

THE INTEGRATIVE ROLE OF THE EUROPEAN UNION IN THE DEVELOPMENT OF ECONOMIC AND TRADE RELATIONS BETWEEN THE REPUBLIC OF ESTONIA AND THE RUSSIAN FEDERATION

**Presentations held at the
International Economic, Trade and Logistics Conference**

**15 February - 16 February 2001
Emajõe Business Centre, Tartu, Estonia**



EESTI VÄLISPOLIITIKA INSTITUUT
ESTONIAN FOREIGN POLICY INSTITUTE



KAGU-EESTI LOGISTIKA ARENGU SIHTASUTUS
SOUTH-EASTERN ESTONIAN LOGISTICS DEVELOPMENT FOUNDATION



**Peipsi
Center for
Transboundary
Cooperation**

Tallinn-Tartu 2001

Contents

Conference programme

Presentations held at the conference

Group work presentations

List of participants

Description of organizers

The Conference was organized by the Estonian Foreign Policy Institute, Peipsi Center for Transboundary Cooperation and South-Eastern Estonian Logistics Development Foundation

The Conference organizers are grateful for the financial support from Estonian Ministry of Foreign Affairs Official Aid Program, Danish Ministry of Foreign Affairs, Estonian Rural Areas Development Program and the Phare Small Projects Program

Published by Peipsi Center for Transboundary Cooperation
Veski 69, Tartu 50409
+37 27 421 001
www.ctc.ee

International Economic, Trade and Logistics Conference

THE INTEGRATIVE ROLE OF THE EUROPEAN UNION IN THE DEVELOPMENT OF ECONOMIC AND TRADE RELATIONS BETWEEN THE REPUBLIC OF ESTONIA AND THE RUSSIAN FEDERATION

15 February - 16 February 2001
Emajõe Business Centre, Tartu, Estonia

15 February

9:00-10:00 *Registration and coffee*

Opening Session
Welcoming addresses

10:00 - 10:05 **Andres Kasekamp**, Director of the Estonian Foreign Policy Institute
10:05 - 10:15 **Toomas Hendrik Ilves**, Minister of Foreign Affairs of the Republic of Estonia
10:15 - 10:25 **Elisabeth Borsiin Bonnier**, Ambassador of the Kingdom of Sweden in Estonia
10:25 - 10:35 **Konstantin Provalov**, Ambassador of the Russian Federation in Estonia

Session I

Economic and trade relations on a regional level: at the present and for the future

Chair: **Andres Kasekamp**, Director of the Estonian Foreign Policy Institute

10:35 - 10:50 **Mait Klaassen**, Võru County Governor, Chairman of the Supervisory Board of the South-Eastern Estonian Logistic Development Foundation
10:50 - 11:05 **Jaan Õunapuu**, Tartu County Governor
11:05 - 11:20 **Rein Aidma**, Ida-Viru County Governor

11:20 - 11:50 *Coffee break*
11:50 - 12:20 **Mikhail Jermolaev**, Vice-Governor of the Pskov Region
12:20 - 12:50 **Juri Menshikov**, Representative of the Leningrad Administration
12:50 - 13:20 **Igor Verkhodanov**, Adviser to the Chairman of the Novgorod Region Duma; Senior Investment Manager to the Novgorod Region Administration

13:20 - 14:40 *Lunch*

Session II

Economic and trade relations on state levels: at the present and in the future

Chair: **Alar Streimann**, Deputy Under-Secretary of the Estonian Ministry of Foreign Affairs, Tallinn

- 14:40 - 15:05** **John Kjaer**, Ambassador of the European Commission in Estonia
- 15:05 - 15:30** **Ingrid Tersman**, Deputy Director for the Department of Central and Eastern Europe in the Swedish Ministry of Foreign Affairs
- 15:30 - 16:00** **Alar Streimann**, Deputy Under-Secretary, Estonian Ministry of Foreign Affairs
- 16:00 - 16:15** **Andrej Avetisjan**, Director of the Division, the European Integration Department, Ministry of Foreign Affairs of the Russian Federation
- 16:15 - 16:30** **Sergei Bezberezejev**, Counsellor, Department for Relations with Regional Authorities of the Russian Federation and Public Organisations, Ministry of Foreign Affairs of the Russian Federation
- 16:30- 17:00** **Coffee break**
- 17:00 - 17:10** **Vladimir Redpap**, Estonian Consul in Pskov
- 17:10 - 17:25** **Raul Malmstein**, Deputy Secretary General, Ministry of Economic Affairs in the Republic of Estonia
- 17:25 - 17:45** **Anders Ulrich**, Head of the EU Information Center of the Funen County, Denmark, *“EU economic and regional politics”*
- 17:45 - 18:00** **Ülo Sults**, Peipsi Center for Transboundary Cooperation CTC, *“Lake Peipsi pollution reduction plan”*
- 18:00 - 18:10** **Sulev Poll**, Foundation for South-Eastern Estonian Logistic Development, a member of the Executive Board
- 18:10 - 18:20** **Igor Manoukhin**, Association "Logistics of the XXI century"
“Perspectives of Estonian-Russian development of a transport and logistic complex after Estonia enters the EU “
- 18:20 - 18:30** **Margit Säre**, Peipsi Center for Transboundary Cooperation, Managing Director
“Community Development and Cross-Border Co-operation in the Estonian/Russian Border Area”
- 18:30 - 19:00** **Break**
- 19:00** **Reception given by the Mayor of Tartu in the restaurant “Draakon”**

16 February

Session III

Implications of accession for Estonian and Russian sub-governmental units

Chair: **Gulnara Roll**, director of Peipsi Center for Transboundary Cooperation

- 10:00 - 10:15** **Aap Neljas**, adviser to the Minister for Regional Development
- 10:15 - 10:25** **Vladimir Elfimov**, Pskov City Administration, Dept. of Economics and Investments
- 10:25 - 11.00** **Anders Ulrich**, Funen County, Denmark
Changes of EU accession to local government. The Danish viewpoint
- 11.00 - 11.40** **Rene Tõnisson**, The Archimedes Foundation and the EuroCollege
The influence of EU enlargement on Estonian-Russian local authorities: benefits and threats

11:40 - 12:10

Coffee break

12:10 - 12:35

Katrin Noorkõiv, Head of the SAPARD Agency

EU information offices and support programs for Estonia. Support for rural areas. SAPARD

12:35 - 13:00

Valentina Chaplinskaja, the TACIS office in St.Peterburg

EU Support programs for Russia

13:00

Lunch

Discussions

14:10 - 16:15

Discussions in two roundtables :

I – Economic and trade relations between Estonia and Russia after EU enlargement: profits and losses.

II- EU and cross-border regional relations in the Estonian-Russian border area: needs and possibilities

Concluding Remarks

16:30 - 16:40

Mait Klaassen, Chair of the I. Roundtable

16:40 - 16:50

Michael Gallagher, Chair of the II. Roundtable

16:50 - 17:00

Andres Kasekamp, Director of the Estonian Foreign Policy Institute

17:00

End of Conference



FORWARD

Dr Andres Kasekamp, Director of the Estonian Foreign Policy Institute

The conference “The Integrative Role of the European Union in the Development of Economic and Trade Relations between Estonia and the Russian Federation” held in Tartu on 15-16 February 2001 proved to be an important meeting for those interested in fostering good neighbourly relations as well as a being a forum for introducing concrete projects which could be mutually beneficial.

In introducing a conference of this sort, one usually justifies why it is necessary and how important the subject is. In this case, I believe that it is self-evident. The large number of participants from many various countries and organisations demonstrated the timeliness of the event and need for this publication.

Initially, when we began to plan this conference, our goals were quite modest. It soon transpired that we were not the only ones who believed that this is an important and timely topic and who were also thinking along similar lines. Three organisations - **Peipsi Centre for Transboundary Cooperation, the South-Eastern Estonian Logistic Development Foundation and the Estonian Foreign Policy Institute** - formed a fruitful partnership. Each of us brought into the enterprise our own particular experience, perspective and field of expertise.

Interest in this area proved to be much greater than we anticipated. What began as a fairly limited enterprise snowballed into a rather large, all-inclusive event. We even had to move the location of the conference to a larger auditorium.

We tried to bring together a fairly select group of people with substantial expertise in their fields who focused on the issues at hand. The programme of the conference was packed quite full. Indeed, it was difficult squeezing in all the representatives of the interested organisations and the other speakers with something important to contribute.

In addition to the presentations, some of which are reproduced as the texts on the following pages, the conference also played the important function of facilitating direct personal contacts between Estonian and Russian state and regional authorities in the presence of representatives of the European Union.

Throughout the conference it was evident that while relations between Estonia and Russia at the state level are not as warm as they could be, at the local and regional level people on both sides of border are very enthusiastic and eager to develop further cooperation. It is our hope that these initiatives on the grass-roots level will demonstrate the mutual benefits of cooperation and thereby provide a positive impulse for overcoming divisions at the state level



Toomas Hendrik Ilves, Estonian Minister of Foreign Affairs

I am very pleased for us to have reached so far that we can manage to have such a conference here in Tartu. This initiative by the South-Eastern Estonian Logistics Development Foundation, together with the Foreign Policy Institute and the Peipsi Center for Transboundary Cooperation, is, to my mind, a very promising and an extremely good initiative. Especially because we have very many issues to discuss here. I would want to say that there is not much sense in dealing with Estonian-Russian trade relations during the past ten years. We are all aware of these problems and to some extent I can see that this conference entails a possibility to contribute to overcoming a certain standstill. The first thing I would like to say, especially to people who have not been in Estonia for a long time - it is not without any reason that this conference talks about Estonian-Russian relations within the context of the European Union, because Estonia has changed immensely during the past ten years and a normally operating country has emerged from a former Soviet republic. It is not certain, however whether this is always perceived also on the Eastern side. We have to take into account that in two, three or four years, Estonian-Russian relationships will not any more be bilateral. These would be the relations between Estonia and the European Union, between Russia and the European Union. This concerns several aspects, including trade and regional cooperation which have an important place in EU policy. It is wise to already think today how to behave then and to render a new meaning to relations.

I will bring you an example: recently, I visited Latin America – Chile, Argentina, Uruguay, Brazil. Our interest there was to conclude visa-free agreements, which we did. They were interested in quickly developing good relations with us. I was a little surprised, how eagerly they wanted to quickly develop relations with us. The reason, however was very simple: “We have two important economic partners. One of them is the United States of America, the other one is the European Union. You are going to be a member state of the European Union in two, three or four years. What you think about us and what you decide inside the European Union, this will very relevantly start influencing our relations.” And for this reason, they regarded it necessary to elaborate the relations between two countries fast, during the next two, three, four years, in the given case, between Brazil-Estonia or Argentina-Estonia or Chile-Estonia. And I do believe that this understanding will also emerge with respect to other countries and that relations with Estonia will not only be a relationship with Estonia but with the European Union.

This would be the first issue that I wanted to bring out especially in the context of the European union. The second issue, on which we have to focus here, to my mind, is regional cooperation. Regional cooperation is one of most relevant parts in the economic policy of the European Union. Regional cooperation is something that is going to change when Estonia becomes the member of the European Union, as the European Union is very much interested in avoiding the creation of a huge gap between member states and their neighbours. This has already happened, i.e. this gap has increased, and according to Tarja Halonen, the largest difference in the world, regarding income, is at the Finnish-Russian border. Estonia has already achieved a situation where the average income in Russia and the average income in Estonia, the difference is eight or tenfold. The border between Estonia and Russia has developed a similar split of living standards as the border between Finland and Russia. Consequently, transboundary cooperation will also become very important for us.

It is good that today we already have an instrument for dealing with this problem – the Northern Dimension of the European Union. This is a very good initiative, to my mind, this is one of the best ways for solving these problems which proceed from the circumstance that differences in incomes are so extensive and the level of development has also increased. Thus, I expect that we can do very much through the Northern Dimension. I hope we can also find new instruments. This is something that needs consideration.

I hope that we can take advantage of these possibilities during the forthcoming years, in order to move onwards, both by way of the Northern Dimension, and other programmes. If we ask what could be done by Estonia, I can bring another example, which, to my mind, is connected with the first part of my paper, where I said that Russia does not always realise how much Estonia has changed nor that Estonia will soon be a member of the European Union. This is also related to the second part of the report, which dealt with the Northern Dimension. Estonia has become a country which provides assistance, shares its experience and does this quite enthusiastically. And about cooperation with other member states of the European Union. The best example of this is the joint cooperation programme with Great Britain, where we help Ukraine. We organise seminars on topics, like, for instance, the implementation of veterinary and phyto-sanitary standards in food processing industry, which is important for Ukraine in order to be able to export foodstuffs to the European Union, so that these products would meet the requirements of the European Union's standards. We have also donated very many computers to Ukraine. To a certain extent, such assistance for Ukraine is also a little weird, as Ukraine is far away from us, but Pskov is near. We should have similar programmes also for Pskov. Estonia, being almost within the European Union, could, through its regional cooperation, contribute to the welfare of Pskov. So that Pskov could also be able to take its food processing industry to the European level, so that they would also have the possibility to export to the European Union. Or, being extremely honest, to make it possible that they would have the opportunity to export into the European Union, i.e. Tartu, in two, three, four years time. As you can see, we have aid programmes which we already carry out far away, but which we have not been able to implement in our close neighbourhood. And I hope that during this conference, we find possibilities for how to carry out such programmes also in Pskov and in other areas of close proximity. We have a firm desire to do this and we would like to demonstrate that Estonia has indeed taken a course to become a responsible member of the European Union. This is every way in the interests of Estonia, that our border neighbours would be stable, market economy civic societies. For this purpose, Estonia is prepared to share its experience and assistance; so far, this has been successful only far away, in Georgia and Ukraine.

If we want these cooperation projects to work, we have to proceed from ordinary, normal economic relations. In a normal market economy society, foreign policy proceeds from its own logic and does not subject itself to other policies. Estonia is not any more the country which, ten years ago, could offer only potatoes and tinned food for Russia. Now, on the contrary, we are capable of offering computers, Internet, Internet services and mobile phones.

Estonia has changed immensely and I hope that people, who are here today, can also see this. Estonia is a country which will soon be the member state of the European Union and I am of the opinion that it is very clever to do everything today so as to already have possibly good a relationship before Estonia's accession to the European Union.

At the end of the previous year, the government allocated 300 000 kroons to the Estonian Foreign Policy Institute, for supporting the creation of the Pskov regional development agency. Work with this project is already going on, hopefully similar undertakings will follow. We are ready to help those who want to help themselves.



Elisabeth Borsiin Bonnier, Ambassador of the Kingdom of Sweden in the Republic of Estonia

This conference touches upon several key priorities for the Swedish Presidency of the European Union: the enlargement of the European Union, the EU-Russia relations and the Northern Dimension. It takes place at a time when the political and economic landscape is changing, bringing new challenges and new opportunities. These times of rapid change need to be accompanied by also a mental transition, some rethinking on how we interrelate and interact.

Pursuing the enlargement of the EU towards its early conclusion is a matter of highest priority to the Swedish Presidency of the EU. The enlargement means that today's candidate countries are tomorrow's Member States. Soon, when Estonia, Latvia, Lithuania and Poland will be members of the EU, the Baltic Sea will become EU internal waters. Kaliningrad will become a Russian enclave in the EU, much as Switzerland is today. This presents great challenges that require creative thinking as well as practical measures. It also brings tremendous opportunities. It is, I believe, through the prism of opportunities that we should approach the challenges.

In enlargement discussions it is often assumed that the candidate countries will reap the main benefits. But the other side of the coin is that the development of the Baltic region into a dynamic engine of growth will strengthen the economy of the entire European Union as well as that of Russia.

The untapped potential for economic growth in the Baltic Sea region is great. We can expect to see more trade, higher growth and intensified contacts in all fields between the peoples, and we all share the responsibility to take full advantage of these opportunities. It takes innovative thinking and pragmatism on the part of both Russia and Europe. It takes the willingness to eliminate obstacles to trade, to improve opportunities for cross-border contacts and to see the new openings.

Integration is not just a phenomenon within the EU or between the EU and the candidate countries. It is also about a greater integration of Russia into a common European economical and social sphere. Following the enlargement of the Union, 50 % of Russian trade will be with EU countries. Only 5% of Russia's trade today is with the United States of America. For Russia enlargement will bring lower tariffs in many areas, and a single European market to concentrate on. The unique potential of a large single market in its proximity, with strong purchasing power, well-educated populations and proud industrial traditions will play its role.

A large share of Russian trade will continue to be channelled through the Baltic area, overland and across the sea. Furthermore, the EU enlargement will create new conditions for closer and more extensive co-operation with Russia. This will benefit both Russia and the enlarged EU, and it will benefit the regions on both sides of the borders between the EU and Russia. Russia's importance as a major partner of the EU is here to stay. Developments in Russia as well as Russia's relations to its western neighbours affect Europe, and relations with Russia will remain one of the most important issues for the European Union. Estonia, together with Latvia and Lithuania play a significant role in this context, representing as they do the gateway to Russian foreign trade, in addition to being an area where Russia in the near future will border directly on the EU.

I believe that Russia's road forward to a large extent goes via Europe and the EU. I also believe that Russian leaders and experts realise that Russia stands to gain from the forthcoming enlargement of the EU and from a deeper relation with the European Union. A pro-European orientation is increasingly evident in Russian politics. One important indication is that Russia has shared with us its own strategy for developing its relations with the EU. Success will to a large extent depend on the possibility to expand and increase trade and investment into each other's economies. Unnecessary barriers for healthy economic activity must be removed. Few things are more effective in bringing people together and securing stability than mutually beneficial economic interdependence.

It would, however, be a mistake to think that public authorities can direct the behaviour of private investors. What they can do is to help create the right circumstances for attracting investments, including reliable judicial and administrative conditions. If an investor cannot defend his contractual rights and rely on the law to protect himself, his family and his workers, he will simply take his money and his know-how and go elsewhere. We must therefore be very receptive to the needs of industry and enterprises. The round table-discussions between Russian and European industrialists are essential and will continue later this spring. This week also Estonian and Russian industrialists will meet in Tallinn. Events like these carry important messages.

A large number of areas have been identified where working together gives benefit for all involved. Let me mention some: Energy will be a key area where European and Russian industry will together play a central role. We also need to meet the threat to our environment from pollution, nuclear waste and misuse of natural resources. We need to promote environmental infrastructure projects. We need to work together in the fields of transport, infrastructure, IT and communication. We also need to stimulate direct contacts between our SME:s which are the ones that employ most people. We need to face together the challenges posed by organised crime, money laundering and illegal trafficking.

A fruitful way forward for Russia, would be to also adapt to the requirements of the WTO. The EU actively supports Russia's aspirations to become a member of the World Trade Organisation. In order to give this process support and impetus the Swedish Minister for Trade, Mr Pagrotsky, the EU Commissioner, Mr Lamy, and the Russian Minister for Economic Development and Trade, Mr Gref will jointly organise a high-level political conference on this theme on March 30, in Moscow. The EU remains firmly committed to working with Russia not only at federal, but also at regional and local levels. The Baltic Sea Region has every chance of becoming the most dynamic region in Europe – provided we work together. The Northern Dimension is an important platform for these endeavours. Sub-regional co-operation such as the Northern Dimension in the north and the Barcelona Process in the South is undoubtedly EU' s most valuable asset for the successful integration of neighbouring regions and the promotion of stability and prosperity.

One of the ambitions for the Swedish EU Presidency is to bring forward in a substantive way the work on the Northern Dimension. As one expression of the importance we attach to the Northern Dimension, we will arrange a special ministerial meeting on 9 April in Luxembourg, devoted specifically to these issues. In this context the Estonian Ministry for Foreign Affairs, together with the Swedish Presidency will arrange a Tallinn Business Forum on 4 April. The idea is that important business people from Estonia, Russia and other Northern Dimension partners will discuss issues such as energy, transport and IT and then present their findings to the ministers in Luxembourg. We hope for a concrete and practical input.

In my own country, Sweden, a well-developed infrastructure of regional and local contacts across the Baltic Sea has proven its worth. Many towns and regions are flourishing today, partly due to their extended network of contacts, boosting their exports, trade and industry. I believe that other countries around the Baltic Sea would agree that the regional and local co-operation across the Baltic Sea has become truly mutually beneficial.

Regional and local cross-border co-operation is, however, still not explored to its full potential. This goes not the least for the cross-border contacts with Russia. Many practical and useful cross-border contacts do exist, but when visiting border areas I often meet with local people eager to move ahead and further develop their relations. I also often hear that the problems are not in the regions directly involved, but that they need more support from the centres. I hope and believe that an active integrative EU-Russia policy can stimulate such a development.

With this overview I wished to give you the context in which I see the development of economic and trade relations between Russia and Estonia and the integrative role played by the European Union. Estonia, Russia and the EU alike are undergoing fundamental changes. If we have the sense of seeing and using the new links between integration, trade and prosperity we will find that these relations are not a zero-sum-game, but a real win-win proposition. Key words are flexibility and openness. The political vision must, however, be accompanied by practical day-to-day actions. For this we count on people like you at this seminar today.



Konstantin Provalov, Ambassador of the Russian Federation in the Republic of Estonia

Ladies and gentlemen, My job is much easier now since the previous two speakers have already expressed the ideas that that I share to a large extent. Of course, there are some issues to discuss, but as Mr.Ambassador of Sweden, I also like a lot the name of our conference, the set of flags that I see here and the way the conference is arranged. Therefore, I would like to begin by expressing my gratitude to the people who have invested so much time and effort in the noble and extremely interesting job of organising this conference.

I would also agree with the respected minister, Mr.Ilves, who said it's time to gather crops, so to say, and to move on the relations between our countries from a standstill. And the role of the European Union in this process is highly important. As is known, we regard Estonia's accession to the EU as a process absolutely justified historically, geographically and in many other respects. We are welcoming this process, and we think that the Big Europe will benefit a lot from this as well. However, we would like to minimise any negative consequences that might arise in our relations with Estonia and other candidate countries. And in this respect, there are some issues we would like to discuss in more detail. I think that the present conference and similar roundtable talks may be conducive to eliminating the obstacles impeding our onward movement. And here I support the opinion of my Swedish colleague, who said we are experiencing a decade of development in Russian-Estonian relations.

Today we have this very interesting event in Tartu. Tomorrow Tallinn will host a roundtable discussion of politicians and businessmen with the whole regiment of Russian paratroopers. Don't be afraid of the word "paratroopers". This time it's only Russian businessmen, statesmen and politicians who would like to participate in discussions on different aspects of our cooperation, including the EU enlargement. On the whole, I would like to say that the topic of the present conference "EU and Russian-Estonian Cooperation in National and Regional Aspects" is very timely, and the approach is very actual.

In my opinion, in the past decades Europe has seen a number of radical changes opening up new prospects for cooperation and partnership between European states on the basis of democratic values. This is clear to everybody. The world has changed, Europe has changed, Estonia has changed, and the Russian Federation has changed as well. I am happy to see that Estonian society starts to understand it. Our president in his speech devoted to the anniversary of the Tartu Peace Treaty stressed this by saying that Russia changed radically. Russia is really transforming becoming more and more democratic.

We are convinced that the Big Europe can and must become the area of safety, stability and economic prosperity. For us it's absolutely clear that European development is the process where all the countries of the continent should be involved, including Russian and Estonia, of course. Only by our joint efforts can we achieve our final goal: creation of a reliable and effective structure for our European home. The priority of European relations in our foreign policy is predetermined by our geographic and historical belonging to Europe and integration of our histories.

Russia pays much attention to cooperation with the European Union. On the whole these relations have reached the level of strategic partnership, and here again I agree with my Swedish colleague. We have been actively developing mechanisms of our political and economic interaction. And of course relations between European states are considerably influenced by the EU enlargement. This process can give a powerful impetus to the development of international cooperation and the implementation of large-scale economic projects, in our part of the European continent as well. But here we expect that both the trade and economic interests of candidate countries and those of Russia will be given due respect and consideration.

Much has been said about the EU Northern Dimension Initiative. We think that its implementation and its concrete contents will promote trade and economic links between Russia and the EU, and will

contribute to the complex development of Russian northwest regions. In this respect, we give much credit to the Swedish presidency in the EU. Here I would like to say some words about interregional cooperation. I think that the organisers have chosen the right accent for the conference stressing cooperation of regions and border areas. Estonian interaction with Russian border regions can create a basis for mutually beneficial bilateral relations and can accelerate their development. The interacting regions, so to say, will exert pressure on us, state officials, to eliminate any lack of understanding between our countries, to develop necessary legislative frameworks, and so on. This is also important from a humanitarian viewpoint, because it will help reduce still existing psychological prejudices and stagnated mentality.

During my short visit to Tartu, I have noticed that here in southeastern Estonia the desire to cooperate with Russian regions is especially strong. A couple of days ago I was invited to one of the rounds of the World Skiing Cup, where I met leaders of many Estonian counties and municipalities. They spoke much about their readiness to cooperate with Russia. Some of these wonderful people became my friends. I promise to develop these friendships and to support the cooperation of our regions. I also know that many of Russian border regions are willing to cooperate with Estonia. And I'm sure if there's a wish, there's a way, and much can be done very quickly and easily. We should let people communicate, let them find ways to develop cooperation, since the field for their cooperation is boundless. The previous speaker said that the Kaliningrad Region, as a future Russian enclave in the EU, might soon become another Switzerland, a non-EU country either, meaning living standards. Let's hope. Probably one day we'll live like in Switzerland.

I always remember the famous story about the outstanding Soviet and later Russian Academician Landau that happened when the Novosibirsk Town of Science was being built. After the first building was finished, he was shown the blueprints of the construction, where everything, even the paved roads around buildings, had been drafted very accurately. He asked whether it was possible to wait a month or two until the roads were paved. "Why?" asked the perplexed architect. Landau answered, "Let people make the most convenient paths themselves, and then we'll pave them." I think it's a very good idea. Let our people make such paths and roads in international cooperation, and then we'll pave them.

Here I would like to thank again the conference organisers, participants and guests of honour. I am sure this event will be a success. Thank you very much and good luck.



Mait Klaassen, Governor of Võru County, Chairman of the Board of the South-Eastern Estonian Logistic Development Foundation

The border line and its close proximity have been the engine of economic development in our region for centuries. Through this area, goods and culture have been exchanged. The Estonian-Russian border area has been an active communication region primarily due to the fact that it is geographically located in the best possible place, between the Western and Eastern parts of Europe. During previous centuries, attempts were made to gain control of such regions from positions of strength, which is also well confirmed by the history of Estonia, rich in wars and seizures. In modern cultural society, to the great pleasure for all of us, ever more attention is paid to the communication between different countries in a peaceful manner.

