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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

EU Enlargement Strategy

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I. THE ENLARGEMENT AGENDA – ACHIEVEMENTS AND CHALLENGES

This Communication sets out a medium-term strategy for EU enlargement policy to cover the period of the mandate of the Commission. It provides clear guidance and sets out the framework and tools to support the countries concerned to address the core issues and requirements of the accession process. It provides a clear opportunity for the aspiring Member States to make both significant progress on their respective EU paths in the period ahead as well as to reap benefits of closer integration already before accession.

The EU's enlargement policy is an investment in peace, security and stability in Europe. It provides increased economic and trade opportunities to the mutual benefit of the EU and the aspiring Member States. The prospect of EU membership has a powerful transformative effect on the countries concerned, embedding positive democratic, political, economic and societal change.

The most recent enlargements to central and eastern Europe have provided many new opportunities for EU citizens, companies, investors, consumers and students from new and established Member States. Trade and investment have increased. The EU's single market is the largest in the world, serving 500 million citizens and generating 23% of world GDP.

Enlargement is a strict but fair process built on established criteria and lessons learned from the past. Ensuring future Member States are well prepared is crucial for the credibility of enlargement policy, as well as for public support in both current and future Member States. Each country is assessed on the basis of its own merit so as to provide incentives to pursue far-reaching reforms.

The current enlargement agenda covers the countries of the Western Balkans and Turkey¹. Accession negotiations have been open with Turkey since 2005 but are moving forward only slowly. Accession negotiations have been underway with Montenegro since 2012 and with Serbia since 2014. The EU accession process with the former Yugoslav Republic of Macedonia – a candidate country since 2005 – remains at an impasse. Albania was granted candidate status in 2014 and is addressing a number of key priorities before the Commission can recommend the opening of accession negotiations. A Stabilisation and Association Agreement (SAA) with Bosnia and Herzegovina entered into force in June. An SAA with Kosovo* was signed in October.

While there has been important progress by many countries in many areas over the past year, the challenges faced by these countries are such that none will be ready to join the EU during the mandate of the current Commission, which will expire towards the end of 2019. All countries face major challenges with respect to the rule of law. Judicial systems are not sufficiently independent, efficient or accountable. Serious efforts are still needed to tackle organised crime and corruption.

While fundamental rights are often largely enshrined in law, shortcomings persist in practice. Ensuring freedom of expression is a particular challenge, with negative developments in a number of countries. Public administration reform needs to be pursued with vigour, to ensure the necessary administrative capacity as well as to tackle high levels of politicisation and a lack of transparency. The functioning of democratic institutions also requires attention. In terms of democratic transformation, national parliaments need to be at the heart of the reform process in each of the enlargement countries to ensure democratic accountability and inclusiveness, a pre-requisite not least for a successful reform process.

There is a need to work even more closely with local civil society actors to anchor reforms across society.

¹ Following a decision of Iceland's government, Iceland is no longer engaged in accession negotiations.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/99 and the ICJ Opinion on the Kosovo declaration of independence.

The Western Balkans and Turkey have been seriously affected by the refugee crisis. Conflicts such as the civil wars in Syria and Iraq have resulted in substantially increased refugee flows through Turkey and the Western Balkans. Turkey is providing substantial support to more than 2 million Syrian refugees on its territory. The Western Balkans, in particular the former Yugoslav Republic of Macedonia and Serbia, have managed an influx of more than two hundred thousand third country nationals transiting their countries since the beginning of the year.

Increased cooperation with the wider region is urgently required to address this phenomenon, in order to identify people in need of protection, to provide assistance, to secure the EU's external borders and to dismantle criminal networks engaged in people smuggling. The EU is providing substantial support to this end. Moreover, the Commission has proposed that the EU list of safe countries of origin include all enlargement countries. In October, the European Council welcomed the Joint EU-Turkey Action Plan for refugees and migration management as part of a comprehensive cooperation agenda based on shared responsibility, mutual commitments and delivery. The response to the current refugee crisis was discussed at the high-level conference on the Eastern Mediterranean and Western Balkans route on 8 October in Luxembourg and at a meeting on 25 October on the Western Balkans migration route where leaders from Albania, Austria, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Germany, Greece, Hungary, Romania, Serbia and Slovenia agreed on a 17-point plan of action.

