




Procedure file

Basic information		
COS - Procedure on a strategy paper (historic)	1997/2176(COS)	Procedure completed
Latvia: membership application and partnership, 13 October 1995		
Subject 8.20.02 Enlargement 2004: new Member States		
Geographical area Latvia		

Key players			
European Parliament	Committee responsible		Rapporteur
	AFET Foreign Affairs, Human Rights, Common Security, Defense		Appointed 07/11/2000
			V/ALE SCHROEDTER Elisabeth
	Former committee responsible		
	AFET Foreign Affairs, Security and Defense Policy		23/09/1999
			V/ALE SCHROEDTER Elisabeth
	AFET Foreign Affairs, Security and Defense Policy		23/06/1997
			UPE CACCAVALE Ernesto
	Committee for opinion		Rapporteur for opinion
	BUDG Budgets		Appointed 24/04/2001
			PPE-DE BÖGE Reimer
	CONT Budgetary Control		29/05/2001
			PSE BÖSCH Herbert
	LIBE Citizens' Freedoms and Rights, Justice and Home Affairs		29/05/2001
			PPE-DE OOSTLANDER Arie M. 29/05/2001
			PSE BERGER Maria
	ITRE Industry, External Trade, Research, Energy		21/03/2001
			PSE GLANTE Norbert
	EMPL Employment and Social Affairs		12/04/2000
			PPE-DE SMET Miet
	AGRI Agriculture and Rural Development		27/03/2001
			PSE GÖRLACH Willi
	CULT Culture, Youth, Education, Media and Sport		11/04/2001
			ELDR ANDREASEN Ole

	AFCO Constitutional Affairs		24/01/2001
		PPE-DE RACK Reinhard	
	FEMM Women's Rights and Equal Opportunities		27/03/2001
		ELDR DYBKJÆR Lone	
Council of the European Union	Council configuration	Meeting	Date
	Culture	2427	23/05/2002
	General Affairs	2078	30/03/1998
	General Affairs	1878	31/10/1995
European Commission	Commission DG	Commissioner	
	Neighbourhood and Enlargement Negotiations		

Key events			
31/10/1995	Debate in Council	1878	Summary
15/07/1997	Non-legislative basic document published	COM(1997)2005	Summary
18/07/1997	Committee referral announced in Parliament		
18/11/1998	Vote in committee		Summary
18/11/1998	Committee interim report tabled for plenary	A4-0430/1998	
02/12/1998	Debate in Parliament		
03/12/1998	Decision by Parliament	T4-0711/1998	Summary
23/05/2000	Additional information		Summary
13/09/2000	Vote in committee		Summary
13/09/2000	Committee interim report tabled for plenary	A5-0239/2000	
03/10/2000	Debate in Parliament		
04/10/2000	Decision by Parliament	T5-0419/2000	Summary
09/07/2001	Vote in committee		Summary
09/07/2001	Committee interim report tabled for plenary	A5-0252/2001	
04/09/2001	Debate in Parliament		
05/09/2001	Decision by Parliament	T5-0428/2001	Summary
05/09/2001	End of procedure in Parliament		
21/03/2002	Final act published in Official Journal		
Technical information			

Procedure reference	1997/2176(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 142
Stage reached in procedure	Procedure completed
Committee dossier	AFET/4/09123; AFET/5/13759; AFET/4/10606