We can observe our region only in the context of the development of the world economy, peoples and states. Proceeding from this logic, we see that the growth of trade flow between the East and the West shall continue during the forthcoming years and decades, whereas we have to take into account the

globalisation of trade exchange. This, in its turn, brings forward more increasing demands for transport corridors and the support services offered therein. Similar rapid growth is going to take place in transportation connected with tourism, due to the increase in people's mobility needs. Here, too, we can expect a sharp growth in necessities, regarding both the quality of roads and also, for example, hotel management.

South-Eastern Estonia is located on a historic trade route, which has also not lost its logistic importance today. If we also take into account the fact that Estonia is aiming at accession to the European Union, a qualitatively new situation shall emerge between Estonia and the Russian Federation during the forthcoming years, where the intensity of communication between Eastern and Western Europe shall largely depend on our mutual relationship. For this reason, close cooperation and constructive work between various cooperation bodies is extremely important.

Moreover – regarding at least the Estonian side, in connection with European Union membership, there will emerge a certain obligation to develop a relevant business environment and increase the quality of provided services, in order to guarantee free movement of goods and persons, and the availability of services. The above mentioned developments have been regulated through harmonised legislation, between ourselves and other EU countries, however, with the Russian Federation, it is yet necessary to come to an agreement regarding a number of key issues, to create a functioning legislative landscape, establish necessary enterprises and cooperation institutions, etc. As can be seen, there will be sufficient work for us during the coming years, if not to say more. It is our good luck that we possess a very long-term experience with the Russian Federation, in co-operation with both Pskov and the St.Petersburg regions, and with the entire North-West of Russia.

In the near future, an especially heavy burden shall be put on the local authorities of border regions, who have to be able to bear such a load which is created in the provision of services in a situation where the flows of people and goods increase explosively.

Despite the fact that today, we are speaking about the entire contact region, I would like to have a deeper look at the problems regarding South-East Estonia, comprising mostly the Võru, Põlva and Valga counties. For years, we have been, relatively systematically, perusing the possibilities and necessities of the logistic direction permeating throughout our region, both jointly as well as separately. Regarding the more important infrastructure elements, the Luhamaa and Koidula border stations for servicing road transport and passengers, have been completed by today, both on the Estonian and the Russian sides. Simultaneously, roads are reconstructed from the Luhamaa border station in the direction towards Latvia. The Koidula railway junction is currently under design, after its completion, transit by railway shall become remarkable more efficient. These mentioned constructions have been built and shall be built largely with the support from the EU. This fact, in itself, points to the accession of Estonia to the EU in the near future.

A vast part of the preliminary work has been carried out within the framework of the Phare pilot project "South-East Estonian Logistics Centre" under which, the logistics strategy for the region was developed and relevant activities were planned. Similarly, co-operation connections have been concluded with the "Pskov 21st Century Logistics" and specialists in this area have been trained.

In order to service and direct the entire logistics scheme, the logistics server project of the South-East Estonian Logistics Centre has been launched; for the functioning and developing of this server, the private sector has already been involved today. Such development, in its turn, enables the guaranteeing of the sustainability of the information service in the long perspective. The logistics server creates a possibility to operatively cover a remarkably wider region with information dissemination, and also other transportation channels. The given project serves as a very good example of how the cooperation of public and private sectors generates a synergetic effect, the relevant result of which is substantially larger than the means placed therein.

As of today, we can say that cooperation has been launched also with Russian colleagues, for the elaboration of a unitary logistics chain. Such joint activity is also the only possibility as to how both parties could make the maximum use of our geopolitical location. The uninterrupted functioning of two different logistics in one region can only have a disturbing effect and impede the development of both sides.

Locally, we have completed master plans for the South-East Estonia transport centres, the relevant parts of which, worth mentioning, are the detailed plans for Luhamaa, Koidula and Valga, and the environmental expertise regarding these centres. The work in the future is directed towards the search of investment and investors, the basis for the latter being the feasibility studies of transport centres, development plans and economic calculations.

A question might arise, why do we need all these activities at all and why should the state be dealing with this.

Estonia is an equal partner with all countries, both big and small, but first and foremost, with its neighbours. Today's world economy does not function without a correct logistics system, the main parts of which being the information channels and supportive infrastructure. The EU, the Republic of Estonia, as well as the Russian Federation are interested in utilising the transportation channels of our region in the interests of their own countries. If we also add the interests of the counties and local authorities in the region, we obtain a picture of this actual development engine, which is capable of launching the necessary system with its people.

Naturally, we can say that the building up of the entire system needs massive investment, but when involving all possible means (state budget, municipal budgets, private sector and the EU programmes), we can certainly claim that such a programme is realisable within years, especially when considering the fact that the entire system is already partially functioning today, and is also producing an outcome in certain parts.

According to several theoreticians and practicians, the location of South-East Estonia is problematic. The relevant reasons pointed out are the presumable corridors regarding the movement of goods and people in the directions Helsinki-Tallinn-Riga-Kaunas-Warsaw and St.Petersburg-Narva-Tallinn, etc. However, in practice, it is necessary to observe the possible corridors using the existence of population and roads and industrial potential. Alone in the Pskov oblast, there live 830 thousand inhabitants, in the Novgorod oblast, 730 thousand people, and in the Leningrad oblast, the population figure is 1 682 thousand. If we also add the cities, we obtain the number of inhabitants, which exceeds the amount of people living in Finland more than two times. In addition, let us mention the hinterlands of the mentioned regions, where access to the sea and to the mainland is also needed. We also have to take into account the ever growing increase of Russia's trade in the direction of Europe and the rise of transit from various Asian countries through the Russian Federation. Using the latter as a basis, two large corridors shall be developed in future road transport – St.Petersburg-Narva-Jõhvi-Tartu-Valga-Riga etc., and St.Petersburg-Pskov-Riga, etc. Let us now call this the VIA HANSEATICA today.

The main channel regarding railway transportation will most certainly remain the Tartu-Valga-Orava triangle, where the logistics system shall direct transportation flows to their necessary destination. From the point of view of tourism organisation, with great probability, the Koidula and Luhamaa border stations shall be operating in the future, enabling the tourists to move along routes which connect St.Petersburg, Pskov, Pechory, Novgorod, Võrumaa, Tartu and Tallinn, and, why not, also Riga. Selling the region as an entirety, we will definitely gain relevant success in the tourism sector.

In conclusion, I would like to introduce another dimension at our conference – water transport. We have already heard about the Tartu-Pskov route for years. However, I have a more radical proposal. Let us make the Narva River navigable. This project may seem utopian and stupid, when mentioned for the first time, but we have to utilise the experience of other countries and summarise the benefits which could be obtained by the Republic of Estonia and the Russian Federation only from the development of tourism and recreational economy, not speaking about the creation of new economic opportunities. It is not necessary to look for similar examples far away. The difference of heights within the Saima Canal is more than 70 metres, the difference between the heights of the Panama Canal is less than 30 metres, just as on the Narva River. Three sluices would be enough, and Tartu, Pskov, Värskä, Mustvee and other towns in the Lake Peipsi basin would have direct access to the sea. I do hope that this project is not considered to be too utopian. Up to this point, let us deal with more realistic matters and develop the region in order to achieve joint benefits, utilising the logistics possibilities of road and railway transportation.



THE ROLE OF TARTU COUNTY IN THE DEVELOPMENT OF ESTONIAN-RUSSIAN ECONOMIC RELATIONS

Jaan Õunapuu, Tartu County Governor

Introduction: experience from the past

Valuable experience from the past shows that for the development of economic relations between the border regions of Estonia and Russia, it is a pre-requisite to have more efficient cooperation.

Throughout centuries, Tartu County, due to its location, has been an important link in the promotion of trade and regional economic relations between the West and the East. Tartumaa has historically been the centre of trade routes in the Baltic Sea region, a border region of different powers and a centre of economic and intellectual capital. We can remember the trade routes of the Hanseatic League during the Middle Ages, through Tartu to Pskov and Novgorod, and also the intensive trade relations across the Estonian-Russian border.

The concept of the Via Hanseatica is also topical in the new millennium. The implementation of this route provides a possibility for the border regions on both sides of Lake Peipsi, to better utilise their economic potential and, consequently, bring profit for people.

For the Tartu area, it is most important to develop cooperation with the Pskov oblast and city in Russia. A protocol of joint intentions has been signed between Tartu county and the Pskov oblast, in May 1997. Economic relations with the Leningrad oblast, St. Petersburg and Novgorod are also very significant. The entire North West of Russia has an importance as a transit and logistics centre.

The role of Tartu County and its development of relations in transboundary cooperation could be observed on three levels:

1. recent past and the character and problems of current relations
2. concrete activities for the near future
3. ideas for the distant future

Recent past: rises and falls and low-efficient cooperation

When talking about the recent past, it has to be admitted that economic and trade relations, including the carriage of passengers and goods between Tartu and Pskov, decreased abruptly at the beginning of the 1990s. Westward and northward directed economic and political integration became the goal for Estonia, and in Russia, attitudes towards Estonia were undergoing a change. As a result of these changes, the sufferers were the rural inhabitants of Tartumaa, especially those living on the shores of Lake Peipsi, who lost the market for their foodstuffs. Many enterprises on both sides of the border also experienced loss, as they were divested of their products' destination.

Despite the double tariffs established in 1995, economic and trade relations began to be activated again, to a certain extent, in the middle of the decade, especially the export of foodstuffs. However, the 1998 economic and banking problems in Russia provided a huge setback, reminding Estonian entrepreneurs of the fact that where there are huge profits, the risks are also high.

The share of Russia in Estonia's export has reduced from 20% (in 1993) to 2% (in 2000). Regarding import, the importance of Russia is 8-9%. The share of Tartumaa in this is extremely small. In conclusion, it can be said that relations on regional level existed during the 1990s, but there were only sparse results.

Current situation – step by step forward

We have to admit that current economic relations are insufficient, but the contacts between entrepreneurs have gradually tightened and the flow of trade has increased. One of the preconditions for economic relations is the existence of logistics chains. As Tartu is one of the logistics centres and transportation junctions in Estonia, certain flows of goods permeate through this region. Unfortunately, the conferment of added value to transit goods in Tartumaa is still not sufficient.

Saw materials are transported from Pskov oblast to Estonia along roads, timber products are sent from Tartumaa to Russia. The transit of oil products, metal, timber, grain and fertilisers, in the direction of Tallinn-Tartu-Pechory-Pskov, takes place along railways. In connection with the development of Russia's economy, and with the Euro-integration of Estonia, amounts of goods will probably increase. However, the permeability of railways in Tartumaa and in South-Estonia is not adequate.

The exchange of foodstuffs and consumer products in the border area is too small. As one of the few examples of such goods, pastry products manufactured in the public limited company Lyubyatovo, located in the Pskov oblast, are sold in Tartu, the importer of them being the AS Severi Kaubandus.

Tourism is gradually reviving. Estonian travel agencies offer bus trips along the route Tartu-Pechory-Pskov-Novgorod, the difference of prices regarding foodstuffs, consumer products and services is currently contributing to the popularity of such trips. The inflexible visa and border regime is an impediment to the more rapid development of tourism.

It is expected that the abolition of double tariffs by Russia would reactivate trade relations. At the same time, the tendency for centralisation, currently noticeable in Russia, can reduce the possibilities of regions for transboundary cooperation.

When talking about relations between the different shores of Lake Peipsi today, we have to mention the active cooperation of the Tartu-based Center for Transboundary Cooperation with the region of Lake Peipsi-Pskov in Russia, regarding the unravelling of environmental and economic issues.

Near future – concrete activities through concrete institutions and projects

In the development of economic relations with Russia during the forthcoming years, the following points should be taken into consideration from the point of view of Tartumaa:

1. Consistency is important – so as to guarantee the persistence of connections, the organisation of regular meetings and seminars and the solving of one problem after another.
2. It is important to formulate clear goals for the cooperation and the development of border regions, which deal with actual problems and ways for their solving and implementation.
3. Focusing on the solving of concrete problems.
4. Constant exchange of necessary information.

What has to be done:

It is requisite to establish and open for traffic, eligible border stations in Pskov, Storozhinets and in Tartu. The text of the relevant agreement has been co-ordinated by the Ministries of Foreign Affairs of both countries and will hopefully be approved by the governments in the near future.

The advantages of Tartumaa as a “sea country” have to be utilised. Almost all the local authorities in the Tartu county border with a navigable water body, with the help of this, it is possible to communicate with Russia. The water route is the most economical and environmentally sustainable transportation connection. It is completely reasonable to transport raw materials and volume goods, such as timber, sand, gravel and scree across Lake Peipsi, between the Storozhinets and Tartu ports. Next, we could talk about transit, which, when combining water routes and railways, would help to elaborate a logistics chain.

First of all, it is necessary to complete deepening works in order to guarantee safe navigation. After that, proper international ports have to be built in Tartu, Pskov and in other centres near the lake. This serves as a precondition for development projects Waterlink I and II.

It is also necessary to start with the essential development of cooperation regarding tourism, which means the elaboration of joint tourist routes and chains. The Emajõgi Riverland and the Lake Peipsi cultural park from the Estonian side, and from the Russian side, for example, the Pechory Monastery, the Old-Irboska stronghold, the City of Pskov and the nearby Pushkin places, could be used as a basis. In the co-operation of both sides, it is needful to launch, manage or co-ordinate development projects on the promotion of environment, human resources, infrastructures and entrepreneurship.

More distant future – the creation of a successfully functioning Euro-region

When Estonia becomes the member of the European Union, transboundary cooperation in this region obtains a fully new meaning. The Nordic Dimension of the EU stipulates close cooperation with the North West of Russia and several new initiatives could proceed from this. The huge European market with its 500 million consumers will be a close neighbour for the Pskov oblast, and for the European Union, South-Estonia will be the connection route with Russia.

In connection with the enlargement of the EU, the review of the development plan for the trans-European transportation network becomes a topical issue. The lobby of regions for representing their interests is necessary at this point. Regarding the status of East-West conjunction, Central Europe is seriously competing with the Baltic Sea region.

When observing the transport corridors permeating through Estonia, it comes out that with regard to connection road between St.Petersburg-Riga-Kaliningrad-Gdansk-Berlin (*also known under the name of Via Hanseatica*), the regions of Tartu and Pskov are competitors, and the Kaliningrad and Leningrad oblasts are partners. But Tartu and Pskov are cooperation partners in the case of *Via Estica*, the route going from Stockholm to Moscow, through Tallinn and Tartu.

When discussing the future perspectives of water routes, we will inevitably reach the understanding that the connection of Lake Peipsi with the Baltic Sea, through the Narva canal, would be a multilaterally beneficial infrastructure super project. This future project has already been granted a conditional name Waterlink III.

Tartu Airport has a potential to become an international airport for the Lake Peipsi surroundings. The realisation of such a potential depends on the general development of the economy.

Estonian railways needs serious investment in order to be capable of meeting new challenges, as the so-called Crete corridor, from Finland through the Baltic States to Central and East Europe, proposed by EuroRail.

In the development of economic and trade relations, skills and knowledge are also of great importance. One of the pillars of the development of Tartumaa is the production and mediation of knowledge and know-how, on the basis of the universities and scientific institutions of Tartu. There are numerous possibilities for transboundary cooperation also in this field and the long-term experience of the University enables an optimistic approach.

In the realisation of all the above-mentioned possibilities, the wide-ranging support from the European Union is of immense importance, regarding information and coordination as well as finances and investments. The joint projects, which have already taken place and the ones currently designed within the framework of the CBC and Tacis programmes, have already been helpful for the Tartu region. They have dealt with the development of transport, entrepreneurship, including tourism, human resources and environmental protection.

The experience of Finland as a member state of the European Union in transboundary cooperation with Russia indicates that this is fruitful and profitable for both sides, being especially beneficial for the border regions of both countries. The same applies for Tartu and more widely, for South-Estonia – the development relationship with Russia is important for the local economy and the welfare of people.



THE GULF OF FINLAND GROWTH TRIANGLE

Rein Aidma, Ida-Viru County Governor

The Association of South-Finland counties, comprising the local government unions of Itä-Uusimaa, Kymenlaakso, Häme, South-Karelia, Päijät-Häme, Uusimaa and Varsinais-Suomen, completed the first overview of the Gulf of Finland Growth Triangle in the year 2000. The Ida-Viru county has, together with Lääne-Viru county and Jõgevamaa, developed joint activities since 1995, according to a relevant agreement, between the three above-mentioned counties, within the framework of the so-called 3 + 3 cooperation – this is one of the further cooperation initiatives between the three countries. In 1999, a joint cooperation contract Tallinn – Helsinki EUREGIO was concluded, more precisely, between Harjumaa – Uusimaa, South-West Finland and Häme counties.

The term growth triangle was first introduced in South-East Asia, 1989, when the then Prime Minister of Singapore proposed a vision for enhancing cooperation between neighbouring countries. The first growth triangle began to operate in the economic zone of the border areas of Singapore, Malaysia and Indonesia. Although new growth triangles have come into life later on, the idea of the Gulf of Finland Growth Triangle is primarily originating from South-East Asia. At this point, the relevant research from 1999, by Urpo Kivikari, the professor of Turku School of Economics and Business Administration, serves as a basis in its turn.

In the following stage, 80 representatives of ministries, universities, research institutions, economic organisations, entrepreneurs and counties as focus groups, were interviewed in Finland in the middle of the year 2000, aimed at studying the outlook of cooperation regarding the three countries. As a result, an overview was created about the Gulf of Finland Growth Triangle, which has been acknowledged by the Finnish political administration, ministries, counties.

Let me now provide a brief picture about the results obtained in the overview regarding the Gulf of Finland Growth Triangle.

First of all, border regions of the three countries for possible cooperation, where the population is as follows:

The City of St.Petersburg	4.7 million inhabitants
Leningrad oblast	1.7 “ “
Association of South Finland	1.2 “ “
Entire Estonia	1.4 “ “
Total	9.0 “ “

According to Prof. Kivikari, growth triangles are created by the following circumstances:

1. Economic supplementarity, i.e. the production, trade and foreign trade structures of the parties supplement each other; currently, this works better between Finland and Estonia.
2. Geographical closeness – traffic arteries elaborated as well as possible in the framework of cooperation are, in general, more profitable than competition inside the region.
3. Political binding and coordination – it is necessary to create a certain policy for the growth triangle, which binds customs and tax rates, the usage of land, the usage of labour, financing and infrastructure.
4. The support by institutions and officials and the flexibility of organisations – institutions are developed together, joint task forces are formed for the solving of problematic issues, thematic fora are organised.

5. Necessity to develop infrastructures – joint elaboration and arrangement of infrastructures; so as to guarantee that environmental protection, the development of traffic junctions and energy networks would not be discordant for different parties.
6. The motivation of the private sector – only the activity of entrepreneurs enables the successful functioning of the growth triangle. It is only the enterprises which can guarantee that growth triangles become a reality. Today, there are approximately 300 Finnish capital based companies operating in St.Petersburg and the Leningrad oblast, and 500 enterprises in Estonia.

“The Gulf of Finland Growth Triangle concentrates attention on the most forward looking region of the EU Nordic Dimension. South-Finland, Estonia and the St.Petersburg region form a joint entirety, where multilateral cooperation is natural. This region, as well as the Baltic Sea area as a whole is the global growth centre in the future” – Paavo Lipponen, the Prime Minister of Finland, 29.05.2000. The Prime Minister added that the Gulf of Finland Growth Triangle could gain the status of a world-wide known pilot project. When speaking about the financing of the pilot project, is it requisite, in addition to the involvement of local resources, to achieve a situation where the European Union structural means – Tacis, Phare, Sapard/Ispa and Interreg are mutually connected and co-ordinated! This is a certain challenge also for the reforming European Union, however, only synchronised utilisation of different resources, in the presence of good cooperation, can guarantee a synergetic development effect.

As the Gulf of Finland Growth Triangle is promising already today, let me, in order to save some time, limit myself in mentioning only a few transboundary and functioning enterprises and investments: Philip Morris, Elcoteq Network OY, Caterpillar, Ford assembly plant, Kraft Jacobs Suckard, Paulig Group, Fortum or Primorsk port, etc. The largest infrastructure project, Euroroad E 18 is under construction in South-Finland, from Turku to St.Petersburg (known among tourists as the Via Regia). In addition, Finland regards it necessary to develop both Via Baltica and Via Hanseatica in the direction of Estonia-St. Petersburg. We, in our turn, have repeatedly discussed the above-mentioned routes at the management meetings between the Ida-Viru county and Leningrad oblast. Looking from St.Petersburg, the direction towards the European Union across Estonia, is a fully reasonable expectation logistically – Estonia would then be the window for St.Petersburg to the European Union!

In addition to the existing contacts, more than 50 counties in South-Finland have concluded cooperation and partner relations with various administrations in Russia. Five towns in Ida-Virumaa also have cooperation partners in the Leningrad oblast - with the administrations of Jaanilinn, Kingissepp, Vyborg and Slantsy.

We can confirm – starting points for transboundary cooperation are existent!

Inevitably, there are also bottlenecks which impede future cooperation. Let us mention the double tariffs on the Estonian-Russian border, the fact the Russian Federation is not the member of the WTO, the scarcity of resources of the local authorities-administrations on the Estonian and Russian sides, in comparison with Finland, low capacity of officials, scant skills regarding the management of projects, and, at some points, also inadequate knowledge of languages, different opinions in solving environmental issues, etc. There is no shortage of problems – however, at least a part of them could be solved jointly – the experience of the above-mentioned 3+3 cooperation has already had a positive influence in this regard. Or another positive experience – participation in the cooperation of the European peripheral maritime regions organisation, CPMR, etc.

Thus, what can be done in the Gulf of Finland Growth Triangle in the near future. The Finnish side has decided to start in the following manner:

1. The Association of South Finland takes the responsibility for the preparatory period of the growth triangle – this would last for 1-2 years.
2. A separate project will be compiled for the preparatory period, which will be presented at regional and state levels. The project determines activity areas, participating implementors-fulfillers and the goals, and creates the legal and other bases for the growth triangle.
3. A project facilitator is hired. Meetings, seminars, etc. are organized.
4. A task force is formed, aimed at the coordination, management and presenting the project activity process, both for Estonia and Russia.

5. The task force is responsible for the presentation of the growth triangle in Estonia as well as in Russia.
6. The task force initiates cooperation meetings for the representatives of entrepreneurs, their unions and the public sector (central and regional-local government level) of St.Petersburg-Leningrad oblast and Estonia, aimed at determining co-operation directions for the growth triangle concept.
7. The idea of a growth triangle is actively advertised and relevant materials are issued, in the English, Russian and Estonian languages.

As a result of the preparatory period (in 1-2 years time):

- The European Union has included the Gulf of Finland Growth Triangle as a part of the activity programme within the Nordic Dimension;
- The concept of a growth triangle is approved in Russia, Estonia and Finland; a tri-lateral cooperation work group has been formed; goals and activity areas have been approved by all three involved parties;
- The first joint growth triangle pilot project is planned and implemented.



Yuri Yermolayev, Vice Governor of Pskov Region

In the beginning of the speech I would like to thank organizers of the conference for an opportunity to assess conditions of trade and economic relations between Estonia and the Russian Federation and also to present, in our opinion, perspective directions of cooperation at a subregional level in a context of aspiration of Estonia to be integrated in the European community, and those expectations which we think could result from the given event.

The steadfast attention to this subject is objectively caused by the fact that the territory of the Pskov region has the longest span of the Russian - Estonian border. Its total length makes 333.7 km, and 126.2 km span passes on water surface of the Peipsi, Tyoploye and Pskov lakes.

No other Russian region has longer border lines with the Baltic States. Precisely the Pskov region became an original gate and transit territory by means of which Russia has received the second in its importance and volumes of commodity circulation strategic corridor for dialogue with Europe.

Being the direct neighbour to Estonia, the Pskov region has lasting and steady mutual relation with the neighbours on a wide set of questions connected to economic, political, and cultural development of adjacent territories. The historical past of border territories, their transition from Russia to Estonia and back, troubles in economic development in the Soviet period have resulted in the fact that the infrastructure of the Pechory, Gdov, and Pskov districts considerably concedes to similar regions of Estonia in all spheres.

For today it is necessary to realize, that the living standards and the degree of social and economic development in adjacent territories of Russia and Estonia are promptly going apart from one another. Thus, preconditions for **asymmetry** are formed. This aspect draws steadfast attention of analysts and political scientists, not only in Russia, but also in Europe. This phenomenon has entered the lexicon of border-relations researchers as a steady term. Political, economic and public asymmetry is the result of various speeds with which the processes of social and economic development in adjoining territories are going on. Existing already today asymmetry between the countries of Central and Eastern Europe and their eastern neighbours will be aggravated even more in process of expansion of EU to the east. It gives birth to vital problems for "**direct vicinity**" of **Russia and the European community**. The following number of risks is referred to as the most probable:

- increasing gap in the level of economy and well-being;

- possible sharp growth of controlled migration;
- conflict situations with national minorities;
- illegal moving of goods and people;
- environmental catastrophes.

Overall objective when forming relations between EU and their future neighbours is escaping new dividing lines. It is emphasized by politics, both in the West, and in the East. Realization of this objective essentially depends on controllability and transparency of the borders.

Reasonable balance of these concepts adjusted for local features and traditions also will determine the meaning of cross-border cooperation and define the capacity of frameworks in which trade and communications with the purpose of restoration and significant expansion of traditional connections in border territories can develop.

Sharing aspiration of the European Union as to practical cooperation on borders it is necessary to expect large governmental decisions regarding formation **of the conceptual attitude to cooperation of local and regional authorities in border territories.**

Very tight interlacing of close connections is very typical of these territories. The border regime essentially complicates restoration of connections in volumes existing earlier. Due to persevering activity of Administration of the Pskov region at the end of the last year temporarily it was possible to resolve a problem connected to a cancellation of visa-free border crossing by inhabitants of border territories. Because of positive attitude of the Governments of the two countries and purposeful activity of the Ministries of Foreign Affairs of Russia and Estonia on a mutual basis the process of granting multiple free visas to inhabitants of border territories has been started and now goes on.

Further the question will run into the necessity **of perfection of a border-customs infrastructure.** The presence of two international border-crossing points, Shumilkino - Luhamaa and Kunichina Gora - Koidula in this case mostly solves questions of transit cargo flows, and for the inhabitants of the border territories the presence of a bilateral admit network is necessary. Unfortunately, the regional authorities are now incapable of equipping and maintaining those border-crossing points. Besides now there is no intergovernmental agreement on opening of border-crossing points across the Russian - Estonian border and on navigation between the two countries, providing normal flows of cargo and passengers not only on overland sites, but also through the Pskov-Peipsi water body.

