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**Position Paper  
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## **INTRODUCTION**

Efforts of the Latvia's Government are aimed at readiness for membership of the EU by the end of 2002. The framework of the Europe Agreement and institutions established within it, together with the guidelines of the Accession Partnership and Regular Report, is an effective framework for Latvia to streamline our preparations for EU membership.

Last year was the third consecutive year, when Latvia received positive Regular Report. According to the Regular Report considerable progress has been made in fulfilment of all the Copenhagen criteria. Latvia fulfils most of the short-term Accession Partnership priorities and has successfully implemented virtually all provisions of the Europe Agreement. Position paper covers in particular time period since last Regular report, published in November last year.

Latvia complies with the Copenhagen political criteria. The administrative structure for co-ordination of the National Programme "Integration of the Society of Latvia" adopted on February has been established. In the State budget for this year the Government has earmarked 200 000 LVL for the functioning of the Society Integration Fund. The effectiveness of the naturalisation process is confirmed by 14 900 persons naturalised in 2000 which is the highest number within a year since the beginning of the naturalisation process in 1995.

The State Language Law is being implemented fairly. In 2000 and 2001 the state has significantly increased funding and has continued working in such key areas as Latvian language training, minority education and naturalisation. Since 1996 more than 36 000 persons have participated in the National Programme for Latvian Language Training. 2001 is the first year when state budget funding (USD 710 000) is allotted to the programme directly.

The economic performance of Latvia 2000 has been very successful with the growth remaining high through the year, rising investments and falling unemployment. Strict monetary policy ensures the stability of the currency and low inflation, the budget deficit is being further diminished strengthening tax administration, optimising expenditure and improving financial control. The gradual fall in the current account deficit and rise of exports improve Latvia's external outlook. Overall, active privatisation has been successfully completed in Latvia. For privatisation of remaining large state owned enterprises in 2000, there were tenders held with the aim to select consultants. It is expected that majority interest (68%) of *Latvian Shipping Company* will be sold in May 2001. The negotiations with the private shareholder of *Lattelekom – Tilts Communications* on compensation for the reduction of *Lattelekom* monopoly period continues. Privatisation of the state owned equity holding of *Lattelekom* highly depends on the outcome of the above negotiations. The regular dialog between government and business associations has constantly improved the business environment in Latvia. For example, Latvia has started introduction of the electronic customs declaration system, procedures for obtaining work permits and construction permits have been simplified. Particularly all internal market legislation is in place.

Following the Accession Partnership (AP) in the area of Justice and Home Affairs reform of the judicial system focuses on strengthening the qualifications of judiciary, computerisation of courts, improvement of court judgement execution and court proceedings. Following the Concept Paper for Corruption Prevention adopted by the Government in August 2000, further initiatives have been started to fight against corruption, namely introduction of administrative liability of legal persons and the principle of legal presumption, elaboration of a law on independent Anti-Corruption Bureau; and drafting of a "*Law on financing of political parties*". Latvia continues strengthening of the State Eastern Border by developing modern communication networks, improving mobility, building a new border posts and rising the qualification of border guards.

The Government continues the reform of public administration. In January 2001, new Civil Service Law entered into force, and several secondary legislation acts are adopted to provide for implementation of the Law. The development of sound system for implementation of the pay reform continues. In January the concept for development of unified remuneration system has been

adopted. It is envisaged to implement the new remuneration system gradually during the next five years. In September 2000, Strategic Planning and Policy Co-ordination department with a view to strengthen the Government's capacity for developing and coordinating crosscutting policy, as well as coordinate the preparation of corporate plans for each ministry has been established in the State Chancellery. In 2000, the School of Public Administration has trained 7688 civil servants and civil servant candidates in total, including 1698 in the European Union affairs (respectively in 1999 – 5296, including 826 in EU affairs).

The National Programme will regularly monitor the continuation of reforms for Adoption of the Acquis, which is due to be up-dated by the end of March 2001. Detailed analysis of Regular Report was made to reflect shortcomings in the updated National Programme.

## ***1. POLITICAL CRITERIA***

### ***1.1. Integration of the Society***

The Government of Latvia is implementing the short and medium term Accession Partnership priorities successfully. In 2000 and 2001, the state has significantly increased funding for integration projects and has continued working in such key areas as Latvian language training, minority education and naturalisation.

On February 6, 2001, the Government adopted the expanded version of the **National Programme “Integration of the Society of Latvia”**. The Law “*On the Society Integration Fund*” will be adopted in 2001. In the State budget for this year, the Government has earmarked 200 000 LVL for the functioning of the Society Integration Fund.

The **Society Integration Department** established in the Ministry of Justice in November 2000 will co-ordinate the implementation of the Programme.

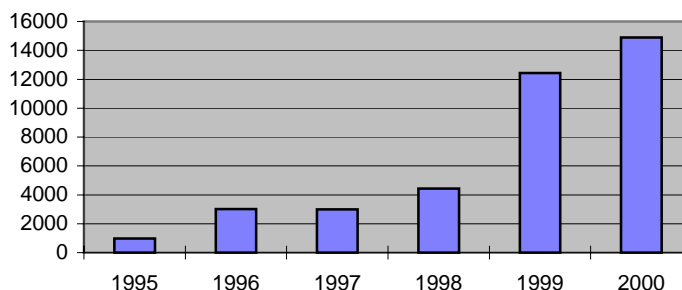
Local governments actively participate in the society integration process. As of 1 January 2001, there were Integration Councils or Working Groups in 16 districts of Latvia. There is Consultative Council of Non-citizens in the city of Ventspils. The district of Alūksne also works at the development of a special society integration programme. The issues of the integration of society are included in the development plans for the district of Liepāja and the region of Zemgale.

On 30 November, the Saeima amended the Law “*On Constitutional Court*”. As of July 1, 2001, individuals will have the opportunity to turn to the Constitutional Court regarding violations of their rights; until now only state bodies and officials could turn to the Constitutional Court.

From January 2001, the Ministry of Education and Science has taken over the co-ordination of the **National Program for Latvian Language Training (NPLLT)**. From 1996-2000 when the UNDP co-ordinated the Program more than 36 000 persons had participated in the Programme. 400 language courses were envisaged for the time period 1999-2000, 475 courses have taken place in the spring of 1999. The NPLLT has been offering an ever-increasing number of Latvian language teaching courses for adults and teachers of the Latvian language course subjects. Up to the spring of the year 2000 the total of 1 750 courses has been conducted. During 2000, 767 teachers acquired teaching methods, while Latvian language (LAT2) training course was attended by 9 460 students, out of those 4 290 educators. This is the first time when the Government has allocated 428 000 LVL for the NPLLT for 2001 directly. In 2000 the state provided 10 000 LVL for further education of minority teachers, 75 000 LVL for purchasing teaching materials in Latvian for minority schools, and 600 000 LVL for salary support for minority schoolteachers of Latvian and bilingual teachers. The salary support for minority school teachers of Latvian and bilingual teachers is continued in 2001 –718 000 LVL are allocated for this purpose. The state budget share in NPLLT financing is going to rise from 450 000 LVL in 2001 up to 600 000 LVL in 2005.

