

# UNICE

THE VOICE OF BUSINESS IN EUROPE

*UNICE TASK FORCE ON ENLARGEMENT*

## **CANDIDATE COUNTRIES' PROGRESS TOWARDS EU ACCESSION**

**JUNE 2002**

[www.unice.org](http://www.unice.org)

*UNICE TASK FORCE ON ENLARGEMENT*

**CANDIDATE COUNTRIES' PROGRESS  
TOWARDS EU ACCESSION**

**JUNE 2002**



## TABLE OF CONTENTS

Foreword .....	5
Bulgaria .....	7
Cyprus .....	8
Czech Republic .....	9
Estonia .....	10
Hungary .....	11
Latvia .....	12
Lithuania .....	13
Malta .....	14
Poland .....	15
Romania .....	16
Slovakia .....	17
Slovenia .....	18
Turkey .....	19
List of Rapporteurs of the UNICE Task Force on Enlargement 2002 .....	20

In order to give business input to the enlargement process, UNICE has set up a Task Force on Enlargement with business people who use their experience and network of business operators in the candidate countries to express the views of European and domestic business on these countries' progress towards EU accession.



## FOREWORD



This UNICE Task Force on Enlargement (UTFE) compendium condenses the views of European and domestic business on each candidate country's progress towards accession to the EU. It is not an exhaustive overview but rather seeks to highlight certain shortcomings that are still being encountered by each candidate country along its path towards EU membership. It gives recommendations, from a business point of view, aimed at helping the countries to meet the accession criteria prior to eventual membership. The UTFE reports are a key input to the European Business Summit in June 2002 in Brussels.

European business is a strong supporter of enlargement. Based on the outcome of its recent assessment, the UNICE Task Force of Enlargement is confident that a large number of the candidate countries will be able to complete negotiations by the end of this year in order to be ready to join the Union in 2004.

Since last year's reports, candidate countries have indeed made substantial progress in preparing for accession. Most of them now have a stable macro-economic context, which has contributed strongly to robust economic growth rates despite a global economic slowdown. Privatisation of key state-owned companies has been progressed, tariffs have been largely abolished and investment conditions have improved considerably.

Candidate countries are seriously addressing their remaining deficiencies in administrative and judicial capacity as well as in their fight against corruption, and have made strong commitments in these areas. Legislation has been brought in line with the Acquis Communautaire in many more areas.

But with regard to a number of areas substantial shortcomings still remain, although varying in intensity and magnitude between countries. These include a number of those areas already highlighted in last year's report.

- ◆ Administrative capacity needs to be further strengthened in areas such as tax administration, customs, public procurement offices and privatisation agencies. Implementation of the Acquis-related legislation often remains weak due to lack of administrative capacity.
- ◆ The judiciary requires improvements or even reform in order to ensure timely, efficient and consistent application of legislation. Lack of judicial capacity is resulting in unsatisfactory enforcement of EU rules and standards in many countries.
- ◆ Privatisation, notably of utilities and the energy sector, needs to be progressed. The success of these privatisations will require effective restructuring of the companies involved.
- ◆ High unemployment rates in a number of countries require active labour market policies promoting skills adaptability and labour mobility.
- ◆ More should be done to improve the investment climate such as the reduction of red tape (e.g. registration of enterprises) and bureaucracy.
- ◆ More needs to be done in a number of countries in the fight against corruption. Enhanced transparency in public procurement tenders is only one of the aspects to be tackled.
- ◆ The dialogue between government and business needs to be further developed. This aspect will require particular attention in relation to implementation of the Acquis and with a view to an efficient communication campaign in favour of enlargement in all candidate countries.

June 2002

**Georges Jacobs**  
President



## FICHE ON BULGARIA'S PROGRESS TOWARDS EU ACCESSION

This fiche provides a summary of the full assessment of Bulgaria's progress towards accession prepared by the UNICE Task Force on Enlargement. It condenses the views of business on key remaining problems in Bulgaria and provides recommendations.

### General assessment

Bulgaria has made considerable progress in preparations for EU membership.

The country continues to experience strong economic growth, reaching 4.0% in 2001 and also expected to be higher than the candidate-country average in 2002 and 2003. The foundation for these sustained high economic growth rates is undoubtedly macro-economic stability (based on currency board and low budget deficits). Progress has been made regarding the privatisation of key sectors; transparency and equal treatment in the privatisation process have been improved. Most tariffs on goods have been abolished and state aid has been further reduced.