Most countries also face significant challenges in terms of economic governance and competitiveness, with low levels of investment and high levels of unemployment. Income levels remain very low compared to those in the EU and convergence towards the EU is also slow. With the notable exception of Turkey, most of these economies are small with limited exports. Economic reforms are crucial for job creation and growth and increasing the interest of investors. In this Communication particular emphasis is given to regional cooperation and boosting regional economic development and connectivity. Important progress has been achieved here, notably through the "Berlin process" and the "Western Balkans Six" format, which brings together heads of state and government from the region and is strengthening the countries' ownership of regional co-operation.

The longer-term nature of the challenges faced by the enlargement countries underlines the need to reaffirm the strong focus on the principle of "fundamentals first" in the accession process. Progress is being made, particularly with the introduction of legislation and establishment of necessary administrative structures. However, across the board, effective implementation is very often lacking. The Commission will continue to focus its efforts on ensuring that countries prioritise reforms in the key areas of rule of law, including judicial reforms and tackling organised crime and corruption, fundamental rights, including freedom of expression and fighting discrimination, notably against the LGBTI community and Roma, and the functioning of democratic institutions including public administration reform. It will also work on promoting economic development and strengthening competitiveness. This focus on the fundamentals linked to core EU values will be the backbone of enlargement policy under this Commission.

Enlargement needs to be understood as a process which supports reform and the fundamental changes needed to meet the obligations of EU membership. Such changes inevitably require time. This makes it all the more important to reaffirm unequivocally the European perspective of the enlargement countries. If the prospect of moving forward on the road to the EU is seen as real and credible, the risk of countries turning away from the EU will be mitigated, as will the risk of disillusionment with the process or even failing in or backsliding on reforms. Enlargement can only be of benefit to the EU and to partner countries if there is genuine, sustainable reform. Through this process countries will become fully ready to join the EU and be able to reap the benefits and assume the obligations that arise from membership.

This Commission has introduced this year a strengthened approach to its assessments in the annual reports. In addition to reporting on progress, much more emphasis is put on the state of play in the countries and where they stand in terms of preparedness for taking on the obligations of membership. At the same time, the reports provide even clearer guidance for what the countries are expected to do in both the short and long term. Harmonised assessment scales are used to assess both the state of play and the level of progress, increasing comparability between the countries. The new style of reporting

provides greater transparency in the accession process. This should facilitate greater scrutiny of reforms by all stakeholders. This new approach has been applied in particular to a number of pilot areas directly linked to the fundamental reform required on the EU path. Further details are provided in annex 2.

A stronger role for civil society organisations and a much more supportive and enabling environment to foster their development is needed in the enlargement countries. This is necessary to enhance political accountability and promote deeper understanding of accession related reforms. Public understanding of the benefits that the EU has already brought and can bring to the region is vital to encourage political leaders to pursue the required reforms vigorously. Effective communication on how the enlargement process works its implications for citizens' lives remains essential for ensuring public support. This requires a joint effort of the EU and its Member States as well as of the governments and civil society in the enlargement countries.

For the countries of the Western Balkans, the clear perspective of EU membership is a key stabilising factor. It supports progress towards fulfilment of the necessary conditions, including those of the Stabilisation and Association Process. Good neighbourly relations and inclusive regional cooperation are essential. Engagement, both bilaterally and regionally, is also at a level unseen thus far. At the same time, continuous efforts are needed to tackle bilateral issues among enlargement countries and with Member States, including under UN auspices where relevant. This should contribute to overcoming the legacy of the past, particularly in the Western Balkans, where despite much progress, the wounds of recent conflicts still need time to fully heal. Supporting stability and prosperity in the Western Balkans is an investment not only in the future of the region, but also in the EU's own interest.

As regards Turkey, the encouraging positive steps on the Cyprus settlement talks offer an important opportunity for increased engagement across the board, including in the accession negotiations.

To support reform efforts in all enlargement countries, the Commission aims to make maximum use of existing mechanisms and fora, whether through the structures of the Association Agreement/Stabilisation and Association Agreements, the accession negotiations or Commission-led country-specific initiatives such as high-level dialogues. The Commission will also continue to ensure appropriately targeted financial support under the Instrument for Pre-Accession Assistance (IPA II). Through IPA II, the EU is providing €11.7 billion for the period 2014-2020 to support the enlargement countries in their preparation for accession as well as regional and cross-border cooperation. IPA support will also fund measures promoting economic development and growth and assist the countries in dealing with the effects of the current refugee crisis. An overview of the EU funding provided to the Western Balkans and Turkey for the period 2007-2014 to support the enlargement strategy, including results and impact, is available on the website of the European Commission.

