



**EUROPEAN COMMISSION**  
Directorate-General Enlargement

Information & Interinstitutional Relations

## **Enlargement of the European Union**

### **Guide to the Negotiations**

#### **Chapter by Chapter**

This document brings together information concerning the different chapters of the accession negotiations, publicly available on different pages of the Enlargement website at

<http://europa.eu.int/comm/enlargement/negotiations/chapters/index.htm>

The information has been updated to reflect the situation on 17 December 2004.

Further background information on the accession negotiations can be found at <http://europa.eu.int/comm/enlargement/negotiations/index.htm>

An overview of all the information available on the Enlargement website is at <http://europa.eu.int/comm/enlargement/overview.htm>

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## **Guide to the Negotiations – Chapter by Chapter**

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# Chapter 1 - Free movement of Goods

## Background

Free movement of goods is one of the cornerstones of the internal market. The principle of the free movement of goods requires a common regulatory framework to ensure products can move freely from one part of the Union to another just as they would within the boundaries of an individual country. This means that basic technical standards, product certification and metrological definitions must be governed by rules established at European level. In fact, the rules governing these aspects can, most simply, be divided into two basic groups; products for which common harmonised standards have been adopted and products for which there are no harmonised standards. Thus, the greatest part of the *acquis* dealt with under this chapter is divided into “harmonised” and “non-harmonised” areas.

For products in the non-harmonised area, the guiding principle is that if a product can be legally sold on the market of one country in the Union, then it can be sold in all the countries of the Union. There are a number of specific exceptions to this basic rule, but these exceptions are limited in scope and enshrined in articles 28 to 30 of the European Community Treaty. These articles of the Treaty forbid member states from applying quantitative restriction on imports and exports of all goods except for the limited exceptions already mentioned. In interpreting the term quantitative restrictions, the principle is applied to all measures having an equivalent effect. Such measures include those designed to promote national production through preferences or by the imposition of technical requirement in addition to those adopted for products covered by harmonised European legislation. European legislation governing rules for public procurement are dealt with under this broad heading.

Harmonised European product legislation includes legislation covering conformity assessment bodies, accreditation bodies, standardisation, and market surveillance. These administrative structures provide the framework for the “new approach” to European product law. In essence, this new approach to harmonised product legislation is based on the principle of self-certification and the presumption of conformity with harmonised standards. The horizontal administrative structures necessary for the operation of this approach require a considerable change in administrative behaviour, moving away from prior authorisation to a series of control and surveillance procedures.

At the same time, a number of old approach directives remain in force covering a wide range of product groups such as pharmaceuticals, foodstuffs and motor vehicles. These directives require the creation of certification and authorisation structures to administer European legislation.

Overall, the transposition of harmonised European product legislation represents the vast majority of the content of this chapter.

Without the full application of the EU legislation in this area from the first day of accession, the internal market will not function properly. Therefore the EU expects Candidate Countries to apply the *acquis* in this chapter at the latest by the date of accession.

The application of the, sometimes complex, EU legislation on goods poses a formidable challenge for Candidate Countries. It is important that Candidate Countries’ administrative capacity is up to this challenge by the date of accession. In addition to transposing into national law European legislation in this area, the candidate countries need to create the administrative framework necessary to ensure the application of this legislation. In many cases, this requires a thorough reform of both product legislation and administrative traditions based on national preferences and controls. During the negotiations on this chapter, the EU has therefore also requested credible commitments on administrative capacity.

## State of Play

The chapter has been closed in December 2002 with the 10 new member states and in December 2004 with Bulgaria and Romania. The EU has accepted transitional arrangements concerning the renewal of marketing authorisation for pharmaceuticals with five countries and concerning medical devices for one country.

### **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

### **Country by country**

#### **Bulgaria**

- **Chapter opened:** May 2001
- **Status:** closed in December 2004 (provisionally closed in June 2002)

#### **Cyprus (New Member State)**

- **Chapter opened:** June 1999
- **Status:** Closed December 2002 (provisionally closed in November 2000)
- **Transitional arrangements:**
  - The EU has accepted one transitional arrangement, until 31 December 2005, concerning the renewal of marketing authorisation for pharmaceuticals.

#### **Czech Republic (New Member State)**

- **Chapter opened:** June 1999
- **Status:** Closed December 2002 (provisionally closed in December 1999)
- **Transitional arrangements:** none

#### **Estonia (New Member State)**

- **Chapter opened:** June 1999
- **Status:** Closed December 2002 (provisionally closed in December 2000)
- **Transitional arrangements:** none

#### **Hungary (New Member State)**

- **Chapter opened:** June 1999
- **Status:** Closed December 2002 (provisionally closed in May 2001)
- **Transitional arrangements:** none

#### **Latvia (New Member State)**

- **Chapter opened:** March 2001
- **Status:** Closed December 2002 (provisionally closed in March 2001)
- **Transitional arrangements:** none

#### **Lithuania (New Member State)**

- **Chapter opened:** May 2001
- **Status:** Closed December 2002 (provisionally closed in May 2001)
- **Transitional arrangements:**
  - The EU has accepted one transitional arrangement, until 1 January 2007, concerning the renewal of marketing authorisation for pharmaceuticals.

#### **Malta (New Member State)**

- **Chapter opened:** May 2001
- **Status:** Closed December 2002 (provisionally closed in May 2001)
- **Transitional arrangements:**
  - The EU has accepted one transitional arrangement, until 31 December 2006, concerning the renewal of marketing authorisation for pharmaceuticals.

**Poland (New Member State)**

- **Chapter opened:** June 1999
- **Status:** Closed December 2002 (provisionally closed in March 2001)
- **Transitional arrangements:**
  - The EU has accepted two transitional arrangements, until 31 December 2008, concerning the renewal of marketing authorisation for pharmaceuticals and licences for medical devices issued under the current Polish legislation will remain valid until 31 December 2005.

**Romania**

- **Chapter opened:** March 2002
- **Status:** closed in December 2004 (provisionally closed in June 2003)
- **Transitional arrangements:** none

**Slovakia (New Member State)**

- **Chapter opened:** March 2001
- **Status:** Closed December 2002 (provisionally closed in March 2001)
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** June 1999
- **Status:** Closed December 2002 (provisionally closed in March 2001)
- **Transitional arrangements:**
  - The EU has accepted one transitional arrangement until 31 December 2007, concerning the renewal of marketing authorisation for pharmaceuticals.

## Chapter 2 - Freedom of movement for persons

Below, you will find, as with all the chapters in this guide to the negotiations, an analysis of the issues in this chapter, both in general, and as regards the individual negotiating countries. This chapter has a very direct impact on peoples' lives and the professional and personal choices they make. Therefore, and in order to ensure that suitable information is readily available, accurate and easy to find, the Commission has also prepared a practical guide, which explains, in simple terms, the practical implications for all EU citizens, present and future, of the negotiations which have taken place on the issue.

The guide is here :

[http://europa.eu.int/comm/enlargement/negotiations/chapters/chap2/55260\\_practica\\_guide\\_including\\_comments.pdf](http://europa.eu.int/comm/enlargement/negotiations/chapters/chap2/55260_practica_guide_including_comments.pdf)

### Background

The *acquis* covers the four broad areas of mutual recognition of professional qualifications, citizens' rights, free movement of workers and co-ordination of social security schemes. There are links between this chapter and those chapters dealing with the other freedoms (goods, capital and services) as well as with the social policy and employment and justice and home affairs chapters.

Through the general system of **mutual recognition**, the Community seeks to eliminate obstacles to the taking up and pursuit of regulated professions, accepting the principle that a person fully qualified to practise a regulated profession in one Member State should be entitled to do so anywhere in the Community. Co-ordination of training systems is provided for architects and some health-care professionals, facilitating further mutual recognition in these cases.

**Citizens' rights** cover voting rights and right of residence. Through the former, the rights of all EU citizens to participate actively in the political life of the Union are guaranteed, with directives covering the procedures applicable to European and municipal elections. Rights of residence, originally only foreseen for workers, have been extended to cover non-active persons and case law such as the Gravier ruling, concerning students, ensures that discrimination is not tolerated.

Applicant countries will need to ensure that, concerning the **free movement of workers**, there are no provisions in their legislation which are contrary to Community rules and that all provisions, in particular those relating to criteria on citizenship, residence or linguistic ability, are in full conformity with the *acquis*.

**Co-ordination of social security schemes** is also governed by regulations and these measures will also be directly applicable upon accession. The principles of co-ordination remain simple - those who exercise their right to freedom of movement throughout the Community should not be penalised as a result. However, the practical complexity of this area and the challenge it represents in terms of administrative capacity should not be underestimated. Applicant countries have experience in implementing bilateral agreements, but they will need to reinforce existing structures to be able to cope with a system which places heavy demands on their administration.

### Horizontal issues

#### I. Free movement of workers

The key issue in this chapter is that of **free movement of workers** and it has been treated in a broadly similar way for all countries.

The political and practical importance of this area of the "acquis" and the sensitivities and uncertainties surrounding mobility of workers led the EU to propose a transitional measure. In considering whether it was appropriate to propose a transition period in this chapter, the EU took into account elements such as forecasted labour movements following accession and the

likely destination of these flows. The degree of uncertainty regarding the possible numbers and the likely labour market effects of free movement were also major factors.

Recently confirmed research suggests that the impact on the EU labour market of the freedom of movement of workers after accession should be limited. However, it is expected that the predicted labour migration would be concentrated in certain member states, resulting in disturbances of the labour markets there. Concerns about the impact of the free movement of workers are based on considerations such as geographical proximity, income differentials, unemployment and propensity to migrate. The EU was also worried that this issue threatened to alienate public opinion and to affect overall public support for enlargement.

The EU has not requested a transition period in relation to **Malta** and **Cyprus**. However for all other countries where negotiations were under way, a common approach has been put forward. The essential components of the transition arrangement are as follows:-

- A two year period during which national measures will be applied by current Member States to new Member States. Depending on how liberal these national measures are, they may result in full labour market access.
- Following this period, reviews will be held, one automatic review before the end of the second year and a further review at the request of the new Member State. The procedure includes a report by the Commission, but essentially leaves the decision on whether to apply the *acquis* up to the Member States.
- The transition period should come to an end after five years, but it may be prolonged for a further two years in those Member States where there are serious disturbances of the labour market or a threat of such disruption.
- Safeguards may be applied by Member States up to the end of the seventh year.

The transition arrangement also includes a number of other important aspects, such as a standstill clause, whereby current Member State labour markets cannot be more restricted than that prevailing at the time of the signature of the Accession Treaty. Also current Member States must give preference to acceding country nationals over non-EU labour.

A declaration will be attached to the Accession Treaty stating that current Member States shall endeavour to grant increased labour market access under national law, with a view to speeding up the approximation to the *acquis* and even an encouragement to improve access before accession.

Austria and Germany have the right to apply flanking national measures to address serious disturbances or the threat thereof, in specific sensitive service sectors on their labour markets, which could arise in certain regions from cross-border provision of services.

Under the transition arrangement the rights of nationals from new Member States who are already legally resident and employed in a Member State are protected. The rights of family members are also taken into account consistent with the practice in the case of previous accessions.

This arrangement has been presented to twelve candidate countries and ten have been able to accept it subject to some minor adaptations. The solution reached in respect of **Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia** and **Slovenia** is identical - reciprocity vis-à-vis current Member States and the possibility to apply safeguards against new Member States once at least one new Member State is subject to national measures, as well as a statement made at the Accession Conference that Member States will endeavour to grant increased labour market access to nationals of these seven countries.

**Malta** is concerned that its labour market could come under pressure following accession and so a safeguard clause has been agreed, which will run for 7 years. A joint declaration has also been attached to the Act of Accession allowing for recourse by **Malta** to Community institutions, should **Malta's** accession give rise to difficulties in relation to free movement of workers.

With respect to **Cyprus**, no transition arrangements have been requested by either **Cyprus** or the EU.

## **II. Mutual Recognition of professional qualifications**

The issue of how to treat qualifications obtained in third countries arises for some candidate countries. For example, how should the EU treat qualifications obtained in respect of citizens from the candidate countries who completed their education when individual candidate countries were part of the Soviet Union (in the case of the Baltics) or Yugoslavia in the case of **Slovenia**? This poses a possible problem principally in relation to the specific directives on the health care professions and architecture.

The solution devised by the EU aims on the one hand to guarantee the integrity of professions in the EU and protects citizens of the EU and also to give effect to these rights in a way that is simple and clear to all citizens of an enlarged Union, and which does not result in an unnecessary administrative burden for individuals or administrations.

The EU has retained the notion of a **declaration** by the relevant candidate country bodies of the equivalence of the qualifications in question to their diplomas (which, upon accession, would be automatically recognised in the EU), accompanied by an **attestation** that the holders of the qualification have been recently engaged in the activities in question.

This double approach (**declaration and attestation**) offers all reasonable guarantees to EU citizens.

However it is difficult to ascertain with certainty the standard of qualifications dispensed in candidate countries and as a result extremely tough monitoring provisions, in particular for the sectoral directives, are foreseen.

All candidate countries are encouraged to step up their efforts to introduce the necessary administrative structures as well as education and training programmes to guarantee the level of competence of the qualified professionals required by the EU directives.

For professional qualifications obtained before harmonisation, candidate countries are expected to take measures to ensure that all their professionals can meet the requirements laid down by the directives and can therefore benefit from professional recognition throughout the EU from accession, in line with the procedures applied in past accessions.

## **III. Citizens' rights**

Implementation of the directives on voting rights will in some cases require amendments to the Constitution. Alignment with the *acquis* on residence rights will only be fully possible upon accession and candidate countries will need to ensure that their legislation facilitates this.

## **IV. Co-ordination of social security**

Application of the *acquis* on co-ordination of social security requires sufficiently developed administrative structures and capacity. All candidate countries have confirmed their readiness to assume the obligations relating to the financial transfers involved in co-ordination of social security schemes, in particular the financial transfers relating to the reimbursement of health care costs. They have also been encouraged to continue to conclude bilateral agreements with Member States between now and accession in order to further familiarise themselves with the practical workings of the system.

### **State of play**

Negotiations have been closed for **Cyprus, Hungary, Latvia, Malta, Slovakia, Czech Republic, Lithuania, Poland, Slovenia** and **Estonia**. The chapter has been provisionally closed for **Bulgaria** in June 2002 and for **Romania** in December 2003 and definitely closed for both countries in December 2004



## **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

### **Country by country**

#### **Bulgaria**

- **Chapter opened:** October 2001
- **Status:** closed in December 2004 (provisionally closed June 2002)
- **Transitional arrangements:** as described above

#### **Cyprus (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:** none

#### **Czech Republic (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in October 2001)
- **Transitional arrangements:** as described above

#### **Estonia (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in March 2002)
- **Transitional arrangements:** as described above

#### **Hungary (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:** as described above

#### **Latvia (New Member State)**

- **Chapter opened:** June 2001
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:** as described above

#### **Lithuania (New Member State)**

- **Chapter opened:** June 2001
- **Status:** Closed December 2002 (provisionally closed in November 2001)
- **Transitional arrangements:** as described above

#### **Malta (New Member State)**

- **Chapter opened:** June 2001
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - safeguard in respect of free movement of workers

#### **Poland (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in December 2001)
- **Transitional arrangements:** as described above

#### **Romania**

- **Chapter opened:** March 2002
- **Status:** closed in December 2004 (provisionally closed in December 2003)
- **Transitional arrangements:** as described above

**Slovakia (New Member State)**

- **Chapter opened:** June 2001
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:** as described above

**Slovenia (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in December 2001)
- **Transitional arrangements:** as described above

## Chapter 3 - Freedom to provide services

### Background

The *acquis* in this chapter relates to:

- Article 43 EC on the freedom of establishment and Article 49 EC on the freedom to provide services.

- Financial services:

i) Banking

ii) Insurance

iii) Investment services and securities markets

The *acquis* in this sector lays down the minimum requirements for the different types of institutions in order to create a uniform minimum standard based on the following principles: minimal harmonisation of the authorisation conditions and the prudential rules, home country control and single licence, mutual recognition of national supervisory standards.

- A directive on the protection of personal data and the free movement of such data.

- Directives on the freedom of establishment and the freedom to provide services for craftsmen, traders and farmers.

- A directive on self employed commercial agents.

- Information Society directives on the provision of information in the field of technical standards and regulations and of rules, and on the legal protection of services on conditional access.

### Horizontal issues

#### *Links with other chapters*

This chapter is closely linked to a number of others, but most specifically to the free movement of capital and free movement of persons. For those candidates that have negotiated or requested restrictions on capital movements, transitional arrangements could have a direct impact on the Treaty-based right of establishment and freedom to provide services. In the context of the agreement to maintain restrictions on the free movement of persons, Germany and Austria may apply protective measures in certain sensitive service sectors, mainly construction and cleaning.

#### *Administrative capacity and monitoring*

In this chapter, in addition to the process of alignment with the *acquis*, the establishment of an effective regulatory infrastructure is particularly important, in order to implement the *acquis* and ensure an efficient and well-supervised financial sector. The Commission, in close cooperation with Member States, is therefore monitoring very closely the supervisory arrangements for financial services in the candidate countries.

### State of play

Although also Bulgaria and Romania began the process of transposing and applying the *acquis* in this chapter some time ago, also in the framework of the Europe Agreements, a significant amount of work remains to be done, both in the complex area of financial services and the primary Treaty provisions on right of establishment and freedom to provide services. The progress achieved varies between the candidates, being more advanced in those countries which made an early start to economic and financial reforms and the process of harmonisation with the *acquis*.

In the accession negotiations the chapter was provisionally closed with 12 candidates, of which all except for Bulgaria and Romania are Member States since 1 May 2004: Poland and Slovenia during the 2nd half of 2000; Hungary, Czech Republic, Estonia, Cyprus, Slovakia, Lithuania, Latvia and Malta during the 1st half of 2001, in line with the road map set out in the Commission's Enlargement Strategy Paper 2000. The chapter was definitely closed in December 2002 for Poland, Slovenia, Hungary, Czech Republic, Estonia, Cyprus, Slovakia, Lithuania, Latvia and Malta. For Bulgaria the chapter was provisionally closed during the second half of 2001 and definitely closed in December 2004, while for Romania it was provisionally closed in September 2004 and definitely closed in December 2004. For several of these countries, transitional periods up to 5 years have been agreed, e.g., for reaching minimum levels of guarantees for banking deposits or investor protection. A number of new Member States have been accorded, in line with existing Member States, exemption from the banking acquis for very small institutions e.g. credit unions. The state of play country by country is given below.

### **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

### **Country by country**

#### **Bulgaria**

- **Chapter opened:** January 2001
- **Status:** closed in December 2004 (provisionally closed in November 2001)
- **Transitional arrangements:**
  - lower level of investor compensation until end-2009

#### **Cyprus (New Member State)**

- **Chapter opened:** July 1999
- **Status:** Closed December 2002 (provisionally closed in May 2001)
- **Transitional arrangements:**
  - exclusion of co-operative credit and savings societies until end-2007

#### **Czech Republic (New Member State)**

- **Chapter opened:** July 1999
- **Status:** Closed December 2002 (provisionally closed in March 2001)
- **Transitional arrangements:** none

#### **Estonia (New Member State)**

- **Chapter opened:** August 1999
- **Status:** Closed December 2002 (provisionally closed in March 2001)
- **Transitional arrangements:**
  - lower levels of bank deposit guarantee and investor compensation until end-2007

#### **Hungary (New Member State)**

- **Chapter opened:** July 1999
- **Status:** Closed December 2002 (provisionally closed in February 2001)
- **Transitional arrangements:**
  - exclusion of two specialised banks; lower level of investor compensation until end-2007

#### **Latvia (New Member State)**

- **Chapter opened:** August 2000
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**

- exclusion of credit unions; lower levels of bank deposit guarantee and investor compensation until end-2007

**Lithuania (New Member State)**

- **Chapter opened:** July 2000
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - Exclusion of credit unions; lower levels of bank deposit guarantee and investor compensation until end-2007

**Malta (New Member State)**

- **Chapter opened:** January 2001
- **Status:** Closed December 2002 (provisionally closed in May 2001)
- **Transitional arrangements:** none

**Poland (New Member State)**

- **Chapter opened:** July 1999
- **Status:** Closed December 2002 (provisionally closed in November 2000)
- **Transitional arrangements:**
  - exclusion of credit unions and a specialised bank; lower level of investor compensation until end-2007

**Romania**

- **Chapter opened:** December 2002
- **Status:** closed in December 2004 (provisionally closed in September 2004 (on deputy level))
- **Transitional arrangements:** Lower level of investor compensation until end-2011.

**Slovakia (New Member State)**

- **Chapter opened:** July 2000
- **Status:** Closed December 2002 (provisionally closed in May 2001)
- **Transitional arrangements:**
  - lower level of investor compensation until end-2006

**Slovenia (New Member State)**

- **Chapter opened:** July 1999
- **Status:** Closed December 2002 (provisionally closed in November 2000)
- **Transitional arrangements:**
  - lower level of capital requirements for savings and loan undertakings until end-2004

## Chapter 4 - Free movement of capital

### Background

The Treaty Establishing the European Community prohibits (Article 56) all restrictions on movement of capital between Member States but also between Member States and third countries. However the Member States can retain certain restrictions in relation with countries outside the EU. The definition of free movement of capital covers much more than payments and transfers of money over the borders. Other transactions allowing transfer of ownership of assets and liabilities are also part of the *acquis* in this chapter, for instance, investments in companies and real estate or portfolio investments. Furthermore the chapter covers the area of payment systems, mainly the two Directives on cross-border credit transfers and on settlement finality, as well as the Directives on prevention of money laundering.

