

When he was first elected in 1992, Estonian President Lennart Meri made a habit of carrying a Swiss army knife with him at all times while he was in the presidential palace. Whenever he saw a broken light switch or a loose hinge, he stopped what he was doing and immediately set about fixing it.

This take-charge, can-do spirit is characteristic of the Estonian nation as a whole. When Estonia regained its independence from the Soviet Union in 1991, the country's economy was wrecked after almost 50 years of centralized control. But the team of young, reform-minded politicians who came to power along with Meri wasted no time in getting to work. Under the leadership of then Prime Minister Mart Laar, the new government eliminated almost all tariffs, cut agricultural subsidies, began privatizing state-owned enterprises and introduced a flat income tax and a balanced budget amendment—all in the space of a few years. They did their job so well, in fact, that last year Estonia enjoyed a stun-

ning 11.4% growth in GDP and is on the fast track to European Union membership, most likely sometime early in the next century. (Poland, Hungary, the Czech Republic, Slovenia and Cyprus are also slated to join around that time.) But Estonia has come so far so fast, says Laar, now a member of parliament, that the country "could join the E.U. right now and no one would notice the difference."

It is true that the capital, Tallinn, has more the look and feel of a prosperous Nordic town than a former Soviet satellite struggling to catch up with the West. While new office buildings shoot up on the city's fringes, the medieval center remains charming and well-preserved. The winding cobblestone streets are lined with shops and restaurants which attract Estonia's growing middle class: young bankers, executives and entrepreneurs eager to spend some of their new-found wealth.

But Tallinn is perhaps still more the exception than the rule. The suburbs around the city are grim, dominated by

massive Soviet-era apartment blocks. As people in towns like Pildiski, 50 km west of Tallinn and once home to the largest Soviet submarine base on the Baltic Sea, barely have the basics: residents have been without hot water, gas and central heating for the past four years.

Despite poverty black spots like Pildiski, Estonia's inclusion in the first round of E.U. expansion talks is seen as proof of the country's progress. But not everyone thinks E.U. membership is an idea whose time has come. While Estonians are eager to reassert their historical and cultural links with the West, many are wary of quickly replacing the bureaucracy of Moscow with that of Brussels. There is a feeling, says Harri Tiido, editor-in-chief

In the

A person is skateboarding on a paved surface in a city. The skateboarder is wearing dark clothing and is captured in motion. The background shows a grassy area and a paved path. The overall scene is a candid shot of a skateboarder in an urban environment.

Radio in Tallinn, that "We're entering the same soup we just left: the same centralized structure, the same overweening bureaucracy." And after having created one of the most liberal markets in the world, skeptics argue, the last thing the country needs is a raft of E.U.-mandated regulations to stymie free trade. Taking part in an on-line debate about E.U. membership (conducted in Estonian at www.euro.ee), Indrek Kurvet caught this sentiment nicely: "I want to make my own decisions as to the acceptable curvature of a banana." Others fear that the country, with barely 1.5 million inhabitants, will be swallowed up as part of some homogenized E.U. zone. "Estonia might become Europe's backyard," wrote Lauri Naber.

Seven years after regaining independence, Estonia is well on its way to joining the E.U.

By James Geary/Tallinn

Fast Lane

UNITY AT THE SIGN OF THE ADU

A person is wearing a blue hoodie with a graphic on the back. The graphic features a yellow and black design with the text "UNITY AT THE SIGN OF THE ADU" around it. The person is looking towards the right side of the frame.

On with the new: skateboarders fly through downtown Tallinn

"I'm afraid of an increase in people moving into Estonia, leading to the loss of the Estonian language and culture."

Proponents of E.U. membership say they take a more pragmatic view. Estonia has nothing to lose by joining, they counter, and potentially much to gain. "We're not like Norway, a NATO member with oil revenues," says former Minister of Foreign Affairs Toomas Hendrik Ilves. "Since 65% of our trade is with member states, we have to meet E.U. standards anyway. Why not join and try to influence things from the inside?" And once inside, the country would be in a much stronger position in its relationship to Russia. Though E.U. membership involves no common defense commitments, it does provide the "soft security" of being firmly ensconced in one of the West's most exclusive clubs, a fact that is es-

Christopher Morris—Black Star for TIME



Ethnic Russians strongly support E.U. membership

press their creativity and entrepreneurship," he says. "Now young, successful people are doing it."

