

## Opinion of the Economic and Social Committee on 'Hungary on the road to accession'

(2000/C 117/08)

On 29 April 1999 the Economic and Social Committee, acting under the third paragraph of Rule 23 of its Rules of Procedure, decided to draw up an opinion on 'Hungary on the road to accession'.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 10 February 2000. The rapporteur was Mr Gafo Fernández and the co-rapporteur was Mrs Florio.

At its 370th plenary session on 1 and 2 March 2000 (meeting of 1 March), the Economic and Social Committee adopted the following opinion unanimously.

### 1. Introduction

1.1. Hungary is one of the countries initially selected at the Luxembourg Summit for accession to the European Union.

1.2. Hungary was selected on account of the significant progress it has made in meeting the political and economic criteria laid down at the Copenhagen European summit. This progress will be examined in detail below.

1.3. The rapporteurs for this opinion have also been in contact with the European Commission and the Hungarian Embassy to the European Union, and the study group visited Hungary in October 1999, meeting various representatives of government and the social partners. The resolutions of the European Parliament<sup>(1)</sup> and of the EU-Hungary Joint Consultative Committee<sup>(2)</sup> have also been taken into account.

### 2. The economic and social situation in Hungary in 1999

2.1. It clearly emerges from all the sources consulted that in general, Hungary has reached a highly advanced stage of preparation for EU accession.

2.2. Hungary reformed its constitution in 1989. In the wake of the May 1998 parliamentary elections, a tripartite coalition government was formed, representing 213 of the 386 parliamentary deputies. The prime minister of this centre-right government, Mr Orbán, belongs to the majority Fidesz party which won 38,3 % of the vote and 148 seats. The main opposition party is the MSzP (socialist) with 34,7 % of the vote and 134 seats. The president of the republic possesses some powers, but performs a mainly representative function.

Lastly, it is worth noting that Hungary became a full member of NATO in March 1999. All sources indicate that in general, Hungary's democratic institutions and parliamentary system are functioning properly, and meet the criteria for entry to the European Union.

2.3. Hungary's relations with its neighbours have improved markedly in the last few years. Agreements were signed in 1996 with Slovakia and Romania. A number of minor problems with both countries persist concerning Hungarian-speaking minorities and, in the case of Slovakia, use of the Danube.

2.4. Economic data for 1997 and 1998 point to strong recovery in growth rates, rising by 4,4 and 4,5 %: the latest estimates for 1999 point to growth of 4,2 %. Inflation is falling, although it still stood at 10 % in 1999, falling from 14,9 % in 1998, far higher than comparable rates in the euro zone. Government deficit fell slightly from 4,8 % in 1997 to 4,5 % in 1998 and 3,9 % in 1999: high growth rates did not succeed in bringing this figure down lower. Two further significant factors are the unemployment rate (8 % in 1998, 6,5 % in 1999) which, given earlier economic circumstances, has generated a degree of social tension in a country used to full employment; and secondly, a current account deficit of some 2,5-3,5 % of GDP over the last five years, although this has been offset by major inflows of foreign investment to a value of some 21 000 million euros.

2.5. The country has made significant progress in deregulating and privatising key sectors of the economy, particularly since the new law of 1995, although some individual problems have arisen. The Hungarian economy may, in general terms, be considered to be totally integrated into the free market flow, with 80 % of GDP generated by the private sector and 64 % of foreign trade being conducted with EU countries.

<sup>(1)</sup> Resolution on the regular report from the Commission, adopted 15 April 1999.

<sup>(2)</sup> Agricultural policy and Hungary's accession to the EU; reforming social welfare systems in the EU and Hungary; the social dialogue.

2.6. The situation in the different production sectors has been affected by major variations, partly due to privatisation processes. Although there has been a major shift of workers

away from agriculture to other sectors in recent years, it still employs a considerable part of the work force (9,4 % in 1998 according to Eurostat sources, 7 % in 1999 according to Hungarian sources). A further such shift is likely in the future. In 1998 micro-enterprises (less than 10 employees) provided work for some 1 million people; small enterprises (10 to 49 employees) 360 000, and small and medium-sized enterprises (50-249 employees) approximately half a million. Together, then, they account for close to 50 % of the working population (source: ILO, Budapest, 1998).

