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FOREIGN NEWS

President Ilves: The Key to the Success of Baltic Cooperation is Hidden in the Word "Coordination"

Oct 30 - **President Toomas Hendrik Ilves participated in a meeting in Riga his Baltic colleagues Valdis Zatlers and Valdas Adamkus.**

The Baltic presidents discussed the period following accession to the Schengen visa zone, problems of energy security, transportation routes that pass through the three countries, and the European Neighbourhood Policy.

"I am delighted that the long preparations for the enlargement of the Schengen visa zone have been successfully completed and the result provides our citizens with even freer movement," said President Ilves. "Keeping the future in mind, we think it is necessary to continue close and professional cooperation between neighbouring countries, for instance in the fields of information exchange and training."

Speaking about the Conventional Forces in Europe Treaty, the Estonian President said that Estonia is ready to commence negotiations for acceding to the treaty when this becomes possible—that is when the altered CFE Treaty has been ratified by all the parties and has come into force.

In respect to the Ignalina nuclear power station, the Estonian Head of State said that clarity is necessary regarding the subsequent course of the process.

"Estonia feels it is essential that a shareholders' agreement be signed between the energy companies of four countries—the Baltic countries and Poland—and a project company founded as soon as possible," said President Ilves. "Three points are important—the significant decisions related to the project, for instance the choice of the reactor, must be based on consensus between the partners; the partners must have a complete overview of the developments related to the project; and Poland's participation in the nuclear power station must be accompanied by the construction of a Lithuanian-Polish electricity connection."

Presidents Ilves, Zatlers and Adamkus also spoke about cooperation among the Baltic countries. "Baltic cooperation—this outwardly nice expression—requires explicit content," said the Estonian Head of State. "We are sure that the key to the success of our cooperation is hidden in the word "coordination."

According to President Ilves, coordinated activity means smooth, frank, and friendly cooperation in order to solve problems of common interest between the national governments, parliaments, and local governments in border areas.

"Are we mutually good neighbors and allies? Of course. Are we also competitors? Of course," said the Estonian Head of State. "This is natural and we need not fear the fact that we may have differing opinions regarding some issues. However, our opinions are similar regarding many issues and coincide totally in even more cases—let's make the most of these opportunities." According to President Ilves, the great advantage in mutual relationships between the Baltic countries is that we know our partners very well. "For instance, we don't put each others flags on the table upside down, because we know and understand each other too well to make such mistakes, and this mutual knowledge and understanding must be turned into mutual success through coordinated activity."

QUOTATION OF THE WEEK

"The future of Afghanistan will affect developments not only in the neighbouring countries, but also the security situation in Europe and North America"

**Jaak Aaviksoo,
Minister of Defence**

FOREIGN NEWS

Policy of Small Steps Must Be Implemented in Estonia-Russia Relations

Oct 30 - **Estonian Foreign Minister Urmas Paet, returning from his official visit to Azerbaijan, made a stop in Moscow to meet with Russian Deputy Foreign Minister Vladimir Titov.**

At the meeting, present opportunities for advancing Estonia-Russia relations were discussed.

According to Foreign Minister Paet, an effort must be made to gradually re-establish the trust and normal relations that are appropriate between neighbouring nations. "We need to take practical steps; for example, preparing agreements that serve the interests of the citizens of both countries," said Paet.

Estonia would like to sign co-operation agreements as soon as possible that deal with the fight against pollution in the Baltic Sea, mutual assistance in case of disasters, and common sea and air search and rescue.

"These agreements are necessary for the preservation of the sensitive Baltic Sea region as well as for taking the quickest possible action in the case of an emergency," Paet noted.

Both sides are content with the retirement insurance agreement that went into effect between Estonia and Russia. They also agreed that work on a new agreement must begin, since the recently signed agreement will be valid for just four years.

FOREIGN MINISTER URMAS PAET IN AZERBAIJAN



Foreign Minister Urmars Paet and his Azerbaijani colleague Elmar Mammadyarov in Baku, 29 October.

Paet: Common Energy Policy will Increase Confidence

Oct 29 – During his Official visit to Azerbaijan, Estonian Foreign Minister Urmars Paet met with Azerbaijani President Ilham Aliyev, Foreign Minister Elmar Mammadyarov, and Minister of Economic Affairs Heydar Babayev.