II. REAFFIRMING THE FOCUS ON THE FUNDAMENTALS

Enlargement policy remains focused on the "fundamentals first" principle. Core issues of the rule of law, fundamental rights, strengthening democratic institutions, including public administration reform, as well as economic development and competitiveness remain key priorities in the enlargement process. These issues reflect the importance the EU attaches to its core values and general policy priorities.

The political, economic and institutional fundamentals are both indivisible and mutually reinforcing. The rule of law and economic development can be seen as two sides of the same coin. Strengthening the rule of law increases legal certainty, encourages and protects investment and contributes significantly to supporting economic development and competitiveness. Conversely, economic reforms and integration have the capacity to stabilise countries in the longer term. It is imperative that the enlargement process facilitates these synergies, to provide a stronger impetus to economic reforms

so that the aspiring Member States enjoy the benefits of functioning market economies with a strong rule of law before they join, thus contributing to the well-functioning of the Union as a whole.

Properly addressing the fundamentals is key to meeting the Copenhagen and Madrid² membership criteria. It will also help ensure both the future and current Member States can fully reap the benefits of future EU enlargement.

The focus on fundamentals is reflected in the specific areas subject to the strengthened reporting in the country reports. Further details on these areas (judiciary, fight against corruption and organised crime, freedom of expression, economic criteria, public administration reform, public procurement, statistics and financial control) are included in the annex.

a) Rule of Law

The rule of law is a fundamental value on which the EU is founded and is at the heart of the accession process. Countries aspiring to join the Union need to establish and promote from an early stage the proper functioning of the core institutions necessary for securing the rule of law. The rule of law is not only a fundamental democratic principle but also crucial for a stable business environment, providing legal certainty for economic operators, supporting consumers and stimulating investment, jobs and growth.

Strengthening the rule of law remains a key challenge for most of the countries in the enlargement process, in particular in terms of improving the functioning and independence of the judiciary, which continues to be undermined by examples of selective justice and political interference in the work of judicial bodies. In the fight against organised crime some success in prosecuting individuals is not matched in terms of dismantling criminal networks and confiscating assets. Corruption also remains widespread in all countries, with continued impunity, especially for high level corruption. Further progress in these fields will require strong political will, leading to tangible results.

There have been some positive developments on the rule of law over the past year. This has been primarily in terms of putting in place legal frameworks and institutional structures. In Montenegro for example, good progress has been achieved in this regard since the opening of negotiations. Implementation now needs to be fully ensured.

The last twelve months have also seen a number of serious threats to the rule of law. In Turkey, the independence of the judicial system has been undermined not only by political interference in individual cases and reassignment of judicial and law enforcement officials, but also by judges being arrested or moved for their rulings. The wiretapping case in the former Yugoslav Republic of Macedonia has also brought to light widespread attacks on the rule of law, abuses of fundamental rights and weaknesses in the democratic functioning of the State. These issues need to be urgently addressed. These shortcomings have occurred despite many rule of law and other reforms having been introduced both in terms of legislation and the establishment of relevant institutional structures. These examples highlight the importance of countries in the enlargement process delivering on reforms in practice and not only on paper.

This also underlines the importance of continued strong attention to rule of law issues in the accession process and, in particular, implementation of the new approach in the accession negotiations to Chapters 23-Judiciary and fundamental rights and 24-Justice, freedom and security. This approach, introduced by the Commission in 2012, prioritises reforms in the rule of law field, ensuring they are addressed as early as possible in the accession process. This allows the countries maximum time before accession to build up a track record of concrete results ensuring the sustainability of reforms. For example, countries need to build up credible track records of investigations, prosecutions and final

² This concerns in particular building the necessary administrative capacity to effectively implement the acquis.

convictions in cases of organised crime and corruption, including at high-level, with adequate sentencing and confiscation of assets.

As in a number of EU Member States, the region has also been affected by the phenomenon of foreign terrorist fighters and increasing radicalisation. Several hundred persons have left the region to fight in areas of conflict such as Syria and Iraq. A comprehensive strategy with the requisite political support is needed to effectively prevent and counter radicalisation, in close co-operation with religious leaders and communities, social and front-line workers, the education system and youth organisations. Cases of hate speech need to be addressed more forcefully. A dedicated approach by the intelligence and law enforcement community is required to disrupt terrorist activity and prevent terrorist travel and the flow of illegal weapons. A coherent judicial policy towards offenders is also needed.

b) Fundamental rights

Fundamental rights are at the heart of EU values and an essential element in the accession process. Fundamental rights are largely enshrined in the legislation of the enlargement countries but more needs to be done to ensure they are fully implemented in practice.

