



COMMISSION DES COMMUNAUTÉS EUROPÉENNES

D/03/3
Bruxelles, le 20 juin 2003

SECRETARIAT GENERAL

TEXTE EN

Thessaloniki European Council

19 and 20 June 2003

Presidency conclusions

IV. CYPRUS

39. Cyprus' accession to our Union is already creating favourable conditions for the two communities to reach a comprehensive settlement of the Cyprus problem. To this end, our Union strongly supports the continuation of the UN Secretary General's mission of good offices in accordance with the relevant UN Security Council Resolutions including 1475/2003. The recent easing of restrictions in the contacts and communication between Greek and Turkish Cypriots has been positive and has demonstrated that the two communities can live together in a reunited island within the Union. At the same time, however, our Union does not consider this as a substitute for a comprehensive settlement. The European Council, therefore, urges all parties concerned, and in particular Turkey and the Turkish Cypriot leadership, to strongly support the UN Secretary General's efforts, and, in this context, calls for an early resumption of the talks on the basis of his proposals. To this end, the European Union is to further contribute towards a just, viable and functional settlement of the Cyprus problem consistent with the relevant UN Security Council resolutions. Our Union recalls its willingness to accommodate the terms of a settlement in line with the principles on which the EU is founded. In this context, the European Council welcomes the Commission's willingness to offer assistance for a speedy solution within the framework of the *acquis*. It also welcomes the Commission's Communication on promoting economic development in the northern part of Cyprus and looks forward to the implementation of these measures in accordance with the Copenhagen European Council Conclusions and in consultation with the Government of Cyprus.

V. WESTERN BALKANS

40. The European Council, recalling its conclusions in Copenhagen (December 2002) and Brussels (March 2003), reiterated its determination to fully and effectively support the European perspective of the Western Balkan countries, which will become an integral part of the EU, once they meet the established criteria.
41. It endorsed the Council conclusions of 16 June on the Western Balkans, including the annex "*The Thessaloniki Agenda for the Western Balkans: moving towards European integration*", which aims at further strengthening the privileged relations between the EU and the Western Balkans, also drawing from the enlargement experience. The Union's thus enriched Stabilisation and Association Process will remain the framework for the European course of the Western Balkan countries all the way to their future accession.
42. The European Council looked forward to the EU-Western Balkans Summit meeting of 21 June as a major opportunity for the two parties to push ahead with their common goals. The *Declaration* that will be adopted there, together with the *Thessaloniki Agenda*, should provide a sound basis for directing the reform efforts of the Western Balkan countries in coming closer to the Union, and the enhanced EU support to their endeavours.
43. The European Council also endorsed the Council Conclusions on the 2003 Annual Review of the Stabilisation and Association Process.

VI. WIDER EUROPE / NEW NEIGHBOURHOOD

44. Enlargement is expanding the borders of our European Union and is bringing us closer to new neighbours. In Athens we declared "We are also committed to developing ever deeper ties and bridges of cooperation with our neighbours and to share the future of this community of values with others beyond our shores.". Their stability and prosperity is inextricably linked to ours. To reinforce our shared values and promote our common interests, we have been developing new policies toward Wider Europe, our New Neighbourhood. The European Council confirmed at Copenhagen the importance it attaches to these policies. The meetings with the partners concerned that have since taken place in the framework of the European Conference in Athens on 17 April and the mid-term Euro–Mediterranean Ministerial Meeting in Crete on 26-27 May lend new dynamism to the development of these policies. In this spirit, the European Council endorses the GAERC conclusions of 16 June and looks forward to the work to be undertaken by both the Council and the Commission in putting together the various elements of these policies.

VII. FOLLOW-UP OF THE 2003 SPRING EUROPEAN COUNCIL

Broad Economic Policy Guidelines and Employment Guidelines

45. The European Council draws particular attention to the key policy priorities underlying the Broad Economic Policy Guidelines and the revised Employment Guidelines:

- creating the best economic conditions to promote growth, firstly by delivering a stability-orientated macroeconomic framework which can provide a platform for increased domestic demand and job creation, and secondly by pursuing greater competitiveness and dynamism through investment in human and physical capital and R&D, through improving the economy-wide application of technology and exploitation of research, through fully integrated EU financial markets and through fostering entrepreneurship and improving the framework conditions for industry,
- reforms to create more and better jobs in order to promote full employment, making labour markets more efficient, inclusive and adaptable, adapting tax and benefit systems to make work pay, increasing labour market participation in line with the Lisbon targets, promoting a new balance between flexibility and security, facilitating labour mobility and improving and updating skills to achieve higher productivity and better quality jobs, and
- strengthening the sustainability of public finances in particular by further reducing government debt ratios and by reforming pension and health care systems now while the demographic window of opportunity is still open, thus ensuring that a massive burden is not left for future generations, as well as by increasing employment rates.

WESTERN BALKANS - COUNCIL CONCLUSIONS

The Council:

adopted conclusions on the Western Balkans, with two documents in annex to be forwarded to the European Council meeting at Thessaloniki on 19 and 20 June:

- *"The Thessaloniki Agenda for the Western Balkans – Moving towards European integration"*, a document examining ways and means to further strengthen the Union's stabilisation and association policy towards the Western Balkans.
- Council conclusions on this year's annual review of the Stabilisation and Association Process for South Eastern Europe;

reached political agreement on a draft Joint Declaration to be adopted by the EU Western Balkans summit at Thessaloniki on 21 June;

Council Conclusions on the Western Balkans

- Serbia and Montenegro

The Council warmly welcomed the presentation by Serbia and Montenegro of their Internal Market and Trade Action Plan, but noted that while substantial progress had been made, there were still some outstanding problems to be resolved. The Commission would work energetically with the authorities of Serbia and Montenegro in order to solve these problems with a view to a rapid launching of a feasibility study for a Stabilisation and Association Agreement with Serbia and Montenegro.

