

COMMISSION  
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## **Key findings of the progress reports on the candidate countries: Croatia, the former Yugoslav Republic of Macedonia and Turkey**

### ***Croatia***

EU accession negotiations began with Croatia on 3 October 2005 and are continuing.

#### **Political criteria**

Croatia continues to meet the Copenhagen political criteria and the political situation has continued to improve. Implementation of strategies for reforming the judiciary and fighting corruption has begun. Croatia has moved forward on minorities and refugee return, albeit at a slow pace. Full cooperation with ICTY has continued. The conduct of war crimes trials in Croatia has improved. Croatia continues to play a positive role in regional cooperation.

However, reform is at an early stage and there is considerable scope for improvement in the judiciary, public administration and in the fight against corruption. Further progress is essential in the protection of minorities, on refugee return, and in the conduct of war crimes trials, including witness protection. Further regional cooperation is vital, as are efforts to solve outstanding bilateral problems with neighbours, especially on border demarcation.

#### **Economic criteria**

As regards economic criteria, Croatia can be regarded as a functioning market economy. The country should be able to cope with competitive pressures and market forces within the Union in the medium term, provided that it vigorously implements its reform programme to remove the significant remaining weaknesses. Inflation is low, the exchange rate stable, fiscal consolidation has continued and growth has accelerated slightly. Private investment has risen, the banking sector has continued to grow and unemployment has declined. Road infrastructure has improved and competition increased in the telecommunication sector.

However, significant and rising imbalances in the trade and current accounts and a high external debt constitute potential risks to macroeconomic stability. The pace of structural reforms has generally been slow. Subsidies to loss making enterprises continued, while state intervention in the economy remained significant. Reforms need to be implemented vigorously.

### **EU legal order**

Croatia has improved its ability to take on the obligations of membership. In most areas there has been some progress, mainly in terms of legislative alignment. Implementing capacity has also been improved.

However, in many cases enforcement is weak and administrative capacity remains uneven. Progress has varied considerably between different policy areas. As regards the overall level of alignment and administrative capacity, much remains to be done. Considerable and sustained efforts will be needed in a number of chapters such as free movement of capital, competition policy, public procurement, agriculture, justice freedom and security, judiciary and fundamental rights and environment.

### **Pre-Accession Assistance**

The EU will continue to provide significant pre-accession financial assistance to support Croatia. A total of €140 million has been allocated to Croatia in 2006.

### **The former Yugoslav Republic of Macedonia**

The former Yugoslav Republic of Macedonia obtained the status of candidate country in December 2005.

#### **Political criteria**

The former Yugoslav Republic of Macedonia is well on the way to satisfy the political criteria. It has pursued political reforms in 2006, although at a slower pace. To some extent, this is due to formation of a new government. Steps were taken to allow for sound parliamentary elections. Still, irregularities occurred and major efforts will be needed to ensure that standards are fully met at the next elections. An important reform of the judicial system has been initiated, and needs to be fulfilled. The decentralisation process has moved forward. The country has continued to play a positive political role in the region.

However, the country should step up its efforts in a number of areas. Additional efforts will be needed to build consensus in order to achieve further progress and pursue the implementation of the Ohrid Framework Agreement. A constructive dialogue among all political parties is needed to ensure the proper functioning of the institutions. It will allow for the smooth implementation of reforms such as in the police, the judiciary, and the decentralisation. Concrete results in the fight against corruption remain to be achieved, which will require strong political will and the full implementation of the legal framework. Large scale changes occurred in the administration. The independence and professionalism of the state administration, as well as administrative capacity, need to be strengthened.

#### **Economic criteria**

The country is well advanced in establishing a functioning market economy. The country has maintained a broad consensus on the essentials of economic policies. Macroeconomic stability and predictability have further increased. Inflation has remained under control. Barriers to market entry and exit have been reduced by simplifying and accelerating registration and bankruptcy procedures.

However, institutional weaknesses remain, such as cumbersome administrative procedures, corruption, as well as a low degree of legal certainty, affecting the business climate and a proper functioning of the market economy.

Labour and financial markets are functioning badly, and the informal sector distorts the economy. Continued stabilisation and reform efforts are needed to enable the country to cope with competitive pressure and market forces within the Union in the medium-term.

### **EU legal order**

The country has made some progress. New legislation and the establishment of new institutions constitute progress. Progress has been made, notably on some areas concerning the internal market.

However, the country still faces major challenges in implementing and effectively enforcing the legislation. It needs to intensify its efforts in areas such as agriculture, food safety, competition, environment, justice, freedom and security. Customs fees, which were in breach of the Stabilisation and Association Agreement, have been abolished. The telecommunications market has not yet been liberalised and intellectual property rights are not yet adequately protected to allow the country to fully meet its SAA obligations.

### **Pre-Accession Assistance**

The EU will continue to provide significant financial assistance to support the former Yugoslav Republic of Macedonia. In 2006, € 43.6 million pre-accession assistance is available for this country.

### **Turkey**

EU accession negotiations began with Turkey on 3 October 2005 and are continuing.

### **Political criteria**

Although Turkey continues to sufficiently fulfil the Copenhagen political criteria and has pursued political reform, the pace has slowed during the past year and significant further efforts are needed. Some elements of the 9<sup>th</sup> reform package, which were part of the short term priorities under the Accession partnership, like the law creating an ombudsman or the law on settlements (which addresses the situation of the Roma people), were adopted, and preparation on the ground, like training of judges and prosecutors, is ongoing. However, most of the short-term priorities of the Accession Partnership remain to be met. Additional efforts need to be made to assert civilian control over the military. As regards fundamental rights, elements of the revised Penal Code need to be amended to adequately protect freedom of expression. Efforts should also be made in the areas of freedom of religion and economic and social rights, in particular women's and trade union rights. There is a need for Turkey to address the serious economic and social problems of the South East and ensure full enjoyment of rights and freedoms by the Kurdish population. Turkey also maintained its restrictions on direct transport links with Cyprus.

