



# ESTONIAN EU COUNCIL PRESIDENCY

GREAT EXPECTATIONS

JUNE 2017

Estonia will take over the role of Presidency of the Council of the EU from Malta on 1 July 2017, their first since joining the EU alongside their Baltic neighbours in 2004. Their presidency's slogan - "Unity through Balance" - shows Estonia intends to fully embrace its role to find agreement among very diverse national interests. As a relatively new Member State that understands the concerns of central and eastern European countries - particularly in terms of loss of competitiveness - and one that has successfully reformed its own economy, Estonia is well-placed to help overcoming the difficult issues facing Europe.

This snapshot explores what we can expect as the tiny Baltic nation prepares to step into the limelight; and what the next presidency, Bulgaria, can expect to inherit.

*Arne Koepfel is Head of Research, Stephen Pearson is Senior Director and Stephen Jackson is Director at FTI Consulting in Brussels*

## A special country ...

Having experienced occupation throughout its history - by Russia, Germany, Sweden and Denmark - Estonia gets the opportunity to project itself on the big stage in its own right.

Having emerged as a newly-independent state in 1991 from the stifling restrictions imposed during 70 years of Soviet rule, Estonia has made giant strides in the intervening years and is now recognised for its liberal values, highly educated populace, media pluralism, vivid start-up scene and, yes, digital

proWess.

Estonia's first presidency could hardly have got off to a more auspicious start; almost immediately following the UK referendum result, the UK announced its formal withdrawal from the presidency, meaning Estonia's turn was brought forward by six months. For many countries, this would have been the cause for alarm. Not so, one suspects, for the Estonians.

Preparations for the presidency have been under way for a while; as far back as 2014, Estonian officials were meeting with European Commission (EC) officials to get a feel for the EU institutional landscape and the officials they would be likely to deal with.

The numbers at least seem impressive: The Estonian administration has planned more than 1,700 working meetings, prepared 265 events, hired 318 people and prepared more than 500 dossiers.

It helps, of course, that on the political scene, Estonia is well connected. The most obvious and high-profile example is, of course, Andrus Ansip – Vice-President of the EC and co-responsible for the digital portfolio. In the European Parliament (EP), Kaja Kallas (of the liberal ALDE bloc) enjoys a high-profile due to her interest in telecoms and Internet of Things. And in Council, Luukas Ilves is a familiar figure on digital matters, having also previously served in the cabinet of previous digital Commissioner Neelie Kroes.

If anything, the smart money is on them to shine, demonstrating an organisational prowess and efficiency to ensure movement on key dossiers.

---

“The slogan *Unity through Balance* sums up the most important task for the Estonian Presidency: to maintain Europe’s unity and to ensure that nobody feels rejected or left out.”

”

---

Estonia’s small size could even be conducive. The hierarchies are flat and most of the decision making will take place in Brussels, which avoids the sometimes burdensome involvement of the capitols. The Estonians intend to live up to their “Unity through Balance” slogan to reach agreement on various topics involving a diverse range of national interests.

## ...at a special time

The Estonian Presidency comes at a particular time. After years of worsening crises and increased Euroscepticism, a new optimism is spreading. Elections in the Netherlands and France have demonstrated the EU has a future and that the values it stands for are seen as worth protecting in the face of a US Presidency that seems to reject exactly those values.

Also the economy is improving and most countries show encouraging growth figures that may allow Member states

to look to the future and consider reforms to the EU with optimism. The EC has launched a debate on the future of Europe, addressing core questions of European identity such as globalisation and security. Estonia is expected to ensure this overdue debate permeates into Member States.

However, most of all, the presidency will have to deal with an immediate deluge of legislative dossiers. It is the midway point of the Juncker Commission and most proposals have entered the legislative process. The EC is keen for progress on these before the end of its term in 2019 which puts pressure on the presidency to advance quickly.

## The priorities

As usual the priorities follow the working plan of the EC. In the case of Estonia the country’s characteristics seem to be particularly well aligned with the Commission’s plans.

### Open innovative European Economy

The open and innovative economy priority addresses single market legislation. The aim is to create a simple environment that enables job creation and companies to grow and operate without unnecessary barriers. The European services e-card, the issue of regulated professions and reform of EU company law will be the flagship files in this area. The services e-card - which would enable services providers to offer their services cross border - could be a challenging endeavour. The failure of the 2004 Services Directive illustrated the strong opposition against the liberalisation of services.

