Basic information

2005/2206(INI) INI - Own-initiative procedure	Procedure completed
Report on the strategy paper on progress in the enlargement process **Subject** 8.20 Enlargement of the Union	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
AFET Foreign Affairs	BROK Elmar (PPE-DE)	19/10/2005

Committee for opinion	Rapporteur for opinion	Appointed
DEVE Development	The committee decided not to give an opinion.	
INTA International Trade	The committee decided not to give an opinion.	
BUDG Budgets	The committee decided not to give an opinion.	
CONT Budgetary Control	The committee decided not to give an opinion.	
ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	
EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
ENVI Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	

TRAN	Transport and Tourism	The committee decided not to give an opinion.	
REGI	Regional Development	The committee decided not to give an opinion.	
AGRI	Agriculture and Rural Development	The committee decided not to give an opinion.	
PECH	Fisheries	The committee decided not to give an opinion.	
CULT	Culture and Education	The committee decided not to give an opinion.	
JURI	Legal Affairs	The committee decided not to give an opinion.	
LIBE	Civil Liberties, Justice and Home Affairs	The committee decided not to give an opinion.	
AFCO	Constitutional Affairs	The committee decided not to give an opinion.	
FEMM	Women's Rights and Gender Equality	The committee decided not to give an opinion.	
PETI	Petitions	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
General Affairs	2700	2005-12-12

European Commission

Commission DG	Commissioner
Neighbourhood and Enlargement Negotiations	

Key events

Date	Event	Reference	Summary
		COM(2005)0561	Summary

09/11/2005	Non-legislative basic document published		
17/11/2005	Committee referral announced in Parliament		
12/12/2005	Resolution/conclusions adopted by Council		Summary
26/01/2006	Vote in committee		Summary
03/02/2006	Committee report tabled for plenary	A6-0025/2006	
15/03/2006	Debate in Parliament		
16/03/2006	Decision by Parliament	T6-0096/2006	Summary
16/03/2006	Results of vote in Parliament		
16/03/2006	End of procedure in Parliament		

Technical information

Procedure reference	2005/2206(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	AFET/6/31580

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Amendments tabled in committee		PE365.037	13/12/2005	
Committee report tabled for plenary, single reading		A6-0025/2006	03/02/2006	
Text adopted by Parliament, single reading		T6-0096/2006	16/03/2006	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2005)0561	09/11/2005	Summary
Document attached to the procedure	SEC(2005)1421	09/11/2005	Summary
Document attached to the procedure	SEC(2005)1422	09/11/2005	Summary
Document attached to the procedure	SEC(2005)1423	09/11/2005	Summary
	SEC(2005)1424		

Document attached to the procedure		09/11/2005	Summary
Document attached to the procedure	SEC(2005)1426	09/11/2005	Summary
Document attached to the procedure	SEC(2005)1428	09/11/2005	Summary
Document attached to the procedure	SEC(2005)1433	09/11/2005	Summary

Report on the strategy paper on progress in the enlargement process

2005/2206(INI) - 09/11/2005 - Document attached to the procedure

PURPOSE: presentation of the 2005 progress report concerning **Bosnia-Herzegovina**.

CONTENT: This report provides a balance sheet of the progress made by Bosnia-Herzegovina with regard to the Copenhagen fundamental criteria:

1) political criteria: Bosnia and Herzegovina has made progress in further consolidating the stability of its institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. Most of the Council of Europe post-accession commitments have been fulfilled. Nonetheless, continued efforts remain necessary in order to ensure a non-reversible, self-sustaining state able to assume full responsibility for government. Efforts need now to continue to increase the effectiveness of the executive and legislative bodies, to ensure that State-level institutions are properly equipped to implement their tasks and to strengthen co-ordination between State and Entities. Increased efforts are now necessary to create a modern and effective civil service. Building up training capacity for civil servants is also crucial. The legislation establishing a single High Judicial and Prosecutorial Council has strengthened the independence of the judiciary throughout the country. Bosnia and Herzegovina is progressively taking over responsibility from the international community for the management of its judicial system. Further efforts are necessary to fight corruption. Positive developments have taken place regarding the defence and police reforms through the adoption of the legislation necessary for the establishment of a single smaller and professional army, in line with NATO's Partnership for Peace requirements. The outstanding legislation supporting refugee returns has been adopted and the Refugee Return Fund has been made operational. The priority should now be to complete the process and to work towards socioeconomic integration of returnees. Continued progress is necessary in order to meet international standards in the area of human and minority rights. In this respect, due attention should be paid to avoiding division of schools along ethnic lines. Efforts should also be devoted to improve the integration of the Roma minority.

Co-operation with ICTY has seen improvements. However, further efforts should be made to achieve full co-operation with the Tribunal so that all indictees be brought to justice. Constructive co-operation with neighbouring countries has continued. Nonetheless, proper implementation of the regional Free Trade Agreements should be ensured.

2) economic criteria: Bosnia and Herzegovina's economy operates only to a limited degree within the framework of functioning market principles. Further vigorous reform efforts are necessary to address the serious shortcomings in competitiveness of the economy. Economic growth rebounded in 2004 and industrial production picked up. Inflation remained low while inflows of foreign direct investments were significant. Further harmonization between the Entities took place, in particular in the area of indirect taxation. However, unemployment and external imbalances have remained very large and fiscal challenges have risen. To maintain macroeconomic stability and safeguard the sustainability of the currency board a prudent macroeconomic policy mix will be imperative. In order to strengthen the productive base of the economy, the largely loss-making corporate sector must be urgently and profoundly restructured and privatisation be accelerated. In addition, actions to reduce the overall government interference in the economy and to improve the business climate will be essential. The flexibility of the labour market should be enhanced and the judicial system, in particular the handling of bankruptcies and property rights, be strengthened.. These demanding tasks will require swift action and firm political commitment and cooperation between different levels of government.

3) meetingEuropean standards: Progress has mainly consisted in adoption of new legislation and the establishment of a number of new institutions. Some efforts regarding the strengthening of administrative capacity have also been registered. It is now necessary to ensure sustained efforts in order to increase its implementation capacity, in particular with a view to a future Stabilisation and Association Agreement.