Since the beginning of the **naturalisation process** about 42 000 naturalisation applications have been received. The effectiveness of the naturalisation process is confirmed by 14 900 persons naturalised in 2000 which is the highest number since the beginning of the naturalisation process in 1995. In 2000, more than 800 applicants participated in **free language courses** organised by the Naturalisation Board. The project will be continued in 2001 for an expected number of 2000 applicants. The funding of the Naturalisation Board has been increased by 15 000 LVL.

**Figure. Number of persons granted citizenship 1995-2000** (Source: Naturalisation Board)



The “*State Language Law*” and its implementing regulations entered into force on September 1, 2000. Both the Law and the regulations have been welcomed by Max van der Stoel, OSCE High Commissioner on National Minorities and the EU Presidency. The Language Law and its implementing regulations are applied and enforced with regard to the principle of proportionality. The Law sets very strict limits to state interference in the private sphere including the cultural life of the ethnic minorities. According to the Law, the use of language is regulated only in cases when the activities of enterprises affect legitimate public interests – public safety, health, morals, health care, protection of consumer and labour rights, safety in the workplace, or public administration supervision.

On January 23, 2001, the Cabinet of Ministers amended the implementation regulations, which allows using the results of the centralised Latvian language school exams for job applications.

State continues to finance **minority education** in eight languages - Russian, Polish, Jewish, Ukrainian, Estonian, Lithuanian, Roma (Gypsy) and Belarussian.

## ***1.2. Financial control***

**Internal audit.** Internal audit units comprising trained personnel are fully operational in all ministries and administrative bodies under ministerial supervision. Functional independence has been ensured. The Internal Audit Council with the objective to identify problems and propose corrective measures has been established.

With PHARE support, more than a half (100 out of 160) of internal auditors have received basic training in internal audit.

To establish the level of uniformity in work, the Internal Audit Handbook has been prepared. The introduction of the Access database system has already been started.

The Ministry of Finance co-ordinates and monitors internal audit providing standards, guidance and organisation of training. Monthly co-ordination meetings are ensured. A project for introducing the Peer Review system was piloted in the Ministry of Agriculture in June 2000.

**External financial control.** According to SIGMA, the State Audit Office (SAO) has developed into a supreme audit institution with good reputation, high competence, integrity and fairness of performance.

The amendments to the law “*On State Audit Office*” defining the role and tasks of the State Audit Office in financial and value-for-money audits as well as addressing the Sigma recommendations with respect to tracking the EU funds have been prepared.

Workshop with support of the SIGMA and Phare Public Administration Reform programme on co-operation between the State Audit Office and the Ministry of Finance was organised.

### **1.3. Administrative capacity**

Latvian government has been committed to the task of strengthening administrative capacity.

In January 2001, new “**Civil Service Law**” entered into force. The Law defines rights, duties, and responsibilities of civil service, defines the scope of civil service, including core public administration and provides a basis for improving accountability and better performance of civil servants. The number of secondary legislation acts is adopted to provide for implementation of the Civil Service Law: “*The Principles of Conduct of Civil Servants*”, “*The Order of Civil Servants Job Description Development*”, “*The Order to Civil Servant to Repay a Part of Yearly Tuition Paid by State Administration Institution*”, “*The Order of Civil Servants Additional Vacation Assignment*”, “*The Order of Civil Servants Performance Appraisal*”, “*The Order of Evaluation of Civil Servants Position and Qualification Grades*”.

According to the Law, civil servants are divided into 2 groups: general civil servants and special civil servants (for example, state revenue service, customs). Predictable number of general civil servants is 14 000 and number of special civil servants is 19 000. The number of civil servants candidates as of December 31, 2000 was 4331. 1499 applicants have passed the civil servant qualification exams in 2000.

In 2000 the School of Public Administration has trained 7688 civil servants and civil servant candidates in total, including 1698 in the European Union affairs (Respectively in 1999 – 5296, including 826 in EU affairs).

The Ministry of Finance continues to develop sound system for implementation of the **pay reform**. On January 2001 the Government adopted the Concept of unified remuneration system. The respective Regulation has to be elaborated by September 1, 2001. It is envisaged to implement the new pay system gradually during the next five years.

In December 2000, the Parliament adopted the law “**On Public agencies**” in the second reading. The final reading of law is planned for March 2001. The draft law is substantially expanded to include local government established agencies and to improve the efficiency, transparency and accountability of public agencies. The Government intends to adopt a plan of transition of non-profit state companies to a new legal status starting with January 2002.

High level working group has been established to update the **Strategy of Public Administration Reform** with the action plan for implementation and the financial analysis. The Draft Strategy for the next five years has to be submitted to the Cabinet of Ministers by May 2001.

In September 2000 **Strategic Planning and Policy Co-ordination department** with a view to strengthen the Government’s capacity for developing and coordinating cross-cutting policy, as well as coordinate the preparation of corporate plans for each ministry has been established in the State Chancellery.

During 2000, two **functional reviews**, in the Ministry of Justice and Ministry of Economy, have been completed. The ministries have prepared implementation plans for rationalisation of functions and structures of ministry. Functional reviews are completed in 5 ministries since 1999. Ministry of Finance performed public expenditure review in the ministries of Agriculture and Justice, which leads to the development of the ministries’ strategic planning system. The functional reviews address the priority areas for government capacity building.

To improve business environment and reduce administrative barriers to enterprises and investors, the government adopted **Inspectorate improvement programme**.

The approach to the **Phare programming** has changed starting from Phare 2001. The emphasis is put on Government's increased role in the definition of priorities. A central interministerial Steering group is exercising this leadership role. The Steering group ensured preparation of strategic framework for Phare programming, as well as setting accession-related priorities in line with Accession Partnership and National Programme for Integration into EU, as well as evaluated projects to check for internal coherence and logic; effectiveness toward achieving project's objectives; acceptability to major stakeholders; ownership by key stakeholders; and national financial commitment and other support.

In addition, Secretariat of Minister for Special Assignment for Co-operation with International Financial Agencies together with the school of Public administration and with assistance of Government of Denmark will organise a training programme on the preparation of Phare projects.