Several candidate countries have requested, and been granted, transitional periods on foreigners right to investment freely in real estate. Particular attention is also given to the proper implementation and enforcement of the Directive on prevention of money laundering.

### State of play

Together with the other Single Market chapters, free movement of Capital has been given priority in the negotiations during the first half of 2001. The Chapter has been closed with the ten new Member States in December 2002. The Chapter has also been closed with Bulgaria and Romania in December 2004.

### Compliance with the *acquis*

The latest assessment of each candidate country's compliance with the *acquis* under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

### Country by country

#### Bulgaria

- **Chapter opened:** autumn 2000
- **Status:** closed in December 2004 (provisionally closed in July 2001)
- **Transitional arrangements:**
  - a five year transitional period for the acquisition of secondary residences, excluding EEA citizens who reside in the future member state from the scope
  - a seven year transitional period for the acquisition of agricultural and forestry land, excluding self employed farmers from the scope

#### Cyprus (New Member State)

- **Chapter opened:** autumn 1999
- **Status:** Closed December 2002 (provisionally closed in spring 2001)
- **Transitional arrangements:**
  - a five year transitional period for the acquisition of secondary residences, excluding EEA citizens who reside in the future member state from the scope

#### Czech Republic (New Member State)

- **Chapter opened:** autumn 1999
- **Status:** Closed December 2002 (provisionally closed in spring 2001)
- **Transitional arrangements:**
  - a five year transitional period for the acquisition of secondary residences, excluding EEA citizens who reside in the future member state from the scope
  - a seven year transitional period for the acquisition of agricultural and forestry land, excluding self employed farmers from the scope. Possibility to extend this transitional period by three years if the Czech Republic invokes safeguard clause.

#### **Estonia (New Member State)**

- **Chapter opened:** autumn 1999
- **Status:** Closed December 2002 (provisionally closed in spring 2000)
- **Transitional arrangements:**
  - a seven-year transitional period for the acquisition of agricultural and forestry land, excluding self employed farmers who have been residing for 3 years and active in farming from the scope. Possibility to extend this transitional period by three years if Estonia invokes safeguard clause.

#### **Hungary (New Member State)**

- **Chapter opened:** autumn 1999.
- **Status:** Closed December 2002 (provisionally closed in spring 2001)
- **Transitional arrangements:**
  - a five year transitional period for the acquisition of secondary residences, excluding EEA citizens who have resided at least for 4 years in Hungary from the scope
  - a seven year transitional period for the acquisition of agricultural and forestry land, excluding self employed farmers who have been residing for 3 years and active in farming from the scope. Possibility to extend this transitional period by three years if Hungary invokes safeguard clause.

#### **Latvia (New Member State)**

- **Chapter opened:** autumn 2000
- **Status:** Closed December 2002 (provisionally closed in spring 2001)
- **Transitional arrangements:**
  - a seven year transitional period for the acquisition of agricultural and forestry land, excluding self employed farmers who have been residing for 3 years and active in farming from the scope. Possibility to extend this transitional period by three years if Latvia invokes safeguard clause.

#### **Lithuania (New Member State)**

- **Chapter opened:** autumn 2000
- **Status:** Closed December 2002 (provisionally closed in spring 2001)
- **Transitional arrangements:**
  - a seven year transitional period for the acquisition of agricultural and forestry land, excluding self employed farmers who have been residing for 3 years and active in farming from the scope. Possibility to extend this transitional period by three years if Lithuania invokes safeguard clause.

#### **Malta (New Member State)**

- **Chapter opened:** autumn 2000
- **Status:** Closed December 2002 (provisionally closed December 2001)
- **Transitional arrangement:**
  - special arrangement for the purchase of secondary residences, restricting the purchase of such property for all EU nationals that have not been resident on the island for at least 5 years.

#### **Poland (New Member State)**

- **Chapter opened:** autumn 1999
- **Status:** Closed December 2002 (provisionally closed in March 2002)
- **Transitional arrangements requested:**
  - a 12-year transitional period for agricultural and forest land, excluding self employed farmers from EEA countries who have been leasing land for 3 or 7 years (depending on region) from the scope
  - a 5-year transitional period on secondary residences, excluding EEA citizens who have resided at least 4 years in Poland from the scope

## Romania

- **Chapter opened:** spring 2001
- **Status:** closed in December 2004 (provisionally closed in June 2003)
- **Transitional arrangements:**
  - a five-year transitional period for the acquisition of land for secondary residences, excluding EU and EEA citizens residing in Romania from the scope
  - a seven-year transitional period for the acquisition of agricultural and forestry land, excluding self employed farmers residing in Romania from the scope.

## Slovenia (New Member State)

- **Chapter opened:** autumn 1999
- **Status:** Closed December 2002 (provisionally closed in spring 2001)
- **Transitional arrangements:**
  - possibility to resort to the general economic safeguard clause for seven years in real estate.

## Slovakia (New Member State)

- **Chapter opened:** autumn 2000
- **Status:** Closed December 2002 (provisionally closed in spring 2001)
- **Transitional arrangements:**
  - a seven year transitional period for the acquisition of agricultural and forestry land, excluding self employed farmers who has been residing for 3 years and active in farming from the scope. Possibility to extend this transitional period by three years if Slovakia invokes safeguard clause.



## Chapter 5 - Company Law

### Background

The *acquis* in this chapter covers very different legislative fields: company law in the strict sense e.g. directives on the public disclosure on the identity of those empowered to represent a company, its financial situation, raising, maintenance and alteration of capital of public liability companies, accounting law, protection of intellectual and industrial property rights, as well as the Regulation replacing the Brussels Convention on jurisdiction and the enforcement of judgements in civil and commercial matters and the Rome Convention on the law applicable to contractual obligations.

The main issues at stake in this chapter are

1. the protection of industrial property rights for pharmaceutical products within the enlarged Union
2. enforcement of IPR, in particular the fight against piracy and counterfeiting and
3. Community Trademark (CTM) where the Union has proposed an automatic extension of the existing CTM to the territory of the Candidate Countries.

### State of Play

The chapter has been closed with Cyprus, Czech Republic, Estonia, Hungary, Poland, Slovenia, Slovakia, Latvia, Lithuania and Malta in December 2002. It has also been closed with Bulgaria and Romania in December 2004.

### Compliance with the *acquis*

The latest assessment of each candidate country's compliance with the *acquis* under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

### Country by country

#### Bulgaria

- **Chapter opened:** May 2000
- **Status:** closed in December 2004 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - Bulgaria has accepted the EU's proposal on pharmaceutical products and Community Trademark

#### Cyprus (New Member State)

- **Chapter opened:** December 1998
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - Cyprus has accepted the EU's proposal on pharmaceutical products and Community Trademark

#### Czech Republic (New Member State)

- **Chapter opened:** December 1998
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - The Czech Republic has accepted the EU's proposal on pharmaceutical products and Community Trademark

#### Estonia (New Member State)

- **Chapter opened:** September 1998
- **Status:** Closed December 2002 (provisionally closed in June 2000)
- **Transitional arrangements:**
  - Estonia has accepted the EU's proposal on pharmaceutical products and Community Trademark

**Hungary (New Member State)**

- **Chapter opened:** September 1998
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - Hungary has accepted the EU's proposal on pharmaceutical products and Community Trademark

**Latvia (New Member State)**

- **Chapter opened:** July 2000
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - Latvia has accepted the EU's proposal on pharmaceutical products and Community Trademark

**Lithuania (New Member State)**

- **Chapter opened:** July 2000
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - Lithuania has accepted the EU's proposal on pharmaceutical products and Community Trademark

**Malta (New Member State)**

- **Chapter opened:** September 2000
- **Status:** Closed December 2002 (provisionally closed in November 2000)
- **Transitional arrangements:**
  - Malta has accepted the EU's proposal on pharmaceutical products and Community Trademark

**Poland (New Member State)**

- **Chapter opened:** December 1998
- **Status:** Closed December 2002 (provisionally closed in December 2001)
- **Transitional arrangements:**
  - Poland has accepted the EU's proposal on pharmaceutical products and Community Trademark

**Romania**

- **Chapter opened:** March 2001
- **Status:** closed in December 2004 (provisionally closed in December 2001)
- **Transitional arrangements:**
  - Romania has accepted the EU's proposal on pharmaceutical products and Community Trademark

**Slovakia (New Member State)**

- **Chapter opened:** November 2000
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - Slovakia has accepted the EU's proposal on pharmaceutical products and Community Trademark

**Slovenia (New Member State)**

- **Chapter opened:** December 1998
- **Status:** Closed December 2002 (provisionally closed in June 2000)
- **Transitional arrangements:**
  - Slovenia has accepted the EU's proposal on pharmaceutical products and Community Trademark

## Chapter 6 - Competition Policy

### Background

The competition acquis is based on Article 31 (State monopolies of a commercial character), Articles 81-85 (Rules applicable to undertakings), Article 86 (public undertakings and undertakings with special or exclusive rights) and Articles 87-89 (Rules applicable to State aid) of the EC Treaty, as well as Articles 65 and 66 of the ECSC Treaty, which expired in 2002. The control of mergers is done on the basis of the EC Merger Regulation 4064/89 (as amended). In the field of State aid, part of the acquis is addressed under other Chapters, namely transport, agriculture and fisheries. The Commission Directives concerning the liberalisation of the energy, transport as well as telecommunications and information technologies sectors are also addressed under the respective chapters.

In assessing whether the Candidate Countries can comply with the competition acquis and withstand the competitive pressures of the internal market resulting from the full application of this acquis, the Commission examines whether undertakings operating in the Candidate Countries are accustomed to operating in an environment such as that of the Community.

### State of play

Negotiations on chapter six were opened with Cyprus, Czech Republic, Estonia, Hungary, Poland and Slovenia in the first half of 1999. Negotiations with Latvia, Lithuania and Slovakia were opened in the first half of 2000. Negotiations with Malta and Romania were opened in the second half of 2000 and with Bulgaria in the first half of 2001.

Negotiations on this chapter were closed with Cyprus, Czech Republic, Hungary, Estonia, Latvia, Lithuania, Poland, Malta, Slovakia and Slovenia in December 2002. Negotiations on the chapter with Bulgaria were closed in June 2004 and with Romania in December 2004.

### Compliance with the acquis

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

### Country by country

#### Bulgaria

- **Chapter opened:** March 2001
- **Status:** closed in December 2004 (chapter provisionally closed in June 2004)

#### Cyprus (New Member State)

- **Chapter opened:** May 1999
- **Status:** Closed December 2002 (chapter provisionally closed in June 2002)
- **Transitional arrangements:**
  - phase-out of incompatible fiscal aid by the end of 2005

#### Czech Republic (New Member State)

- **Chapter opened:** May 1999
- **Status:** Closed December 2002 (chapter provisionally closed in October 2002)
- **Transitional arrangements:**
  - Restructuring of the steel industry to be completed by 31 December 2006.

#### Estonia (New Member State)

- **Chapter opened:** May 1999
- **Status:** Closed December 2002 (chapter provisionally closed in November 2001)
- **Transitional arrangements:** none

### **Hungary (New Member State)**

- **Chapter opened:** May 1999
- **Status:** Closed December 2002
- **Transitional arrangements:**
  - Phase-out of incompatible fiscal aid for SMEs by the end of 2011
  - Conversion of incompatible fiscal aid for large companies into regional investment aid; the aid will be limited to a maximum of 75% of the eligible investment costs if the company started the investment under the scheme before 1 January 2000, and to 50% if the company started the investment after 1 January 2000; in the motor vehicle industry the aid is further limited, and set at a level that corresponds to 40% of the maximum aid ceiling (e.g., where the above-mentioned regional aid ceiling for other types of investment is 75%, the formula gives  $40\% \times 75\% = 30\%$ ).
  - Phase-out of incompatible fiscal aid for off-shore companies by the end of 2005
  - Phase-out of incompatible fiscal aid granted by local authorities by the end of 2007

### **Latvia (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in November 2001)
- **Transitional arrangements:** none

### **Lithuania (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in November 2001)
- **Transitional arrangements:** none

### **Malta (New Member State)**

- **Chapter opened:** November 2000
- **Status:** Closed December 2002
- **Transitional arrangements:**
  - Phase-out of incompatible fiscal aid for SMEs by the end of 2011
  - Conversion of incompatible fiscal aid for large companies into regional investment aid; the aid will be limited to a maximum of 75% of the eligible investment costs if the company has obtained the entitlement for the tax exemption before 1 January 2000, and to 50% if the company has obtained the entitlement for the tax exemption after 1 January 2000
  - Aid for restructuring of the shipbuilding sector during a restructuring period lasting until the end of 2008
  - Phase-out of operating aid under the Business Promotion Act by the end of 2008
  - Adjustment of the market in the importation, stocking and wholesale marketing of petroleum products under Article 31 of the EC Treaty by the end of 2005

### Poland (New Member State)

- **Chapter opened:** May 1999
- **Status:** Closed December 2002
- **Transitional arrangements:**
  - Phase-out of incompatible fiscal aid for small enterprises by the end of 2011
  - Phase-out of incompatible fiscal aid for medium-sized enterprises by the end of 2010
  - Conversion of incompatible fiscal aid for large companies into regional investment aid; the aid will be limited to a maximum of 75% of the eligible investment costs if the company has obtained its permit before 1 January 2000, and to 50% if the company has obtained it after 1 January 2000; in the motor vehicle industry the aid is further limited, and set at a level that corresponds to 30% of the eligible costs.
  - With regard to state aid to environmental protection, transitional arrangement agreed for investments that relate to standards for which a transitional period has been granted under the Chapter Environment and for the duration of that transitional period, whereby the aid intensity is limited to the regional aid ceiling with a 15% supplement for SMEs; for existing IPPC installations covered by a transitional period under the Chapter Environment, the level of 30% aid intensity accepted until end 2010; for the IPPC-related investment not covered by a transitional period under the Chapter Environment, the level of 30% aid intensity accepted until 31 October 2007; for large combustion plants, an aid intensity of 50% was agreed for investments that relate to a transitional period granted under the Chapter Environment
  - Restructuring of the steel industry to be completed by 31 December 2006.

### Romania

- **Chapter opened:** November 2000
- **Status:** closed in December 2004
- **Transitional arrangements:**
  - Phase-out of incompatible fiscal aid by 31 December 2011 under the Law on Free Trade Areas for undertakings, which signed commercial contracts before 1 July 2002. The State aid is granted for regional investments and the aid net intensity must not exceed the rate of 50% Net grant equivalent (up to 65% for SMEs provided that the total net aid intensity does not exceed 75%). In the motor vehicle sector, the total aid shall not exceed a maximum of 30% of the eligible investments costs.
  - Phase-out of incompatible fiscal aid by 31 December 2010 under the GEO on Deprived Areas for the undertakings, which were given the permanent investor certificate before 1 July 2003. The State aid is granted for regional investments. The aid net intensity must not exceed 50% Net grant equivalent (up to 65% for SMEs provided that the total net aid intensity does not exceed 75%). In the motor vehicle sector, the total aid shall not exceed a maximum of 30% of the eligible investments costs.
  - The Accession Treaty contains a safeguard clause in the area of Internal Market as well as a specific safeguard that will allow postponing the envisaged date of accession by one year to January 2008 (see below under chapter 31). For Romania, any serious shortcomings observed in the 2005 Commission's report in the area of Competition Policy, especially as regards the State aid enforcement record, can activate either of the safeguard clauses. The use of the postponement safeguard clause shall require a decision by the Council acting by qualified majority (normally unanimity is required) on the basis of a Commission recommendation if it is based on shortcomings in Romania's fulfilment of specific conditions in the Competition area. In addition, the Accession Treaty provides for a mechanism whereby the State aid granted before accession and after 1 September 2004 will be reviewed after accession and, if found to be illegal, impose

reimbursement, for the case that Romania does not sufficiently improve the State aid enforcement record.

**Slovakia (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in October 2002)
- **Transitional arrangements:**
  - Conversion of incompatible fiscal aid to one beneficiary in the motorvehicle manufacturing sector into regional investment aid; the aid will be limited to a maximum of 30% of the eligible investment costs
  - Incompatible fiscal aid to one beneficiary in the steel sector to be discontinued at the end of 2009 or when aid reaches a pre-determined amount, whichever comes first. The objective of the aid is to facilitate the ordered rationalisation of excess staffing levels, the resulting total cost being comparable to the aid.

**Slovenia (New Member State)**

- **Chapter opened:** May 1999
- **Status:** Closed December 2002 (provisionally closed in November 2001)
- **Transitional arrangements:** none

## Chapter 7 - Agriculture

### Background

Agriculture is the largest of the negotiation chapters. With the exception of the field of veterinary and phytosanitary legislation it consists mostly of regulations and the legislation will therefore be directly applicable at the date of accession and does not call for transposition on the part of the candidate countries. The emphasis in the preparations for accession will therefore be on the candidate country's ability to implement and enforce the Community acquis. In the veterinary and phytosanitary fields Community legislation consists mostly of directives. The full transposition of the acquis into national legislation is therefore a substantial task for the candidate countries.

### State of play:

Negotiations on the agriculture chapter with Bulgaria and Romania were concluded in June 2004.

Negotiations were already concluded with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia in December 2002. These 10 countries acceded to the EU in May 2004.

As matter of principle, the same strategy was applied for Bulgaria and Romania in the negotiations as with the 10 new Member States.

The key agreements reached in the negotiations with these countries are summarised below:

### Financial and market related aspects of agriculture

- The 10 new member states will gradually phase in EU agricultural direct payments between 2004 and 2013. Direct payments will start at 25% in 2004, 30% in 2005 and 35% in 2006 of the present system and increase by 10 percentage steps to reach 100% of the then applicable EU level in 2013. Bulgaria and Romania, joining the EU in 2007, will have equivalent treatment and will phase in direct payments starting at 25% in 2007 to reach 100% in 2016.

Within carefully defined limits, all new member states will have the option to "top-up" these EU direct payments with national subsidies.

In 2004-2006 (2007-2009 for Bulgaria and Romania), a new member state has the possibility to top up EU direct payments to

- either 55% of EU level in the years 2004 (2007 for Bulgaria and Romania), 60% in 2005 (2008 for Bulgaria and Romania) and 65% in 2006 (2009 for Bulgaria and Romania). From 2007 (2010 for Bulgaria and Romania) the new member state may top-up EU direct payments by 30 percentage points above the applicable phasing-in level in the relevant year;
- or to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in the new member state prior to accession under a like national scheme increased by 10 percentage points;

In no case should the payment be higher than 100% of EU-15 level of direct payments.

or to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in the new member state prior to accession under a like national scheme increased by 10 percentage points;

In no case should the payment be higher than 100% of EU-15 level of direct payments.

- Rather than applying the standard **direct payment scheme** applicable in the current EU, the new member states have the option, during a limited period, of granting their farmers CAP direct payments in the form of a decoupled area payment (a simplified payment scheme). An annual financial envelope will be calculated for the new member state according to agreed criteria and then divided between the utilised agricultural area.
- The new member states will have special additional financial aid **for rural development** for a limited period. This includes a higher proportion of EU co-financing in rural development projects.
- Certain **rural development measures** have been adapted or created in order to reflect better the requirements of the new member states in the first years of accession. This means that for a limited period, new member states will be able to use rural development funds for schemes specifically designed to help restructuring of the rural sector. For example, there is support for semi-subsistence farms undergoing restructuring as well as specific measures to assist farmers in meeting EU standards.
- **Reference quantities (eg quotas, base areas)** have been agreed for all the applicable products on the basis of recent production and taking into account country specific circumstances (eg drought).
- In a few specific instances, **transitional periods** were agreed for the adoption and implementation of certain parts of EU legislation. These transitional periods are exceptional and limited in time and in scope.

#### **Veterinary and phytosanitary aspects of agriculture**

- **Certain food establishments** have been granted a transitional period in order to upgrade to fully meet EU requirements. These include 52 premises in the Czech Republic, 54 in Hungary, 97 in Latvia, 57 in Lithuania, 7 in Malta, 721 in Poland, 56 in Romania, 5 in Slovenia and 12 in Slovakia. Bulgaria was granted a transitional period for 100 milk establishments allowing them to process EU non-compliant raw milk. All transitional periods are limited in time and scope and do not involve any exemption from food hygiene legislation. During the transitional period, products which come from these establishments must be specially marked and cannot be marketed in any form in other EU countries.
- All establishments not subject to a transitional period will have to comply with the *acquis* on accession and their products will be able to be freely marketed within the EU.
- Certain establishments have been granted a transitional period in order to upgrade to fully meet **structural requirements for hen cages** (only the slope and height of the cages). Such transitional periods are limited in time and scope and are applicable in the Czech Republic, Hungary, Latvia, Malta, Poland and Slovenia.
- There are also transitional periods in the field of **phytosanitary** legislation for Lithuania and Poland (potato ring rot and potato wart disease respectively) as well as transitional periods on certain parts of seed quality legislation for Malta, Cyprus, Latvia and Slovenia. Again, these transitional periods are limited in time and scope.

#### **Monitoring**

The Commission has been closely monitoring how candidate countries are meeting the commitments made in the accession negotiations and regularly assesses the candidate countries' progress in preparing for accession. The latest assessment of each candidate country's compliance with the *acquis* under this chapter heading, can be found in the 2003



Comprehensive Report for the 10 new Member States and the Regular Report for Bulgaria and Romania, available at: [http://europa.eu.int/comm/enlargement/report\\_2004/index.htm](http://europa.eu.int/comm/enlargement/report_2004/index.htm).