2.7. The industrial sector has a dual structure. While a small number of foreign-investment-based companies achieve relatively high levels of productivity, many others, geared to the domestic market, suffer from low productivity and, most importantly, inadequate technology, meaning they cannot readily fit into an open, competitive system. The environmental challenges can be particularly formidable.

2.8. The service sector appears to be advancing at a faster pace, often because the activities involved are totally new and as such, do not require restructuring. However, there is a clear need to press ahead with modernisation.

#### 2.9. *Developments in Hungarian industrial relations (Appendix 1)*

2.9.1. The reorganisation of the labour market during the 1990s led to fragmentation of representative arrangements, affecting both trade union confederations and employers' organisations.

2.9.2. The transition to a market economy ushered in a pluralist model of industrial relations. Four of the main trade union confederations have emerged from the previous Hungarian confederation (SZOT), and have undergone reform (MSzOSz, Autonomous, SZEF, ESZT), and two new ones have been set up (LIGA and MOSz).

Most of the numerous sector-based trade unions are affiliated to one of the six most representative confederations.

This fragmentation of representative structures was also fuelled by the freedom of trade union association law, which allowed groupings of at least 10 workers to register as a works union (1989 Law of Association). Many attempts at inter-union mergers or cooperation have been made, but have never advanced beyond an embryonic, experimental stage, and the efforts have proved inadequate<sup>(1)</sup>.

2.9.3. The six most representative trade union organisations are affiliated to the ETUC (European Trade Union Confederation). With the support of the ETUC, a National Trade Union Committee for Integration (NUCI) was set up in Hungary under the aegis of the Phare programme, as in the other CEECs. This body channels information on European affairs and enlargement issues to the unions. All trade union organisations are also kept informed of, and consulted on, questions arising from the EU accession negotiations. The Hungarian NUCI coordinator is an official member of the government's strategic working group on integration.

2.9.4. A tripartite forum was set up in late 1988, leading in turn to the establishment of the Interest Conciliation Council (ICC). The aim was to head off conflicts and provide employers', workers' and government representatives with a system for two-way consultation and information and for reaching agreement between the parties. The fragmentation of employers' and trade union representation has clearly also had implications for the work of the Council, and for the impact of its decisions.

2.9.5. The Council has discussed the minimum wage and the question of pay increases in sectors exposed to competition, and a number of national agreements have been signed. Other legal and socio-economic questions have also been broached.

Under the rules governing the Council's operation, the social partners were entitled to be informed on all specifically labour-related matters, and to take an active part in framing legislation. The government was required to carry out consultation before adopting legislation<sup>(2)</sup>.

At the suggestion of the ICC, the Labour Code has been amended in a number of points, particularly with regard to the protection of workers not covered by collective labour contracts.

2.9.6. Fresh consultations on amendments to the Labour Code, and on the government's new plans for social dialogue structures, commenced in March 1999. The ICC has been abolished, along with the Social Security Management Committees, with no prior consultation of employers' or trade union organisations.

Under the proposals submitted by the government to parliament, works' councils would be able to enter into negotiations directly at company level, even where there is no trade union presence.

<sup>(1)</sup> G. Casale: *Workers' Participation in CEECs* (ILO, 1998).

<sup>(2)</sup> See the EU-Hungary JCC document of 26 October 1998 *Social policy: the social dialogue*, drawn up by László Sándor.

2.9.7. In practice, the Hungarian government's new approach is to dismantle social dialogue structures and replace them with a system of separate forums (see appendix) which, while broadly-based, have few decision-making or advisory powers. Two types of forum have been set up: Labour Forums, and economic and social consultative forums. The Labour Forums are strictly tripartite (government, employers and trade unions). The other two major arenas for discussion (the Economic Council and the Social Council) are to meet only twice yearly; membership is to be extended to the Hungarian Central Bank, the Stock Exchange Council, representatives of multinationals and some chambers of commerce. On the Social Council, the government is to encounter representatives of disadvantaged sectors of society, the disabled, non-governmental organisations and various associations, but not the social partners.

