994.
- 5) Law on State Support for Entrepreneurship of May 10, 1994.
- 6) Accounting Law of June 8, 1994.
- 7) Law on State Border of June 30, 1994.
- 8) Law on Tobacco Excise of July 13, 1994.
- 9) Law on Securities' Markets

The civil and commercial codes are also most likely to be presented to the Parliament this fall. Both the Government and the Parliament are constantly working on the improvement of the legislative base.

4. Could you inform what share of the companies subject to privatization have already been privatized?

PRIVATIZATION IN ESTONIA

SUMMARY

1993

Small-Scale privatization

All in all approximately 1000 small enterprises have been privatized, 243 of them in 1993 for the total of 124 718 100 EEK. This process will be completed by the end of 1994.

Large-scale privatization

In 1993, 54 contracts were concluded through the method of tender with preliminary negotiations for the total of 353 194 951 EEK. The contract guarantee 9099 jobs and investment worth 236 755 964 EEK.

The biggest transactions:

Object	Purchaser	Price/EEK
Tallinna Vineeri ja Mooblikombinaat (furniture)	AS Marlekor	56 million
RAS Flora (chemical products)	AS Flora Liit	45.6 million
RE Tartu Levivakombinaat (bakery)	AS Pere Leib	30 million
RAS Leibur (bakery)	AS Offero	71 million

1994

From January to June 27, 1994, 78 contracts have been concluded for the total of 463 301 601 EEK. Investments worth 258 058 200 EEK and jobs to 8806 people have been guaranteed by the contracts.

The biggest transactions:

Object	Purchaser	Price / EEK
RE Parnu Kalakombinaat (fish products)	AS Maseko	18.5 million
RAS Tondi Elektoonika (electronics)	AS Mikrel	18 million
RAS Vasar (metal products)	AS Erivasar	19.8 million
RE Pioneer (machinery)	AS United Auto Radiators Eesti	21.5 million
RAS Standard (furniture)	AS Eripuu	13.5 million
RAS Klementi (80% of shares) (clothing)	AS Klementi	15 million
RAS ABT (wholesale)	AS Kar	26.1 million

RAS Loksa Laevaremonditehas (ship repair)	AS Portfolio Investment V	20 million
RAS Viru Hotell (hotel)	AS Harmaron	145 million
RAS Eesti Tekstiil (80% of shares) (textiles)	AS ET-Riie	13 million
RdE Tööstusaparaat (measuring instruments)	RdE Toetus aparaat	17 million

For the fifth international tender that closed on May 26 the Estonian Privatization Agency received 999 information requests from 28 countries. 255 plant visit authorizations were issued. For the 49 enterprises on the tender list 142 bids were made.

For the sixth tender that closed on June 22, 1994 the Estonian Privatization Agency received 209 information requests from 13 countries. 97 plant visit authorizations were issued. For the 56 enterprises on the list 108 bids were made.

From January to May 31, 1994, 40 objects have been sold on auction for the total of 26 919 500 EEK.

In the summer of 1994, public offering of shares started. This method is applied to those companies which require no additional conditions and are economically sound. The whole process will start by two companies (Tallinn Department Store and Saku Brewery) which are test cases and on the basis of the experience acquired from that we can go on with the method. In any cases a local or foreign core investor will be sought who would have the majority of shares and through that provide a sound business plan and strong corporate governance.

The citizens of Estonia can buy shares for the privatization securities that have been issued according to the number of years a person has worked in Estonia and also to those whose property had been lawfully expropriated.

5. A more detailed description of the competition policy and the new Law on Competition would be appreciated.

Competition Policy in Estonia

In the spring of 1992 the majority of prices in Estonia were liberalized - it took less than two years from the beginning of that process. Only prices of natural monopolies as mining of oil shale, production and supply of electricity, gas, water and heat remained under state control.

Since that time price control has been an instrument of restraining of monopolies.

The liberalization of prices and the growth of the production on the basis of private ownership created the first signs of competition.

To safeguard competition in the rapid transition to the market economy, the Estonian Competition Act was drafted and it was approved by the Estonian State Assembly on June 16, 1993. On November 21, 1993 the Estonian Competition Board was established under the Ministry of Finance.

The Estonian Competition Board has the responsibility of carrying out Estonian Competition policy and applying the Competition Act.