In the meeting with President Aliyev, energy-related matters were the main topic of discussion. Both sides agreed that it would be useful for the European Union as well as Azerbaijan if the EU had a unified approach to energy issues. According to Foreign Minister Paet, a unified energy policy would increase confidence. "If there is a responsible provider on one side and a responsible consumer on the other, it significantly decreases unexpected occurrences," said Paet.

President Aliyev gave an overview of Azerbaijani energy sources' production output and supplying capabilities. The situation in the Caspian Sea region was also discussed.

In the meeting with Foreign Minister Elmar Mammadyarov, the two ministers discussed co-operation opportunities in mediating Estonia's reform experience, and also opportunities in the international sphere. According to the Azerbaijani foreign minister, there are plans to create a group of GUAM's friends, with the goal of supporting the members of the organization. Foreign Minister Paet believes this form of co-operation could prove very successful. "The work of the Georgia friendship group, which has a similar goal, is off to a promising start," he said.

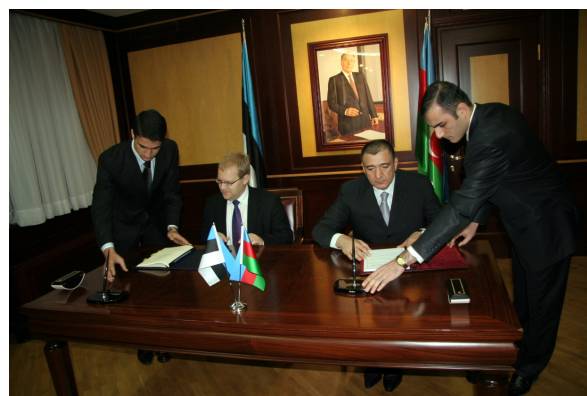
Bilateral relations were also discussed, particularly building up a legal framework between Estonia and Azerbaijan. Both sides were pleased that the agreement for the avoidance of double taxation would be signed during Paet's visit. In order to intensify economic relations, agreements must also be signed for protection of investments, international road transport, and co-operation in the field of railway transport,.

In the meeting with Minister of Economic Affairs Heydar Babayev, which was also attended by representatives of Estonia's business delegation, possibilities for intensifying ties between business communities were discussed.

Azerbaijan Interested in Estonian Investments

Oct 30 – On the second day of his visit to Azerbaijan, Estonian Foreign Minister Urmars Paet met with Minister of Taxes Fazil Mammadov, Minister of Industry and Energy Natig Aliyev, and Deputy Speaker of the Parliament Bahar Muradova.

Foreign Minister Paet and Azerbaijani Minister of Taxes Mammadov signed an agreement for the avoidance of double taxation between Estonia and Azerbaijan. "In order for economic relations to evolve, a proper legal framework is needed, which gives entrepreneurs the assurance that their activities are supported by sound regulations," said Paet. "We hope that this agreement helps to increase the trust of business networks," the Estonian foreign minister added.



Estonian Foreign Minister Urmars Paet and the Minister of Taxes of Azerbaijan, Fazil Mammadov signing the agreement for the avoidance of double taxation in Baku, 30 October.

In the meeting with Minister of Industry and Energy Natig Aliyev, it was recognized that Azerbaijan could be a new market for Estonian products. Aliyev highlighted Estonia's experiences in information technology, transit and the chemical industry, and confirmed that Azerbaijan is interested in Estonian investments. They also discussed energy-related matters. Both sides agreed that Azerbaijan has great potential and good opportunities to provide energy sources to Europe. They also discussed the Odessa-Brody-Plock-Gdansk oil pipeline project, as well as the outcome of the Vilnius Energy Security Conference. The Estonian business delegation also participated in the meeting.

Opportunities for intensifying co-operation between parliaments were discussed with Deputy Speaker of the Azerbaijani Parliament Bahar Muradova. They also talked about more extensive co-operation between Azerbaijan and the European Union. "Estonia is prepared to offer advice and share its own reform experiences," Foreign Minister Paet confirmed. The chairman of the Riigikogu's Estonia-Azerbaijan parliamentary group Eldar Efendijev also took part in the meeting.

FOREIGN NEWS

EU Approves Final Schengen Evaluation Reports on Estonia

Oct 26 - The European Council approved the final evaluation reports on the Estonian air border and Schengen Information System prior to the Baltic state's accession to the bloc's borderless zone.

The report on the September inspection of the Schengen Information System highlights positively both the infrastructure of the Estonian information systems and the overall readiness for the use of SIS.