2.9.8. A degree of decentralisation of Hungary's planned economy began as early as 1968. This resulted in a shift of responsibility for setting pay structures away from the national trade union centre towards workers' representative bodies within individual companies<sup>(1)</sup>.

2.9.9. The Labour Code, as put forward in 1992, has undergone a series of changes over recent years, initially intended to model Hungarian labour relations on the German system. Under the system thus conceived, works councils would be able to conclude agreements relating to the immediate workplace, while the national sector federations were responsible for agreements covering more than one company.

2.9.10. Trade unions are presently authorised to enter into company-level agreements only if they have secured 50 % of votes cast in the last works' councils election.

2.9.11. Employers are represented by nine national organisations, now linked in a single association set up for international issues. The Hungarian Employers' Confederation for International Cooperation (MMNSZ), which was set up in January 1999, is the only such association affiliated to UNICE. Private employers' associations are not authorised by their member companies to conclude collective agreements or enter into commitments binding upon the latter. The main role of the employers' associations seems to be more to represent economic and commercial interests to the government. This goes some way to explaining the significant fall in the number of collective agreements concluded since the high point of 1991 and 1992.

2.9.12. The transition to a market economy has heralded serious economic and social consequences for many sectors of Hungarian society. Unemployment reached a worrying peak in 1993 (11,3 %). Large numbers joined the lists of the

long-term unemployed at this time. According to the Commission report (October 1999), the unemployment rate had fallen back to 7,8 %, but with significant regional variations and a marked increase among minorities<sup>(2)</sup>.

2.9.13. The new government has restructured the state apparatus, creating a new Ministry of Social and Family Affairs, while the responsibilities of the Ministry of Labour, established in 1990 and abolished in 1998, have been distributed between the Ministry of Economic Affairs, the Ministry of Education and the Ministry of Social and Family Affairs.

2.9.14. The national public health service, set up to provide preventive health care, and the works inspectorate, whose tasks include monitoring workplace health, are frequently uncoordinated and possess inadequate resources to meet public needs and to prevent work-related accidents.

2.9.15. Administrative decentralisation cannot be described as complete, although structures have been set up at regional and sub-regional level. Regional financial resources remain restricted, and are spread between the nine ministries involved: this also applies to measures to combat unemployment<sup>(3)</sup>. Public employment agencies have been set up for this purpose. Use has also been made of NGOs, which have examined vocational retraining and back-to-work schemes. Over recent years, such bodies have significantly stepped up their activities and boosted their political influence<sup>(4)</sup>.

2.9.16. Turning to the overall cost of the social security system (approximately 24 % of GDP), the Hungarian government is preparing thorough-going reform of the pensions scheme by setting up a legal framework guaranteeing (1) the establishment and operation of private pension funds, based on compulsory contributions, (2) an optional supplementary scheme (Law LXXXII of 1997), and (3) a compulsory state pension scheme<sup>(5)</sup>.

2.9.17. The government has set up an equal opportunities department, charged with pursuing a policy of equal opportunities for men and women. Several associations and NGOs are working to strengthen the role of women at work.

<sup>(1)</sup> Andras Toth: *The transformation of industrial relations in Hungary in South East Europe Review*, 3-1998.

<sup>(2)</sup> See the ESC information report of July 1999 *Stocktaking of the employment situation and the social situation in the applicant countries*.

<sup>(3)</sup> G. Juhas: *Threats against further integration?*, Lund University, Stockholm, 1998.

<sup>(4)</sup> World Bank, regional office in Hungary: *NGO stock-taking in Hungary*.

<sup>(5)</sup> See the EU-Hungary JCC document of 26 October 1998.

2.9.18. The number of NGOs grew rapidly following the collapse of the regime in 1989. Some 60 000 are currently registered, employing more than 47 000 people and with an economic turnover equivalent to 1,5 % of GDP. This is an approximate figure which includes foundations, associations and local organisations that are not all fully operative. The Prime Minister's Office has a department responsible for strengthening and supporting the role of the associative and voluntary sectors in Hungary.