The Pskov region is an active participant of the process of forming and equipping the state border on the Estonian-Russian site and consistently protects interests of inhabitants of the region. On the agenda of the delegations during interstate negotiations between Russia and Estonia within a long period of time there was a package of the documents determining the provision of adequate living conditions in border territories initiated by the regional administration. These documents included vital issues, solution to which was extremely necessary not only for inhabitants of the border areas, but also for economy of these regions, including solution to questions of emergency situations.

Repeatedly within the last years under the initiative of the Pskov region the question of the organization **of border trade** was discussed. Specificity of the issue demands interaction of set of federal, regional, and local structures on both sides of the border. The main difficulty lies in the organization of the process of border-crossing and the customs control over cargoes going through the border within the framework of border trade. And the basic problem is not that of technical inefficiency of customs officers and border guards, but that of absence of normal instructive base, which would not contradict to the legislation. The administration is ready to take the most active part in studying the question from its part, since the opportunity of trade in border territories already has certain legal bases, both international, regarding definitions of border trade regime from the side of GATT-WTO, and internal, the Russian one.

However, despite all difficulties, border regions cooperate very closely with each other.

Estonia is one of the most active trading partners of the Pskov region. The statistical data of regional foreign trade testify that Estonia stably occupies the first position in exporting from the region, and the second position on importing into the region, conceding only to Germany. And if in 1998 - 1999 the Estonian export share was 22 %, in 2000 its share has increased up to 36 %. The Estonian enterprises share of the total foreign trade turnover is from 12 up to 17 % of currency contracts.

Dairy and wood products, plastic, clothes, glass and glass products, boiler equipment, oil products and metals, fresh and frozen fish prevail in export. The import is presented by foodstuffs, chemical fibres, and means of transportation. The analysis of the commodity nomenclature gives precise representation that 4/5 of foreign trade commodity flows is the production of local manufacture, and only 20 % on re-export and re-import.

In the territory of the region 84 enterprises with foreign investments of the Estonian origin are registered. 43 of them are joint ventures, 16 are branches of the Estonian firms, and 25 of them completely belong to the Estonian businessmen.

The basic types of activity: manufacture of consumer goods, trading - purchasing activity; construction and repair works; services in advertising and marketing; transport services; intermediary activity; services of public catering, transport services in cargo trafficking, services in maintenance service of transport.

The special attention should be drawn to the huge **potential of transit infrastructure development**. It is well-known, that the main payload to the highway network now is on the Tallinn - Narva - Saint Petersburg direction. Nevertheless, the Strategic Directions of Transport Problems of the European Community program document - so-called "VASAB 2010" considers that the corridors leading to some cities remote from centres should be improved till 2010 with the purpose of supporting sea transport on Tallinn - Pskov - Moscow lines.

Already at present through border-crossing points on the border with Estonia and Latvia annually more than 1.5 million people enter the territory of the Pskov region. The cargo flow which reduction was observed after 1998 grows annually.

Regional authorities of the Pskov land consider that stimulation of transit cargo flows through the territory of the region will render beneficial influence on economy of the region. And first of all it will be due to integration of transport centres into the European system. If the purpose of freight traffic is the terminal point of deliveries, then the roadside service is of direct interest for the region. Taking into account, that transit is one of the priority spheres for the economy of the Baltic States, the Pskov region supports active use of its transport network potential. To this joint Estonian-Russian programs on development of a forwarding complex could be of assistance; that means construction of the advanced network of terminals, warehouse premises, construction of the uniform centres for logistic and forwarding services.

A big part in this activity assistance and direct participation of the European community can play. Already today there are all preconditions for formation of the transport centre at the crossing of the Saint Petersburg - Kiev and Riga - Moscow highways in the area **of Pustoshka settlement**, shorter way up to which from the Estonian ports lies now through southeast Estonia and the Pskov region.

The special place in relations between the Pskov region and the Baltic States is given to Russian - Estonian relations. The dialogue between Russia and Estonia at the interstate level practically does not stop all the last time. A lot of efforts for maintenance of partner relations are applied by regional and municipal authorities on both sides of the border. The Pskov region actively participates in this process, representing both its interests, and the interests of border areas.

The beginning of this process took place in October, 1994, when in the city of Pskov a working session between parliamentary delegations of the Russian Federation and the Estonian Republic was held. Result of this meeting was signing of the Memorandum in which the mutual aspiration of the sides to increasing efficiency of negotiating process was emphasized.

In January, 1996 Pskov hosted an external session of the Committee of the Senior Officials for the Council of the States of Baltic Sea. In the agenda, within a number of regional problems, the question of deepening of communication at the level of border territories was actively discussed. The leitmotif of discussion was constructed upon recognition first of all of the priority of interests of citizens living in the border area, upon recognition of the fact, that barrier.

On June, 7, 1996 in Põlva, Estonia, the Council on Cooperation of Border Regions of the Latvian Republic, the Russian Federation and the Estonian Republic was created. Members of the Council are institutions of local self-government and regional authorities of the border territories of the three states: Aluksne, Balva, Valka and Ludzena municipalities of Latvia, Palkino, Pechory, Pskov and Sebezhd districts of the Pskov region of Russia, and Vyru, Pylva and Valga counties of Estonia.

The Council Regulations were signed, the rules for its work were developed and accepted, and the Secretariat of the Council was established and works now. The Pskov region has the observer status in the Council.

Four-year activity of the Council testifies to the strongly pronounced aspiration of its participants to create a border structure similar to the existing system of **Euro regions**. However this activity is seriously delayed by absence of the intergovernmental Russian - Estonian agreement On Cooperation of Border Regions, which imperative need was declared repeatedly by representatives of both Russian and Estonian border territories.

Absence of a serious legal basis for border relations will create additional difficulties in realization of the existing positive potential in the future. The prospect of obtaining by the Russian - Estonian border the status of external border of the EU automatically changes the system of relations in this transboundary territory.

Another priority direction for mutual cooperation should be development of tourist business. Today as a result of the intense and consecutive work of the regional administration it is possible to say, that the new tourist product, oriented to stimulation of tourist flows from North European and the Scandinavian countries along the Tallinn - Tartu - Vyru - Pechory - Pskov route, is generated. For maintenance of this route in Russia the first consular point was established, allowing carrying out visa registration of tourist groups directly on border. Experts offer, in particular, as possible expansion to the route, visiting Võru and Balva knightly castles, landscape parks and reserves, picture galleries, the 500-year-old Pskov-Pechory monastery in the Pskov region and sights of ancient Pskov.

To end the statement, I want to say that the potential of escalating our connections with Estonia is huge. The administration of the Pskov region aspires to maximally promote processes of integration at the regional level, including attraction of funds from the enterprises interested in partnership, and from representatives of business structures.

However, it is necessary to admit, that large infrastructural transformations demand significant capital investments, which in conditions of present fund deficiency, is almost impracticable at the regional level. Active intervention on the part of the Governments is required for assistance to the processes, and for attraction of funds from the European community.

Our proposals should not be characterized as imaginary or pure assumptions. It is a concrete product, we can present our joint with the Estonian side project initiatives and we hope not only to acquaint with them the audience today but also to declare as priority spheres of attracting external financing, including program funds of the European community.

1. Formation of the regional development centres network.

The recognition of Pskov as the centre of regional development in the zone of Baltic sea demands support for development of its infrastructure, establishment of institutes allowing to carry out regional development planning in close coordination with the neighbours, active involvement of external resources in priority branches of economy and cross-border cooperation sphere.

The joint project of the Estonian Foreign Policy Institute and the administration of the Pskov region on creation of a partner network of the regional development Centres in southeast Estonia and in Pskov, with their subsequent inclusion into the existing network of the similar centres in the Baltic region is devoted to this purpose.

Work on the first stage of the given project, designed for 6 months of the current year has begun. Work on preparation of the application for the grant is conducted within the framework of the TACIS program.

2. Traffic-logistical networks

It is the new initiative actively maintained by the Fund of development of logistic in the Southeast Estonia. The purpose of the project is creation in the territory of the Pskov region of a transport centre with a service zone, serving the Tallinn - Moscow direction, distanced from borders according to the European norms of safety in transit transportations, and its integration into a logistical network of southeast Estonia.

This project demands realization of serious research on existing and perspective cargo flows through the region, substantiation of economic feasibility of large investments, choice of optimum location, identification of the interested strategic investors.

3. Tourism

This is a project direction integrating territory of the Pskov region into the single tourist space of the Baltic region. The project is directed at improving the quality of conducting tourist services, including information, hotel business, catering and show business, maintenance of "green corridors" for tourist flows on the border.

We firmly realize that well-being at the border is possible only under conditions when neighbours are good friends and partners. Sustainable development is based on joint deeds, and results of activity should be effective for both sides. The Pskov region is open for cooperation, and we shall apply all efforts so that our common home tomorrow will have become better, than it is today.



Yury Menshikov, Representative of the Leningrad Region Administration

On behalf of the Leningrad Region Governor, Valery Serdiukov, I would like to thank you for the opportunity to participate in this conference.

Speaking about cooperation at regional level, I would like to stress that such cooperation has been developing in the region at a very high level. Today all the border municipalities have signed agreements on cooperation and are currently implementing these agreements in concrete actions. On February 7 at the Kingisepp Meeting with the Ida-Viru County we met with Mr. Aidma. We discussed results of our cooperation and outlined our future plans. I would say that our cooperation has been very successful, and today in the context of this conference we are ready for cooperation with Europe via Estonia, i.e. Russia can use the Leningrad Region, Russian Northwest and Estonia as a bridge to such cooperation with Europe. To make this cooperation more efficient, several points should be emphasized.

First, what have we done so far to get ready to this? All the border problems have been resolved. Despite the introduction of the much feared visa regime, thanks to the diplomatic and, first of all, consular services, the problem has been settled, and the border area residents have received as many free-of-charge visas as necessary to support cooperation and communication at the same level. I would like to thank all those who facilitated the process and helped maintain our cooperation at a good level.

We have practically finalised the agreement on border-crossing points. In late January I took part in a meeting at the RF Foreign Ministry on drafting the RF Government's decisions, and we discussed all the details of this agreement. Very soon it will be approved, and border-crossing points will receive the official status, which will allow the European Union to regard them as possible grant recipients if there's a wish. Why do I say "if there's a wish"? The matter is that together with Narva, we've been negotiating the arrangement of the much discussed Parusinka Checkpoint between Narva and Ivangorod. However, concrete steps towards the arrangement of the checkpoint have been very meagre so far. Together with the Narva Mayor we have suggested the project idea, and the Narva Business Centre has developed a project proposal. The proposal has been submitted to the Estonian Foreign Ministry and has been generously approved of by the Ministry. However, somewhere on the way to PHARE and the EU the proposal has been suspended and blocked. If today we are discussing concrete suggestions on cooperation between the EU, Estonia and Russia, I would like to ask the European Union to make a small step at about 150 thousand euros supporting our project. I have also handed in this project to a TACIS representative, John – a project manager. He's been in my office recently and we had a very good

discussion. So, if we manage to solve this problem, the border communities will receive a good support for their cooperation, because currently customs and border-crossing procedures at this checkpoint are extremely complicated.

I would also like to stress another important issue in the EU – Estonia – Russia cooperation. At present we have two multi-modular transport corridors: Corridor 9 Helsinki-St. Petersburg-Moscow and Corridor 2 Helsinki-Tallinn. I think we often talk about the need for multi-modular corridors and links between them but we never think concretely about this issue. Today we should discuss the opportunity to link these two corridors in order to channel cargo transport to Europe via Estonia. Such suggestions have been already made, and it is time to focus on pre-feasibility studies and to discuss the option of a second bridge across the Narva River. We often ask ourselves the question whether it is necessary or not, and the answer is often, "Well, it's not so important at the moment." Meanwhile, the cargo flow from Petersburg to Tallinn has dropped ten times and even more. If we had infrastructure of the European level, it would definitely grow, I think, to the benefit of Russia, the Leningrad Region and Estonia. This would be a concrete investment.

I would like to say that we have a certain experience of successful cooperation in the economic sphere, in tourism – though, it is still in the initial stage – and, especially successful, in humanitarian issues, such as exchange of folk theatres, athletic teams, folk groups, etc. They visit their border partners sometimes as frequently as three times a month, which is even more than in Soviet times. This is a very promising area and I hope that cooperation in this sphere will keep developing and will create a good basis for our relations in the future.

So, in conclusion I would like to stress again that if the two problems I mentioned: the Parusinka Checkpoint and multi-modular corridors were somehow promoted, this would be a concrete contribution to the development of our relations and a concrete result of the present conference.



ECONOMIC AND TRADE RELATIONS ON REGIONAL LEVEL: PRESENT AND FUTURE

Igor Verkhodanov, Adviser and assistant of the Chairman of the Novgorod Region Duma and senior investment manager of the Novgorod Region Administration

I'm very pleased to greet you here in very old charming, hospitable town Tartu. It seems to me symbolic to get together here from different Baltic regions like in ancient times, soon after 1030 when Tartu with original name Yuriev was founded by novgorodians, when all lands, represented by you were united in one trade space. The history is slowly moving along the spiral to the new qualitative level. And again the trade and inter economic links play the role of stability factor.

New century started and opened the new epoch in cooperation between our historically tied regions. And now we need to discuss how to stimulate our inter-economic links and to get rid of all obstacles on this way.

To my point of view, up-to-date novgorodian economic position is pretty good prepared for this start. As it was recently confirmed by authoritative magazine "Expert" the Novgorodian region during five last years is **number two** in Russia in foreign investments attraction per capita and number two with risks minimum.

Novgorod-the-Great has an extremely favourable **geographical position** and not bad, from Russian point of view, automobile, air, water and rail highways, that connect our the ancient Russian town in shortest way with its historical suburbs: St.Peterburg and Moscow, the nearest and the largest markets of Russia. By the way, the ratio of hard-covered roads in the region exceeds the Russian average by four times. The railroads crossing the Novgorodian region link it with Baltic, Scandinavian and more distant European countries. Our aviation company has skilled personnel qualified to service international airlines. Heavy and large cargoes are provided by "Il-76". That jumbos not once in past landed even on Tartu airfield.

Novgorod **Customs Office** has 4 customhouses and 3 customs warehouses and renders a full range of customs services.

Novgorodian region became one of the first in Russia to introduce **land and real estate markets**. With assistance from the Sweden and the United States governments the Land and Forest Register are being developed. Raw material resources, water and environmental monitoring register systems are under way. For the first time in Russia, the background for a change in the existing **taxation system** is being prepared in Novgorod-the-Great and Tver. The secondary land and real estate market is practically in place.

Only a few regions in Russia have such a concentration of radio-electronic, instrument-manufacturing and telecommunications equipment enterprises and such good supply of **skilled workforce**, previously employed by the hi-tech military industrial complex.

The well-known abroad business card of Novgorod-the-Great are the advanced and unique in Russia united **like-minded team** headed from 1991 by Governor Prussak and Regional Council's Chairman Boitsev, persistent application of the local "sunset clause" (law against worsening of start-up terms for investors), from 57% to 64% tax exemptions and the unique right of legislative initiative for the Associations of enterprises with foreign investments.

And as a result of hard creating the best in Russia investment climate **205** foreign invested capital enterprises from **40** states were registered here. Now they employ 20.000 people. Their share in the total industrial output in 1999 was **62%** and in overall volume of exports- **83%**. The largest investment has come from EU countries, including Cadbury (UK), Dandy AS (Denmark), Schauman Wood, Raute (Finland), Benteler, Sommer GmbH & Co (Germany), Holzindustrie Prading (Austria), Amkor Rentsch (Australia), Owens Illinois, Dresser (US).

The cooperation with **Estonian Republic** is characterised by stability of contacts in the fields of business, culture and sports.

During many years the Novgorodian region is taking an active part in inter-Baltic links under **Baltic Sea States Subregional Cooperations** projects umbrella.

The Yaroslav-the-Wise Novgorodian University has close links with Euro-faculty of Tartu University. The economic cooperation between Novgorod region and Estonian Republic has long-term characteristics.

In the year 2000 the trade turnover with Estonia totaled **17%** from the whole foreign trade volume. It rose three times in comparison with previous 1999 year and reached the level in **57 mln.\$** The export deliveries to Estonia consist of:

- mineral fertilizers on 50,3 mln.\$;
- wood processing productions on 4,4 mln.\$;
- glassware on 0,5 mln.\$

and includes also plastic things, ferrous and non-ferrous metals, furniture, ceramics, bed-clothes, raw leather, lime and cement, non-organic chemical things.

From Estonia Novgorod region imported textile goods - on 0,7 mln.\$, equipments, stone and gypsum articles, glass products and vehicles.

In 2000 the Estonian foreign trade deficit totaled **\$91,9 mln.** And \$ 56 mln. of them are the deficit with Novgorod region.

Our Estonian partners more successive in investment expansion. From 1992 to 01.01.2001 on the territory of region were registered **30** joint and full Estonian capital enterprises. 12 of them are very active now in the fields of:

- **building construction**, "Stroypremier", "Als", "Business partner LTD", "Estros"
- **transport-expedition** services;
- **trade agent services**, "Novesta"
- **wood cutting and timber processing**, "Wooder", "Tempest Ltd", "Borles", "Westor"
- **milk foods production**, "Lacto-Novgorod" with 1 mln.\$ investments in assets.

Of course, there are questions for mutual solution. The urgent are the simplifying of customs clearance and visas granting process for businessmen from both sides. Without any doubts, Moscow and Tallinn have to play more active role in elaborating and signing bilateral agreement on local and regional authorities cooperation.

We are ready to share the story of our success with our partners and to help newcomers in minimizing their expenditures by full-range administrative support.

World Bank experts rated the region among the six leading ones in Russia. The Parliamentary Assembly of the Council of Europe first time in Russian History awarded the Novgorod region with **the Flag of Honour**. In 1998 the American Chamber of Commerce conferred upon Novgorod region an honorary title of "**Region of the Year**" for its successful activity to promote foreign investment in the economy of Russia. And at last in 1999 the Governor Prussak was awarded the **Euro Crystal Globe**, one of the most prestigious European awards.

In ancient past the Hanseatic town Novgorod-the-Great was all around well-known like trade and crafts centre of the vast land from the Baltic region to Urals mountains. Today it usually connects with successful business. Come and see it yourselves! Welcome!



INTERVENTION ON "ECONOMIC RELATIONS ON STATE LEVEL"

John Kjaer, Ambassador, Head of the Delegation of the European Commission in Estonia

1. Introduction

Let me first of all thank the organizers of this conference for having given me the opportunity to speak here today on a very interesting subject: To consider to what extent Estonia's accession to the EU will affect the development of economic and trade relations with Russia. My answer is clear: It will, and in a positive way through the putting in place of a framework which will tend to further the development of trade and other economic relations between those two countries. However, the extent to which this potential will be realized will depend on the measures taken by each country and the interest shown by the economic operators.

My contribution is divided into 3 parts: First I will look at the existing and future relations between the EU and Russia and the objectives behind these relations. Secondly I will briefly look at Estonian-Russian

relations, and finally I will look at the effects of Estonia's accession to the EU on the economic relations between Estonia and Russia.

2. EU-Russian relations

Regarding relations between the EU and Russia, let me first make some general observations about the EU. Many people have difficulty in understanding what the European Union is and what it wants to be. We are after all a complicated and unique animal; and the nature of the beast is changing. For a start, the European Union has neither the characteristics, nor the means nor indeed, I think, the aspirations of a nation state. The EU is, in effect, the result of a common vision and a common will, as expressed in a number of clear rules set out in international treaties. Behind those rules, however, lie the fundamental principles which the Member States hold in common. The treaties assume on one hand an open society, based on democratic checks and balances and on the market economy. On the other hand they provide for the handing over of responsibility in a number of important policy areas to the institution I represent, the European Commission, as we believe it makes sense to pool our resources. Well-known examples of such policy areas are the Common Commercial Policy and the Common Agricultural Policy.

The rule of law, respect for human liberties and institutions capable of "reconciling passionately held opinions" in a peaceful way, these are the basis not just for the success of the Union itself, but of the way of life we have been trying to create. They are our basic purpose, at the heart of all our endeavours and the key to our success.

It is not surprising therefore that these are the values and principles which we are trying to project externally. They are also at the basis of the theme of today's conference.

In fact this reflected clearly in one of the first paragraphs of the Amsterdam Treaty which defines one of the Union's 5 objectives as *asserting its identity on the international scene*. This objective reflects a number of concerns linked to the EU's economic and political interests, the need to address a number of international and cross border issues, like international crime, relations with our neighbours and enlargement. In essence our goal is to project stability.

It is therefore not surprising that these values and principles as well as the fundamental objective of projecting stability feature prominently in the Partnership and Co-operation Agreement which is the basis for our relationship with Russia.

The PCA is a joint agreement that came into force at the end of 1997 sets out the objectives of the partnership and provides the instruments. First of all it provides for a number of trade advantages based on Most Favoured Nation WTO rules, as well as a number of obligations, the end goal being to move towards a big free trade area. It also foresees an intensified and institutionalised dialogue as well as co-operation in a number of sectors of mutual interest. Underpinning these areas is the establishment of an institutional mechanism for conducting the dialogue.

The EU's Common Strategy on Russia, adopted in June 1999, was the first such Common Strategy agreed. It sets out a number of priority areas that narrowly reflect the values and principles as mentioned above. Thus, it aims to consolidate democracy, the rule of law and public institutions in Russia and it intends to integrate Russia into a common European economic and social space. It also aims to advance stability and security in Europe and beyond, and it sets out to address common challenges on the European continent such as the environment and crime.

The main instruments for implementing the Common Strategy are the PCA, the Tacis Programme and bilateral assistance programmes of the EU Member States.

So what are then in the context of this framework the key areas of our partnership with Russia? In view of the theme of this conference, I will concentrate here on some of the economic aspects of the present and future agenda.

Let me start with trade. The EU accounts for around 40% of Russia's total exports. Oil and gas alone represented 45% of Russia's exports to the EU in 1999 and probably considerably more in 2000. The oil and gas Russia sells to the EU may amount to as much as 20% of all Russia's exports to the whole world. In fact the EU represents Russia's largest market and as a result Russia had a significant trade surplus of perhaps up to 25 billion USD last year. Russia's trade relations with the EU have developed strongly over the last decade, despite the existence of a number of trade disputes which hopefully can be resolved. This process can hopefully be consolidated if Russia can now move towards membership of the WTO, which the EU supports strongly and wholeheartedly. I think we all know what this means in terms of clear ground rules and an effective legal framework, essential factors for stimulating trade.

However, investments might be even more important for two reasons. First we all know that investors are significant importers of technology and management skills. Secondly investments are necessary in order to diversify and broaden the export base. Moreover appropriate investment in the oil and gas sector may ensure security of energy supplies, important for the EU. It is one of the essential elements of the energy dialogue which we started last year in October. Finally investments are among the main generators of economic growth and therefore a key to accelerate the improvement of living standards in Russia.

However, investors only do what is in their own interest or that of their shareholders. Governments can only create the right legal and commercial framework which is necessary for attracting investments and then make investors aware of these conditions. Some of the principles underpinning these conditions, such as the principle of national treatment, are set out in the PCA.

I should also like to mention the challenge posed by organised international crime and illegal trafficking, which creates a need to address a whole range of criminal and judicial issues. This is not only a moral issue but as much about dismantling some of the impediments to business in an orderly way, as well as diminishing the risks for business activities and increasing competition. In this context it is important to underline that we have agreed broad plans for co-operation between the Russian and EU judicial and enforcement bodies.

The last point I should stress are our efforts to promote co-operation between border regions of the EU and Russia. This is illustrated by a number of projects implemented on the border between Finland and Russia. The overriding objective is to address a number of specific development problems faced by these regions because of their relative isolation, and to encourage co-operation across the border. This is done through the financing of a number of projects aimed, among others, at furthering economic development and improving border crossings, which is one of the ways to diminish local trade barriers.

3. Existing Russian-Estonian relations

As I said in my introduction I am not an expert on relations between Russia and Estonia nor would I pretend to be one. I will therefore refrain from launching myself into a deep analysis of the state of this relationship or making predictions for the future. Others, present at this conference can do this much better than I.

However, what I do observe in the area of relevance for this conference is that trade levels, particularly since 1995, have become very low if not insignificant. In fact Estonian exports to Russia only accounted for 2% of total Estonian exports last year. Moreover imports from Russia, which were at a much higher level of 8-9%, are dominated by energy products for re-export. Obviously one can identify a number of impediments to trade, among which the introduction in 1994 by Russia of double import tariffs seem to have had a significant effect. There might also be other reasons. However, and this is my main point, the level of trade tends to be much lower and its composition different from what economic theory would suggest. In other words there is scope for a "tiger trade leap" forward, provided that some of these impediments can be removed and that living standards improve in both countries. I think, as I will try to demonstrate, that the EU can contribute something in this respect.

4. The impact of Estonia's accession to the EU on trade and economic relations

Let me now turn to my assessment of the development of trade and economic relations between Estonia and Russia following the former's accession to the EU.

I think the first point to underline is that enlargement, following the results of the Nice Summit, in most likelihood is going to take place soon. It is not a zero sum game where one party's gain is matched by a loss for the other party. On the contrary, it is a win-win situation both inside the enlarged EU and in relation to third countries. Moreover, it is an inclusive process whose end goal is certainly not to create new dividing lines in Europe. I think the benefits both in terms of political stability as well as the huge economic expansion which we already see and expect to continue in the future, are both testimony to this observation. That is why we were pleased by the positive statement of President Putin at the latest EU-Russia Summit that Russia welcomes enlargement. In that context I should like to underline that we discuss with a number of third countries, and in the appropriate framework, the impact of this process on their economies as well as other concerns they might have. For Russia this takes place in the bodies set up under the PCA. This also enables us to resolve any problems which might arise.

So what are the factors that will influence the development of economic and trade relations between Estonia and Russia? I think there are 4 main ones:

The first has to do with Estonia's future position as a member of the EU in itself. This means first of all that a number of future economic and trade issues will be resolved at the EU level rather than at a bilateral level. This will in many cases facilitate the resolution of such problems within a wider EU framework, and in accordance with the objectives and modalities set out in the PCA. Moreover it will in my analysis facilitate the resolution of bilateral issues as this new situation will be characterised, more than now, by equality between the two sides. I think a number of our member countries, not least some of those that joined recently, could confirm how relations with some of their third country neighbours have improved following their accession to the Union. This also in very concrete terms demonstrates the inclusive nature of the enlargement process.