Estonia is proud of its paperless administration and for having the most efficient online tax declaration globally. With its strong focus on the digital economy it is expected that Estonia will prioritise efforts to finalise negotiations on the E-Commerce VAT proposal by the end of the year. Another pressing deadline for the Council is the promise to finalise the EU blacklist of tax havens by the end of 2017. In addition the Estonian presidency will need to advance negotiations on the Common Consolidated Corporate Tax Base (C(C)CTB) proposals as well as the public Country-by-Country rules and the new proposal on transparency for tax intermediaries (which is expected to be published by the EC imminently). These proposals will be challenging for the presidency as Member States are keen on keeping their independence in tax matters.

In the energy field, a large number of legislative pieces have entered the negotiation phase. In late 2016 the EC published its Clean Energy Package that includes eight complex and controversial proposals such as the revised

Renewables Directive, the Energy Efficiency and Energy Performance in Buildings Directive and the new Electricity Market Design. The package is part of the Energy Union, one of the EC's flagship projects and the EC is pushing strongly to conclude them before the end of Juncker's term. Member States and the EP have signalled that the timeframe is unrealistic but political agreement in Council is expected by the end of this year which would allow for negotiations to start with the EP in early 2018. For Estonia this area is of high importance as the country aims to disconnect itself from dependence on Russian energy.

### **Safe and secure Europe**

Not only has Trump failed to defend the NATO common-defence principle (Article 5), his administration has also urged EU member states to step up defence spending, to be less reliant on the US for their security. This shifting geopolitical landscape has prompted the EU to adopt measures in the fields of internal security and recently in defence. The Estonian presidency has set 4 priorities during its mandate to make Europe safer and more secure.

The first priority is to contribute to the implementation of the Security Union Package designed to strengthen the fight against terrorism and organised crime, strengthen internal security as well as the protection of the EU's external borders. Estonia is expected to pass legislation on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing. In addition, Estonia will also work on strengthening Europe's external borders via legislation enabling law enforcement authorities to cooperate and exchange information through the European Criminal Records Information Systems (ECRIS) as well as the development of common EU databases including the European Entry/Exit system (EES) for registering border crossings and the European Travel Information and Authorisation System (ETIAS).

In parallel, Estonia will support further measures to enhance the Union's external security by tackling the migration crisis through the reform of the Common European Asylum System (CEAS). Indeed, during the Estonian presidency, the EU will work on the revision of the EURODAC regulation which allow for law enforcement authorities to access the EU's database of the fingerprints of asylum seekers in order to prevent, detect or investigate the most serious crimes such as murder and terrorism.

As a Baltic state with a large Russian minority and a physical border with Russia, Estonia wishes to use its presidency to draw attention on Russia's suspected growing interference in European affairs via high-profile cyberattacks, fake news campaigns and covert military

action in Ukraine. Estonia will put much emphasis on cyber defence; during their presidency, several Council formations will examine strategic questions around cyber security and begin discussions on the mandate of the EU Agency for Network and Information Security (ENISA) and measures on cyber security standards, certification and labelling.

In parallel, the Estonian presidency will work towards containing Russia's influence in the east by taking measures to enhance economic and political relations with Eastern Partnership countries such as Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

The shifting geopolitical landscape along with the Brexit vote has prompted the EU to adopt legislative measures designed to strengthen the EU's Common Security and Defence Policy (CSDP). Estonia will work on the implementation of the EU's Global Strategy – and more concretely on the implementation of the European Defence Action Plan, which encapsulates the European Defence Fund to be established with a budget of €5.5 billion per year set to boost Europe's defence capabilities, and the review of two directives aimed at strengthening the European defence market.

### **Digital Europe and free movement of data**

Given their penchant for matters digital, expectations on the Estonians to achieve progress on the multiple legislative pieces are inevitably high. And the Estonians themselves seem keen to live up to these expectations - their six month presidency will play host to multiple digital-themed events and working parties.

Their work programme places great emphasis on establishing a digital united Europe, underpinned by the free movement of data; this will be a welcome fillip for Commissioner Ansip, an unabashed free movement of data enthusiast, whose ambitions in this regard have been foiled by President Juncker.