Documentation gateway					
Non-legislative basic document		COM(1997)2005	15/07/1997	EC	Summary
Committee interim report tabled for plenary		A4-0430/1998 OJ C 398 21.12.1998, p. 0003	18/11/1998	EP	
Interim resolution adopted by Parliament		T4-0711/1998 OJ C 398 21.12.1998, p. 0019-0048	03/12/1998	EP	Summary
Document attached to the procedure		COM(1998)0704	17/12/1998	EC	Summary
Document attached to the procedure		COM(1998)0712	17/12/1998	EC	Summary
Non-legislative basic document		COM(1999)0500	13/10/1999	EC	Summary
Supplementary non-legislative basic document		COM(1999)0506	13/10/1999	EC	Summary
Document attached to the procedure		31999D0854 OJ L 335 28.12.1999, p. 0029	06/12/1999	EU	Summary
Committee interim report tabled for plenary		A5-0239/2000 OJ C 178 22.06.2001, p. 0007	13/09/2000	EP	
Interim resolution adopted by Parliament		T5-0419/2000 OJ C 178 22.06.2001, p. 0070-0133	04/10/2000	EP	Summary
Supplementary non-legislative basic document		COM(2000)0706	08/11/2000	EC	Summary
Document attached to the procedure		COM(2000)0700	08/11/2000	EC	Summary
Committee interim report tabled for plenary		A5-0252/2001	09/07/2001	EP	
Interim resolution adopted by Parliament		T5-0428/2001 OJ C 072 21.03.2002, p. 0081-0169 E	05/09/2001	EP	Summary
Non-legislative basic document		COM(2001)0700	13/11/2001	EC	
Supplementary non-legislative basic document		SEC(2001)1749	13/11/2001	EC	Summary
Document attached to the procedure		COM(2001)0656	13/11/2001	EC	Summary
Document attached to the procedure		32002D0088 OJ L 044 14.02.2002, p. 0045-0053	28/01/2002	EU	
Non-legislative basic document		COM(2002)0700	09/10/2002	EC	Summary
Document attached to the procedure		SEC(2002)1405	09/10/2002	EC	

Latvia: membership application and partnership, 13 October 1995

Following the presentation on 27 October to the President of the Council of Latvia's request for accession to the European Union, the Council

decided to implement the procedure provided for in the Treaty and ask the Commission to draw up its opinion on this application. The President of the Council will write to the Latvian authorities to inform them of this decision.?

Latvia: membership application and partnership, 13 October 1995

OBJECTIVE: AGENDA 2000: presentation of the Commission's opinion on Latvia's request for membership (27 October 1995). CONTENT: all the requests for membership were assessed by the European Commission using a single method based on the criteria established at the Copenhagen European Council (June 1993). These criteria are as follows: - political criteria: the candidate countries must have stable institutions guaranteeing democracy, human rights and respect for minorities, - economic criteria: these countries must have a functioning market economy, as well as the ability to cope with competitive pressures and market forces within the Union, - criteria relating to the ability of the countries to take on the obligations of membership (in particular integration of the *acquis*, to a greater or lesser extent, and respect for the criteria concerning economic and monetary union). With regard to all these criteria it emerges that: 1) in political terms, Latvia presents the characteristics of a democracy, with stable institutions guaranteeing the rule of law, human rights and respect for and protection of minorities. However, measures need to be taken to accelerate the rate of naturalization of Russian-speaking non-citizens to enable them to become better integrated into Latvian society; 2) in economic terms, Latvia has made considerable progress in the creation of a market economy, but would face serious difficulties in coping with competitive pressures and market forces within the Union; 3) with regard to the capacity to take on the obligations of membership, Latvia has made some progress in transposing and implementing the *acquis*, particularly on the single market. If it continues its efforts, it should become able to participate fully in the single market in the medium term. Particular efforts are still needed with regard to investment and in the environmental and agricultural sectors. Lastly, strengthening of the administrative structure is vital if Latvia is to have the structures to apply and enforce the *acquis* effectively. In conclusion, the Commission considers that negotiations for accession can be opened with Latvia only when this country has made sufficient progress in satisfying fully the conditions of membership (mainly economic criteria). The pre-accession strategy should be reinforced in order to help this country to prepare itself rapidly for the obligations of membership.?