The Act is divided into five following chapters:

Chapter I defines the purpose and objectives of the Act, competition and prohibition of oppressing freedom of competition.

Under Article 6 of Chapter I, in case the Estonian Competition Act is in contradiction with an international agreement ratified by the State Assembly, the provisions of such an agreement will apply.

Chapter II prohibits unfair trade practices. It also describes six specific types of unfair trade practices which are prohibited by this Act.

Chapter III defines the restricting of competition which can result from an abuse of a dominant position of enterprise in the market or concluding agreements and concerted practices (including cartel agreements and decisions).

The Competition Board may grant a permission to conclude agreements restricting competition if at least one of the following conditions is satisfied:

- the quality of goods or services shall rise or the price shall fall;
- production shall be improved;
- natural environment shall be improved;
- competitiveness of goods on the foreign market shall increase;

The Government may also grant exceptions for the conclusion of competition restrictive agreements.

Chapter IV defines the institutions of state supervision of competition.

State competition policy is carried out by the a state office of supervision of competition; supervision of competition in respect of banks and insurance companies is carried out by a state supervisory body in the relevant field, while the state office of supervision of competition is entitled to issue recommendations.

It also determines the obligation of the state office officials of supervision of competition, to keep confidential business secrets disclosed to them in connection with the performance of their official duties and rights and obligations of the Competition Board in carrying out the competition policy.

Chapter V presents the responsibility for violation of the Competition Act which gives the Competition Board it's power to order termination of infringements and to impose penalties for continuous infringements.

Considering the country's small size, the Act does not include the merger control.

The provisions of Estonian Competition Act concerning abuse by an enterprise of a dominant position in the market, entered into force on October 1, 1993 and the provisions concerning agreements and concerted practices restricting competition on January 1, 1994. Although the Competition Act has been in force only a short period of time, we see the need to make amendments and adjustments to it. This is also caused by Development and quick changes in economy transition to market economy.

Taking into account the small size of the Estonian market and the novelty of Competition Act, Competition Board is trying to solve the cases of restriction and infringement of competition by negotiations, in order to restore the normal state of competition. We use penalties only, when the negotiation are not effective.

Nevertheless, Competition Board is not directly dealing with the prices on electricity, heat, gas, etc. of natural monopolies, their activity is under continuous control.

6. Estonia has not so far created a tariff system for agricultural and industrial products. One of the conditions to become a GATT contracting party is to bind at least some of the tariffs. Could the authorities of Estonia explain what is the current situation in formulated the tariff system?

The Ministry of Economic Affairs and the Ministry of Agriculture are currently preparing the Law on Customs Tariffs as well as the levels of tariff for industrial and agricultural products. They will be discussed in the Government in late September, 1994.

Taking into account the present economic situation the National Customs Board collects the procedure tax - the tax of fiscal nature which is collected in connection with the importation and exportation of goods at a level of 0.5 per cent *ad valorem*.

Estonia has currently a zero tariff on almost all products. In view of the inevitable uncertainties that face the economy in rapid transition from state control to a free market, Estonia needs to bind its tariffs at reasonable levels, without necessarily raising any particular rate in the future. Though a final elision has not been made, Estonia is inclined to bind majority of its tariff rates at levels that are generally comparable to those of major trading nations. Particular consideration will be given to agricultural rates for the Estonian Government does not provide the kind of support and protection for agriculture available in many other countries.

7. Part III(1)(A) of the Memorandum states that a new customs tariff regulation was expected to come into force on 1 January 1994 with the possibility of the introduction of tariffs in the future where tariffs currently do not exist. Have there been any developments in this area? If so, would Estonia provide a summary of the new tariffs and pass a copy of the full customs tariff to the Secretariat for interested contracting parties to examine (p. 12, 13).

The State Customs Board has done a lot of technical work in order to be ready for any future developments in the field.

As of the date of this questions and replies paper, however, there have been no decision made by the Government about introducing nor implementing further tariffs. The Government is keeping its line of free trade policy. As far as the binding of any future tariffs and rates is concerned, the levels of binding will be forwarded to the GATT secretariat immediately after being accepted by the Government.