The second factor is linked to the general positive effects of enlargement. The benefits are already visible in Estonia. The country, like many other CC's, already is stable and democratic and characterised by the rule of the law and respect for minorities. This has certainly led to an improvement of security, the basis and the source for economic development. In fact Estonia is already reaping some of the benefits of membership, not least in terms of an impressive economic growth rate. This growth is spurred by the high pace of structural change which has taken place as part of Estonia's efforts to prepare for membership.

However enlargement will bring more. A wider Europe will further stimulate growth and create new trading and investment opportunities, not least for neighbouring countries. It will increase the size of the single market where economic operators will be able to use a common set of rules and procedures. Simplification and standardisation will particularly benefit operators from third countries, not least SMEs for whom the costs of compliance with procedures are proportionately higher. This should benefit in particular exports to smaller economies like Estonia, as the costs of entry will be lowered. Moreover the strict application of EU competition policy, rules on intellectual property and company law will create a level playing field for all, thus lowering the possibilities for discriminatory practices. Finally, acceding countries will have to conform to all the rules governing prospective members of the Euro area already from the time of accession, in areas such as fiscal policy, central bank operation etc. As this will greatly enhance the applicant countries' ability to withstand financial crises, these policies will also favour stability.

So in sum enlargement will enhance the total market of Estonia and secure a level playing field from which business, local, EU and global, will profit tremendously.

The third factor is linked to the need to avoid the creation of new dividing lines in Europe. In fact Estonia can be expected to profit from projects financed under the so-called Interreg programme aimed at assisting border regions in overcoming some of the specific development problems they face. Russia should profit increasingly from the Cross Border Co-operation Programme financed under the Tacis programme. We would therefore hopefully in the future be able to finance under those two programmes a number of projects which will address the specific problems encountered by these border regions. Such

projects will include co-operation with a view to stimulate trade, for example by improving border crossings through financing of infrastructure, equipment and technical assistance. Moreover support should be provided for economic development of border regions.

The fourth and last factor is linked to the geographical position of both countries and in particular the ability of their economic operators to exploit the opportunities offered by this new situation. This is as much linked to the opportunities offered by the comparative advantages of each grouping as to the synergies that can arise thanks to co-operation across the border. Estonia is uniquely geographically positioned in relation to EU exports to Russia. Moreover the country has already a good physical and financial infrastructure treasured by any exporter whether located in the EU or Russia. And as I said before, Russia is important for the EU and numerous opportunities will arise for co-operation between economic operators active in trade or investment. Again, the degree to which the potential will be realised depends on the extent to which economic operators will use the possibilities offered.

5. Conclusion

So let me conclude by stressing that enlargement is not a zero sum game but a process the end result of which should provide net benefits to everybody: the EU, the candidate countries and their neighbours. EU enlargement will lead to expanded economic opportunities in a level playing field where the opponents for discriminatory practices will diminish. Moreover, an active policy will strive to avoid the creation of new dividing lines in Europe through active support for cross border co-operation. The size of the realised net benefits in terms of trade, investment and co-operation between neighbours, such as Estonia and Russia, will be determined on one hand by the success of the reform efforts of both countries, and on the other by the extent to which economic operators will take advantage of the new situation. I trust this will be the case.



Ingrid Tersman, Deputy Director of the Department of Central and Eastern Europe, Swedish Ministry of Foreign Affairs

For several years, the Swedish Government has been saying that the Baltic Sea Region has every opportunity of becoming the most dynamic growth region in Europe, if not to say the world. This is a bold statement, but the Baltic Sea Region has unique potential: proximity to markets with great purchasing power, a well-educated population, good infrastructure, and industrial traditions to be proud of. We have a possibility to ensure that the Baltic Sea becomes a clean sea without pollution, a sea associated with peace and cooperation, a sea where trade, economics and culture blossom again

When talking about the Baltic Sea Region, we usually include the Nordic countries, Germany, Poland, Estonia, Latvia, Lithuania, and Russia. The last five countries have, in the past decade, experienced dramatic and positive developments. Today, they are new and exciting markets with a huge potential for the years to come. Together with the Nordic countries, and also other partners a network of stability and security has been created.

The Baltic Sea Region has a history of trade and commerce: we had the Vikings – primarily as traders, not looters, that is – as well as the Hanseatic League in the Middle Ages, which united some 70 cities in the region. Economic exchange developed during the centuries that followed, but was interrupted by communism in the last century.

For the businessmen of today the prospects must be more than breathtaking – the region's population is larger than what one may first believe, approximately 84 million. The GDP accounts for 10% of Europe's total which is about the same as that of the United Kingdom. In addition, the GDP growth for all countries in the region is positive, and for some countries the GDP growth is very strong. On average, trade between the countries of the Baltic Sea region increased by 30 percent between the years 1993 and 1998. In 1997 only, Estonia's growth was 11% -- highest in the world that year. Growth in the region is anticipated to reach approximately 3.5 percent this year only, and to be even higher next year. At the same time, there remains a great potential for further increases in trade and growth.

Companies that are investing in the region do so for two reasons – to find new markets and to lower production costs. In general, companies focusing on the consumer market were the first to become established. Telecom companies and banks are prime examples. These companies regard the region as part of their domestic one.

This development is not at all surprising. We have a well-educated work force with competitive wage levels. Impressive efforts are being made in education. At the same time, there exists a shortage of competent/well-educated labor due to the great inflow of foreign companies. This imbalance between demand and supply will most likely be evened out in the medium-term. We have industrial traditions to be proud of and to build on. In the former Soviet Union, much of the electronics and high-tech industry was located in the Baltic republics, Leningrad and Kaliningrad.

Both theory and practice postulate that countries trade with their neighbours. For example, Sweden's trade with Norway, Denmark and Finland is today twice as big as our trade with the United States. Our trade with Germany is as big, while our trade with Poland, Russia and our Baltic neighbours should be able to increase manifold. The unutilized potential for trade in our region is at the same time an unutilized potential for growth, employment and wealth.

There exists a close connection between trade and investment, stability and security, growth and prosperity. Trade and investment lead to mutual dependencies between peoples and countries. This promotes stability and security – in turn necessary preconditions for growth and prosperity. Higher growth and increased wealth lead to even more trade and investments, etc. It is this upgoing spiral which we have to continue creating conditions for in the Baltic Sea region.

This is so, as growth and prosperity cannot be realized without strong democratic institutions. Rules of law and a generally positive societal climate are also necessary. Here, however, there are still weaknesses in our region.

Perhaps the prime instrument to attend to these weaknesses is the EU, or rather the perspective of membership of the Union or close cooperation with the EU. This is what the developments in Poland and the three Baltic states have shown during the last years. A lot still remains in these countries, but remarkable is the progress made so far. EU membership requires that the candidate countries fulfill rigorous political and economic criteria. These concern adaptation to requirements regarding democracy, market economy, an efficient and modern administration and a well-functioning judicial and legal framework. The adjustments required to prepare for EU-membership carry great strain on the candidate countries. But it is at the same time a process that is necessary. And, the adjustments would have been necessary also without the prospects of EU-membership. There are no shortcuts to increased wealth.

Regarding Russia, today there is no perspective of EU membership and therefore not the same external pressure for change. Russia has also gone through great changes over the last decade. Still, a lot remains to be done, such as removing unnecessary barriers for healthy economic activity, the legislative framework must be improved, tax systems and other regulations must be simplified, and domestic and foreign investors must be treated without discrimination. Such changes would lead to expanded trade and investments into each other's economies. The economic potential in north-western Russia is truly great. The St Petersburg area could become a center for the economic development in the whole Baltic Sea Region, provided that reforms are carried out. Russia also needs to be incorporated in world trade, primarily by implementing such changes in its trade policy that Russia can become a member of the WTO. The EU would warmly welcome a Russian WTO-membership.

Today, we again see growth and expansion in the Russian economy. This window of opportunity can hopefully be used to follow through on necessary but so far only partially implemented reforms to ensure sustained growth which can bring prosperity to all. Today, the EU is Russia's biggest trading partner. But there is still a great potential for further growth.

I just said that a key instrument for economic growth in the region is the enlargement of the European Union. It will bring growth and prosperity not only to present and future member states, but also to neighbouring countries such as Russia. Today, Russia is a major supplier to Europe, especially of natural gas. The EU is Russia's biggest trading partner, accounting for just above 40% of Russia's foreign trade. This share is expected to increase after EU-enlargement. The reasons are primarily the following:

- * Further economic growth in the new member states will have a positive impact on Russian exports to these countries.
- * Many of the acceding countries are Russia's main trading partners, and four share a border with Russia. The average import duties these countries apply to Russian goods will, in general, be lowered to EU-levels and custom procedures and rules will be unified.
- * The average customs barriers of the candidate countries will be lowered in conjunction with EU-membership. Russia will also enjoy lower tariffs on certain goods through the EU's general preferential system.
- * When the candidate countries adopt the EU's Partnership and Association Agreements with Russia, Russia gets one sole counterpart which is an advantage compared to today's situation.
- * Russian WTO membership would increasingly increase Russia's possibilities to profit from the economic growth in the candidate countries.

I would like to say a few words on a subject that is close to the heart of the Swedish Government – the Northern Dimension. It is one of the priorities during the Swedish EU Presidency. Initiated by Finland a couple of years back, we are pleased to carry the work forward. The Northern Dimension provides an excellent opportunity to strengthen the cooperation in Northern Europe within an EU-framework, and with Russia. Areas for cooperation have been identified – for example the fight against organized crime which distorts the market place and hinders growth, the environment, and Kaliningrad. From this has sprung regional cooperation initiatives, often of cross-border character, for example the Nida Initiative and the Tallinn Business Forum.

The beauty of the Northern Dimension is that it actually can involve those really concerned and the contributions of all relevant countries will determine and define how successful it will really be.

In Northern Europe today, we can distinguish certain regional developments and centers. These areas are growing and expanding, much due to trade. Notable examples are the Hamburg area, the Öresund area – with the bridge between Denmark and Sweden, the square between Mälardalen in Central Sweden, Southern Finland, St Petersburg and Tallinn-Riga. There are of course others. The development of these areas point to increased regional integration, and at the same time, the possibilities to create in Northern Europe a greater economic area of expansion and prosperity.

Today, Estonia is one of the world's leading nations in the IT-sector. Only in 1998, Estonia was at the same level as Germany in this regard. The IT-leap is impressive, to say the least. In St Petersburg, the scientific base is very good and the potential for another leap excellent. Perhaps, in a few years, we will see that the Baltic Sea Region has made a joint leap in the IT-sector with Estonia in the lead, and together with Sweden, Finland and the St Petersburg area. This would be a leap from which we all would benefit.

To conclude, the Baltic Sea Region has all preconditions to continue being one of the fastest growing regions in the world. This millennium will see how the Baltic Sea Region develops and grows closer thanks to trade, political, cultural and human exchanges and contacts. In the longer run, hopefully, the same networks will have been developed as those existing today between the Nordic countries. A good measure of how much has already changed is today's conference. Only a few years ago, no one could have thought of the idea, and if anyone did, other would not believe it could be carried out.



ECONOMIC AND TRADE RELATIONS AT THE STATE LEVEL TODAY AND TOMORROW

Alar Streimann, Deputy Under-Secretary, Estonian Ministry of Foreign Affairs

First of all, it is a pleasure to notice that recently, the academic and also political discussion regarding the future relations between Russia and the EU has remarkably intensified. I have to admit that for years, I have been following with surprise how Russia has determined, for itself, a relatively modest role in the development of the European economy. Among other matters, this is also indicated by low trade volumes between Russia and the European Union.

It is clear that such a low profile is not logical between two economic units located in close proximity, if we can name it this way. On one side, there is the European Union as one of the three most powerful economic regions in the world, on the other side, an economic potential with unlimited natural resources (not only regarding raw materials, but also technological thought, an immense and so far unfulfilled service and telecommunication market, etc.). It is only a question of time and will when the EU economic relations with Russia reach a new level. Naturally, this does not only depend on the EU, but also on Russia. Although Estonia, being a small country, can contribute to such development of this relationship, we would, however, like to be there when both large powers are celebrating their achievement.

As other speakers at the conference obviously concentrate on the practical aspects of trade relations between Estonia and the EU, and between Estonia and Russia in a more detailed manner, I would rather make an attempt to discuss how the future relationships between Russia and the EU affect Estonia as an expected future member state of the European Union.

It is not a secret that, as of today, economic relations between Russia and the EU are more regulated than between Estonia and Russia: as is known, the relationships between Russia and the EU are regulated by the Agreement on Partnership and Cooperation since 1997, which, prevailingly determines economic cooperation and the most-favoured-nation treatment in trade movement. However, between Estonia and Russia, there is no agreement that would regulate import limitations and enable mutual advantages. Currently, the Estonian side is imposing the MFN treatment with regard to goods imported from Russia, but Russia does not give any favoured treatment to imports from Estonia. According to simple logic, it would be necessary, first of all, to balance economic relations, i.e. enable the MFN treatment mutually, and also to sign an agreement that would guarantee an efficient protection for investments. In a situation where Estonian entrepreneurship has, for years, been positioning itself successfully in the European market and in the perspective of the accession of Estonia to the EU, such balancing of economic relations would probably no longer have a major economic effect, more likely, this would create a basis for the further development of bilateral economic relations between Estonia as the member state of the EU, and Russia. Undoubtedly, an economic agreement between Estonia and Russia would be very important politically, demonstrating a new level of relationship.

We have to admit that despite emotional statements expressed every now and then, trade and economic relations between Estonia and Russia are, however, functioning, although there is plenty of room for development. I claim that although the absence of a trade agreement does not make life easier for entrepreneurs, there are a number of other practical problems which have made Estonian entrepreneurs careful in communicating with Russia. For operating in Russia, Estonian companies, similar to the entrepreneurs of other European countries, are waiting for firm legislative guarantees, transparency, high business morality and security in Russia. In order to enhance the trust of Estonian companies, especially small enterprises, for operating in Russia, it is of relevant importance to implement the economic

programme by the new administration, to complete the tax, banking and land reforms, improve the conditions for accessing the market.

Again, we have to admit that very often, entrepreneurs are ahead of the political will, this is proved by good cooperation between Estonian and Russian companies in the field of transit, and also institutional cooperation between border control agencies, aiming at decreasing smuggling and tax fraud. The latter being one of the most important preconditions in the development of normal trade relations. But naturally, there is still a lot to be done also in this area.

Thus, at state level, economic and trade relations between Estonia and Russia live their own life; this life is not simple, because in practice, there are a number of obstacles, but this does exist.

Now, it should be asked, what are our expectations regarding the future? It is not very easy to answer this, as the date of accession of Estonia to the EU and relevant conditions are not yet clear. We also have to bear in mind the so-called future debate commencing inside the EU, this would certainly change the nature of the Union. Every think-tank regards it a good idea to reveal future scenarios about Russia, whereas there are so many variants that some of them will finally be fulfilled.

The accession of Estonia to the EU is a possible reality, which has to be definitely taken into account. I do not want to discuss what would be the resultant changes in Estonia - we have already been having an active discussion about this for years; I would rather observe how this will affect trade relations between Estonia and Russia.

First of all, let us again remind the Agreement on Partnership and Cooperation between the EU and Russia. It is probably likely that the same agreement will regulate the relations of the EU and Russia at the moment of Estonia's accession. Consequently, it is necessary to proceed from the fact that the conditions of the agreement shall also be expanded for Estonia. In practice, this would mean that favourable EU customs tariffs shall be applied to import from Russia to Estonia. When importing from Estonia to Russia, the favourable customs rates provided by Russia for the EU, shall be implemented. Reminding that currently, the mutual benefits between Estonia and Russia are not balanced, such balancing would take place after accession to the European Union. Consequently, for Russian entrepreneurs and, through them, for consumers, the import of Estonian products would become cheaper, thus enhancing the exchange of goods between these two countries. Let us also remember that currently, Russia is exporting more to Estonia, than Estonia to Russia. Considering the export of Russia's products to Estonia, as it is largely dealing with mineral products, their import tariffs in the EU are very low. The main problem of Russia in trade relations with the EU - the so-called steel quota - does not affect the exchange of goods, as Russian steel products are not much exported to Estonia, in addition, the quality of these products does not satisfy Estonian entrepreneurs. Trade movement in agricultural products is most definitely dependent on the strict import limitations of the EU and also on veterinary and phytosanitary rules.

Naturally, there are single products, with regard to which, the trade exchange becomes more complicated, but from the point of view of entrepreneurs, it is remarkably more important that one of the three largest markets of the world shall be immediately next to Russia's border; a product which comes from Russia to Estonia, reaches, at the same time, the common market, where there are no limits for its further transportation, sales, not mentioning the purchasing capacity of the EU market. The same applies vice versa, the increase in investments in Estonia, concurrent with the EU membership, will most certainly cross the borders and be partially expanded to Russia. And this, as we know from the experience of Estonia, means, in addition to financial investments, even more the inflow of know-how, information technology, management theory and practice, clarification in legislation, etc.

Naturally, it is possible to seek and find other regulative elements affecting the trade in goods, as non-tariff restrictions, standards, certifications, the effect of deviation of the flow of goods, etc., but when starting to analyse them one at a time, we would find that both Estonia and Russia are already applying these measures now or are planning to implement them for the protection of their customers or production, without being directly affected by the EU. It is likely that during forthcoming years, Russia is going to apply a large part of regulative measures, similar to that of the EU, already proceeding from the WTO rules. This concerns, for example, subsidies provided by the state, competition policy, tax system,

certification, etc. Along the way, in the partnership and cooperation agreement, Russia has already given its consent to harmonise its legislation with that of the European Union. Consequently, the regulative systems of Estonia and Russia would not be remarkably different from each other after some years.

At the same time, when reading Russia's strategy for its relationships with the EU for the years 2000-2010, worked out by Russia itself, we do not find in the document the request that Europe should open its market for the products from Russia. On the contrary, the strategy stipulates that it is necessary to avoid the too rapid creation of a free trade zone with the European Union, as through this, the possibility of protecting the domestic producer would decrease (EU has a deficit in trade with Russia). Knowing how countries in the world are trying to protect domestic producers, such an approach is not in any way surprising. However, such a way of thinking should probably be regarded similarly understandable also in partner states

It goes without saying that in Estonia, we have been following with great interest how do the EU on one hand, and Russia on the other hand, see their relationships in a longer perspective. Several conclusions could be drawn, when reading the EU strategy regarding Russia, adopted in 1999, and the earlier mentioned Russia's strategy on the EU. Both contain a number of concrete proposals, the implementation of which would contribute also to trade relations between Estonia and Russia, be it the accession of Russia to the WTO or improvements in the investment climate. The EU strategy is, among other issues, focusing on the development of political dialogue with Russia and on the non-proliferation of nuclear weapons, and also on the fight against organised crime. The priorities of Russia's strategy are the development of trade, investments and scientific-technical cooperation, and also fight against crime and European defence cooperation. During recent times, experts in Russia and also in the European Union are discussing the possibility of concluding a free trade treaty, however, currently, there are probably no concrete plans in this field. The free trade perspective between Russia and the EU is definitely influenced by the currently undergoing joining process of Russia with the WTO.

One of the main recent initiatives of the EU, in the direction of Russia, is undoubtedly the elaboration of the so-called Nordic dimension, with the main focus on infrastructure, environment and energy projects. Unfortunately, as usual with projects on such a scale, it takes a lot of time until we obtain actual results.

From the point of view of Estonia, it is important that both the EU and Russia's strategies on mutual relations underline the relevance of regional cooperation. In Estonia, we have tried to make sure that such a wonderful and well-sounding term as regional cooperation would also have its content, because where else is it possible to look for this regional cooperation than from the close neighbourhood of Russia. Most likely, both today and tomorrow, other speakers will discuss here about the success and problems of concrete projects. It is not so much the number or the scale of projects which is important, but rather their success. Each success story means a step forward not only in regional cooperation but also in international communication.

At this moment, you would probably ask a question, what was the point, the underlying idea of this current report. I would give an answer, at least for myself, that we can conclude, even only from the discussion which takes place here today, in Tartu the following:

- relations between Russia and the EU have recently become remarkably more active
- mutual discussions search and find benefits for both sides and people do not limit themselves with the emphasising of emotional minor problems
- from the point of view of Estonia, such positive development of relations between Russia and the EU is in every way positive and we will contribute to this according to our possibilities
- the accession of Estonia to the EU is not only beneficial for Estonian-Russian trade and economic relations, but the development of trade and economic relations between Russia and the EU is similarly beneficial for Estonia.



Andrej Avetisjan, Director of the Division, the European Integration Department, Ministry of Foreign Affairs of the Russian Federation

Thank you, Mr. Chairperson. I changed my place at the table because in Russia they say that whoever sits at the corner will not get married for seven years.

Anyhow, today we really observe very intensive contacts between Russia and Estonia, and Russia and the EU. As Mr. Ambassador has mentioned, today in Moscow the Swedish Foreign Minister, Ms. Lind, together with the EU Commissioner Patten and the EU Secretary General Solana, is negotiating with Russian leaders the entire spectrum of Russia-EU relations. After Moscow the Minister is going to take a short trip to Kaliningrad to visit some places of environmental significance there. I do not dare to speak on such a variety of issues, of course, therefore, I will focus on the outlook for Russia-EU cooperation here in the north of Europe, which is more relevant to the topic of our conference. One of Russian foreign policy priorities is to turn northern Europe into the zone of sustainable safety, stability and diverse cooperation. We are convinced that our mutual efforts can help actualise the unique capacity of the north of our continent making it the arena of mutually beneficial cooperation and good neighbourhood relations. To implement this strategic goal, we should have a good will, real trust and mutual understanding in relations between all the states of the region. We stand for the Big Europe, without separating borders, therefore, welcoming the EU enlargement as part of the objective process of European integration, we try to avoid its possible negative consequences for the trade and economic interests of Russia. Both parties know very well the essential points of this problem. We have expressed to the EU partners our concrete concerns and are negotiating solutions in working groups within the partnership and cooperation agreement. The task of these negotiations is not only to prevent possible negative after-effects but also to find constructive ways to use advantages of the enlargement in mutual interests. We will keep negotiating with the European Commission because the candidate-countries will accept the entire package of the EU legislation as it exists now, however, most candidate-countries are also interested in bilateral discussions, which might be equally useful in our opinion.

The main goal pursued in these negotiations by the Russian party is to achieve, in the spirit of Article 24, WTO GAT, increased volumes of trade and investments both between Russia and the enlarged EU on the whole, and between Russia and individual new member-countries. And Estonia is likely to be one of the first such countries.

Besides, it is also important for us to see our compatriots living in Baltic candidate-countries become full-fledged European citizens. We hope that the implementation by candidate-countries of the so-called Copenhagen criteria established by the EU will help normalise the position of ethnic minorities.

Another promising basis to promote cooperation in the north of Europe is the EU Northern Dimension Initiative, supported by all the states of the region. It stems from the common historical background and common problems of national development in this part of the European continent. It can be regarded as a logical outcome of the totally new era of international relations. A favourable context for the Northern Dimension was created by the successfully developing EU-Russia cooperation, their mutual interest in the dialogue and the understanding of a common development fate for all European nations. In 1999 the framework Russia-EU Partnership and Cooperation Agreement was added by mutually approved development strategies.

But it would be wrong to confine the meaning of the Northern Dimension to purely economic interests. As we understand, its mission is to create a vast democratic space preventing any separating lines between nations and any discrimination by ethnic, linguistic or any other criteria. The Northern Dimension also has a task to provide for peace and security of all the countries in the region and to contribute constructively to the European security on the OSCE basis.

The significance of these goals is obvious. And it would be quite reasonable to implement the Northern Dimension using existing regional structures without inhibiting their independent international roles. Reflecting the peculiarities of integration processes in northern Europe, the Northern Dimension should nevertheless be regarded as an integral part of the pan-European cooperation in all its aspects.

The central place in the entire strategy of the Northern Dimension, most probably, belongs to the abundant resources of northwest Russia: oil, gas, timber, other natural resources, and also huge unused human resources as well. Their cautious and sustainable use can provide for the European stability in the 21st century and is a key to the prosperity of all the peoples on the continent. And the Northern Dimension should not conserve the existing raw material structure of Russian exports to Europe but should make it more industrialised stressing industrial and commercial cooperation and the development of the production infrastructure and energy supplies.

As the Russian Foreign Minister said during the first ministerial meeting on the Northern Dimension in Helsinki in November 1999, the more this concept reflects our real interests and needs, the fuller and greater the Russian contribution is going to be. In this respect, another pressing issue is to optimise the transport infrastructure in northwest Russia and to incorporate it in the transeuropean communications system. It is necessary to think over the problem of building state-of-the-art pipeline systems, oil and gas mains, and electricity transmission lines. I think our European partners are equally interested in this goal.

The fundamental point is that Russia regards the Northern Dimension not as a set of fragmentary raw material-oriented projects but as another instrument for the complex development of its northwest. The Northern Dimension should be based on the integrated and consistent development of economy, social sectors and environmental protection areas. It should incorporate the issues of sustainable development, including sustainable extraction and use of natural resources, and environmental safety. And the environmental aspects of the economic activity should be respected at early stages of planning and decision-making.

Environmental protection is justly given the top priority in the Northern Dimension. The Russian side regards it as a complex problem. Its successful resolution can provide for the success of the entire initiative. However, it would be wrong to reduce this problem to monitoring Russian nuclear power plants and utilising nuclear wastes, though these issues are of highest significance both for us and for our European partners.

Another acute problem, in the opinion of Russian environmental experts, is transboundary pollution penetrating to Russia from adjacent states.

In planning and performing economic activities, it is crucial to remember all aspect of environmental safety.

Business communities and public organisations of participating countries should be actively involved in the implementation of the Northern Dimension, and some of its projects can also be open to the participation of third countries and their businesses, such as Belarus, Canada and the USA.

Much assistance to the Northern Dimension can be rendered by cross-border cooperation based on more efficient, reliable and functional borders between the enlarged EU and adjacent states. Direct links between territorial units of bordering states are an objective process. However, attempts to bypass the coordinating role of federal authorities and increase the independence of Russian regions may bring about harmful effects, which has to be taken into account in developing cross-border cooperation programmes.