The Council expressed its satisfaction on the arrest of Veselin Slijvancanin, the last of the indictees of the Vucovar case. This positive development is an additional indication of the determination of Serbia and Montenegro to improve co-operation with the ICTY.

- Serbia and Montenegro/Kosovo

The Council welcomed the intention of Belgrade and Pristina to enter, shortly after the Thessaloniki Summit, into a direct dialogue on practical issues of mutual interest.

- Action against individuals supporting ICTY indictees

The Council instructed its competent bodies to examine in the shortest possible time an extension of the list annexed to the Common Position 2003/280/CFSP of 16 April 2003, and which aims at preventing the entry into or transit through the EU of individuals supporting ICTY indictees.

- Preparations for the EU-Western Balkans Thessaloniki Summit

The Council took note of the progress made in the preparations for the EU-Western Balkans Thessaloniki Summit on 21 June, which will constitute an important new step in further enhancing the relationship between the EU and the Western Balkans. As far as the EU was concerned, the Council reached political agreement on the draft Joint Declaration that is to be adopted by the Summit. Furthermore, in response to the invitation by the European Council of 21 March 2003 to examine ways and means to further strengthen the Union's stabilisation and association policy towards the region, based also on the experience from the enlargement process, the Council adopted The Thessaloniki Agenda for the Western Balkans: moving towards European integration (attached in Annex), and decided to forward it to the Thessaloniki European Council. This could provide the content of a shared agenda to be endorsed by the EU-Western Balkans Summit.

- Annual review of the Stabilisation and Association Process

The Council concluded its annual review of the Stabilisation and Association process for South-Eastern Europe, assessing progress made by the countries of the region in their efforts towards European integration and making recommendations on the way ahead. It adopted the Conclusions in annex and decided to forward them to the Thessaloniki European Council.

The Council called on the countries of the region to subscribe to the conclusions, as well as to the recommendations by the Commission contained in its SAP Report, relevant for the implementation of the necessary reforms, which, in addition to providing for the needs of their citizens, will also allow for their further progress towards the EU.

Annex A

The Thessaloniki agenda for the Western Balkans:

Moving towards European integration

The Copenhagen European Council in December 2002 confirmed the European perspective of the countries of the Western Balkans, as potential candidates, and underlined its determination to support their efforts to move closer to the European Union. The European Council in March 2003 reiterated that the future of the Western Balkans is within the European Union and pledged the Union's full support to the endeavours of the countries of the region to consolidate democracy, stability and to promote economic development.

The Western Balkans and support to their preparation for future integration into European structures and ultimate membership into the Union is a high priority for the EU. The Balkans will be an integral part of a unified Europe. The ongoing enlargement and the signature of the Treaty of Athens in April 2003 should inspire and encourage the countries of the Western Balkans to follow the same successful road of reforms and to increase their efforts in that direction.

During the last four years, the European Union's policy of Stabilisation and Association has contributed critically to progress achieved throughout the region in promoting stability and in bringing the countries closer to the Union. It now needs to be strengthened and enriched with elements from the enlargement process, so that it can better meet the new challenges, as the countries move from stabilisation and reconstruction to sustainable development, association and integration into European structures. The Union's thus enriched policy of Stabilisation and Association, including the Stabilisation and Association Agreements, will constitute the overall framework for the European course of the Western Balkan countries, all the way to their future accession.

The EU recalls the Commission's second annual SAP report, which reflects accurately both progress achieved and remaining problems, as well as challenges ahead for each of the Western Balkan countries. Its recommendations, fully endorsed by the Council, should guide the efforts of the countries for further reforms.

The EU stresses that the pace of further movement of the Western Balkan countries towards the EU lies in their own hands and will depend on each country's performance in implementing reforms, thus respecting the criteria set by the Copenhagen European Council of 1993² and the SAP conditionality. In this context, the EU also recalls the content of the Zagreb Summit Final Declaration of November 2000. The principles of own merits and catch up will be applied, in parallel with the regional approach, which remains an essential element of EU policy towards the region.

1. Further consolidating peace and promoting stability and democratic development

Having in mind the considerable progress achieved in the last two years, but also its fragility and unevenness, the EU will continue to work closely with the Western Balkan countries to further consolidate peace and to promote stability, democracy, the rule of law, and respect for human and minority rights. Inviolability of international borders, peaceful resolution of conflicts and regional co-operation are principles of the highest importance. Terrorism, violence and extremism, be it ethnically, politically or criminally motivated, should be unequivocally condemned.

The EU reiterates its support for the full implementation of Resolution 1244 of the UN Security Council on Kosovo and of the standards before status policy. On this basis, the people of a multiethnic and a democratic Kosovo will have their place in Europe. The Dayton / Paris agreements and subsequent Peace Implementation Council decisions, and the Ohrid and Belgrade agreements, are key elements of EU policy. Full compliance by all countries and parties concerned is essential.

Recalling that all Western Balkan countries are parties to the International Criminal Court, the EU urges them to support, fully and in deed, its work and the integrity of its statute, in line with the relevant EU decisions.

The EU urges all concerned countries and parties to co-operate fully with the International Criminal Tribunal for the former Yugoslavia. Recalling that respect for international law is an essential element of the SAP, the EU reiterates that full co-operation with ICTY, in particular with regard to the transfer to The Hague of all indictees and full access to documents and witnesses, is vital for further movement towards the EU.