8. What thought has Estonia put towards binding its tariff?

Estonia has currently a zero tariff on almost all products. In view of the inevitable uncertainties that face the economy in rapid transition from the state control to a free market, Estonia needs to bind its tariffs at reasonable levels, without necessarily raising an particular rate in the future. Though a final decision has not been made, and will ultimately take into account requests from GATT members, Estonia is inclined to bind many of its tariff rates at levels that are generally comparable to those of major trading nations. Particular consideration will be given to agricultural rates, however, because the Estonian Government does not provide the kind of support and protection for agriculture available in many other countries.

By and large the binding of the tariffs will be on the level of EU tariffs. The Government is supposed to make its decision on the exact levels in late 1994.

9. Would Estonia advise the working party of what progress has been made in the development of its agricultural policy? (p. 18)

From Estonia's point of view, unilateral liberal trade policy does not seem to be the best way for the country, when all states regulate import and export.

At the moment, the Government is drafting a law on regulating the market of agricultural products. The system of import duties will start functioning after the law has been adopted. The mentioned law provides the founding of the Council of Marketing of Agricultural Production. This Council would keep track of the situation in external and internal markets and would make suggestions concerning regulations of imports.

Besides agriculture, the system of tariffs is also important in other spheres as Estonia wishes to join GATT and the European Union.

Currently subcommissions are established by producers of foodstuffs to create the system of tariffs. Based on their suggestions the Governmental institutions will work out the so-called basic tariffs.

Analysis carried out by corresponding line specialists should warrant best possible result of creating a protection system. Applicable system would consist of fixed tariffs (which guarantee protection of product under customary market conditions) and so called variable component (which would give an opportunity to regulate imports of sensitive goods when world market price is low).

10. Is the excise duty imposed equally on domestic and imported goods?

FURS

The law on excise duty on furs was introduced on 11 December 1991. The excise duty on furs and on production made of furs is 16 per cent of the value without VAT. The excise duty is paid by legal and natural persons.

There is not excise duty on imported furs. The customs duty (the base of the taxation is the c.i.f. value) on imported fur and goods made of fur is 16 per cent of the value.

TOBACCO, CIGARETTES, CIGARS AND CIGARILLOS

The law on excise duty on tobacco was introduced on 8 July 1994. According to that law until 31 December 1994 excise duty on imported cigarettes, cigars and cigarillos is 70 per cent of the value and on imported raw tobacco (for the production of cigarettes in Estonia) - 40 per cent of the value.

Since 1 January 1995 new excise duties will be imposed on Estonian and imported goods. In a longer run duties on local production and imported goods will be levelled step by step.

**Excise duties on raw tobacco, cigarettes, cigars and cigarillos
since 1 January 1995**

	Excise duty on imported tobacco	Temporary excise duty on tobacco and cigarettes until 31 December 1995 for local production
	EEK	EEK
1. Filter cigarettes	3 *	1 *
2. Cigarettes without filter	3 *	0.5 *
3. Cigarettes	3 *	1 *
4. Cigarillos	3 *	3 *
5. Cigars	3 **	3 **
6. Smoking tobacco	3 ***	1 ***
7. Snuff	3 ***	3 ***
8. Chewing-tobacco	3 ***	3 ***
9. 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
1 DEM = 8 EEK (Estonian Kroons)

FUEL

The law on excise duties on petrol, diesel fuel and lubricating engine oil was introduced on 17 July 1993. According to that law equal duties on import and local production are imposed.

The following excise duties are imposed on fuel:

- 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

ALCOHOL

The law on excise duties on alcohol was introduced on 19 March 1992. Changes of that law came into force since 1 July 1994.

The excise duties on spirits, alcohol and beer are different for imported goods and local production.