It is very important that the commitments undertaken by the future member states in the framework of the accession negotiations be implemented as foreseen. Consequently, the Commission will continue to monitor the progress of the candidate countries up to accession and will prepare progress reports to assess each candidate country's compliance with the acquis. For the veterinary and phytosanitary part of the chapter, input from the Food and Veterinary Office of the Commission will play a substantial part in this monitoring exercise. Specific targeted actions such as peer reviews, technical meetings, workshops, seminars and questionnaires will continue to be used in specific fields until accession. Six months before accession, the Commission will produce a comprehensive Monitoring Report which will look at all commitments made by each of the acceding countries.

After accession, the Commission will continue to check how the acquis is implemented by the new member states, using the same mechanisms as those applied to the existing member states.

## **Content of agriculture chapter**

The negotiation chapter for agriculture covers the following main fields:

Horizontal issues

- Agriculture Guarantee and guidance funds
- Trade mechanisms
- Quality policy
- Organic farming
- Farm Accountancy Data Network
- State aids

Common Market Organisations

- Arable crops
  - Cereals, oilseeds and protein crops
  - Non-food, processed cereals, potato starch, cereal substitutes, rice
  - Sugar
  - Fibre crops

Specialised crops

- Fruit and vegetables
- Wine and alcohol
- Bananas
- Olive oil
- Tobacco

Animal products

- Milk and milk products
- Beefmeat
- Sheepmeat
- Pigmeat
- Rural development

Veterinary legislation

- Control system in the internal market
- Identification and registration of animals
- Control at the external borders
- Animal disease control measures
- Animal health - trade in live animals and animal products
- Public health protection
- Animal welfare
- Zootechnical legislation

Phytosanitary legislation

- Harmful organisms
- Quality of seeds and propagating material
- Plant variety rights
- Plant protection products / pesticides
- Animal nutrition

### **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

## Country by country

### Bulgaria

- **Chapter opened:** March 2002
- **Status:** closed in December 2004 (provisionally closed June 2004)
- **Transitional arrangements:** see above

### Cyprus (New Member State)

- **Chapter opened:** June 2000
- **Status:** Closed December 2002
- **Transitional arrangements:** see above

### Czech Republic (New Member State)

- **Chapter opened:** June 2000
- **Status:** Closed December 2002
- **Transitional arrangements:** see above

### Estonia (New Member State)

- **Chapter opened:** June 2000
- **Status:** Closed December 2002
- **Transitional arrangements:** see above

### Hungary (New Member State)

- **Chapter opened:** June 2000
- **Status:** Closed December 2002
- **Transitional arrangements:** see above

### Latvia (New Member State)

- **Chapter opened:** June 2001
- **Status:** Closed December 2002
- **Transitional arrangements:** see above

### Lithuania (New Member State)

- **Chapter opened:** June 2001
- **Status:** Closed December 2002
- **Transitional arrangements:** see above

### Malta (New Member State)

- **Chapter opened:** December 2001
- **Status:** Closed December 2002
- **Transitional arrangements:** see above

### Poland (New Member State)

- **Chapter opened:** June 2000
- **Status:** Closed December 2002
- **Transitional arrangements:** see above

### Romania

- **Chapter opened:** November 2002
- **Status:** closed in December 2004 (provisionally closed in June 2004)
- **Transitional arrangements:** see above

### Slovakia (New Member State)

- **Chapter opened:** June 2001
- **Status:** Closed December 2002
- **Transitional arrangements:** see above

**Slovenia (New Member State)**

- **Chapter opened:** June 2000
- **Status:** Closed December 2002
- **Transitional arrangements:** see above

## Chapter 8 - Fisheries

### Background

The Commission's Enlargement Strategy Paper, which was approved by the European Council in Nice in December 2000, foresaw Chapter 8 "Fisheries", as a priority to be discussed under the Belgian Presidency in the second half of 2001.

The main issues addressed in the present stage of the negotiations under this chapter are the administrative capacity, as well as certain specific requests put forward by individual applicant countries concerning the inclusion of further species in the regulation on the common market organisation or concerning the definition of specific management regimes in certain waters.

The determination of the access to resources will be determined towards the end of the negotiations, on the basis of general principles (relative stability, exclusive Community competence) and of a general methodology which are being agreed with applicant countries at this stage.

### Compliance with the *acquis* – horizontal remarks

Regarding the **legislative alignment**, it ought to be noted that the *acquis* under chapter 8 consists of regulations, which do not require transposition as such into national legislation. However, the applicant countries are encouraged to introduce legislation before accession, firstly to prepare the administration and the operators to their eventual participation into the Common Fisheries Policy ahead of accession, and secondly to provide for the eventual implementation of the *acquis* provisions as from accession. Account is also taken of the participation of applicant countries in fisheries agreements or conventions, as well as in regional fisheries organisations.

An assessment of the **administrative capacity** of the candidate countries to manage the Common Fisheries Policy should take into account the existence of a central administration able to manage the policy. The "acquis" under chapter 8 does not prescribe any particular organisational pattern of the administration. However in the areas of market policy and of resources conservation, inspection and control, and fleet registration, it lays down very detailed requirements both in terms of tasks to be fulfilled and in terms of means and methods to be used. This covers:

- **Resources management, inspection and control** : administrations that carry out inspection, management of TACs (Total Allowable Catch), fishing quotas and effort, licenses, implementation of technical measures; inspectors that can control fishing activities in national waters as well as fishing activities exercised by national fishing vessels outside EC waters; equipment to ensure control, such as surveillance vessels, aircraft, land vehicles; efficient application of the satellite surveillance system for the fishing vessels concerned; database allowing cross-checking of catch data with other sources and that can connect with that of the Commission;
- **Structural actions (including fleet registration)**: an administration that can implement and manage the structural policy for fisheries and aquaculture, in particular structural programmes co-financed by the Financial Instrument for Fisheries Guidance (FIG), and the multi-annual guidance programmes (MAGPs); measurement of fishing vessels; establishment of a fishing vessel register from which data are regularly communicated to the Community register.
- **Market policy**: administrations that control the implementation of common marketing standards as well as the withdrawal of quantities from the market, that collect and transmit market and reference price information, and that - to the extent the candidate country wish to establish producers' organisations--an administration that can apply the recognition conditions for producers' organisations.
- The specific Community **State aid** rules in the fisheries sector, which should also be complied with.

**Important remark** : It should be noted of course that the acquis on resources management, inspection and control is only very marginally applicable to land-locked countries, and that the acquis on fleet registration only applies to those countries that have fishing vessels under their flag. It should also be noted that the acquis on resources management varies in content depending on the fisheries areas involved (e.g. Atlantic, Baltic Sea, Mediterranean).

### **State of play**

Negotiations on chapter eight were opened with Cyprus, Czech Republic, Estonia, Hungary, Poland and Slovenia in April 1999. The chapter was provisionally closed with the Czech Republic in April 1999, with Hungary and Slovenia in May 1999. The chapter was provisionally closed with Cyprus and Estonia in April 2000.

Negotiations with Latvia, Malta and Slovakia were opened in October 2000. The chapter was provisionally closed with Slovakia in October 2000 and with Latvia in October 2001.

Negotiations with Bulgaria and Lithuania were opened in March 2001 and with Romania in May 2001. The chapter was provisionally closed with Bulgaria and Lithuania in May 2001, with Romania in June 2001 and with Poland and Malta in June 2002.

Negotiations were concluded with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia in December 2002 and with Bulgaria and Romania in December 2004.

### **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004/index.htm](http://europa.eu.int/comm/enlargement/report_2004/index.htm).

### **Country by country**

#### **Bulgaria**

- **Chapter opened:** March 2001
- **Status:** closed in December 2004 (provisionally closed in May 2001)
- **Transitional arrangements:** none

#### **Cyprus (New Member State)**

- **Chapter opened:** April 1999
- **Status:** Closed December 2002 (provisionally closed in April 2000)
- **Transitional arrangements:** none - Cyprus committed itself to reduce the number of fishing vessels operating outside the Mediterranean Sea in accordance with agreed objectives and timetable

#### **Czech Republic (New Member State)**

- **Chapter opened:** April 1999
- **Status:** Closed December 2002 (provisionally closed in May 1999)
- **Transitional arrangements:** none

#### **Estonia (New Member State)**

- **Chapter opened:** April 1999
- **Status:** Closed December 2002 (provisionally closed in April 2000)
- **Transitional arrangements:** none

#### **Hungary (New Member State)**

- **Chapter opened:** April 1999
- **Status:** Closed December 2002 (provisionally closed in April 1999)
- **Transitional arrangements:** none

### Latvia (New Member State)

- **Chapter opened:** October 2000
- **Status:** Closed December 2002 (provisionally closed in October 2001)
- **Transitional arrangements:**
  - Latvia has requested a derogatory regime for certain waters (a specific conservation regime in the Gulf of Riga)
  - Requests other than transitional arrangements: Latvia has requested the inclusion of further species in the regulation on the common market organisation (Baltic sprat).

As regards Latvia's request for a specific management regime in the entire Gulf of Riga, and in the light of the scientific information provided by Latvia concerning the particular situation of that area, the EU has proposed to include Regulation (EC) 88/98 in the list of acts requiring adaptation by reason of accession. The adaptation to Regulation (EC) 88/98 shall be drawn up during the interim period in conformity with the following guidelines to be specified in the relevant Annex to the Accession Treaty:

- the engine power of the vessels authorised to fish in the Gulf of Riga must not exceed 221 kW;
- the vessels authorised to fish in the Gulf of Riga will be included on a list;
- the list shall be established in order to ensure that the overall fishing capacity, measured in engine power (kW), shall not exceed that observed in a period representative of the current level of activity in the Gulf of Riga.

These technical measures for conservation will be non-discriminatory and will be applied in the entire Gulf of Riga. The general principles (relative stability, exclusive Community competence) and a general methodology for determining the access to resources still have to be agreed.

### Lithuania (New Member State)

- **Chapter opened:** March 2001
- **Status:** Closed December 2002 (provisionally closed in May 2001)
- **Transitional arrangements:** none

### Malta (New Member State)

- **Chapter opened:** October 2000
- **Status:** Closed December 2002 (provisionally closed in June 2002)
- **Transitional arrangements:**

As regards Malta's request for a specific management regime within 25 nautical miles of baselines of Malta, the EU underlines that such a regime should be established within the Community framework and correspond to genuine conservation needs. In the light of the scientific information provided by Malta concerning the particular situation of that area, the EU could envisage to include Regulation (EC) 1626/94 in the list of acts requiring adaptation by reason of accession. The adaptation to Regulation (EC) 1626/94 shall be drawn up during the interim period in conformity with the following guidelines to be specified in the relevant Annex to the Accession Treaty:

- fishing in the 25-mile management zone should be limited to small scale coastal fishing, meaning fishing vessels of an overall length of less than 12 metres and not using gears towed with the power of the engine, with the exceptions set out below. The total effort exerted by vessels under 12 metres shall not exceed the level of recent years;
- however, trawlers not exceeding an overall length of 24 metres shall be authorised to fish in the 25-mile management zone within certain trawlable areas. The overall fishing capacity of trawlers, measured in engine power (kW), shall not exceed that observed in a period representative of the current level of capacity in the area of the 25-mile management zone, and the engine power of each individual trawler fishing in waters of less than 200 metres depth shall not exceed 185 kW (250 HP). These limits may be revised in the light of new qualified scientific evidence as recommended by relevant scientific bodies. The EU notes that the coordinates of trawlable areas and the 200 metres isobath have been provided by Malta;

- the number of vessels that can participate in the *lampuki* (*Coryphaena hippurus* – dolphin-fish) fishery shall be limited to a maximum of 130. Currently there are 45 vessels between 12 and 24 metres fishing for *lampuki*, while the remaining vessels are less than 12 metres in length. The allocation and laying down of FADs (fish aggregating device) in the fishing season, which usually extends from August to December, shall be open for all Community fishermen on a non-discriminatory basis, but only starting from outside 12 miles for non-Maltese fishermen;
- all vessels exceeding an overall length of 12 metres which are authorised to fish in the 25-mile management zone and which comprise bottom trawlers, vessels fishing with "lampara" purse seines, vessels fishing for *lampuki* with FADs and vessels fishing with large pelagic purse seines and industrial longlines for tuna and other highly migratory species will be included on a list. Any possible increase in fishing effort has to ensure the sustainable conservation of the zone.

The detailed rules for establishing the above-mentioned list, for a fishing effort monitoring system and if necessary for the *lampuki* fishery in the 25-mile management zone will be adopted in accordance with the procedure laid down in Article 18 of Regulation (EEC) 3760/92. Effective monitoring methods will be decided upon in accordance with the *acquis*.

The conditions of this fishing effort management scheme will be re-evaluated, on the basis of new qualified scientific evidence as recommended by relevant scientific bodies, upon accession of Malta, in order to evaluate their effects on conservation of stocks.

Upon accession of Malta, the problem of possible conflicts among different fishing gear, and possible measures to reduce them, will be addressed at Community level.

In conformity with Regulation (EC) 1239/98 it is prohibited to use drift nets in the 25-mile management zone.

These conservation measures will be non-discriminatory and will be applied in the entire 25-mile management zone.

- As regards Malta's request for the addition of a number of species of fish to the list contained in Annex I.A of Regulation (EEC) 3759/92 (as replaced by Regulation (EC) 104/2000) on common market organisation, the EU can accept the inclusion of dolphin-fish (*Coryphaena hippurus*) in Annex IV of Regulation (EC) 104/2000.

#### **Poland (New Member State)**

- **Chapter opened:** April 1999
- **Status:** Closed December 2002 (provisionally closed in June 2002)
- **Transitional arrangements agreed:** acceptance of inclusion of sprat (*Sprattus sprattus*) of the Baltic region in Annex IV of Regulation (EC) 140/2000. Poland has withdrawn all other requests, including a derogation regime in the entire Polish exclusive economic zone in the Baltic Sea.

#### **Romania**

- **Chapter opened:** May 2001
- **Status:** closed in December 2004 (provisionally closed in June 2001)
- **Transitional arrangements:** none

#### **Slovakia (New Member State)**

- **Chapter opened** October 2000.
- **Status:** Closed December 2002 (provisionally closed in October 2000)
- **Transitional arrangements:** none

#### **Slovenia (New Member State)**

- **Chapter opened:** April 1999
- **Status:** Closed December 2002 (provisionally closed in April 1999)
- **Transitional arrangements:** none



## Chapter 9 - Transport Policy

### Background

In the transport sector the candidate countries face the challenge of taking over and implementing a very substantial body of transport law, which represents about 10% of the total EU acquis. The acquis in Chapter 9, "Transport policy", is based on Articles 70-80 of the EC Treaty. The transport acquis consists mainly of secondary legislation, i.e. several hundred Regulations, Directives and Decisions. Implementing the acquis does not only require the adoption of legislation, but also an adequate level of administrative capacity.

The **road transport**-related acquis covers a vast area of social, technical, fiscal, safety and environmental requirements. The **railway** acquis has recently been subject of substantial amendments and the liberalization of this sector will call for an even further opening of national railway markets to competing railway undertakings from other Member States. In **aviation**, issues of market access, safety and infrastructure organisation have to be addressed. In **maritime** transport the enforcement of the maritime safety acquis forms one of the biggest challenges.

Across all sectors there is an economic need to promote, develop and upgrade the transport infrastructure in the candidate countries, with the aid of financial assistance from the EU. Upon accession the main infrastructures of the candidate countries will form part of the enlarged Trans-European transport network.

As most candidate countries have nearly completed the process of legislative adaptation, the main issue to be addressed under this chapter will be one of monitoring, ensuring in particular that the administrative capacity in Candidate Countries is adequate.

### Horizontal issues

#### I. Road transport

Road transport market integration is one of the most sensitive issues in the context of the accession negotiations under the transport chapter.

The EU proposes to grant access to the intra EU road haulage market, provided that Candidate Countries effectively implement the acquis in the road transport field, and, where relevant, accept the EU position on their requests for transitional periods. Thereby all Candidate Countries would upon accession be granted access to the market in the carriage of goods by road within the EU to or from the territory of a Member State or passing across the territory of one or more Member States (covered by Regulation (EEC) 881/92).

However, there are specific sensitivities over the issue of immediate national cabotage market opening upon accession. In order to achieve a smooth integration, and in light of the experience of the EU, the EU has therefore proposed a transitional arrangement entailing that access of non-resident hauliers to the national road transport market of other Member States (covered by Regulation (EEC) 3118/93) should, in certain cases, be phased in gradually.

The proposal is to reciprocally restrict the access to the national transport markets between current and new Member States for an initial period of two years for those Candidate Countries which have requested no or only limited transitional periods in the area of road transport and for an initial period of three years for those Candidate Countries which have requested more substantial transitional periods, causing additional disruptions, in the area of road transport.

In addition, Member States may notify to the Commission a prolongation of this initial transitional period for a maximum period of two years. In certain cases this period might be prolonged by a further year. Furthermore, Member States which have not prolonged the transitional period may apply safeguards up to the end of the fifth year.

In the road transport sector, some requests for limited transitional periods have been accepted in the case of Bulgaria, Latvia, Lithuania, Hungary, Poland, Romania, Malta and Cyprus.

## **II. Other transport sectors**

In the **maritime sector** no candidate country has requested a transitional period. The importance of legal harmonisation and the strengthening of administrative structures in the maritime sector, especially with a view to improving the safety performance of the fleets of Candidate Countries is underlined in the Common Positions.

In the **rail sector**, except for Hungary and Poland, all countries for whom the EU has proposed provisional closure of the transport chapter are in a position to implement the recently substantially revised railway acquis as of accession. For Hungary and Poland a limited transitional period for market access has been accepted.

In the **aviation sector**, Lithuania and Hungary have been granted limited transitional periods in order to phase out the operation of noisy aircraft by third countries.

### **State of play**

The transport chapter has been opened with all countries. It was finally closed with Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, Slovakia and the Czech Republic in December 2002. The chapter has been provisionally closed in June 2003 with Bulgaria and in December 2003 with Romania and definitely closed in December 2004 with both countries.

### **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

## **Country by country**

### **Bulgaria**

- **Chapter opened:** June 2001
- **Status:** closed in December 2004 (provisionally closed in June 2003)
- **Transitional arrangements:**
  - access of non-resident hauliers to the national road transport market of other Member States to be phased in gradually (as described above)
  - financial standing criterion for transport operators carrying out domestic transport services (until 31 December 2010)
  - gradual increase of axle-load limits on national road network (until 31 December 2013)

### **Cyprus (New Member State)**

- **Chapter opened:** November 1999
- **Status:** Closed December 2002 (provisionally closed in May 2001)
- **Transitional arrangements:**
  - retrofitting of certain vehicles used in domestic transport with tachographs

### **Czech Republic (New Member State)**

- **Chapter opened:** November 1999
- **Status:** Closed December 2002
- **Transitional arrangements:**
  - access of non-resident hauliers to the national road transport market of other Member States to be phased in gradually;

### **Estonia (New Member State)**

- **Chapter opened:** November 1999
- **Status:** Closed December 2002 (provisionally closed in March 2002)
- **Transitional arrangements:**
  - access of non-residents hauliers to the national road transport market of other Member States to be phased in gradually

#### **Hungary (New Member State)**

- **Chapter opened:** November 1999
- **Status:** Closed December 2002 (provisionally closed in December 2001)
- **Transitional arrangements:**
  - gradual increase of axle-load limits on national road network
  - access of non-resident hauliers to the national road transport market of other Member States to be phased in gradually
  - access to Hungarian rail market to be phased in gradually
  - phasing out the operation of noisy aircraft from third countries

#### **Latvia (New Member State)**

- **Chapter opened:** November 2000
- **Status:** Closed December 2002 (provisionally closed in December 2001)
- **Transitional arrangements:**
  - retrofitting of certain vehicles used in domestic transport with tachographs
  - financial standing criterion for transport operators carrying out domestic transport services
  - access of non-resident hauliers to the national road transport market of other Member States to be phased in gradually

#### **Lithuania (New Member State)**

- **Chapter opened:** November 2000
- **Status:** Closed December 2002 (provisionally closed in December 2001)
- **Transitional arrangements:**
  - retrofitting of certain vehicles used in domestic transport with tachographs
  - financial standing criterion for transport operators carrying out domestic transport services
  - access of non-resident hauliers to the national road transport market of other Member States to be phased in gradually
  - phasing out the operation of noisy aircraft from third countries

#### **Malta (New Member State)**

- **Chapter opened:** March 2001
- **Status:** Closed December 2002 (provisionally closed in October 2001)
- **Transitional arrangements:**
  - gradual increase of vehicle taxes for certain vehicles
  - phasing in of road worthiness tests for certain vehicles used in domestic transport
  - retrofitting of certain vehicles used in domestic transport with speed limitation devices

#### **Poland (New Member State)**

- **Chapter opened:** November 1999
- **Status:** Closed December 2002 (provisionally closed in June 2002)
- **Transitional arrangements:**
  - gradual increase of axle-load limits on national road network;
  - access of non-resident hauliers to the national road transport market of other Member States to be phased in gradually;
  - access to Polish rail market to be phased in gradually.