The main areas requiring reform are the following:

- *internal market*, proper implementation of the principles of free movement of goods and capital;
- *customs and taxation*: ensure effective application of VAT law and revenue collection, improve customs valuation (the use of price lists is of great concern);
- *competition* and *public procurement:* establish the public procurement agency and the public procurement review body and to make them operational, enhanced implementation and enforcement of IPR legislation.
- *agriculture*: improved State-Entity and inter-Entity co-ordination in the veterinary, phytosanitary and food safety areas;
- *environment:* the establishment of a well equipped State Environmental Agency is a priority;
- *transport*: need to enhance strategic planning, to further improve infrastructure and to ensure the progressive alignment, notably as regards technical and safety standards, social standards and market liberalisation.
- *energy:* rapid implementation of liberalization in the electricity sector;
- *information society and media*: no progress has been made regarding the liberalisation of the oligopoly fixed-line services. entity-level legislation regarding public broadcasting should be passed;

- *justice, freedom and security*, progress has been made in relation to visa requirements, border control, asylum and migration but staff shortcomings at the Ministry of Security endanger proper implementation of tasks; need to improve enforcement of money laundering legislation; need to develop a State-level drugs policy, adopt adequate legislation on drugs and precursors and establish a State-level office for narcotics; There has been some progress in the area of police but in the area of the fight against organised crime and terrorism, increased efforts are necessary to ensure Bosnia and Herzegovina's stability and overall socio-economic development.. Proper implementation of laws and prosecution of criminals is paramount.

Report on the strategy paper on progress in the enlargement process

2005/2206(INI) - 09/11/2005 - Document attached to the procedure

PURPOSE: presentation of the 2005 progress report on KOSOVO.

CONTENT: This report reviews the progress made by Kosovo in terms of the three Copenhagen fundamental criteria. However, it is clear that the opening of negotiations on the future status of Kosovo represents a first challenge to be overcome to ensure the overall stability of the region. It is therefore vital that all the parties are committed to a multi-ethnic, stable and democratic Kosovo in order to arrive at a sustainable solution to promote closer relations between Kosovo and the EU.

1) political criteria: The situation in Kosovo remained stable during the parliamentary elections and the subsequent establishment of the coalition government, as well as on the occasion of the ICTY indictment and voluntary surrender of the former Prime Minister. However, substantial democratic and efficiency deficits weaken the performance of the provisional institutions of self-government. Relations between Kosovo Serbs and Kosovo Albanians have remained strained. The Kosovo Serbs' boycott of the 2004 elections undermined their capacity to address their community's legitimate concerns through democratic means. At the same time, the Kosovo Albanian majority failed to create the necessary conditions to facilitate Kosovo Serb participation in the political process. The implementation of local self government reform was significantly hampered by this situation. Overall, the rule of law needs to be significantly strengthened. The administration of justice continues to be a major problem as the backlog of cases increases. The judicial institutions and the law enforcement agencies need to be substantially improved to fully enforce the law. Corruption is widespread and there is a lack of cohesive and forceful action against it. Kosovo's administrative capacity remains extremely weak. Its public administration is inefficient and subject to political interference, and does not always act equitably. There is a lack of transparency and accountability. Improving basic public service provision to all communities is a priority, not least to help reduce the demand for services provided by the parallel structures that continue to operate in most predominantly Kosovo-Serb municipalities. An anti-discrimination law was adopted but now needs to be fully implemented if it is to properly protect the rights of the most vulnerable, in particular children and women. The ombudsperson institution has continued to play a crucial role in safeguarding human rights and the protection of minorities. The situation of ethnic minorities continues to be extremely difficult. Uncertainty over Kosovo's future status and fears about security, coupled with bleak employment prospects, is discouraging the return of Kosovo Serbs and other communities. Particular attention is required to ensuring a sustainable livelihood for all minority communities already living in Kosovo but the situation of Roma, Ashkalija and Egyptian communities, notably those living in health-hazardous conditions, requires urgent action. It should be noted that the technical dialogue with Belgrade has resumed.

2) economic criteria: Kosovo's economy operates within an emerging framework of functioning market principles. Further vigorous reform efforts are necessary to address the serious shortcomings in competitiveness of the economy. Monetary stability continued to be ensured through the use of the euro as the main currency in circulation. Inflation turned negative in the second half of 2004 and in early 2005. Structural reforms progressed and permitted the authorities to pursue relatively liberal trade and labour market policies and a broadly favourable entrepreneurial environment. However, economic growth has been rather weak, also affected by the decline in foreign aid. Unemployment remains very high and a large increase in public spending resulted in a sizeable budget deficit in 2004. The establishment of property rights remains a challenge and legal uncertainty and weaknesses in law implementation and contract enforcement continue to hinder private sector development and investment. Insufficient basic infrastructure continues to impede economic activity.

3) alignment toEuropean standards: Kosovo has made progressin many areas though in an uneven way. New legislation and policies are now broadly checked for EU compliance from the phase of conception and early stages of drafting in line ministries and through the Office for European Integration Processes. Despite this progress, neither of these civil service structures are fully consolidated, nor is the parliamentary committee on international cooperation and EU integration fully operational yet. The main areas requiring reform are the following:

- *internal market*: progress needed in the area of intellectual property law, as well as in taxation and fighting fraud in excise duties;.
- *agriculture:* under-exploited sector with as poor infrastructure, property rights, inappropriate credit, inefficient quality control mechanisms and low education need to be tackled;
- *environment*: progress awaited regarding water and air quality;
- *transport:* Pristina airport is under civilian control and Kosovo is participating in the extension of the European Common Aviation Area to South East Europe. Its infrastructure needs to be strengthened.
- *justice, freedom and security*: the situation is still unsatisfactory. Need to implement money laundering legislation and establish a comprehensive anti-drug strategy, both in relation to trafficking and the increasing local drug abuse. The transition of power to the Kosovo Police Service is ongoing but further capacity building is needed, in particular for investigations and management and leadership skills. More progress is needed to bring perpetrators of crime to justice and enforce rule of law. The fight against organised crime and against financial crime must be stepped up and local capacities developed in view of any future further transfer of powers to local authorities.

Report on the strategy paper on progress in the enlargement process

2005/2206(INI) - 16/03/2006 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on the own-initiative report drafted by Elmar BROK (EPP-ED, DE) on the Commission's 2005 enlargement strategy paper. (Please see the summary of 26/01/2006.) The resolution was approved by 397 votes in favour, 95 against with 37 abstentions. Parliament called on the Member States and the Commission to work in close cooperation in drawing up a communication strategy so as to meet the legitimate concerns of the European public regarding European enlargement and integration. Parliament noted with satisfaction that the

incentive offered by the EU enlargement strategy has undeniably contributed to the commencement of reforms in Turkey, Croatia and the western Balkan countries.