The EU supports activities and initiatives in the Western Balkan countries promoting social cohesion, ethnic and religious tolerance, multiculturalism, return of refugees and internally displaced persons and combating regressive nationalism. Ensuring civilian control over the military is a critical element of democratic reform. Legislative and administrative reforms on arms sales compatible with the «European code of conduct» should be promoted.

Support to activities aiming at defending women's rights and improving their situation should be better reflected in EU policies towards the region. Involvement of non-governmental organisations, civil society and local authorities in EU supported policies and activities is of paramount importance.

The launching of the EU Police Mission in Bosnia and Herzegovina in January 2003, and of Operation Concordia in the former Yugoslav Republic of Macedonia, as well as the EU's willingness to lead a military operation in Bosnia and Herzegovina following SFOR, are tangible proof of the Union's commitment to the Western Balkans.

² Stability of institutions guaranteeing democracy, the rule of law, human rights and the respect for and protection of minorities; the existence of a functioning market economy; the capacity to cope with competitive pressure and market forces within the Union, and the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

While the EU is deepening its engagement in Southeast Europe, continued US involvement is necessary. Close co-ordination with the US on Balkan issues is a high priority for the EU. The Balkans will continue to be on the agenda of the EU dialogue with Russia, as well as with other relevant countries, in recognition of the importance of stability in the region. Continued co-operation with the UN, NATO, OSCE, Council of Europe and other international organisations operating in the area, is essential.

2. Progress of Western Balkan countries towards the EU within an enriched Stabilisation and Association Process

Recent progress achieved by the countries of the Western Balkans allowed for further movement towards the Union through the SAP. The continuation of the ratification procedure of the SAAs with the former Yugoslav Republic of Macedonia and Croatia, the opening and progress of negotiations for a SAA with Albania, the launching by the Commission of a feasibility study for a SAA with Bosnia and Herzegovina and the adoption in Serbia and Montenegro of the Constitutional Charter and the presentation of the Internal Market and Trade Action Plan, on which the Commission will work energetically with the authorities to solve some still outstanding problems with a view to a rapid launching of a Feasibility Study for that country as well, illustrate this positive trend. The Croatian application for membership is currently under examination by the Commission.

The EU's commitment and assistance must be matched by a genuine commitment of the governments of the Western Balkan countries and concrete steps to make the necessary reforms, to establish adequate administrative capacity and to co-operate amongst themselves. Building fully functioning states capable of providing for the needs of their citizens remains a major challenge for the whole region. The fight against organised crime and corruption is essential for ensuring the rule of law. The EU expects the Western Balkan countries to pursue these objectives at an accelerated pace, thus allowing the prompt passage of each of them to the next stage of relations with the EU within the Stabilisation and Association Process.

The Council welcomes the Commission's communication *The Western Balkans and European Integration* and will take forward its conclusions and recommendations.

Promoting political dialogue and co-operation in the area of Common Foreign and Security Policy

The Thessaloniki summit will launch a high-level multilateral political forum, the EU-Western Balkans Forum, between the EU and the SAP countries, in line with the GAC conclusions of 13 May 2002. As an integral part of the SAP, this will bring together periodically the heads of state or government of the region and their EU counterparts. Annual meetings of foreign ministers and ministers responsible for Justice and Home Affairs will be held as appropriate. Other ministers can also meet when appropriate. Acceding and candidate countries will be fully involved. The Council welcomed the intention of the incoming EU Italian Presidency to organise the first ministerial meetings before the end of the year.

The aim of the forum will be to give a clear signal of the privileged and inclusive relationship between the EU and the SAP countries; to enhance the political visibility of the SAP; to provide a supporting political framework for achieving the objectives of the SAP, including regional co-operation, and to deepen the understanding of the association process in the perspective of rapprochement and accession; to discuss key issues of common concern in areas such as foreign policy, and Justice and Home Affairs, to provide a genuine European framework for addressing issues with regional and international implications; and to inform and associate the SAP countries on major developments in the EU.

Annual troika EU-Western Balkans meetings at the Political Director level could be held at the margins of the UN General Assembly to discuss international issues, in particular those on the UNGA agenda.

The EU will invite, as appropriate, the SAP countries to align themselves *with EU demarches, declarations and common positions on CFSP issues*. Participation of SAP countries in co-ordination and briefing meetings organised by the EU for candidate and associated countries in capitals and headquarters of international organisations could also be considered, as appropriate.

Bilateral political dialogue at ministerial level between the EU on the one part, and Albania, Croatia and the former Yugoslav Republic of Macedonia on the other is already held on the basis of existing arrangements. It will be extended to Serbia and Montenegro and Bosnia and Herzegovina in advance of the conclusion of the respective SAAs. To that end, joint declarations will be adopted between the EU and the two states.

The SAP countries may be invited by the Political and Security Committee troika, jointly or individually, to participate to informal meetings, the objectives of which would be to exchange views on security and crises management issues in the Western Balkans, as appropriate.

Parliamentary co-operation

Joint Stabilisation and Association Parliamentary Committees could be established with all SAP countries, even before conclusion or entry into force of the respective SA agreements. To this end, appropriate arrangements could be agreed with the SAP countries. The European Affairs Committees of the Parliaments of the SAP countries will be encouraged to establish contacts with the Parliaments of Member States.

European Partnerships

European Partnerships will be drawn up for each SAP country, inspired by the Accession Partnerships for candidate countries, and adapted to the specificities of the SAP. These partnerships, updated as necessary, will identify priorities for action in supporting efforts to move closer to the European Union. They will serve as a checklist against which to measure progress, and to provide guidance for Community and Member State financial assistance. They will reflect the particular stage of development of each country; they will be tailored to its specific needs and will be drawn up following contacts with the countries concerned.