#### **Romania**

- **Chapter opened:** June 2001
- **Status:** closed in December 2004 (provisionally closed in December 2003)
- **Transitional arrangements:**
  - access of non-resident hauliers to the national road transport market of other Member States to be phased in gradually (as described above)

- gradual increase of vehicle taxes for certain vehicles used in domestic transport (until 31 December 2010)
- gradual increase of axle-load limits on national secondary road network (until 31 December 2013)

**Slovakia (New Member State)**

- **Chapter opened:** November 2000
- **Status:** Closed December 2002 (provisionally closed in April 2002)
  - access of non-residents hauliers to the national road transport market of other Member States to be phased in gradually

**Slovenia (New Member State)**

- **Chapter opened:** November 1999
- **Status:** Closed December 2002 (provisionally closed in December 2001)

## Chapter 10 – Taxation

### Background

The EU *acquis* in this chapter mainly covers indirect taxation, in particular the Value Added Tax (VAT) and excise duties regimes, while on direct taxation the *acquis* is limited to legislation on corporate taxation.

**VAT** was introduced in the European Economic Community in 1970 by the first and second VAT directives and was intended to replace the production and consumption taxes that had hitherto been applied by the Member States. The decision taken in 1970 to allocate a proportion of VAT revenue calculated on a unified basis to finance the Community budget (part of the Community's 'own resources') paved the way for harmonisation of VAT. The sixth VAT directive (77/388/EEC) ensured that the tax was applied to the same transactions in all Member States, so that they formed a common basis for funding the Community, and introduced a common assessment basis. The sixth directive, currently in force, represents the main body of law in the area of VAT, laying down all Community definitions and principles. These include the application of a non-cumulative general tax on consumption, which is levied on all stages of production and distribution of goods and services. This implies an equal tax treatment of domestic and non-domestic (import) transactions. Furthermore, the tax is based upon the neutrality principle whereby the tax applied to goods and services is exactly proportional to the price, whatever the number of transactions which take place in the production and distribution process before the stage at which the tax is finally charged. While laying down the major principles of VAT, the legislation leaves a number of options to Member States.

In the field of **excise duties** the *acquis* contains harmonised legislation as regards mineral oils, tobacco products and alcoholic beverages. Community legislation establishes the structure of the duty that should be charged, together with a system of minimum rates for each product group. Under the Community excise legislation, goods are subject to duty when they are produced within the Community or imported from a third country. However, the duty is payable only to the Member State in which the goods are consumed, and at the rates applicable in that Member State. The cornerstone of the excise system for movement of harmonised excisable goods between Member States is the tax warehouse, where goods subject to excise duty can be produced and stored under suspension of the duty. As a result of the introduction of the single market, all fiscal controls at the Community's internal frontiers were abolished by 1 January 1993.

The Community legislation in the area of **administrative co-operation and mutual assistance** provides tools to circumvent tax evasion and tax avoidance extending across the frontiers of Member States. It allows Member States to gather information about tax subjects from other Member States by exchange of information both automatically and on request. Finally, the *acquis* in the area of **direct taxation** mainly concerns some aspects of corporation taxes and capital duty. The measures in the field of corporation tax aim at facilitating administrative co-operation between national tax authorities and at removing obstacles to cross-border activities between enterprises. The Code of Conduct for business taxation represents a political commitment by Member States to tackle potentially harmful tax measures. Member States are committed to not introducing new tax measures which are harmful within the meaning of the Code and to examine their existing laws and practices with regard to the principles of the Code and to amend them where necessary as soon as possible.

A strong and well-equipped administration is required for the application and enforcement of the taxation *acquis*.

On the whole, candidate countries have an indirect taxation regime close to the EU's, although on a number of technical specific issues (e.g. exemptions, rate levels, tax refunds, etc.) they are not yet completely aligned with the *acquis*. Most negotiating countries have provided the Conference with a timetable for full alignment, on both VAT and excise duties. This requires careful monitoring. In their negotiating positions, most candidate countries have declared that they accept and will apply the principles of the Code of Conduct for business taxation. The

Commission is in the process of analysing the relevant legislation in candidate countries, with a view to identifying potentially harmful practices not in line with the Code of Conduct.

All candidate countries requested transitional measures and a limited number of derogations, mostly in the field of VAT and excises. One country put forward a request for a transitional arrangement in the field of direct taxation. The level of rates was certainly the most sensitive issue for candidate countries during negotiations. The VAT rates they apply may differ from the levels requested by the *acquis*, and in most cases excise duty rates are considerably lower than in the EU. Governments fear the economic and social implications of significantly raising rates -and hence prices- of socially sensitive goods by accession. Therefore, all candidate countries requested transitional periods on specific goods or services, aiming at stretching over a longer period of time the rate adjustment and at reducing its economic and social impact.

In considering whether transitional measures could be accepted, the EU took into consideration the need to safeguard the proper functioning of the internal market in the field of taxation, as well as the political, economic and social implications for the candidate countries. As a result, some transitional periods limited in time could be accepted, insofar as the impact on competition or on the internal market was considered to be limited, and a social need for candidate countries was clearly demonstrated.

### **State of play**

Chapter 10 has been opened with all countries. It was finally closed with Hungary, the Czech Republic, Slovenia, Cyprus, Estonia, Latvia, Lithuania, Malta, Poland and Slovakia in December 2002.

It has also been closed with Bulgaria and with Romania in December 2004.

### **Compliance with the *acquis***

The latest assessment of each candidate country's compliance with the *acquis* under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

## **Country by country**

### **Bulgaria**

- **Chapter opened:** July 2001
- **Status:** closed in December 2004 (provisionally closed in May 2002)
- **Transitional arrangements:**
  - Turnover threshold to exempt SMEs from VAT set at about € 25 000
  - VAT exemption for international passenger transport
  - Special excise regime for fruit growers' distillation for personal consumption
  - Lower excise duty rates on cigarettes until 31 December 2007

### **Cyprus (New Member State)**

- **Chapter opened:** November 1999
- **Status:** Closed December 2002 (provisionally closed in April 2002)
- **Transitional arrangements:**
  - Turnover threshold to exempt SMEs from VAT set at € 15 600
  - Zero VAT rate on foodstuffs until 31 December 2007
  - Zero VAT rate on pharmaceuticals until 31 December 2007
  - Reduced VAT rate on restaurants until 31 December 2007
  - VAT exemption on building land
  - VAT exemption on international passenger transport

#### **Czech Republic (New Member State)**

- **Chapter opened:** November 1999
- **Status:** Closed December 2002 (provisionally closed in December 2001)
- **Transitional arrangements:**
  - Turnover threshold to exempt SMEs from VAT set at € 35 000
  - Reduced VAT rate on heating until 31 December 2007
  - Reduced VAT rate on construction until 31 December 2007
  - Lower excise duty rates on cigarettes until 31 December 2007
  - Special excise regime for fruit growers' distillation for personal consumption
  - VAT exemption on international passenger transport

#### **Estonia (New Member State)**

- **Chapter opened:** November 1999
- **Status:** Closed December 2002 (provisionally closed June 2002)
- **Transitional arrangements:**
  - Reduced VAT rate on heating until 31 December 2007
  - Turnover threshold to exempt SMEs from VAT set at € 16 000
  - Lower excise duty rates on cigarettes until 31 December 2009
  - Full alignment to the parent-subsidiary directive until 31 December 2008
  - VAT exemption on international passenger transport

#### **Hungary (New Member State)**

- **Chapter opened:** November 1999
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - Reduced VAT rate on heating until 31 December 2007.
  - Turnover threshold to exempt SMEs from VAT set at € 35 000
  - Reduced VAT rate on electricity, gas for one year after accession
  - Reduced VAT rate on restaurants until 31 December 2007.
  - VAT exemption on international passenger transport
  - Special excise regime for fruit growers' distillation for personal consumption
  - Lower excise duty rate on cigarettes until 31 December 2008

#### **Latvia (New Member State)**

- **Chapter opened:** May 2001
- **Status:** Closed December 2002 (provisionally closed in June 2002)
- **Transitional arrangements:**
  - Turnover threshold to exempt SMEs from VAT set at € 17 200
  - Lower excise duty rates on cigarettes until 31 December 2009
  - VAT exemption on international passenger transport
  - VAT exemption on royalties
  - Reduced VAT rate on heating until 31 December 2004

#### **Lithuania (New Member State)**

- **Chapter opened:** May 2001
- **Status:** Closed December 2002 (provisionally closed in March 2002)
- **Transitional arrangements:**
  - Turnover threshold to exempt SMEs from VAT set at € 29 000
  - Lower excise duty rates on cigarettes until 31 December 2009
  - VAT exemption on international passenger transport

#### **Malta (New Member State)**

- **Chapter opened:** June 2001
- **Status:** Closed December 2002
- **Transitional arrangements:**
  - Zero VAT rate on foodstuff until 31 December 2009.
  - Zero VAT rate on pharmaceuticals until 31 December 2009

- VAT exemption on water
- VAT exemption on new buildings and building land
- VAT exemption on inland passenger transport and domestic inter-island sea passenger transport
- Turnover threshold to exempt SMEs from VAT set at € 37 000 (for enterprises for which the economic activity consists mainly in the supply of goods), 24 300, (for enterprises for which the economic activity consists mainly in the supply of services with a low value added), and 14 600 (all other cases)

#### **Poland (New Member State)**

- **Chapter opened:** November 1999
- **Status:** Closed December 2002 (provisionally closed in March 2002)
- **Transitional arrangements:**
  - Zero VAT rate on books until 31 December 2007
  - Reduced VAT rates on restaurants until 31 December 2007
  - Turnover threshold to exempt SMEs from VAT set at € 10 000
  - Lower excise duty rate on cigarettes until 31 December 2008
  - Reduced excise duties on ecological fuels until one year after accession;
  - Reduced VAT rate on construction until 31 December 2007
  - Super-reduced VAT rate on agriculture inputs, excluding machinery until 30 April 2008
  - Super-reduced VAT rate on foodstuffs until 30 April 2008
  - VAT exemption on international passenger transport

#### **Romania**

- **Chapter opened:** October 2001
- **Status:** closed in December 2004 (provisionally closed in June 2003)
- **Transitional arrangements:**
  - Turnover threshold to exempt SMEs from VAT set at about € 35 000
  - VAT exemption for international passenger transport
  - Special excise regime for fruit growers' distillation for personal consumption
  - Lower excise duty rates on cigarettes until 31 December 2009

#### **Slovakia (New Member State)**

- **Chapter opened:** June 2001
- **Status:** Closed December 2002 (provisionally closed in March 2002)
- **Transitional arrangements:**
  - Reduced VAT rate on heating until 31 December 2008
  - Reduced VAT rate on construction until 31 December 2007
  - Reduced VAT rate on electricity, gas until one year after accession
  - Turnover threshold to exempt SMEs from VAT set at € 35 000
  - Lower excise duty rates on cigarettes until 31 December 2008
  - Special excise regime for fruit growers' distillation for personal consumption
  - VAT exemption on international passenger transport

#### **Slovenia (New Member State)**

- **Chapter opened:** November 1999
- **Status:** Closed December 2002 (provisionally closed in December 2001)
- **Transitional arrangements:**
  - Reduced VAT rates on construction until 31 December 2007
  - Reduced VAT rates on restaurants until 31 December 2007
  - Turnover threshold to exempt SMEs from VAT set at € 25 000
  - VAT exemption on international passenger transport



## Chapter 11 - Economic and Monetary Union

### Background

According to the Treaty, and disregarding an opt-out status, a member State is either a Member State that has adopted the euro or a member state with a derogation. A member state with a derogation is, according to article 122 of the Treaty, excluded from the rights and obligations within the European System of Central Banks (ESCB). This implies, amongst other things, that the member state in question will not participate in the Single Currency since the criteria for being able to do so have not yet been fulfilled.

Candidate countries will participate in Economic and Monetary Union (EMU) from the date of their accession whilst not adopting the euro at the outset. The Candidate countries cannot adopt the euro upon accession because the Treaty requires that an assessment of the sustainability of the government's financial position be performed before accession. The other reason is that the candidate countries will not have participated in the Exchange Rate Mechanism, which is not open to the candidate countries prior to accession. Only after participation in the Exchange Rate Mechanism (for at least 2 years), could a decision be taken on the candidate countries fulfilment of the necessary conditions for the adoption of the euro as referred to in the Treaty.

The participation in EMU **presupposes** the adoption of the Single market *acquis* by the candidate countries, in particular of the *acquis* on free movement of capital (chapter 4), as was the case for present member states.

The opt-out status being disregarded for the candidate countries, **no transitional periods or special arrangements** are therefore permitted, **nor have they been requested by any of the countries** with which negotiations have been carried out until now.

The *acquis* in this area can be divided in:

- Elements that must be implemented in legislation prior to the date of accession, including:
  - (i) Prohibition of direct financing of the public sector: this concerns the prohibition of overdraft or any other type of credit facilities conceded to EC institutions, and of direct acquisition of public debt instruments by the European Central Bank or the National Central Bank. The rationale for this is that it ensures fiscal discipline, and that it is a basic element of Central Bank independence.
  - (ii) Prohibition of privileged access of the public sector to financial institutions: this concerns the prohibition of any measure not based on prudential considerations establishing privileged access of EC bodies to financial institutions. The rationale for this is that it complements the prohibition of direct financing, it reinforces freedom of capital movements and prevents distortion of market economy principles.
  - (iii) Independence of Central Bank: the National Central Bank must aim at price stability as their explicit objective, and there has to be absence of any external institution or body able to give instructions, approve, censor be consulted or participate in Central Bank decisions;
- Elements that only have to be complied with from the date of accession.

These include exchange rate and economic policies, co-ordination of economic policies with member states through participation in Community procedures and adherence to the provisions of the Stability and Growth Pact and of the statutes of the ESCB.

### **State of Play**

During the second half of 1999, the chapter was closed for the countries that started negotiations in 1998 (ie Cyprus, Czech Republic, Estonia, Hungary, Poland and Slovenia); the chapter was closed for Malta and Latvia and for Slovakia and Lithuania during the second half of 2000 and the first half of 2001, respectively.

Negotiations were concluded with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia in December 2002.

It was opened with Bulgaria in March 2002 and provisionally closed in April 2002. The chapter was opened and provisionally closed for Romania in June 2002. Negotiations were concluded with Bulgaria and Romania in December 2004.

### **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004/index.htm](http://europa.eu.int/comm/enlargement/report_2004/index.htm).

## **Country by country**

### **Bulgaria**

- **Chapter opened:** March 2002
- **Status:** closed in December 2004 (provisionally closed in April 2002)
- **Transitional arrangements:** none

### **Cyprus (New Member State)**

- **Chapter opened:** first half of 1999
- **Status:** Closed December 2002 (provisionally closed at end of 1999)
- **Transitional arrangements:** none

### **Czech Republic (New Member State)**

- **Chapter opened:** first half of 1999
- **Status:** Closed December 2002 (provisionally closed at end of 1999)
- **Transitional arrangements:** none

### **Estonia (New Member State)**

- **Chapter opened:** first half of 1999
- **Status:** Closed December 2002 (provisionally closed at end of 1999)
- **Transitional arrangements:** none

### **Hungary (New Member State)**

- **Chapter opened:** first half of 1999.
- **Status:** Closed December 2002 (provisionally closed at end of 1999)
- **Transitional arrangements:** none

### **Latvia (New Member State)**

- **Chapter opened:** second half of 2000
- **Status:** Closed December 2002 (provisionally closed at end of 2000)
- **Transitional arrangements:** none

### **Lithuania (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002 (provisionally closed in first half of 2001)
- **Transitional arrangements:** none

### **Malta (New Member State)**

- **Chapter opened:** second half of 2000
- **Status:** Closed December 2002 (provisionally closed at end of 2000)
- **Transitional arrangements:** none

**Poland (New Member State)**

- **Chapter opened:** first half of 1999
- **Status:** Closed December 2002 (provisionally closed at end of 1999)
- **Transitional arrangements:** none

**Romania**

- **Chapter opened:** June 2002
- **Status:** closed in December 2004 (provisionally closed in June 2002)
- **Transitional arrangements:** none

**Slovakia (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002 (provisionally closed in first half of 2001)
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** first half of 1999
- **Status:** Closed December 2002 (provisionally closed at end of 1999)
- **Transitional arrangements:** none

## Chapter 12 - Statistics

### Background

Sound statistical bases are needed for conduct of policies in many areas. Whilst adoption of the legal acquis for this chapter is not, as such, problematic the main issue is rather whether the countries are able to produce accurate and harmonised data in a permanent and sustainable way. Quality of statistics depends very much on the general administrative capacity of a country, on its public service performance and on the capacity to recruit and retain qualified people. All countries have accepted the acquis and in general terms there is a good level of alignment to basic principles. Statistical co-operation with these countries has been increasing progressively over recent years, both on a bilateral basis with Eurostat (partly supported through PHARE) and also in the framework of international organisations such as UN, IMF, and OECD.

### State of Play

This chapter has been negotiated and was closed with 10 countries in December 2002. It was provisionally closed with Bulgaria and Romania in December 2000 and definitely closed with both countries in December 2004. No transitional arrangements have been accepted.

### Compliance with the acquis

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

### Country by country

#### Bulgaria

- **Chapter opened:** October 2000
- **Status:** closed in December 2004 (provisionally closed in December 2000)
- **Transitional arrangements:** none

#### Cyprus (New Member State)

- **Chapter opened:** March 1999
- **Status:** Closed December 2002 (provisionally closed in June 1999 )
- **Transitional arrangements:** none

#### Czech Republic (New Member State)

- **Chapter opened:** March 1999
- **Status:** Closed December 2002 (provisionally closed in June 1999)
- **Transitional arrangements:** none

#### Estonia (New Member State)

- **Chapter opened:** March 1999
- **Status:** Closed December 2002 (provisionally closed in June 1999)
- **Transitional arrangements:** none

#### Hungary (New Member State)

- **Chapter opened:** March 1999
- **Status:** Closed December 2002 (provisionally closed in June 1999)
- **Transitional arrangements:** none

#### Latvia (New Member State)

- **Chapter opened:** April 2000
- **Status:** Closed December 2002 (provisionally closed in June 2000)
- **Transitional arrangements:** none

**Lithuania (New Member State)**

- **Chapter opened:** April 2000
- **Status:** Closed December 2002 (provisionally closed in June 2000)
- **Transitional arrangements:** none

**Malta (New Member State)**

- **Chapter opened:** October 2000
- **Status:** Closed December 2002 (provisionally closed in December 2000)
- **Transitional arrangements:** none

**Poland (New Member State)**

- **Chapter opened:** March 1999
- **Status:** Closed December 2002 (provisionally closed in June 1999)
- **Transitional arrangements:** none

**Romania**

- **Chapter opened:** October 2000
- **Status:** closed in December 2004 (provisionally closed in December 2000)
- **Transitional arrangements:** none

**Slovakia (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in June 2000)
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** March 1999
- **Status:** Closed December 2002 (provisionally closed in June 1999)
- **Transitional arrangements:** none

## Chapter 13 - Employment and social policy

### Background

Employment and social policy covers areas where there exists substantial secondary legal *acquis* at EU level, such as health and safety issues, labour law and equality of treatment between women and men, as well as areas such as social dialogue, employment and social protection where convergent policies are being developed, on the basis of the EC Treaty. In these areas there are no legal obligations to implement precise policy measures but a very important general obligation to co-ordinate the respective policies in order to develop a homogenous social framework in line with the principle and rules of the EU Treaty.

### *Labour law*

To harmonise some aspect of the labour law at European level the EU has issued Directives in the following fields: collective redundancies, safeguarding of employment rights in case of transfer of undertaking, employer obligation to inform employees of the condition applicable to the employment contract, guarantee for the employees in case of insolvency of the employer, posting of workers and organisation of working time.

### *Equality of treatment between women and men*

The Amsterdam Treaty has added equality between men and women to the list of Community objectives, explicitly providing that in all its activities the Community must aim to eliminate inequalities, and to promote equality, between men and women. In particular, the new Article 141 of the EC Treaty lends greater support to equal treatment of men and women and to equal opportunities.

The practical implementation of this gender mainstreaming is spelt out in the Community Framework Strategy on Gender Equality (2001 2005) which involve policy analysis and planning, the collection of statistical data broken down by sex, as well as training and awareness-raising of the key actors involved.

As appropriate, legislation is also used to achieve equality, especially to prohibit discrimination on the grounds of sex. Most of the current legislation relates to employment in the following fields: equal treatment in employment and occupation, social security, occupational social security schemes, parental leave, protection of pregnant women, women who have recently given birth and women who are breastfeeding.

### *Anti discrimination*

With the entry into force of the new Article 13 of the EC Treaty, introduced by the Treaty of Amsterdam, the Community has the power to combat discrimination on a wider range of grounds than ever before - sex, racial and ethnic origin, religion and belief, disability, age and sexual orientation - and in areas both in and outside of employment.

The Community's legislative framework now includes Directive 2000/43/EC prohibiting racial and ethnic discrimination in employment, education, social security and healthcare, access to goods and services and housing and Directive 2000/78/EC prohibiting discrimination in employment on grounds of religion and belief, disability, age and sexual orientation. A Community Action Programme has been defined in order to promote the study of discrimination and exchanges of experience and good practice between the Member States.

### *Health and safety*

The Single European Act gave new impetus to social policy in the areas of health and safety at work. The considerable *acquis* in this field is aimed at harmonising, through Directives, which fix minimum health and safety standards for the working conditions in the EU. The compliance with the health and safety *acquis* is essential to reap the benefits from, for example, fewer work accidents and occupational injuries and diseases. To achieve this goal, timely and complete transposition and implementation of EU legislation on health and safety at work must be accompanied by the effective operation of labour inspection institutions.