## **2. ECONOMIC CRITERIA**

The economic performance of Latvia 2000 has been very successful with the growth remaining high through the year, rising investments and falling unemployment. Strict monetary policy ensures the stability of the currency and low inflation; the budget deficit is being further diminished strengthening tax administration, optimising expenditure and improving financial control. The business environment is being constantly improved; final steps have been taken to complete privatisation of large state owned enterprises. The gradual fall in the current account deficit and rise of exports improve Latvia's external outlook.

The macroeconomic situation maintains strong positive potential. **Gross Domestic Product** in Latvia in the first 3 quarters of 2000 grew by 5.4% as compared with the same period of the previous year. Inflation has remained subdued, with the CPI rising by only 1.8%, retaining one of the best positions among the Central and Eastern European states. The unemployment rate fell to 7.8% at the end of 2000 (9.1% at the end of 1999).

In 2000, fiscal deficit of general consolidated budget was 2.8% (4.2% in 1999). According to the law "*On the Central Government Budget for 2001*" the principle of the state budget for the year 2001 is sustainable and forecastable state financial policy, with the main priorities being integration into EU, state defence and education. Besides, the share of investments in general consolidated budget will grow if compared to 2000. The Government plans to maintain the general government consolidated budget fiscal deficit within 2% of GDP.

The Ministry of Finance has developed a methodology for medium term fiscal planning and has embarked upon elaboration of the "The medium term macroeconomic development and fiscal policy basic parameters" for five years, i.e. 2002-2006, which will be an integral part of the package of draft budget laws for 2002.

Financial sector developments continue to be encouraging, with key indicators improving. Credit to the private sector grew robustly, by 26%, deposits to the banking system rose sharply by 46.9%, and deposit and lending rates showed a declining trend. All banks fully comply with the capital adequacy ratio, non-performing loans are declining, and profitability is rising. All monetary performance criteria stipulated for 2000 has been observed. Monetary conditions during 2000 were sufficiently tight to support the Bank of Latvia's exchange rate objective.

With adoption of the law "*On Financial and Capital Market Commission*", a single supervisory authority – Financial and Capital Market Commission – will be operational as of July 2001. The law states that the FCM Commission is "a full-fledged and autonomous state institution". The top officials of the FCM Commission have already been appointed. Adequate financial resources have been allocated.

The law “*On Regulators of Public Utilities*” (will come in force as of July 1, 2001) foresees establishment of unified State public service regulation procedure and of single regulatory authority for the areas of energy, telecommunications, postal services, railway transport and passenger carriage.

**Foreign trade** data show a gradual rise in foreign trade turnover in 2000. In 11 months of 2000, exports to the EU grew to 65.2% of total exports (62.9% in 1999). The considerable growth was reported in the exports of manufactured goods – chemicals (19.3%), articles of base metals (30.5%), machinery and electrical equipment (25.6%).

The overall **current account** deficit in the balance of payments decreased amounting to 5.7% of GDP in 9 months of 2000 (8.2% in the same period of year 1999). Further, the share of the deficit financed by foreign direct investment (FDI) rose noticeably, with FDI covering 90.1% of the current account.

The inflow of **FDI** in three quarters of 2000 was 157.9 million LVL, compared to 106.4 million LVL in the same period of 1999, of which in equity capital 96.8 million LVL. Among the sectors that attracted the largest shares of FDI are industry, trade, financial intermediation and business services.

Overall, active **privatisation** has been successfully completed in Latvia. For privatisation of remaining large state owned enterprises in 2000, there were several tenders held with the aim to select consultants.

In December 2000, Cabinet of Ministers passed privatisation rules of the *Latvian Shipping Company (LSC)*, which were elaborated in co-operation with Dutch consulting company *BDO New Markets*. In February 2001, the Cabinet of Ministers approved the long list of bidders for the privatisation of the majority interest (68%) of the *LSC*. It is expected that majority interest will be sold in May 2001. In March 2000, the Cabinet of Ministers authorised the Latvian Privatisation Agency to conduct negotiations with the private shareholder of *Lattelekom – Tilts Communications*, co-owned by *Sonera* and *IFC*, about the review of the Umbrella Agreement and the compensation for the reduction of *Lattelekom* monopoly period. Privatisation of the state owned equity holding of *Lattelekom* highly depends on the outcome of the above negotiations. On June 15, 2000, the LPA announced tender for investment advisors to assist the Agency in privatisation of *Lattelekom*. In September 2000, consortium led by *Chase Manhattan* was acknowledged as the winner of the tender.

The **business environment** in Latvia has been constantly improved notably by the establishment of regular dialog between government and business associations and implementation of the Action plan to improve business environment based on the recommendations of the Foreign Investors’ Council in Latvia. As practical examples, Latvia has started introduction of the electronic customs declaration system, procedures for obtaining work permits and construction permits have been simplified.

The privatisation of land and apartments has significantly contributed to the clarification of property rights and further strengthening of the land market. By the end of 2000, approximately 462 697 real estate units (48%) were registered in the Land Book. Land registration in the State Land Cadastre is virtually complete. In 2000, privatisation of state land continued with accelerated rate, 757 purchase agreements were concluded (in 1999 – 382).

In 2000, 14.8% (preliminary data) of Latvia’s GDP was generated by **industry**. The volume of manufacturing output in the first nine months of 2000 was 103.2%, compared to the same nine months in 1999. An increase in production output has been observed in the textile industry, wood processing and metalworking. In the first nine months of 2000, the manufacturing sector attracted 21% of the total FDI stock. To promote the competitiveness of the Latvian economy the Ministry of Economy has elaborated a concept paper for innovations in December 2000.

**Small and medium-sized enterprises** account for 99% of enterprises registered in Latvia. About 68% of the economically active population are employed in SME's. In 2000, about 65% of Latvia's GDP was generated by SME's (preliminary data). The SME's dominate in the major export industries, such as wood processing, foodstuffs and textiles.

The National Programme for the Development of SME's for the period 1997-2001 has been revised to improve the state support system for SME's including the areas of accessibility to financial resources, accessibility to appropriate information, education of entrepreneurs. An Action plan for 2000-2001 for the National Programme for the Development of SME's has been put into place to co-ordinate the operation of state business support funds.

### **3. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP**

#### **3.1. Free movement of goods**

The horizontal legislation in the field of **free movement of goods** is in line with *acquis*. According to the 1999 Accession Partnership, Law "*On Conformity assessment*" has been amended and two implementing regulations have been adopted, sectoral legislation has been further aligned with *acquis*, as well as adoption of EN standards has been accelerated and the market surveillance system has been further developed. All institutions necessary for the implementation of the current laws, in particular in accreditation, standardisation, metrology and market surveillance are in place.