According to the ministry's Schengen coordinator Piret Lilleväli, new member states of the EU had to work in a very tense timetable to join the Schengen Information System because its second generation was delayed and preparations for accession to the modified old system had to be completed within a very short time this year.

A follow-up evaluation of the Tallinn airport was carried out in September. Although the airport's new infrastructure is not yet ready, a solution to meeting the Schengen requirements in the old terminal had been found and experts gave a positive assessment of it.

"Upon completion of the new terminal Estonia is obligated to inform its Schengen partners about it and the correspondence of the new terminal to Schengen requirements will also be evaluated," Lilleväli said.

Estonia has by now passed all the evaluations necessary for joining the Schengen zone and implemented most of the recommendations made in evaluation reports. The council of EU justice and interior ministers is expected to give the green light to Estonia's and eight more countries' entry into the common visa and legal zone at the Nov. 8-9 meeting.

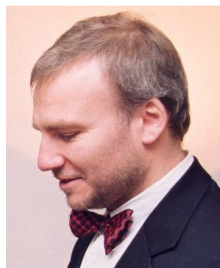
Estonian Ambassador to Mexico Presents Credentials

Oct 24 - The Estonian Ambassador to the United Mexican States Väino Reinart presented his credentials to Mexican President Felipe de Jesús Calderón Hinojosa on.

In the discussion that followed the ceremony, the status of bilateral relations was discussed, including opportunities for co-operation in international organizations and relations between the European Union and Mexico.

President Calderón and Ambassador Reinart acknowledged the fact that relations between Estonian and Mexico have been very good throughout their 70-year history. President Calderón emphasized Estonia's success in carrying out reforms. Reinart thanked Mexico for its strong support when the UN adopted the Declaration on the Rights of Indigenous Peoples, which was very important to Estonia.

For the last few years, Estonia has actively participated in the EU's political dialogue with the regional organisations of Central American and Caribbean Sea nations (Rio Group), and wishes to



Väino Reinart

make the most of all the opportunities provided by the Economic Partnership, Political Coordination and Cooperation Agreement between the EU and Mexico.

Ambassador Väino Reinart was born on 28 December 1962 in Kuressaare. He graduated from the Tallinn University of Technology's faculty of automation, was a physics graduate student in the Estonian Academy of Sciences' Institute of Chemical Physics and Biophysics, and completed the arms control and security policy programme at the Graduate Institute of International Studies in Geneva. He began working for the Estonian Ministry of Foreign Affairs in 1992. In 1994, he led the Estonian delegation in negotiations with Russia, and in 1995 he was the director of the Ministry's political department. From 1995 -1999, he was the Permanent Representative of Estonia in the Organization for Security and Co-operation in Europe (OSCE), and from 1999-2001 he was the director general of the Ministry's political department. From 2001-2002, Reinart was working as the Undersecretary of Political and Press Affairs. Prior to assuming his position in Washington, Reinart was the Estonian ambassador to the EU.

Ambassador Väino Reinart resides in Washington, D.C.

President Ilves Received the Credentials of the Ambassador of Azerbaijan

Oct 25 - President Toomas Hendrik Ilves received Tofiq N. Zulfugarov, the Ambassador of Azerbaijan, who presented his credentials.

"Estonia welcomes the appointment of an Azerbaijani Ambassador, because we are interested in closer cooperation with your country," said President Ilves. "Our relations to date have not been very close, although both countries wish to develop mutual economic and political ties, and this is also confirmed by the official visit of Foreign Minister Urmas Paet to Baku with a business delegation."

At the meeting following the presentation of credentials, the Estonian Head of State and Ambassador Zulfugarov discussed European Union and NATO cooperation with Azerbaijan, energy-related developments in the Caspian region, and the situation in Transcaucasia.

"Frozen conflicts are a danger to the security and stability of any region," said President Ilves. "Estonia supports the peaceful and constructive resolution of the Nagorno-Karabakh conflict and the endeavors of the OSCE and other international organizations to help regulate the conflict."

The President of the Republic confirmed that Estonia is ready to provide help to Azerbaijan and to share its reform experiences in the form of seminars and training, as well as to organize consultations regarding legislative harmonization, banking, privatization, and other fields of activity, based on the needs of the partner country.

Estonia's President Received the Credentials of the Ambassador of Moldova

Oct 25 - President Toomas Hendrik Ilves received Eduard Melnic, the Ambassador of the Republic of Moldova, who presented his credentials.