### **Economic criteria**

Turkey continues to be regarded as a functioning market economy, as long as it firmly maintains its recent stabilisation and reform achievements. Turkey should also be able to cope with competitive pressure and market forces within the Union in the medium term, provided that it firmly maintains its stabilisation policy and takes further decisive steps towards structural reforms. Progress has been made in the adoption of new legislation and the establishment of new institutions.

However, administrative capacity needs further strengthening, and in many cases there is a need for more commitment and resources.

### **EU legal order**

Turkey has improved its ability to take on the obligations of membership. In most areas some progress was made. However, fulfilment of short-term priorities under the Accession Partnership is lagging behind in many areas.

When assessing the overall alignment of Turkish legislation to the EU legal order clearly much remains to be done. Some areas related to internal market are fairly advanced, partly due to commitments under the Customs Union, such as the free movement of goods, customs, and trade. Alignment is also fairly advanced in areas like intellectual property law, antitrust, transport, enterprise and social policy. In other areas, alignment remained limited, particularly as regards services, capital movement, company law, agriculture, and environment. In most areas, much further improvement in the institutional and administrative capacity is needed to also implement the EU's laws and standards.

### **Pre-Accession Assistance**

The EU will continue providing significant financial assistance to support Turkey. In 2006, €500 million pre-accession assistance is available for Turkey.

Brussels, 8 November 2006

## **Commission proposes renewed consensus on enlargement**

*Today the Commission has adopted a strategy for the EU's enlargement policy, which includes a special report on the Union's integration capacity. The Commission concludes that the Union must be able to maintain and deepen its own development while pursuing its enlargement agenda. The current enlargement strategy, combined with ways and means to ensure the EU's capacity to integrate new members, form the basis for a renewed consensus on enlargement. The Commission also reviewed the progress achieved in each candidate and potential candidate country<sup>1</sup>. As regards Turkey, it concluded that the country has continued political reforms, but the pace of the reforms has slowed during the past year. As regards Turkey's obligation to fully implement the Ankara Protocol, the Commission will make relevant recommendations ahead of the European Council in December, if Turkey has not fulfilled its obligations.*

"Europe needs a stable, democratic and increasingly prosperous Turkey, in peace with its neighbours, firmly on track towards modernisation and the adoption of European values. This is why we started accession negotiations with Turkey. However, the key to the success of this process is for Turkey to continue the reforms with full determination and to fulfil its obligations. Today we decided to give a chance for the diplomatic efforts to find a solution. Turkey needs to meet its obligations related to the implementation of the Ankara Protocol. Failure to implement its obligations in full will affect the overall progress in the negotiations. The Commission will make relevant recommendations ahead of the December European Council if Turkey has not fulfilled its commitments." – said President José Manuel Barroso after the meeting of the Commission.

Significant efforts on the part of Turkey are needed in particular on freedom of expression. Further improvements are also needed on the rights of non-Muslim religious communities, women's rights, trade union rights and on civilian control of the military.

The EU's integration capacity is determined by the EU's own capacity to maintain the momentum of European integration; the candidate countries ability to fulfil rigorous conditions; and better communication on enlargement. Hence, it is a functional issue.

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<sup>1</sup> See MEMO /06/411 and MEMO/06/412

Commenting today's decision Enlargement Commissioner Olli Rehn stated: "Enlargement is the essence of the EU's soft power to gradually extend peace, democracy and prosperity in Europe. This project needs broad support by the peoples of Europe. This is why we need to build a renewed consensus on enlargement, which recognises the strategic value of enlargement while ensuring the Union's capacity to function."

Based on the lessons learned from previous enlargements the Commission proposes to further improve the quality of the accession process with concrete measures:

- The capacity to integrate specific countries will be assessed at all key stages on the enlargement process. These assessments will include the impact on EU institutions, budget and policies, in particular, agriculture and structural policies.
- The results of economic and political dialogue will be fed into negotiations.
- More systematic use of benchmarks, providing concrete criteria for opening and closing negotiations on individual chapters<sup>2</sup> of the negotiations.
- Judicial reform, administrative capacity, fight against corruption and organised crime need to be addressed early on in the accession process.

Every key decision leading to a country's accession to the EU is taken through democratic procedures. The Union also needs to listen more and to communicate better with its citizens. This is primarily a task of the Member States, the candidate and potential candidate countries to explain and defend their choices. The Commission will complement these efforts, in particular through user-friendly information and by promoting civil society dialogue as well as people to people contacts between the member states and enlargement countries. The Commission proposes to make public key documents of the accession negotiations to bring the enlargement closer to the citizens.

Croatia made a good start in the accession negotiations. The country has taken important steps in many fields to adapt its legislation. However efforts need to be stepped up considerably to meet the main challenges, such as judicial reform, fight against corruption and economic reform

The other Western Balkans countries have made progress following the road-map put forward by the Commission last year. Each country advances on its own merits. A country's satisfactory track-record in implementing its obligations under the Stabilisation and Association Agreements is an essential element for the EU to consider any membership application.

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<sup>2</sup> Accession negotiations with candidate countries are conducted on the basis of the EU's legal order broken down to 35 chapters