The Market Surveillance Council has been established to ensure effective co-operation between market surveillance authorities. The first meeting of the Market Surveillance Council was held on 15 February 2001.

Until 31 December 2000, there were 3504 standards adopted, including 331 International standards, 2951 European standards and 222 Latvian standards. It is planned to adopt 2500 standards in 2001. By 1 January 2003, 80% of all EN standards should be adopted and the Latvian standardisation body should become a full member of CEN.

Latvia has initialled the *Framework Agreement for a Protocol on European Conformity Assessment (PECA)* in July 2000, being one of the first among the candidate countries to do it.

By adoption of the law "*On Works, Supplies, Lease and Services Procured by Entities Operating in the Public Utilities Sector*" full compliance with EU norms has been ensured. The Public Procurement Surveillance Bureau will become operational as of October 1, 2001.

#### **3.2. Free movement of persons**

Latvian legislation will be fully in line with the general system directives by adoption of the law "*On Regulated Professions and Recognition of Professional Qualifications*", accepted in first reading in Parliament on 8 February 2001. The contents and length of curricula for the professions governed by the sectoral directives *de facto* basically correspond to the EU requirements, but to fix it, implementing regulations of the law "*On Regulated Professions and Recognition of Professional Qualifications*" will be adopted.

The administrative structures and institutions involved in recognition of professional qualifications will be strengthened in the framework of Denmark's assistance project "*Recognition of professional Qualifications in Latvia in line with EU-regulations*" (by the end of 2002). The necessary institutional basis for recognition of professional qualifications will be in place by 1 July 2001.

To implement *acquis* on **rights of entry into and residence within Member States** a new Immigration Law as well as a new Regulation "*On the Procedure of Issuing and Registering Residence Permits*" and amendments to Regulation "*Employment of Foreign Citizens and Stateless*

*Persons in Latvia*” is drafted. The legislation of Latvia allows application of the principles of the **social security co-ordination**. The implementing structures are in place. Implementation of several bilateral agreements on social security allowed acquiring the necessary experience to work with international social security issues.

Latvia has an institutional framework (State Employment Service) for participation in the **EURES network**. Computerisation programme is being carried out to improve the information flow among branch offices.

### **3.3. Free movement of capital**

The legislation in the field of free movement of capital is largely in line with the *acquis*, with only few restrictions remaining. Amendments on outward portfolio investments by private pension funds and insurance companies to the Law on Private Pension Funds are being drafted. They foresee that by 2002, it will be possible to invest abroad also above the present threshold – 15% of the total pension fund’s assets – subject to approval by the Insurance Supervision Inspectorate.

### **3.4. Company law**

The *Commercial Code* in full compliance with the respective EU directives has been adopted. Law will come into force on 1 April 2001. Some 500 enterprises have attended information seminars organised by the Register of Enterprises during 2000.

In the field of **intellectual property rights** Latvia’s legislation is in line with the *acquis*. Necessary institutional frameworks for enforcement of intellectual property rights are in place. Regular meetings of responsible enforcement institutions including non-governmental organisations take place, e.g., representatives from Economic Police Office, customs, Prosecutors’ General Office, Film Register, Latvian Music Producers’ Association, Authors’ Collecting society and others.

“*Strategic Development Program on Development and Protection of Intellectual Property 2001-2005*” has been drafted. Part of it is the program “*Strategic Action Plan to Ensure Protection of Copyright and Neighbouring Rights 2001-2002*”.

Regarding implementation of intellectual property and copyrights in the music sector there were 101 protocols drawn up for administrative offences; 28 criminal cases prosecuted; 13 468 CDs, 15 243 videotapes and 5 820 audio tapes, 209 DVDs and 2 799 software CDs seized in 2000 for illegal actions with copyright objects. 14 inspections were carried out in enterprises regarding the use of software and as the result two criminal cases were prosecuted and six protocols drawn up for administrative offences. In 2000, on the basis of right holders’ applications, counterfeit and pirated goods of total value of approx. 150 000 LVL were detained.

**Industrial property rights.** Harmonisation of legislation in the field of industrial property rights is practically completed. All institutions necessary for implementation of the current laws and enforcement of industrial property rights are in place.

*Strategic Plan of Development of the National System of Industrial Property Protection* (2003-2004) is being elaborated.

In 2000, 2060 trademarks were registered, 65 industrial designs patents and 162 patents for invention were granted; 153 European Patents have been applied to Latvia. During 2000, 18 appeals against the decisions of the Patent Office and 140 oppositions (mostly against the registration of trademarks) were filed with the Board of Appeals of the Patent Office. The Regional court of Riga examined 18 cases (mostly appeals against the decisions of the Board of Appeals as well as some disputes concerning illegal use of trademarks).

**Accounting.** Amendments to the law “*On Annual Accounts of Enterprises*” (adopted by the Parliament in December 2000 in the 2<sup>nd</sup> reading) aim at facilitating implementation of the

requirements of the 4<sup>th</sup> company directive. Draft law “*On Sworn Auditors*” elaborated on the basis of the 8<sup>th</sup> company directive is being prepared for the last reading in the Parliament. The law will ensure state supervision over the Association of Sworn Auditors, encourage implementation of quality control and ensure sworn auditors’ higher education and professionalism.

### **3.5. Competition policy**

In the area of **competition and state aids** the process of approximation of the legislation is virtually completed. The new draft *Competition Law* adopted by Cabinet of Ministers on 23 January 2001 will ensure full compliance with the *acquis* concerning the definition of dominant position and merger control.

Draft law “*On application of taxes in special economic zones and free ports*” (submitted to the Parliament on 29 December 2000) will ensure compliance with the EU Guidelines on National Regional Aid (providing for a fixed link between state aids received and investments made).

Smooth functioning of the Competition Council and the State Aid Surveillance Commission ensures the enforcement of the legislation.

As regards transparency of aid, Latvia has elaborated annual report on state aids for 1999 in conformity with the methodology of the EC survey on State aid and presented it to the European Commission.

### **3.6. Agriculture**

Latvia pursues a comparatively liberal agricultural market policy, applying customs tariffs to imports of agricultural goods as a market regulation measure. In the first nine months of 2000, agriculture, hunting and forestry constituted 4.2% of the total GDP, including 1.6% forestry and related services.

During the year 2000, important framework laws in the field of agriculture have been adopted, namely, “*Law On Rural Support Service*” (6 April 2000) that establishes the functions of the Service in pre-accession period as well as sets up the basis for transfer of the necessary functions when coming closer to the date of accession to the EU.