Bulgaria has made significant progress with adopting and applying new legislation. There have been a number of positive developments regarding the taxation system (e.g. VAT) and promising plans related to the reform of customs. There are credible and visible attempts at reducing red tape including the abolition of a vast number of licensing requirements for business. Some progress has been made with fighting corruption.

However in many areas substantial difficulties still remain. Lack of administrative and judicial capacity and the still widespread corruption are key obstacles to further rapid progress. Further areas for which serious difficulties for business have been reported include, for example, intellectual property rights, public procurement, certification/licensing requirements (and bureaucratic procedures in general) and the labour code.

As a result, a majority of companies, both domestic and foreign, do not believe that Bulgaria could be ready to join the EU before 2007.

### Actions recommended

- ◆ Step up efforts to improve the functioning of the judiciary, including reform of the apparatus and training of staff.
- ◆ Apply renewed and invigorated efforts to strengthen administrative capacity including further training of staff.
- ◆ Pursue the positive developments in the reform of customs.
- ◆ Make the procedures and practice of privatisation and public procurement more transparent.
- ◆ Take the political initiative in the protection of intellectual property rights, by providing the powers and resources needed to tackle the resurgent problem.
- ◆ Simplify the taxation system, including combating the grey economy with more credibility.
- ◆ Implement further reform of the labour code (finding a better balance between the protection of the individual and businesses).
- ◆ Acknowledge that corruption remains a major problem and an obstacle to economic integration, and implement a realistic plan to tackle it.
- ◆ Continue to restructure state-owned companies, making liberalisation of energy markets a priority.



## FICHE ON CYPRUS'S PROGRESS TOWARDS EU ACCESSION

This fiche provides a summary of the full assessment of Cyprus's progress towards accession prepared by the UNICE Task Force on Enlargement. It condenses the views of business on key remaining problems in Cyprus and provides recommendations.

### General assessment

Cyprus leads the race to join the EU, as negotiations have moved well ahead with the majority of chapters having been closed, specifically 27 out of 30. During the last year the macro-economic environment has improved due to further adoption of a market-oriented system, pursuit of appropriate macro-economic policies and the existence of dynamic entrepreneurship combined with a competent labour force. Economic growth remained strong (3.8%), inflation was down to 2% and unemployment fell to 3%, the public sector deficit continued to decline and dropped to 2.9% of GDP, while the current account deficit deteriorated, increasing to 4.5%.

Over the last year there has been progress in adopting legislation in key areas of the internal market. There has been a wide-ranging abolition of price controls and imposed tariffs have been lowered for many products. Good progress has been made in free movement of services and capital, areas which are expected to comply with the Acquis in good time. Legislation for partial liberalisation of the energy market is in preparation, industrial policy is showing satisfactory alignment and the Commissioner for Public Aid has been appointed. The Government intends to liberalise the telecommunications sector and the law to create a Regulatory Body has been passed. In the areas of standardisation and certification, the CE mark has recently been introduced and the newly established "ISO 9000" Certified Enterprises Association will promote the certificate.

Tax reform is still under discussion and there is a need to develop a credible and coherent approach to fiscal consolidation in order to ensure macro-economic stability. Companies still find some tariffs an obstacle and bureaucratic procedures, especially in customs, are still a major constraint for European companies which export to Cyprus. Abolition of preferential treatment in public tenders is a strong request of European businesses as well as the need for liberalising air transport. Maintaining the attractiveness of Cyprus as an international business centre is a challenge, as its comparative advantage for offshore companies will be affected by the imposition of corporate tax.

### Actions recommended

- ◆ Further reduction of public sector and promotion of privatisation.
- ◆ Reduction of current account deficits.
- ◆ Further liberalisation of the banking system.
- ◆ Abolition of remaining exchange controls.
- ◆ Reduction of imposed tariffs and customs procedures simplification.
- ◆ Rational tax reform and gradual VAT harmonisation.
- ◆ Abolition of preferential treatment in public tenders.
- ◆ Maintaining attractiveness as an international business centre.
- ◆ Further promotion of standardisation and certification.
- ◆ Financial assistance for adoption of environmental requirements.
- ◆ Air transport liberalisation.