The absorption capacity of the EU remains one of the conditions for the accession of new countries. The Commission was asked to submit a report by December 2006 setting out the principles that underpin this concept. Parliament went on to state that the stalemate in the ratification of the Treaty establishing a Constitution for Europe was preventing the Union from enhancing its absorption capacity. The Council was reminded that it must ensure that adequate budgetary resources are available to allow the proper financing of the EU's policies. Parliament reiterated its call for an increase of EUR 2.5 billion and a redeployment of EUR 1.2 billion under Heading 4 (The EU as a global partner) as compared to the relevant Commission proposal in particular for Pre-accession (IPA) and Neighbourhood and Partnership (ENPI) instruments.

It called on the Commission and the Council to submit, for all European countries currently without membership prospects, proposals for a close multilateral relationship with the EU. Countries which do have such a prospect should be free to join this multilateral framework as an intermediate step towards full membership. It also reaffirmed that the EU integration process cannot be guided by purely technocratic criteria but required a wholehearted commitment to the fundamental principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law. Compliance with these values will be a decisive factor in assessing preparedness to join the Union.

Turkey: While Turkey's process of political transition is under way, the pace of change has slowed in 2005 and implementation of the reforms remained uneven. Parliament hoped that the opening of negotiations would act as leverage for further necessary reforms. Parliament urged Turkey to remove all obstacles to full enjoyment of fundamental rights and freedoms by all Turkish citizens. Whilst welcoming the positive remarks of Prime Minister Erdogan on the need to resolve the Kurdish issue by democratic means, it deplored the degradation of the current security situation in the south-east, in particular the increase in violence after the resumption of terrorist attacks. It welcomed the decision by the Turkish judicial authorities to discontinue the prosecution of Orhan Pamuk, but denouced the further prosecution of others for non-violent expression of opinion.

Turkish authorities must fully implement the provisions stemming from the Ankara Agreement and the priorities in the Accession Partnership. They are called upon to remove all restrictions on the free movement of goods affecting vessels flying the Cypriot flag or ships approaching Turkish ports from Cypriot harbours, or Cypriot aircraft. Parliament welcomed the adoption of the regulation giving financial support to Turkish Cypriot community. Parliament repeated that those priorities in the Accession Partnership which relate to the political criteria had to be accomplished in the first phase of the negotiations, and noted that the Commission now supported this view as well by stating that those criteria had to be fulfilled within one or two years.

Croatia: Parliament welcomed the decision to open accession negotiations with Croatia in October 2005, in the wake of the assessment by the Chief Prosecutor of the International Criminal Tribunal for the former Yugoslavia (ICTY) that Croatia was now fully cooperating. However, Parliament pointed to ethnic bias against Serb defendants in the prosecution of war crimes and the fact that urgent action is needed to further improve the situation of the Roma. It also stressed that more needs to be done to create the conditions which will promote the sustainable return of refugees in the framework of the Sarajevo Declaration.

Former Yugoslav Republic of Macedonia: Parliament welcomed the Council's decision to grant the Former Yugoslav Republic of Macedonia the status of candidate country. This was a deserved recognition of the efforts made by that country to implement the Ohrid Agreement. Parliament commended the increasing cooperation between Croatia and the Former Yugoslav Republic of Macedonia with a view to sharing experience and expertise. It called on FYROM to seek, together with Greece, a prompt, mutually acceptable solution to the unresolved problem of the country's name.

Other western Balkan countries: Parliament fully endorsed the presidency conclusions of the Thessaloniki European Council of June 2003, when the Heads of State supported the European perspective of the western Balkan countries, which will become an integral part of the EU once they have met the established criteria. Parliament welcomes the fact that Albania is close to finalising negotiations for a Stabilisation and Association Agreement, as well as the Council decision to start such negotiations with Bosnia-Herzegovina. However, it regretted the stalemate in the negotiations on constitutional reform in Bosnia-Herzegovina.The international intervention in the government of Bosnia-Herzegovina should be further reduced, and Parliament called on the Council and the Commission carefully to pave the way for winding down the Office of the High Representative. It recognised the "significant progress" made by the Belgrade authorities in their cooperation with the ICTFY, but supported the UN Chief Procecutor's call for Ratko Mladic and Radovan Karadczic to be handed over without delay. On the upcoming referendum in Montenegro on a possible separation from Serbia, MEPs are confident that the government and the opposition will find an agreement on the terms and procedures for this referendum.

Finally, Parliament welcomed the start of negotiations on the final status of Kosovo but was concerned that the UN Special Envoy has described inter-ethnic relations, especially with regard to Serbs and Roma, as "grim". Parliament agreed with the Council that the solution to the status question could only be a multi-ethnic Kosovo.

Report on the strategy paper on progress in the enlargement process

2005/2206(INI) - 09/11/2005 - Document attached to the procedure

COMMISSION'S IMPACT ASSESSMENT

For further information regarding the context of this issue, please refer to the summary of the Commission's Report on the strategy paper on progress in the enlargement process - COM(2005)0561.

1- POLICY OPTIONS AND IMPACTS: Enlargement policy is outside the realm of the Commission's right of initiative and therefore not a policy which the Commission can, strictly speaking, propose on the basis of policy options and impact assessments. The Treaty on European Union and the Copenhagen criteria set the framework for the entire enlargement process and narrow down the assessment criteria that can be used to assess the present or future impacts of implementation of this policy.

On the other hand, important impact assessment elements have been built into the enlargement process since its inception. In particular, the Commission Opinion on a country's application explores, within the framework of the applicable criteria, the likely and foreseeable impacts for the country and the Union. The Opinion is then followed up by progress reports which are normally published by the Commission on an annual basis.

Therefore, the accession process is underpinned by a **permanent impact assessment loop**, whereby the Commission identifies gaps, and evaluates commitments made and measures taken by the country to fill them. This starts very early on in the process, including for countries with which accession negotiations have not been opened but which have been given the perspective of membership (potential candidate countries) and with which the EU develops an association. Towards the end, in the run-up to the signing of an Accession Treaty, this process culminates in the final Commission opinion, European Parliament assent and Council decision on the country's readiness for accession, including a date for accession and any transitional measures and safeguard clauses.