Probably, the most critical question of the Northern Dimension is the question of funding. It is necessary to better coordinate the existing technical assistance programmes: TACIS, PHARE, INTERREG, and coordinated funding of cross-border cooperation projects. This has been often mentioned today by regional leaders of Russia and Estonia. An important role can be played here by the European Investment Bank. Russian and European businesses also can and should actively support the Northern Dimension. However, we should not hyperbolise their role. Business people will invest in profitable programmes

without any Northern Dimension as soon as they see their benefits. They have their own criteria to judge about the benefits of this or that project.

If we think about the already functioning EU programmes and their efficiency, a justified question is what exactly is the role of the Northern Dimension? Should it serve as just a nice packaging for programmes already underway? Russia at least has a much broader view upon it. Quite often, at different levels, we have expressed our support to the initiative, and this is our principal approach confirmed again by President Putin during the last Russia-EU summit in Paris in October last year.

At present, the Northern Dimension initiative is experiencing a critical period of its development. In June 2000, an action plan was discussed and adopted. In our view, this document does not take into account all the interests and wishes of the partner states. We have to further specify and clarify its positions in order to pass on to the stage of concrete projects. In this respect, we count very much on the Swedish Presidency that will sponsor the second ministerial meeting on the Northern Dimension in April this year. And today representatives of Russian and Estonian regions should prepare a list of priority objects for the programme, something similar to what has been done by Russia and Lithuania within the so-called Nida Initiative. This could be a real contribution to the promotion of the Northern Dimension initiative.

The Northern Dimension is a new, non-conventional programme requiring fresh ideas. In this context, I was, for example, impressed by the presentation of the respected head of the Voru County, who spoke about turning the Narva into a navigable river. I vividly imagined the seaports of Tartu and Pskov – this is the very project in line with the Northern Dimension approach because it includes everything: transport, cooperation between states and so on.

Second, when I was going to Tartu from Moscow, I thought I would be able to get here directly through Pskov by train and was surprised to know that it was impossible. I didn't believe it and asked my colleague to find it out. After some investigation, he called me back and told that I should take a train from Moscow to Pskov, then take a suburban train to the nearest border town, take a taxi in this town to get to the checkpoint, cross the border on foot, and finally take a bus to Tartu on the other side. Does this sound like a normal transport route between bordering regions in the 21st century? Here in Tartu I found out that the railway problem is one of the most pressing at the moment.

Here is another Northern Dimension project – railway communications. All over Europe trains remain the cheapest and most profitable passenger transport means whereas here they are neglected.

Third, tourism. The Pskov Vice-Governor told us about the tourism development programme. And I myself right before the last New Year celebrations saw an ad of one of Moscow travel agencies about New Year and Christmas celebrations on Lake Peipsi with trips to Russian and Estonian places of interest. This direction is also very promising, and here we should also use the Northern Dimension programme. This may result in the fulfilment of the dream of the Tartu County's head to make Tartu an international airport.

All of these are quite realistic projects for the Northern Dimension, and it's time to start acting in order to include these projects in the programme's framework. One of the main tasks today is to remember that by designing and developing the Northern Dimension we are laying the foundation of further cooperation and mutually beneficial economic relation in the north of Europe. To some extent, the Northern Dimension is a daring political experiment, where every participant has to demonstrate its courage, political vision and ability to take unconventional decisions. Russia on its part is always ready for any interaction conducive to the really equitable partnership and mutually beneficial cooperation in the 21st century.



Sergei Bezberzjev, Counsellor, Department for Relations with Regional Authorities of the RF and Public Organisations, Ministry of Foreign Affairs of the Russian Federation

The topic of this conference is, in my opinion, very timely and significant. The process of the EU enlargement to the Russian border currently stimulates the development of conceptually new approaches to the EU-Russia and Russia-adjacent states relations. We hope that the positive effects of the EU enlargement in creating more favourable conditions for Russia's social and economic development will not be marred by the new obstacles to interregional and cross-border cooperation. I mean first of all stricter border-crossing formalities on the EU external border, which already now affects the development of cross-border cooperation and people-to-people contacts.

A special topic directly related to the EU enlargement is the Kaliningrad Region, so much discussed at various international fora that I don't think it necessary to talk about it here. Russia and the EU develop a lot of contacts within cross-border cooperation, especially since the policy of cross-border cooperation has been ranked high both within the EU member-states and by the Council of Europe.

I would like to stress that an important development in this context was the fact that on 3 November 1999 Russia signed the Framework European Convention on Cross-Border Cooperation of Territorial Communities and Regions, and at present the Convention is being ratified by the RF Federal Assembly. We hope that within a month or two the issue will be settled.

Within this process, I mean, Russia's joining to European conventions and standards of interregional and cross-border cooperation, the interdepartmental commission of the Russian federation has recently developed a draft concept of cross-border cooperation in Russia and the action plan for its implementation. After the documents are approved by the RF Government, the concept will form a basis to develop a series of legislative acts directly concerning the promotion of cross-border cooperation.

Successful negotiations with the EU resulting in favourable for Russia conditions of the EU enlargement to the east are of primary importance in our relations with the Baltic states. I would like to remind you that whenever we talk about negative consequences of stricter customs and border-crossing requirements, our Baltic partners always refer to the EU recommendations saying that these issues are now allegedly handled by Brussels and we should appeal there. As is known, Russia's policy in the Baltic direction has been developed in accordance with agreements with the Baltic states and the general strategy approved by the Russian President. And I would like to stress again that this strategy is aimed at promoting good neighbourhood relations in the Baltic Sea region, constructively developing models of regional economic integration and bilateral cooperation, maintaining the interests of sovereignty and safety, and respecting the rights of people, including ethnic minorities. I would also like to mention that the new version of the RF foreign policy concept has a position on improving relations with the Baltic states. I would like to quote this part of the concept. It reads, "The development of relations between the Russian Federation and Latvia, Lithuania and Estonia has good prospects. Russia stands for making these relations mutually beneficial and based on good neighbourhood attitudes. The necessary prerequisite of this process is these states' respect for Russian interests, the chief one being the rights of the Russian-speaking population".

The Russian side supports a well-balanced approach in developing a legislative basis of intergovernmental relations, when the preparation of both economic and socio-humanitarian agreements should be equally intense providing for the consideration of mutual interests. In Russian-Estonian interregional and cross-border cooperation, a significant role belongs to the Intergovernmental Commission on Trade, Economic, Research, Technical, Social, Humanitarian and Cultural Cooperation. Its first, and, regretfully, last plenary session took place in December 1998. However, its experts and working groups are rather active, and we hope that the second meeting will be held in the second quarter of this year. This is where we could discuss a wide range of concrete problems and cooperation projects.

Presently, I must say, this commission delays further promotion of the Intergovernmental Agreement on Cross-Border Cooperation of Local and Regional Authorities initialled by both parties as early as 1992. The agreement has undergone certain metamorphoses, and at present the work on this agreement has been frozen. Let's hope that during the second meeting, the commission will raise this question again, and the work on the intergovernmental agreement will be successfully completed. On the whole, due to our evaluation, the cross-border cooperation between Russia and the Baltic states, including Estonia, is currently in the initial development period. Nevertheless, during 1992-2000, Russian regional authorities signed more than 60 agreements, memorandums, protocols and other documents with their Baltic partners aimed at creating good conditions for cooperation.

I want to stress that by Russian legislation, international and foreign economic relations of RF subjects are coordinated by the RF Ministry of Foreign Affairs. This is stipulated in the corresponding Presidential Decree and the 1999 Law On Coordination of International and Foreign Economic Relations of RF Subjects.

The goal is to channel all the regions' efforts – and Russia has 89 regions, with 48 of them on the border – in the general direction of Russian foreign policy. The Russian Federation pursues a homogeneous foreign policy, and within this policy the regions should occupy a place prescribed by the legislation. Recently we have developed a system to coordinate international and foreign economic relations of RF subjects, which is constantly updated and streamlined. The establishment of the institution of presidential representatives in seven federal circuits, including the Northwest Federal Circuit, creates, I think, an additional opportunity for the regions to develop their international and foreign economic relations with maximum efficiency.

As I have already said, Russian regions have signed over 60 agreements with their Baltic partners. Not all of them are equally feasible. Some have a purely declarative nature reflecting rather a general desire to develop efficient cooperation than concrete plans and mechanisms of their implementation. We can single out the leading regions that are most active in developing contacts with the Baltic states. Here, of course, I should mention the Pskov Region, the Leningrad Region, St.-Petersburg and Kaliningrad. Recently, the Yaroslavl Region has also been very active in establishing contacts with Estonia, Latvia and Lithuania. It has a number of agreements with its Baltic partners and is now considering the question of opening its missions in these Baltic states. On the whole, developing their international and foreign economic relations, Russian regions try to use the experience already accumulated. Lately, they have actively used opportunities offered by the TACIS and INTERREG programmes, the Northern Dimension initiative, the Council of the Baltic Sea States and the Council of the Barents Sea and Euro-Arctic Cooperation. We consider this work extremely important and useful, support such intentions of our regions and help them develop these little known spheres of their activity. We also think that direct contacts between Russian regions and international organisations both in the Baltic Sea area and in the European format have very good prospects.

In conclusion, I would like to emphasise our readiness to develop equitable fruitful cooperation based on a balanced and mutually beneficial approach and respecting the long-term interests of both partners. I would like to thank the organisers for their wonderful work and express my gratitude to all of you.



IMPACT OF ESTONIA'S ACCESSION TO THE EUROPEAN UNION ON TRADE AND ECONOMIC RELATIONS BETWEEN ESTONIA AND RUSSIA

Raul Malmstein, Deputy Secretary General, Ministry of Economic Affairs of the Republic of Estonia

The share of Estonia in world trade is relatively modest and, according to any parameters, does not exceed one per thousandth of the trade total. However, a small country's economic relations with the rest of the world are, due to objective reasons and especially proceeding from consumer wants, in comparison with larger countries, far more extensive. For example, our export capacity forms nearly 20 per cent of gross domestic product and the volumes of import are even more significant.

Due to close economic ties, smaller countries are also a lot more sensitive towards external changes, than larger nations. Thus, foreign disturbances influence a small country in a manner, which is remarkably more perceptive, and it is also the task of Estonia as a small state, to have an economic policy which is as flexible as possible. This anticipates very good adaptability. When talking about the dynamics of trade relations between Estonia and Russia in this context, we can see from the trade statistics of recent years, that relative stability which prevailed in Estonian-Russian trade exchange until the second part of the 1990's, began to decline in 1998. Naturally, the main factor was the economic crisis in Russia, starting in August 1998, which had its impact on Estonian-Russian trade relations also during the year 1999. During this time, Estonian export suffered significantly more, especially the export of foodstuffs, which, in absolute values, decreased nearly twice during these years, and similarly, its relative importance in trade exchange dropped more than twofold.

At the same time, Estonian exporters, who had previously been mostly orientated towards the Eastern markets, could relatively quickly re-orientate to the western markets. Whereas in import, the setback was proportionally smaller, however, the negativity of Estonian general trade with Russia increased significantly. In 2000, trade between the two countries grew remarkably, but this concerned mostly import, which increased by almost fifty per cent. Nevertheless, export volumes remained at the same level.

Regarding staple trade, Russia was in tenth position in the sequence of countries involved with Estonian main exporting, with a relative importance of two per cent, and in chief importing appeared in fourth position, with a share of 8,5 per cent. When looking back in history, we can see that at the beginning of the 1990's, 95% of trade exchange took place with Russia. At the present moment, dominating groups of goods in export are foodstuffs, machinery, equipment and mineral products. Import includes mainly mineral fuels, timber, metals and chemical products. During recent years, Estonian economy has, to a great extent, oriented towards the West. However, Russia has so far managed to maintain the third-fourth place among importers, which shows the importance of Russia in shaping Estonia's steps in foreign trade policy. Again, it is possible to notice the increase in the relevance of Russia as a target country for Estonia's export.

What could be the possible significant changes in Estonia's trade relations with Russia, concurrent with accession to the European Union? In the near future, Estonian trade relations will be influenced by the perspective of joining the European Union. When acceding to the EU, Estonia has to take over the European Union's foreign trade policy regime, which will, first of all, entail the implementation of customs taxes, operating within the European Union, with regard to third countries, and secondly, the disappearance or reconsideration of current free trade agreements with regard to those countries that do not accede to the European Union simultaneously with Estonia.

The disappearance of free trade agreements decreases the price advantage of Estonian exporters in the markets. Despite the fact that entrepreneurs have an optimistic attitude, in re-channelling trade exchange, towards the possibilities of the European Union markets, the evanescence of price advantage would, however, have a significant negative influence on both export and production volumes. What would be

the impacts of accession to Estonian-Russian trade and economic relations? What could be positive? Estonia does not have free trade agreement with Russia and irrespective of promising negotiations in the field of exempting double tariffs, Russia is still imposing these on Estonian export produce. After accession to the European Union, the border between Estonia and Russia will become the European Union-Russian border, which will probably strengthen the positions of Estonia in trade negotiations and also encompass the increase in Estonia's relevance in the carriage of goods between the European Union and Russia.

We can also expect the expansion of the European Union's export subsidies to Estonia, regarding the groups of goods which are of strategic importance for the European Union; this helps to compensate the impact of Russia's high import tariffs and offers a certain price advantage. For this reason, it can be expected that as a result of the accession, exchange of goods with Russia will proliferate. Investments in the Estonian economy, originating from Russia, may also increase. Even today, we can observe the growing interest of Russia's economic circles in Estonia, as investing in Estonia may soon turn into investments in the internal market of the European Union.

But what could be the negative aspects? A common characteristic regarding the markets in Russia and Central and Eastern Europe is their great price sensitivity. The need to meet the European Union's requirements, first and foremost, considering environmental, occupational safety, sanitary and hygiene requirements, means enormous investment for Estonian enterprises, which will inevitably be reflected also in the prices of products. The enterprises of food processing industry will probably be under a special pressure, as their needs for investment are the largest. Higher prices mean that Estonian products lose their competitive advantage, which, regarding the conditions of purchasing power in Russia, will not be compensated for, despite their improved quality. Here, the indirect effect of accession to the European Union becomes noticeable with regard to the market share of Estonian exporters in Russia, which may hold back the growth of export towards Estonia. Another negative impact on Estonian-Russian trade exchange, concurrent with accession to the EU, is the application of European Union restrictions to the importing proceeding from Russia. Imported raw materials are of great significance, for example, in the chemical industry, where the input becomes more expensive after accession.

A few words about Estonia as a transit corridor between Russia and the European Union. In the light of acceding to the European Union, it has often been predicted that Estonia will have an enlarged prospect as a transit corridor between Russia and the European Union. However, transit depends, first and foremost, on the services we provide: transport, logistics, embarkation, chartering, customs process, and on the quality and price of other similar matters, which will not in any way be affected by accession to the European Union.

On the other hand, an attempt has been made to complete ports in Leningrad oblast during the forthcoming years, which will lessen Russia's need for transit permeating through Estonia. In conclusion, it can be stated that huge convulsions are not likely to happen, and transitional processes are going on in both countries, thus inducing greater shifts in the structure of trade exchange than Estonia's accession to the European Union.

Briefly about the WTO topics. When Estonia joined the WTO, the general public expected Russia, being an observer member of the WTO, to remove double tariffs. Pursuant to the WTO practice, the members of the organisation apply most favoured nation treatment with regard to each other, and it was supposed that Russia, as it is striving to join the WTO, would have found it impossible to justify the double tariffs implemented against a WTO member country. In reality, double tariffs have not yet been removed. However, the WTO membership provides Estonia with a better position in relevant negotiations, as within the framework of the WTO, Estonia has an opportunity to participate in bilateral negotiations with Russia, regarding the enhancement of trade conditions. On the one hand, when Russia becomes a member of the WTO, we will know what kind of trade restriction Russia can apply, i.e. what would be the maximum customs tariffs, what kind of rules should the implemented measures meet, etc. And on the other hand, Russia is obliged to notify the WTO about its changes in legislation, and through this, information will also reach our entrepreneurs. As a result, the gain is remarkably larger than simply the removal of double tariffs.

In conclusion, we can say that at the present moment, it is difficult to predict whether the changes in Estonia-Russian trade relations, concurrent with accession to the EU would be, in the aggregate, rather more positive than negative. Evidently, no substantial shifts can be expected in either direction.



**ESTONIA AS AN APPLICANT COUNTRY TO THE EUROPEAN UNION: ECONOMIC AND BORDER
PROBLEMS IN COMMUNICATING WITH RUSSIA**

**Vladimir Redpap, Consul, General Consulate of the Republic of Estonia in St. Peterburg
Chancellery in Pskov**

When Estonia becomes a member of the European Union, the border of the EU with Russia will be even longer. Currently, the border of the EU with Russia means only the border with Finland. On Estonia's accession, the border will be prolonged by 700 km, the total length of common border will be more than 2000 kilometres. Do these mentioned 2000 kilometres create some concern? Certainly. Flutter can be felt on the Russian side and among Estonian entrepreneurs, for whom the Russian market is important. For some of them, it is vitally important. I dare say that there is no reason for such annoyance. The EU is not interested in opposition with Russia, but in Russia as a partner. Estonia has consistently been working on its accession to the EU. This has not been an easy job, despite the fact that negotiations are proceeding successfully. The fact, that we have been able to do a lot regarding our internal deficiencies, is of greatest relevance. We started from an empty space in a number of fields. It is more important that our own entrepreneurs could be able to overcome the psychological barrier. The recent decision by the government to start disseminating information to the Estonian population about the advantages of the European Union was a very proper one. Although such a long-term media event demands major expense from the state, maybe it would have been better to start even earlier. We can hear the voices of Euro-sceptics far too often and as the official contra-information from Tallinn has not been as loud, Estonian citizens very often get the impression that we are moving out of a frying pan into the fire. Both ordinary citizens and entrepreneurs have to overcome the barrier, there will be a referendum ahead, where it is necessary to speak out. The uniting of Estonia with a 400 million market is a factor facilitating trade exchange. Being more concrete, for Estonia, the Estonian-Russian bilateral agreements shall be replaced by EU-Russian bilateral agreements.

The EU has already quite a large number of treaties with Russia, at the moment of Estonia's accession, the mentioned EU agreements on communication with Russia become compulsory for us. In connection with this, the trade regime shall also undergo changes. Estonia has to start applying the EU standards both for itself and in communication with non-member states of the European Union. I would bring a theoretical example: if Estonia becomes the member of the EU before Latvia and Lithuania, free trade agreements with both countries will become null and void, if they become the members together, the EU legislation shall be applied for all three states. There are differences in areas which do not concern trade. We can say already today that regarding the treaty on avoidance of double-taxation and the treaty on the protection of investments, relevant bilateral agreements of Estonia with countries they have been concluded, shall remain in force. In the background of general liberalisation, the customs system of Russia is troublesome. Both the EU and Russia implement protection tariffs. Russia's customs system is complicated and often not understandable. According to Russian customs officers, there is not such a complicated system in the entire world. To my mind, one of the greatest disadvantages of Russian customs is that wrong methods have been chosen for achieving noble goals (similarly, the smuggling of alcohol can not be prevented by forbidding the consumption of alcohol). Customs issues are the subject of negotiations and the more successfully these issues can be solved between the EU and Russia, the better will be the development of trade relations between the mentioned countries.

I know that Russian entrepreneurs have shown interest in the EU institutions in new member states. This would also enable Russia to communicate more conveniently with the EU. Unfortunately, we have to admit that despite Finland's consistent application for the EU Food Inspectorate to have its representative office in the capital of Finland, the mentioned institution and several others, have not yet reached Finland. Finland had dense trade relations with the former Soviet Union, and has currently with Russia. This has not changed. However, Russia "protects" (in inverted commas) its market with protection tariffs to such an extent that it causes similar annoyance to the EU member state Finland and also to the applicant country, Estonia. If Russia protected itself less, would this not be more beneficial for the country itself?

What could be the visa regime be like between Estonia-Russia, after Estonia accedes to the European Union? Estonia has already made the most important step: on September 11, 2000, the simplified border-crossing was finished on the Estonian-Russian border. Estonia has been known for its strong border, without extensive gentleness and unreasonable strictness. On the basis of personal experience and available information, I can say that Estonian border is the strongest among those of the Baltic states. For several years, EU members have not condemned us with regard to border control. We also have an up-to-date monitoring system. However, Finland is definitely ahead of us in the field of databases.

The last part of my report, therefore, deals with examples from Finland, regarding borders. Finland joins the Schengen treaty and relevant requirements by March, 25. This means that after having crossed the Finnish border, it is possible to travel to Portugal, without showing documents. The implementation of such an extensive visa space has made it necessary to thoroughly investigate the Finnish-Russian border. During the last four years, the total number of border crossings has increased by 1,5 million travellers. During the year 2000, the Finnish-Russian border was crossed by 5,6 million persons, with the percentage of Russians being 46-49%. This figure is more or less equal to the Estonian-Finnish sea border. During 2000, the number of travellers sent back to Russia from the Finnish border was 2353. According to unofficial data, 1200 were denied border crossing on the Russian-Finnish border in 2000. During the last ten years, the relevant total figure was said to be 2336, consequently, the same amount of travellers from the Russian side were denied border crossing in 2000 than the total number of refused during the last 9 years. Out of them, 2234 persons, or 96% wanted to leave Russia forever, i.e. for Finnish border guards, they were illegal immigrants. Currently, Finland is worried about the intention of Russia to decrease the number of border guards outside border stations, in the so-called green border. So far, Finland has been protecting its borders more with technical means. The Russian side has laid emphasis in border protection towards the directions of the Caucasus, Central Asia and the Far East.

During the year 2000, 3170 persons were looking for asylum in Finland, of these, 790 came over the Finnish-Russian border. A year earlier, only 56 asylum seekers crossed this border. The remarkable growth of this figure is explained by visa freedom with Poland. 80% of asylum seekers were the Roma people from Poland, Slovakia and Czech Republic. The application for asylum was satisfied only in 9 cases, 4 of them being from Iraq. Satisfaction has been shown in the Finnish border control, however, it has been admitted that at the moment, the majority of illegal immigrants move to Europe through the Balkans, Byelorussia and Ukraine.



EU ECONOMIC AND REGIONAL POLITICS
CHANGES OF EU ACCESSION TO LOCAL GOVERNMENT
(Summary of presentations held on February 15th & 16th 2001)

Anders Ulrich, Head of the EU information Center of the Funen County, Denmark

Dealing with the topic Economic and regional politics in the EU, I have chosen to take a starting point in the Agenda 2000 which is stated to be a clear and coherent vision of the Union's future and the framework for the current policy formulation. The agenda contains four main features:

- Reform of the agricultural policy
- Economic and social cohesion
- Growth, employment and living conditions
- And last but not least the accession of new members

Accession of the new members and the external policy is surely a very important topic of the current European agenda but in this short contribution I will focus on the regional policy within the EU.

The reform of the agricultural policy is a delicate matter because the funding of the agricultural policy is by far the largest financial obligation in the EU, which means to things: first of all it has a great and in some places a vital importance for the existence of the sector throughout the EU. Secondly, because of the domination in the EU budget, it will surely in the time to come be a subject of cutbacks and phase outs in order to release some of the funding and direct it towards the enlargement of the union. As I said a delicate matter because it is necessary and will have a major influence on the daily life in the rural areas. The reform contains four major topics:

Increasing competitiveness by approaching world market prices. This generally means a phasing out of the intervention scheme – a removal of the guaranteed price floor for agricultural products.

The partly compensation for the above will be found in support schemes for environmental and structural initiatives such as the advancement of ecological farming.

An area that receives continually increasing attention is food safety where the BSE crisis at moment is the most noticeable topic. But food safety is a lot more than that and is surely to be the most important issue in the future agricultural policy.

Simplification of legislation is an outspoken demand from those who deal with the sector practically. It is important in order to get the appropriate involvement from people working in the sector but difficult because it is different not regulate in order to achieve policy goals. Strengthen growth, employment and living conditions. A reappearing topic since it is a fundamental motivation for the foundation of the European cooperation. In general it is stated in the Agenda 2000 that this means a continuation of the ratification and implementation of the treaties and the European political strategy. The economic and monetary union will soon be a visible fact – unfortunately not in Denmark, but in the majority of the union members. It is by far the most ambitious project in the European internal policy and hopefully the reward for this immense effort will show in the near future.

Internal market – the policy implementation is almost complete and now is the time to make it the fix point for the future development of the European industry as a whole.

Communication and information – with upcoming and spreading of the Internet a very useful and effective tool the information society receives a major attention. Primarily the efforts in this respect is making the technology available for all – geographically and socially.

Research and technological development – the area where Europe continues to lag behind the US and Japan. The pace must be accelerated since this is what determines the future role of the European industry and know how in the world market.

Education, health care, and prevention of discrimination – making sure that the welfare in Europe continues to grow and keeps the social fairness.

Last but not least: energy and environment. Since Europe is a gross energy importer the strategy here is intensified in order to release Europe from its dependence on fossil fuels and at the same time achieve the Climate convention commitments. A part from this there will be a considerable effort put into making the European industry cleaner and more efficient.

Economic and social cohesion is the fundamental European strategy in achieving a peaceful and stable co-existence on the continent. This is what is normally referred to as structural policy and is the second most heavily funded policy in the Union. The economic cohesion is currently being extended also to include the applicant countries.

The major task is to reduce regional difference and the same time ensure that the financial contribution will be sustainable – that is making sure that the contribution will be a kick start in order to make the region growing and self supportive and not a capital “sink” that will continue forever. The funding is used for a wide variety of projects that are likely to boost the development in the regions.

A good example:

“The structural measures and the adoption of national macroeconomic programmes to fulfil the criteria laid down for Economic and Monetary Union have resulted in the clear convergence of the Member States' economies for close on ten years now. Thus, the Union's four poorest countries (Greece, Ireland, Spain and Portugal) have improved economically, the most impressive example being undoubtedly Ireland, which has seen its per capita GDP increase from 64% of the Community average in 1983 to nearly 90% in 1995.”

Recently the Chairman of the committee Romano Prodi thought it was appropriate to teach the best student in the class a lesson because there are some indications the economy in Ireland is overheating – things are going to fast now and the necessary steps are to be taken in order to keep the economic commitments the EMU.

The structural policy is constituted by three objectives:

Objective 1: promotes the development and structural adjustment of regions whose development is lagging behind, i.e. whose average per capita GDP is below 75% of the European Union average. Almost 20% of the Union's total population should benefit from the measures taken under this Objective.

The objective 1 primarily covers areas in Portugal, Spain and Greece and takes up two thirds of the entire budget. Denmark does not receive objective 1 funding.