## FICHE ON CZECH REPUBLIC'S PROGRESS TOWARDS EU ACCESSION

This fiche provides a summary of the full assessment of Czech Republic's progress towards accession prepared by the UNICE Task Force on Enlargement. It condenses the views of business on key remaining problems in Czech Republic and provides recommendations.

### General assessment

The Czech Economy maintained relatively strong growth rates throughout 2001, despite the world economic slowdown, with economic indicators painting a positive picture - not least in terms of Foreign Direct Investment, which remains at record levels. From the business standpoint, the Czech Republic offers an attractive business environment in which companies can prosper. This encouraging outlook is reflected in the Czech Republic's progress towards meeting the requirements of EU accession, which continues in a positive manner.

Nevertheless, further measures must be taken to create a business environment conducive to further economic growth and to ensure that, when the Czech Republic joins the EU, it does so without any distortions to the single market. Issues of particular importance for business are:

- ◆ Strengthening the Czech Republic's administrative capacity.
- ◆ Ensuring full legal enforcement of EU rules.
- ◆ Continuing the fight against corruption.

Sustained progress in these areas is pivotal to laying sound foundations for the Czech Republic's accession to the EU. Meeting the above requirements will also depend upon a more consistent and efficient approach to government consultation of stakeholders, of which business is a key constituent.

### Actions recommended

- ◆ Speeding up reform of the legal system, including an improved system of commercial courts,
- ◆ Creating a more efficient public administration, with an improved regulatory and law enforcement process,
- ◆ Improving the competitiveness of the Czech economy through both economic and regulatory measures, and
- ◆ Pursuing the drive against corruption

will all be critical for successful accession to the EU.

## FICHE ON ESTONIA'S PROGRESS TOWARDS EU ACCESSION

This fiche provides a summary of the full assessment of Estonia's progress towards accession prepared by the UNICE Task Force on Enlargement. It condenses the views of business on key remaining problems in Estonia and provides recommendations.

### General assessment

European business supports the accession of Estonia to the EU.

There is a consensus among Estonian politicians to accede to the EU and NATO. The Estonian government is committed to complete EU accession negotiations in 2002, so that Estonia could join the Union in 2004.

According to a study commissioned by the State Chancellery at the beginning of 2002 some 42% believe that Estonians would vote for accession, whereas 21% think that the referendum outcome would be against entry into the EU. Most of the respondents, 57%, said that EU accession would be of benefit in the final analysis, even if it caused some problems for Estonia. Expectations are highest among farmers, civil servants, students and the business community.

Estonia fulfils the Copenhagen political criteria and it has a well-functioning and open market economy subject to competitive pressure. The share of foreign trade with EU member countries is close to 70%. A strong majority of the European and domestic companies operating in Estonia support EU accession.

Preparation for EU membership is proceeding well and Estonia should be able to complete all the remaining reforms and be ready for EU membership in 2004. From the business point of view this should not create any problems.

### Actions recommended

- ◆ Information across the whole country is important to guarantee broad and sustainable support for EU membership and successful adaptation to the EU-harmonised legislative environment. Distribution of information about changes to legislation and the practical consequences for businesses and citizens should be enhanced.
- ◆ Though the time to apply for restitution of land and houses to their original owners has ended, new claims are appearing. Court rulings on these cases are quite slow and investment projects may be delayed, which should be prevented by expeditious processing of the cases.
- ◆ Privatisation is almost finished. The complicated privatisation of the energy sector should be completed in a transparent manner and in line with the decisions made at the Barcelona Summit.
- ◆ As a rule Estonian legislation ensures free movement of goods and promotes investments. Enforcement of the TRIPS agreement including the fight against piracy and counterfeit products has been strengthened and the situation has improved considerably, but there is still work to be done in this area.
- ◆ In the tourism business preparation for the time without the support of duty-free sales in Baltic Sea passenger traffic should be intensified.
- ◆ Closure of outdated industrial production has created high unemployment in the eastern part of Estonia, which should be addressed in a firm manner in industrial, regional and investment policies.

## FICHE ON HUNGARY'S PROGRESS TOWARDS EU ACCESSION

This fiche provides a summary of the full assessment of Hungary's progress towards accession prepared by the UNICE Task Force on Enlargement. It condenses the views of business on key remaining problems in Hungary and provides recommendations.