The Estonian Head of State said that open, frank, and trusting relations between Moldova and the European Union member states are necessary.

"Currently, these relations depend primarily on developments in Moldova," said President Ilves. "I advise you to use all the existing opportunities to converge with the European Union; of significant importance is the substantive implementation of the Neighbourhood Policy Action Plan and the understanding that the European Union integration course of Moldova's leadership must be clearly defined by an appropriate reform package."

The Estonian Head of State confirmed that the Transnistria problem requires resolution; this is the common position of the European Union and all of Moldova's friends.

"Preserving the status quo of frozen conflicts "freezes" these conflicts further," said President Ilves. "The resolution of the Transnistria question requires patience, a sense of calm, and forward thinking on the part of all the parties, as well as the other participants involved in the negotiations."

The Estonian Head of State and Ambassador Melnic also discussed Estonian-Moldovan cooperation, stressing the unused opportunities in international economic relations.

"Moldova is one of the priority countries in Estonia's European Union Neighbourhood Policy and bilateral developmental cooperation," affirmed President Ilves. "We support your reforms and we are sharing our experiences—for instance, Estonia is continuing projects in Moldova in the field of environmental and IT education and we are planning projects for your media and tax advisors."

DEFENCE NEWS

Estonian Defence Minister Reaffirmed Estonia's Support for Reforms in Georgia

Oct 29 - **The Estonian Minister of Defence, Jaak Aaviksoo paid a two-day visit to Georgia.**

Defence Minister Jaak Aaviksoo met with his Georgian counterpart David Kezerashvili, Foreign Minister Gela Bezhuashvili, chairman of the parliamentary Defence and Security Committee Givi Targamadze and rector of the University of Tbilisi Giorgi Khubua.

Topics under discussion were the present state of bilateral defence cooperation and plans for the future. Among other subjects the security situation and cyber security were also discussed.

The Estonian Ministry of Defence has also decided to participate in a co-operation project of NATO and PFP countries aimed at supporting Georgia in destroying out-dated and dangerous unguided missiles and rockets. "If such weapons were to end up in the wrong hands, they could cause much harm in NATO's area of operations," Defence Minister Aaviksoo said.

Georgia is the most important country receiving defence assistance from Estonia. Estonia has supported reforms in Georgia, offering first and foremost expert assistance. In 2006 Estonia donated an infantry training simulator to Georgia. A number of officials from the Georgian Ministry of Defence have attended training courses in Estonia.

NATO Defence Ministers Promise to Step up Contribution in Afghanistan

Oct 25 - **Meeting in Noordwijk, the Netherlands, NATO defence ministers confirmed the significant role of the Afghanistan operation and promised to ensure the availability of**

troops and equipment for success of the mission.

The ministers found that expanding the role of NATO in the training and supply of Afghanistan's national army and police was of key importance.

Several member countries' ministers promised to increase their contributions in southern Afghanistan, where the security situation is the most complicated.

"I dare cautiously consider the meeting to be successful. The fact that nine countries indicated their readiness to increase their contributions in Afghanistan confirmed the growing political consensus among NATO member countries that the Afghanistan mission is of the highest priority," Defence Minister Jaak Aaviksoo said.

In the minister's opinion it must be taken into consideration that a mission to Afghanistan would be long one.

"We can say without exaggeration that the future of Afghanistan will affect developments not only in the neighbouring countries, including Pakistan and Iraq, as well as in Central Asia and Middle East in wider terms, but also the security situation in Europe and North America," Aaviksoo said.

NATO defence ministers also discussed preparations for the NATO summit in Bucharest next April. Several ministers underlined in this context the need to jointly fight against cyber threats, one of the main challenges of the 21st century.

For the next defence ministers' meeting in February the ministers decided to work out a joint NATO cyber defence policy that would define the role of the alliance and member countries in the fight against cyber threats.

Aaviksoo welcomed the heightened attention of the alliance towards the cyber defence issue and underlined that the NATO cyber defence competence centre to be set up in Estonia would be the best place to work out joint cyber defence measures.

As of today Germany, the United States and Italy have decided to give their contributions to the centre. Talks for the participation of other member countries are in progress.

DOMESTIC NEWS

President Ilves Met With the Riigikogu European Union Affairs Committee

Oct 24 - **The traditional meeting between the members of the Riigikogu European Union Affairs Committee (EUAC) and the President of the Republic took place on 24th October.**

The discussion included the government's framework document for EU policy in 2007-2011, the accession to the Schengen zone, and opportunities to better involve Estonia in the European IT market.

