



EUROPEAN PARLIAMENT

DIRECTORATE-GENERAL FOR RESEARCH
DIRECTORATE A
DIVISION FOR INTERNATIONAL AND CONSTITUTIONAL AFFAIRS

FACTSHEET

Latvia

Chapter 4 - Free movement of capital

1. The *acquis*¹

The *acquis* in this chapter relates to Article 56 EC, which prohibits all restrictions on movements of capital between Member States. It also covers capital movements between Member States and third countries, while allowing the former to retain certain restrictions in relation to non-EU countries. Capital movements include not only money payments and transfers but also transfers of ownership of assets and liabilities and the *acquis* also covers the area of payment systems and rules on the prevention of money laundering.

2. The negotiations

The chapter has been closed with ten countries and provisionally closed with Bulgaria, while it remains open with Romania. For several countries, transitional periods on the right of foreigners to invest freely in real estate have been granted. Particular attention has also been given to the implementation and enforcement of the Directive on the prevention of money laundering.

Chapter opened: autumn 2000

Status: closed in December 2002 (provisionally closed in spring 2001)

Transitional arrangements:

- a seven-year transitional period for the acquisition of agricultural and forestry land, excluding self employed farmers who have been residing for 3 years and active in farming from the scope. possibility to extend this transitional period by three years if Latvia invokes safeguard clause.

¹ Information largely drawn from the European Commission, DG Enlargement:
<http://europa.eu.int/comm/enlargement/negotiations/index.htm>

3. Latest assessment of the European Commission ¹

In its 1997 Opinion, the Commission concluded that Latvia had introduced current account convertibility and almost completed liberalisation of capital movements. It added that Latvia should be able to eliminate the remaining restrictions on the movement of capital in the medium term, thus fully assuming the Community *acquis* in this area.

Since the Opinion, Latvia has made steady progress, both in aligning its legislation and in developing the necessary administrative structures. Overall, legislative alignment is well advanced, but the process needs nevertheless to be completed as regards capital movements and payments. The administrative structure has been put in place in this field, but further reinforcement of its capacity in some areas remains necessary.

Negotiations on this chapter have been provisionally closed. Latvia has not requested any transitional arrangements in this field. Latvia is generally meeting the commitments it has made in the accession negotiations in this domain.

In order to complete preparations for membership, Latvia's efforts should now focus on completing alignment and eliminating all remaining restrictions, and reinforcing administrative capacity, paying particular attention to the bodies involved in the fight against money laundering.

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¹European Commission, Regular Report on Latvia 2002, p. 60:
http://www.europa.eu.int/comm/enlargement/report2002/lv_en.pdf