The Commission's policy options are circumscribed by the detailed guidance on EU policy towards the candidate countries and potential candidate countries which is regularly issued by the European Council. One established aspect of EU policy is that the Commission needs to continue to monitor progress by those countries in order to provide the Commission and the Union as a whole with the necessary knowledge of the current situation and outlook. The Commission publishes its findings and recommendations in a communication to the European Parliament and the Council.

Based on its findings, the Commission can recommend the European Parliament and to the Council how the Union's established policy objectives can best be achieved. This could include, for example, indications on the appropriate pace of ongoing accession negotiations; proposals for a roadmap for developing relations with certain countries; the adaptation of existing policy instruments or the creation of new ones.

IMPACTS: The conclusions and recommendations set out in the communication will have a considerable **political** impact. They will determine the content and focus of the Commission's and the EU's dialogue with the countries concerned over the coming year and can be expected to have a considerable mobilising effect on political, legislative and administrative activity in those countries in areas relevant to the EU. The communication will also determine the focus of the Commission's further monitoring of progress in those countries and guide the advice and assistance programmes.

The communication could have an **indirect economic impact** to the extent that the advancement of relations and/or accession negotiations might encourage or discourage economic activity, trade and investment. However, this impact should be small considering that the EU's commitment to the ultimate perspective of membership is known and remains firm. If the Commission concludes that a country should increase its efforts, that country can be expected to speed up its legislative work and to strengthen its administrative capacity, which in turn should have a positive impact on the economic environment.

From a **legal and operational perspective**, the communication is a policy document and has no direct effects. In most cases, the Commission's ideas would need to be followed up by the Council and/or separate legal instruments would need to be worked out. The conclusions and recommendations set out in the communication could have an impact on the Commission's Work and Legislative Programme as it could lead to or announce other measures. In order to achieve its policy objectives, the Commission needs to target its advice and assistance to the countries concerned on addressing the gaps and shortcomings identified by the monitoring. This could affect, for example, the programming of relevant EU assistance programmes managed by the Commission.

2- FOLLOW-UP: The precise follow-up depends on the conclusions and recommendations set out in the communication. However, the Commission is in any case committed to continuing close monitoring of the situation and outlook in the countries concerned and of the possible impact on the Union of the further development of relations, including progress towards accession. The Commission will regularly publish reports on its monitoring findings. The further monitoring will also evaluate the impact of the communication of 9 November 2005 as part of the permanent impact assessment loop referred to in point I (Policy options and impacts).

Report on the strategy paper on progress in the enlargement process

2005/2206(INI) - 09/11/2005 - Document attached to the procedure

PURPOSE: presentation of the 2005 progress report concerning Turkey.

CONTENT: this report provides a balance sheet of the progress made by Turkey with regard to the Copenhagen fundamental criteria.

1) political criteria: Political transition is ongoing in Turkey and the country continues to fulfil the Copenhagen political criteria sufficiently. Important legislative reforms have now entered into force and should lead to structural changes in the legal system, particularly in the judiciary. However, the pace of change has slowed in 2005 and implementation of the reforms remains uneven. Although human rights violations are diminishing, they continue to occur and there is an urgent need both to implement legislation already in force and to take further legislative initiatives. Further efforts are required in the filed of freedom of expression, women's rights, religious freedoms, trade union rights, cultural rights and the further strengthening of the fight against torture and ill-treatment. In particular Turkey should integrate better the reform process into the work of all public authorities. Turkey's commitment to further political reforms should be translated into more concrete achievements for the benefit of all Turkish citizens regardless of origin. As regards:

- *Democracy and the rule of law*, important structural reforms have been put in place, particularly in the area of the functioning judiciary. The six pieces of legislation mentioned in the Commission's 2004 report have been put into place. Reforms concerning civil-military relations have continued, but the armed forces still exert significant influence by issuing public statements on political developments and government policies.

- *Protection of human rights and minorities*, despite some progress, the picture remains mixed. Some provisions relating to torture and ill-treatment have entered into force and the incidence of such practice is diminishing. Nevertheless, reports of torture and ill treatment remain frequent and those perpetrating such crimes still often enjoy impunity. As far as the use of languages is concerned, the Report notes that the exercise of cultural rights is still precarious. No local broadcasting in Kurdish has yet been authorised, Kurdish language course have closed down and politicians continue to be convicted for using the Kurdish language in certain contexts. Thus, although there is a growing consensus on the need to address the social development of the Southeast little concrete progress can be reported.

- *Regional issues*, the Turkish government has stated on several occasions that it remains committed to a comprehensive settlement of the Cyprus problem in line with the plan presented by the UN Secretary General. The Report also notes that relations between Greece and Turkey have continued to develop positively. However and in spite of 31 rounds of meetings since 2002, the two sides have not yet been able to reach a comprehensive settlement of the outstanding border dispute.

2) economic criteria: Turkey can be regarded as a functioning market economy – so long as it firmly maintains its recent stabilisation and reform achievements. In addition, Turkey should be able to cope with competitive pressure and market forces within the Union – again provided that it firmly maintains its stabilisation policy and takes further decisive steps towards structural reform. Further significant gains on macro-economic stabilisation have been achieved over the last year. Due to a rigorous and cautious policy mix, fiscal consolidation continued, debt dynamic improved and inflation further decreased, while economic growth has remained robust. Considerable progress has been made on improving public financial management and control. A significant overhaul of the social security and health systems is ongoing. The successive improvements in the supervisory and regulatory framework of the banking sector and the advances in privatisation are progressively tightening economic agents' financial discipline and improving Turkey's business and investment climate. Areas where improvements can be made relate primarily to budgetary restrain, improved structural reform to enhance the rule of law, privatisation, the correction of labour market imbalances and reducing the informal economy. Commitments to restrict the total wage bill should be respected and lastly the reform of public expenditures budgetary procedures should be continued and a full implementation of improved regulatory and legal frameworks should be ensured.

3) meeting European standards: Turkey's ability to meet, adopt and implement the EU legal order has made some, though uneven, progress since 2004. Progress has taken place on the free circulation of goods. In other areas such as the old approach and non-harmonised areas, progress was non-existent. In spite of the EC-Turkey Customs Union, circulation of products is not yet entirely free. In other areas the following observations have been made:

- Free movement of capital: Certain restrictions have been lifted, but foreigners are still not allowed to acquire real estate and to engage in certain economic sectors. Some progress has been made on money laundering but alignment remains incomplete.

- Company law: Some progress has taken place as regards accounting standards and auditing – however, overall alignment remains limited for this Chapter.

- Intellectual Property Rights: Alignment has advanced and improved.