Excise duties on alcohol after 1 July 1994:

Imported goods

Sparkling wine and other grape wines and other fermented beverages (max 15 per cent alcohol)	10.40 EEK **
Vermouth, grape wines and other fermented beverages (over 15 per cent alcohol)	15.60 EEK **
Cognac, brandy, armagnac	32.50 EEK **
Whisky	26.00 EEK **
Other distilled beverages	0.65 EEK *
Beer	
max 4.7 per cent alcohol	6.00 EEK **
over 4.7 per cent alcohol	9.00 EEK **

Local production

Wine	
max 15 per cent alcohol and other fermented beverages (max 15 per cent alcohol)	
if production is more than 100 decalitres per year	3.90 EEK **
over 15 per cent alcohol and other fermented beverages (over 15 per cent alcohol)	5.20 EEK **
Beer	
max 4.7 per cent alcohol	
if production is from 5.0 up to 600 thousand decalitres	0.90 EEK **
max 4.7 per cent alcohol	
if production is over 600 thousand decalitres	1.00 EEK **
over 4.7 per cent alcohol	
if production is from 5.0 up to 600 thousand decalitres	1.00 EEK **
over 4.7 per cent alcohol if production is over 600 thousand decalitres	1.10 EEK **

Spirit 0.57 EEK **

Spirit, used in medicine, pharmacy, veterinary,
science, studies, perfumery 0.14 EEK **

Note:

* absolute alcohol per one volume per cent

** per litre

11. It is noted that not all imported goods are subject to 18 per cent VAT. Could Estonia advise whether any domestic products are exempt from VAT and, if so, are like imported products also exempt?

1. Value-added tax

1.1 All taxable legal entities and all other persons importing goods to Estonia, are subject to VAT on their imports.

1.2 Customs procedure "import for free circulation" for imported goods is applied in case of:

- purchase and exchange and expropriation of goods on conditions of lease (capital leasing);
- free expropriation.

1.3 On importation of goods to Estonia no VAT is imposed on the following customs procedures:

1. temporary storage;
2. importation for processing with obligation to export goods later;
3. importation with obligation to export goods without processing (except goods, which are imported on the condition of leasing);
4. reimport (except in case of surplus value of reimported goods);
5. customs storage;
6. customs transit.

1.4 VAT is not imposed on imports of the following goods:

1. goods related to funerals: finished and unfinished coffins.
2. medical goods, medicines and medical equipment (according to the list issued by Ministry of Social Affairs)
3. goods, belonging to persons who reside permanently in Estonia;
goods, belonging to a person, who has returned to Estonia, after living more than 6 months abroad.
4. heritage, delivered to inheritor in Estonia.
5. non-refundable foreign aid, received by non-profit organizations and budgetary municipal institutions on condition that accompanying documents include the name of the receiver, the way of distribution of received goods a remark that goods are free of charge;

Also goods, purchased for money received as foreign aid on condition that corresponding funds are kept at a special bank account (on the basis of accompanying letter by the Ministry of Finance).

6. goods imported on the basis of contractual guarantees.
7. printed materials, promotional materials sent to Estonia by foreign legal persons.
8. granted books, newspapers, magazines etc. and books, newspapers, magazines etc. received by exchange.
9. goods, imported by the Bank of Estonia to issue money and stabilize national currency.
10. precious metals, imported with purpose of dealings by licensed financial institutions.
11. goods, imported in connection with official visits of heads of states and governments (incl. gifts).
12. honorary rewards received by inhabitants of Estonia.
13. spoilage and useless goods, imported to Estonia, and spoilage and useless goods, reimported to Estonia, if destroyed under control of Customs.
14. goods, belonging to legal or natural persons of foreign countries, imported to Estonia with the purpose of the experiments or analyses and which will be used or destroyed in the process of experiments or analyses.
15. Weapons and other goods, imported by the Ministry of Defence or the Ministry of Internal Affairs to supply defence forces, frontier forces and police.
16. goods, imported by the Ministry of Internal Affairs for the protection of citizenry.
17. goods, imported for borrowing of Estonia or goods, imported for loans, guaranteed by government, to finance corresponding projects (on the grounds of accompanying letter by the Ministry of Finance and National Customs Board; the letter must include sum of the loan, schedule of repayments and list of imported goods).
18. environmental equipment and technology, imported by the Ministry of Environment.
19. ambulance cars, furnished by equipment of medical treatment by application of Ministry of Social Affairs.
20. prosthetic and orthopaedic appliances, hearing fittings and other remedies for invalids and spare parts thereof.
21. goods, required by persons having diplomatic status
 - to diplomatic and consular representations of foreign countries
 - to international organisations
 - to representative bodies of international co-operation programmes in fulfilling their official duties.

These goods are free of V.A.T. on the condition that same rights are guaranteed to corresponding Estonian representations abroad.