“*Amendments to Animal Breeding Law*” defines certain terms and articles used in animal breeding necessary for implementation of EU requirements in zootechnical legislation. Amendments to the *Fishery Law* form legal basis for information exchange on fisheries between institutions involved necessary for establishment of the Common Fisheries Information in accordance to the EU requirements.

Since September 2000, a list of Regulations of the Cabinet of Ministers has been approved to meet EU requirements in the field of seeds and propagation material, sugar, veterinary and animal well-being, sanitary controls, zootechnics, forestry and fisheries.

Latvia is gradually implementing the **EU common market organizations** to adjust economic conditions for the producers. All institutions necessary for implementation of the EU common market organizations have been set up. Currently, functions of the existing institutions are being revised to ensure full implementation of the EU common market organizations and avoid the overlapping of functions. By 1 April 2001, Action plan for the implementation of EU common market organizations will be set up.

**Implementation of Integrated Administration and Control System.** The amendments to the “*Agriculture Law*”, adopted in February 22, 2001 provides establishment of Integrated administration and control system. Latvia has submitted to the Commission draft for PHARE 2001 *Development of the management mechanisms of the Latvian agriculture in line with the EU Common Agricultural Policy: commencement of IACS establishment.*

**The Fund for Control of Animal Infectious Diseases.** The mandate to establish the Fund has been incorporated into the law “*On Veterinary Medicine*”, submitted to the Parliament for the third reading. Instruction “*On allocation and utilization procedure of the resources contained by basic budget program of the Ministry of Finance “resources for extraordinary cases”*” is in force, entitling animal breeders to compensations from the State budget to cover part of expenses caused by eradication of epizootic diseases.

In order to protect consumer rights and to ensure an efficient food control chain, a concept on “*Unified State surveillance and control system of food production and marketing*” is being developed. First proposals will be submitted to the Cabinet of Ministers by the end of February 2001.

A multi-annual **SAPARD** financial agreement was signed in Brussels on 25 January 2001. Pre-accreditation audit of the Rural Support Service (future paying agency) has been carried out by *Arthur Anderson*. The annual financial agreement to allocate the funding for Latvia in corresponding financial year could be signed, after the approval of accreditation of the Rural Support Service as a paying agency by the EU auditors.

### **3.7. Taxation**

Latvia has made the substantial progress in aligning its legislation in the tax field with the *acquis*. Further steps have been taken to strengthen the State Revenue Service (SRS). Steps are being made to reinforce the compliance with the Code of Conduct.

Amendments to the law “*On Value Added Tax*” that comply with the EU requirements are effective as of January 2001. In the course of 2001, it is envisaged to introduce a system of refund to foreign legal persons – international haulers – the value-added tax paid on fuel purchased in Latvia. As far as the exemptions for supply of drugs and medical appliances, funeral services, for payments made by physical persons for heating, water supply, etc. are concerned, the law “*On VAT*” will be gradually amended so as to exclude the above exemptions by 2003.

As regards the excise tax rate on cigarettes, currently the authorities settle legal and other issues to switch from the fixed rate to the combined one as required by the directive. As to the magnitude of the rate, Latvia has requested a transitional period until December 31, 2009.

As far as tax administration is concerned, the SRS Modernisation Project ensures two basic directions of action – an internal reform with IT systems being constantly developed and structural re-organisation to improve service of taxpayers at the local level, while leaving control, audit and methodology development in the competence of regional offices. This ensured that the amount of revenue collected by the SRS in 2000 grew by more than five percent. At the same time, total costs of collection of one LVL have been constantly lowering reflecting growing efficiency of the SRS.

### **3.8. Social policy and employment**

The registered unemployment rate decreased from 8.6% at the end of May 2000 to 7.8% in January 2001. On 6 February 2001, the Government has accepted the National Employment Plan for the year 2001.

Substantial reforms in the field of **social protection** continue. By entering into force of the law “*On State Funded Pension*” in July 2001, the pension system reform will be completed.

The draft **Labour Code** was accepted by the Parliament in the 2<sup>nd</sup> reading in January 2001. The draft law “*On the Protection of Employees in the Event of the Insolvency of Their Employer*” is expected to be adopted by the end of 2001. The draft law “*On information and consultation in Community-scale undertakings and groups of undertakings*” has been accepted by the Parliament in the 2<sup>nd</sup> reading on 21 December 2000.

The *acquis* on equal pay, access to employment, vocational training and promotion, working conditions, parental leave, burden of proof, protection of pregnant workers will be fully transposed by the *Labour Code* and the law “*On Labour Protection*”.

The new law “*On Labour Protection*”, on **safety and health of workers** at work has been accepted by the Parliament in 1<sup>st</sup> reading on 5 October 2000. *Acquis* on safety and health requirements for the handling of loads, asbestos, safety signs, work equipment, personal protective equipment, and safety in construction work already has been implemented.

In order to prepare for membership in the **European Social Fund** (ESF), establishment of the administrative and co-ordination mechanisms has been set as a priority up to January 2003. The National Centre for ESF management training has been set up on the basis of the State School of Public Administration. These preparations are closely connected with EU PHARE projects activities.

The main emphasis regarding the **social dialogue** has been put on reciprocal negotiations between employees and their employers. Social partners concluded an agreement on partnership at national level. For providing more instruments for a sound bilateral social dialogue, the draft law “*On Labour disputes*” has been elaborated, where the conciliation and arbitration between employees and employers has a major role.

State Labour Inspection carries out informative campaigns for social partners in the regions every quarter. For further development of bipartite social dialogue a concept on the national work councils will be elaborated. Specific training on communication, bargaining and negotiation skills for employees and employers will be provided to facilitate conclusion of mutually beneficial collective agreements.

The number of collective agreements grew to 2057 covering 203 725 (~25%) employees in 2000. Most agreements were concluded in company level. Social partners as well as State Labour Inspection supervise the proper implementation of collective labour agreements, but the legislation does not provide procedure for mandatory registration of collective labour agreements.

Inspectors of the State Labour Inspectorate have undergone training courses in the field of asbestos, risk assessment, enterprise internal control procedures and enterprise rating systems. 56 000 LVL were granted for the IT development in the Inspectorate. All regional Inspections are connected in a single network.

State Employment Service was audited during the last year. New regulation for public procurement as well as new accounting programme has been introduced. To improve information flow between the branch offices of the State Employment Service and to facilitate availability of information necessary for participation in the EURES network, the computer systems are being upgraded.