- Competition Policy: Provisions concerning undertakings (anti-trust and merger control) can be described as satisfactorily aligned and implemented. On the other hand, as regards state aid little progress can be reported.

- Financial services: Some progress has been made as far as insurance and supplementary pensions are concerned. Progress in the banking sector needs to be consolidated. Nevertheless, overall alignment is limited and the administrative capacity needs to be reinforced.

- Information Society and media: Some progress can be recorded concerning electronic communication information technologies. In the area of audiovisual policy overall alignment remains limited.

- Agriculture: Progress has been very limited. Some initiatives concerning rural development have been taken but they need to be reinforced. Overall the alignment and administrative capacity remain very limited. Alignment in the field of food safety, veterinary and phytosanitary policy is also fairly limited.

- Transport: Some progress has been made concerning road transport but overall implementation remains incomplete. Progress on the security of energy supply as well as renewable energy can be recorded. If Turkey develops a nuclear energy generation capacity, then administrative capacities must be strengthened accordingly in order to guarantee a high level of nuclear safety. Some progress has been made re: radiation protection.

- Employment and social policy: Whilst alignment on health and safety at work is quite advance, substantial efforts still need to be made in areas such as social dialogue, gender equality and anti-discrimination.

- The judiciary and fundamental rights: Overall, Turkey has made progress in aligning its provisions with that of EU standards and practices although corruption remains a continuing source of concern. Further progress must also be made on the adoption of laws relating to the protection of personal data and the implementation of the National Action Plan on Border Management and improved implementation of the National Action Plan on Migration and Asylum.

- Environment: In this field, Turkey has made limited progress. The overall level of transposition of the acquis remains low, with the exception of waste management and noise, where transposition is advanced. Weakness in the implementation and enforcement of environmental legislation remain a matter of concern and Turkey needs to take steps to integrate environmental policy into the definition and implementation of other policies.

- Customs Union: Provisions in this field are, to a large extent, well aligned with those of the EU. However, further alignment of the Turkish Customs Code is still required. Non-customs legislation applied in free zones and the continuation of weaknesses in intellectual property rights enforcement in customs controls is a matter of concern.

Report on the strategy paper on progress in the enlargement process

2005/2206(INI) - 12/12/2005

The Council adopted the following conclusions:

Acceding countries: the Council welcomed the findings and recommendations presented by the Commission on 25 October 2005 to the Council and the European Parliament in its Comprehensive Monitoring Reports on Bulgaria and Romania. It noted with satisfaction the good progress highlighted in these reports. At the same time, it urged Bulgaria and Romania to address decisively and without delay the concerns highlighted in these reports, and to fulfil all commitments made in the Accession Treaty, in order to enable accession on 1 January 2007 as planned and, thus, the successful completion of the fifth enlargement. It welcomed the intention of the Commission to submit a monitoring report to the Council and Parliament in April /May 2006 in order to review the situation in line with the provisions of the Accession Treaty.

Enlargement Strategy: the Council welcomed and held a preliminary exchange of views on the Commission's Communication on Enlargement presented on 9 November 2005. The Council concluded that the Enlargement Strategy Paper 2005 is a good basis for a necessary, further discussion on enlargement in 2006 and that, meanwhile, it should pay careful attention to the need to:

· anchor and develop support for the enlargement process across the EU. Particular account should be taken of the importance of communication and the views of EU citizens, while paying attention to the important issue of the absorption capacity of the Union;

· apply effective conditionality, at all stages of the process, in a fair and rigorous way;

· reiterate strong encouragement to candidate countries, and other countries in the Western Balkans, along the road to reform and stability by reconfirming their European perspective.

Croatia: the Council recalled its decision to open accession negotiations with Croatia as well as the specific modalities of this process as set out in the Negotiating Framework. The Council welcomed political agreement on the Accession Partnership with Croatia, with the objective of providing support for overcoming particular problems with a view to accession. It underlined its commitment to this process while stressing the importance of Croatia making progress in relation to the priorities identified by the EU in the Accession Partnership, in particular by fulfilling its obligations in respect of the EU and its Member States. It encouraged Croatia to respond to its Accession Partnership by updating its national plan for implementing the identified priorities and recalled that the advancement of negotiations would be guided inter alia by progress in implementing the Accession Partnership.

Turkey: the Council recalled its decision to open accession negotiations with Turkey as well as the specific modalities of this process as set out in the Negotiating Framework.

The Council welcomed political agreement on the Accession Partnership with Turkey, with the objective of providing support for overcoming particular problems with a view to accession. It encouraged Turkey to respond to its Accession Partnership by updating its national plan for implementing the identified priorities and recalled that the advancement of negotiations would be guided inter alia by progress in implementing the Accession Partnership.

Lastly, the Council recalled that it would ensure a follow-up in 2006 on the progress made on relevant issues set out in the Declaration of the EC and its Member States of 21 September 2005.

Report on the strategy paper on progress in the enlargement process

2005/2206(INI) - 09/11/2005 - Non-legislative basic document

PURPOSE: to present the Commission’s overall enlargement policy for the candidate countries Croatia and Turkey, and the potential candidate countries in the Western Balkans (Albania, Bosnia and Herzegovina, former Yugoslav Republic of Macedonia, Serbia and Montenegro and Kosovo).

CONTENT: Enlargement is one of the EU’s most powerful policy tools and the pull of the EU has helped transform Central and Eastern Europe from communist regimes to modern, well-functioning democracies. Following the success of the enlargement that took place in 2004, the attraction of the Union remains and a series of other countries have made known their wish to become members to share its basic principles which are peace, stability, prosperity, It is vitally important for the EU to ensure a carefully managed enlargement process that extends peace, stability, prosperity, democracy, human rights and the rule of law across Europe. The countries in question are Turkey and Croatia (which already have the status of candidates and with whom the Union has already opened accession negotiations), and all the countries of the Western Balkans (Albania, Bosnia-Herzegovina, Serbia and Montenegro and Kosovo (all potential candidates). The Western Balkans is a particular challenge for the EU. enlargement policy since it will need to demonstrate its power of transformation in a region where states are weak and societies divided.

1) Enlargement strategy and conditionality: Enlargement policy is defined by Article 49 of the Treaty on European Union, which states that any European State which respects the EU’s fundamental democratic principles may apply to become a member of the Union. The EU has set political and economic criteria for membership, as well as criteria related to the obligations of membership and the administrative capacity to implement and enforce the EU’s laws and policies (otherwise known as the Copenhagen criteria).