12. Are there any other import charges and fees additional to customs duty, excise duty and value-added tax?

Besides customs duties, excise duties and value-added tax, the National Customs Board collects the procedure tax.

This is the tax of a fiscal nature which is collected in with the importation and exportation of goods and is 0.5 per cent to the value of the goods.

13. What are the exemptions of legal entities for which imports are not subject to VAT?

Legal entities which are not registered as obligatory payers of value-added tax follow in case of imports common exemptions from value-added tax. According to the law on value-added tax and the law on its application, the turnover in that case is tax free (medicines, medical goods, medical treatment equipment, lottery tickets).

Foreign representations and diplomats do not pay value-added tax on imported goods which are required to fulfil their official duties, if the corresponding foreign country guarantees same rights to Estonian foreign representations and diplomats.

In addition to that, according to the law on value-added tax, the Government has established tax exemptions on goods, which are imported for non-profitable purposes. There is no value-added tax on goods the turnover of which is tax-free in Estonia.

Export taxes

14. On page 19 metals are mentioned to be subject to export taxes. However, they are not on the list of in paragraph 2(a) on page 16 which enumerates products subject to export tax. We would appreciate clarification on this issue.

At the moment the metals are not subject to export taxes any more.

Export of metals is held under strict control of government through licensed exporter only.

There is a state monopoly for scrap metal exports to avoid possible market disturbances.

Non-tariff measures

15. What is the rationale behind only licensed importers and exporters being permitted to engage in trade in products such as metals, spirits, tobacco products and medicaments? Is such licensing automatic? If not, what criteria are used to determine whether to approve a license request? Does Estonia envisage any changes to the licensing system prior to or on accession to the GATT?

16. Can foreign enterprises obtain licences to trade in the products listed in paragraph (f) on page 14 and paragraph (b) on page 16? What are the conditions required to obtain such licences?

The licence requirement on trade in the products listed in paragraph (f) of page 14 of paragraph (b) of page 16 do not depend on whether the company is based on foreign or domestic capital.

On the basis of the Law on Enterprise and the Law on Licence Tax, the Government of Estonia may demand a licence in certain fields of activity.

The reasons may be:

- special requirements for safety of certain goods (medicaments);
- need to maintain certain technological level (the production of spirits);
- the requirements for registration and buyers (weapons, explosives, cars), if the goods are a potential source of danger;
- to form the basis for total turnover it is necessary to carry out highly precise registration and book-keeping (spirits, tobacco, metals).

The licences do not impose quantitative restrictions and prices are fixed by state only for alcohol over 22% produced in Estonia.

The licence must be issued to all firms and enterprises which apply for that and present all required approvals. The only conditions that the firm has to be registered in the Estonian Register of Enterprises.

No definite restrictions are foreseen in limiting economic activities by government licensing. However, in the situation of quick economic development certain regulations are needed when they will be considered necessary. It is not the Government policy to overregulate market process nor to make any unjustified restrictions by licensing or otherwise.

17. On page 19 it is mentioned that export quotas and licensing requirements are still applied for shale oil, gravel, specialized clay, quarts and silicate sand. However, they are not mentioned on page 16 under export regulations are there restrictions in form of quotas or licensing requirements or their combinations? Are there any plans to eliminate them in the future?

At present, the Ministry of Economics has prescribed a quota for the export of the following products, valid until the end of 1994:

HS code

2517.10101 - gravel

2508.4001 - hard-to-fuse clay

Estonia's export restrictions on the products in question are intended to prevent rapid depletion of resources that are essential for its domestic industry and economy. They are necessary because the price of these raw materials is well below the world market price. Estonia intends to remove the current restrictions when the price of these goods is not a product of Estonia's stabilization plan, but reflects Estonia's natural comparative advantage. The necessity of maintaining these quotas for 1995 will be reviewed at the end of the current year.

18. The Memorandum notes that relevant Ministries are "elaborating" the anti-dumping law. Will this law also cover countervailing actions or is separate legislation being prepared on this matter? Will the legislation be in accord with GATT rules on anti-dumping and countervailing? (p.14)

The Anti-Dumping Law is presently in the process of drafting. The work is coordinated by the Ministry of Finance. The expected time of sending it to the Parliament is late 1994.