Latvia: membership application and partnership, 13 October 1995

In adopting the report by Mr Caccavale (UPE, I), the committee stressed the need for the dynamic of the accession process to cover all the countries with which the EU had signed a Europe Agreement and restated its belief that the groups of accession candidates should not be regarded as closed. It also said that each country had the right to be judged on the same basic criteria and on its own achievements. The report noted the Latvia's economic achievements in introducing a market economy, privatizing the public sector, controlling inflation and balancing the budget. It confirmed the European Parliament's positive appraisal of Latvia's progress in setting up national institutions guaranteeing the rule of law and welcomed the amendments to the nationality law. Consequently, the report called on the Council and the Commission to start negotiations with Latvia as quickly as possible. Finally, the amendment tabled by the PSE group, calling on the Council and the Commission to re-examine the possibility of opening negotiations with Latvia before the end of June 1999 was rejected.?

Latvia: membership application and partnership, 13 October 1995

In adopting the report by Mr Ernesto CACCAVALE (UPI, I) on Latvia's application for membership of the European Union, Parliament reaffirmed a position already expressed in its resolution of 4 December 1997 according to which all countries should be placed on the same footing even if it was logical to open negotiations with the most advanced countries. It stressed the need for the advancing accession process to cover all the countries with which the European Union had signed a Europe Agreement and underlined again its firm conviction that there should be no closed groups of accession candidates. It also stressed that the opportunity for a smooth transition to the phase of intensive negotiations should remain open at all times. Considering, in general terms, that the integration of the candidate countries into the Union would substantially contribute to security in Europe, Parliament noted that Latvia's bid to join the Union now had the firm support of the majority of the country's political parties and society in general. Welcoming the outcome of the referendum of 3 October 1998, in which the Latvian people voted to amend the nationality law (abolition of the much criticized 'windows' system and automatic granting of Latvian nationality to the children of stateless persons born in Latvia since independence), Parliament considered that this move could help to dissipate tension in Russia and remove one of the major barriers to accession. It hoped that the border agreement, which had been repeatedly called for and approved by Latvia, could also be signed by Russia. While Parliament welcomed the encouraging results obtained by Latvia as regards the principal macro-economic indicators (progress in the privatization process and stability of the national currency), it stressed the need to deepen and step up the process of administrative and judicial reform. There was a need to implement without delay pre-accession aid programmes to assist in the training of judges and lawyers and to protect the local culture. Lastly, considering that the economic trends and the political and institutional developments pointed to accession of this country, Parliament urged the Council to adopt a flexible approach to Latvia so that the decision to start negotiations could be taken before the end of the German presidency. ?

Latvia: membership application and partnership, 13 October 1995

This composite paper presents an outline of the progress made towards accession by all of the candidate countries in relation to the Copenhagen criteria since the publication of the Commission's opinions in June 1997. These regular reports for each of the candidate countries concentrate on all aspects of the adoption of the Community *acquis* and establish a precise assessment of the capacity of each of the candidates to fulfil the political and economic criteria required for accession. Overall, the Commission's analysis of the progress achieved by each of the candidate countries since June 1997 has not persuaded it to amend its general assessment of the candidates. Therefore, it does not consider it necessary, on the basis of the reports being presented, to make new recommendations "on the conduct or extension of the negotiations", as envisaged by the European Council. Nonetheless, the Commission stresses the increasing importance of revising the national programmes for adoption of the *acquis* in order to further accelerate the process of alignment with European legislation and strengthen the administrative capacity of the candidate countries, with a view to efficiently implementing all the regulations necessary for admission to the Union. The document ends by specifying that the preparatory measures undertaken must determine for now, the assistance

of the Union to these countries and, subsequently, the timetable for the first accessions. For this reason, the Commission intends to submit further progress reports to the Council at the end of 1999 to allow it, if appropriate, to take decisions on the conduct or extension of the negotiations.?