### *Social protection*

For the EU an evolving co-operation to promote an effective system of social protection is an important component of the wider employment and social situation in the EU. While the funding

and organisation of social protection systems remain the responsibility of individual Member States, the EU requires that these systems have the capacity to develop and operate sustainable and universally applicable social protection systems in line with the Treaty objectives. The systems of the candidate countries must also be capable of co-ordinating with those systems currently operating in the EU which are themselves developing in a very dynamic way and undergoing significant reform.

#### *Social dialogue*

The Treaty requires that social dialogue be promoted and gives additional powers to the social partners. The candidate countries are, therefore, invited to confirm that social dialogue is accorded the importance required and that the social partners are sufficiently developed in order to discharge their responsibilities at EU and national level, and to indicate whether they are consulted on legislative drafts relating to the taking over of the employment and social policy acquis.

Amsterdam gives the social partners a central role in drawing up and applying Community social policy. Therefore, the development not only of tripartite structures but also of autonomous, representative bipartite social dialogue is an important aspect for the future involvement of the candidates countries' social partners in the social dialogue activities developed at European and national level.

#### *Employment*

The candidate countries shall work in co-operation with the EU on the follow up of the Employment Policy Review. The candidate countries are invited to address the following issues: (i) whether the functioning of the labour market is improving so as to ensure that labour supply can be effectively matched with demand for labour on the domestic market and what policy measures are being developed to support this process; (ii) whether policy reforms and labour market transformations are progressing sufficiently rapidly and deeply to permit a full participation in the Single Market; (iii) the policies and measures are being pursued to prepare the large share of the working age population which is unskilled or inappropriately skilled for a market economy; (iv) the degree of readiness of the employment policy structures and the employment policy delivery systems to implement the Employment Strategy.

The acquis also covers the European Social Fund (ESF), public health programmes measures on the ECSC, a Council regulation on the European Monitoring Centre on racism and xenophobia and measures on the creation/management of the European Foundation for the improvement of living and working conditions.

#### *Public Health*

An article 152 of the new Treaty stipulates that a high level of health protection shall be ensured in the definition and implementation of all Community policies and activities. Accordingly, the EU attaches great importance to ensuring a high level of human health protection in the definition and implementation of all Community policies. To protect public health the EU also issued several Directives the area of tobacco product and advertising.

#### *Institutions explicitly required by the acquis*

Even if the enforcement is the responsibility of Member States and requires administrative and judicial structures at national level, the candidate countries are requested to effectively enforce the acquis through judicial and administrative systems similar to the one of the Member States.

The acquis also covers the European Social Fund (ESF), public health (programmes and tobacco directives), measures on the ECSC, a Council regulation on the European Monitoring Centre on racism and xenophobia and measures on the creation/management of the European Foundation for the improvement of living and working conditions.

Implementation/enforcement is the responsibility of Member States and requires administrative and judicial structures at national level and co-operation among the key players. Amsterdam gives the social partners a central role in drawing up and applying Community social policy.

### **State of play**

The chapter was closed with 10 countries in December 2002. The chapter has been provisionally closed with Bulgaria and Romania in April 2002 and definitely closed with both countries in December 2004.

Some legislative work remains for all countries in the areas of labour law (where the amendments are often of a technical nature), equality of treatment (where there have been significant progress) and major efforts need to be made to comply with the health and safety rules (significant cost implications especially for SME).

Candidate countries had been asked to provide detailed timetables for adoption and implementation of all measures (in particular health and safety directives). This has in general been done. Candidate countries had also been requested to provide further details on enforcement and practical implementation, in particular the role of the various inspections bodies and the systems of redress open to aggrieved persons.

All candidates are participating in "employment reviews" with the Commission services over the coming years. However, in advance of the output of these reviews, requests for detailed information had been put to candidates and good information has been received generally.

### **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

## **Country by country**

### **Bulgaria**

- **Chapter opened:** October 2001
- **Status:** closed in December 2004 (provisionally closed April 2002)
- **Transitional arrangements:** Directive 90/239/EEC as modified by Directive 2001/37/EEC (maximum tar yield of cigarettes) until 31 December 2010

### **Cyprus (New Member State)**

- **Chapter opened:** September 1999
- **Status:** Closed December 2002 (provisionally closed in March 2000)
- **Transitional arrangements:** none

### **Czech Republic (New Member State)**

- **Chapter opened:** September 1999
- **Status:** Closed December 2002 (provisionally closed in May 2001)
- **Transitional arrangements:** none

### **Estonia (New Member State)**

- **Chapter opened:** September 1999
- **Status:** Closed December 2002 (provisionally closed in October 2000)
- **Transitional arrangements:** none

### **Hungary (New Member State)**

- **Chapter opened:** September 1999
- **Status:** Closed December 2002 (provisionally closed in November 2000)
- **Transitional arrangements:** none

### **Latvia (New Member State)**

- **Chapter opened:** February 2001
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - Directive 89/655/EEC (work equipment) – until 1 July 2004
  - Directive 89/654/EEC (workplace) – until 31 December 2004



- Directive 90/270/EEC (display screen equipment) – until 31 December 2004

**Lithuania (New Member State)**

- **Chapter opened:** November 2000
- **Status:** Closed December 2002 (provisionally closed in March 2001)
- **Transitional arrangements:** none

**Malta (New Member State)**

- **Chapter opened:** November 2001
- **Status:** Closed December 2002 (provisionally closed in November 2001 )
- **Transitional arrangements:**
  - Directives 93/104/EC (working time) until 31/7/04; However, the existing collective agreements providing for a working time which exceed the terms of the Directive, would remain in force until 31/12/04;
  - Directive 89/655/EEC (work equipment) until 31/12/05

**Poland (New Member State)**

- **Chapter opened:** September 1999
- **Status:** Closed December 2002 (provisionally closed in March 2001 )
- **Transitional arrangements:**
  - Directive 89/655/EEC (work equipment) until 31/12/05

**Romania**

- **Chapter opened:** October 2001
- **Status:** closed in December 2004 (provisionally closed April 2002)

**Slovakia (New Member State)**

- **Chapter opened:** February 2001
- **Status:** Closed December 2002 (provisionally closed in May 2001 )
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** September 1999
- **Status:** Closed December 2002 (provisionally closed in November 2000 )
- **Transitional arrangements:**
  - Directives 90/679/EEC, 93/88/EEC, 95/30/EC, 97/59/EC and 97/65/EC (biological agents) until 31/12/05
  - Directive 86/188/EEC (noise at work) until 31/12/05
  - Directives 96/94/EC and 91/322/EEC (chemical, physical and biological agents at work) until 31/12/05
  - Directive 98/24/EC

## Chapter 14 – Energy

### Background

The European Union is a key actor on the international energy market as the largest importer and as the second largest consumer in the world. Energy is a major economic and geopolitical factor. The European Union is, however, dependent on imports for half of its supplies, while this dependence could even reach 70% by the year 2030, if nothing is done. For natural gas, dependence could reach 70 %; for oil 90% and for coal even 100%. Most likely, enlargement will only reinforce these trends, despite the fact that certain (former) candidate countries are producers of primary energy (e.g. Poland for coal and Romania for oil and gas).

This situation calls for various measures about which the European Commission has launched in 2001 a wide debate (Green Paper 'Towards a European strategy for the security of energy supply'). Measures in the energy sector should aim at a more stable flow of energy, ultimately underpinning the Union's efforts to ensure peace, stability, security and prosperity. In this, the European Union's enlargement process has a key role to play.

The energy acquis represents the body of all energy related EU law, regulations and policies. Implementing the acquis requires not only adequate legislation but also well functioning institutions (for example a regulatory body as required in the electricity and gas directives, a nuclear safety authority etc).

In view of the energy acquis, candidate countries need notably to:

- decide on an overall energy policy with clear timetables for restructuring the sector;
- prepare for the internal energy market (the Gas and Electricity directives; Cross border exchanges in electricity; the Directive on electricity produced from renewable energy sources);
- improve energy networks in order to create a real European market;
- prepare for crisis situations, particularly through the constitution of 90 days of oil stocks;
- address the social, regional and environmental consequences of the restructuring of mines;
- waste less energy and increase the use of renewable energies such as wind, hydro, solar and biomass in their energy balance;
- ensure the safety of nuclear power plants in order that electricity is produced according to a high level of nuclear safety;
- ensure that nuclear waste is handled in a responsible manner; and prepare for the implementation of Euratom Safeguards on nuclear materials.

Candidate countries have made considerable progress over the past years and the above-mentioned issues are applicable to the candidate countries in varying degrees. More is however necessary and this will evidently continue to require large amounts of investment funding. Although the EU will continue to assist with pre-accession aid, the bulk will have to be financed by candidate countries themselves. Private investments have an important role to play in this context and require a stable investment climate.

As regards the issue of nuclear energy, the European Union has repeatedly emphasised the importance of a high level of nuclear safety in candidate countries. In June 2001, the Council of the European Union took note of a Report on Nuclear Safety in the Context of Enlargement. This Report contains recommendations to all candidate countries to continue their national safety improvement programmes, including the safe management of spent fuel and radioactive waste, and regarding the safety of their research reactors.

All candidate countries have responded to these recommendations. During the first half of 2002, a special Peer Review on nuclear safety assessed the progress made by candidate countries in implementing all recommendations. This exercise under the auspices of the

Council resulted in a Status Report, which was published in June 2002. It comes to the general conclusion that all candidate countries are clearly committed to fulfil the recommendations.

The EU has also insisted on the early closure of certain types of nuclear power units.

Slovakia committed to close the two units of the Bohunice-V-1 Nuclear Power Plant by 2006 and 2008 respectively. At the Copenhagen European Council it was decided to support Slovakia's efforts by an amount of € 90 million in the period 2004-2006. The Union acknowledged that the decommissioning process will have to continue beyond 2006 and that this effort represents for Slovakia a significant financial burden. Decisions on the continuation of EU assistance in this field after 2006 will take this situation into account.

Lithuania committed to close Unit-1 of Ignalina Nuclear Power Plant before 2005 and Unit-2 by 2009, while the EU took a commitment to continue to provide adequate additional Community assistance to the decommissioning effort also beyond 2006. The Union acknowledged that the decommissioning effort is of unprecedented nature and represents for Lithuania an exceptional financial burden not commensurate with the size and economic strength of the country. At the Copenhagen European Council it was decided to support Lithuania's efforts with an amount of € 285 million in the period 2004-2006.

Bulgaria committed to close units 1 and 2 of Kozloduy Nuclear Power Plant by the end of 2002. It also committed to close units 3 and 4 in 2006. Furthermore, regarding the so-called "Peer Review" mechanism under the auspices of the EU Council, the EU will mandate the dispatch of an expert mission to Bulgaria as soon as possible before the overall conclusion of the negotiations. Furthermore, the EU expressed its readiness to consider the matter of continued financial assistance in this area. Within the framework of the accession negotiations, it was decided to support Bulgaria's efforts with an amount of € 550 million in the period 2000-2009.

Generally, in the energy chapter, negotiations concentrate, depending on the country concerned, on the constitution of emergency oil stocks, the internal energy market (gas and electricity directives) and nuclear safety.

For EU energy policy developments please refer to the Commission's [DG Energy and Transport's website](http://europa.eu.int/comm/dgs/energy_transport/index_en.html) [http://europa.eu.int/comm/dgs/energy\_transport/index\_en.html].

### **State of play**

The energy chapter has been closed with 10 countries in December 2002. It has also been closed with Bulgaria and Romania in December 2004.

### **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004/index.htm](http://europa.eu.int/comm/enlargement/report_2004/index.htm).

## **Country by country**

### **Bulgaria**

- **Chapter opened:** second half of 2001
- **Status:** closed in December 2004 (provisionally closed in second half of 2002)
- **Transitional period:**
  - build up of oil stocks to required level, until the end of 2012

### **Cyprus (New Member State)**

- **Chapter opened:** second half of 1999
- **Status:** Closed December 2002 (provisionally closed in first half of 2001 )
- **Transitional period:**
  - build up of oil stocks to required level, until the end of 2007

**Czech Republic (New Member State)**

- **Chapter opened:** second half of 1999
- **Status:** Closed December 2002 (provisionally closed in second half of 2001 )
- **Transitional period:**
  - build up of oil stocks to required level, until the end of 2005
  - implementation of gas directive, until the end of 2004

**Estonia (New Member State)**

- **Chapter opened:** second half of 1999
- **Status:** Closed December 2002 (provisionally closed in July 2002)
- **Transitional period:**
  - build up of oil stocks to required level, until the end of 2009
  - implementation of electricity directive, until the end of 2008

**Hungary (New Member State)**

- **Chapter opened:** second half of 1999
- **Status:** Closed December 2002 (provisionally closed in second half of 2000 )
- **Transitional period:** none

**Latvia (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002 (provisionally closed in second half of 2001 )
- **Transitional period:**
  - build up of oil stocks to required level, until the end of 2009

**Lithuania (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002 (provisionally closed in first half of 2002 )
- **Transitional period:**
  - build up of oil stocks to required level, until the end of 2009

**Malta (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002 (provisionally closed in first half of 2001)
- **Transitional period:**
  - build up of oil stocks to required level, until the end of 2006

**Poland (New Member State)**

- **Chapter opened:** second half of 1999
- **Status:** Closed December 2002 (provisionally closed in second half of 2001 )
- **Transitional period:**
  - build up of oil stocks to required level, until the end of 2008

**Romania**

- **Chapter opened:** first half of 2002
- **Status:** closed in December 2004 (provisionally closed in second half of 2004)
- **Transitional period:**
  - build up of oil stocks to required level, until the end of 2012

**Slovakia (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002 (provisionally closed in second half of 2001 )
- **Transitional period:**
  - build up of oil stocks to required level, until the end of 2008

**Slovenia (New Member State)**

- **Chapter opened:** second half of 1999
- **Status:** Closed December 2002 (provisionally closed in first half of 2001)
- **Transitional period:**
  - build up of oil stocks to required level, until the end of 2005

## Chapter 15 - Industrial policy

### Background

The *acquis* under Chapter 15 does not require transposition into the national legal order of the applicant countries, or particular measures for implementation and enforcement. This *acquis* consists of general industrial competitiveness policy guidelines established both at the horizontal and sector-specific levels, which are not legally binding on the Member States, as well as in provisions based on the ECSC Treaty, many of which are no longer applicable. The ECSC Treaty will expire in 2002.

In the framework of the negotiations it has been requested to the candidate countries to present industry policy and restructuring strategies in order to assess whether their industrial policies were in line with the principles, in particular regarding privatisation and restructuring, set out in the Council Decision on "the Implementation of a Community Action Programme to Strengthen the Competitiveness of European Industry" (96/413/EC).

Industrial policy is closely linked with other negotiating chapters, in particular free movement of goods, competition policy (including state aids) as well as social policy and employment.

No transitional periods or special arrangements have been requested by any of the countries with which negotiations have been carried out until now.

### State of play

This chapter has been negotiated with all countries. Negotiations were closed with 10 countries in December 2002 and with Bulgaria and Romania in December 2004.

### Compliance with the *acquis*

The latest assessment of each candidate country's compliance with the *acquis* under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

## Country by country

### Bulgaria

- **Chapter opened:** second half of 2001
- **Status:** closed in December 2004 (provisionally closed in second half of 2001)
- **Transitional arrangements:** none

### Cyprus (New Member State)

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in second half of 1998)
- **Transitional arrangements:** none

### Czech Republic (New Member State)

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in first half of 1999)
- **Transitional arrangements:** none

### Estonia (New Member State)

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in first half of 1999)
- **Transitional arrangements:** none

### Hungary (New Member State)

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in first half of 1999)
- **Transitional arrangements:** none

**Latvia (New Member State)**

- **Chapter opened:** second half of 2000
- **Status:** Closed December 2002 (provisionally closed in second half of 2000)
- **Transitional arrangements:** none

**Lithuania (New Member State)**

- **Chapter opened:** second half of 2000
- **Status:** Closed December 2002 (provisionally closed in second half of 2000)
- **Transitional arrangements:** none

**Malta (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in first half of 2000)
- **Transitional arrangements:** none

**Poland (New Member State)**

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in first half of 1999)
- **Transitional arrangements:** none

**Romania**

- **Chapter opened:** second half of 2002
- **Status:** closed in December 2004 (provisionally closed in July 2002)
- **Transitional arrangements:** none

**Slovakia (New Member State)**

- **Chapter opened:** second half of 2000
- **Status:** Closed December 2002 (provisionally closed in second half of 2000)
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in first half of 1999)
- **Transitional arrangements:** none

## Chapter 16 - Small and Medium-sized Enterprises

### Background

The *acquis* currently in force under this chapter heading, covers the area of enterprise policy, distributive trades, tourism and social economy, and consists largely of decisions setting up consultation procedures and Community programmes, or of recommendations. These do not require transposition into the national legal order of the candidate countries nor implementation and enforcement measures. The only exception is a Directive on tourism statistics (95/57/EC).

However, the subject of this chapter is important in the context of economic development and the capacity to withstand competitive pressure. Three areas are of particular importance:

- (a) overall Enterprise/SME Policy formulation and implementation
- (b) the general business environment in the country
- (c) the adoption and application of the SME definition.

The policy issues of particular importance to small enterprises are set out in the "European Charter for Small Enterprises", which was adopted in June 2000. The candidate countries endorsed this charter at a meeting in Mariborg (Slovenia) in April 2002.

### State of play

Chapter 16 has been closed with the ten candidate countries who concluded accession negotiations at Copenhagen on 13 December 2002. It has been provisionally closed with Bulgaria and Romania.

### Compliance with the *acquis*

The latest assessment of each candidate country's compliance with the *acquis* under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004/index.htm](http://europa.eu.int/comm/enlargement/report_2004/index.htm).

### Country by country

#### Bulgaria

- **Chapter opened:** May 2000
- **Status:** provisionally closed in May 2000
- **Transitional arrangements:** none

#### Cyprus (New Member State)

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in November 1998)
- **Transitional arrangements:** none

#### Czech Republic (New Member State)

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in November 1998)
- **Transitional arrangements:** none

#### Estonia (New Member State)

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in November 1998)
- **Transitional arrangements:** none

#### Hungary (New Member State)

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in November 1998)
- **Transitional arrangements:** none



**Latvia (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none

**Lithuania (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none

**Malta (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none

**Poland (New Member State)**

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in November 1998)
- **Transitional arrangements:** none

**Romania**

- **Chapter opened:** May 2000
- **Status:** provisionally closed in May 2000
- **Transitional arrangements:** none

**Slovakia (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in November 1998)
- **Transitional arrangements:** none

## Chapter 17 - Science and Research

### Background

The acquis consists of a large number of Council and Commission Decisions concerning two areas:

- 1) Framework Programmes of European Community activities in the field of research, technological development and demonstration and of the European Atomic Energy Community for research and training activities;
- 2) Science and Technology Co-operation agreements with third countries.

The Framework Programme (FP) is the Union's main instrument for the funding of research in Europe. Proposed by the Commission and adopted by the Council and Parliament in co-decision, it is open to all public and private entities, large or small.

All candidate countries (apart from Turkey) were already associated to the 5<sup>th</sup> EC Framework Programme (1998-2002) and some of them also to the 5<sup>th</sup> Euratom Framework Programme. The 6<sup>th</sup> Framework Programme (2002-2006) was adopted on 27.06.2002 (OJ L231/1 of 29.8.02), specific programmes on 30.09.2002 (OJ L294/1 of 29.10.02) and participation rules on 9.10.2002. The overall budget covering the four-year period 2003-2006 is € 17,5 billion (EC: € 16,27 billion + Euratom € 1,23 billion).

All 13 candidate countries have expressed interest in joining the 6<sup>th</sup> EC Framework Programme and seven of them (Bulgaria, Czech Republic, Hungary, Latvia, Romania Slovakia and Slovenia) also in joining the 6<sup>th</sup> Euratom Framework Programme. Relevant Memoranda of Understanding have been signed on 29.10.2002.

Traditional actions under previous Framework Programmes continue (such as active participation of SMEs). However, FP6 represents a quantum leap beyond simply funding projects. It is one of principal instruments for the development of the European Research Area. It aims at scientific excellence, improved competitiveness and innovation through the promotion of increased co-operation, greater complementarity and improved co-ordination between relevant actors, at all levels.

Due to its specificity, the acquis in the field of science and research does not require any transposition in the national legal order.

Implementation capacity does not relate to the application and enforcement of legal provisions, but rather to the existence of the necessary conditions for effective participation in activities under the 6th Framework programme. These conditions depend on many factors such as existence of necessary infrastructures, effective functioning of institutions implicated and links between them, quality of researchers and their collaboration capacities, etc. In addition, the state and private institutions need to be able to provide the necessary matching funds.

Co-operation in the field of science and technology is well established, a network of **National Contact Points (NCP)** has been established in each of these countries and the necessary financial and institutional conditions for participation in the Framework Programme of the EU have been set up.

For all candidate countries, a reinforcement of the research related administration capabilities as well as the strengthening of the research infrastructure is necessary to ensure a more successful participation in the Framework Programme (implementing capacity).

### State of play

This chapter has been negotiated with the twelve candidate countries and was closed with 10 countries in December 2002. The chapter has been provisionally closed with Bulgaria and Romania in May 2000 and definitely closed with both countries in December 2004.

