

RAIDLA LEJINS & NORCOUS

22 YEARS OF INDEPENDENCE:

RETROSPECTIVE vs PERSPECTIVE

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ESTONIAN STORY RETROSPECTIVELY

- Success story – better than expected
- The best statehood among former Eastern block
- The statehood story began 25 years ago – 16.11.1988: War of Laws with Soviet Union
- Vertical take-off after independence
- Membership in EU, NATO and OECD
- Modern e-country
- What else the one should expect from 22 years?

EU STORY RETROSPECTIVELY

- Success story, too
- The longest period of peace in European history is an achievement
- Free movement of goods, services, capital and people - values that are understood only in their absence
- An integrated Europe is the solution, not the problem (S. Kallas)
- One of the smartest decision of Estonian nation – EU membership
- It is in Estonia's national interest to preserve and strengthen the European Union - to be persuaded, one should read the preamble of the Constitution

COLOURS OF THE FUTURE

- Is the future of European Union and Estonia mandatorily rosy in itself?
- No, it should be made rosy by us! And we should start today, not tomorrow
- European Union and the Republic of Estonia need substantial reforms to continue the Success Stories

THE HOUR OF POWER, MISERY AND MERCY – the EUROPEAN UNION RECEIVES THE NOBEL PEACE PRIZE



FACTUAL BACKGROUND (1)

- **1952 - ECSC**

Belgium, the Netherlands, Italy,
Luxembourg, France, and Germany
(6)

The United Kingdom did not join



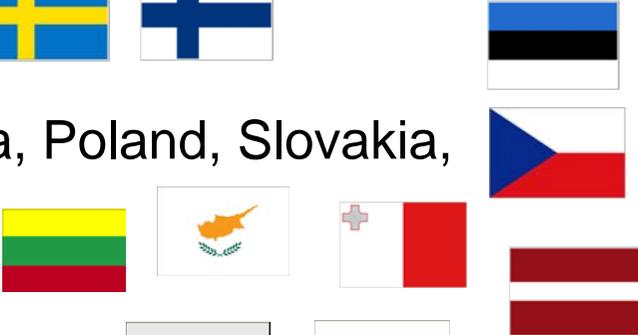
- **1958 - The Treaty of Rome established the EEC or Common Market and Euratom**

- The United Kingdom did not join

- **1993 – The Treaty on European Union - Maastricht**

- European Union's "state-ification" and politicization bring a new quality as well as new challenges

FACTUAL BACKGROUND (2)

- 1973 - The United Kingdom, Ireland and Denmark 
- 1981 – Greece 
- 1986 – Spain and Portugal 
- 1995 - Austria, Finland and Sweden 
- 2004 - Estonia, Cyprus, Lithuania, Latvia, Malta, Poland, Slovakia, Slovenia, Czech Republic and Hungary 
- 2007 – Bulgaria and Romania 
- 2013 - Croatia 

DEADENDS IN EUROPEAN CONFEDERATION (1)

- Lessons form History: confederation in question
 - The American Civil War
 - The Soviet Union after 16.11.1988
 - Switzerland - the only happy exception, however, partly
- The European Parliament and the European Commission in inherent conflict
- Inefficiency and internal inconsistency destroy Confederation - it is just a matter of time



DEADENDS IN EUROPEAN CONFEDERATION (2)

- Multiple and confusing levels and mechanisms of governance
 - The European Council
 - The European Parliament
 - The European Commission
 - Council of Europe
 - The European Summit



DEADENDS IN EUROPEAN CONFEDERATION (3)

- Different membership of union of states, a monetary union, a common border regime and fiscal agreement
- Lack of state identity behind a single currency
- Appearance of statehood – who does B. Obama telephone if he needs to speak with Europe? Herman Van Rompy, Catherine Ashton, Jose Manuel Barroso, or maybe Angela Merkel?
- The “MerKozy” phenomenon lives on without Sarkozy - a model of forgetting the past in the name of the future



JR 03.07.2012 – THE COMING UNITED STATES OF EUROPE



THE COMING FEDERATION OF EUROPE

(1)

- The ostrich parade in three acts and the death of taboos:
 - at the beginning of the decade – the Convention on the future of Europe and first negotiations over drafting a constitution – federation is a sin and speaking of it is like defamation of sanctimony
 - 2004 - the EU federal nature is clearly evident but – the politicians are silent
 - the crisis management - such as ESM and fiscal agreement: the wolf is a wolf, but nobody calls it a wolf, yet
- Speculation about the departure of the United Kingdom: Cameron's speech – the moment of truth may be closer than expected

THE COMING FEDERATION OF EUROPE (2)

- 17 September 2012 - Gaining a common vision Barroso + 11 "private" foreign minister
- Like magic, now the one may speak of many elements of federation calmly and in a measured way, for example:
 - federal banking and supervision
 - monitoring national budgets
 - tax harmonization
 - ESM transformation into EMF
 - EU joint intelligence service – the latest and the freshest idea

THE COMING FEDERATION OF EUROPE (3)