Latvia: membership application and partnership, 13 October 1995

PURPOSE : to present the 1999 Regular Report on Latvia's progress towards accession. **CONTENT :** The Report describes Latvia's relations with the Union and analyses the situation in terms of the Copenhagen criteria. It also covers its judicial and administrative capacity to implement the *acquis*. Relations with the Union: the report looks at developments under the Europe Agreement, and the implementation of the Accession Partnership. The allocation of Phare funding is also examined. Eight projects have been selected for twinning, focused mainly in the priority sectors of agriculture, environment, public finance and preparatory measures for the Structural Funds. Copenhagen political criteria: In general terms, Latvia fulfils the Copenhagen political criteria. There were concerns about the proposed Language Law, which had yet to be adopted at the time of writing the report. Since about 43% of the population has a language other than Latvian as a first language, language training will remain one of the key instruments for the integration of the ethnic minorities in the years to come. This area still needs much effort as does the strengthening of the judiciary and the fight against corruption. Copenhagen economic criteria: Latvia can be regarded as a functioning market economy, capable of coping with competitive pressures. Macroeconomic stability has been preserved despite the external shock of the Russian crisis, due to an appropriate mix of policies. Nevertheless, the fiscal deficit will need careful handling. Price stability has been achieved as inflation and wage developments have been relatively subdued. Latvia has been successful in attracting large inflows of foreign direct investment and investment in infrastructure, and developing labour force skills should continue so as to sustain this and encourage the long-term growth of productivity. Ability to assume the obligations of membership: Progress has been made on the internal market, although further work needs to be done on intellectual and industrial property protection and on data protection and company law. Progress on financial control is also needed as are substantial efforts in telecommunications, agriculture, fisheries and regional policy, where structures need to be adapted to the requirements of the *acquis*. Administrative capacity to apply the *acquis*: Attention needs to be paid to developing the capacity to implement the social and environmental *acquis* and to ensuring a well-functioning customs administration. Police capacity and the co-ordination in the fight against organised crime have to be strengthened. Delays in implementing general public administration reform have weakened Latvia's capacity to implement the legislation it has passed in order to align with the *acquis*. Implementation and enforcement needs to be addressed in a more systematic manner, especially in the fields of telecommunications, agriculture, customs, tax, and financial control.?

Latvia: membership application and partnership, 13 October 1995

PURPOSE: presentation of the second accession partnership for Latvia. **CONTENT :** Like its previous version, this partnership for the accession of Latvia resembles a work programme proposing priorities and objectives to be attained by the country in the short and the medium-term in order to become a member of the Union. These objectives take into account the regular report on Latvia (1999). The short-term priorities (end of 2000) concern political criteria (alignment of legislation concerning language with international standards and the Europe Agreement and better integration of non-citizens) and economic criteria (restructuring of companies using a market-oriented logic, further privatisation and property reform); the internal market (principally, further alignment); agriculture; transport; environment (introduction of framework legislation); social affairs and employment; justice and home affairs (improved border surveillance and information infrastructures) and the strengthening of administrative and judicial capacity (in particular in the management and control of EU funds). In the medium term, the measures will concern the integration of the non-citizens and further restructuring of companies. In the area of the single market, intellectual property protection is considered essential, as well as further alignment and the strengthening of border controls. Other measures are awaited in the area of agriculture, fisheries, energy (transposition of the main Community Gas and Electricity Directives), transport, environment and justice and home affairs (cooperation with EUROPOL). With regard to the programming of financial resources, the partnership confirms aid granted in line with AGENDA 2000 and the various instruments provided therein (Phare, SAPARD and ISPA) in accordance with the rules already foreseen. It should be noted that assistance is only granted if the country respects the provisions of the EC-Latvia Association Agreement, makes progress towards satisfying the Copenhagen criteria and assures in the year 2000 the achievement of the specific priorities of this accession partnership.?