### **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

### **Country by country**

#### **Bulgaria**

- **Chapter opened:** first half of 2000
- **Status:** closed in December 2004 (provisionally closed in May 2000)
- **Transitional arrangements:** none

#### **Cyprus (New Member State)**

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in October 1998)
- **Transitional arrangements:** none

#### **Czech Republic (New Member State)**

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in October 1998)
- **Transitional arrangements:** none

#### **Estonia (New Member State)**

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in October 1998)
- **Transitional arrangements:** none

#### **Hungary (New Member State)**

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in October 1998)
- **Transitional arrangements:** none

#### **Latvia (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none

#### **Lithuania (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none

#### **Malta (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none

#### **Poland (New Member State)**

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in October 1998)
- **Transitional arrangements:** none

#### **Romania**

- **Chapter opened:** first half of 2000
- **Status:** closed in December 2004 (provisionally closed in May 2000)
- **Transitional arrangements:** none

**Slovakia (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in October 1998)
- **Transitional arrangements:** none

## Chapter 18 - Education and Training

### Background

Education, training and youth is primarily the competence of the Member States. The Community's acquis consists of a 1977 Directive (education of the children of migrant workers), action programmes and Conclusions, Resolutions or Declarations of the Council or the Council and the Ministers of Education meeting within the Council on various issues (e.g. equality of opportunity, illiteracy, safety in schools, facilities for minorities, etc.). Moreover, two bodies have been set up, the European Centre for the Development of Vocational Training (CEDEFOP) and the European Training Foundation.

Co-operation with the EU is well established within the framework of the Europe Agreement. Appropriate legislation is in place in candidate countries to enable them to participate in the Community Programmes related to this chapter. Given that the ten Central European countries, Cyprus and Malta are already participating in the Community programmes in the domain of education, training, and youth, a National Agency already exists in these countries. This participation should enhance the effective implementation of the acquis and represent a good preparation for the accession.

The twelve candidate countries have taken due account of the need to ensure effective implementation of the Directive on the education of children of migrant workers by the time of accession.

This Directive applies to children for whom school attendance is compulsory under the laws of the host State, who are dependants of any worker who is a national of another Member State, where such children are resident in the territory of the Member State in which that national carries on or has carried on an activity as an employed person. Member States need, in accordance with their national circumstances and legal systems, take appropriate measures to ensure that free tuition to facilitate initial reception is offered in their territory to these children, including, in particular, the teaching - adapted to the specific needs of such children - of the official language or one of the official languages of the host State. Member States shall take the measures necessary for the training and further training of the teachers who are to provide this tuition. Furthermore, Member States need, in accordance with their national circumstances and legal systems, and in cooperation with States of origin, take appropriate measures to promote, in coordination with normal education, teaching of the mother tongue and culture of the country of origin for these children.

### State of play

This chapter has been negotiated with the twelve candidate countries and was closed with 10 countries in December 2002. It has been provisionally closed with Bulgaria and Romania in May 2000 and definitely closed with both countries in December 2004.

### Compliance with the acquis

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

### Country by country

#### Bulgaria

- **Chapter opened:** first half of 2000
- **Status:** closed in December 2004 (provisionally closed in May 2000)
- **Transitional arrangements:** none

#### Cyprus (New Member State)

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in October 1998)
- **Transitional arrangements:** none

**Czech Republic (New Member State)**

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in October 1998)
- **Transitional arrangements:** none

**Estonia (New Member State)**

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in October 1998)
- **Transitional arrangements:** none

**Hungary (New Member State)**

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in October 1998)
- **Transitional arrangements:** none

**Latvia (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none

**Lithuania (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none

**Malta (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none

**Poland (New Member State)**

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in October 1998)
- **Transitional arrangements:** none

**Romania**

- **Chapter opened:** first half of 2000
- **Status:** closed in December 2004 (provisionally closed in May 2000)
- **Transitional arrangements:** none

**Slovakia (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** second half of 1998
- **Status:** Closed December 2002 (provisionally closed in October 1998)
- **Transitional arrangements:** none

## Chapter 19 - Telecommunications, IT and Postal Services

### Background

#### Telecommunications and IT

The European Union established its policy in the telecommunications sector as a result both of rapid technological development and of a landmark decision by the ECJ (valid also for Postal Services) which confirmed that the sector was subject to the competition rules of the Treaty. The policy of liberalisation was adopted following widespread debate on the Green Paper published in 1987. The opening of telecommunications markets across the European Union began in 1988 and, with some transitory exceptions (now expired), were completely opened to competition in 1998. The overall objective was to promote the competitiveness of the single European Community market and to stimulate investments in an environment of rapidly developing technologies. The telecommunications sector is now a high growth area in the European economy in its own right as well as an important stimulant for the economy as a whole.

A second sector wide Green Paper published in 1997 looking beyond 1998 initiated a public debate on the convergence of the telecommunications, media and information technology sectors, and the implications for regulation. Also, a major review of the telecommunications acquis took place in 1999. Both documents pointed to the need to adapt the telecommunications regulatory framework to meet the needs of competitive, converging markets.

The telecommunications acquis has now been updated (February 2002) and candidate countries will be required to transpose and apply this modified legislation by the time they enter the European Union. Implementing the acquis requires a removal of any conflict of interests, real or apparent, through the effective separation of regulatory responsibilities from operational interests. This includes the establishment of an independent regulatory authority for telecommunications and a separation of policy and law making authorities from ownership interests.

In the telecommunications sector candidate countries need to:

- Adopt a national telecommunications policy for the development of the sector consistent with Community policy,
- Prepare market players for the pressure of competition expected when they join the European Union,
- Prepare the telecommunications market through the transposition and implementation of Community legislation, in particular through price rebalancing,
- Ensure the objective enforcement of the regulatory framework through an adequately resourced and well trained independent regulatory authority,
- Address the communications needs of under-developed regions, especially the adoption of a universal service policy.

Candidate countries have made considerable progress in recent years in adopting and applying the telecommunications acquis as it stood before the modifications in 2002. Considerable renewed effort is needed if the new legislation introduced in the European Union in 2002 is to be adopted before accession. Although the EU will provide help with pre-accession aid, investments are expected to come from commercial sources almost exclusively in the private sector. If private sector finance is to be attracted in the difficult financial markets of today, a minimum requirement is that the separation of regulatory responsibilities from operational interests, only partially introduced in most cases, needs to be carried to completion.

#### Postal services

As in telecommunications the European Union established its policy in the Postal sector as a result of several convergent factors, inter alia:

- the growing needs of users and consumers for faster and more reliable basic postal services;

- new demand for value-added services (express) embracing documents, parcels and freight;
- the potential use of more available and powerful technological tools and transport means,

The policy for a gradual liberalisation of the Post was adopted following a widespread debate on a Green Paper published in June 1992 by the European Commission.

The overall objective is the implementation of the Single Market for postal services, by opening up the sector to competition in a gradual and controlled way, within a regulatory framework which assures a universal service. The improvement of the quality of service, in particular in terms of delivery time and affordable tariffs are fundamental aspects of this policy.

Concerning the process of enlargement of the European Union and in a global way, the CCs (Candidate Countries) need to:

- adopt a national postal policy for the development of the sector consistent with Community policy;
- prepare market players for the pressure of competition expected when they join the EU;
- prepare the postal market through the transposition and implementation of Community legislation.

### **State of Play**

The Telecommunications, IT and Postal Services chapter was closed with 10 countries in December 2002. It was provisionally closed with Bulgaria in October 2001 and with Romania in November 2002. It has been definitely closed with these two countries in December 2004.

### **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

## **Country by country**

### **Bulgaria**

- **Chapter opened:** October 2000
- **Status:** closed in December 2004 (provisionally closed in October 2001)
- **Transitional arrangements:**
  - one transitional period of two years (Implementation of Directive 98/61/EC, notably the aspect of number portability)

### **Cyprus (New Member State)**

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in May 1999)
- **Transitional arrangements:** none

### **Czech Republic (New Member State)**

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in April 1999)
- **Transitional arrangements:** none

### **Estonia (New Member State)**

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in April 1999)
- **Transitional arrangements:** none

### **Hungary (New Member State)**

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none



**Latvia (New Member State)**

- **Chapter opened:** March 2001
- **Status:** Closed December 2002 (provisionally closed in April 2002)
- **Transitional arrangements:** none

**Lithuania (New Member State)**

- **Chapter opened:** October 2000
- **Status:** Closed December 2002 (provisionally closed in March 2001)
- **Transitional arrangements:** none

**Malta (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in May 2000)
- **Transitional arrangements:** none

**Poland (New Member State)**

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in May 1999)
- **Transitional arrangements:**
  - 3 years (until 31 December 2005) to implement the provisions of Directive 2002/39/EC, with respect to the limitation of the reserved area for postal service provision to 100 grams.

**Romania**

- **Chapter opened:** November 2000
- **Status:** closed in December 2004 (provisionally closed in November 2002)
- **Transitional arrangements:** none

**Slovakia (New Member State)**

- **Chapter opened:** November 2000
- **Status:** Closed December 2002 (provisionally closed in April 2001)
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in June 1999)
- **Transitional arrangements:** none

## Chapter 20 - Culture and Audiovisual Policy

### Background

The focus of this chapter is alignment by the Candidate Countries with the "Television Without Frontiers" Directive. The Directive establishes the legal frame of reference for the free movement of television broadcasting services in the Union in order to promote the development of a European market in broadcasting and related activities, such as television advertising and the production of audiovisual programmes.

To this end the Directive provides for the Community co-ordination of national legislation in the following areas: law applicable to television broadcasts; promoting the production and distribution of European works; access of the public to major (sports) events; television advertising and sponsorship; protection of minors; and the right of reply.

Two Community programmes, MEDIA plus and Culture 2000 fall naturally within the remit of this chapter but are not themselves the subject of negotiations. Participation by Candidate Countries in the two programmes is envisaged; to participate in MEDIA plus will require alignment with the audiovisual acquis.

The MEDIA Programme (2001 - 2005) aims at strengthening the competitiveness of the European audiovisual industry with a series support measures dealing with training of professionals, development of production projects, distribution and promotion of cinematographic works and audiovisual programmes.

The Culture 2000 programme supports artistic and cultural projects that have a European dimension, both in their conceptual stage and in the organisation of and participation in the project. Activities supported so far have included festivals, co-productions, masterclasses, exhibitions, artistic creations, tours, and conferences. They address artists and cultural operators as well as a broader audience, including young people and socially and economically underprivileged groups.

### State of Play

This chapter has been opened with all twelve candidate countries. It was closed with 10 countries in December 2002 and with Bulgaria and Romania in December 2004.

### Compliance with the acquis

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

### Country by Country

#### Bulgaria

- **Chapter opened:** May 2000
- **Status:** closed in December 2004 (provisionally closed in November 2000)
- **Transitional arrangements:** none

#### Cyprus (New Member State)

- **Chapter opened:** September 1998
- **Status:** Closed December 2002 (provisionally closed in October 1998 )
- **Transitional arrangements:** none

#### Czech Republic (New Member State)

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:** none

**Estonia (New Member State)**

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in October 2000 )
- **Transitional arrangements:** none

**Hungary (New Member State)**

- **Chapter opened:** November 1998
- **Status:** Closed December 2002 (provisionally closed in July 2002)
- **Transitional arrangements:** none

**Latvia (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in March 2001 )
- **Transitional arrangements:** none

**Lithuania (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in December 2000)
- **Transitional arrangements:** none

**Malta (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in October 2000 )
- **Transitional arrangements:** none

**Poland (New Member State)**

- **Chapter opened:** November 1998
- **Status:** Closed December 2002 (provisionally closed in December 2000 )
- **Transitional arrangements:** none

**Romania**

- **Chapter opened:** October 2000
- **Status:** closed in December 2004 (provisionally closed in December 2002)
- **Transitional arrangements:** none

**Slovak Republic (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in November 2000)
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** October 1998
- **Status:** Closed December 2002 (provisionally closed in May 2001)
- **Transitional arrangements:** none

## Chapter 21 - Regional policy and co-ordination of structural instruments

### Background

The acquis under Chapter 21 is currently covered by a framework regulation laying down general provisions on the Structural Funds (Council Regulation (EC) 1260/1999) as well as by a series of implementing regulations and decisions, which do not require transposition into national legislation. However, upon accession, the candidate countries will have to comply with certain requirements, which are addressed in the context of accession negotiations:

*Legislative framework:* Although the acquis under chapter 21 does not require transposition into national legislation, the candidate countries need to have the appropriate legal framework allowing for the implementation of the specific provisions in this area.

*Territorial organisation:* The candidate countries need to agree with the Commission a provisional NUTS classification for the implementation of Structural Funds.

*Programming capacity:* The candidate countries

need to design a development plan, as required in Council Regulation 1260/1999,

have the appropriate procedures for multi-annual programming of budgetary expenditure in place,

ensure the implementation of the partnership principle at the different stages of programming, financing, monitoring and evaluation of Structural Funds assistance,

comply with the specific monitoring and evaluation requirements, in particular as regards the ex-ante evaluation of the development plan.

*Institutional framework - administrative capacity:* The candidate countries have to define clear tasks and responsibilities of all the bodies and institutions involved in the preparation and implementation of Structural Funds and the Cohesion Fund, they have to ensure appropriate administrative capacity and an effective inter-ministerial co-ordination. However, how the specific structures for the practical management of Structural and the Cohesion Funds look like is left to candidate countries. In practice, the administrative structures to be put in place differ quite considerably between countries, e.g. small candidate countries without regionalisation and big candidate countries with a strong regionalisation.  
*Financial and budgetary management:* The candidate countries need to comply with the specific control provisions applicable to the Structural Funds and Cohesion Fund. Furthermore, they need to provide information on their co-financing capacity as well as on the level of their public or equivalent expenditure for structural actions.

### State of play

Negotiations on this chapter were closed with the 10 now New Member States in December 2002. They were provisionally closed with Bulgaria in June 2004 and with Romania in September 2004. The chapter has been definitely closed with these two countries in December 2004.

### Compliance with the acquis

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004/index.htm](http://europa.eu.int/comm/enlargement/report_2004/index.htm).

### Country by Country

#### Bulgaria

- **Chapter opened:** November 2001
- **Status:** closed in December 2004 (provisionally closed in June 2004)

**Cyprus (New Member State)**

- **Chapter opened:** April 2000
- **Status:** Closed December 2002 (provisionally closed in April 2002 )

**Czech Republic (New Member State)**

- **Chapter opened:** April 2000
- **Status:** Closed December 2002 (provisionally closed in April 2002)

**Estonia (New Member State)**

- **Chapter opened:** April 2000
- **Status:** Closed December 2002 (provisionally closed in June 2002)

**Hungary (New Member State)**

- **Chapter opened:** April 2000
- **Status:** Closed December 2002 (provisionally closed in July 2002)

**Latvia (New Member State)**

- **Chapter opened:** March 2001
- **Status:** Closed December 2002 (provisionally closed in June 2002)

**Lithuania (New Member State)**

- **Chapter opened:** March 2001
- **Status:** Closed December 2002 (provisionally closed in June 2002)

**Malta (New Member State)**

- **Chapter opened:** March 2001
- **Status:** Closed December 2002 (provisionally closed in July 2002)

**Poland (New Member State)**

- **Chapter opened:** April 2000
- **Status:** Closed December 2002 (provisionally closed in October 2002)

**Romania**

- **Chapter opened:** March 2002
- **Status:** closed in December 2004 (provisionally closed in September 2004)

**Slovakia (New Member State)**

- **Chapter opened:** March 2001
- **Status:** Closed December 2002 (provisionally closed in July 2002)

**Slovenia (New Member State)**

- **Chapter opened:** April 2000
- **Status:** Closed December 2002 (provisionally closed in July 2002)

## Chapter 22 - Environment

### Background

#### The acquis

The environmental acquis covers a wide range of measures, mostly in the form of directives. In broad terms EU environmental legislation covers environmental quality protection, polluting and other activities, production processes, procedures and procedural rights as well as products. Apart from horizontal issues (environmental impact assessments, access to information on environment, combating climate change), quality standards are set for Air, Waste management, Water, Nature protection, Industrial pollution control, Chemicals and genetically modified organisms, Noise and Nuclear Safety and Radiation Protection (safety issues arising from the use of nuclear energy are part of the energy chapter).

Despite significant improvements, such as cleaner air and safer drinking water the environmental acquis is developing significantly. The new Environment Action Programme identifies four priority areas: Climate Change, Nature and Biodiversity, Environment and Health and Natural Resources and Waste.

#### Tasks for candidate countries

Transposition of the environmental *acquis* into the national legal order and its implementation are major tasks. The list of priority tasks features:

- Community framework legislation (including access to information and environmental impact assessment);
- measures relating to international conventions to which the Community is party;
- reduction of global and trans-boundary pollution;
- nature protection legislation (aimed at safeguarding bio-diversity),
- measures ensuring the functioning of the internal market (e.g. product standards).

A strong and well-equipped administration is required for the application and enforcement of the environmental *acquis*.

Moreover, in line with Article 6 of the EC Treaty, integration of environmental protection requirements in other policy areas should be envisaged in order to contribute to sustainable development.

#### Costs and benefits

Ensuring compliance with the environment acquis requires an estimated investment of around €80 to €120 billion for the ten Central and Eastern European Countries alone. However, a study financed by the European Commission shows that implementing the EU environmental directives - and the higher environmental protection they entail - in the candidate countries, will bring significant benefits for public health and reduce costly damage to forests, buildings, fields and fisheries. The estimated total value of the benefits of EU directives for the candidate countries will range from € 134 to 681 billion.

#### EU approach to transitional measures

Based on the general principle that transitional measures should be limited in time and scope, the EU has underlined from the very beginning of the negotiations that transitional measures will not be granted on

- transposition (as opposed to implementation);
- framework legislation (air, waste, water, impact assessment, access to information);
- nature protection (habitat, birds);
- essentials of the internal market (all product-related legislation);
- new installations;

while they can be considered where

- substantial adaptation of infrastructure is required which needs to be spread over time.

Requests for transitional measures need to be justified by detailed implementation plans ensuring that compliance with the acquis will be reached over time. These plans also allow candidate countries to define intermediate targets which will be legally binding. Hence, transitional measures aim to allow the future Member States to deal with the legacy of the past but not to attract new investments with lower environmental standards.

### **State of play**

The chapter was closed with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia and Slovakia in December 2002. The chapter was closed with Bulgaria and Romania in December 2004. All candidate countries have requested transitional measures and technical adaptations. As a result of negotiation, clarification and substantial additional efforts by the candidate countries, several of these requests have been withdrawn. As a result, limited transitional periods have been granted in relation to volatile organic compound (VOC) emissions from storage and distribution of petrol, sulphur content of certain liquid fuels, urban waste water treatment, drinking water, discharges of dangerous substances into the aquatic environment, packaging and packaging waste, landfill of waste, asbestos waste, shipments of waste, waste electrical and electronic equipment, use of clap-nets for capture of certain bird species to establish a captive breeding system, strict protection of lynx, integrated pollution prevention and control, large combustion plants, incineration of hazardous waste and ionising radiation in relation to medical exposure.

In cases where the chapter was closed, the schedules for transposition and implementation of the environment acquis have been fully clarified, including plans on further strengthening of the administrative capacity.

### **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004/index.htm](http://europa.eu.int/comm/enlargement/report_2004/index.htm).