The countries of the region will be expected to draw up national plans for the implementation of the partnerships. Progress in implementation will be followed through the SAP structures and will be monitored in the Commission's Annual Reports.

The Commission is invited to submit the first set of Partnerships to Council for approval with the next SAP Annual Reports, following the procedure established for the Accession Partnerships.

Enhanced support for Institution Building

The instrument of *twinning* will be extended to all SAP countries, taking into account their specific situations. Twinning will be financed under the CARDS programme.

SAP countries will become eligible for technical assistance by *TAIEX*³, including for monitoring the compatibility of national legislations of SAP countries with the community acquis. This technical assistance will be delivered through activities adapted to their specific needs and level of rapprochement to the EU.

Existing *monitoring* mechanisms for the implementation of commitments by SAP countries will be strengthened and streamlined.

In the framework of efforts to support the implementation of necessary reforms in the field of public administration, the Commission is invited to examine ways that would offer students from the SAP countries the opportunity to develop legal thinking and understanding of the principles that form the basis of Western democratic systems and the EU. The establishment of a regional *School for Higher Education on Public Administration Reform* and the establishment of a scholarship scheme could be considered.

Particular attention should be given to the provision of expertise from the new member states, in the light of their own successful transition process and preparations for EU membership.

Opening of Community Programmes

Community programmes will be opened to SAP countries along the lines established for the participation of candidate countries. On the basis of framework agreements to be signed between the Community and each of the SAP countries and providing for the opening in principle of such programmes, the Commission will gradually implement them, by deciding on the specific programmes that would be opened in each case and agreeing with the respective countries on the modalities (through the conclusion of Memoranda of Understanding).

³ Technical Assistance Information Exchange Office.

Priority areas for the opening of Community programmes could include education and training, culture, research, energy, environment, civil society, SME support, and anti-fraud co-ordination.

SAP countries could be allowed to participate in Community agencies, in ways similar to those established for candidate countries.

The Commission is invited to submit specific proposals to these ends, including draft framework agreements for the opening of Community programmes, taking into account the needs and possibilities of each country, including financial constraints (CARDS contribution and national financing), and the necessary administrative capacity.

Enhanced Community Financial Support

Efforts by Western Balkan countries to meet requirements for rapprochement to the EU will continue to be matched by substantial EU financial support. Without prejudice to the budgetary procedures, the Council welcomes the Commission's proposal for an increase in the CARDS budget by more than Euro 200 million over the period 2004-2006, as a clear expression of this intent and a good basis for the discussions in the oncoming budget procedures; it invites the Budgetary Authority to reflect this in its deliberations. Taking into account the overall balance of the Union's priorities, the possibility of further support, in particular by mobilising the European Investment Bank, should also be explored.

As the Western Balkan countries move closer to the EU, Community assistance will have to be adjusted accordingly. Within the framework of the discussions on the future financial perspective and without prejudice to their outcome, the Council invites the Commission to consider possible support to the region, drawing from the experience of the present enlargement process and aiming at sustainable development.

In case of special need, the EU is ready to examine, in co-ordination with international financial institutions, the possibility of granting, on an exceptional basis, further *macro-financial assistance*, in accordance with established practice.

3. Fighting organised crime. Co-operation in other Justice and Home Affairs matters

Organised crime

Organised crime and corruption are real obstacles to democratic stability, sound and accountable institutions, the rule of law, and economic development in the Western Balkans and a source of grave concern to the EU. Combating them must constitute a key priority for the governments of the region. Particular focus should be placed upon fighting all forms of trafficking, particularly of human beings, drugs and arms, as well as smuggling of goods.

Although the SAP countries have made some progress, continued efforts at all levels will be crucial to advance further in fighting organised crime. Their commitment must be sustained through effective implementation of all instruments necessary in this combat, including improved administrative and judicial capacity. Continuous political support in each country is equally essential.

In the context of the follow up of the London Conference on organised crime, the EU welcomes the submission of Records of Achievements by each of the Western Balkan countries. These records are a strong signal of the region's commitment to take ownership in the fight against organised crime and demonstrate progress in the areas for priority action. In order to maintain the momentum achieved, the EU urges the countries of the region to define and implement further specific action-oriented measures to be pursued in the immediate future. The EU through its competent bodies stands ready to assist the region in identifying these measures.

The Council welcomes the intention of the incoming Italian Presidency to hold a meeting of Ministers dealing with JHA matters by the end of the year.

The EU expects countries of the region to commit themselves in Thessaloniki to adopt, within a specified timeframe, all necessary legislation in order to negotiate agreements with Europol. On the basis of such agreements Europol can assist with the implementation of the Action Plans adopted at the London Conference.

Regarding *trafficking in human beings*, the EU urges the countries of the region to act both domestically and regionally, in line with the principles of the #U and proposals contained in the Brussels Declaration of September 2002. The EU places high priority on the areas of victim assistance, training programs of competent bodies, intelligence and exchange of information, public awareness and strategy development. Co-ordination of all international actors is essential.

Co-operation in other Justice and Home Affairs issues

In order to cope effectively with *illegal migration* flows originating in or transiting through Western Balkans, the EU encourages co-operation between the appropriate authorities of the Western Balkan countries and the *Immigration Liaison Officers* (ILOs) of the EU member states, in the framework of the establishment of the ILOs Network aiming at enhancing the efficiency of the fight against illegal migration and organised crime. It also supports the conclusion and implementation of *readmission agreements* among the SAP countries themselves and between the SAP countries and third countries; the Commission could provide useful guidance to the SAP countries in this field. The EU will also carry forward its policy of concluding readmission agreements with all the countries of the region. The Western Balkan countries are invited to take all necessary measures to facilitate the conclusion and ensure the implementation of such agreements.