### General assessment

Hungary has a functioning market economy that has all the pre-conditions to cope with the competitive pressures and market forces within the European Union. EU business welcomes the revised Hungarian National Programme for the Adoption of the Acquis to reach the required level of preparation for EU-accession. Hungary has made the necessary progress on the way to EU Membership and has respected clear deadlines for the adoption of the Acquis.

The Hungarian economy is already, to a large extent, integrated in the EU economy. A large number of companies have established cost-effective manufacturing facilities, which allow for cost-competitive production. Hungary has a stable macro-economic framework and a predictable economic environment. Hungarian business circles have actively co-operated with the Government in the development of EU-compatible regulations.

The Hungarian authorities have increased the administrative capacity to apply the EU Acquis. The transparency and the efficiency of the public administration system are adequately addressed in the National Programme. The Hungarian juridical system has been allocated additional resources in order to deal with EU Law interpretation.

Due to the fact that Hungary initially focused on 2002 with regard to EU accession, a number of requested transition periods are no longer needed (water quality, marketing of generic medicines). With regard to the customs procedures we have noted impressive improvements with regard to the alignment of legislation and the strengthening of implementation.

The European and the domestic business community are convinced that Hungary will be able to meet the Copenhagen criteria by 2004 if efforts are continued. The new Hungarian Government continues to fully support EU accession.

### Actions recommended

- ◆ Improvement of the infrastructure - from road construction to international schools - requires additional funds and extension to the less developed Eastern regions.
- ◆ Successful alignment of Hungarian SMEs with the Acquis needs a continuation and an extension of the "Scéchenyi Plan". State aid programmes should also assist the service sectors and newly established companies.
- ◆ Administrative capacity to apply the Acquis requires further attention. Specific concerns of the private sector include the judiciary in order to deal with EU law interpretation and consistent application of regulations at different levels of state authorisation and in different areas of the country.
- ◆ Pricing arrangement in the case of regulated enterprises like the energy and the public utility sectors have to be cleared against the EU Acquis.
- ◆ Many companies have introduced EU-compatible health, safety and environmental standards. The current infrastructure, however, requires substantial investments and a carefully thought-out adaptation programme for the implementation measures.
- ◆ More transparency and efficiency of the public administration system and a better service culture among civil servants is needed.
- ◆ Consistent application of regulations at different levels of state authorities must be ensured.

## FICHE ON LATVIA'S PROGRESS TOWARDS EU ACCESSION

This fiche provides a summary of the full assessment of Latvia's progress towards accession prepared by the UNICE Task Force on Enlargement. It condenses the views of business on key remaining problems in Latvia and provides recommendations.

### General assessment

Latvia is experiencing remarkably high growth rates and increased economic integration with the EU as well as with Russia, making the country's accession to the EU increasingly attractive to the EU Member States. From the perspective of the business community, Latvia's progress in meeting the requirements of EU accession is continuing in a positive manner. Improvements have taken place in the areas of customs and immigration procedures, public procurement legislation, combating corruption and the executive's consultation of the business community.

Nevertheless, the Latvian government must still make efforts to create a welcoming business environment that is consistent and predictable for the investor. The following actions are recommended in key policy areas of relevance to business:

### Actions recommended

- ◆ Improve implementation of the *acquis* in the areas of free movement of persons, in particular as regards immigration formalities.
- ◆ Efforts should be made to maintain a clear and consistent regime governing enterprise registration and types of enterprises and their structures.
- ◆ The tax administration needs to work on adequately identifying and punishing tax-evaders in order to minimise the existing distortion in competitiveness between law-abiding tax-payers and tax-evaders.
- ◆ Tackle remaining practical customs problems relating to administrative capacity.
- ◆ Enhance resources, infrastructure, capacity and competence of the judicial system.
- ◆ Improve the level of competence and fairness in delivery of municipal services throughout the country and improve the accountability of the municipalities to their constituents and to the national government.
- ◆ Quality reform in education, in both professional training and retraining, is long overdue.
- ◆ Improve the distribution of functions in government for planning and coordination of structural instruments to make best possible use of EU financial assistance and to design a functional plan for regional development.
- ◆ Improve infrastructure in the regions, in particular as regards roads.
- ◆ Tackle remaining corruption problems e.g. by ensuring that the new anti-corruption agency is respected and effective, and by prosecuting and punishing corrupt officials.
- ◆ Structured dialogue between the government and the business community should be supported and applied to new fields such as cluster development.