## **Country by country**

### **Bulgaria**

- **Chapter opened:** July 2001
- **Status:** Closed December 2004 (provisionally closed in June 2003)
- **Transitional arrangements:**
  - sulphur content of liquid fuels until 2011
  - emissions of volatile organic compounds from storage of petrol until 2009
  - recovery and recycling of packaging waste (amended Directive) until 2014
  - landfill of certain liquid wastes until 2014
  - shipment of waste until 2009
  - waste electrical and electronic equipment until 2008
  - integrated pollution prevention and control until 2011
  - treatment of urban waste water until 2014
  - air pollution from large combustion plants until 2014

### **Cyprus (New Member State)**

- **Chapter opened:** December 1999
- **Status:** Closed December 2002 (provisionally closed in July 2001 )
- **Transitional arrangements:**
  - recovery targets of packaging waste until 2005
  - air pollution from large combustion plants, special provisions
  - treatment of urban waste water until 2012
  - a one year derogation on sulphur content of certain liquid fuels, provided by the directive

#### **Czech Republic (New Member State)**

- **Chapter opened:** December 1999
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - recovery and recycling of packaging waste until 2005
  - treatment of urban waste water until 2010
  - air pollution from large combustion plants until 2007

#### **Estonia (New Member State)**

- **Chapter opened:** December 1999
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - emissions of volatile organic compounds from storage of petrol until 2006
  - landfill of oil shale until 2009
  - treatment of urban waste water until 2010
  - quality of drinking water until 2013
  - air pollution from large combustion plants until 2015
  - strict protection of lynx, special provision

#### **Hungary (New Member State)**

- **Chapter opened:** December 1999
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - recovery and recycling of packaging waste until 2005
  - treatment of urban waste water until 2015
  - air pollution from large combustion plants until 2004
  - incineration of hazardous waste until 2005

#### **Latvia (New Member State)**

- **Chapter opened:** March 2001
- **Status:** Closed December 2002 (provisionally closed in November 2001)
- **Transitional arrangements:**
  - emissions of volatile organic compounds from storage of petrol until 2008
  - recovery and recycling of packaging waste until 2007
  - landfill of waste until 2004
  - treatment of urban waste water until 2015
  - quality of drinking water until 2015
  - integrated pollution and prevention control until 2010 (instead of 2007 for Member States)
  - storage of asbestos waste until 2004
  - health protection of individuals against ionising radiation in relation to medical exposure until 2005

#### **Lithuania (New Member State)**

- **Chapter opened:** November 2000
- **Status:** Closed December 2002 (provisionally closed in June 2001)
- **Transitional arrangements:**
  - emissions of volatile organic compounds from storage of petrol until 2007
  - recovery and recycling of packaging waste until 2006
  - treatment of urban waste water until 2009
  - air pollution from large combustion plants until 2015



### Malta (New Member State)

- **Chapter opened:** June 2001
- **Status:** Closed December 2002 (provisionally closed in October 2002)
- **Transitional arrangements:**
  - emissions of volatile organic compounds from storage of petrol until 2004
  - recovery and recycling of packaging waste until 2009, beverage packaging until 2007
  - treatment of urban waste water until March 2007
  - quality of drinking water until 2005
  - discharges of dangerous substances into surface water until March 2007
  - protection of wild birds, use of clap-nets for capture of seven finch species in order to establish a captive breeding system until 2008
  - air pollution from large combustion plants until 2005

### Poland (New Member State)

- **Chapter opened:** December 1999
- **Status:** Closed December 2002 (provisionally closed in October 2001)
- **Transitional arrangements:**
  - sulphur content of liquid fuels until 2006
  - emissions of volatile organic compounds from storage of petrol until 2005
  - recovery and recycling of packaging waste until 2007
  - waste landfills until 2012 (instead of 2009 for Member States)
  - shipment of waste until 2007
  - treatment of urban waste water until 2015
  - discharges of dangerous substances into surface water until 2007
  - integrated pollution prevention and control until 2010 (instead of 2007 for Member States)
  - air pollution from large combustion plants until 2017
  - health protection of individuals against ionising radiation in relation to medical exposure until 2006

### Romania

- **Chapter opened:** March 2002
- **Status:** Closed December 2004 (provisionally closed in November 2004)
- **Transitional arrangements:**
  - emissions of volatile organic compounds from storage of petrol until 2009
  - recovery and recycling of packaging waste (amended Directive) until 2013
  - landfill of certain liquid wastes until 2013; waste landfills until July 2017 (instead of 2009 for Member States)
  - shipment of waste until 2011
  - waste electrical and electronic equipment until 2008
  - integrated pollution prevention and control until 2015
  - treatment of urban waste water until 2018
  - quality of drinking water until 2015
  - discharges of dangerous substances into surface water until 2009
  - air pollution from large combustion plants until 2013 and 2016-2017
  - incineration of hazardous medical waste until 2009

### Slovakia (New Member State)

- **Chapter opened:** March 2001
- **Status:** Closed December 2002 (provisionally closed in December 2001 )
- **Transitional arrangements:**
  - emissions of volatile organic compounds from storage of petrol until 2007
  - recovery and recycling of packaging waste until 2007
  - treatment of urban waste water until 2015
  - discharges of dangerous substances into surface water until 2006
  - integrated pollution prevention control until 2011
  - air pollution from large combustion plants until 2007
  - incineration of hazardous waste until 2006

**Slovenia (New Member State)**

- **Chapter opened:** December 1999
- **Status:** Closed December 2002 (provisionally closed in March 2001 )
- **Transitional arrangements:**
  - recovery and recycling of packaging waste until 2007
  - treatment of urban waste water until 2015
  - integrated pollution prevention and control until 2011 (instead of 2007 for Member States)

## Chapter 23 - Consumer protection

### Background

The acquis for the chapter on consumers and health protection is composed of the following areas: misleading advertising, product liability, doorstep sales, consumer credit, dangerous imitations, package travel and holiday tours, product safety, unfair terms in consumer contracts, time-share, distance selling, comparative advertising, prices on foodstuffs, guarantees for sale of consumer goods and injunctions. It also contains a Council Decision establishing a Community system of information on home and leisure accidents (EHLASS) and three Commission decisions on a consumer committee and scientific committees. Two further Commission decisions adopted in February 2000 concerning on-the-spot checks in the veterinary field carried out by Commission experts in the member states and in third countries complete the acquis for the chapter.

Consumer protection should be considered as a horizontal policy aimed at promoting consumer interests in the internal market and in other community policies.

The comprehension and implementation of consumer protection legislation appears to be particularly important in an economy in transition (from state economy toward market economy) as is the case for most of the candidates countries.

Moreover, the harmonisation of consumer protection rules is also an essential element to eliminate market barriers and ensure an integrated economic space where services and goods can circulate with the same standard of safety and quality and where consumers can benefit from similar high levels of protection of their rights. The implementation of these standards and the elimination of market barriers are particularly important in the accession countries. In fact in these countries the need to grant consumer rights and to insure free competition and circulation of goods is still higher than in the EU.

The Copenhagen European Council in 1993 clearly recognised the importance of the harmonisation of the acquis in the field of consumer protection considering it a clear priority in the process of accession. Also in the European agreements, which may be considered a first step of the accession process and the basis for the extension of the internal market to the candidates countries, the need to harmonise consumer protection rules is very clear.

In general, formal legal transposition of the community acquis is proceeding quite satisfactorily. Further efforts for alignment are needed for the new acquis in the areas of injunctions for the protection of consumer's interests and for certain aspects of the sale of consumer goods and associated guarantees. However, all the candidates stated that they will implement the new acquis and provided a calendar for the transposition of community rules into their national legal system.

### State of Play

The chapter was closed with 10 countries in December 2002. The chapter has been closed with Bulgaria and Romania in December 2004.

All the candidates stated that they are ready to fully implement all the community acquis before the date of accession with no exceptions or transitional periods.

### Compliance with the acquis

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

### Country by country

#### Bulgaria

- **Chapter opened:** October 2000
- **Status:** closed in December 2004 (provisionally closed in October 2000)
- **Transitional arrangements:** none

**Cyprus (New Member State)**

- **Chapter opened:** April 1999
- **Status:** Closed December 2002 (provisionally closed in May 1999)
- **Transitional arrangements:** none

**Czech Republic (New Member State)**

- **Chapter opened:** April 1999
- **Status:** Closed December 2002 (provisionally closed in May 1999)
- **Transitional arrangements:** none

**Estonia (New Member State)**

- **Chapter opened:** April 1999
- **Status:** Closed December 2002 (provisionally closed in May 1999)
- **Transitional arrangements:** none

**Hungary (New Member State)**

- **Chapter opened:** April 1999
- **Status:** Closed December 2002 (provisionally closed in June 1999 )
- **Transitional arrangements:** none

**Latvia (New Member State)**

- **Chapter opened:** October 2000
- **Status:** Closed December 2002 (provisionally closed in October 2000 )
- **Transitional arrangements:** none

**Lithuania (New Member State)**

- **Chapter opened:** February 2001
- **Status:** Closed December 2002 (provisionally closed in February 2001 )
- **Transitional arrangements:** none

**Malta (New Member State)**

- **Chapter opened:** October 2000
- **Status:** Closed December 2002 (provisionally closed in October 2000 )
- **Transitional arrangements:** none

**Poland (New Member State)**

- **Chapter opened:** April 1999
- **Status:** Closed December 2002 (provisionally closed in May 1999 )
- **Transitional arrangements:** none

**Romania**

- **Chapter opened:** July 2001
- **Status:** closed in December 2004 (provisionally closed in July 2001)
- **Transitional arrangements:** none

**Slovakia (New Member State)**

- **Chapter opened:** October 2000
- **Status:** Closed December 2002 (provisionally closed in October 2000 )
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** April 1999
- **Status:** Closed December 2002 (provisionally closed in May 1999)
- **Transitional arrangements:** none

## Chapter 24 - Justice and Home Affairs

### Background

EU policies on Justice and Home Affairs aim to maintain and further develop the Union as an area of freedom, security and justice.

EU policies on Justice and Home Affairs touch on some of the most sensitive questions for public opinion. Negotiations on the Justice and Home Affairs acquis are not about transition periods. Rather, it is necessary to find ways to build confidence, among the EU member states, in the candidate countries' capacity to implement the acquis. On issues such as border control, illegal migration, drug smuggling and money laundering, organised crime, police and judicial co-operation, data protection and the mutual recognition of court judgements, there is a need to ensure that candidate countries are equipped to meet adequate and acceptable standards of implementation. It is important that candidate countries' administrative capacity is up to these standards by the date of accession. Furthermore, the establishment of an independent, reliable and efficient judiciary and police organisation are also of paramount importance.

Perhaps the most visible component of the EU's Justice and Home Affairs policies is the Schengen acquis, which results in the lifting of internal border controls. However, accession to the EU will not immediately lead to the lifting of border controls between old and new member states; as with previous enlargements, this will be the subject of a separate Council decision, at some time after accession, and after a careful examination of the legal and practical readiness of the new member states. A key tool for each candidate country to demonstrate its preparedness in the Schengen area is its Schengen Action Plan. Such a plan needs to demonstrate full awareness of the ramifications of the Schengen acquis, and present a credible schedule for the introduction of its provisions, most of them ahead of accession.

Moreover, the Accession Treaty with the ten countries that joined the EU in May 2004 contain a safeguard clause as regards certain instruments in the field of judicial co-operation in civil and criminal matters (mutual recognition of court decisions): in case of inadequate transposition or implementation of any parts of the relevant acquis during the first three years after accession, the application of these provisions may be temporarily suspended in respect of these new member states. Such safeguard measures will run until the deficiencies are remedied.

### State of play

The chapter was closed with the ten new member states in December 2002. It has also been definitely closed with Bulgaria and with Romania in December 2004. The commitments taken by both these countries will be closely monitored by the Commission, with substantial help from the Member State experts. This is and will be done through monitoring tables, peer review missions, TAIEX seminars and technical meetings on the new acquis. Any serious shortcomings by Romania or Bulgaria with regard to the fulfilment of their commitments in the Justice and Home Affairs area can form the basis for an activation of the suspension clause that would postpone their envisaged accession dates by one year.

In addition, with regard to Romania, Justice and Home Affairs is one of two areas in which member states will decide by qualified majority and not unanimity whether to invoke the suspension clause if there is insufficient progress in a number of critical areas. For JHA these areas are: 1) Schengen Action Plan; 2) the EU's future external borders; 3) reform of the judiciary; 4) fight against high-level corruption; 5) assessment of the current anti-corruption strategy; 6) co-operation between the national police and gendarmerie; and 7) the fight against organised crime.

### Compliance with the acquis

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004/index.htm](http://europa.eu.int/comm/enlargement/report_2004/index.htm).

### Country by Country

#### **Bulgaria**

- **Chapter opened:** June 2001
- **Status:** closed in December 2004 (provisionally closed in October 2003)
- **Transitional arrangements:** none

#### **Cyprus (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in December 2001)
- **Transitional arrangements:** none

#### **Czech Republic (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in December 2001)
- **Transitional arrangements:** none

#### **Estonia (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in March 2002)
- **Transitional arrangements:** none

#### **Hungary (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in November 2001)
- **Transitional arrangements:** none

#### **Latvia (New Member State)**

- **Chapter opened:** June 2001
- **Status:** Closed December 2002 (provisionally closed in June 2002)
- **Transitional arrangements:** none

#### **Lithuania (New Member State)**

- **Chapter opened:** June 2001
- **Status:** Closed December 2002 (provisionally closed in April 2002)
- **Transitional arrangements:** none

#### **Malta (New Member State)**

- **Chapter opened:** June 2001
- **Status:** Closed December 2002 (provisionally closed in March 2002)
- **Transitional arrangements:** none

#### **Poland (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in July 2002)
- **Transitional arrangements:** none

#### **Romania**

- **Chapter opened:** April 2002
- **Status:** closed in December 2004 (provisionally closed December 2004)
- **Transitional arrangements:** none

#### **Slovakia (New Member State)**

- **Chapter opened:** June 2001
- **Status:** Closed December 2002 (provisionally closed in June 2002)
- **Transitional arrangements:** none

#### **Slovenia (New Member State)**

- **Chapter opened:** May 2000
- **Status:** Closed December 2002 (provisionally closed in December 2001)
- **Transitional arrangements:** none

## Chapter 25 - Customs Union

### Background

From the first day of accession, the customs administration of the candidate countries will have to manage and control their borders, which will then be external borders of the Union, in the interest of the EU population and trade operators. As there is no Community customs administration in place, the customs acquis must be implemented in a harmonised way at any point of the border of the Union.

The acquis in chapter 25 – Customs Union – includes the Community's Customs Code and its implementing provisions; the Combined Nomenclature; the Common Customs Tariff including trade preferences, tariff quotas and tariff suspensions, and other customs-related legislation outside the scope of the customs code, as for example the legislation on counterfeit and pirated goods, drug precursors and export of cultural goods.

The acquis consists mainly of a number of instruments ensuring the functioning of the Customs Union and the effective protection and control of its external borders. Without the Community's Customs Union, the European Union's common commercial and development policy, its common agricultural market and an effective co-ordination of economic and monetary policies would not be possible.

Negotiations in the customs union chapter concentrate mainly in the adoption of the acquis; however, candidate countries are requested to provide information on the setting up of a sufficient operational capacity of their customs administration on issues such as:

- the reform and strengthening of their customs services
- the full installation and operation, as soon as possible, of the relevant customs-related IT applications necessary for smooth implementation of the acquis
- the implementation of measures to reduce waiting times at the border, to guarantee the protection of copyrights and industrial property rights, to fight against economic crime and organised crime, to strengthen customs ethics, to combat fraud and corruption and to further develop and implement efficient training systems
- the improvement of the internal co-ordination within the customs administration and between the customs administration and other related enforcement bodies (including the police and judicial authorities)
- the necessary legal and institutional measures to ensure proper collection and control of future EU own resources to ensure proper management of the Common Agriculture Policy

Candidate countries must first of all create a solid legal basis for their customs administrations, which will need sufficient authority to administer all existing customs systems.

The customs administrations must guarantee that the development and implementation of a revenue collection and management strategy will enable domestic and EU customs revenues to be accurately collected, accounted, disbursed, reported and audited, both nationally and by the EU. This requires the candidate countries to develop policies, systems, procedures, technologies and instruments compatible with the EU requirements and standards.

Most customs administrations are organised in central administration and regional offices; the roles, responsibilities and links between the central and regional offices must be clearly defined. The following functions should be established:

- A Pre-Accession Unit.
- An internal systems audit function.
- An internal investigation function, adequately empowered and operational.
- A training unit or a position of training manager.
- Customs laboratories which support the overall customs business strategy by establishing nature, tariff classification, origin and value of goods and thus maximising the collection of duties and taxes, and providing support for the prevention of illegal traffic and goods.



- A Customs Consultative Committee comprising representatives from national trade organisations and representative groups and other involved government bodies.
- A headquarters function for a correct revenue collection. Operational functions must be in place at regional and local levels.
- Intelligence teams with responsibility for collection and analysis of information and dissemination of up to date information and trend data to Investigation and Enforcement staff. Specialist teams are in place to conclude enforcement action.

The customs administration will be requested to have in place all necessary facilities to develop straightforward and efficient customs control operations at ports, airports and land borders, and inland, capable of facilitating a flow of legitimate passengers and trade while ensuring collection of national and EU revenue and the social protection of national and EU citizens. This implies, among others:

- good quality equipment and examination facilities, control and examination facilities, radio and telecommunications facilities and other tools and equipment which enable a higher level of vehicle and cargo examinations (eg. tool kits, vehicle lifts, fork-lift trucks, etc.), specialist equipment (eg. X-ray vans, detector dogs, etc.) to aid the detection of concealed illegal goods (eg. nuclear material, drugs, etc.) and, where appropriate, night vision and heat detection equipment.
- Development of post-clearance audit controls. Development of co-operation at policy and operational levels between the different agencies working at the border and inland, and promotion of international co-operation between customs services.
- Intelligence and information systems to support the Border and Inland Control function established, developed, utilised and regularly reviewed.
- Risk profiles, which particularly take account of the economic situation in the region concerned, for each location at which customs control is exercised established, developed, utilised and regularly reviewed. Selection for customs examination based upon a proper analysis of the risk involved.

Moreover, investigation and enforcement systems and procedures must be computerised. The computerisation process includes the setting up of the following systems:

- appropriate IT systems capable of accepting Electronic Data Interchange (EDI) messages
- appropriate IT systems capable of interfacing with EU systems (eg. TARIC, NCTS, EU Import Quota and CIS/SCENT, etc.); appropriate IT systems capable of using the EU CCN/CSI transmission standards/system
- a computerised customs declaration processing system
- a computerised revenue collection and accounting system
- a computerised transit control system integrated with the customs declaration processing system
- a computerised selectivity system
- computerised information and intelligence system(s)
- external trade data for statistics to be delivered to agreed schedules

Each candidate country must ensure the full installation and operation, as soon as possible, of the relevant customs-related IT applications necessary for smooth implementation of the acquis. The candidate countries will also need to pay particular attention to the development of their IT systems in order to allow for the exchange of computerised data between the EU and their administration.

For EU Customs Union Policy please refer to the Commission's DG Taxation and Customs Union web site ([http://europa.eu.int/comm/taxation\\_customs/index\\_en.htm](http://europa.eu.int/comm/taxation_customs/index_en.htm)).

### **State of play**

The chapter was closed with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia and Slovakia in December 2002. The chapter has also been closed with Bulgaria and Romania in December 2004.

During 2002, the Directorate-General Taxation and Customs Union, in co-operation with the Directorate-General Enlargement, has carried out a monitoring exercise for Chapter 25 – Customs Union in all countries except Romania and Bulgaria [for which a similar exercise has taken place during the third quarter of 2004](#). The exercise aimed at evaluating the operational capacity of the customs administration of the candidate countries to manage the Customs Union, and consequently the Internal Market, after accession.

### **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

## **Country by country**

### **Bulgaria**

- **Chapter opened:** June 2001
- **Status:** closed in December 2004 (provisionally closed in July 2002)
- **Transitional arrangements:** none

### **Cyprus (New Member State)**

- **Chapter opened:** March 1999
- **Status:** Closed December 2002 (provisionally closed in the first half of 1999 )
- **Transitional arrangements:** none

### **Czech Republic (New Member State)**

- **Chapter opened:** May 1999
- **Status:** Closed December 2002 (provisionally closed in the first half of 2000 )
- **Transitional arrangements:** none

### **Estonia (New Member State)**

- **Chapter opened:** May 1999
- **Status:** Closed December 2002 (provisionally closed in March 2002 )
- **Transitional arrangements:** none

### **Hungary (New Member State)**

- **Chapter opened:** May 1999
- **Status:** Closed December 2002 (provisionally closed in the first half of 2001)
- **Transitional arrangements:**
  - Hungary has been granted a three-year transitional period for the import of aluminium, not alloyed (CN Code 7601 10 00), with a progressive schedule of implementation involving a decreasing import quota and an increasing *ad valorem* duty:
    - a quota of a maximum of 110 000 tonnes of aluminium not alloyed, at a rate of 2% *ad valorem*, during the first year;
    - a quota of a maximum of 70 000 tonnes of aluminium not alloyed, at a rate of 4% *ad valorem*, during the second year;
    - a quota of a maximum of 20 000 tonnes of aluminium not alloyed, at a rate of 4% *ad valorem*, during the third year.

### **Latvia (New Member State)**

- **Chapter opened:** March 2001
- **Status:** Closed December 2002 (provisionally closed in the second half of 2001 )
- **Transitional arrangements:** none

### **Lithuania (New Member State)**

- **Chapter opened:** March 2001
- **Status:** Closed December 2002 (provisionally closed in the second half of 2001 )
- **Transitional arrangements:** none

**Malta (New Member State)**

- **Chapter opened:** May 2001
- **Status:** Closed December 2002 (provisionally closed in the second half of 2002)
- **Transitional arrangements:**
  - Malta has been granted a five -year transitional period for the import of woven fabrics of combed wool or of combed fine animal hair (CN Code 5112 11 10), denim (CN Code 5209 42 00), woven fabrics of artificial filament yarn (CN Code 5408 22 10) and other made up clothing accessories (CN Code 6217 10 00), with a progressive schedule of implementation involving a maximum annual import quota and an increasing ad valorem duty as follows:
    - zero rate during the first and second year;
    - one third of the prevailing EU duty ad valorem during the third and fourth year;
    - two thirds of the prevailing EU duty ad valorem during the fifth year;for the following volumes:
    - For CN Code 5112 11 10: a maximum of 20,000 square metres per year
    - For CN Code 5209 42 00: a maximum of 1,200,000 square metres per year
    - For CN Code 5408 22 10: a maximum of 110,000 square metres per year
    - For CN Code 6217 10 00: a maximum of 5,000 kilos per year.

**Poland (New Member State)**

- **Chapter opened:** May 1999
- **Status:** Closed December 2002 (provisionally closed in the first half of 2001 )
- **Transitional arrangements:** none

**Romania**

- **Chapter opened:** May 2001
- **Status:** closed in December 2004 (provisionally closed in November 2002)
- **Transitional arrangements:** none

**Slovakia (New Member State)**

- **Chapter opened:** October 2000
- **Status:** Closed December 2002 (provisionally closed in the first half of 2001 )
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** May 1999
- **Status:** Closed December 2002 (provisionally closed in the second half of 2001)
- **Transitional arrangements:** none

## Chapter 26 - External Relations

### Background

The external relations chapter covers the Community's economic and trade relations with third countries and international organisations as well as co-operation and assistance. The main components are the common commercial policy and the development policy of the Community. It is not to be confused with the chapter on Common Foreign and Security Policy (chapter 27), which deals with actual political relations between the EU and non-member countries and international organisations.

For the single market and customs union of the EU to function, it is necessary to have a unified set of import and export rules and to be able to speak with a single voice in relations with non-member countries. This is why the Member States have given the EU institutions a mandate to negotiate on their behalf in the area of external relations. The common commercial policy has particular political significance as the external aspect of the single market and as the policy of the largest trading power in the world.