In order to give you an idea what were talking about in relation to the enlargement a these figures tells you that regions in the applicant countries are clearly less needing than areas within the EU.

Objective 2 - contributes to the economic and social conversion of regions in structural difficulties other than those eligible for the Objective 1.

No more than 18% of the Union's population will be covered by this Objective.

Denmark is included in the objective 2 funding. As this map shows you it is generally the peripheral areas that are included in the objective.

Objective 3 - Is not a geographically specific objective but is focused upon the development of the human resource outside the regions eligible for Objective 1.

The structural policy is supplemented by the so called Community Initiatives

INTERREG, which aims to stimulate cross-border, transnational and inter-regional cooperation;

LEADER, which promotes rural development through the initiatives of local action groups;

EQUAL, which provides for the development of new ways of combating all forms of discrimination and inequality as regards access to the labour market;

URBAN, which encourages the economic and social regeneration of towns, cities and suburbs in crisis.



THE DANISH-ESTONIAN-RUSSIAN JOINT PROJECT “COMMUNITY DEVELOPMENT AND CROSS BORDER CO-OPERATION IN THE ESTONIAN-RUSSIAN BORDER AREA”

Ülo Sults, Peipsi Center for Transboundary Cooperation

Estonian – Russian – Danish project “Community Development and Cross Border Cooperation in the Estonian-Russian border Area” was implemented in February 2000-June 200. It facilitated cooperative efforts between local authorities and businesses in this border zone.

The project was implemented by the Peipsi Center for Transboundary Cooperation together with Funen County and with the financial support from the Danish Ministry of Foreign Affairs and DANCEE. Associated partners of the project are Association of County Councils in Denmark, Arhus County, Fredriksborg County and Funen Industrial Development Center.

Project aims for 2000 -2001

- Development in the cooperation with the joint Estonian-Russian Transboundary Water Commission an “*Environmental Protection Strategy for the Lake Peipsi Basin – the Estonian – Russian Border Area*” that should become a basis for further work on elaboration of the Lake Peipsi and Narva River Management Plan.
- To work out strategy and action plan for waste- water treatment in the Lake Peipsi Basin.
- Training of civil servants on the local authorities level for the new EU structural fund period, the coming CBC programs and the co-operations perspectives for the area when Estonia becomes a member of EU

Strategy and action plan for waste- water treatment in the Lake Peipsi Basin

The project supports development of the institutional capacity of the Estonian-Russian Joint Transboundary Water Commission. The work of the Commission is important, first of all, as a tool for development of the cooperation in the region and conflict prevention on the use of natural resources between Estonia and Russia, and second – as a responsible body for the management of transboundary waters. At the second meeting of the Commission in Krivsk, Russia, (November 1999) the strong willingness to generate Lake Management Plan in accord with the proposed draft EU Water Directive and to continue the bi-lateral cooperation was expressed.

Based on the results of the earlier implemented international projects on Lake Peipsi, the project started development of plans for preparation of the Lake Peipsi Management Plan following the principles of water management outlined in the proposed draft EU Water Framework Directive.

Waste- water is the primary pollution source of Lake Peipsi and its tributaries, Therefore, an adequate waste water treatment should be the first step of a more general Lake Peipsi Management Plan.

For harmonising the structure of the data management and information exchange between riparian countries in the Lake Peipsi Basin the creation of the common bank of data for point pollution sources was organised by the Estonian- Russian Joint Border Commission.

The bank of data gives information about water use (source of water, water amounts, purpose of use) and characterises wastewater (location of the outlet, category of the waste, treatment level and amount of pollutants). It is possible to find the common data about the whole basin or its sub-basins or enterprises

from this data base quite easily. It is possible to get summarised information for each branch of industry, ministry or local administration as well.

Results of the collaboration in 2000

CTC in Estonia organised the creation of the common GIS-based register of point-pollution sources, and bank of data, connected with it for the whole Lake Peipsi Basin. The data presentation form in registers was harmonised as much as possible, and the main waste- water outlets in Russia had also represented in digital form on the map in Estonia.

Main factor that determined the design of the spatial database was the fact that the locations of point sources of pollution are reported as the distance along the river between the mouth of the river and the place of the point-pollution source. This linear co-ordinate is different from customary latitude-longitude co-ordinate pairs.

The main goal in designing the spatial database was to enable AUTOMATICALLY depict the locations on digital map without the need to convert additional information. In other words, we get name of the river, and distance along the river and we are able to see on the map where this point-pollution source is located. Geographic Information System software ArcView GIS 3.2 is able to do exactly this - dynamic segmentation – if the given specially prepared river map layer exists.

The technical status of the waste- water treatment plants differs in a large scale, and very often the local administrators do not know exactly, what to do. Sometimes, and this situation is quite common, the water supply network together with sewage systems need reparation and restoring, and in these cases it has sense to restore the sewage water treatment plants at the same time. A lot of old waste- water treatment plants and bio-ponds from the Soviet period are not in use any more but storm waters are still transporting pollution from those into rivers and lakes.

The pilot project, supported by the Ministry of Agriculture of Estonia started in August 2000. A catchment area of the medium sized river, Amme will be thoroughly investigated and described. In the catchment area of this river there are lot of lakes, with great importance for tourism. The environmental situation of those lakes and Amme River will be evaluated in different ways (water chemistry and bottom fauna analyses, with analyse of long-term trends).

According to these data-base and digital maps information, and using the final report of the Estonian-Russian-Swedish project “*Nutrient loads to Lake Peipsi 1998-1999*” Mr. **Jens Møller Andersen** from the County of Aarhus (Denmark) worked out the “*Strategy for waste water treatment in the Lake Peipsi watershed*”, which was briskly discussed by local authorities in Estonia and in Russia as well. This strategy was under discussion in seminar at Voore (Estonia) in November 1999 where the top-specialist of Estonia and Pskov oblast gave a good approbation to it. The second seminar was organised in Pskov and Gdov (Russia) in February, 2000.

The scenarios indicate that the present wastewater loading of Lake Peipsi does not cause severe damage to the lake ecosystem generally, but the present and especially the former loading contributes significantly to a deterioration at the natural lake ecosystem –a deterioration probably big enough to prevent a classification of the ecological lake quality as good.

To undertake a specific water quality planning for lake Peipsi and for specific decisions on interventions it is necessary to establish more precise figures for the contribution of phosphorus from the different sources through a targeted monitoring programme. It is important for water quality in Gulf of Finland as well.

Annex:

1. Lake Peipsi catchment - Strategy for waste water treatment

Full biological treatment is established before 2006

1. at all waste water discharges with more than 2,000 PE connected,
2. at all discharges which lead to BOD increases above 1 mg/l in receiving waters and
3. at all discharges where stream ecosystem impacts occur.

Highest priority is given to discharges with a high local environmental impact.

2. Smaller Lakes

General objective for smaller lakes in the Lake Peipsi catchment

Eutrophication caused by waste water discharges are limited by phosphorus removal from waste water. The total discharge of phosphorus with waste water in the entire lake catchment of the individual lake must not exceed 25 % of the total external phosphorus loading of the lake.

3. Lake Peipsi catchment - Strategy for waste water treatment

80 % P removal established before 2004 in Pskov and Tartu

Evaluation before 2004 of consequences in Lake Peipsi of P removal in smaller towns

P removal in smaller towns to protect Lake Peipsi before 2010

Removal in smaller towns to protect smaller lakes before 2010 – for high priority lakes before 2006

The waste water P loading is reduced to max 25 % of total external P loading



Sulev Poll, Chairman of the South-East Estonian Logistics Development Centre (KELA)

I am pleased that it is already the third logistics conference that takes place today, connected with South-East and South-Estonia.

I will focus the main attention in my report on transport centres and related logistics issues.

Why do we need transportation centres in South-East Estonia?

Estonia has set a goal for itself to join the European Union, but this will also bring along obligations – it is necessary to guarantee the free movement of goods and the availability of services, which means a uniform business environment in the entire logistics chain and the high quality level of services provided for goods. However, being also the potential eastern border of the European Union, supplementary obligations connected with border crossing will be added.

Direct necessities

- Border crossing stations in South-East Estonia are located at such a distance (approximately 4 hours of driving) from large Baltic Sea ports (Tallinn, Riga, Pärnu, etc.) that the driver has to make a pause in lorry driving, according to the requirements stipulated in the international convention AETR.
- Border crossing of certain goods is inevitably connected with delays (phyto-sanitary and veterinary control).
- In many cases, it is necessary to park the vehicles-trailers and wait for the arrangement of documents.
- Lorry drivers and passengers need catering, recreational and accommodation possibilities.
- Vehicles may need technical support services – tanking, maintenance, repairs, car wash, etc.).
- In connection with border crossing procedures, there will be a need to use banking, communication, insurance, etc. services.
- In a situation of combined carriage of goods, clients need services which support multi-modality.

In conclusion, it can be said that there are a number of preconditions why transport centres should be completed in South-East Estonia.

During the current conference, we will observe this issue more widely, dealing with the entire logistics chain. Let us call this chain Via Estica-Russica, and I am pleased to mention that Russian colleagues have also planned the building of a transportation centre in the Pskov oblast, taking into account the requirements of the international convention AETR as one of the aspects in its establishment. At this point, I regard it necessary to continue close cooperation between the Russian Federation and Estonia, in the complex development of logistics infrastructure, aimed at rapid and optimum servicing of transit trade.

Considering the needs of clients, relying on the Logistics Strategy of South-East Estonia 2000-2003 and on the valid detailed plans of the South-East Estonian transport centres, the South-East Estonian Logistics Centre Foundation, in cooperation with the private limited company MH Tallinn, belonging to the European Logistics Consultants Group, has compiled the “Business Plan for South-East Estonian transport centres”.

From the aspect of logistics, South-East Estonia can be treated as an entirety, which is permeated by strategically important railways and roads; for this reason, South-East Estonia is observed as a unity in the above-mentioned business plan, including Luhamaa and Koidula transport centres and the multi-modal transport centre in Valga.

On the basis of the business plan, there exists a demand for the provision of the following services:

- parking in a guarded parking lot (parking lot for cars, parking lot for load vehicles, parking lot for electrically fed reefer trailers);

- maintenance and repair services for (load) vehicles (primarily universal servicing, tyre repair, tent repair, other minor repairs, oiling and regulating works);
- car wash (both for cars, lorries and trailers);
- filling station;
- recreational and accommodation services (rest-rooms, accommodation places, sauna);
- catering.

Support services:

- customs brokerage services;
- information services (weather forecast, traffic information, customs information, etc.);
- insurance services;
- banking services (together with currency exchange);
- communication and office services (post office, photocopying service, Internet connection, translation service, etc.);
- emergency-rescue services.

Supplementary services:

- storage, treating and loading services for goods;
- customs warehouse services;
- services of distribution centres for goods;
- sales and marketing services and other services.

There is no doubt of the need for transport centre services, but unfortunately, the areas determined by the detailed plans of transport centres do not have infrastructure, on the basis of which, potential operators could make investment for the provision of their main services.

Pursuant to the calculations made in the business plan, the amount of investment in infrastructure, needed during the first phase of South-East Estonian transport centres, is **10.2 million EUR**. The first phase includes primary infrastructure (parking lots, roads, sewerage pipelines and purification equipment, boiler house and heating pipelines, electricity supply, communication lines).

During the years 1998-2000, Koidula, Luhamaa, Murati and Valga road border customs stations have completed on an up-to-date level, together with services necessary for border crossing (phyto-sanitary and veterinary control). During the years 2000-2000, it has been planned to reconstruct the Tapa-Tartu-Pechory railway line, which is important for South-Estonia, together with the completion of a railway border station in Koidula, and to rebuild the Tallinn-Tartu-Luhamaa and Tartu-Valga roads, and also to develop the road network at Lake Peipsi and in South-East Estonia. All this proves once again the priorities of Estonia in developing the infrastructure which supports transit trade, but unfortunately, there is no money for the elaboration of transport centres' infrastructure in the near future.

The need and obligations to provide quality services and services proceeding from law, in logistics chains, still persist. For this reason, the following reasoned results have been reached in the business plan for transport centres.

1. An administrative organisation for transport centres will be created (this covers the territories in Luhamaa, Koidula and Valga), the main task of which will be the establishment and administration of infrastructure and the selling of benefits created by the modern business environment to the enterprises of the second, operational level.
2. The enterprises of the operational level are independent from the administrative organisation and keep in mind only business interests.
3. The means for the realisation of public interests is the contract, between the administrative organisation of a transport centre and the operational level enterprise, which stipulates the obligations of the operating company to make investment in the region, guarantee employment, sell certain services and goods, etc.
4. Taking into account that both the European Union as an entirety, and Estonia, need the provided services, the financing of the primary infrastructure of transport centres should take place as a project solution, from the EU structural funds together with co-financing from the Estonian side.
EU 75% - 7.65 million EUR
Estonia 25% - 2.55 million EUR

I have proposed the share of Estonian side to be 25% because the actual load for Estonia is remarkably larger – the reconstruction of railways and roads takes place at the same time.



THE OUTLOOK FOR THE DEVELOPMENT OF RUSSIAN-ESTONIAN TRANSPORT AND LOGISTICAL COMPLEXES AFTER THE ESTONIAN ACCESSION TO THE EUROPEAN UNION

Igor Manukhin, Vice-President of Pskov Association “Logistics-XXI Century”

On behalf of the management of the ROSTEC-Terminal Group of Companies and the Logistics-XXI Association, I would like to greet all the participants of this international seminar.

The issues of developing entrepreneurship, as well as transboundary and border cooperation with the Baltic states are of great practical value for our region. We know that since ancient times cities have been emerging and developing along the main trade routes. Therefore, under the current geopolitical situation, we place high priority on the development of foreign economic links and commerce. The transport and logistical complex of foreign economic partners is the main prerequisite for the success of foreign economic relations and trade. This complex includes the entire infrastructure of cargo flows: railroads, trucks, air and water transport, customs terminals and warehouses, storehouses for temporary storage of goods and consignment houses, ports and airports, roadside service, insurance, security, expert and other companies.

Currently, EU countries account for about 40% of the Russian foreign trade turnover, and 15% of Russian goods are shipped to Baltic seaports through the Pskov Region territory. One ton of transit cargo brings the average revenue of about \$20, including the port and customs clearing. The port of Tallinn processes annually over 26 million tons of cargo. On the whole, the flow of Russian transit cargo via Baltic ports accounts for over 30% of the Estonian budget revenues. Thus, we have good grounds to say that the Estonian-Russian state border, which runs along the Pskov Region territory, unites rather than separates our economic interests. In fact, transport and logistical complexes of the Pskov Region and Estonia represent the same logistical chain, which services export and import cargo flows along the axis Northwest Russia – Estonian ports – Western Europe.

International freight traffic involves the attraction of significant financial resources to the regional economy and stimulates the development of corresponding infrastructure: road and railroad networks, car service units (service stations, guarded car parks, gas stations, roadside cafeterias, etc.), hotels, customs facilities, warehouses and transshipment points, and the like. This in its turn affects the social and economic situation in the region and provides employment opportunities.

Understanding the extreme importance of the goal to develop transport and logistical complexes in both the Pskov Region and the Estonian Republic, the Logistics-XXI Association, which unites a number of Pskov export-import freight forwarders, has signed an agreement with the Logistics Development Foundation of Southeastern Estonia. To put it in a nutshell, the agreement focuses on two main tasks:

- to optimise parameters of the unified logistical chain for cargo flows through our territories, especially, such criteria as security, rapidity and cost of the entire service package,
- to promote the increase of cargo flows.
-

Our work resulted in a series of conferences and workshops and brought about new contacts among the stakeholders of our logistical chain.

Organising efficient freight forwarding is a complex task with multiple technical, economic, legal, informational, financial and other aspects. Therefore, the creation of efficient logistical chains requires a holistic approach and wide knowledge of modern technologies.

Estonian accession to the European Union will inevitably entail increasing cargo flows across the Russian-Estonian border. The question is "Are we prepared for this growth of cargo flows?" The existing infrastructure possesses a certain capacity for growth, however, we can easily anticipate the need for more numerous border and customs terminals, transshipment points in the customs area (for example, for sea containers) and consignment warehouses.

These options represent possibilities for the mutual attraction of investments in our transport and logistical complexes united in a coherent logistical chain.

Considering the fact that our workshop is attended by representatives of the European Union and of its programmes Tacis and Phare, I would like to suggest several small projects in the framework of the Tacis, Phare Cross-Border Cooperation Programme. They could create a basis for a big project on developing the infrastructure for a multifunctional transport corridor through the territory of the Pskov Region, Estonian Republic and farther to Western Europe.

Project 1. Assessment of the current state of the transport and logistical infrastructure in border territories of Russia (the Pskov Region) and Estonia.

The main goal is to identify the optimal configuration for the objects of the transport and logistical infrastructure in order to provide an efficient service for existing and prospective export-import cargo flows.

Project 2. Establishment of a joint Russian-Estonian information centre for transport and logistics.

Logistics cannot be isolated from the information management. The one who possesses all the relevant data on a certain question has more opportunities to develop a rational approach and to offer a better service to customers than competitors. Therefore, developing cooperation between centres of logistics, we have to first of all establish a stable information exchange between their information centres. With existing international computer networks like Internet, this task becomes technically feasible. The information centre will primarily accumulate and actualise the following information:

- sea, railroad and automobile cargo flows,
- freight-forwarders,
- tariffs, rates and freights of all the participants in the logistics process,
- cargo routes,
- cargo transport monitoring (prognosticated and actual transport of a shipment through monitoring points),
- information on shipments in the amount of a waybill information,
- information for customs clearing, etc.
-

The establishment of a unified information space for logistical centres will allow them to identify an optimal logistical chain for a shipment, with best rapidity-quality-cost criteria.

The most reasonable platform for the implementation of the projects could be the Logistics-XXI Association in Pskov and the Logistics Development Foundation of Southeastern Estonia with participation of EU experts. We also would be glad to cooperate with the Estonian Institute of Foreign Policy and the Peipsi Centre for Transboundary Cooperation.

The issue of developing the infrastructure of multifunctional transport corridors is the problem that unites the Baltic Sea states. It is a question that is mutually interesting and beneficial for all the stakeholders. The implementation of this programme will give a powerful impetus for the development of our regions.



PEIPSI CENTER FOR TRANSBOUNDARY COOPERATION

Margit Säre, managing director, Peipsi Center for Transboundary Cooperation

Peipsi Center for Trans-boundary Cooperation (Peipsi CTC) is an international, non-governmental organization which works to promote sustainable development and cross border cooperation in the Estonian-Russian border area.

The main fields of Peipsi CTC activities are:

- Social and economic development of border areas
- Environmental protection and water management in Lake Peipsi watershed
- Civil society and NGO development

Background

The total length of Estonian-Russian border is 277 km where approximately two-thirds of the border goes through Lake Peipsi. Lake Peipsi is the fourth largest lake in Europe after Ladoga, Onega and Vänern and is the biggest trans-boundary lake in Europe and it is shared between one EU accession country and non EU country. Both sides of the Estonian-Russian border zone are mostly agricultural lands and forests. The population of the coast of the lake is rather diverse in its origin and culture. The population of the watershed is around 800 000 people

The re-establishment of the borderline between Estonian Republic and the Russian Federation in the beginning of 90s and big changes in the countries political and economic life has created new situation at the border area, causing inter alia severe impact to the grass-root level socio-economic life. We also can see increasing differences in living standards between Estonian and Russian border communities. In existing political and economic situation promotion of regional cross-border co-operation becomes very important as an instrument of development and progress. Steps to improve the trans-boundary co-operation and to ensure safe and secure borders have been made on different levels of Estonian-Russian governance during the 1990s. Although the border agreement between the two states is not signed yet, an intensive communication and trust building process on different levels and between different stakeholder groups takes place continuously. Contacts and joint projects between local and regional authorities, educational and research institutes and NGOs have expanded significantly.

In today's Europe, development of border regions has gained much importance, and the future external border of the EU – the border region of the Baltic States on one side and the Russian Federation and Belarus on the other side – is an integral part of it. Development of the cross border co-operation and establishment of safe and secure borders is a priority of the Northern Dimension.

Community Development and Cross Border Co-operation in the Estonian-Russian Border Area

Second Phase, February 2000-June 2001

Peipsi Center for Transboundary Cooperation CTC and Funen County are carrying out a project “Community Development and Cross Border Co-operation in Estonian-Russian Border Area” which is supported by Danish Ministry of Foreign Affairs. The overall goal of the project is to further develop the cross-border co-operation in the Estonian-Russian border area among the local and regional authorities. The first phase of the project was carried out in 1999.

Peipsi CTC started the project activities aiming at increased cooperation between the local authorities in the Estonian-Russian border area already in 1998. If to compare the situation what we had then and what we have now then lot of improvement could be seen. Couple of years ago a huge impediment for the

cooperation was very primitively lack of modern communication technologies. When Estonian side all local governments had fax machines and some even computers with Internet connection then the Russian side municipalities even did not have fax machine. Couple of years ago there was much less knowledge on EU support programs, people did not know how to apply to these funds and manage big international projects. Thus, in the first phase of the project we were focusing on issues of: fundraising, project management and cross border cooperation structures.

This phase we are focusing mainly in 3 types of activities: firstly improving environmental cooperation and working out Lake Peipsi management plan; secondly economic cooperation and analyzing priorities for the development and thirdly increasing the knowledge on EU enlargement and changes to the border areas coming from this.

Project activities:

Activity 1. Environmental Action Plan

The work under environmental component of the project is closely worked out and coordinated with the Estonian-Russian Transboundary Water commission.

1. Firstly environmental expert group, consisting of Estonian, Russian and Danish experts prepared intervention of point pollution sources of the Lake Peipsi Basin. Point sources – wastewater from municipalities and enterprises are primary pollution sources of the Lake
2. Secondly specific recommendations for wastewater treatment and reduction of pollution load were made to *the Estonian-Russian Intergovernmental Transboundary Water Commission*
3. Thirdly establishing network of stakeholders in the region, organizing expert- and stakeholder group workshops to discuss the proposals made by the project environmental working groups

The results of the project will be used while preparing the Lake Peipsi Management Plan, which has to be ready by the year 2004-2005. Preparation of Lake Peipsi Management Plan follows the principles of water management, outlined in the EU Water Framework Directive and in accordance with the existing waste water directive.

Activity 2. Development of the Lake Peipsi regional economic business profile

joint Danish- Estonian - Russian economic expert group was set up which works in close cooperation with Estonian/Russian local business centers in the region and which carries out:

- collection of information of enterprises in the region, setting up a database according to the NACE code and putting it to Internet (www.lake-peipus.net)
- training for entrepreneurs in border regulations, cross border trade, existing legal basis of Estonian-Russian economic relations, tax system, custom rules, presenting practical experience.
- Lake Peipsi Business Profile will be printed, containing an analysis of current situation and economic development patterns in the region. Regional profile could be used in the future for promotion of the Lake Peipsi Region internationally and attracting more international funding and experts to the region.

Activity 3: Training program on the EU related issues

Special attention has to be paid to the fact that Estonia is a EU candidate country and after 2-3 years member of the Union that brings all the issues related to regional development in the EU border area to the agenda. Where the project in 1999 focused on developing and stimulating the cross border cooperation climate among the Estonian-Russian authorities, the current project will deal with adaptation of the Estonian-Russian border for its future status of a EU external border area.

During the first phase of the project we have experienced that Estonian local governments do not have very clear idea about the EU, consequences of joining it or the impact the enlargement will have on the border area. Lack of information about the EU policies and accession procedures at the local level has caused misunderstanding and in some cases even fear about the future of border areas. The project training program fulfils the task of increasing the awareness and making the information on the EU related issues transparent and accessible.

Project training program is composed to increase local awareness on EU external policies and changes in the status for the border regions in Estonia; to prepare civil servants for the new structural funds period, inform them about the coming CBC programs and co-operation perspectives they offer.

The final conference Peipsi Forum II will be organized in 19-20 June 2001, in Pskov, Russia. First Peipsi Forum was held in Tartu, Estonia, in November 1999. On the conference, the results of the project will be presented together with an outline of future perspectives for cross-border co-operation in the Russian-Estonian area.



Aap Neljas, adviser to the Minister for Regional Development

I have the honour to appear here today at the request of Toivo Asmer, the Minister of Regional Affairs. I would like to begin with conveying Mr. Minister's greetings to you as the participants of this very important conference.

Transboundary cooperation is a topic which gains greater significance, the further Estonia moves on its way towards membership of the European Union. It is also relevant how general relations between Estonia and Russia are developing.

I guess I am not very wrong when I claim that the relations between Estonian and Russian border areas have been remarkably more successful during recent years, than the relations between the states as a whole. I think that during this conference, you have heard a number of examples how it is possible to develop cooperation.

However, by way of their own means, countries are able to contribute to the development of cooperation at regional level and between local governments of neighbouring states, by creating better opportunities for investment and the movement of people between the countries. Similarly, countries have an important role in shaping efficient regional policy, which creates a favourable environment for the general development of entrepreneurship.

For this reason, I would speak today concretely on what has been done in Estonia for the elaboration of more efficient regional policy. In 1999, a new Regional Development Strategy was adopted by the government of Estonia, based on the perspective that the country will soon be a member of the European Union and proceeding from the principles of the EU regional policy. The goal of the strategy is the acceleration of economic development and the lessening of regional differences.

At today's conference, it is relevant to mention that the target regions, obtaining Regional Development Strategy's regional development support, comprise all Estonian counties that border with Russia and Lake Peipsi. When moving from the North towards the South, we can see that Ida-Virumaa is covered by the Programme for the Areas of Industrial Restructuring; Jõgeva, Põlva, Võru and Valga counties are included in the Programme for the Areas of Agricultural Restructuring, and Tartu is the centre of the Programme for Agricultural Areas. A science park, which has also been created in Tartu, should contribute to structural changes in the economy. In order to support the inhabitants living in the Estonia-Pskov border area, there exists a programme for the Setomaa region, and the government has allocated separate finances for the solving problems in Setomaa, including these connected with border crossing. One new programme that we brought into being, using the examples of Finland and, more widely, of the European Union, is the Programme for the Network of Centres, i.e. the development of county centres, so that they, as the engines of regional policy, could involve the surrounding areas

Last year, the government adopted an extremely important decision, by establishing the foundation Enterprise Estonia, which currently unites the development of both tourism and technology, and the financing of entrepreneurship and regional development projects. From the point of view of cross-border cooperation, it is relevant to know that the agencies, which have to develop Estonian foreign trade and bring foreign investment into Estonia, also belong in the new foundation. The work of the Enterprise Estonia shall be launched in full operational power from 2001, having two local agencies, one of them situated in Jõhvi, Ida-Virumaa, and the other one in Tartu. These establishments shall deal with regional development on the spot, and, for instance, also with the solving of tourism-related problems and the drawing of investment into the region. The local management of the implementation of projects under the Phare programme shall also be the task of these agencies.