## FICHE ON LITHUANIA'S PROGRESS TOWARDS EU ACCESSION

This fiche provides a summary of the full assessment of Lithuania's progress towards accession prepared by the UNICE Task Force on Enlargement. It condenses the views of business on key remaining problems in Lithuania and provides recommendations.

### General assessment

Lithuania is still adhering to the specific Copenhagen criteria of a stable democracy and a progressively open market economy increasingly integrated in the EU.

Lithuania started its reforms from a rather disadvantaged position. The reforms have been far-reaching and sometimes painful. Nevertheless Lithuania is still determined to further additional reforms in its efforts to become an EU-member. The Country has also managed to catch up in the accession negotiations and had by end of April 2002 closed 26 of the 31 chapters.

A range of reform initiatives has spurred the economic development of Lithuania that successfully has turned its trade to the EU-markets. The export is driving the economy and Lithuania has reached a growth rate of 5.9 percentage of GDP in 2001. At the same time it has been possible to keep inflation down. That is among other things connected to the fact that the national currency, the litas, has been pegged to the Euro. However, unemployment remains very high. That could seriously damage the public support for EU-membership.

The Lithuanian reforms are well on their way and will develop the country in the right direction towards EU-membership. In other words there have been a lot of positive changes the previous year and no areas of regression have been noticed.

However, it would be beneficial to increase the pace of the reforms in order to create a more attractive business environment. The main problem is the limited administrative capacity. That means that adopted legislation is not always implemented in praxis and that civil servants interpret it differently. That leads to an unclear legislative framework hampering business activities for both domestic and foreign companies.

The legislative problems are especially apparent in the areas of customs regulations and tax regulations where more uniform and predictable rules should apply. Certification and testing is also an area with a lot to wish for. Problems in this area are quite worrying for the future functioning of the internal market.

Unfortunately corruption is still a problem at border posts and in connection with bureaucracy and lack of transparency: for instance in relation to public procurement.

### Actions recommended

- ◆ Increase focus on administrative capacity and training of officials at all levels.
- ◆ Increase business community's involvement in the legislation process.
- ◆ Work for a more smooth administration in order to prevent corruption.
- ◆ Make unambiguous laws that are uniformly implemented.
- ◆ Increase the transparency in public procurement.
- ◆ Continue the work on smooth border crossing.
- ◆ Provide better information on new legislation.
- ◆ Promote standardisation and certification and finish remaining privatisation/liberalisation.

## FICHE ON MALTA'S PROGRESS TOWARDS EU ACCESSION

This fiche provides a summary of the full assessment of Malta's progress towards accession prepared by the UNICE Task Force on Enlargement. It condenses the views of business on key remaining problems in Malta and provides recommendations.

### General assessment

Membership of the EU remains the number one political priority of the current Government, but the stop-start nature of Malta's negotiations with the EU has fuelled uncertainty for business about Malta's accession.

The business community supports EU membership, but it does so from a long-term, strategic standpoint. It takes the view that Malta must modernise, be more outward-looking and acquire the image and credibility which comes from being part of a larger body. It sees EU membership as the way of meeting these aspirations, as well as a way of better 'disciplining' the public sector.

### Actions recommended

- ◆ A more concerted effort needs to be made to ensure fuller application of the Acquis Communautaire.
- ◆ Of Malta's more specific needs in advance of EU membership, reform of the ports monopoly remains by far the most important issue.
- ◆ Concerns about inefficiency, red tape and planning delays, customs delays, general bureaucracy and "clientelism" in the public sector have not significantly changed over the past year.
- ◆ Other challenges highlighted in the 2001 UNICE report (namely over-manning in the public service; double-jobbing; effective management of public sector workers; social welfare fraud) also remain applicable. On the other hand, problems identified in the 2001 report with regard to inefficient tax collection are being successfully addressed.
- ◆ EU membership will not alter the fundamental problems of the Maltese economy - an overweight and expensive public sector which suffers from action paralysis in regard to necessary reforms. These are internal problems for the Maltese to resolve. EU membership will only increase the urgency to deal with them.
- ◆ As negotiations with the EU move ever forward, the most urgent task of Government is to better communicate the benefits of the EU to the hearts and minds of the people in advance of the referendum on membership.