It is envisaged that efforts in the field of social policy, supported by the EU PHARE 1999-2001 and bilateral assistance, will concentrate on harmonisation of legislation and implementation in the areas of labour law, occupational health and safety, chemicals, regional policy and cohesion.

### ***3.9. Telecommunications and information technologies***

Latvia is actively pursuing modernisation of information and telecommunications technologies and promotion of personal data protection.

The law “*On Regulators of Public Utilities*” will come into force on 1<sup>st</sup> July 2001. The law envisages establishing unified State public service regulation procedure and establishes legal framework for providing such services. The State regulated public service industries are energy, telecommunications, postal services, railway transport and passenger carriage.

To liberalise the fixed telecommunications market from 1 January 2003, the law “*On Telecommunication*” will be adopted. The Law will provide the legal basis for the full implementation of the *acquis* and for the creation of adequate regulatory environment.

Telecommunications sector has progressed during the last year quite remarkably both in terms of quantity and quality. Number of main lines in the fixed network reached 734 693 in the first half of January 2001 and waiting list is counted approximately 19 000. *Lattelekom* (fixed network operator) has invested 43 million LVL in the development of telecommunications in 2000. Enhanced telecommunication services such as DSL services and a new *Internet* portal were introduced in 2000. Competition between two cellular operators has resulted in rapid increase of mobile penetration and extended coverage within last year. Currently, there are approximately 372 000 mobile phone users in the GSM system. The issue of a third mobile license was already announced in 2001 giving the right to operate the UMTS (the third generation) mobile services starting from 2002.

**Information technologies.** The Latvian government has targeted the IT sector as a top priority in terms of strategic development planning.

The “*Personal Data Protection Law*” has been adopted in March 2000. The law transposes the Council Directive 95/46 EC. The necessary Cabinet of Ministers Regulations are also adopted. The Council of Europe Convention has been already signed and accepted by the Cabinet of Ministers. The Data State Inspection (DSI) became functional as of 1 January 2001. The budgetary allocation is EUR 170 000. DSI supervises and controls the operation of the personal data processing systems, registers the systems, reviews the complaints and supervises the data flow to other countries. The Law guarantees full functional independence of the DSI. DSI works closely with the Association of the Commercial banks, Insurance supervision State Bureau and other related institutions.

In December 2000, the Government adopted concept of Social Economical Program “*E-Latvia*” to identify priority objectives for development of the national informational infrastructure. Concept “*On Implementation of e-Government*” will be prepared till April 2001.

For further development of the *Internet*, concept for registration and supervision of *Internet* providers is being drafted, ensuring a fair competition. In 2000, there are approximately 150 thousand *Internet* users and 19.6 thousand Latvian *Internet* hosts in Latvia. *Internet* connection is available in 24 from 26 regional centres and free *Internet* access points are available in more than 30 cities. Total State investments for IT sector were 10.3 million LVL in 2000 and 15.8 million LVL have been allocated in 2001.

### **3.10 Audio-visual policy**

Legislation is broadly in line with the *acquis*. Most of the amendments aligning Latvia’s Radio and Television Law with the TWF Directive were introduced in the version actually in force since 17 November 1999. The last amendments adopted by the Parliament on 15 February 2001 introduce detailed jurisdiction criteria; establish rules on broadcasting of major events, the definitions of broadcaster are worded more explicitly. The intention of Latvia to join MEDIA Plus programme is put as an objective in the National Programme for integration in the EU as well as in the National programme “*Culture*”. A precondition for it is a sufficient alignment of the Radio and Television Law with the TVWF Directive.

The National Radio and Television Council provide independent supervision of the implementation of the Radio and Television Law. Monitoring and sanctioning powers of the Council are provided in the Radio and Television Law, The Administrative Offences Code and Advertising law.

### **3.11 Regional policy and co-ordination of Structural instruments**

To improve the institutional framework at national level, to carry out the programming and

implementation of Structural Funds type activities in the country, the concept “*On changes in the legislation necessary to implement structural adjustments for Regional policy and co-ordination of EU Structural Funds*” has been prepared. On 5 December 2000, the Cabinet of Ministers took the following decisions:

1. NUTS II level in Latvia corresponds to the whole of the national territory as the Commission suggested it.
2. The Secretariat of the Minister for Special Assignment for Co-operation with International Financial Agencies will serve as a basis for the development of appropriate functions of the Managing Authority. Additional financial and human resources will be reallocated to the new institution from the Ministry of Economy and the Ministry of Environmental Protection and Regional Development. It will assure concentration of resources and streamline the functions at the central level.
3. To ensure the proper co-ordination among the planning of cohesion policy and EU SF intervention and the national budgetary policy, the Ministry of Finance will carry out indicative planning of financing from EU Structural Funds and national co-financing.
4. Necessary draft legislation has to be submitted to the Government by April 2001.

In October 1999, the Government approved the first project of National Development Plan (NDP). The revision of NDP started in January 2000. In March 2000, the Government made a decision that NDP should be deemed a medium-term strategic inter-sectoral planning document both analysing situation in Latvia and determining development priorities for next six years. This document is to be used as basis for awarding public investment.

As a basis for further work on the NDP, Strategic Memorandum has been elaborated. Memorandum gives a concentrated, analytical insight into the most significant tendencies of present development of the country and its development outlook in the future both at microeconomic and macroeconomic levels and determines socio-economic development priorities for the following six years. It is expected that NDP will be elaborated by July 2001.

### **3.12. Environment**

Noticeable progress has been achieved in almost all environmental sectors, especially in air quality protection, waste and water management, and reduction of industrial pollution.

Implementation programmes including preliminary cost assessments for all environmental sectors (horizontal, water, waste management, air protection, industrial pollution, radiation safety, noise, nature protection, chemical substances and genetically modified organisms) have been prepared. They are in line with the ongoing investment programmes.

Latvia is in an advanced stage in the field of **framework legislation**. Air quality, bathing water, and waste management legislation are fully in line with the acquis. Work has been accelerated in nature protection and radiation protection legislation. The law “*On Waste Management*” which ensures transposition of EU waste sector requirements was adopted on December 2000 and will come into force as of 1 of March 2001.

Law “*On Radiation Protection and Nuclear Safety*” has been adopted on October 2000.

To harmonise the chemicals’ legislation with EU provisions, a Law “*On Chemical Substances and Chemical Products*” has been amended on December 2000.

Progress has been achieved in **Nature protection** sector. The following Regulations have been adopted – “*On the List of Specially Protected and Limitedly Usable Specially Protected Species*”, “*On List of Specially protected Habitats*”, “*On Distribution of Permits Refereed in Law “On Protection of Species and Habitats”*”, “*On Establishment, Protection and Management of Micro*

*Reserves*". Nature Protection Department has been established in the Ministry of Environmental Protection and Regional Development in August 2000.