The Community's trade policy is to a large extent derived from the agreements concluded under the World Trade Organisation (WTO). The fundamental basis for the common commercial policy is the common customs tariff vis-à-vis third countries. Except for the common export and import rules, the common commercial policy also covers rules on anti-dumping and safeguard measures, measures against subsidised imports or illicit trade practices as well as quantitative restrictions and foreign policy-related trade bans (embargoes and sanctions). The Community has concluded many commercial agreements with third countries. Some of these cover all aspects of trade relations, others only certain products or groups of products. The agreements also vary widely in terms of the scope of concessions granted. Under the General System of Preferences (GSP) the EU grants trade preferences for exports from developing countries.

Development aid on Community level is a complement to Member States' aid schemes. Through structures for trade and co-operation focussed on poverty reduction and reform of social and economic structures, assistance is allocated to a large number of third countries.

All candidate countries have accepted the *acquis* in the field of external relations and there is a good level of alignment of the candidate countries external policies with the EU's external policies. The candidate countries are already associated with the Community's trade policy through the Association Agreements and close co-operation takes place in international fora such as the WTO. As a future member state, each candidate country will have to renounce its own trade and economic agreements with third countries, adhere to the agreements concluded by the Community and its Member States and take over the commitments taken by the Community in international trade fora such as the WTO. After enlargement, the Community shall also speak and negotiate on behalf of its new Member States in the WTO.

### State of Play

The chapter was closed with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia and Slovakia in December 2002. The chapter has also been closed with Bulgaria and Romania in December 2004. No transitional arrangements have been accepted.

### Compliance with the *acquis*

The latest assessment of each candidate country's compliance with the *acquis* under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004/index.htm](http://europa.eu.int/comm/enlargement/report_2004/index.htm).

### Country by country

#### Bulgaria

- **Chapter opened:** first half of 2000
- **Status:** closed in December 2004 (provisionally closed in second half of 2000)

- **Transitional arrangements:** none

#### **Cyprus (New Member State)**

- **Chapter opened:** first half of 1999
- **Status:** Closed December 2002 (provisionally closed in first half of 1999 )
- **Transitional arrangements:** none

#### **Czech Republic (New Member State)**

- **Chapter opened:** first half of 1999
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

#### **Estonia (New Member State)**

- **Chapter opened:** first half of 1999
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

#### **Hungary (New Member State)**

- **Chapter opened:** first half of 1999
- **Status:** Closed December 2002 (provisionally closed in second half of 2000 )
- **Transitional arrangements:** none

#### **Latvia (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

#### **Lithuania (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

#### **Malta (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

#### **Poland (New Member State)**

- **Chapter opened:** first half of 1999
- **Status:** Closed December 2002 (provisionally closed in second half of 1999 )
- **Transitional arrangements:** none

#### **Romania**

- **Chapter opened:** first half of 2000
- **Status:** closed in December 2004 (provisionally closed in first half of 2000)
- **Transitional arrangements:** none

#### **Slovakia (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

#### **Slovenia (New Member State)**

- **Chapter opened:** first half of 1999
- **Status:** Closed December 2002 (provisionally closed in first half of 2001 )
- **Transitional arrangements:** none

## Chapter 27 - Common Foreign and Security Policy (CFSP)

### Background

The EU's Common Foreign and Security Policy (CFSP) is not equipped with the legal instruments (directives, regulations) that exist for other Community policies. It uses instruments such as joint actions, common positions, statements and declarations, as well as in the conclusions of the European Council and the Council. Most of the *acquis* pertains to intergovernmental co-operation. The CFSP is also implemented through negative measures, most often these measures are limited in time.

Due to the particular nature of the *acquis* in this chapter, no transposition into the national legal order of the candidate countries is necessary. Nevertheless, as member states they must undertake to give active and unconditional support to the implementation of the common foreign and security policy in a spirit of loyalty and mutual solidarity. Member states must ensure that their national policies conform to the common positions and defend these common positions in international fora.

All candidate countries have accepted the *acquis* and there is a good level of alignment to basic principles.

### State of Play

The chapter was closed with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia and Slovakia in December 2002. The chapter has also been closed with Bulgaria and Romania in December 2004. No transitional arrangements have been accepted.

### Compliance with the *acquis*

The latest assessment of each candidate country's compliance with the *acquis* under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004//index.htm](http://europa.eu.int/comm/enlargement/report_2004//index.htm).

### Country by country

#### Bulgaria

- **Chapter opened:** first half of 2000
- **Status:** closed in December 2004 (provisionally closed in first half of 2000)
- **Transitional arrangements:** none

#### Cyprus (New Member State)

- **Chapter opened:** first half of 1998
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

#### Czech Republic (New Member State)

- **Chapter opened:** first half of 1998
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

#### Estonia (New Member State)

- **Chapter opened:** first half of 1998
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

#### Hungary (New Member State)

- **Chapter opened:** first half of 1998
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

**Latvia (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

**Lithuania (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

**Malta (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

**Poland (New Member State)**

- **Chapter opened:** first half of 1998
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

**Romania**

- **Chapter opened:** first half of 2000
- **Status:** closed in December 2004 (provisionally closed in first half of 2000)
- **Transitional arrangements:** none

**Slovakia (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** first half of 1998
- **Status:** Closed December 2002 (provisionally closed in first half of 2000 )
- **Transitional arrangements:** none

## Chapter 28 – Financial Control

### Background - Main Elements of the Financial Control *acquis*

The *acquis* under Chapter 28 covers only a limited number of Regulations, it rather refers to general, internationally agreed principles of sound financial management and control. The European Commission is called to assess the existing financial control systems in the candidate countries with regard to five main elements:

I. **Public Internal Financial Control (PIFC)** is one of the central elements of the Financial Control system and includes financial control activities in the public sector, covering control exercised by central and decentralised government agencies, involving *ex-ante* approval as well as *ex-post internal audit* systems. A basic feature in an effective PIFC system are the clear demarcation lines between financial management and control (FMC) and the internal audit, which assures, that FMC, including *ex-ante* controls, works properly (so-called functional independence of the internal auditors).

In the field of PIFC the main criteria for the assessment are the presence of the legislative framework (primary and implementing legislation), the development of the internal audit function and *ex-ante* control mechanism throughout all the income and spending centres, as well as ensuring the functional independence of the internal auditors.

II. **External Audit** comprises the ability of the candidate countries to confirm the independence of their external control body in terms of deciding on the questions of audit approach and choice of inquiry, as well as reporting without restriction or interference by the government or other bodies. It is also of crucial importance that the Candidate Country ensures an independent audit of the financial accountability of all public funds, irrespective of their origin. The presence of the formal mechanism for the Parliament for a proper reaction to the audit findings is of particular importance.

III. **Control Measures relating the EU Own Recourses** imply that the bodies in charge of collecting and controlling own resources should be aware of the requirements to assure the correct execution of their tasks. In this context it is of particular importance to ensure timely fiscal controls and an effective customs administration. (This issue is also tackled under Chapters 10, 25 and 29)

IV. **EU Pre-accession funding and future Structural Action:** The correct use, control, monitoring and evaluation of EU funding constitute an important element in assessing the Candidate Countries ability to apply the *acquis* under this Chapter. As no distinction should be made in terms of control for the national budget and for EU resources, the PIFC procedures (*ex-ante* financial control as well as internal audit) should apply in the same way to all the public funds irrespective of their source. With reference to the internal control procedures related to the EU pre-accession funds, the Commission requests the Candidate Countries to establish the appropriate *ex ante* control and functionally independent internal audit mechanisms, to make available experienced and qualified staff resources and to produce procedure manuals as well as audit trails for each pre-accession instrument. One of the important indicators is the existence of the procedure for the recovery of the lost EU funds.

V. **Protection of the EU financial interests** comprises the ability to implement the relevant EC Regulations by the accession, namely Regulation on the protection of the EC financial interests and Regulation on the on-the-spot checks carried out by the Commission in order to protect the EU financial interests against fraud and other irregularities. The Candidate Countries are also requested to designate a single contact point for co-operation with OLAF and to ensure the development of the administrative capacity necessary to implement the “*acquis*”, including the capacity of the law enforcement bodies and judiciary to address cases where EU financial interests are at stake.

### State of play

The chapter was closed with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia and Slovakia in December 2002. The chapter has also been closed with Bulgaria and Romania in December 2004.



As the acquis under this Chapter is based rather on the internationally accepted and EU compliant standard than on the number of legislative acts, the implementation of these standards is of major importance for the Candidate Countries in order to achieve the full compliance with the acquis upon accession. That is why DG Budget in co-operation with DG Enlargement is attaching high importance to the monitoring exercise for the candidate countries. This exercise (being performed with the help of Peer Reviews or monitoring missions) is focused on the evaluation of the implementation of financial control legislation and of the administrative capacity in the ministries, subordinated agencies and other budget spending centers as well as in the Supreme Audit Institutions.

No transitional periods have been requested by the Candidate Countries under this Chapter.

### **Compliance with the acquis**

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2004 Regular Report, available at: [http://europa.eu.int/comm/enlargement/report\\_2004/index.htm](http://europa.eu.int/comm/enlargement/report_2004/index.htm).

### **Country by country**

#### **Bulgaria**

- **Chapter opened:** second half of 2001
- **Status:** closed in December 2004 (provisionally closed in the second half of 2002)
- **Transitional arrangements:** none

#### **Cyprus (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in the first half of 2000)
- **Transitional arrangements:** none

#### **Czech Republic (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in the second half of 2001)
- **Transitional arrangements:** none

#### **Estonia (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in the second half of 2001)
- **Transitional arrangements:** none

#### **Hungary (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in the first half of 2000)
- **Transitional arrangements:** none

#### **Latvia (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002 (provisionally closed in the second half of 2001 )
- **Transitional arrangements:** none

#### **Lithuania (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002 (provisionally closed in the second half of 2001)
- **Transitional arrangements:** none

**Malta (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002 (provisionally closed in the first half of 2001)
- **Transitional arrangements:** none

**Poland (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in the first half of 2000)
- **Transitional arrangements:** none

**Romania**

- **Chapter opened:** first half of 2002
- **Status:** closed in December 2004 (provisionally closed in October 2003)
- **Transitional arrangements:** none

**Slovakia (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002 (provisionally closed in the second half of 2001)
- **Transitional arrangements:** none

**Slovenia (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002 (provisionally closed in the first half of 2000)
- **Transitional arrangements:** none

## Chapter 29 – Finance and Budgetary Provisions

### Background - Main Elements of the Financial and Budgetary Provisions acquis

The acquis in the field of financial and budgetary provisions effectively covers the rules concerning the organisation, the establishment and the implementation of the EU budget. The acquis under this chapter consists of regulations and decisions (e.g. the financial regulation, and the own resources decision) which will be directly applicable by candidate countries upon accession and, therefore, do not require transposition into their national legislation.

However, the effective application of these regulations and decisions by the day of accession has to be ensured. This will to a large degree depend on measures covered by other chapters of the acquis. For example, the ability to adequately establish the traditional own resources (customs and agricultural duties) will mainly depend on progress under the customs and agriculture chapters; the basis for the correct calculation of the GNI-based contribution to the EU budget is covered by the statistics chapter; the VAT-based contribution will depend to a large degree on the chapter taxation, and measures needed to ensure adequate protection of the Community's financial interests are mainly covered by the financial control chapter.

Effective administrative capacity for the co-ordination, calculation, collection, payment and control of own resources also has to be assured. This administrative function is usually carried out through a central co-ordinating 'Own Resource Unit' in the Finance Ministry and is the main area of preparatory action directly required of the candidate countries under this chapter.

Though the acquis imposes no set model for the organisation and working of a country's public finances, every appropriate step must be taken to guarantee the sound financial management of Community budget resources. The specific national financial and budgetary measures needed to guarantee the proper implementation of the various Community spending programmes must be examined and their application monitored in the context of negotiations on the relevant chapters.

### State of play

The financial and budgetary provisions chapter has been closed with Bulgaria and Romania in December 2004. In general terms, Bulgaria and Romania are in the process of establishing and developing the necessary central co-ordinating 'Own Resources Units' referred to above and are bringing budgetary legislation, systems and procedures in line with EU norms. The Commission will monitor up to accession the level of preparedness of these countries to apply the EU system of own resources and will continue to provide technical assistance where necessary.

For the state of play concerning the necessary changes required for customs, VAT and the alignment with EU statistical norms (ESA 95), please refer to the appropriate chapters. Following agreement on an overall financial package (link: [http://europa.eu.int/comm/enlargement/docs/pdf/financial\\_package\\_accession\\_negotiations\\_bu\\_ro\\_en.pdf](http://europa.eu.int/comm/enlargement/docs/pdf/financial_package_accession_negotiations_bu_ro_en.pdf)) for the three year period 2007-2009 worth over €15 billion in favour of Bulgaria and Romania, both countries withdrew their requests for transitional arrangements for own resources contributions. With this financial package, both countries can expect to be significant net beneficiaries of the EU budget.

### Compliance with the acquis

The latest assessment of each candidate country's compliance with the acquis under this chapter heading, can be found in the 2003 Regular Reports, available at: [http://europa.eu.int/comm/enlargement/report\\_2003/index.htm](http://europa.eu.int/comm/enlargement/report_2003/index.htm) .

## Country by country

### **Bulgaria**

- **Chapter opened:** second half of 2001
- **Status:** closed in December 2004 (provisionally closed June 2004)

### **Cyprus (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002

### **Czech Republic (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002

### **Estonia (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002

### **Hungary (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002

### **Latvia (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002

### **Lithuania (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002

### **Malta (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002

### **Poland (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002

### **Romania**

- **Chapter opened:** December 2002
- **Status:** closed in December 2004 (Closed June 2004)

**Slovakia (New Member State)**

- **Chapter opened:** first half of 2001
- **Status:** Closed December 2002

**Slovenia (New Member State)**

- **Chapter opened:** first half of 2000
- **Status:** Closed December 2002

## Chapter 30 - Institutions

### Background

One of the keys to successful enlargement will be the effective and well-balanced representation and integration of the new Member States in the institutional architecture of the Union. This is the purpose of chapter 30 on institutions, which mainly covers the composition and functioning of institutions and bodies established under the Treaties or secondary legislation.

The fundamental question of how to prepare the institutions for enlargement so that the Union can operate effectively with up to 27 Member States and maintain its decision-making capacity was addressed by the *Nice Intergovernmental Conference* in December 2000 and is dealt with in the *Treaty of Nice* as well as in the *protocols and declarations* attached thereto. Following the successful second Irish referendum on 19 October 2002 and the completion of the ratification process by the end of this year, the Treaty of Nice is likely to enter into force by February 2003.

The EU's negotiating position is based on the following:

- the provisions set out in the *Treaty of Nice* and the annexed *Protocol on the enlargement of the European Union*, including particularly the provisions for adjustment of the institutions with the prospect of enlargement,
- the agreements set out in the *Nice Declarations N°20 on enlargement* and *N°21 on the qualified majority threshold in the Council*, which provide key elements for the common positions to be adopted by Member States,
- the relevant provisions of the present *Treaties* and the corresponding *secondary law* (including on inter-institutional relations, transparency, languages, the Staff Regulations and other administrative provisions concerning the European Civil Service).

As regards the number of seats in the Parliament and the voting system in the Council, *transitional arrangements* are needed and have been agreed to cover the period between the date of accession and the later entry into force of the new provisions for Parliament after the June 2004 elections and for the Council. The changes are the following:

- the new Member States will be represented during the first weeks after accession and still in the current Parliament with as many nominated deputies as there will be elected deputies for the following 2004-2009 term;
- for a transitional period until the end of October 2004, the 25 Member States will have 124 votes in total in the Council and the qualified majority will be reached with 88 votes.

For the envisaged accession of 10 new Member States on 1 May 2004, the relevant provisions under the Nice Treaty referring to a Union of 27 had to be adapted to a Union of 25, whilst maintaining the principles established in the Nice Treaty. The new provisions enter into force only after a transition phase of some months. The changes to Parliament, Council and Commission after the next enlargement can be summarised as follows:

- as from the 2004-2009 election term, the number of seats in the Parliament will be increased to 732 (compared to the previous 626 seats). The Czech Republic and Hungary will receive the same number of seats as those Member States of a similar size in terms of population;
- with effect from 1 November 2004, Member States will have in total 321 votes in the Council and the qualified majority will be reached with 232 votes;
- all new Member States will be represented in the Commission as from 1 May 2004 with one national as a Member. The same principle will be extended to the current Member States as

from the term of the next Commission which has been advanced from January 2005 to 1 November 2004.

The new Member States will also be adequately represented in accordance with the existing applicable rules in the Court of Justice and Court of First Instance, the Court of Auditors, other organs and bodies established by the Treaties (including the European Central Bank, the European Investment Bank and the Euratom Supply Agency) and committees, agencies and other bodies established by secondary law. Furthermore, the national languages of the acceding countries will be recognized as official languages to be used by the European institutions.

### **State of Play**

In line with the road map for accession negotiations, the Chapter was provisionally closed with five countries in April 2002 (Bulgaria, Cyprus, Lithuania, Poland and Romania) and with four countries in June 2002 (Estonia, Malta, Slovakia and Slovenia). After the remaining key institutional issues were solved for the ten acceding States at the European Councils in Brussels and Copenhagen, negotiations on this Chapter were closed on 13 December 2002 with all ten acceding States, including Czech Republic, Hungary and Latvia. The chapter has also been definitely closed with Bulgaria and Romania in December 2004.

### **Compliance with the acquis**

Contrary to other chapters most of the acquis in this chapter does not require specific legal approximation and implementation measures by the candidate countries prior to accession. New Member States will exercise their rights, on the same terms as other Member States, through participation in the EU institutions.

## **Country by country**

### **Bulgaria**

- **Chapter opened:** first half of 2002
- **Status:** Closed December 2004
- **Transitional measures:** to be addressed later, as appropriate

### **Cyprus (New Member State)**

- **Chapter opened:** first half of 2002
- **Status:** Closed December 2002
- **Transitional measures:** Parliament, Council (see above)

### **Czech Republic (New Member State)**

- **Chapter opened:** first half of 2002
- **Status:** Closed December 2002
- **Transitional measures:** Parliament, Council (see above)

### **Estonia (New Member State)**

- **Chapter opened:** first half of 2002
- **Status:** Closed December 2002
- **Transitional measures:** Parliament, Council (see above)

### **Hungary (New Member State)**

- **Chapter opened:** first half of 2002
- **Status:** Closed December 2002

- **Transitional measures:** Parliament, Council (see above)

#### **Latvia (New Member State)**

- **Chapter opened:** first half of 2002
- **Status:** Closed December 2002
- **Transitional measures:** Parliament, Council (see above)

#### **Lithuania (New Member State)**

- **Chapter opened:** first half of 2002
- **Status:** Closed December 2002
- **Transitional measures:** Parliament, Council (see above)

#### **Malta (New Member State)**

- **Chapter opened:** first half of 2002
- **Status:** Closed December 2002
- **Transitional arrangements:** Parliament, Council (see above)

#### **Poland (New Member State)**

- **Chapter opened:** first half of 2002
- **Status:** Closed December 2002
- **Transitional measures:** Parliament, Council (see above)

#### **Romania**

- **Chapter opened:** first half of 2002
- **Status:** Closed December 2004
- **Transitional measures:** to be addressed later, as appropriate

#### **Slovakia (New Member State)**

- **Chapter opened:** first half of 2002
- **Status:** Closed December 2002
- **Transitional measures:** Parliament, Council (see above)

#### **Slovenia (New Member State)**

- **Chapter opened:** first half of 2002
- **Status:** Closed December 2002
- **Transitional measures:** Parliament, Council (see above)



## Chapter 31 – Others

### Background

The chapter on « Other matters » is essentially a negotiating box in which a number of elements, which are largely uncontroversial but do not belong in other negotiating chapters, have been placed. Under the chapter "Other matters", the following issues were negotiated and agreed with Bulgaria and Romania:

Item 1: Accession to the **European Development Fund**

Item 2: Participation in and contribution to the **Research Fund for Coal and Steel**

Item 3: Subscription to the capital and foreign reserve assets of the **European Central Bank**

Item 4: **Implementation and Management** of rules for the implementation, after accession, of the three different **pre-accession funds** PHARE, ISPA and SAPARD in the new Member States

Item 5: **Creation of a Transition Facility** to assist Bulgaria and Romania to further develop and strengthen administrative and judicial capacity and foster exchange of best practice among peers. The total amount for the years 2007-2009 is € 82 million

Item 6: **Arrangements for the Interim Period**, that is to say the period between a "cut-off date" of 1 October 2004 and the date of accession during which new EU rules are not covered in the accession negotiations, but at the same time the acceding countries are not yet Member States

Item 7: Inclusion in the Accession Treaty of safeguard clauses: a general economic **safeguard clause**; a specific internal market safeguard clause and a specific Justice and home affairs safeguard clause, both with a three-year duration; a reinforced monitoring clause which would allow the Commission to propose postponement of accession by one year where there are serious difficulties with accession preparations.

Item 8: A **temporary cash-flow and Schengen facility in favour of Bulgaria and Romania for the period 2007-2009 amounting to €239.5 million and €59.8 million respectively. This facility is designed** to improve Bulgaria and Romania's cash-flow position, especially in the first year of accession, and to support these countries in their obligation to finance actions at the new external border of the Union for the implementation of the **Schengen acquis** and external border control

Item 9: Amendments to the Statute of the **European Investment Bank** in view of the accession of the Candidate Countries

Item 10: Legal basis for the management of funds to address the consequences of the closure and decommissioning of Units 1-4 of the Kozloduy **nuclear power plant in Bulgaria**