2.9.19. While the work done by voluntary associations is to be welcomed, the Economic and Social Committee would voice its doubts concerning the structure and role of the associative movement, which in no way can stand in for the basic tasks for which government institutions are responsible, and for the legitimate representation and involvement of the socio-economic players.

2.10. Although there are major variations in development levels between the different regions of Hungary, they are no greater than those existing within EU Member States.

2.11. Administrative reform has made considerable headway, although much remains to be done. Less progress appears to have been made in modernising the police. This could become an urgent problem in view of the emergence of organised crime.

2.12. The Phare programme has clearly scored notable successes over recent years in areas such as industrial restructuring, privatisation and institutional reform and consolidation. Since 1998, the priorities under the PHARE programme have been the same as those set out in the Pre-accession Strategy, thereby becoming one of the main elements in the strategy. However, the social partners are critical of the use of Phare programmes, as they raise difficulties in terms of access and management. One of the major problems is the need for government support and agreement.

### **3. Summary of the talks held by the study group in Hungary**

3.1. The study group responsible for preparing the present opinion visited Hungary shortly after the publication of the European Commission's second evaluation report on Hungary's progress towards EU accession.

3.2. During its visit, the study group was able to meet several Hungarian government officials closely involved in the accession process, as well as the group of EU delegation officials responsible for monitoring the process and, in particular, the most representative socio-occupational organisations. The following conclusions were reached in the wake of the visit.

3.3. The first, emphasised by virtually all the socio-occupational organisations consulted, was the breakdown of the structured social dialogue with the Hungarian government.

3.4. This has culminated in the replacement of the ICC, where the social dialogue was conducted, with a series of six consultative committees. This has fragmented the work previously carried out by the ICC, although in some cases the effect has been to broaden the functions involved. Furthermore, many of these advisory bodies have no rules of procedure, or rules which do not specify how often, and under what circumstances, they should meet and reach decisions.

3.5. The picture regarding employers' and workers' organisations is very mixed, with nine organisations representing the former and six the latter. The employers' organisations have, however, set up a coordinating body, HECIC, as the first step towards progressive integration. The study group also met the main consumers' association which, despite modest resources, is highly active and makes a considerable public impact.

3.6. The study group was able to meet with representatives of Hungarian NGOs. There are 60 000 NGOs in the country, 30 000 of which are currently active. This remarkable number in fact covers many types of business organisation, often cooperatives but sometimes full-scale companies which have evolved in this direction from the former collectivist structures on account of the tax benefits it offers.

3.7. The Hungarian government vigorously supports NGOs and sees them as an alternative to direct dialogue with the conventional socio-occupational organisations. A practical instance is that all natural persons may freely allocate 1 % of their annual income tax to an NGO of their choice. In contrast, contributions by companies to employers' organisations, or by workers to trade unions, cannot be set against tax.

3.8. The study group was favourably impressed by the expertise of Hungarian government officials working on accession, and congratulated them on several occasions. The support provided by the European Commission has helped in this respect.

3.9. Two causes for concern, however, emerged from the meetings with both the social partners and government officials.

3.9.1. The first aspect, in the unanimous view of those the study group spoke to, is the EU report's over-emphasis on the Roma ethnic group (and not minority), and on corruption. Both issues are overestimated. In the case of the Roma, they

accepted that the problem existed but felt that it was less serious and intense than described in the report. Concerning corruption, they quoted a recent report by Transparency International in which Hungary scored better than one of the EU's founding countries and came close to a number of other Member States.

3.9.2. The second, and more far-reaching, cause is that the lack of a firm, predictable date for accession is generating a degree of public disenchantment and uncertainty over attempts to bring Hungary fully into line with the *acquis communautaire*. The study group was told on several occasions that lengthy postponement of the accession date might provoke a slow-down in adjustment efforts.