In **GMO** sector new Cabinet of Ministers Regulations "*On Use and Distribution of Genetically Modified Organisms*" have been adopted on September 2000.

The negotiations on the participation in the **European Environment Agency** have been completed and Latvia is planning to become a member state in first half of 2001. Draft Law concerning the Participation of the Republic of Latvia in the European Environment Agency and the European Information and Observation Network has been submitted to the Parliament.

The National Focal Point of European Environmental Agency (EEA) is Latvian Environment Agency (LEA), and national network within European Information and Observation Network (EIONET) has been established in conformity with EEA requirements.

Participation in **ISPA in the environmental sector** will enable Latvia to comply with the requirements of the *acquis*. Priority for the period 2000–2006 is given to water supply and wastewater treatment projects, solid and hazardous waste management projects (Accession Partnership priority).

The National ISPA Strategy in environmental sector has been agreed with the EC and presented to the ISPA Management Committee in June 2000. According to this strategy and sectoral investment programmes, the project pipeline has been developed.

For the administration of ISPA funds, Regulations on EU pre-structural financing instrument ISPA has been accepted on 2 January 2001. The Regulations cover all procedures concerning the ISPA project cycle starting from the stage of drafting of project application form through to the final stage of costs reimbursement from the ISPA fund, including management and control.

### **3.13. Justice and home affairs**

Reform of the **judicial system** is focused on strengthening the qualifications of judiciary, computerisation of courts, court judgement execution and court proceedings. The Judicial Training Centre within the Special Training Programme for the years 2000-2002 provides the training for judges. During the last 4 months, 40 judges were trained in crimes related to drugs, 60 judges in crimes related to financial delinquencies. All judges from local and regional courts have been trained in Commercial Law. 58 judges have attended the seminar on provisions of Lugano convention. Within the Latvian-German Phare Twining project "*The Court System Reform*", four seminars on the European law were organized for local and regional court judges with specialisation in the European Law. A new Judicial Training Centre will be opened in March this year in order to strengthen judicial training.

Computerisation of the court system continues within the State Investment Project "*The Unified Court information System*" (started in 1998). At the moment, all (5) regional courts and 14 local courts are computerised (within all three instances of the court proceedings). It is planned to connect all courts in the National Data Transmission Network until April 2001.

The Law "*On Sworn Court Bailiffs*" has been submitted to the Government on 15 February 2001. The objective of the law is to shorten the procedure of execution of court judgements and to define the activities of Court bailiffs as a regulated profession.

To shorten the duration of court proceedings, the drafting of a new Criminal Law have commenced by two working groups (provisions for improvement of the present Criminal Law and developing a Concept for the new law will be elaborated).

Following the Concept Paper for **Corruption Prevention** adopted by the Government on August 8, 2000 (the Paper supplements the Corruption Prevention Program): (1) elaboration of a new "*Corruption Prevention Law*" (introduction of administrative liability of legal persons and the

principle of legal presumption); (2) elaboration of a law on independent Anti-Corruption Bureau; (3) drafting of a “*Law on financing of political parties*” (the law has been drafted providing direct state financing and establishing a control mechanism over the financial activities of political parties) takes places.

Latvia has ratified the Council of Europe Criminal Law Convention on Corruption on December 7, 2000. Following the Convention, a criminal liability for corruptive acts of international state officials was introduced within the Criminal law.

The legislation framework has been improved adopting amendments to the “Law on managing of the state shares in enterprises” providing that state proxies must be nominated to the post by the open competition.

The Corruption Prevention Program (adopted by the Government on 4 April 2000) has been implemented: the regulation on design of courts in order to separate public sector from justice sector has been adopted; the State Police have elaborated the strategy in fighting the corruption among the public officials.

According to the Action Plan on Prevention of Corruption in the State Revenue Service (SRS) in 2000-2005, seven audits have been carried out in different regional units of the SRS during the year 2000.

The Security police (a special squad dealing with corruption in law enforcement institutions, established on 5 April 2000) has initiated nine criminal cases during the April-December 2000.

Four persons were sentenced for passive bribery, five - for active bribery and 10 persons were sentenced for abuse of official status during the period of January-November 2000.

The non-governmental organisation “*Delna*” was given the observer status to follow the privatization process of “*Latvian Shipping Company*”. International Monetary Found recognises that so far Latvian privatisation process has been free from corruption.

A number of seminars have been organized in the framework of the PHARE project “*Programme for Anti-Corruption Legislation, Education and Information*” (five seminars and conferences during the last two months). Within the project “*Report on institutional system in fight against corruption*” was elaborated.

Latvia continued successfully the strengthening of its **Eastern border**. In 2000, two new Border Guard divisions and two surveillance towers were built, and construction works of three Border Guard divisions were started. The structural model of the database “REIS 2000” was improved, and technical works on the electronic information system of the State Border Guard were completed. Altogether 10 646 million LVL (of which 3 19 million as support from the EU) were allocated to the renovation of eastern border in 2001.

Within the framework of the Twinning project with Finland “*Training of Border Guards*” concluded in October 2000, one third of the Boarder Guard has obtained higher qualifications. The evaluation of the project states that the results were achieved, which means that Latvian Border Guard will be able to organise and develop border guard, services according to the requirements of the EU. Latvian border surveillance and border checks have further improved: the detecting of forged travel documents and detaining wanted persons have increased, and the operating conditions of the border-crossing points and capability to face special situations have improved.

In order to ensure an integrated approach to border management, the preparation of the Twinning project with Finland and Sweden was started within the framework of Phare 2000 “Development of Integrated Border Management and Infrastructure”.

Since the establishment of Unified Visa Information System, all the necessary visa related data can be obtained within the System. Machine-readable visas are issued in all diplomatic and consular missions of Latvia. Airport transit visas were introduced in July 2000. The agreement on simplified

local border crossing procedures with Russia was denounced.

A draft Law “*On asylum seekers and refugees in the Republic of Latvia*” prepared in accordance with the EU requirements was submitted to the Government in January 2001.

To ensure better co-ordination in **fight against organized crime**, a number of institutional co-operation agreements were concluded, namely, between the Economic Police and Company Register on Location and Liquidation of Fictitious Companies, between the Customs Board and Drug Enforcement Bureau to join efforts in the fight against drug smuggling, between the State Revenue Service and the State Police to provide the police with access to the database of SRS.

