South-Eastern Europe: stability pact, stabilisation and association agreements

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This is the third Annual Report on the Stabilisation and Association process for South East Europe (Sap) prepared by the European Commission. It provides an assessment of the economic and political progress made in Albania, Bosnia-Herzegovina, the former Yugoslav Republic of Macedonia, Serbia and Montenegro and Kosovo. An Opinion on Croatia's application for EU membership is being presented separately. The Report is structured into three parts. The first summarises the progress made by the individual countries over the previous year. Included in this part is an evaluation of the EU's trade measures vis-à-vis the region. The second part comprises of an analysis of each country, including assessments on the political and economic situation, implementation of reforms etc. The third part contains the Commission's proposal for the first European Partnership programmes for the countries here assessed. This part of the study identifies short and medium term priorities which each country needs to address if they are to succeed in gaining EU membership. The European Partnership for Croatia will be presented separately alongside the Commission's Opinion on its membership application. Significantly, this Report is a key indicator in assessing the readiness of the countries concerned to move towards their stated ambition of joining the European Union. The third Annual Report makes the following findings: - The Commission will work hard to help those countries analysed in this report prepare for eventual membership of the EU. - A first step in this direction are the European Partnership agreements, which are being presented alongside this Report. These Partnerships identify priority measures for the short and medium term. The countries are strongly encouraged to develop plans for the implementation of the priorities within a set timeframe. - The Commission will continue to support the efforts of the western Balkans to obtain increased financial assistance. - The Commission welcomes sector specific reforms which are currently underway in the western Balkans. Negotiations for an SAp with Albania are underway. An SAp for Bosnia Herzegovina was not deemed feasible and so a 16 point priority list was identified in 2003, which Bosnia Herzegovina is working towards achieving. The SAA with the former Yugoslav Republic of Macedonia is about to come into force and Serbia Montenegro has made progress towards a closer relationship with the EU through the adoption of a Constitutional Charter and an internal market and trade action plan. - The Commission is encouraged by the increase in regional co-operation, particularly as far as infrastructure, trade, transport and energy, are concerned. - The Report does, however, identify a number of challenges hindering the countries transition to fully functioning democracies. Some of the problems identified include organised crime and a weakness in the enforcement of law and order. - Greater efforts need to be made in the field of reconciliation. - Several countries continue to refuse to co-operate with the ICTY. - Although unemployment remains high across the region, the Commission reports that the economies continued to grow at a higher rate that the rest of the world and that inflation remainlow. The Commission urges the countries to improve the business climate and the competitiveness of their industries. - Recent events in Kosovo were a serious setback to the process of stabilisation and is a reminder that the Kosovo question remains critical for the stability of the region as a whole. - Lastly, the EU will continue to work toward greater co-operation among the different international actors involved in the region in order to make the best use of the resources available.