The new enlargement strategy is based on **three basic principles**:

- **consolidation**: the Commission wants to ensure that EU commitments in terms of enlargement are consolidated which means that there is no further enlargement with a large group of countries at the same time in view. Accession negotiations with Turkey are a long-term process and the Western Balkans contains smaller countries at different stages on their road towards the EU. Future enlargements will go at the pace dictated by each country’s performance in meeting the rigorous standards, to ensure the smooth absorption of new members;
- **conditionality**: The EU must remain rigorous in demanding fulfilment of its criteria, but fair in duly rewarding progress. Aspirant countries can only proceed from one stage of the process to the next once they have met the conditions for that stage. Moreover, the Commission is prepared to recommend the suspension of progress in case of a serious and persistent breach of the EU’s fundamental principles, or if a country fails to meet essential requirements at any stage; and
- **communication**: The Commission needs to offer a clear strategy for future accessions that is based on objective conditions and realistic commitments. Better communication about previous enlargements is vital to ensure support for future accessions. Member States must bear their responsibility to explain

and defend the policies they have agreed unanimously. The Commission will complement this effort by using a wide variety of routes to communicate its enlargement policy and counter misconceptions with evidence. It will seek to engage in a dialogue with key actors in politics, the media, academia, business and social partners in order to promote a better informed debate about both past and future enlargements. A vital part of the Commission's communications strategy is the civil society dialogue, which aims to reinforce links between civil society in the EU and candidate countries in order to improve mutual understanding, address concerns, and encourage a high-quality debate.

The strategy paper first deals with the candidate countries, Croatia and Turkey, and then the Western

Balkan potential candidate countries. Please refer to the summaries of the detailed Progress Reports on each country: SEC(2005)1421 – **Albania**, 1422 – **Bosnia-Herzegovina**, 1423 – **Kosovo**, 1424 – **Croatia**, 1426 – **Turkey** and 1428 – **Serbia and Montenegro**. It then proposes a roadmap to be followed by each of these countries.

2) Roadmap:

- The EU's relations with **Croatia and Turkey** entered into a new phase on 3 October, when accession negotiations were opened. Negotiations will be based on the country's **own merits** and their pace will depend on the country's progress in meeting the requirements for membership.
- b) For the **other countries of the Western Balkans**, the Commission proposes a road map for realising their European perspectives, setting out the stages and conditions attached to each stage. Establishing a Stabilisation and Association Agreement **(SAA)** with the EU is a fundamental step in this process. **Albania** has made sufficient overall progress to establish implementation capacity, paving the way for concluding negotiations on such an agreement. **Serbia and Montenegro** have just opened SAA negotiations, and **Bosnia and Herzegovina** will do so shortly. Depending on the progress made in terms of introducing political, economic and institutional reforms, it should be possible to conclude these negotiations within a year from their opening.

  With the setting in place of the SAAs, these countries will move from the process of stabilisation and reconstruction to one of sustainable development, association and integration into European structures, achieving the aims set out at the Thessaloniki European Council in 2003. These agreements will enable these countries establish a sound contractual relationship with the Union. A country's satisfactory track-record in implementing its SAA obligations (including the application of its trade-related provisions in the form of an Interim Agreement) will be an **essential element** for the EU to consider any **membership application**. Once stabilisation is sufficiently ensured, the Commission can recommend to the Council in a **feasibility report** whether and under what conditions SAA negotiations can start.

  Lastly, there is the special case of **Kosovo** which is under international administration. The EU is ensuring that Kosovo benefits from the key instruments offered to the region. The opening of status discussions is a challenge for the entire region, and for the international community. The strong commitment of all parties to a multi-ethnic, stable and democratic Kosovo will be essential to achieve a sustainable settlement that reinforces the security and stability of the region, and to ensure its further progress towards the EU.

- c) new membership candidates – the case of the Former Yugoslav Republic of Macedonia (FYROM): the European Council could grant the status of candidate country to the FYROM based on the Commission's opinion. It is in this context that the Commission has examined the FYROM's accession request (see COM(2005)0562) recommending that the Council should grant the FYROM candidate status. Candidate status is a political recognition of a closer relationship with the EU, but it does not automatically mean that a country can start negotiations for EU membership. To do so, the country needs to reach a sufficient degree of general compliance with the membership criteria, in particular, full co-operation with the International Tribunal for the former Yugoslavia. The Commission will present a report to the Council no later than the end of 2006 on the progress of the FYROM.

3) supporting reforms: the Commission is proposing revised accession partnership agreements for Turkey and Croatia taking into account the main priorities highlighted in the 2005 Regular Reports.

- Having got the status of candidate country, Croatia has now the possibility to benefit from pre-accession aid: Phare for the strengthening of institutions and economic and social cohesion, ISPA for the environment and transport infrastructure, and SAPARD for agricultural and rural development. It will keep the right to access the CARDS regional programme in 2005 and 2006. Pre-accession funding will amount to EUR 105 and 140 million respectively in 2005 and 2006. Croatia will also be able to participate in Community programmes.
- The 2005 pre-accession funding granted to Turkey comprises a national programme and funding relating to multinational programmes, as well as for communication and management activities, reaching a total of EUR 300 million in 2005 and EUR 500 million in 2006. The main priorities of the 2005 programme reflect EU concerns regarding the political criteria, economic and social cohesion, the implementation of the *acquis* in key fields and political and social dialogue between the EU and Turkey. They also include funding for preparing Turkey to apply measures relating to large-scale infrastructure and measures similar to the Structural Funds from 2007.

  European partnerships will also be set up with the Western Balkan countries to meet the main priorities highlighted by the Commission. EU assistance will involve EUR 539 million for 2005, of which a part will go towards a regional programme (to which Croatia still has a right). This assistance is based on measures specified in the European partnerships.

Report on the strategy paper on progress in the enlargement process

2005/2206(INI) - 09/11/2005 - Document attached to the procedure

PURPOSE : to present the 2005 Progress Report on **Albania**

CONTENT : This report provides a balance sheet of the progress made by Albania with regard to the Copenhagen fundamental criteria:

1) Political criteria: Albania has made progress in reinforcing its democratic, judicial and public administration institutions, but needs to implement strategies and laws with more vigour to further improve their functioning.