The law includes also provisions regulating possible countervailing procedures, thus a separate law is not envisaged on these measures. Both anti-dumping and countervailing measures are drafted in line with the GATT rules.

19. Are any of the companies currently receiving tax incentives purely export oriented? If so, has Estonia examined the possibility that this may in fact be a contravention of the GATT Subsidies Code? (p.26)

There are no tax incentives to purely export orientated companies in Estonia.

20. Does Estonia require imported goods to comply with any unique standards or are goods assessed against known international or European standards?

The Estonian standards are with desirable character and they are based on ISO standards. The obligatory standards, which are drafted in Estonia, exist only for spirits and building cement. The purpose of Estonia is a standard system synchronized with the EU.

21. Does Estonia plan to impose measures on imports for balance of payments reasons. If so, what measures are envisaged?

Estonia has no plan to impose measures on imports for the balance of payments reasons. In accordance with its economic policy, the Government prefers to deal with any balance of payments issues by expanding Estonia's exports, of example through the implementation of the law which provides for assistance to small and medium-size firms. As a GATT member, if Estonia should ever find it necessary to impose balance of payments measures on imports, it would do so in a manner which is fully consistent with the GATT.

State Trading

**22. How do the tobacco and alcohol monopolies operate?
Should they be notified under Article XVII of the GATT?**

23. Estonia established a state monopoly on alcohol and tobacco in 1992. What is the aim of the monopoly and how does it operate?

There are no monopolies on alcohol and tobacco in Estonia. The foundation of alcohol policy is compatible with the principles of EU.

The State controls the production, sale, exportation and importation of alcohol and tobacco products in Estonia by activity licences and regulates it by the rates of excise duty. It is intended to level the rates of excise duty with that of EU. The number of applicants for activity licences is not limited. The prices are fixed by state only for alcohol over 22% produced in Estonia.

The State is not regulating the price for tobacco products. The activity licences for the production, wholesale, exportation and importation are issued by the Ministry of Economics. The excise duty for alcohol products is determined by the Ministry of Finance.

There is only one tobacco factory in Estonia, which does not belong to the state. At present, there are 34 alcohol producers.

Preferential agreements

24. It is noted that Estonia has free trade agreement with Finland, Sweden, Norway and Switzerland, are any other FTAs currently under active consideration? (p.23)

Estonia signed a trilateral Free Trade Agreement with Latvia and Lithuania on September 13, 1993. It became effective as of April 1, 1994.

On July 18, 1994 a Free Trade Agreement was signed with the European Union. It is scheduled to become operational without any transition period from January 1, 1995.

Depending on the results of referendum in Finland, Sweden and Norway, the FTA with the EU will replace the bilateral agreements with those countries. As a result some 60% of foreign trade of Estonia will then be with countries with whom we have FTA arrangements.

A decision has been made to could be FTA-s also with some Central and Eastern European countries, this however is a process that requires more time and efforts.

It is stated that "the government does not favour subsidization of any private enterprises". Are any private enterprises currently subsidised? If so, what is the extent of subsidizing and in which sector are such enterprises? Are any state enterprises subsidised? Would any of these state enterprise be considered as state trading enterprises in terms of Article XXVII of the GATT? (p. 17)

Private and state-owned enterprises are not subsidized in Estonia.

Preferential Agreements

25. If is noted that column 5 of the Customs Tariff includes a special box for "tariff preferences" to EFTA countries, under what agreement(s) are such tariff preferences accorded? (p.13)

Exemptions from customs duties shall be granted (with the EUR. 1 certificate) for goods imported from countries having a free trade agreement with Estonia (Finland, Sweden, Switzerland, Norway, Latvia, Lithuania). These agreements apply to products originating in Finland, Latvia, Lithuania, Sweden, Switzerland, Norway or in Estonia and falling within chapters 25-97 of Harmonized Commodity Description and Coding System (HS). Under these agreements most industrial products are granted duty free importation and exportation.

Services

10. The Memorandum notes that licences are required in some sectors before foreign company may start business in Estonia. Under what conditions may licences be issued for foreign companies seeking to start business in air transport and communications? (p.20, 21)

TELECOMMUNICATIONS

To start business in Estonia, including in telecommunications, a precondition that the firm must be registered in Estonia as a legal person. In case of foreign investment the licence of foreign investment must be obtained from the Ministry of Finance. In principle, the conditions for business in Estonia are the same in local and foreign enterprises.