#### 4. Analysis of the current state of the accession procedure

4.1. This section is based on three references. The first is the European Commission's December 1998 and October 1999 reports on Hungary's preparations for accession. The second includes various documents and reports, in particular the European Parliament's opinion on the question<sup>(1)</sup> and the resolutions adopted by the EU-Hungary Joint Consultative Committee<sup>(2)</sup>. The last is the outcome of the rapporteurs' contacts with both the European Commission and the Hungarian mission to the EU and, in particular, the study group's meetings with socio-occupational organisations and authorities in Hungary in October 1999.

4.2. The recent Helsinki European summit, insofar as it established a more favourable climate for accession by applicant countries meeting the political and economic requirements and in terms of adopting the *acquis*, was good news for Hungary in its efforts to join the European Union at the earliest possible date.

4.3. The Economic and Social Committee would point out that the initial stages of the EU accession process are always difficult, as they entail a country surrendering certain legal and administrative powers to a supranational authority. Moreover, in the case of the current applicants, such as Hungary, it involves a major effort to attune production structures and social practices to more demanding standards.

4.4. However, the ESC must also point out that the experience of the 15 Member States has been highly positive:

not only has the EU brought peace and mutual trust to Europe, it has also created a new dimension of mutual support and shared progress, facilitating the spread of a unique economic model, described as the 'European social model'. Under this model, all the economic and social actors defend their own interests, while jointly pursuing the shared social good.

4.5. The Committee would repeat that the process of integrating a country, in this case Hungary, into the EU is a joint task involving every part of that country's society. It must therefore express its concern at the lack of an open social dialogue between the Hungarian government and the country's most representative socio-occupational organisations.

4.6. The ESC does not consider itself qualified to make any judgment on the ultimate causes of this situation, or on any individual responsibilities on the part of those concerned. It does, however, wish to call upon the Hungarian government, together with the socio-occupational organisations, to seek compromise formulas allowing the dialogue to be restored. Without this dialogue, accession — while perhaps not impossible — will at the least experience significantly greater difficulties in terms of implementation and acceptability to Hungarian society as a whole.

#### 4.7. Comments on the political situation

4.7.1. The ESC agrees with the bulk of the European Commission's analysis. In particular, it shares the Commission's views on the consolidation of the democratic and governmental system, and on the system of individual freedoms. It was also able to confirm that the workings of the judicial system have improved following an injection of more and improved material resources.

4.7.2. With regard to corruption, the ESC accepts that isolated problems do exist in certain areas such as, for example, the security forces and border controls; priority action should be taken here as part of the reform of the country's administrative machinery.

4.7.3. The ESC acknowledges the existence of a problem regarding the Roma community, requiring urgent corrective action. It would, however, express the following qualifications.

4.7.3.1. The 600 000-strong Hungarian Roma community, which also exists in other applicant countries as well as in many EU Member States, must be respected by the public authorities and the general public.

<sup>(1)</sup> Resolution on the regular report from the Commission, adopted 15 April 1999.

<sup>(2)</sup> *Reforming social welfare systems in the European Union and Hungary; Social policy — social dialogue; Agricultural policy and Hungary's accession to the EU.*

4.7.3.2. Efforts to end the discrimination suffered by the Roma community should hinge upon a series of positive measures — which do seem to have been launched in a medium-term Action Plan by the Hungarian government — especially education, and in some cases specific support programmes in which employers' associations and trade unions can play a prominent part. Such policies must not, however, lead to compulsory assimilation of the individuals belonging to this community.

4.7.3.3. The ESC considers it unacceptable to equate the situation of the Roma community with that of the Hungarian minorities in other central European countries. Major political and cultural differences separate them.

#### 4.8. *Comments on the macroeconomic situation*

4.8.1. The Hungarian economy is making highly satisfactory progress towards stable, non-inflationary growth, while striving to reduce government deficit to acceptable levels.

4.8.2. The Committee would, however, point to some macroeconomic difficulties possibly facing Hungary.

4.8.2.1. The first is the effect of the recent introduction of a system of fixed parity with the euro (on 1 January 2000) on a more rigorous anti-inflation policy. Similarly, the supervisory capacity of the overall financial system must be strengthened.