Marko Mihkelson, the chairman of the EUAC, provided an overview of the government's framework document for EU policy in the Riigikogu, led by the EU Affairs Committee. This is the second governmental plan of its kind, whereas the involvement of non-governmental organizations is also becoming good practice. After its approval by the Government of the Republic, the policy document will be discussed once more by the EU Affairs Committee.

The discussion on the enlargement of the Schengen zone focused on its possible impact on Estonia. Discussing Estonia's IT developments,

President Ilves found that, at the European Union level, service providers should understand that the restrictions on IT-commerce that exist within the Community in the trading environment of many IT-commerce companies are no longer fitting after the enlargement of the European Union.

ECONOMIC NEWS

Currency rates in kroons

http://www.bankofestonia.info/dynamic/erp/erp_en.jsp

(Bank of Estonia)

Jordan Wants Estonian Advice on Oil Shale Electricity

Oct 29 - **The Eesti Energia (Estonian Energy) power utility will start researching opportunities of the production of electricity from oil shale at Jordan's commission.**

Eesti Energia is currently carrying out studies in Jordan in order to find out opportunities for the generation of oil from that country's oil shale reserves.

Eesti Energia board chairman Sandor Liive said that the Jordanian side was expecting Estonia's assessment on the preliminary conditions of the construction of an oil-shale fuelled electric power plant in Jordan and what the timetable for the gearing of electricity generation would be.

Liive said it should become clear in the next half year whether there was any sense in going ahead with preparations for the electricity generation project. The Jordanian side is offering Eesti Energia an exclusive contract for the development of the project. Jordan is offering concrete oil shale reserves on the basis of which it would be possible to draw up an electricity generation project, Liive said.

Liive said that the Jordanian offer was worth consideration, but the role of Eesti Energia could only be drawing up the project or heading the project in the development phase. If an investment decision for the construction of a power plant is made, investors and banks must be brought in, Liive said.

Since the end of last year, suitability of oil shale reserves of the El Lajjun and Attarat oil shale basins for liquid fuels has been studied on the initiative of Oil Shale Energy of Jordan, a company in which Eesti Energia has the majority holding.

In the first half of next year, Eesti Energia is hoping to come to a conclusion that would make it possible to decide whether there is reason for Eesti Energia to continue operations in Jordan.

Olympic to Buy Latvian Casino Operator for EUR 40 Million

Oct 26 - **Olympic Casino Latvia SIA, a subsidiary of Olympic Entertainment Group (OEG) has concluded a preliminary contract for the acquisition of 100 percent of the shares of AS Admiralu Klubs for 40 million euros (625.9 million Estonian kroons).**

Admiralu Klubs is a public limited company, it has one table casino and 59 slot halls, 40 of which are situated in Riga. In 2006 sales by Admiralu Klubs amounted to 19.2 million euros and profit to 3.5 million euros.

Today OEG operates more than 4,000 slot machines in Latvia. After the closing of the transaction approximately 2,200 slots will be accrued. As a result, a substantial increase is expected in OEG's sales and market share in Latvia.

Estonian Railway to Launch Regular Freight Shipments to Kazakhstan

Oct 29 - **Eesti Raudtee (Estonian Railway) will dispatch its first container train to Kazakhstan, by which the rail company will launch regular freight shipments to that country.**

Rene Varek, board member and marketing director of Eesti Raudtee, said the train to be dispatched today was the first container train assembled by Eesti Raudtee.

Five years ago trains to Kazakhstan were jointly composed in cooperation with the other Baltic countries, Eesti Raudtee said.

The 44 containers loaded onto the train contain foodstuffs and cars.

September Retail Sales in Estonia up 12 Percent on Year

Oct 30 - **Retail sales in Estonia totalled 4.4 billion kroons (EUR 281.15 mln) in September, an increase of 12 percent in constant prices over September 2006, the Statistical Office reports.**

Like before, the increase was sharpest in stores selling manufactured goods (16 percent). In grocery stores sales increased by 7 percent year-on-year. Due to their large proportion, grocery stores accounted for 40 percent of the total increase in sales by retail trade enterprises.

Continued fast growth in sales was recorded in other specialized stores as well -- 34 percent. The increase can partly be attributed to the beginning of the new school year which boosted sales of school supplies, telephones, computers and their accessories.

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