The work programme also stated its intention to make progress on legislative files related to connectivity, the data economy, trust and security in cyberspace and e-government.

On The European Electronic Communications Code - the hugely ambitious attempt to revolutionise the EU's telecom sector - the Estonians are aiming to reach a general approach. One wishes them well – splits in Council, particularly on spectrum allocation and whether Over-The-Top players should fall under the scope of the Code, have dragged on interminably, seemingly without resolution.

On other matters – negotiations on parcel delivery ought to reach a conclusion, and major progress is hoped for on the ePrivacy regulation – the latter being the cause of growing resistance among the business community, already overawed by the soon-to-be-implemented general data protection regulation, which, they say, covers the same ground.

The Estonians will also inherit some files best described as ‘problematic’ – namely the Copyright Directive which is as emotive as ever. Huge divisions have emerged regarding proposals to address the ‘value gap’ and introduce a ‘link tax’.

Similarly on the Audio Visual Media Services Directive (AVMSD), many Member States made clear their displeasure at the way negotiations have gone so far on many issues including quotas, levies and jurisdiction; deft handling will be required during the forthcoming trilogue involving the EP, EC and Member States to avoid a collapse.

The first annual review of the EU-U.S. Privacy Shield - governing data flows between the EU and US – will take place on the Estonian presidency’s watch (week commencing 18 September). While negotiations are led by the EC and the Article 29 Working Party, the Estonians will play a role in coordinating Member States’ positioning.

Failure to move on some of these trickier dossiers would represent a massive missed opportunity in the digital sphere. However, it seems that in contrast to many of their predecessors, the Estonians are actually prepared to walk the talk on matters digital.

### **Inclusive and sustainable Europe**

Estonia wants to modernise rules to promote labour mobility and ensure equal opportunities in the labour market and social inclusion. Specific measures to achieve this concern equal treatment of seconded employees and the use of technology to help people with disability to profit from products and services.

In the area of sustainability the Estonian EU Presidency will focus on climate change, the circular economy and eco innovation. On climate change the negotiation with the EP on the Emission Trading System (ETS) will bind much energy throughout the second half of 2017. A mandate to

start negotiations on the Effort Sharing Decision for sectors outside the ETS is expected to be agreed in October at the latest. The presidency also believes that it can finalise the ETS in aviation by the end of the year.

The waste package with four proposals including the Waste Framework Directive will be one of the most challenging dossiers. The trilogue started in May but positions of Member States and the EP are at times very far apart. The presidency expects these negotiations to require a large number of technical meetings.

The area of eco-innovation is very broad and the presidency will focus on barriers to entry and measures to facilitate recycling, in particular information on product content. The idea is that this information will enable new business models to emerge that are based on end of life products. This issue will be discussed at the informal Council and be part of the Council Conclusions expected in December. The forthcoming Bulgarian and Austrian Council Presidencies will continue to focus on other aspects of eco-innovation.