Latvia: membership application and partnership, 13 October 1995

On the proposal of the Chairman of the Committee for External Relations, Mr. Elmar BROK (EPP, D) and of Mr. Patrick COX (President of the ELDR group), the conference of the presidents of the political groups in the European Parliament decided to have annual debates on enlargement as of the first plenary session of October 2000. This decision was adopted against the view of the Socialist Group, which opposed the setting of a specific calendar laying down from the present the work allocation of the various parliament committees. The decision of the Conference of presidents grants an exclusive competence to the External Relations Committee to take responsibility for the preparation of the 13 reports that will be discussed in October 2000: one report for each of the 12 candidate countries and a general report that cover all the horizontal questions. This composite report will be prepared on the basis of contributions from the other parliamentary committees on: - convergence and stability in the candidate countries; - the rule of law in the candidate countries and their adaptation to the single market; - employment and social aspects; - the environmental aspects of enlargement; - health and consumer protection; - agricultural aspects; - regional policy; - transport and tourism policy; - equal opportunities and enlargement. The other annual debates would also involve 12 reports drawn up on the basis of the regular reports of the European Commission on the progress of the candidate countries towards enlargement. As the next set of regular reports will be published by the Commission in November 2000, the second annual debate may take place before the end of the first semester of 2001.?

Latvia: membership application and partnership, 13 October 1995

The committee adopted the report by Elisabeth SCHROEDTER (Greens/EFA, D) on Latvia's application for membership of the EU and the

state of the negotiations. The report called for the negotiations to be conducted in such a way as to allow Latvia to participate in the first wave of enlargement. It welcomed the fact that Latvia had decided to abandon the practice of showing in residents' passports and identity documents the ethnic group to which they belong and instead to introduce identity documents in which only citizenship is indicated. The fact that Latvia had amended the citizenship law, adopted a new language law and launched an integration programme was also welcomed. The report added that a campaign to encourage non-citizens to apply for citizenship should be launched. Economic and social cohesion was seen as another area which needed to be strengthened and the report also called for the "acquis communautaire" on the environment to be incorporated more rapidly. ?

Latvia: membership application and partnership, 13 October 1995

The European Parliament adopted the report by Mrs Elisabeth SCHROEDTER (Greens/EFA, D). It welcomes the opening of negotiations on EU membership with Latvia and calls for these negotiations to be conducted in such a way as to enable Latvia to join the first wave of enlargement. The resolution welcomes the fact that Latvia has decided to abandon the practice of showing in residents' passports and identity documents the ethnic group to which they belong and instead to introduce identity documents in which only citizenship is indicated. The resolution adds that a campaign should be launched to encourage non-citizens to apply for citizenship. Furthermore, economic and social cohesion is seen as another area which needs to be strengthened and the resolution calls for the acquis communautaire on the environment to be incorporated more rapidly. Finally, the Parliament calls for improved treatment of persons whose requests for refugee status have been turned down and for humane treatment of immigrants without appropriate legal documents. ?

Latvia: membership application and partnership, 13 October 1995

This Regular Report for 2000 on Latvia largely follows the same structure as the Commission's 1997 Opinion and of the subsequent regular reports; however, it differs from that used in previous years on three minor points. Firstly, the part of the present report assessing Latvia's ability to assume the obligations of membership has been structured to follow the list of 29 negotiating chapters covering the acquis. Secondly, this part has been broadened to cover also Latvia's administrative capacity to apply the acquis under each of the negotiating chapters (previously discussed in a separate section of the report). Thirdly, the report includes, for the first time, a section assessing the progress made by Latvia in translating the acquis into its official language. This report takes into consideration progress since the 1999 regular report and looks at whether the intended reforms referred to in the 1999 report have been carried out and it also examines new initiatives. With regard to the relations between the EU and Latvia, it should be highlighted that Latvia has continued to implement the Europe Agreement and contributed to the smooth functioning of the various joint institutions. Latvia's trade with the EC has continued to increase. The negotiations which were opened in March 1999 were concluded in May 2000. As a consequence of the new agreement, approximately 75% of the bilateral trade in agricultural products will benefit from preferences. The new regime entered into force in July 2000. Also in July 2000, the Commission opened negotiations with Latvia with the view to new reciprocal concessions in the fields of fish and fishery products. In the area of conformity assessment and acceptance of industrial products, a Framework Agreement for a Protocol on European Conformity Assessment (PECA) was initiated in July 2000. In the years 2000-2002 total financial assistance to Latvia will amount to annually to EUR 30 million from Phare, EUR 22.2 million from SAPARD, and between EUR 36.4 and EUR 57.2 million from ISPA. It should be noted that Latvia continues to fulfil the Copenhagen political criteria. The last year saw progress in carrying forward the Public Administration Reform process, including the adoption of a new Civil Service Law; in improving the functioning of the judicial system; and in designating the framework for the fight against corruption. It will be necessary to continue and accelerate the Public Administrative Reform process, in particular with the adoption of key legislation; to further strengthen the judicial system; and to continue the fight against corruption on a broad scale. As regards the Copenhagen economic criteria, Latvia can be regarded as a functioning market economy and it has also preserved macroeconomic stability. However, the current-account deficit must be kept under control. Enterprise privatisation has not yet been completed. The authorities must continue a policy of fiscal discipline and fiscal consolidation should be pursued. Progress has also been noted in the areas of internal market, customs and taxation, agriculture, transport, environment, consumers and health protection, justice and home affairs, financial control. Whereas, in certain areas progress in alignment has been less forthcoming, for example, in the area of free movement of persons and telecommunications and information technologies, social policy and employment, and regional policy. In general, the strengthening of the Latvian administration needs to continue in all areas in parallel and complementary to the general public administration reform process. ?