Allan Martinson, CEO of Microlink, the largest computer manufacturer and Information Technology service provider in the Baltics, is one such young, successful person. Partly thanks to the influence of digitally inclined neighbors like Finland and Sweden, Estonia has developed into the most wired nation to emerge from the former Soviet Union. Computer penetration in the country is the highest in Eastern Europe and, in relative

INNA/WWW.ILLUSTRIOUS.COM FOR TIME



Aivar Partel—NIPA

Once a Soviet submarine base, Pildiski (left) is almost a ghost town; Electronics (right), a boom industry

pecially important to Estonia since Russia has made clear its objections to any Baltic country joining NATO. Ironically, Estonia's ethnic Russians most ardently favor joining the E.U., since one of the criteria for admission is the adoption of measures to extend citizenship to minorities.

But qualifying for membership is not simply a matter of liberalizing citizenship laws. Estonia must also meet the other requirements laid out in the E.U.'s 80,000 pages of rules and regulations, including speeding up property reform to extend private ownership, introducing legislation to monitor financial markets, bolstering efforts to fight organized crime and strengthening environmental regulations. "We don't consider the E.U. a wonderland that will solve all our problems," says Prime Minister Mart Siiman. "Nor do we deny that accession will bring some problems of its own. But there's no alternative." Siiman also argues that the push for E.U. membership will further invigorate the country. "For decades, people were unable to ex-

Erik Johansen—Scan-Foto



Norway's horn of plenty

oil and natural gas, Norway has enjoyed budget surpluses that have insulated it against some of the problems—such as the need to cut social spending—facing other European countries. As an extra fiscal safety net, the government has used its oil wealth to set up the Petroleum Fund, designed to serve as a buffer against external economic shocks and guarantee the solvency of Norway's welfare system. There is a remarkable political consensus that the Petroleum Fund should remain untouched, a kind of national savings account for future generations, and assuming energy prices hold up, the Fund could be worth up to \$83 billion by 2002. But according to Knut Kjaer, director of the Norges Bank Investment Management, the central bank unit that manages the Petroleum Fund, "Norway can't relax." Recent plunges in oil prices are one cause for vigilance. Another is that while oil and gas reserves may last another 40 years, pension costs—not to mention other forms of social spending—are set to almost double as a percentage of GDP by 2020. Though Norwegians have several decades to prepare for the post-petroleum economy, it's timely to wonder: Where will the money—not to mention the jobs—come from when the wells run dry? —By James Geary/Oslo

Can the Norwegian Exception Last?

While Estonia is well on its way to joining the E.U., Norway is quite happy to go it alone. A recent poll found 65% of the population opposed to E.U. membership. With so much of the rest of Europe clamoring to get into the E.U., why is Norway so determined to stay out? In short, because it can afford to. "Through the European Economic Area agreement, we are already part of the E.U. internal market," says Prime Minister Kjell Magne Bondevik. "[Norway has] no special need to join the E.U." As the world's second largest exporter of

terms, Internet usage is even higher than in Italy and France. In addition to teaming up with firms like Microsoft, Sun Microsystems, Compaq and Intel, Martinson has capitalized on this trend by establishing Microlink as a market leader and branching out into the IT services sector. Growth has been so rapid that the company can't find enough skilled people to meet demand. "The IT industry is still in its infancy in Estonia," says Martinson. "And the shortage of people with the necessary computer skills has become serious. We still have a long way to go." With the government pressing for more computer training at universities and technical colleges, the labor market is changing. In the meantime, Microlink will continue recruiting its specialists from as far afield as the U.S. and Asia.

Some seven years after regaining their independence, Estonians are, in the words of Kuku Radio's Tiido, "back where we belong: in Europe." As they enter the common European house the E.U. is trying to create, they will probably have more use for this sort of entrepreneurial flair and computer skills than for President Meri's Swiss army knife. But the E.U. itself has a lot of fixing up to do before the countries of Eastern and Central Europe can join. Reforming the Common Agricultural Policy, for example, revamping the Brussels decision-making process, liberalizing labor markets and stimulating economic growth are just some of the improvements needed. In this regard, E.U. officials might even learn a thing or two from the Estonians, who know a little something about getting their house in order.