The July 2005 parliamentary elections were fundamentally sound and resulted in a smooth transfer of power, but showed shortcomings which demonstrated a need for further electoral reform. Progress has been made in improving the functioning of Albania's judicial system. Measures to increase judicial transparency and co-ordination have been taken, but more are needed. Although more judgements are now executed, the level of execution remains relatively low. New legal tools and regional agreements should now be used to achieve better concrete results in fighting organised crime and terrorism. Some efforts have been made to fight corruption: work has continued in international fora, new conflict of interest legislation has been adopted, more public officials have been prosecuted for corruption, and strong action has been taken against police corruption. Nonetheless tangible results remain limited.

In the field of human rights, Albania has made some efforts to improve conditions for prisoners, with a new code of conduct and internal control law for prisons, but inadequate infrastructure means physical conditions remain poor. Knowledge and enforcement of domestic law and international conventions on treatment of prisoners should be improved. Little concrete progress has been made in improving media freedom. Legislative progress has been made in reinforcing property rights, but implementation must be greatly accelerated. Albania is an example of religious tolerance, but requires further progress to reach international standards in human and minority rights. Albania has continued to play a positive role in the region, maintaining a constructive policy towards Kosovo.

2) Economic criteria: The economy of Albania operates to some degree within the framework of functioning market principles. Further vigorous reform efforts are necessary to address the shortcomings in competitiveness of the economy.

Growth remained strong while inflationary pressure remained subdued. The current account deficit has narrowed. Fiscal consolidation continued and the budget deficit has declined. Progress in public administration reform has continued and the administrative capacity of the tax administration has improved. In the field of public financial control and internal audit, some progress has been made. Privatisation of small- and medium-sized enterprises has been completed. The sale of the Savings Bank was completed in 2004 and the privatisation of Albtelecom has started in early 2005. Prudential supervision has been strengthened through the implementation of a risk-based supervision process. The labour market is considered as relatively flexible.

However, public sector governance remains to be strengthened and the privatisation of large enterprises has suffered delays. The performance of the financial sector in channelling savings towards productive investment has recently been improving, but still remains weak. The establishment and enforcement of property rights remain difficult, damaging the potential for investment and economic activity. Enterprise creation continued to face obstacles such as weak infrastructure, poor legislation and weak implementation of tax legislation. Unfair competition by businesses operating in the grey economy remains a problem. Educational attainment remains relatively low and the supply of skilled labour is limited.

3) implementation of the acquis: Progress has mainly consisted of adoption of new legislation and the establishment of new institutions. Some efforts regarding the strengthening of administrative capacity have also been made, but in a number of cases more commitment and resources are needed for further progress. The main areas identified as requiring improvement are as follows:

- internal market: more attention should be paid to implementing the New, Global and Old Approach directives, considerable progress is required for proper market surveillance and consumer protection.
- Free movement of persons: Albania continues to face a problem of emigration (mainly to EU).
- Corruption, especially in the customs service and in public procurement needs to be addressed.
- Much needs to be done to improve the quality of agricultural and fisheries produce, in particular regarding food safety.
- Albania must continue to strictly implement the energy action plan in order to reduce the still-frequent power cuts and illegal connections.
- Information society and ICT: The privatisation of Albtelecom remains to be successfully concluded and telecommunications legislation should be developed to attract further investment. Further work is needed to align electronic communications, information technology and audiovisual legislation and to ensure its non-discriminatory implementation.
- National strategies adopted on migration and asylum now need to be funded and implemented.
- Need to further improve the equipment and the management of the police, in particular as regards human resources, transparency, autonomy and police records, and efforts to reach an agreement with Europol should be accelerated.
- Need to accelerate implementation of international conventions and further improve security at Tirana airport.

Report on the strategy paper on progress in the enlargement process

2005/2206(INI) - 09/11/2005 - Document attached to the procedure

PURPOSE: presentation of the 2005 progress report concerning **Serbia and Montenegro**.

CONTENT: This report provides a balance sheet of the progress made by Serbia and Montenegro with regard to the Copenhagen fundamental criteria:

1) political criteria:the political situation,the state of democracy and rule of lawin Serbia and Montenegro, constitutional and legal certainty has remained precarious. While the legitimacy of the State Union Parliament has been restored and functioning of the Serbian parliament has improved with the adoption of new rules of procedures, the overall functioning of democratic institutions remains affected by structural weaknesses. No actual progress has taken place as regards the revision of the Constitutions of the two Republics. The resolution of institutional and constitutional issues is an absolute priority in order to comply with international democratic standards. There has been progress in both Republics concerning the legal framework of public administration reform, but the implementation of this reform is still at a very early stage. Defence reform continues to meet serious obstruction, due to insufficient democratic control and lack of transparent financial management The State Union Court has started working although its capacity remains weak and the agreement on the scope of its powers is still largely untested. The transfer of powers of military justice to civilian courts has been implemented smoothly, with the exception of the considerable backlog of the administrative cases. The judiciary has continued to be affected, especially in Serbia, by serious weaknesses and its independence is undermined by undue political interference. Corruption remains a serious concern and

In regard, to human rights, progress has been made in implementing the commitments undertaken by when joining the Council of Europe notably with the appointment of Government Agent for the European Court of Human Rights. There have been problems with regard to freedom of expression and civil society. Cases of police ill-treatment have occurred. Little progress has taken place in relation to the investigation of crimes committed during the previous regime. Serbia and Montenegro have achieved significant progress in co-operation with the ICTY, in particular delivering a significant number of indictees to The Hague Tribunal, although this process is still sometimes obstructed by parts of the administration and the army. Further, though limited, progress to bring remaining fugitives to justice must be continued until full co-operation with ICTY is achieved. Belgrade has intensified dialogue with Pristina on technical matters of common interest. However, it has not actively encouraged Kosovo Serbs to participate in the Provisional Institutions of Self-Government. Belgrade's constructive engagement on the Kosovo issue will help to advance Serbia and Montenegro 's European perspective, while obstruction could turn into an obstacle. Regional co-operation at the multilateral and bilateral level continues to improve, although sporadic problems occur.

2) economic criteria: In both Republics, the economiesoperate to some degree within the framework of functioning market principles. Further vigorous reform efforts are necessary to address the shortcomings in competitiveness.