The EU is aware of the importance the peoples and governments in the Western Balkans attach to the perspective of liberalisation of the *visa regime*. Meanwhile, progress is dependent on these countries implementing major reforms in areas such as the strengthening of the rule of law, combating organised crime, corruption and illegal migration, and strengthening their administrative capacity in border control and security of documents. The Council welcomes the intention of the Commission to hold discussions, within the framework of the Stabilisation and Association Process, with each of the Western Balkan countries, regarding the requirements for how to take these issues forward in concrete terms.

The EU welcomes the Common Platform and the Way forward document adopted at the *Ohrid May 2003 conference* on border security and management. It calls on the countries concerned to take all the concrete and specific measures necessary for the achievement of the objectives defined in these documents.

Policies and instruments applicable to the Western Balkan countries should fully incorporate the broader JHA objectives that the EU is pursuing. The EU should also encourage the transfer of the experience of the acceding and candidate countries to their SAP neighbours.

Further use of the instrument of twinning in the area of the Justice and Home Affairs will be encouraged.

Assistance programmes related to the Justice and Home Affairs should be strengthened.

4. Promoting Economic Development

Economic prosperity is essential for long-term stability in the region. Although significant progress has been made in all Western Balkan countries toward macroeconomic stabilisation, the development of a modern market economy is a slow process, requiring persistent efforts over a wide front of structural reforms. The transition from centrally planned to functioning market economies requires further reform efforts in many areas, also taking into account the objectives of sustainable development.

The EU urges the countries in the region, acting in close co-operation with relevant international financial institutions, to maintain and expand the hard-won gains in macroeconomic stability, which is a pre-condition for lasting economic growth, through prudent fiscal and monetary policies; to accelerate the momentum of structural reforms, especially in the areas of tax policy and administration, mainly by promoting the principles of transparency and accountability and supporting sound management in the public sector; the financial sector should be closely supervised and the privatisation process taken forward; to promote good governance and create a business environment that promotes private economic activity and foreign investment. The EU will continue to provide assistance in this area, in co-ordination with international financial institutions.

The EU takes note of the important work accomplished by the infrastructure steering group for South-East Europe, chaired by the Commission and associating IFIs and the Stability Pact in identifying major priority *infrastructure projects in transport, energy and telecommunications* in South-Eastern Europe. The Thessaloniki summit should express its support for the ongoing work within the framework of the Regional Balkans Infrastructure Study (REBIS). The drawing of an integrated regional transport strategy, consistent with the Trans-European Networks and taking into account the Pan-European Corridors (in particular Corridors V, VII, VIII and X), is a high priority. The Council invites the Commission, to liaise with the IFIs and the EIB, in order to present a report by December 2003, referring to a planning of public investment needed for the financing of the priority network for the better connection of the Western Balkans to the EU. It calls upon the Commission to take into account the Western Balkan countries in its forthcoming proposal, for the revision of the Trans-European Transport Network Guidelines of the enlarged EU. The EU also takes note that, under the revision of the TEN Energy Guidelines, the establishment of efficient electricity connection between South-East Europe and the European Union has been agreed, as part of the priority axes.

Environmental protection is an important element of sustainable development. The EU encourages the Western Balkan countries to introduce *environmental policies* and strategies geared towards compliance with EU environmental law. In particular, environmental issues should be addressed across the energy sector, especially in the scope of the Kyoto protocol.

The EU supports the Commission's proposal to hold *regular economic dialogue* with each SAP country.

Having in mind the importance of *trade* for economic development and integration, the EU will consider further measures of liberalising its trade with the Western Balkans. The Council invites the Commission

- To provide to the SAP countries *technical assistance* and undertake other possible measures to improve their ability to take full advantage of the Autonomous Trade Measures.
- To prepare the extension of the pan-European *diagonal cumulation* of origin to the countries of the region in a manner consistent with all relevant community policies and dependent on their administrative capacity.
- To consider taking appropriate measures to allow SAP countries to *participate in tenders* organised under the pre-accession (Phare, ISPA, SAPARD), Tacis, and MEDA community assistance programmes.
- To explore the possibility of *further trade liberalisation measures* in areas, which have hitherto been exempted.

Considering that an agreement governing energy trade would substantially contribute in attracting investment into this strategic sector, the Council welcomes the Commission's initiative to propose the *extension of the Internal Energy Market* to the region as a whole, on a legally binding basis.

Small and medium-sized enterprises are a key source of jobs, innovation and wealth and are essential for the functioning of competitive market economies. Consequently, it is important to improve the environment in which small and medium-sized enterprises operate. At the Thessaloniki summit, Western Balkan countries should be invited to commit themselves to the principles enshrined in the *European Charter for Small Enterprises*, thus allowing them to share good practice with other European countries.

Economic development in the region will also be promoted by increased *regional co-operation* in areas such as liberalisation in trade and movement of persons, energy, development of infrastructures, water management and cross-border co-operation.

5. Reconciling for the Future and Enhancing Regional Co-operation

Return of refugees and internally displaced persons

The EU encourages further return of refugees and internally displaced persons, and fully supports relevant regional activities, notably MARRI (Migration, Asylum and Refugee Regional Initiative). *The Council* urges the countries of the region to enact and enforce anti-discrimination legislation to ensure fair and proportionate representation of minorities in employment, especially in public institutions; to provide adequate security conditions, non-discriminatory education and all other basic social services; to address remaining obstacles to return, most of which are related to repossession of property, reconstruction of destroyed property and resolution of the issue of lost tenancy/occupancy rights. In this context, the authorities of the countries of the region are invited to establish, enact and implement a satisfactory national legal framework on property issues, preferably by the end of 2003. Emphasis should be placed on monitoring the initiatives undertaken by the countries of the region in the area of return and reintegration.