4.8.2.2. The need to continue reducing the fiscal deficit ties in closely with this. Three problems arise in this area, in the Committee's view. The first is the need to continue and speed up reform of public administration, which may require a significant rise in pay levels and even in the numbers of specialist officials. Secondly, the significant share of the regional and local authorities in public sector expenditure. Thirdly, the inadequate tax base, which is clearly indicated by the considerable weight of the black economy and the system of tax exemptions. Solving the government deficit will require coordinated, simultaneous action on all three fronts.

4.8.2.3. A further cause for concern is the polarisation of the economy into clearly externally-oriented, competitive sectors, whose success is closely linked to the foreign direct investment they receive, and production sectors geared to the domestic market, and which may not be competitive. The Hungarian government must try to speed up the transformation of these sectors before the complete disappearance of tariff barriers and other forms of protection which, under the Europe Agreement, is scheduled for 31 December 2000.

4.8.2.4. Progress in the privatisation process is highly satisfactory. The national fiscal deficit has been reduced by selling loss-making enterprises and reducing government debt, with a consequent cut in debt servicing. Specific difficulties arose in privatising one public bank, but these have now been resolved. Another element which should be borne in mind is that 14 % of farm land still remained unprivatised at the end of 1998. This could have a considerable impact on applying the *acquis communautaire* in relation to the Common Agricultural Policy (CAP). The risk of a slow-down in the final privatisation drive should not be underestimated if the accession negotiations do not advance at the rate the Hungarian authorities would wish.

4.8.3. To sum up: by the end of the preparatory period, the Hungarian economy could be in a position to compete openly on world markets, provided that productivity continues to rise strongly and overall incomes do not outstrip it, in line with inflation, employment and quality of life targets, and provided that investment in modernisation increases, funded either from domestic savings or from foreign investment. It is the ESC's view that the overall competitiveness of the Hungarian economy — especially its industrial sector — should be subject to systematic and detailed analysis by the European Commission.

#### 4.9. *Comments on the internal market and the situation of the different economic sectors*

4.9.1. With regard to the exercise of the four freedoms underpinning the single, border-free market, Hungary appears to be making good progress with the construction of a legal framework in line with the *acquis*, although the process of joining Community standardisation systems such as CEN and CENELEC should be speeded up in order to reach the 80 % harmonisation level set out in a recent Hungarian government decree by the end of 2000. In the future, the ESC should consider extending its remit by means of the Joint Consultative Committees (as it does with the Single Market Observatory) in order to detect practical obstacles in the applicant countries and suggest how to remove them.

4.9.2. Some problems have arisen in the application of Community competition law. Incorporation into Hungarian law of the agreement set by the Association Council has raised some problems of constitutionality, since the Hungarian constitution does not allow the direct application of non-Hungarian legislation. As a result, the Hungarian law transposing the decision of the Association Council has to be amended to bring it into line with the constitution. Similarly, a number of difficulties exist concerning proper accounting and supervision in the state aid system. To resolve these, the Hungarian government has set up a monitoring agency for such aid. On the other hand, Hungary does appear to be making great strides forward in adjusting the laws and procedures governing public procurement.

4.9.3. The agricultural sector represents one of the key — and also most complex — factors in the accession procedure, on account of its economic weight and, above all, its social repercussions. The EU-Hungary Joint Consultative Committee has recently voiced its views on this subject<sup>(1)</sup>. Its recommendations focus on three elements:

- acceptance of the financial perspectives agreed at the Berlin European Council;
- the possible impact on rural employment and migration to urban areas of inappropriate application of the CAP. Ways must be found of maintaining a decent standard of living for Hungarian farmers;
- pursuit of a mutually acceptable compromise on compensatory farm aid.

The ESC supports these conclusions of the Joint Consultative Committee. They should be used as a benchmark for progress in the agricultural negotiations.

Moreover, Hungary has called for a 10-year transitional period for the purchase of agricultural land by non-Hungarian citizens, cooperatives or limited companies. While reserving judgment on the merits of the request itself, the ESC would like to suggest a possible compromise solution whereby natural persons who are EU nationals and are actually resident in Hungary, or agricultural cooperatives registered in the country, could purchase land immediately.