- In Serbia, economic activity remained relatively robust in the first half of 2005. Fiscal tightening continued, reflecting mainly strong domestic demand and improved tax enforcement. The trade deficit narrowed in the first half of 2005 and international reserves have improved. However, the government's commitment to macroeconomic stabilisation and structural reform has been mixed. Inflation and wage pressure have mounted and external imbalances remain high. The business environment is still hampered by bureaucratic obstacles and the slow and inefficient functioning of the judiciary system is seriously affecting economic development. Despite progress in privatisation, a competitive and dynamic private sector has not yet been established and the government sector still absorbs a large share of resources;
- In Montenegro, economic growth strengthened. Inflation continued declining further with price liberalisation almost complete. Privatisation has further advanced. Unemployment declined somewhat. However, external imbalances widened and external debt increased further. Private sector development is still impeded by weaknesses in the judiciary. High wage growth negatively affected export competitiveness and employment levels.

3) progress towards implementing the acquis: Serbia and Montenegro have both made progress towards meeting European standards. In the area of internal market, both Republics have made overall some good progress. They must now continue to make sustained efforts to improve legislative and administrative capacities with a view to future SAA obligations. They must also avoid creating new barriers between them. The main areas in which sustained reform efforts are needed are the following:

- Internal market: standardization and certification, free movement of persons and right of establishment and free movement of capital;
- Customs: strengthening of administrative and operational resources of the customs authorities;
- Competition and public procurement: strengthening of controls on state aids; reinforcing administrative capacity responsible for implementing the legislation, particularly in Montenegro; mutual and reciprocal treatment of procurement rules; improvements in the are of intellectual property;
- Industry and SMEs: overall strengthening of the sector;
- Energy: continuation of the unbundling process of the state electricity utility (in Serbia);
- information society and media: In Serbia, the exclusive monopoly of fixed lines has come to an end but the Telecommunications Agency is still not operational due to lack of financing. In Montenegro, the privatisation process of the fixed-line telecom provider has been finalised. As regards audiovisual policy, no progress has taken place in Serbia; in Montenegro, the Broadcasting Council has implemented a tender for licenses of the use of the spectrum;
- Justice, freedom and security: no actual progress has taken place in the areas where responsibilities are shared between the State union and the two Republics: they continue to operate different visa regimes; national strategies on integrated border controlare still in preparation and - in Serbia - the transfer of border control from the State Union army to the police has been delayed. In the field of asylum, neither has yet adopted the laws that are necessary for the implementation of the State Union framework law; the combat against money laundering and organized crime needs to be reinforced.

Report on the strategy paper on progress in the enlargement process

2005/2206(INI) - 09/11/2005 - Document attached to the procedure

PURPOSE: Presentation of the 2005 progress report concerning **Croatia.**

CONTENT: This report provides a balance sheet of the progress made by Croatia with regard to the Copenhagen fundamental criteria:

1) political criteria: Croatia faces no major difficulties in meeting the political criteria for membership. Problems which had arisen in relation to fully co-operating with the International Criminal Tribunal for the former- Yugoslavia (ICTY) have since been solved. Croatia has continued to make progress overall but further sustained efforts are required in a number of important areas. There has been progress in the judiciary, including the adoption of a judicial reform strategy and various procedural and organisation improvements – the challenges faced in the field will, nevertheless, require continued attention in particular regarding the large overall case backlog and the need to ensure proper enforcement of judgements. There have been improvements in the prosecution of war crimes trials, but an ethnic bias against Serb defendants persists. As far as corruption is concerned, the Report notes that there has been some progress in setting up the necessary legislative and institutional framework but that corruption remains a serious problem in Croatia.

In the field of Human Rights, the position of minorities has in general continued to improve. In certain key areas, however, Serbs and Roma continue to face discrimination and the need to improve their situation is an urgent priority. The Report does note that a Roma strategy is being implemented but that major challenges lie ahead. On the matter of regional integration it would appear that there has been good progress on refugee return in terms of repossession and the reconstruction of housing. However, a number of foreseen deadlines have not been met. On-going efforts to create the economic and social conditions necessary for the sustainability of refugee return need to be accelerated. Along a similar vein it has been noted that Croatia has made progress in the area of regional co-operation both in terms of improvements in bilateral relations with neighbouring countries as well as regional initiatives – such as participating in the South East Europe Energy Community treaty.

One matter of serious concern remains the question of cross-border issues and the open property-related questions. The matter on non-cooperation on property issues contributed to the postponement of the start of accession negations. The situation has, in the mean time, improved paving the way for the Council to conclude that the outstanding condition for the start of accession negotiations had been met.

2) **economic criteria:** The Report concludes that Croatia can be regarded as a functioning market economy and should be able to cope with competitive pressures and market forces within the Union – provided that it continues implementing its reform programme. Stability-oriented macro-economic policies have contributed to a relatively low inflation and stable exchange rate. Significant budget and current account deficits have been reduced and some measures have been taken to enhance expenditure control in health care and in the pension system. In addition, the privatisation process has regained some momentum in 2005 and business and land registration procedures have been simplified. The banking sector continues to grow. Road infrastructure has improved due to strong investment in the motorway network and progress has been made in liberalising the telecommunication sector with positive effects on infrastructure development, following the entry of private service providers. Croatia's economy is already well integrated with that of the EU and regional trade integration has strengthened. In spite of this some problem areas remain. They relate to significant external and fiscal imbalances which could pose a risk to macro-economic stability.

3): meeting European standards: As regards Croatia's ability to assume the obligations of membership, Croatia has made some progress mainly in terms of legislative alignment with the acquis in areas such as free movement of goods and public procurement and in the field of information society. Progress has also been good in the field of education and culture and in foreign, security and defence policy. Croatia needs to continue legislative alignment across the board, however, while at the same time strengthening administrative and judicial structures that are necessary for the effective enforcement of the acquis. In many cases enforcement is weak and administrative capacity remains uneven. In particular, increased efforts will be needed to align legislation with the acquis and to effectively implement and enforce in the following fields:

- Free Movement of Capital,
- Company Law,
- Information Society and Media,
- Fisheries,
- Transport,
- Energy,
- Consumer and Health Protection,
- Customs Union and
- Financial Control.

Croatia will need to make considerable and sustained efforts to align legislation with the acquis and to effectively implement and enforce it in the following fields:

- Free Movement of Goods,
- Public Procurement,
- Freedom of Movement for Workers,
- Rights of Establishment and Free Movement of Services,
- Financial Services,
- Competition Policy,
- Agriculture and Rural Development,
- Food Safety,
- Taxation,
- Social Policy and Employment,
- Regional Policy,
- Judiciary and Fundamental Rights, and
- Justice, Freedom and Security.

To conclude significant efforts will be required in the area of Environment, including substantial investment and the strengthening of administrative capacity for the enforcement of the acquis.