Promoting reconciliation through education, social development and culture

The EU places high priority in initiatives and activities aiming at reconciling for the future, through overcoming legacies of the past, which are obstacles to normalisation and democratic development. In this respect, the role of education, social development and culture is essential in changing mentalities, promoting tolerance, ensuring ethnic and religious coexistence and shaping modern democratic societies.

In this framework and in parallel with other relevant activities in these fields, the EU invites the countries of the Western Balkans to take concrete steps to tackle the issue of *restoration of cultural and religious monuments*. The relevant commitments of the countries could be part of broader bilateral agreements on cultural issues. The EU also invites the countries of the region to take concrete initiatives with the objective of revising *history textbooks*. The possibility of convening an experts meeting to discuss the issue, tentatively by the end of 2003, could be considered.

With respect to the aforementioned issues, close and efficient co-operation and interaction should be ensured with relevant regional and international bodies, such as UNESCO, the Council of Europe, the Stability Pact and the SEECP, as well as non-governmental organisations, so as to avoid overlapping and to make the most of resources available.

Enhancing Regional Co-operation

The EU invites the Western Balkan countries to continue to develop regional co-operation, which constitutes an essential element of the Stabilisation and Association Process. The Thessaloniki summit should reiterate support for regional co-operation and, within this context, Western Balkan countries are invited to commit themselves to promote a number of specific objectives or initiatives:

- *Further development of regional free trade*: Western Balkan countries, together with Bulgaria and Romania, commit themselves to complete the network of bilateral Free Trade Agreements, on the basis of the 2001 Memorandum of Understanding by the end of the year, through necessary ratifications. They could also commit themselves to harmonise the dispositions of their FTAs, with a view of establishing a free-trade zone in full respect of WTO rules, within a specified timeframe. The Stability Pact should continue to be the framework for promoting and monitoring this activity, in close co-ordination with the Commission.
- *Visa-free movement in the Western Balkans*: The countries of the Western Balkans could commit themselves to explore the possibility of abolishing visa requirements for travel between their countries, through bilateral agreements, also ensuring compatibility of such measures with EU requirements. This exercise could be conducted under the auspices of the Stability Pact.
- *Small arms collection*: The EU will continue to encourage a regional approach to activities on small arms collection, including the work of the South Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons (SEESAC), operating under the auspices of the Stability Pact in co-operation with the UNDP.

- Regional markets for electricity and gas: The Thessaloniki summit should express its support for the process initiated in November 2002 with the signing in Athens of the Memorandum of Understanding on the Regional Electricity Market in South-East Europe and its integration into the EU Internal Electricity Market (the Athens process). It should also express its support for the establishment of a similar process with respect to gas, on the basis of proposals by the European Commission due within 2003. The Stability Pact could continue to play a key role in this area. The EU encourages the countries of the region to adopt a legally binding South-East Europe Energy Market Agreement, by the end of this year, building on the basis of the Memorandum of Understanding. This Agreement should also deal with the promotion of investment by creating a co-ordination mechanism for the energy sector financing, associating the countries of the region, the Commission, the IFI s and the Stability Pact.
- Water management: Recalling the importance of trans-boundary water management issues in the region, the positive experience from the Danube co-operation process and the Sava River Basin co-operation, and in line with the conclusions of the May 2003 informal meeting of environment ministers of the EU and South-East Europe, and the declaration adopted by the conference Sustainable Development and Lasting Peace, Shared Water, Shared Future, Shared Knowledge in May 2003, the Thessaloniki summit should recommend the drawing up of Integrated Water Resources Management Plans for trans-boundary water bodies in the region and subsequent national plans within the framework of the EU Water Initiative Mediterranean component.
- Cross-border-co-operation: The EU supports the development of cross-border-co-operation between the SAP countries, as well as between these countries and EU members, acceding and candidate states. Ways to ensure adequate financial support to these activities should be explored. It stresses the relevance for the region of ongoing efforts to co-ordinate the various EU cross-border initiatives.
- The EU also supports projects of regional significance and regional initiatives in the areas of *science and technology, information and communication technology, and statistics*. The EU calls for the adoption, at the forthcoming research ministers conference in Thessaloniki, of the EU-Balkan countries Action Plan in Science and Technology and for its implementation, which will highly contribute to the reinforcement of the Research, Technology and Development capacities of each country and of the region as a whole.
- The European Affairs Committees of Parliaments of the countries of the region should be encouraged to develop their contacts at regional level, including, for example, by creating a Balkan Conference of European Affairs Committees. The Conference could apply for a special status in the COSAC.⁴

The EU reconfirms its support to the Stability Pact for South-eastern Europe in its complementary role to the SAP and in its implementation of the agreed core objectives. It takes note of the Special Co-ordinator s complementarity report and of the conclusions of the Regional Table of May 2003 in Cavtat. Within this framework, the Thessaloniki summit should invite the Stability Pact to particularly focus on the following specific tasks: further development of the regional free trade network, implementation of the MoU on REM and possible extension to gas, freedom of movement and cross-border-co-operation also on a local level and organised crime/corruption, keeping in mind the importance of all these aspects for improving conditions for investment and economic growth in the region.

The Summit should also reiterate its support to the South-East European Co-operation Process (SEECF), which is gradually becoming the voice of the region, and of other regional co-operation initiatives, such as the Adriatic-Ionian Initiative and the Central European Initiative. It shall encourage further co-operation between the Stability Pact and the SEECF, as well as with the Commission, within the framework of the Informal Consultative Committee (ICC). Enhanced co-operation with the SEECF could be facilitated by the establishment of a small SEECF liaison office in the Stability Pact premises in Thessaloniki.