4.9.4. In the transport field, Hungary has made great advances in implementing new legislation in line with the *acquis*, although there is still some way to go. In its opinions on pan-European transport policy<sup>(2)</sup>, as well as in the Resolution of the Joint Consultative Committee<sup>(3)</sup>, the Committee highlighted Hungary's key role in the TINA initiative, as well as the need to set up major rail, and especially road, infrastructure programmes. The JCC also suggested separating transport issues relating to the Hungarian economy's international dimension from those relating, at least initially, to the domestic market. Lastly, the JCC emphasised the need to improve training systems for workers and the self-employed in the transport sector.

4.9.5. In telecommunications, Hungary has asked for its exclusive rights in telephone services to continue until 2002. Wherever technically and economically possible and socially acceptable, the Committee would call for certain high added value and high growth rate services (e.g. data transmission networks, mobile communications) to be liberalised faster, as the effects on the economy's overall productivity could only be beneficial. The rights of consumers and those working in the sector must be respected at all stages of this process.

4.9.6. Environmental aspects may pose particular practical difficulties when accession takes place. In its opinion on the application of the *acquis* to the candidate countries<sup>(4)</sup>, the Committee outlined the thinking which should underpin this process, based on the following points:

- strengthening the Community's pre-accession instruments in this area;
- establishing limited transitional periods for the application of the environmental *acquis*, in cases where major single market obstacles are not involved;
- requiring all new installations or projects which are fully or partly funded by Community loans or aid to apply current Community standards, even when these are not formally in force in Hungary;
- reinforcing administration and specialist measurement systems, so that environmental standards can be effectively applied.

Moreover, given Hungary's central position in relation to other applicant countries, the environmental policies adopted by these countries should also be taken into account, particularly with regard to the Danube and its tributaries.

4.9.7. The Committee welcomes Hungary's achievements on legislation governing consumers' rights, and hopes that representatives of consumer organisations will be actively involved in the process of preparing the relevant legislation and public education.

<sup>(1)</sup> Resolution adopted by the EU-Hungary Joint Consultative Committee, Brussels, 10 May 1999.

<sup>(2)</sup> Opinion on the implementation of the Helsinki declaration (CES 1133/98, OJ C 407, 28.12.1998) and Opinion on implementation of the structured social dialogue in the pan-European transport corridors (OJ C 329, 17.11.1999).

<sup>(3)</sup> DI 83/99 fin Joint Resolution on Transport policy and Hungary's accession to the EU.

<sup>(4)</sup> Opinion on the Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee, the Committee of the Regions and the candidate countries in central and eastern Europe on accession strategies for environment: meeting the challenge of enlargement with the candidate countries in central and eastern Europe (COM(1998) 294 final), in OJ C 40, 15.2.1999.

## 5. The Accession Partnership and national programme to take up the *acquis communautaire*

5.1. The Accession Partnership created under Regulation 622/98 seeks to rank priorities for each country for adopting the *acquis*, by identifying such priorities and allocating the resources to implement them. On this basis, each applicant country has prepared a national programme for adopting the *acquis*.

5.2. The Hungarian programme set the following priorities:

— economic reform;

— reinforcing institutional and administrative capacity;

— internal market;

— justice and home affairs;

— the environment.

5.3. The ESC considers that Hungary is making remarkable progress in the overall application of the programme, although it feels that certain areas require special attention. Here, it would make the following recommendations:

5.3.1. Concerning regional development, Hungary not only displays significant disparities in income levels, but also lacks an administrative structure capable of implementing a regional cohesion policy. The creation of such a structure is an urgent and necessary task if Hungary wishes to benefit from ERDF resources from the moment of accession. Similarly, an action plan for the Roma community, boosting its integration and facilitating access to education for its children, could be an element in this policy.

5.3.2. The same applies to application of health and plant health standards, which is becoming a highly sensitive issue in the EU. Insufficient focus on these aspects could deprive Hungary's agri-foodstuffs sector of major potential opportunities on Community markets.