Similarly, the Ministers Committee was established in Estonia last year, dealing concretely with the pre-structural funds, first and foremost, with the organisation of work regarding the project applications under the Phare programme. The Ministers Committee determines more precisely the priorities of Estonia in utilising the Phare programme facilities. Regarding the socio-economic decisions by the Ministers Committee from the previous year, the most important ones would probably be the launching of the projects of Võru and Tapa industrial parks, with the assistance by Phare, thus creating interesting opportunities for investing in these regions.

Concerning cross-border cooperation in particular, i.e. from the Estonian side, the Regional Programme on Transboundary Cooperation, and the Phare CBC from the EU, several extremely interesting ideas have emerged recently, how to develop cooperation in a trilateral format. When bringing an example from the North, we can observe that the concept of the so-called growth triangles has been elaborated around the Gulf of Finland, the participants being the Uusimaa Regional Council from Finland, Harjumaa from Estonia and also partners from St. Petersburg. Another work direction is the cooperation, which has been, for some time, developed between Estonia, Latvia and the Pskov district.

From the point of view of supporting cross-border cooperation at state level, it is a pre-requisite that the goals set by the Phare CBC programme countries, Estonia and Latvia, and the goals determined by the member states of the European Union, Finland, Sweden and Denmark, in their Interreg programmes, and also that the objectives which have been agreed upon between the EU and Russia, within the framework of the Tacis programme, would all mutually harmonise.

So far, we have had the closest cooperation with Finland and Denmark in co-ordinating these programmes. In the event of transboundary programmes, we should always bear in mind that, even though having been launched by the European Union and the country, concrete projects may primarily be initiated by local governments and entrepreneurs. When observing how these programmes have been implemented during the last five years, we can notice that the carrying out has largely been dependent on the activity of each concrete local authority. The majority of the active participants in the Phare CBC projects connected with Russia, have been from Tartu and Narva from the Estonian side. A good example is also Mustvee on the shore of Lake Peipsi, where people have eagerly tried to find partners from Russia and where there is a plan to elaborate the port, so as to develop trade across Lake Peipsi.

Undoubtedly, the issue as to how the state can most efficiently contribute to the cooperation initiated by county governments and local authorities, still remains topical. One of the ways is that, this year, the regional agencies of Enterprise Estonia would commence with their activities in enhancing the institutional capacity of local governments. People would be taught how to properly write projects so that the set goals would coincide with the wider priorities of the European Union and, as a result, the projects could be financed by the EU. I am of the opinion that in this field a lot remains to be done by the Estonia. Our partners from Denmark, Finland and Sweden can provide us with substantial help.

Talking more concretely about the Phare CBC, we have to admit that cooperation projects are certainly limited by financing. For this reason, the state level proceeds from the standpoint that the aims of the projects under financing would coincide with the priorities of the European Union programmes, operating with more substantial sums, e.g. with the priorities of Ispa, regarding the development of transportation networks. In a situation where no accordance is found between the general priorities of the European Union and that of the state, an actually good project may remain without support.

One of the typical examples was the creation of free trade zones in South-East Estonia. Currently, only Valga is still operating, as it has fulfilled the conditions required for a free trade zone. Whereas in Võru, in association with the county government, we have moved towards the development of the industrial park and vocational education projects, after the closing of the free trade zone.



POSSIBLE WAYS OF COOPERATION BETWEEN BORDER TERRITORIES OF THE PSKOV REGION (PSKOV) AND ESTONIA IN THE LIGHT OF THE EUROPEAN UNION EXPANSION

**Valentin Ivanov, Vice Mayor of Pskov (presentation by Vladimir Elfimov, Pskov City
Administration, Department of Economics and Investments)**

Our today's meeting taking place on the Estonian ground and devoted to discussion of questions of trade and economic cooperation between Estonia and Russia will be doubtless to promote the further integration in the Baltic region.

In the new millennium our countries, as well as all states of Europe on the whole, face new requirements of time. We in Russia have changes going, which, with all their ambiguity of the processes, we consider as expansion of opportunities to develop relations of cooperation on the basis of principles of democracy, attention to interests of each other, mutual trust and friendship. Our aspiration to adapt for processes in global economic facilities does not reduce the importance of cooperation with the Baltic countries.

Pskov has played an important role in formation of the Russian nation, has contributed to a treasury of world culture, to development of trade and economic relations between the European countries during existence of Hanseatic union. The city occupies favourable geopolitical location - it is 286 km from Saint Petersburg, 360 km from Tallinn, and 284 km from Riga.

Pskov occupies the area of 94 sq. km, and has the population of more than 200 thousand inhabitants. At the same time, Pskov is a city with significant industrial potential. Growth of industrial output in 2000 has been 16 % in comparison with the same period of 1999.

The main industries are mechanical engineering and metal working, food and light industry, the industry of construction materials, wood processing industry, polygraph industry and the medical industry. Taking into account the priority for developing the sphere of manufacture and services and with the purpose of creating conditions for attraction of investments, at the regional and local levels a number of legal acts in which legal and economic conditions for attraction of investments are determined has been accepted.

According to the results of work in 2000 on the territory of Pskov 23 enterprises with foreign participation are registered. The total volume of their authorized capital is 1885 thousand rubles which exceeds parameters of 1999, both by the number of enterprises, and by the volume of their authorized capital.

From that number 11 enterprises are with the Estonian participation and 9 are with the Latvian. The basic directions of their activity are logging and processing of wood, trading - purchasing activity, construction works and transportation services.

The aforesaid testifies to the certain improvement of investment appeal of the region recently. The greatest achievements in investing projects in Pskov for last 8 years were in the sphere of ecology. It especially impresses, that Pskov and the Pskov region are not only non-polluted territories in northwest Russia, but also one of the preserved ecosystems of Russia.

The first ecological contacts of Pskov were noticed in 1992 when Danish firm "KOVI", under our request has been familiarized with the problem of sewage treatment in the city. Since then, in 8 years of work, the Danish government gratuitously, within the framework of the Governmental agreements, has assigned for solving problems of sewage treatment in the city more than 4 million US dollars. With the help of the Danish "KOVI" company the following projects were realized:

- construction of and launching objects of the second line of sewage treatment, including Danish systems of computer control over the process;
- organization of monitoring pollution of underground waters in the area of the ooze log;

The following projects are realized:

- Construction of the shop for mechanical dehydration of ooze sediments in sewage purification facilities;
- The Russian - Swedish project for the exchange of environmental knowledge for scholars from the twin-cities of Pskov and Nortelje. The volume of assignments from the Swedish side is supposed to be 1,14 million rubles;
- In January, 2001 the application under the project "Reduction in Energy-Consumption and Other Current Expenses within the Pskov Water Supply System" (total amount of financing - 30 million rubles, from which Danish assignments - about 20 million rubles, term of realization of the project - 2 years) is accepted to financing.
- The project has been prepared and is on consideration in Danish EPA: "Optimization of Safe and Controllable Use of the Pskov Dumping Site and Support for Efforts on Reduction in Volumes of Wastes Produced" (volume of financing - 25 million rubles, from which Danish investments - 17.6 one million rubles).

The Pedagogical Institute actively participates in programs under the NGO Lake Peipsi Project; seminars and forums on environmental problems of Russia and the Baltic region are regularly held.

Cooperation between the Pskov city administration and border areas of the region with experts from Peipsi Center for Transboundary Cooperation has allowed a great number of scholars, students, and the public to take part in studying environmental problems of the Baltic region, with the example of interaction on issues of the Peipsi-Pskov water-body.

Within last years in Pskov special attention is paid to ecological education of the preschool children, and scholars.

From the big number possible to investment ecological programs and projects, the majority assumes a recoupment of invested funds: for example - construction of a shop on sorting household waste products, extraction of secondary raw materials, its realization to consumers, and further - manufacturing, from the secondary raw materials, products for national economy.

The city administration has experience of realizing separate projects with foreign partners in other sectors of municipal economy.

In connection with growing volumes of trade between the Pskov region and the border states (for example, export to Estonia in 1999 was 250 thousand tons of cargo, and in 2000 it has been already 373 thousand tons; import from Estonia in 1999 was 26 thousand tons, and in 2000 - 36 thousand tons), the city administration considers questions of organizing a storage, processing and the further transportation of cargoes as one of the major directions in its activity. Renewal of passenger and cargo water communication between Pskov and Tartu is undoubtedly perspective and is favourable to both states, and also it will assist increase in volumes of trade. We are ready to deliver river sand and wood.

Cooperation between Pskov and foreign countries in the field of culture, education and sports develops actively enough. Musical school children took part in the festival of Russian spiritual music which took place in March 2000, in Tallinn. The Pskov masters of arts and crafts with success have presented their production on the Hanseatic Fair in Tartu in the summer of 2000. Terpsichore choreographic studio from Tallinn within the framework of a cultural exchange has successfully performed in Pskov in June 2000.

15 out of 34 city schools cooperate with foreign schools. Since 1999 the secondary school # 2 participates in realization of events conducted within the framework of the NGO Lake Peipsi Project together with Swedish, Finnish and Estonian (Räpina) schools. The project is directed to development of new methods of training with the purpose of achievement better results in ecological and cultural education of youth. Teachers of the English language of humanitarian lyceum of Pskov for several years carry out methodical cooperation with teachers of the Russian private school in Kohtla-Järve. Since 1993 the pedagogical team of the secondary school # 5 cooperates with the teachers of the Russian grammar school in Kohtla-Järve.

The Estonian teachers study an operational experience of school # 5 in the sphere of Russian culture, visit lessons of technology and a special course of the History of Orthodoxy.

In the field of a sports exchange the Pskov female basketball team in January, 2000 went for competitions in cities of Tallinn and Kohtla-Järve. Pskovites hosted the male basketball team of Tartu, young boxers from Tallinn and body builders from Kohtla-Järve.

We count perspective the following directions of cooperation in humanitarian sphere:

- exchanges between musical and art schools, creative groups, the organization of exhibitions and conduction of joint folklore holidays, festivals of arts, research expeditions and sport competitions.

In ecology:

- ecotourism on the Peipsi-Pskov water-body, (in river port there is a set of ships, capable to provide foreign tourists with all conditions of service);
- investment of works on gathering, processing of secondary waste products that will improve the habitat, will lower payload to the environment, will give an opportunity to increase ecological culture of the population;
- the organization of school groups for exchange with ecological knowledge;
- filming a cycle of sequels about a nature, ecological affairs in the city, organizing a Nice Deeds page on ecology in the Internet.

Conversation on possible ways of cooperation would be incomplete without mentioning opportunities for tourism development. In our city there is a significant amount of monuments of various epochs. Together with excellent ecological conditions it creates good preconditions for cooperation in the sphere of tourism and development of its infrastructure.

In our opinion, it would be expedient to consider and realize projects on the organization of tourist routes within a ring Saint Petersburg - Novgorod - Pskov - Tartu - Tallinn - Riga.

On the whole it is still far from all reserves in investment cooperation being used. I hope that an exchange of opinions which took place these days, the received information, and new contacts will assist creation of conditions favorable to development of civilized cooperation and trust to each other.



THE INFLUENCE OF EU ENLARGEMENT ON ESTONIAN-RUSSIAN LOCAL AUTHORITIES: POSSIBILITIES AND THREATS

Rene Tõnisson, Archimedes Foundation and EuroCollege, Tartu

Introduction

The enlargement process of the European Union has to be observed in a wider context, because in addition to the enlargement, other development tendencies of the European Union are also important, which, in their turn, affect the enlargement most directly. Hereby, I primarily keep in mind the question raised by J. Fischer, the German Foreign Minister, regarding the final goal of European integration. Whether the development of Europe in the future shall be based rather on a supra-national or inter-governmental cooperation model and whether we are moving towards the more deepening union of states or towards a European federal compound state?

These are important questions, being most directly connected with enlargement.

The experience of the past twenty years has shown that European integration has increased the roles of supra-national and regional cooperation levels. As the supra-national development model has been constantly deepening in the European Union, it is understandable that applicant countries express certain cautiousness and the fear of losing too large a share of their sovereignty. The decrease in sovereignty which has taken place so far has, however, been the price that had to be paid for peace, growth in welfare and economic development in Europe. In the future, it is expected that the key to this dilemma would be the principle of subsidiarity as a balancing mechanism between supra-national cooperation and national sovereignty. Let this principle be quoted hereby, as it is stipulated in the Amsterdam treaty, Article No 5:

The Community shall act within the limits of the powers conferred upon it by this Treaty and of the objectives assigned to it therein.

In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and insofar as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community.

Any action by the Community shall not go beyond what is necessary to achieve the objectives of this Treaty.

Increase in the importance of regions within the European Union

In addition to supra-national cooperation, recently, the increase in the importance of regions has been clearly noticed in the European Union. In carrying out the regional policy of the EU, this being one of the most relevant policies of the European Union, regions play an ever more important role. However, the current role of regions is far bigger than only the issues related to regional policy. It can be said that in shaping European economic growth and competitiveness, the importance of regions is constantly increasing.

The clear awareness of the role of regions took place by the means of establishing the Committee of the Regions. The necessity to create this institution originated, at this time, primarily from the increase in the importance of regional policy within the European Union. Initially, in 1988, the Committee of Regions was established as a consultative committee, and in 1992, the latter was given a status of an official institution, with the Maastricht Treaty. The Committee of the Regions comprises the representatives of regional and local authorities, the total numbers of members being 222. The tasks and the inner structure of the committee are largely similar to another important and remarkably older committee within the

European Union - the Economic and Social Committee. It is necessary to consult with the Committee of the Regions regarding all issues stipulated in treaties (regional policy, education, TEN, energy, culture). Annually, the Committee issues circa 70 viewpoints. The Committee has also to be informed about all viewpoints of the Economic and Social Committee. In addition, the Committee may express its opinion in all questions which are related to its competence.

Possibilities for Estonian-Russian local authorities

Taking into account the ever growing importance of regions in the development and shaping of the future of the European Union, the Estonian-Russian local authorities have a number of possibilities for utilising the Euro-integration process also as their own development engine. At this point, I primarily mean the transmission of the experience of other regions in Europe, with the mediation of cooperation projects, and also important financial resources for necessary infrastructural and intangible investments. However, it is requisite to underline that financing by the European Union is, in the majority of cases, additional financing, preconditioning equal own finances, which, in its turn, anticipates the existence of clear local development priorities and adequate analysis regarding local needs and possibilities. The currently launched ISPA programme, aimed at financing environment and infrastructure projects, is one example of the opportunities offered by the European Union to local governments and regions.

More and more regions in Europe have understood the importance of their representation and successful lobby in Brussels. Here, Estonian-Russian regions also have new possibilities to be discovered for their development. It would probably be quite difficult to directly measure the benefit of such representation, but it is clear that otherwise, there would not be more lobbyists altogether in Brussels than the total number of employees in the institutions of the European Union.

Threats to Estonian-Russian local authorities

When talking about possibilities within the context of European integration, it is necessary to understand that every coin has two sides. The integration process may also entail certain threats. Primarily, I have in view the expansion of the "Fortress of Europe", i.e. the European Union as a fortress surrounded by high and inaccessible walls, to the Estonian-Russian relationship after Estonia becomes the member of the European Union. The overcoming of this threat depends, first and foremost, on the actual eagerness of Estonian-Russian local authorities to cooperate and largely also on the general political climate between countries. A separate obstacle in implementing the Euro-integration process as an engine of local development is, unfortunately, the limited administrative capacity of local authorities, especially with regard to strategic planning, project management and monitoring. Such competence can only be created during the course of time and on the basis of the active "learning by doing" method. In addition, another possible threat which needs to be mentioned is the inadequacy regarding the tasks and means of local authorities, in a situation where the state hands certain tasks over, proceeding from the European Union legislation (*acquis communautaire*), to be carried out by local authorities, but does not provide them with possibilities and resources for the adequate fulfilling of these requirements. The best way of avoiding such a situation is to utilise the cooperation method, which has been applied within the European Union for a long time, involving all levels - European Union, member states, regions and local authorities.

In conclusion

The above-given more general development tendencies within the European Union and the relevant proceeding benefits and threats for Estonian-Russian local authorities are not in the least a complete list and, in addition, these will change in time and space. However, I do hope that my main suggestion to apply general development tendencies and cooperation mechanisms for the development of concrete needs and local undertakings, is expedient and, at the same time, realisable.



EU AGRICULTURAL AND RURAL LIFE POSSIBILITIES IN ESTONIA

Katrin Noorkõiv, Head of SAPARD Agency

EU Policies

- Economic and social cohesion policy (for the removal of regional inequality)
- Employment policy (support programmes for backward regions, aimed at enhancing their living standard)
- Single agricultural policy (5 goals)
- Rural development policy (to resuscitate backward regions and to maintain the number of the local population)
- Educational Policy (“Teaching and studying – towards an educated society”)

The goals of the EU single agricultural policy are the following: to increase the productivity and efficiency of agriculture, and to guarantee the rational development of agricultural production by way of production factors, primarily by the optimal use of the labour force; to safeguard a satisfactory living standard for the part of population dealing with agriculture, first and foremost, by increasing the personal income of the people employed in agriculture; to stabilise markets; to guarantee the provision of foodstuffs (independency from foreign markets), and to guarantee moderate consumer prices. **Goals of Estonian agricultural policy 2000-2003**

- To increase the efficiency of agricultural production and to bring the agricultural industry and the produce in accordance with the demands of the internal market of the European Union;;
- To guarantee stable prices for agricultural products in the internal market;
- To guarantee the provision of the population with basic domestic foodstuffs, to supply animal husbandry with locally produced feeds, and to supply the processing industry with domestic raw materials;
- To contribute to the development of the rural economy;
- Gradual adoption of the European Union single agricultural policy measures;
- To orientate mainly at production with high added value, which is competitive both on internal and foreign markets;
- To work out and implement an environmental programme for agriculture.

The objectives of the Estonian rural policy include the diversification of activity areas for rural inhabitants, increase in living standards in rural areas, and the maintenance of the network of small settlements and the rural population.

SAPARD (Special Accession Programme for Agriculture and Rural Development) – is an extraordinary pre-accession assistance programme provided for the agriculture and rural life of the Central and Eastern European countries, during the period 2000-2006. The basis for the implementation is the so-called Rural Development Plan, laid down by the applicant countries; the compilation of the plan commenced in 1999, pursuant to the decision by the Government of the Republic. The Plan was completed in August 2000, and was approved by the European Commission in November of the same year.

Implementation of SAPARD programme

- Provides the applicant countries with the first experience in the implementation of the assistance by the EU structural funds and the EAGGF Guarantee Section
- Shows the European Commission and the member countries the readiness of the applicant countries to implement these mentioned funds.

Principles for the implementation of European structural funds and Estonian SAPARD

Principles for the implementation of European structural funds and Estonian SAPARD

Programmability

- Rural Development Plan (2000-2006). The Plan and the measures described therein for solving problems were worked out in cooperation with economic and social partners
- RDP was prepared by the Ministry of Agriculture, in close cooperation with relevant competent institutions, and in concordance with economic and social partners. The Ministry of Agriculture is the administrative authority responsible for the implementation of the Rural Development Plan.

SAPARD measures

1. Investments in agricultural enterprises (45-42%)
2. Processing and marketing development of agricultural and fishery products (20-17%)
3. Developing and diversifying of economic activities, which offer additional fields of activities and alternative income (20-16%)
4. Development and enhancement of infrastructure in rural areas (13-12%)
5. Technical assistance for the implementation of measures, incl. research aimed at the preparation and the facilitation of the monitoring of programmes, and informational and public relations work (2%)
6. Renovation and development of villages, and the protection of cultural heritage in rural areas (from 2003; 5%)
7. Methods of agricultural production, aimed at the protection of the environment and the preservation of the area (from 2003; 2-3%)
8. Forestry (from 2003; 1-3%)

SAPARD Agency – ARIB

For the administration of SAPARD subsidies, the Agricultural Registers and Information Board ARIB) was founded on July 20, 2000, pursuant to the Government of the Republic Act § 64 Amendment Act (adopted on June 14, 2000), thus being a public institution under the Ministry of Agriculture. On July 21, 2000, the regulation by the Minister of Agriculture, No 52 “Statutes of the Agricultural Registers and Information Board, its Structure and the Composition of the Staff ”, was endorsed.

ARIB’s activity area is in the organisation of state and European Union subsidies for agriculture and rural development, the management of statutory state registers connected with agriculture, and other databases, and the processing and analysing of their data.

The task of the SAPARD Agency is to collect and process the applications for the subsidies paid within the framework of the SAPARD programme, to select projects and to organise the payment of grants.

ARIB center is located in Tartu, at the following address:

Agricultural Registers and Information Board

Narva mnt 3

Tartu 51009, Estonia

Tel. 372 7 371 200

Fax 372 7 371 201

E-mail: pria@pria.ee

In every county, there is a regional ARIB bureau (altogether 15), where the receptionists of applications and controllers operate. Regional offices deal with state and SAPARD subsidies, thus guaranteeing the separation of functions.



THE TACIS CROSS BORDER COOPERATION (CBC) SMALL PROJECT FACILITY IN THE CONTEXT OF TACIS AND CBC

Valentina Chaplinskaja, Head of Sankt Peterburg Office of TACIS programs

Tacis Programme is the main instrument for the European Union cooperation with the Newly Independent States and Mongolia.

Tacis is the programme of Technical Assistance for the Newly Independent States and Mongolia and is active since the early 1990s. Tacis programme is being implemented within the framework of the Partnership and Cooperation agreements (PCAs) and covers various spheres of cooperation - from consultations for the market development regulations to transfer of technical assistance in connection with the border crossing points and customs equipment.

Tacis programmes vary: there are National Tacis programmes (for different countries); Regional (Interstate) Tacis programmes (such as Nuclear Safety Programme); Small projects (such as Tacis Bistro programme; Lien - aimed at NGO support in social sector; Tacis City Twinning programme).

The Cross-Border Co-operation programme is in its very nature mainly aimed at local and regional structures, allowing for these to undertake sustainable project activities with their counterpart in the EU or CEC.

The Tacis CBC programme was initiated in 1996 both by the European Parliament, which created a separate budget line, and the Council which adapted the Tacis regulation which is the legal basis framework for cross-border co-operation. This decision reflects the accession of Finland to the European Union giving the Union more than 1300 km direct border with Russia. The programme was furthermore enhanced by the fact, that the Baltic Sea Region was gaining importance and the growing understanding of the importance that must be given to the eastern border regions of the candidate countries in CEE.

The programme is geographically limited to the Western border regions of Russia, Belarus, Ukraine and Moldova. The sharing of a land or maritime border is a criteria for eligibility of the partnership. Following this, Russian regions are directly eligible for submission in partnership with an EU partner in the Baltic Sea Region, whereas partners in Belarus, Ukraine and Moldova must share a border on the regional level with a partner from a CEC country, and then can choose any EU partner.

The Tacis CBC programme is based on a separate budget line and has been allocated funding from the Tacis budget since 1996 (each year 20 to 30 Million euro). Up to now, the Tacis CBC programme consists of two elements; the Mainstream programme and the Small Project Facility. The Mainstream programme is allocated the lions share of the budget .

The Mainstream programme gives priority to projects dealing with the establishment of border crossings, environmental projects and projects improving the economical conditions in the border areas concerned. The Small Project Facility is supporting the Mainstream programme, allowing for local and regional authorities in the border regions concerned to undertake pilot projects and development studies, which in a later stage could be developed into projects funded under the Mainstream programme.

With the adoption of the new Tacis regulation concerning the provision of assistance to the Partner States in Eastern Europe and Central Asia, the EU underlined its readiness to promote the transition to a market economy and to reinforce democracy and the rule of law in the partner states over the next seven years (2000-2006). Among the features of the new regulation, one finds an emphasis on larger projects and a shift from a demand-driven approach to a so-called dialogue-driven approach.

The continued provision of assistance will contribute to the attainment of shared objectives, notably in the context of the Partnership and Co-operation Agreements (PCAs) concluded with the partner states. Provision of assistance in the case of Russia and Ukraine will also take due account of the common strategies (CS) adopted by the European Council.

Cross-border co-operation with Russia, Belarus, Ukraine and Moldova has been given great priority in the EU – Russia / Ukraine PCAs. It was included in the work programme and adopted by the co-operation councils. The importance of regional and cross-border co-operation (CBC) is very much highlighted in the new regulation.

The requirements of economic reform and restructuring now in progress require a multi-annual approach, which is why multi-country programmes, such as CBC, feature for the first time an indicative programme (for the 2000-2003 period), along with the usual annual action programmes.

In the context of Tacis, CBC includes measures in the fields of both technical assistance and infrastructure. According to the new regulation, a maximum of 20% of the annual budget could be allocated to investment funding.

From 1996 to 1999, 110 M Euro were committed to the CBC programme. More than 50% of this allocation was spent on projects in NW Russia, including Kaliningrad. Ukraine was the second largest beneficiary of the Tacis CBC programme (more than 20%) and Moldova and Belarus both got more than 10% of the general CBC allocation.

The CBC Small Project Facility has on average accounted for about 15% of the Tacis CBC allocation, but the figure will be closer to 18% in the allocation for the year 2000.

Activities eligible for support include for example transfer of knowledge, training of personnel, study visits, establishment of best practice, studies, system analysis and capacity building measures. The programme has a number of priority areas/spheres of co-operation, within which projects will be supported: administrative reforms, local economic development, social affairs and environment & energy efficiency.

To be awarded Commission support, projects should show a clear cross-border co-operation dimension. Projects should furthermore demonstrate high involvement of local and regional authorities, focus on joint problem solving, concrete outputs and follow-up activities, benefits for all partners and innovative characteristics.

For each selected project a maximum grant of 200.000 Euro is available, which cannot constitute more than 80 % of the total project budget. The project partners must co-finance the grant with the additional 20 % of the project budget. Non-profit making organisations (other than local and regional authorities) such as NGOs or public utilities, may participate as additional partners in the projects.

The first round of submission took place in September 1997 and resulted in 97 applications out of which 16 were granted Tacis funding. These projects began their implementation by attending the Launching Days held in Helsinki, 25-26 June 1998. All projects were implemented, some very successfully, some with more difficulties but in general all have managed to achieve their aim of cross-border co-operation.