The Stability Pact, as well as other regional co-operation initiatives are encouraged to present concrete proposals, in close co-ordination with the Commission, on how they could further promote the aforementioned ends with a view to develop fully the regional co-operation element of the SAP.

⁴ Conférence des Organes Spécialisés en Affaires Européennes.

2003 Annual Council Review of the SAP for South Eastern Europe

Council conclusions

In line with its conclusions of 9 April 2001, the Council conducted its annual review of the Stabilisation and Association Process for South-Eastern Europe (SAP), covering Albania, Bosnia and Herzegovina, Serbia and Montenegro, Croatia and the former Yugoslav Republic of Macedonia. It welcomed the European Commission's second annual report on the SAP, shared the assessment therein and fully endorsed its recommendations.

The Council underlined the importance of the annual Commission reports on the SAP, which should assist the countries in adopting European values and standards. Recalling that the future of all the SAP countries lies within the EU, the Council recalled the importance of the full respect for the Copenhagen criteria of 1993, the SAP conditionality of 1997 and 1999 and the content of the final declaration of the Zagreb Summit of November 2000, and urged the countries of the region to intensify their efforts for the implementation of the necessary reforms.

The Thessaloniki Summit between the Heads of State and Government of the EU and the countries of the Stabilisation and Association process, to be held on 21 June 2003, will constitute a new and important step in further enhancing the relationship between the EU and the Western Balkan countries. Since the review was concluded on the eve of this important event, the Council, after assessing the general situation in the Western Balkans and in each of the SAP countries, focussed on ways and means to help the countries, in a spirit of mutual benefit, in their reforms efforts and to further strengthen the Union's Stabilisation and Association policy towards the region, in line with the conclusions of the March 2003 European Council in Brussels. The relevant decisions are included in the Thessaloniki Agenda for the Western Balkans, which the Council adopted in a separate document.

GENERAL REVIEW OF THE SITUATION AND ASSESSMENT OF SAP INSTRUMENTS

The Council noted with appreciation that all SAP countries are pushing ahead with political, economic and administrative reforms. Substantial progress has been achieved in terms of reconstruction and stabilisation of the region. Political stability has been enhanced and the functioning of democracy has improved. Civilian control over the military has been strengthened. Regional co-operation has also improved. Macro-economic stability has been sustained and inflation has come down.

However, the Council concurred with the Commission's assessment that shortcomings, slow progress and weak implementation in the reform process in many sectors continued to impede further movement towards their ultimate goal of EU membership. The economic situation in many countries remains weak and fragile, and more needs to be done to ensure a sustainable economic development. In many cases political will for the necessary reforms has not always come up to expectations. The Council underlined the importance of enhancing local ownership of the reform process. Further progress in the rule of law field is required. The Council urges all the SAP countries to strengthen the fight against corruption and organised crime, which still seriously affect the social, political and economic life in the region. Co-operation with ICTY, though improved, remains insufficient. The Council recalls that full co-operation of all countries with ICTY is essential for further movement towards the EU. Despite some progress achieved, much remains to be done concerning the return of refugees and IDP's as well the protection of minorities. Efforts should also be directed at implementing a legal framework aiming at developing civil society and securing the independence of the media.

The EU remained strongly committed to supporting the countries in their own efforts to overcome these shortcomings within the SAP.

The Council, recalling its conclusions of 13 May 2002 on the need for an evaluation of the effectiveness and coherence of the various SAP instruments (mechanisms of preparation for a Stabilisation and Association Agreement, level of implementation of the SAA, Autonomous Trade Measures, CARDS) in reaching the objectives of the SAP, took note of the initial assessment prepared by the Commission. It looks forward to a more detailed and elaborated evaluation, as soon as sufficient data are available, thus allowing an in depth analysis. This analysis should be part of the next SAP review, in March 2004.

The Council stressed particularly the importance of the CARDS program in assisting the beneficiary countries individually, as well as the region as a whole, in their reform efforts. The Council confirmed the importance that the annual CARDS programs, the EU assistance and the actions undertaken by the SAP countries take the recommendations identified in the Commission's annual SAP report into account. As mandated by the CARDS Regulation, the Council is looking forward to receiving, by June 2004, the Commission's evaluation report on this Regulation, together with proposals regarding its future.

Despite a limited increase of exports from the Western Balkans towards the EU, following the preferences that the EU granted to the region through the autonomous trade measures, the Council noted that the SAP countries have not yet reaped the full benefit of these trade preferences. In this respect, measures need to be taken urgently to improve the situation, notably regarding the efficient functioning of the customs authorities, respect of sanitary and phytosanitary requirements and the promotion of a competitive exports capacity.

The presence of the EU Police Mission in Bosnia and Herzegovina as of 1.1.2003, the launch of the EU-led military operation *Concordia* in the former Yugoslav Republic of Macedonia on 31 March 2003, as well as the willingness indicated to lead a military operation to follow SFOR in Bosnia and Herzegovina, are further illustrations of the commitment of the E.U to the region.

INDIVIDUAL ASSESSMENT OF THE SAP COUNTRIES

The Council welcomed the country assessments annexed to the Commission's report. While commending some progress made on the implementation of the recommendations contained in last year's report, it noted with concern that the attention and resources allocated by the countries to that end were not always adequate. The Council reiterated that the speed with which each country moves towards the EU depended on its increasing ability to fulfil all obligations and criteria required of each and every country wishing to join the EU. In this regard, the recommendations contained in the Commission's report, as well as the Council's annual assessment are intended to help the countries focus their attention for the year ahead on specific priority areas.