- Beneficial effects of the economic crisis – it gave birth to a discussion of the present and the future of the European Union
- National identity vs cosmopolitan pragmatism
- Birth of the internet and destruction of nostalgia
- The Federation of Europe is born in Luxembourg, not in Brussels. The process started in 1964

THE COMING FEDERATION OF EUROPE (4)

- **30th January 2012** - date of conception of the Federation of Europe
- the United Kingdom (as often) and the Czech Republic start on their own paths
- reminder: the beginning of the end of League of Nations - the UK leaves in 1925
- Economic and monetary union stability, coordination and management agreement – **FISCAL AGREEMENT**
- **3%** (limit on budget deficit) and **60%** (limit on public debt) rule
- NB! Effectiveness: when only **12** countries have ratified it

FISCAL AGREEMENT

- A constitutional requirement to balance the budget is made part of the legal system within one year
- Jurisdiction of the European Court of Justice
 - its decisions are binding
 - a fine of up to 0.1% of GDP
- European Summit, the President of the European Summit - New governance bodies



THE ESTONIAN PATH IN EUROPE

- Choices of playmates and sandboxes are not only for children – Estonia's playground is the European Union, and the trans-Atlantic axis has a secondary meaning
- Estonian national interests demand strengthening of Europe
- Likelihood of European Federation – bigger than ever before
- To make it through the European cross-road, we need to put our house in order ASAP – President Ilves' speech
- **Without reforming how we manage the state, we will leave the preamble of our Constitution unfulfilled – this would be contrary to the spirit of the Constitution**

ONGOING CHALLENGES FOR FUTURE SUCCESS

Taxpayers and needs for state funding are increasingly disproportionate

***Eurostat:
"Over the next 50 years, older people (65 years and older) will increase to 30% of the population"***

Demographic trends do not allow the state to continue to play the game of large counties while tolerating ineffective administration

Rivalry between local and state government – The cost of the game



Mean and envious administration



The high cost of keeping the state becomes unaffordable



SMR – PLEDGE OF THE FUTURE

- Estonian thinkers and the OECD 2011 assessment agree: the Republic of Estonia cannot in the long run continue to support its expensive style of governance
- Sustainability - Estonia is no longer self-sufficient (prof U.Varblane)
- State Management Reform is the only serious and practical way to continue the success story of Estonia. It is unavoidable
- State Management Reform more likely than ever before - the President strongly supported the idea in - 24 February 2013 speech, the Minister of Justice has promised to work jointly, the Estonian Cooperation Assembly is ready to take on this process
- So far, no significant progress in State Management Reform

SMR – PHILOSOPHY AND CULTURE

- Government is not elected for its own purposes, but for the sake of the citizens
- State – SMR engine and role model:
 - terminating legislative alternate activities
 - reducing the number of state officials
 - reducing institutional bodies
- Creation of Prime Minister's institution

SMR - INTEGRATED GOVERNANCE

- **An X-ray of the state**
- Disallowing fragmentation
- Vertical management and horizontal cooperation



ADMINISTRATIVE REFORM

- A 20 year story without results
- A sample menu of tools to re-sett administrative reform ideas:
 - begin by writing out a concept - let's not rush
 - create a commission – not in a hurry
 - speak first about functions and services – we need a political dialogue
 - reform should not be just on lines on the page and writing – engage actors
 - local government autonomy and the Constitution limit what reform can do - talk with experts

MUNICIPALITIES - REALITY

- Today – appr **205** municipalities
- Only appr **1/3** of local government areas have **6,000** inhabitants or more
- The aforementioned **1/3** municipalities have a total population of approximately **970,000** people
- Appr **35** municipalities have less than **1 000** people
- For the smallest municipalities there are about **100** people, the largest municipality is more than **4000!** times larger
- Nearly one million people live in **15%** of the municipalities and the rest are divided between appr **190** municipalities
- The number of municipalities in deficit reached **63%** int **2009**

MUNICIPALITIES - APPEARENCE

- Most municipalities do not function in full
- Tartu University: only municipalities with a population of at least 6000 people (Kiisler`s view – 5000 people) are capable of providing services in full
- The State Auditor 2009: administrative reform can not wait for Judgment Day
- The Legal Chancellor in 2009 and 2011: fundamental rights protection requires new administrative order
- **A new dimension - municipality in appearance is in contradiction with the Constitution**

REFERENDUM or PARLIAMENTARY LAW

- Political solidarity administrative reform ideas not open to discussion
- The people should perform - a referendum
- Political decision to hold a referendum - 3/5 of the membership of Riigikogu
- Amending the Constitution - § 155: to turn counties into municipalities
- Political process for achieving reform - the main issue in the next general elections – too early or too late, remains to be seen

REFORMED CONSTITUTIONS – ESTONIA AND EUROPEAN UNION

- Fear and love of government: evergreen controversy
- 2018 Estonia's EU Presidency: right time to suggest a concept of new Constitution for Federal Europe
- Stretching the possibility of interpreting the Estonian constitution – judgement of the National Court 12.07.2012.
- Amended Estonian Constitution
- European federalism and home maintenance: forming a social proposal and demand that makes it impossible to refuse in the years 2015 – 2030(2)

THANK YOU!



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