Latvia: membership application and partnership, 13 October 1995

The committee adopted the report by Elisabeth SCHROEDTER (Greens/EFA, D) which said that Latvia had made enormous efforts to close the gap with the first group of candidate countries. However the country needed to make improvements to its legal and administrative systems and to step up the fight against corruption. It needed to integrate the "still considerable number of non-citizens", although the committee felt that current legislation - such as the new ID cards that only give details of citizenship instead of ethnicity - might improve matters. There was also support for a gradual broadening of the right to vote in local elections. Lastly, the committee welcomed Latvia's strong economic growth, while nevertheless stressing the importance of complying with EU environmental standards. ?

Latvia: membership application and partnership, 13 October 1995

The European Parliament adopted, without amendment, this resolution drafted by Mrs Elisabeth SCHROEDTER (Greens/EFA, D) on Latvia's application for membership of the European Union. (Please refer to the previous text).?

Latvia: membership application and partnership, 13 October 1995

In line with the previous strategy papers from the Commission which aim to set out the steps to be followed for the next enlargement, the

Commission has published a new general document which sets out the progress made by all of the candidate countries with regard to accession to the European Union. If, on the one hand, certain countries have made substantial progress, considerable efforts still have to be made in order to ensure the effective application of EU legislation and standards ("acquis communautaire") before their accession. This is why the Commission announces that it shall present an important action plan in order to help the candidate countries strengthen their institution building capacities. The negotiations are conducted on the basis of the existing acquis, applying the principles of own merits and catching-up. It shall continue to follow the road map (please refer to the previous Commission working document for the year 2000) and the calendar approved by the European Council, which foresees the conclusion of the negotiations with the better prepared candidate countries before the end of 2002. In this context, the Union does not create new conditions for accession, which signifies that for all the subjects to come (in particular those which have important financial implications such as agriculture, regional policy and the budget, shall be dealt with throughout the first semester of 2002), the Commission shall present negotiation proposals based on the acquis and the existing budgetary framework. The Commission considers that this framework provides a sufficient basis for the accession of up to 10 new Member States in 2004. The accession negotiations can be concluded independently of decisions for financing the EU after 2006. Given the present pace of negotiations and the progress made so far, the Commission should be able to make recommendations on those candidate countries ready for accession on the basis of its 2002 Regular Reports. It should also be noted that the countries which should be ready for accession on this date may be able to participate as Members of the Union in the 2004 European Parliament elections. In addition, it should be noted that the Commission's important action plan aiming to reinforce institution building should mobilise EUR 1 billion for the year 2002 alone (drawn mostly from the PHARE programme). In conclusion, the Commission announced that from November 2002, the Regular Reports that it presents shall identify which candidate countries are ready to become full Members of the European Union. The countries which do not conclude the negotiations in 2002 shall become subject to a new updated road map and eventually, a revised pre-accession strategy.?