Equally, the Council recalled the importance it attached to the respect for democratic principles and human rights, the protection of minorities and full implementation of international obligations, including full co-operation with ICTY, the implementation of legal reforms, the development of functioning and democratically accountable administrations, progress towards market economies, and the promotion of regional co-operation, as outlined in the individual country assessments, which are vital for the States' ability to continue progressing on the path towards European integration.

The Council endorsed the recommendations for the next 12 months for each SAP country assessment, and called on each country to swiftly strengthen its record on implementation.

➤ Albania

The Council recalled that political stability and progress on reforms allowed the opening of negotiations with Albania for a Stabilisation and Association Agreement. The continuation and consolidation of a good political climate and a sustainable policy of reforms remain a prerequisite for further progress towards the EU. Focus should be on effective implementation of the reforms. In this context, the Council also underlined the importance for Albania to take the necessary measures to build up the still lacking capacities to implement the future agreement. The means and the independence of the judiciary need continuous strengthening, as well as the fight against corruption and organised crime, including trafficking in human beings and drug trafficking. Reforms in the police should also be considered as a priority. The Council also urged Albania to accelerate the implementation of structural reforms. The Council commended Albania for its continuous constructive regional role. It also stressed the importance of organising and holding the forthcoming local elections in a free, fair and orderly manner. The Council urged the Albanian authorities to redouble their efforts, thus allowing for the SAA negotiations to advance without delays.

➤ Bosnia and Herzegovina

The Council welcomed the important advances achieved, which led to the substantial completion of the road map and the launching by the Commission of the Feasibility Study. The Council remained concerned at the fragility of the state institutions and the lack of sufficient support by the entities, which are vital in order for Bosnia and Herzegovina to move closer to the EU. It highlighted the responsibility of the present government, the first one elected for a four-year term, in transforming Bosnia and Herzegovina into a self-sustaining State. The Council also underlined the importance of enhancing local ownership. It expressed its full support to the efforts of EUSR/HR Lord Ashdown. The Council called upon BiH authorities to redouble their efforts to fully co-operate with ICTY.

Following the positive results achieved so far in the field of return of refugees and IDPs, it stressed the need for this issue to remain a priority, with an emphasis on sustainability. It called upon the BiH authorities to resolutely engage into reforms in order to move towards the EU. It reminded the BiH authorities that the positive outcome of a Feasibility Study, which would allow for the opening of negotiations for a SAA, was dependent on their active commitment and ability to implement vigorous reforms. It finally expressed its confidence that, in its capacity as chairman in office of the SEECP, Bosnia and Herzegovina will further promote regional co-operation and initiatives.

➤ Croatia

The Council welcomed the considerable progress made by Croatia over the last years in various areas. It also recalled that the country's application for EU membership is currently under examination by the Commission. However, the Council noted the ongoing need for reform in some sectors. Despite some progress on the relevant legislation, the judiciary remains an area of particular concern. Achieving full co-operation with ICTY, including with regard to access to military archives, remains of utmost importance. The Council expects more progress regarding the implementation of the recently adopted media legislation and Constitutional law on minorities. Progress is also required on refugee return, in which very little was achieved in the last year, in particular with regard to the integration of the Serb minority.

➤ Former Yugoslav Republic of Macedonia

The Council welcomed the progress achieved in the field of political stability and the implementation of the Ohrid Framework Agreement. It recalled that the full and rapid implementation of this agreement remains the only way for former Yugoslav Republic of Macedonia (fYROM) to move towards the EU. It expected all political forces to honour the agreement reached, and to unite their efforts in order to address in good faith the series of outstanding serious social, political and economic issues, which continue to impede the country's development. The Council emphasised its commitment to a multi-ethnic and democratic fYROM. While welcoming initial progress, the Council also noted the need to accelerate the pace of reforms, including administrative, economic and security sector reforms. The authorities also need to step up the fight against organised crime, corruption and human rights violations. The Council also called on fYROM to comply fully with the obligations arising from the Interim Agreement, and to continue building up the necessary capacities to implement the Stabilisation and Association Agreement.

➤ Serbia and Montenegro

The Council welcomed the adoption of the Constitutional Charter and the Implementing Law, which provided for the restructuring of the state and the presentation of the Internal Market and Trade Action Plan, on which the Commission will work energetically with the authorities to solve some still outstanding problems with a view to a rapid launching of a Feasibility Study. The Council reiterated its strong support for the state union, the full functionality of which remained a key element for further rapprochement towards the EU and the stability of the region. In light of the slower-than-hoped-for progress regarding the necessary reforms, caused by the long debate on constitutional issues that distracted attention from other priority areas, the Council expected the authorities to increase now the pace of reforms and their implementation. The Council expressed its appreciation for the recent progress achieved by the Serbian authorities against organised crime structures in the aftermath of the assassination of PM Djindjic, as well as in the reform of the Ministry of defence. Co-operation with ICTY however must improve, particularly as regards all indictees who are still at large and full access to documents and witnesses requested. The dialogue at expert level, aiming at accelerating the pace of necessary reforms, should also be continued.

The Council stressed also the need for a multiethnic and democratic Kosovo to further advance towards the EU within the SAP, in full compliance with UNSC resolution 1244. Sustainable returns and integration of refugees, as well as economic development to the benefit of the entire population should remain top priorities. Expressing its support to the standards before status policy, the Council called upon the provisional institutions to focus more on building the necessary capacities for reforms and their implementation, within the framework of the transferred competencies. The Council recalled the importance it attributes to a dialogue between Belgrade and Pristina on practical issues of mutual interest."