## FICHE ON POLAND'S PROGRESS TOWARDS EU ACCESSION

This fiche provides a summary of the full assessment of Poland's progress towards accession prepared by the UNICE Task Force on Enlargement. It condenses the views of business on key remaining problems in Poland and provides recommendations.

### General assessment

Poland is a major economic partner for the EU. The perspective of EU accession will further deepen business cooperation. Economic relations can be developed to their full potential if Poland sustains a positive overall business climate for both Polish and foreign companies.

Privatisation and economic restructuring should have the undivided attention of the Polish government, giving special consideration to the consistent application and enforcement of competition policy rules. Priority should also be given to the fulfilment of all obligations formulated in the Europe Agreement well in advance of accession, especially the removal of remaining non-tariff barriers to trade.

In its latest progress report the Commission has reaffirmed that Poland meets the political criteria for EU membership. As regards the economic criteria, European business has witnessed considerable progress but further steps remain necessary for the Polish economy and Polish SMEs in particular to be competitive on the Single Market. If all conditions are met, foreign investment will continue to contribute to economic growth and employment.

Regarding fulfilment of the administrative criteria, Poland should resolutely push forward its legal approximation to the EU and further development of administrative structures at all federal levels. Business depends on a clear perspective for the consistent application and enforcement of EU rules.

### Actions recommended

- ◆ All obligations formulated in the Europe Agreement should be met on schedule and well in advance of accession.
- ◆ Application of EU standards and certification procedures for industrial as well as processed agricultural products should be secured well in advance of accession. Therefore, formal negotiations on a Protocol to the Europe agreement of Conformity assessment and Acceptance of industrial products (PECA) should be started immediately.
- ◆ Further steps towards economic restructuring and privatisation, especially in infrastructure markets (transport, energy) and heavy industries (steel) should be taken.
- ◆ Key public infrastructure projects (roads, transport, housing, airports, and information technology), also using private capital within Public Private Partnerships (PPP), should be implemented.
- ◆ Administration and tender of public procurement projects should be more transparent.
- ◆ Provisions and incentives granted for investment, especially in special economic zones, should be compatible with EU law.
- ◆ Monitoring and enforcement capacities for environmental rules should be strengthened at all federal levels.
- ◆ Administrative structures capable of applying and enforcing EU law should be further developed to ensure a stable and consistent legal environment for domestic and foreign investors. Measures to fight corruption should be broadened and continued intensively.
- ◆ Public support for EU-accession should be strengthened through targeted action by government and business organisations.



## FICHE ON ROMANIA'S PROGRESS TOWARDS EU ACCESSION

This fiche provides a summary of the full assessment of Romania's progress towards accession prepared by the UNICE Task Force on Enlargement. It condenses the views of business on key remaining problems in Romania and provides recommendations.

### General assessment

Romania continues to be the least advanced EU candidate country in terms of its accession negotiations. Positive for the first time for a number of years in 2000, GDP growth (5%) accelerated in 2001. If the macro-economic environment has improved, the situation is still fragile. The Romanian economy is closely integrated with the EU economy since 72% of Romanian exports are to the EU and 82% of Romanian imports come from the EU.

The success of privatisation of Sidex and Banca Agricola has strengthened Romania's credibility abroad. The RICOP programme to flank structural measures (industrial and social restructuring exercises, privatisation operations) has been unblocked (€ 100 million): 65 businesses are concerned by this programme financed by the European Commission.

In the area of free movement of goods, in 2001 the government introduced import restrictions on imports of "strategic" raw materials (sunflower seeds, scrap metal), thereby violating commitments made vis-à-vis the EU and WTO. Similarly, little progress has been made towards transposition of the new approach and global approach directives.

The Romanian financial system is insufficiently operational and incapable of underpinning development of economic activity and investment. Also, in practice, repatriation of currency remains problematic in Romania.

For state aid, no new legislation has been adopted. Despite progress, many instances of aid are not notified and aid programmes are not aligned (tax rate on export profits, law on promotion of foreign direct investment). All sectors seem to benefit from public aid in Romania.