Latvia: membership application and partnership, 13 October 1995

The Commission has prepared this fourth series of Regular Reports with a view to the Laeken European Council in December 2001. The structure followed for this Regular Report is the same as that used for the 2000 Regular Report. This Report takes into consideration progress since the 2000 Regular Report. It looks at whether intended reforms referred to in the 2000 Regular Report have been carried out, and examines new initiatives. The Report contains a separate section examining the extent to which Latvia has addressed the Accession Partnership priorities. With regard to the pre-accession instruments (Phare, SAPARD and ISPA), these programmes have concentrated their support on the Accession Partnership priorities that help the candidate countries to fulfil the criteria for membership. For the years 2000-2002 total financial assistance to Latvia amounts annually to at least EUR 30 million from Phare, EUR 22.2 million from SAPARD and between EUR 36.4 and 57.2 million from ISPA. Firstly, Latvia continues to fulfil the Copenhagen political criteria, the three main criteria are as follows: 1) Political Criteria : During the last year, the government remained committed to reforming the Public Administration and the judiciary, as well as to fighting against corruption. In parallel, the reform of the judicial system must be carried on, with particular attention to the legal framework, speeding up and enforcing court decisions, and addressing the issue of pre-trial detention. Measures to combat corruption need to continue. Further important steps were taken to promote the integration of non-citizens into Latvian society. The effectiveness of the Naturalisation process needs to be maintained and Latvian language training needs to continue. 2) Economic Criteria : Latvia is a functioning market economy. Provided that it makes further substantial efforts in maintaining the pace of, and completing, its structural reforms, it should be able to cope with the competitive pressure and market forces within the Union in the near term. Latvia has preserved macroeconomic stability. Further progress has been made on structural reform, the last steps of the pension reform, a new framework for financial supervision and a new regulatory authority for public utilities have been introduced. However, the authorities must continue a policy of fiscal discipline, within a medium term fiscal framework, in order to keep the budget deficit and the current account deficit sustainable over the medium term. 3) Aligning its legislation with the acquis : in most areas, Latvia has kept up a steady pace in aligning its legislation with the acquis. - in the area of the internal market : whether it be in the field of the free movement of goods, services or capital, the country is nearly ready. However, delays in the entry into force of the Commercial Code and the effective protection of intellectual and industrial property rights constitute a serious challenge. The adoption of legislation related to state aid represents an important step. Latvia's enforcement record in this area has also developed but efforts to ensure the full implementation of anti-trust and state aids rules should continue; - in the agricultural sector : encouraging efforts were undertaken in the area of agriculture, in particular concerning veterinary and phytosanitary matters, as well as food safety. Important challenges still lie ahead, both in completing alignment and in introducing and upgrading the necessary structures and mechanisms; - for the area of energy : further alignment was achieved in this area. This needs to continue with special emphasis on the electricity and gas directives, as well as oil stocks; - for the area of environment, alignment needs to be completed as concerns access to environmental information, waste management and chemicals. Further efforts to upgrade the administrative structures are needed; - for justice and home affairs, progress could be noted on data protection, visas and border control, including also the adoption of a Schengen Action Plan. These efforts need to be maintained, and alignment in the areas of migration and asylum completed. Upgrading the capacity and infrastructure for border management also remains a priority. The fight against organised crime, drug trafficking, money laundering, fraud and corruption also needs to be reinforced. 4) Administrative capacity : preparing its administration for EU membership remains one of the greatest challenges Latvia faces. With a view to the responsibilities Latvia will have to assume in managing and enforcing the acquis upon accession, a substantial portion of the necessary institutions and bodies have been re-structured or created. This process needs to continue, including the setting up of further new bodies and mechanisms. 5) Accession Partnership : Latvia has made progress on all the short-term Accession Partnership priorities. All medium-term priorities have been addressed. Attention should be paid to those areas where important legislation still needs to be adopted such as energy, telecommunications and economic and social cohesion or the administrative structures strengthened, such as agriculture, fisheries and the control of EC funds.?