## **What about Brexit?**

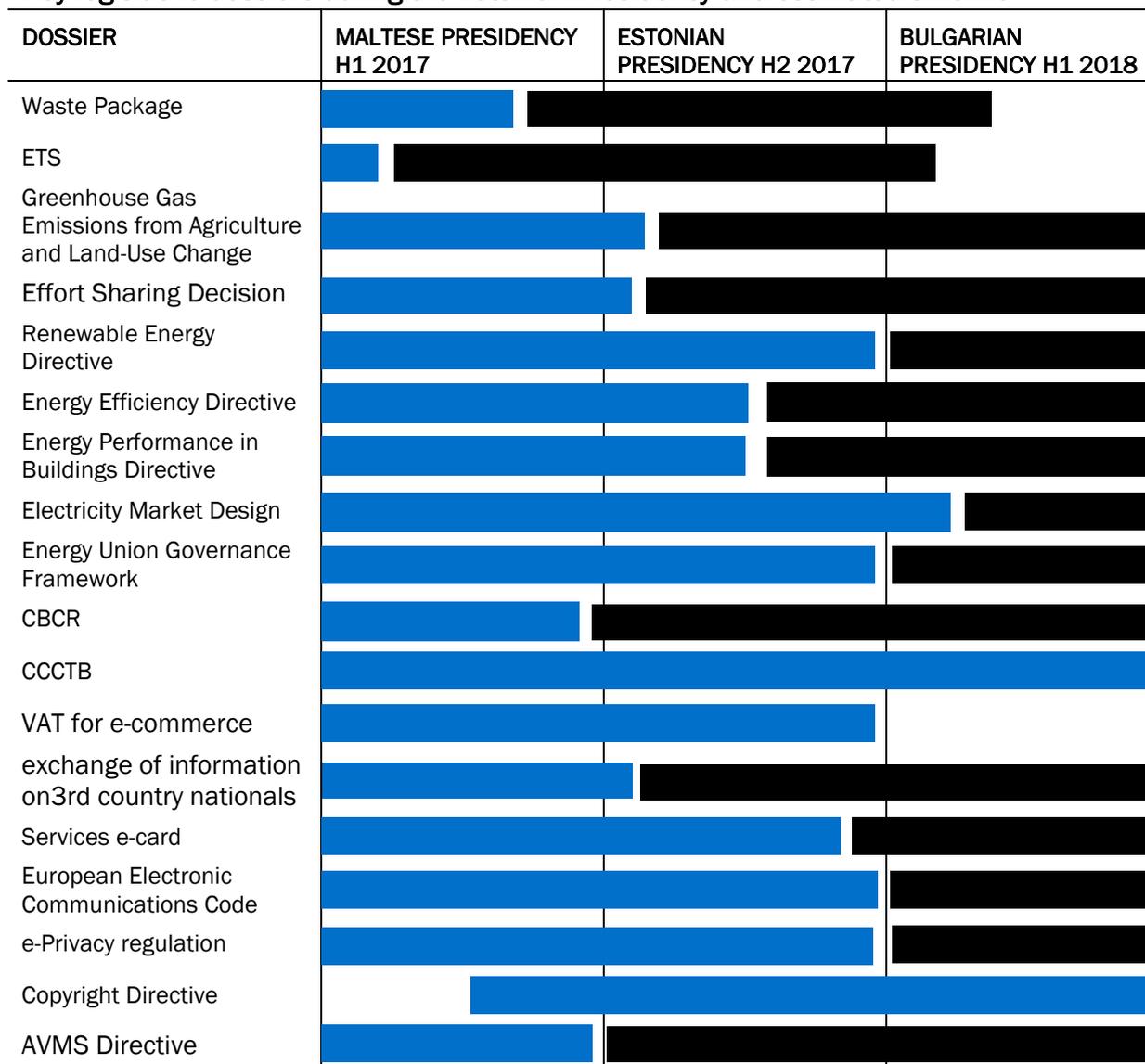
The EU Council Presidency has only a liaison role in the Brexit negotiations which will mainly be left to the EC and the Council Brexit team around Donald Tusk. However, Brexit will be very high in the background and might impact other negotiations indirectly, in particular if the talks turn hostile. In addition the role of the UK in the different working groups could at times be awkward as the UK will be considered to not have a real stake in the issues.

## **Conclusions**

Political stakeholders and observers are confident that the Estonian EU Presidency will be a successful one. If anything expectations might be too high and even the best prepared and resourceful country will be stretched to its limits in view of the many pieces of legislation it has to deal with.

The Estonian presidency will ultimately be deemed a success if it manages to advance a significant number of the legislative proposals, so that the forthcoming Bulgarian presidency will be well placed to finalise them.

## Key legislative dossiers during the Estonian Presidency and estimated timeline



Negotiations in  
Council = █

Trilogue = █

Arne Koepfel  
+32(0)2 289 0939

Stephen Pearson  
+32 (0)2 289 0935

Stephen Jackson  
+32 (0)2 289 0983

Arne.koepfel@fticonsulting.com

Stephen.pearson@fticonsulting.com

Stephen.jackson@fticonsulting.com



### About FTI Consulting

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. Individually, each practice is a leader in its specific field, staffed with experts recognised for the depth of their knowledge and a track record of making an impact. Collectively, FTI Consulting offers a comprehensive suite of services designed to assist clients across the business cycle – from proactive risk management to the ability to respond rapidly to unexpected events and dynamic environments. The views expressed herein are those of the author(s) and not necessarily the views of FTI Consulting Inc., its management, its subsidiaries, its affiliates, or its other professionals, members or employees.

CRITICAL THINKING  
AT THE CRITICAL TIME™