The structure of the **Drug** Enforcement Bureau was strengthened by 73 employees. Five regional groups of the Bureau as well as Riga Drug Prevention Center have been established. To improve the detection of drug smuggling, the training of border guards and customs employees was carried out, and information exchange between the Drug Enforcement Bureau and the Boarder Guard (on persons connected to illegal circulation of drugs) has been organized.

The amendments to the Criminal Law were adopted to increase the criminal liability of individuals selling narcotic and psychotropic substances to juveniles.

The preparation of the twinning project with Spain on the development and implementation of Latvian drug control and drug abuse prevention master plan in accordance with EU recommendations has begun.

#### ***4. BILATERAL RELATIONS UNDER EUROPE AGREEMENT***

The framework of the Europe Agreement represents effective means for Latvia to prepare for EU membership, as well as appropriate legal basis for existing political and economic relations between the EU and Latvia. Latvia’s trade with the EU continues to increase. In the first nine months of the year 2000, Latvian export to the EU accounted for 65.2% of total exports. Imports from the EU amounted to 52.4% in the same period. The rate of the direct investments of the EU member states is over 51% of total foreign direct investments in Latvia.

Taking into the account the discussion on the restrictions on imports of pig meat originating in Italy, introduced for veterinary reasons, Latvia has provided the Italian side with a detailed explanation (Note No 36/136-796, copy has been sent to the European Commission). The Latvian authorities are ready to present all necessary information on the matter also further in cooperative spirit of the Europe Agreement.

##### ***4.1. Implementation of the Europe Agreement provisions***

Latvia has successfully implemented virtually all requirements resulting from the end of the transitional period. As regards Article 44 of the Europe Agreement, the limitation of foreign direct investments in the sectors of radio and television, logging, lottery and gambling business and security service were abolished. In the field of state aid, Latvia has requested an extension for the period of five years to the regime described in Article 87.3(a) of the Treaty establishing the European Community, expiring at the end of 1999. This request has been considered as acceptable.

##### ***4.2. Trade with agricultural products***

In the first nine months of the year 2000 the export of the agricultural products to the EU comprises 23.8% of the total export of agricultural products of Latvia. The import of the agricultural products from EU amounted to 46.9% of the total import. The most important products in Latvian export to the EU are fish and crustaceans; milk and milk products, while main EU products imported are fruits, beverages and spirits, animal feed, coffee and vegetables.

**Mutual liberalisation of trade with agricultural products.** On the basis of Article 20(4) of the Europe Agreement, an agreement on new tariff concessions came into force in July 2000. 32% of Latvian export to the EU and 33% of EU import in Latvia were the subject of this liberalisation. Latvian side welcomes the future negotiations with the aim to achieve full liberalisation of the trade with agricultural products before the accession to the EU.

As regards the trade in **processed agricultural products**, Latvia welcomes the results of the negotiations held in 2000 and calls for the acceleration of necessary procedures to ensure the entry into force of the new trade regime.

Latvia continues to underline the necessity to complete the process of negotiations between the Commission and Latvia on **reciprocal tariff concessions for fish and fishery products**.

#### **4.3. Social policy**

Latvia is aiming at the adoption of the decision of the Association Council on co-ordination of the **social security schemes** of the European Union Member States and candidate countries. Latvia would welcome any further developments to implement Article 38 of the Agreement in the European Union Member States.

In accordance with the provisions of the Accession Partnership, the Latvia is preparing, with the European Commission, a **Joint Assessment of Latvia Republic's short-term employment and labour market policy priorities** to advance the country's labour market transformation and to make progress in adapting the employment system. Latvia would appreciate facilitation of procedures to sign Joint Assessment.

#### **4.4. Participation in the Community programmes**

**Science and research.** Latvia and its scientists have been fully associated to both the *EC 5<sup>th</sup> Framework Programme for RTD (1998-2002)* and the *Euratom Programme* since August 1999.

29 proposals have been selected for contract negotiations. Latvian researchers have attracted about 2 984 million EUR in total in 2000. Latvia has effectively participated in the several sub-programmes – EUREKA, INTAS and COST.

**Education and training.** Since November 1998, Latvia is a full member of the Socrates, Leonardo da Vinci and Youth for Europe programmes. The 1<sup>st</sup> phase of the programmes has been successfully finished.

In May 2000, the Government accepted draft Association Council Decision adopting the terms and conditions for participation in the 2<sup>nd</sup> phase of the Community programmes in the field of training, youth and education. The “Entry Ticket” for participating in programs is funded by the Phare budget (1 038 400 EUR) and State budget (1 557 600 EUR).

**Environment.** On 14 November 2000, the Government of Latvia approved its participation in the *LIFE III* programme as of 2001. Commission has accepted six *LIFE Environment* project proposals for further evaluation after admissibility check.

**Energy.** On 2 August 2000, the government of Latvia approved participation of Latvia in the Energy Efficiency Program of the European Community – SAVE II.

**SME.** From 1 January 1999, Latvia is participating in the EU *third Multi-annual SME* programme. On 20 September 2000, the Cabinet of Ministers adopted the decision of the future Latvia's participation in this Programme. Latvia has taken part in several sub-programmes – “Eiro Info Correspondence Centres”, “Distributive trade”, “Europartneriat”, “Interprise”, “Craft”, “IBEX - Sub-contracting”.

**Culture 2000.** The programme “Culture 2000” is opened for the EU candidate countries from the

year 2001. The contribution of Latvia to the Community budget for the participation in Culture 2000 will be 110 000 EUR per year. Latvia is ready to sign the decision of Association Council for participation in the programme "Culture 2000". The Ministry of Culture carries out the functions of the Cultural Contact Point.

#### ***4.5. World Trade Organisation***

Latvia welcomes and supports the initiative of the European Commission for the preparation of the strategy for the new WTO multilateral negotiations. Latvia believes that further work in the WTO is crucial for the global trade development. In this respect Latvia supports the opening of the new comprehensive multilateral trade round during next WTO Ministerial meeting. Latvia appreciates very much the initiative of the European Commission to hold consultations with the EU candidate countries. Latvia positively evaluates the new strategy of the Commission, which reflects the interests of the EU candidate countries and considers it to be a positive step towards the integrated approach.

Latvia supports the establishment of rules that would facilitate safe and predictable trade system. The further trade liberalisation both in industrial and agricultural products is of a great importance. Latvia favours the position of the Commission for the multilateral agreement in the area of investments and competitiveness.

At the same time Latvia understands the difficulties of the developing countries to implement the Uruguay round commitments and has a positive attitude towards examining this issue in the next round of negotiations. However, the possible emergence of big differences in trade conditions between developed and developing countries is not favourable. The specific interests of transition economies should also be taken into account, which are not sufficiently reflected in the final documents of Uruguay round.