### Actions recommended

To improve the business environment, FDI and Romanian investments, Romania should concentrate on the following priorities in the near future:

- ◆ Accelerate macro-economic and financial stabilisation.
- ◆ Intensify structural reform and privatisation/restructuring, in particular in the energy sector.
- ◆ Improve the stability, transparency and predictability of the regulatory framework, inter alia for public procurement and taxation.
- ◆ Reinforce efforts against corruption, which requires a depoliticisation of the administration and a reliable customs system.
- ◆ Put in place a reliable judicial system.
- ◆ Bolster the capacity of administrations for effective implementation of the regulatory framework.

## FICHE ON SLOVAKIA'S PROGRESS TOWARDS EU ACCESSION

This fiche provides a summary of the full assessment of Slovakia's progress towards accession prepared by the UNICE Task Force on Enlargement. It condenses the views of business on key remaining problems in Slovakia and provides recommendations.

### General assessment

Slovakia has been able to catch up with the frontrunners in the enlargement negotiations in a very short time. This has been possible through the very high commitment of all parties to the country's accession to the EU.

This has also been due to several concessions Slovakia has made during the negotiating process, in order to reduce the conflicting areas (especially transition periods).

However this race for accession has also meant a tremendous effort for the local authorities and problems are arising with the effective capacity of the official bodies to implement the new rules and proceedings.

Therefore the EU instruments have to be applied with special care in order to ensure that the funds and policies are suited to the country's needs and administrative capacity. There have been several corruption scandals related to EU funds in the recent past and complaints about corruption and public mismanagement were also common in the companies' feedback. It would be extremely undesirable to spoil the image of enlargement and the country in general because of deficiencies in funding procedures, which make mismanagement and misappropriations of EU funds all too easy.

### Actions recommended

There has been positive feedback from companies engaged in Slovakia about the country's preparedness for enlargement.

The message is that, for political and economic reasons but also for public morale, accession should be carried through as early as possible. However special attention should be drawn to particularly sensitive areas such as:

- ◆ Improvements of the functioning of the judicial system, including enhanced training and creation of special incentives for the court staff and judges.
- ◆ Efficient implementation of the Acquis, requiring enhanced training of civil servants, and improving the consistency in the interpretation of related secondary legislation.
- ◆ Application of the Protocol to the Europe Agreement on conformity assessment and acceptance of industrial products (PECA) and harmonisation in standards and norms.
- ◆ Revision of the tax code and more business-friendly interpretation of the fiscal Acquis.
- ◆ Improvement of creditors' rights.
- ◆ Simplification of customs procedures.

## FICHE ON SLOVENIA'S PROGRESS TOWARDS EU ACCESSION

This fiche provides a summary of the full assessment of Slovenia's progress towards accession prepared by the UNICE Task Force on Enlargement. It condenses the views of business on key remaining problems in Slovenia and provides recommendations.

### General assessment

Slovenia fulfils the Copenhagen political criteria. It has made significant progress in recent years in strengthening and improving the stability of institutions that guarantee democracy, the rule of law and respect for human rights.

In its unquestionable desire to join the EU, Slovenia's main trading partner, it has entered into negotiations and by April had provisionally closed 26 of the 29 chapters of the Acquis.

Slovenia has a working market-oriented economy. Among its advantages are a well-educated and trained workforce, a low level of unemployment, relatively high productivity, large investments, export orientation and a well-developed infrastructure. The liberalisation of prices continues, as does the liberalisation of trade policies, and the market is increasingly characterised by competition. By implementing the remaining reforms intended to increase competitiveness, Slovenia will soon have the capacity to cope with competitive pressure and market forces within the EU.

Favourable macro-economic dynamics are indicated by a growth in GDP, lower unemployment, and lower budget and current account deficits. Inflation remains a cause for concern.

In general, Slovenia has progressed well in transposing and implementing the Acquis.

A noticeable improvement is the significant progress made in the fields of company legislation, transport, trade in goods, services and capital, customs, payment transactions, financial supervision, energy and telecommunications. It has adopted appropriate regulations with regard to the employment of foreign nationals, the new Employment Act is undergoing its final reading in Parliament, and the procedure for changing regulations with regard to consumer protection has started.