The second round of submission took place in March 1998 resulting in 133 applications and Tacis funding granted to 30 projects. The Launching Days were held in St. Petersburg 25-26 March 1999, a number of projects had already begun their activities by then. The Final Conference was held in Kaliningrad, Russia 15-16 June 2000.

The third round of submission was 15 March 2000 and has resulted in 121 applications to the Tacis CBC Small Project Facility out of which 26 have been granted. For the projects not granted funding they should remember that 4-5 times more Tacis funding is requested than is available. They may find that their application can be improved and submit their application again.

In addition to the Tacis CBC Small Project a Micro Project Facility was established. The Micro Project Facility is seen as a preparatory measure giving local and regional authorities a chance to explore the possibilities of establishing co-operation. Since the Micro Project Facility was introduced in the beginning of 1998 a total of 93 applications have been submitted, there is no fixed deadline for submission. Around a third of the applications have been approved. To a large extent the Micro Project Facility has proved its value, as a number of Micro Projects have lead to Tacis CBC Small Project Facility applications and under all circumstances extended co-operation between partners.



WORKING GROUP I

ECONOMIC AND TRADE RELATIONS BETWEEN ESTONIA AND RUSSIA AFTER EU ENLARGEMENT: PROFITS AND LOSSES.

The group work was led by **Mait Klaassen, Võru County governor.**

The participants of the group work were from Estonian and Russian regional and local authorities, representatives from Embassies, foundations and business sector.

Presentation in the working group:

Ain Adamson, Head of Tartu River Port (AS Tartu Sadam)

The role of shipping in the development of economic and trade relations between the Republic of Estonia and the Russian Federation

Talking about the integrative role of Europe in the development of economic and trade relations between the Republic of Estonia and the Russian Federation, and emphasising the importance of development through navigation in the regions of Lake Peipsi-Lämmi-Pskov, we should not leave out the following painful issues which have not been sufficiently dealt with during the current conference:

- actual situation of waterways;
- possibilities for establishing border and customs stations;
- environmental issues;
- legislation regarding shipping in the basin.

Tartu Port is a material treatment enterprise with a 3,5 million share capital, owning various special technologies, ships and mechanisms. Activities include: Excavation of sand-gravel, Deepening works, Water constructions, Passenger ships

The business idea of the division lies in the development perspective of river navigation. The possibility to use the natural resource of the River Emajõgi as a waterway creates favourable conditions for sparing transportation expenses. However, the navigability of the Lake Peipsi basin is seasonal. Due to seasonality, the most active working period of the division coincides with the navigation period of the River Emajõgi (i.e. circa 7-8 calendar months a year).

The past

- The riverbed of Emajõgi has been formed approximately 6000 years ago. Emajõgi has been connected with the sea, through the basin of Lake Võrtsjärv and the Pärnu River.
- The importance of Emajõgi as a waterway increased quickly since the end of the 1st millennium. Later, the only one from among the numerous strongholds on the riverbanks that remained to be used, was that of Tarbatu, around which, the city of Tartu was gradually established.
- Permanent ship connection between Tartu and Narva, and between Tartu and Pskov started from 1843.
- During the first independent Republic of Estonia, and also during the Soviet period, the Lake Peipsi watershed was in active use as a water way.
- In connection with the re-independence of the Republic of Estonia, the consistency of active navigation in the Lake Peipsi basin decreased. The reason being the lack of economic interest.
- The regular line Tartu-Piirissaare is continuing to operate for the fifth year.

3. Inventory

Lake Peipsi is a huge border water body located between Estonia and Russia. We look at it from a different angle. However, it is clear that for every one of us, the lake is reflected back differently. It leaves some people indifferent, some find it to be picturesque, some like its placidity, for some, it is a source of subsistence, and a possibility for the others.

In general, there are two main aspects regarding the navigability of the basins under discussion. Having a large resource of fish, it has a hidden reputation as an interesting recreational and tourism object, and it also has the possibility for utilising cheap transportation. Conscious and intentional development of these two aspects is important for all regions connected with the Lake Peipsi-Pskov basin, from the point of view of regional development and also the protection of the environment. I would once more like to emphasise the words conscious and intentional, because when acting spontaneously, it is easy to lose sustainability.

Below, we will list several reasons why the issue of restoring shipping is topical and this process should be supported. In a longer perspective, the re-introduction of navigation would help to:

- Promote economic development in the regions near the lake and enhance the development of international tourism in the region.
- Solve the problems of employment in the regions near the lake.
- Favour good neighbourhood relations between various regions at the lake.
- Increase the feeling of ownership and responsibility in the regions near the lake.
- Decrease the load of roads and railways in the transportation of volume goods.
- Increase the importance of Estonia as a transit country, in the management of the flow of goods.

The re-utilisation of waterways would help to diversify the directing of inter-regional flow of goods logistically. Such an approach would, in the longer perspective, be directly beneficial to the development of the economy in the regions connected with the Peipsi-Lämmi-Pskov Lakes.

The creation of an alternative trade corridor directly across Lake Peipsi would enable the better usage of existing internal resources, and contributes to the position of Estonia in the transit corridor between the West and the East.

I would like to underline the need for a complex approach regarding the issues of navigation, because the above-mentioned possibilities come into practice only after the creation of conditions enabling shipping traffic.

I would take an example from real life: there are ships, there are solvent passengers who want to travel, there is water, along which to travel, but unfortunately, the number of navigation routes is not sufficient enough, so as to make it possible to safely transport passengers. It is not possible to use our own forces for carrying out deepening works, because even a project on deepening is expensive (let us not mention the complicated system of relevant legislation, which regulates the actual operation of processes). And if we succeed in the completion of the project on paper, there is no money left for actual work. It is unrealistic to obtain state support due to the heavy state budget. It is possible to apply for finance through various funds, but this is reminiscent more of the Bingo-Lotto game.

The future

- There is a possibility to restore a shipping connection between Tartu and Pskov, on the basis of the hydrofoil 'Polaris'. During the first stage, it is possible to work on the principle of charter trips. The goal should be the launching of a regular line.
- Pleasure trips on a larger luxurious ship to the coasts of Peipsi-Lämmi-Pskov Lakes would become attractive (for example, tourist routes with 'Vanemuine-Lermontov' were booked in advance for six months, during the prosperous period of the river port).
- Tartu River Port has development potential, with its possible access to a railway line. The utilisation of the existent, so-called port railway in Tartu in the future is extremely necessary from the point of view of the further development of infrastructure. The prospect of the existing

railway in the future is to use it for directing transit volumes of goods through Tartu, along the Emajõgi river route. Prospective groups of articles include metal, timber, various inert materials. We should not underestimate the usage of combined transport in organising container shipments. Today, the port is capable of processing more than 200 000 tons of inert materials

- Tartu RiverPort has made preparations for possible carriage of circular timber from Storozhnets port in Ouduva region, Pskov Oblast, Russia. Russia is not able to increase the export volume of quality timber growing in the Pskov Oblast towards Estonia and Nordic countries because these volumes are determined by throughput capacity of railway transport - from Ouduva to St.Petersburg, the amount of wagons is 8 per day. The largest purchasers of circular timber exported from the Pskov Oblast are the Nordic countries - Finland and Sweden.
- Mission - giving value to the basins of Peipsi-Lämmi-Pskov Lakes, to an attractive but so far little used resource, which has important economic potential.

The most important goal - restoration of ship traffic across the control line on Lake Peipsi.

The list of set goals would be the following:

1. Deepen navigation routes to the full extent, along Peipsi-Lämmi-Pskov Lakes, according to international standards.
2. Prepare the access areas of ports in Peipsi-Lämmi-Pskov Lakes, and the Ports of Tartu and Pskov for the reception of international ships; for this, it is necessary to:
 - a) measure and deepen the aquatoriums taking to ports;
 - b) mark shipping routes according to international standards;
 - c) measure, clean and deepen the shipping lane along the River Emajõgi;
 - d) strengthen and recondition the riverbanks of Emajõgi.
3. Open Slantsy for shipping traffic;
4. Build an international passenger terminal and transit trade in Tartu and Pskov;
5. Create a multi-functional support area, aimed at emergency-rescue purposes in the delta area of the River Emajõgi, near the Praaga village.

Improving shipping conditions in the entire basin contributes to the development of infrastructure, consequently, better starting points are being created for the involvement of additional investment.

Conclusion

In conclusion, it can be said that both carriage of goods and the transportation of passengers across Lake Peipsi is possible thanks to the existence of technical-material base. However, in reality there have been a number of political, institutional, legal and other obstacles in front of entrepreneurs, which have not made it possible to organise the carriage of goods and tourist trips with Russia, across Lake Peipsi and enable the usage of the actual potential of the basin.

The creation of entrepreneurial conditions is an expensive and a long-term process. In order to ensure that the situation will be different in three years time, it is necessary to start operating decisively today, because Nature has, to a great extent, set the rules for shipping.

I hope that the sensible ideas expressed by many speakers at the current conference would find the synergy and help also to create something tangible in reality. This is in the name of improving the economic and trade relations which unite us, and for the welfare of the regions connected with Peipsi-Lämmi-Pskov Lakes.



WORKING GROUP II

EU AND CROSS-BORDER REGIONAL RELATIONS IN THE ESTONIAN-RUSSIAN BORDER AREA: NEEDS AND POSSIBILITIES

Margit Säre, Managing Director of Peipsi Center for Transboundary Cooperation and Michael Gallagher, Director of Tartu University EuroCollege

The group work was led by Michael Gallagher, director of Tartu University EuroCollege. The participants of the group work were from Estonian and Russian regional and local authorities, NGOs (Peipsi Center for Transboundary Cooperation, Estonian-Russian-Latvian Council for Cooperation of Border Regions, etc), representatives from Embassies, foundations and business sector.

The purpose of the group work was to provide a forum for

- (1) sharing information about successful cooperation,
- (2) Discussing the most urgent needs that may be better met through improved cooperation, and
- (3) developing better mechanisms to go forward with joint projects.

Over the last several years, cooperation has started in the areas of business, environment, education and infrastructure.

There are several non-governmental institutions active in the Estonian-Russian border area, for example: Peipsi Center for Transboundary Cooperation (Peipsi CTC), Estonian-Russian-Latvian Council for Cooperation of Border Regions, South-Eastern Estonian Logistic Development, Estonian Foreign Policy Institute etc.

For example, Peipsi CTC, is aiming at cross border cooperation and sustainable development in the Estonian-Russian border area. It has offices in Tartu and Pskov and it works closely together with local and regional governments, NGOs and business sector. Peipsi CTC and Funen County are carrying out a project "Community Development and Cross Border Co-operation in Estonian-Russian Border Area", where Lake Peipsi Business Profile is composed, Strategy for waste- water treatment in the Lake Peipsi Basin which is prepared and trainings on EU related issues are organized.

But there is a great deal of work to be done. To go forward, it is important to further define regional priorities, and identify financing opportunities to pursue projects that address these priorities. This form will take a step in this direction.

Short presentations were given by Vladimir Redpap, Estonian Consul in Pskov who informed participants about visa issues and problems connected with logistics and cargo; Peipsi CTC project managers Madis Saluveer and Olga Vassilenko introduced Lake Peipsi Business Profile which analyses the current economic development and future perspectives in the region. Valentina Chaplinskaja from St.Petersburg Tacis-office gave short information on Tacis Cross Border Cooperation (CBC) programs, the objectives and guidelines applying from them. Tacis Programme is the main instrument for the European Union cooperation with the Newly Independent States and Mongolia. Ülo Sults from Peipsi Center for Transboundary Cooperation introduced Lake Peipsi pollution reduction plan which was worked out together with Danish-Estonian-Russian environmental expert group in close cooperation with Working Group on Water Quality of the Estonian-Russian Intergovernmental Transboundary Water Commission.

The presentations were followed by discussion where participants tried to find the success areas of cooperation projects and also to name the most urgent needs to improve the cooperation.

It was found out that there have been many successful project in environmental sphere where NGOs and public sector from both sides of the border have been worked together, as well there has been some

success in business cooperation and educational projects. On the other hand it was stressed that local governments need further training in project management and fundraising issues and also on EU related issues. Other named problems, hindering the cooperation in the Estonian-Russian border area, were expensive visas, lack of public transportation (especially non-existent water connection) and bad infrastructure. The possibilities to improve the cooperation could be seen through improved co-operational structures, like establishment of Lake Peipsi council and Euroregion.

The participants stressed the need to continue this kind of seminars and conferences where different stakeholders: representatives from ministries, border regions local and regional authorities, entrepreneurs and NGOs have a possibility to meet with each other and discuss the current situation and future perspectives.



List of participants

NAME	ORGANISATION
DIPLOMATIC LIST	
Taimi ALAS	Political/Economic Assistant, Embassy of the United States of America, Tallinn
Karl-Olof ANDERSSON	Counsellor, Embassy of the Kingdom of Sweden, Tallinn
Andrej AVETISJAN	Director of European Integration Department, Ministry of Foreign Affairs of the Russian Federation
Sergei BEZBEREZJEV	Counsellor, Department for relations with Russian Federation subjects, public organisations, Ministry of Foreign Affairs of Russian Federation
Elisabeth BORSIIN BONNIER	Ambassador , Embassy of the Kingdom of Sweden, Tallinn
Luchino CORTESE	Ambassador, Embassy of the Republic of Italy, Tallinn
Sergei EFIMENKO	1st Secretary, Head of Representation of the Russian Ministry of Foreign Affairs in Pskov Region
Doris HERTRAMPF	Ambassador, Mission of OSCE
John KJAER	Ambassador, Delegation of the European Commission, Tallinn
Mrs. Magda KJAER	
Tiit MATSULEVITS	Ambassador, Embassy of the Republic of Estonia, Moscow
Maryvonne MICHELET	Vice- Consul, Embassy of the Republic of France, Tallinn
Pablo MILLER	First Secretary, British Embassy, Tallinn
Pekka OINONEN	Ambassador, Embassy of the Republic of Finland, Tallinn
Valery POSPELOV	Counsellor, Embassy of the Russian Federation, Tallinn
Konstantin PROVALOV	Ambassador, Embassy of the Russian Federation, Tallinn
Jorgen Munk RASMUSSEN	Ambassador, Royal Danish Embassy, Tallinn
Vladimir REDPAP	Consul of St. Petersburg Estonian Consulate in Pskov
Nikolai SCHERBAKOV	Second Secretary; Embassy of the Russian Federation, Tallinn
Dr. Gerhard Enver SCHRÖMBGENS	Ambassador, Embassy of the Federal Republic of Germany, Tallinn
Sarah SQUIRE	Ambassador, British Embassy, Tallinn
Flemming STENDER	Second Secretary, Royal Danish Embassy, Tallinn
Ingrid TERSMAN	Deputy Director for the department of Central- and Eastern Europe at the Swedish Ministry of Foreign Affairs
Jörg-Dietrich NACKMAYR	Konrad Adenauer's Foundation
Anders Chr. ULRICH	EU Center Fyn
Anna TOMILOVA	Konrad Adenauer's Foundation
Manfred WICHMANN	Project manager, Friedrich Naumann's Foundation
REPRESENTATIVES OF RUSSIAN ORGANISATIONS	

Valentina CHAPLINSKAJA	Head of Sankt Petersburg Office of TACIS programs
Iouri FEDEROV	Driver, Pskov Oblast Administration
Vladimir ELFIMOV	Head of Economic and Investment Department, Pskov Town Government
Valentin IVANOV	First Deputy Head of Pskov City Administration
Igor KORENKOV	Deputy Head of the Pskov Customs
Igor MANUKHIN	Vice-President of Pskov Association "Logistics -XXI century"
Sergei MENSHIKOV	Leningrad Region Administration
Semyon NIKONOV	Project Manager, NGO "Choudskoy Project"
Valentina PAVLOVA	Head of housing and communal service Department, Pechory District Administration
Mikhail JERMOLAEV	Vice-governor of Pskov Region, Pskov Administration
Tatiana SAVINA	Deputy Head of Economic Department, Gdov District Administration
Larisa SEMENOVA	Director of Pskov branch of Moscow company "Pskovexpertisa"
Tatiana SHAROVA	Head of Economic and Investment Department, Ivangorod City Administration
Vladimir SHURAEV	Deputy Head of Pskov District Government
Nina SOGOMONIAN	Head of Economic Department, Slantsy District Administration
Vladimir ZUBOV	President, Pskov Chamber of Commerce and trade
Olga VASSILENKO	Director of NGO "Choudskoy Project"
Igor VERKHODANOV	Adviser and assistant of chairman Novgorod Region Duma; Senior Investment manager Novgorod Region Administration
REPRESENTATIVES OF ESTONIAN ORGANISATIONS	
Ain ADAMSON	AS "Matcom"
Marija ALAJÕE	Adviser, Estonian Ministry of Economic Affairs, Tallinn;
Andrus ANSIP	Mayor of Tartu
Piret ARUSAAR	Adviser for foreign relations; Tartu Town government
Dr. Eiki BERG	Department of Political Science, University of Tartu
Johannes BUNDSSEN	Member of the Board of the South-Eastern Estonian Logistic Development Foundation
Michael GALLAGHER	Director, EuroCollege, University of Tartu

Mare HAAB	Deputy Director of the Office of European Integration, State Chancellery of the Republic of Estonia, Tallinn
Uno HEINLA	Member of the Board of the South-Eastern Estonian Logistic Development Foundation
Inge HIRMO	Head of R�pina municipality
Tago HOLSTING	Project manager, the Estonian Foreign Policy Institute, Tallinn
Toomas Hendrik ILVES	Minister of Foreign Affairs of Estonia, Chairman of the Board of the Estonian Foreign Policy Institute
Sergei IVANOV	Member of the Riigikogu, member of the Foreign Affairs Committee, member of the Estonian United People's Party faction
Arvo J��	Head of Economic Development Department, P�lva County Government
Peeter KALDRE	Member of Executive Board of the Estonian Foreign Policy Institute
Anton KALETIN	University of Tartu
Andres KASEKAMP	Director, the Estonian Foreign Policy Institute
Mati KEPP	Head of Torma municipality
Rein KILK	AS "Transcom"
M�rt KIVINE	Adviser to the Estonian Minister of Foreign Affairs, Tallinn; Member of Executive Board of the Estonian Foreign Policy Institute
Toivo KLAAR	Diplomatic Counsellor to the President, Office of the President of Estonia
Mait KLAASSEN	Governor of V�ru County, Chairman of the Board of the South-Eastern Estonian Logistic Development Foundation
Georgi KORJUNKOV	Mayor of Kallaste
Pavel KOSTROMIN	Mayor of Mustvee Town Government
Kersti KRAAS	Estonian Freight Forwarders Association
Tarmo KRIIS	Businext Eesti O�
Jaanus LEIM	Director of SETOMAA Development Foundation
Imre LIIV	Mayor of Narva town government
Aivar LUTS	Chairman of the P�lvamaa Union of Local Authorities
Kalev L��S	Head of Alaj�e municipality
Mart MADISSOON	Governor of P�lva County, member of the Board of the South-Eastern Estonian Logistic Development Foundation

Urmas MAJAJÄÄS	Ida-Viru County government, Head of Development Department
Andres MERE	
Mart MERE	MH Tallinn
Jüri MOROZOV	Head of Saare Municipality
Kurmet MÜÜRSEPP	Chairman of Estonian Union of Local Authorities
Aap NELJAS	Advisor of the Minister of Regional Development of Estonia, Tallinn
Alar NÕMM	Head of Tudulinna municipality
Natalja ORAVA	Development Department, Narva Town Government
Ants ORGULAS	Head of Jõgevamaa Association of LG
Margus ORO	Governor of Jõgeva County
Peter PACO	University of Tartu
Lilian PALLUM	Second Secretary, Division of Political Affairs (Northern Dimension), European Integration Department, Estonian Ministry of Foreign Affairs, Tallinn
Tõnis-Koit PIHU	Member of the Board of the South-Eastern Estonian Logistic Development Foundation
Sulev POLL	Director of South-Eastern Estonian Logistic Development Foundation
Ülle PUUSTUSMA	Head of Estonian Rural Areas Development Programme, Deputy Head of economic development Department, Võru County Government
Garri RAAGMAA	University of Tartu, PhD, Institute of Geography
Raivo RAAP	Head of Iisaku municipality
Rein RANDVERE	Governor of Valga County, member of the Board of the South-Eastern Estonian Logistic Development Foundation
Signe RATSO	Deputy Under-Secretary, Estonian Ministry of Economic Affairs, Tallinn;
Gulnara ROLL	Executive Director, Peipsi Center for Transboundary Cooperation
Jüri ROOS	ERDA
Madis SALUVEER	Project Manager, Peipsi Center for Transboundary Cooperation
Heiki SAMEL	Senior Referent, Estonian Ministry of Foreign Affairs, Tallinn
Gert SCHULTZ	Head-specialist for Enterprise Development, Tartu City Government
Prof. Jüri SEPP	University of Tartu, Faculty of Economics

Lembit SIKK	Mayor of Misso Commune, member of the Board of the South-Eastern Estonian Logistic Development Foundation
HAIMAR SOKK	Head of economic development Department, Põlva County Government
Margus SOLNISON	III. Secretary, External Economic Policy Department, Estonian Ministry of Foreign Affairs, Tallinn
Andres SOOP	Head of Tartu County Association of Local Governments
Alar STREIMANN	Deputy Under-Secretary, Estonian Ministry of Foreign Affairs, Tallinn
Margit SÄRE	Managing Director, Peipsi Centre for Transboundary Cooperation
Taivo TALI	Head of Development Department, Tartu County Government
Ago TIIMAN	Counsellor, External Economic Policy Department, Estonian Ministry of Foreign Affairs
Raul TOHV	Head of Economic Development Department, Võru County Government
Kristina TOOMING	University of Tartu, Faculty of Economics
Tiit TOOS	Development Department, Ida-Viru County Government
Georg TRASHANOV	Head of Economic Development Department, Valga County Government
Rene TREIAL	Estonian Ministry of Road and Communication, Tallinn;
Enno TURMEN	Counsellor, Policy Planning Department, Estonian Ministry of Foreign Affairs, Tallinn
Aare UUSTALU	Tallinn Technical University
Prof. Urmas VARBLANE	University of Tartu, Faculty of Economics
Üllar VAHTRAMÄE	Head of Department of local governments and regional development, Ministry of Internal Affairs
Urmas VAHUR	Director of Entrepreneurship Development Foundation
Andrei VALENTINOV	Research fellow, the Estonian Foreign Policy Institute, Tallinn
Anne VEEVO	Project Manager, Narva Business Centre
Jüri VOODER	Head of Kasepää municipality
Jaan ÕUNAPUU	Governor of Tartu County

PEIPSI CENTER FOR TRANSBOUNDARY COOPERATION

www.ctc.ee

Peipsi Center for Trans-boundary Cooperation (Peipsi CTC) is an international, non-governmental organization which works to promote sustainable development and cross border cooperation in the Estonian-Russian border area.

Peipsi CTC was established in 1993, in Tartu (Estonia). There are CTC offices in Tartu, Estonia and Pskov, Russia. Local coordinators work in communities around Lake Peipsi.

The lake known as Lake Peipsi in Estonia and Chudskoe-Pskovskoye in Russia occupies two-thirds of the Estonian and Russian border. It is the fourth largest lake in Europe, with a surface area of 3 555 km² and largest international lake in Europe. Lake Peipsi is a large shallow northern lake with many wetland areas along its coasts, which have been recognized as wetlands of international importance. The population of the coast of Lake Peipsi is rather diverse in its origin and culture. A number of villages on both the Estonian and Russian sides have mixed Russian-Estonian population. The Setu, a national minority, inhabit villages in the southern part of the lake's watershed. Russian descendants of the old-believers who escaped in the 16th century from the Russian Christian Orthodox Church have settled on the Estonian shore of the lake.

Peipsi CTC works closely together with Estonian and Russian central- regional and local governments; NGOs and business sector. To achieve its goals, CTC organises training, environmental and sociological research; promotes information exchange and communication across the border and between different levels of government and all sectors of society; organises international seminars, conferences, contests, meetings and other events.

The main fields of CTC activities are:

- Socio-economic development and cross border cooperation. Projects on:
 - Compilation of Lake Peipsi Business Profile
 - Electronic database of the Pepsi region enterprises
 - Entrepreneurship training for rural women
 - EU training for Estonian and Russian local authorities
 - Narva-Ivangorod newsletter on transboundary issues
- Environmental protection and water management. Projects on:
 - Lake Peipsi watershed environmental research
 - Mapping of Lake Peipsi point pollution sources (GIS map)
 - Partner of the Estonian-Russian Joint Transoboundary Water Commission
 - International children's competition "The world of Water Through the Eyes of Children"
- Civil society and NGO development. Project on:
 - Tartu and Jõgeva County NGO Support Center
 - Tartu Volunteer Center
 - Managing the regional NGO database

Peipsi CTC Offices

In Tartu, Estonia:
Veski 69, Tartu 50409
Tel/Faks: +372 7 421 001
E-mail: tartu@ctc.ee

In Pskov, Russia
Naberezhnaya reki Velikoi 6, of. 30
Tel/Faks: + 7 8112 720 688
E-mail: pskov@lake-peipus.net

The Estonian Foreign Policy Institute

The Estonian Foreign Policy Institute, *Eesti Välispoliitika Instituut* (EVI), is an independent, non-profit, partly publicly supported think-tank. EVI's mission is to produce analytical information on international relations required in foreign policy decision-making and to assist in the formation of a critical and well-informed public on international relations issues. It seeks to promote a deeper understanding of international affairs and of Estonia's role in a changing world. To this end, EVI co-operates closely with government bodies, universities, and other research institutes in Estonia and abroad.

EVI was established in 2000 on the initiative of Foreign Minister Toomas Hendrik Ilves, the Chairman of EVI's Supervisory Board, which also includes ex officio the Minister of Defense and the Chairmen of the Parliamentary Committees for Foreign Affairs, Defence, and European Affairs. EVI's day-to-day activities are managed by its Director, Dr Andres Kasekamp, Associate Professor of Political Science at the University of Tartu.

Three broad areas form the focal point for the research interests of EVI in addition to Estonian foreign and security policy:

- Regional security
- European Union integration and enlargement
- Developments in Russia

EVI staff arranges public lectures, organises seminars and conferences and actively maintains and participates in international research networks. As a key priority is to encourage informed debate on external relations and regional security issues and to raise the level of public awareness of international affairs, the staff of EVI contribute articles and commentary for national media channels, newspapers, radio and television.