5.3.2.1. The ESC would draw special attention to the urgent need for Hungarian law to incorporate the provisions of the *acquis communautaire* to counter drugs trafficking, organised crime and money laundering.

5.3.3. Hungary has made considerable progress in rationalising its external trade relations, particularly those deriving from the WTO, in line with the *acquis*. However, at the end of

1988 it had still not ratified numerous multilateral agreements to which the EU is a signatory, or revoked others not compatible with the Community *acquis*. In the Committee's view, Hungary should in future be informed of new agreements to be signed by the EU so that the country can adopt them more quickly.

5.3.4. Hungary remains markedly out of step with the EU in customs affairs. This aspect merits urgent attention, not only because of the financial implications for both the Hungarian treasury and the Community budget, but also because Hungary shares borders with non-EU countries.

5.3.5. Although there has been an appreciable improvement in the design and implementation of the Phare programme for Hungary over the last year, there is still some way to go if the opportunities it offers are to be exploited to the full. The same is true of the ISPA and the future Sapard programme. The ESC recommends that the socio-occupational organisations be more actively involved in identifying priorities and selecting specific objectives.

## 6. Conclusions

6.1. The ESC believes that Hungary's overall preparation for EU accession is highly satisfactory, and that it should press ahead with its efforts even if, for purely internal reasons, the EU cannot set a detailed timetable for accession. In the ESC's view, cooperation between the EU institutions and the Hungarian government on a joint footing needs to be stepped up.

6.2. The ESC would, however, voice its concern at the breakdown of a constructive social dialogue between Hungary's government and social partners, and urges all sides to re-establish this dialogue. This would speed up the country's preparations for accession and increase its public acceptability.

6.3. In the future, the ESC should consider extending its remit by means of the Joint Consultative Committees (as it does with the Single Market Observatory) in order to detect practical obstacles in the applicant countries and suggest how to remove them.



6.4. The ESC wishes to harness the means and opportunities offered by the Treaty on European Union in order to assist in this process, either directly or through the EU-Hungary Joint Consultative Committee, by making available to the social

partners all its resources and capacity for influence and mediation with the Community institutions and the government and other institutions of Hungary.

Brussels, 1 March 2000.

*The President*  
of the Economic and Social Committee  
Beatrice RANGONI MACHIAVELLI

APPENDIX

**to the Opinion of the Economic and Social Committee**

**Summary table of the new system of social dialogue**

Forums	Subject	Participants
<b>Macro level forums</b>		
<i>A. Labour</i>		
1. National Labour Council Sitting: as appropriate	Labour legislation applicable to the entire economy; negotiated agreement on the national minimum wage, on rearranging the working days of the week, and on measures concerning the authority of the social partners	Government representatives, associations of organisations representing national employers; confederations of organisations representing national employees
2. National ILO Council Sitting: as appropriate	Participating in preparing international labour agreements, managing continuous contact with the International Labour Organisation	Government representatives, associations of organisations representing national employers; confederations of organisations representing national employees
<i>B. Economic and social consultation Forums</i>		
1. Economic Council Sitting: at least twice a year	Consultation on strategic questions affecting the whole economy	Government representatives, national interest organisations representing economic chambers, the bank association, Stock Exchange Council, organisations representing foreign investors, etc.
2. European Integration Council Sitting: quarterly, then as required by the intensity of the preparations	Consultation on the general context of activity in technical working groups, and on the domestic and international efforts of representative organisations to promote integration	Government representatives, organisations representing national interest, economic chambers, NGOs (plus permanent guest and persons invited according to the current subject)
3. Social Council Sitting: as appropriate	Forum for preparing the most comprehensive decisions concerning the socially most exposed groups	Government representatives, representatives of maintaining and funding organisations of the central and regional institution system; NGOs, occupational representative organisations
4. National Regional Development Council Sitting: as appropriate	Consultation on the current issues of regional/territorial and infrastructure development	Government representatives, economic chambers, interest representation organisations, local governments' interest groups, NGOs