There has also been significant progress with regard to reforms in the justice system. Improvements in administration, such as those regarding the free movement of goods, telecommunications and internal financial supervision, have also been made. It has fulfilled its obligations with regard to the transformation of duty-free shops.

### Actions recommended

- ◆ Adjust monetary and fiscal policies to allow a lowering of the rate of inflation.
- ◆ Acceleration of privatisation of companies, especially those still in state ownership.
- ◆ Liberalisation of the banking and insurance systems.
- ◆ Improvement of financial and expert support for SMEs.
- ◆ Improve the overall environment for enhanced Foreign Direct Investment.
- ◆ Simplification and shortening of administrative procedures, especially customs and tax procedures.
- ◆ Ensuring the transparent and uniform implementation of regulations.
- ◆ Ensuring efficient supervision and implementation of regulations by state bodies (inspectorates).
- ◆ Speed up legal proceedings.
- ◆ Reduction and more efficient control of public expenses.

## FICHE ON TURKEY'S PROGRESS TOWARDS EU ACCESSION

This fiche provides a summary of the full assessment of Turkey's progress towards accession prepared by the UNICE Task Force on Enlargement. It condenses the views of business on key remaining problems in Turkey and provides recommendations.

### General assessment

Turkey has the status of an EU candidate country since the Helsinki European Council in 1999. Negotiations have not formally started as Turkey does not comply with the political criteria as yet. The Laeken European Council of December 2001 however stated that Turkey had made progress towards complying with the political criteria established for accession, in particular through the recent amendment of its constitution. This has brought forward the prospect of the opening of accession negotiations with Turkey.

Nevertheless, by virtue of the customs union, Turkey has already adopted some of the *acquis communautaire*. Further work is under way on the free movement of services.

The two financial crises that struck Turkey in November 2000 and February 2001 were major contributors to the deterioration in the macro-economic situation. The gravity of the crisis prompted Turkey's National Assembly to adopt an ambitious programme of structural reforms which IMF deemed to be a success in early 2002. Turkish exports to the EU in 2001 represented 52% of Turkey's total sales and Turkish imports from the EU were 45% of its total purchases.

The level of foreign direct investment is still very low in Turkey. This can be explained by the great volatility of the Turkish currency and the stock market. The administrative unwieldiness (numerous procedures, conflicts between authorities, slowness, significant corruption) of the judicial system together with the complexity of the tax system place a serious brake on foreign investment. The Turkish government recently passed new legislation addressing these problems and promoting foreign direct investment in Turkey. It also established an agency for promoting FDI.

### Actions recommended

- ◆ Encourage macro-economic stability and improve the business environment.
- ◆ Rationalise the financial system.
- ◆ Pursue structural reforms and privatisation, in particular in the energy sector.
- ◆ Develop the regulatory framework linked to public procurement.
- ◆ Simplify procedures as well as the tax and customs regimes.
- ◆ Step up harmonisation of Turkish standards with EU standards, and allow their effective implementation.
- ◆ Combat corruption more actively (customs, banking sector, etc.).

## LIST OF RAPPORTEURS OF THE UNICE TASK FORCE ON ENLARGEMENT 2002

Mr Erkki **Auvinen**, Partek Corporation

Mr Michael **Carbine**, International Computers Limited

Mr Werner **Freilinger**, MIBA Sintemetall AG

Mr Janis **Grins**, Freja

Mr Edi **Kraus**, Yulon d.d.

Mr Uwe **Krüger**, HOCHTIEF AG

Mr Willem-Jan **Laan**, UNILEVER NV

Mr Dominique **Meillassoux**, Mossley Group

Mrs Lucy **Neville-Rolfe**, Tesco

Mr Vincent **O'Doherty**, Superquinn

Mr Michael **Persson**, DANISCO A/S

Mr Andreas **Polycarpou**, Ideal Group

Mr Bertrand **Vanden Abeele**, Suez

Rue Joseph II, 40/4 - B-1000 Brussels  
Tel: +32(0)2 237 65 11 - Fax: +32(0)2 231 14 45  
E-mail: [main@unice.be](mailto:main@unice.be)

**[www.unice.org](http://www.unice.org)**

UNICE is

- \* the official voice of European business and industry vis-à-vis the EU institutions
- \* composed of 34 central industry and employers' federations from 27 European countries