In case of radio and TV, broadcasting licences are issued by the Ministry of Culture and Education in accordance with the Law of Broadcasting. According to Article 22, legal entities registered in Estonia may own and possess broadcasting transmitters if over 50 per cent of their shares belong to citizens of Estonia.

AVIATION

Commercial services to the territory, on the territory or from the territory of Estonia are allowed on the basis of aviation licences, issued by the corresponding Estonian authorities or a foreign country.

Aviation licences are issued to:

- persons living permanently in Estonia
- legal persons registered in Estonia, whose assets in a share of minimum 51 per cent belong to the Republic of Estonia or to a person living permanently in Estonia or to local authorities. The Government of Estonia may provide exceptions to that rule, if it is necessary in the national interests of Estonia.

Foreign aviation companies can run regular air lines to Estonia and from Estonia in accordance with an international agreement or to air line licence, issued in accordance relevant regulations. Presently the following air lines are operating on that basis: Lufthansa, Aeroflot, Finnair, SAS.

26. Are any services sectors or activities completely closed to foreign companies?

There are neither services sectors nor activities completely closed to foreign companies. The only condition is that the company has to be registered in Estonia.

Does Estonia prohibit foreign service suppliers from establishing trade office in any sector?

Estonia does not prohibit foreign services suppliers from establishing trade offices in any sector.

Is Estonia a member of any agreement that gives one or more countries a preferential status in services trade ? (p. 22, 23)

Estonia is not a member of any agreement that gives one or more countries a preferential status in services trade.

27. What are the main characteristics and aims of the Estonian economic stabilisation program in regard to financial services?

The Estonian securities market is in its early stages of development but the first investment funds and private pension plans have been launched as well as public offerings of shares and bonds, both private and municipal.

The growth of the securities market has been substantial. Banks and government have been issued. With these new issues, securities are becoming an investment opportunity to be considered by investors. People are beginning to realise that as a rule, stocks and bonds provide a better return than bank deposits.

Therefore, in order to protect investors and to obtain disclosure information from issuers, a series of legal acts and regulations have been issued.

According to the Securities Market Act the Government of the Republic of Estonia approved the "Procedures for the public issues of securities" and the "Procedures of the registration of a public issues of securities" on October 29, 1993.

Temporary Requirements to the Recurrent (i.e. Freely Circulating on the Estonian Stock Exchanges) Proprietorship-Proving Securities (Shares, Investment Certificates, Bonds etc.) was approved by decree No. 51 of the Government of the Republic of Estonia and the Bank of Estonia on February 17, 1992.

Since 1994 the insurance market has grown considerably for car insurance was made compulsory.

In general the Governmental role in the financial services markets is environment creating and legislation. The National securities Board acts as a supervisory and enforcement agency. Liberalisation of the foreign currency regulations this year has also contributed to the expansion of financial services.

28. What are Estonia's regulations concerning temporary entry of natural persons for the purpose of trade in services?

There are no special regulations concerning temporary entry of natural persons for the purpose of trade in services in Estonia.

The only condition is that the person is registered with the local authorities and has got a licence of activity.

TRIPS

29. Will the intellectual property right protection to be established be compatible with the TRIPS agreement?

The intellectual property right protection will be compatible with the TRIPS Agreement.

The Law of Patents was enacted on May 23, 1994.

30. How have the authorities of Estonia prepared themselves to tackle the possible market disturbances? What type of safeguard system is existing in Estonia?

There are no safeguard systems against the possible market disturbances in Estonia yet, but the possible safeguard measures are foreseen in the draft Anti-Dumping Law currently under consideration in the Ministry of Economics, the Ministry of Finance and the Ministry of Agriculture.

In Estonia's free trade agreements with certain countries, both parties are committed to apply such safeguards in a way which is generally consistent with GATT Article XIX. When Estonia's rates are bound under the GATT, it intends to apply safeguard measures against market disruption consistently with Article XIX of the GATT and with the Agreement on Safeguards which emerged from the Uruguay Round. The law includes also provisions regulating possible countervailing procedures, thus a separate law is not envisaged on these measures. Both anti-dumping and countervailing measures are drafted in line with the GATT rules.