Freedom of expression and media remains a particular concern. Already in 2014 instances of backsliding were noted in this field. This trend has continued in 2015. There has been undue political interference in the work of public broadcasters in the Western Balkans, as well as intimidation of journalists and limited progress with media self-regulation. Freedom of expression has also been further curtailed in Turkey, both through legislative changes as well as in practice through prosecutions for allegedly insulting high level politicians, including the President, and through high fines having a deterrent effect on free media reporting. The Commission continues to prioritise work on freedom of expression and the media in the EU accession process. On 4 November 2015, the Commission held the third edition of the Speak-Up! Conference, bringing together key stakeholders from the media, civil society and national authorities to address key challenges and strengthen efforts to support freedom of expression in the region.

There is a need to better protect minorities, in particular Roma. Roma in the Western Balkans and in Turkey continue to be the victims of racism, discrimination and social exclusion and most Roma live in deep poverty, lacking sufficient access to healthcare, education and training, housing and employment.

Discrimination and hostility towards other vulnerable groups, including on grounds of sexual orientation or gender identity, is also a serious concern. A zero tolerance approach is needed to violence, intimidation and hate speech against these and other vulnerable persons. Further work is required to promote equality between women and men, including tackling domestic violence, to improve the rights of the child and support persons with disabilities, as well as better facilitate access to justice. A more robust institutional framework for the protection of fundamental rights is needed, especially to promote the work of Ombudsmen and to support the work of non-governmental organisations (NGOs) and human rights defenders.

c) Economic development and competitiveness

Becoming a member of the EU is not just about complying with EU rules and standards; it is also about making a country economically fit for membership to make sure that it can reap all the benefits of EU accession, while at the same time contributing to the growth and prosperity of the EU economy.

Significant challenges remain in all enlargement countries in terms of economic reform, competitiveness, job creation, fiscal consolidation and inclusive growth. While all enlargement countries have largely maintained overall macroeconomic stability and modest recovery is continuing, all Western Balkan countries face major structural economic and social challenges, with high unemployment rates and low levels of revenues. Infrastructure and education systems need to be improved. A lack of attractive job opportunities domestically is reflected in a number of countries in significant inflows of remittances from abroad. In Kosovo and in Bosnia and Herzegovina these make up over 11% and 12.6% of GDP respectively. While these remittances partially offset persistent trade deficits and fuel consumption, they also reduce the incentive to work.

Legal certainty, a functioning independent judicial system to enforce fundamental rights, including property rights, a functioning public administration and uniform application of rules are also preconditions to attract investors and to stimulate economic growth and jobs. Weaknesses with the rule of law, the enforcement of competition rules, public financial management and frequent changes in permits and taxes exacerbate the risk of corruption, negatively impacting on the investment climate. The Western Balkans suffers from low levels of industrialisation as well as low productivity of the existing industrial enterprises and weaknesses with governance of the industrial sector. These factors explain why foreign investment in the Western Balkans remains modest; this hampers the necessary transfer of best practice and know-how, and hence faster productivity growth.

Latest economic developments and projections include:

- ⇒ Macro-economic stability has been largely maintained in the enlargement countries but fiscal consolidation remains a challenge, with high public debt an issue in a number of countries.
- ⇒ The candidate countries in the Western Balkans are expected to grow by 2.5% on average in 2015.
- ⇒ This increased rate of growth has not translated into more jobs, however. Unemployment remains high, particularly among the young and women, and is on average around 22% in the Western Balkans, but much higher in Bosnia and Herzegovina, Kosovo and the former Yugoslav Republic of Macedonia. High poverty levels remain a serious concern.
- ⇒ The EU is the main trading partner for the Western Balkan countries, receiving approximately 60% of the exports from the region. The EU is also by far the biggest provider of foreign direct investment.
- ⇒ In 2014, Turkey has seen growth stabilise at 2.9%, down from 4.2% the year before. Slightly stronger growth is forecast for 2015. The Turkish lira has weakened and the current account deficit narrowed from almost 8% of GDP in 2014 to less than 6% in 2015, reflecting lower domestic demand growth and lower energy prices. Turkey's recent economic performance illustrates both the high potential and the continuing imbalances of its economy.
- ⇒ The EU remains the main trading partner of Turkey with over 40% of its exports going to the EU. Turkey has become an investment base for European business with increasing integration into the EU's supply and production chain. Around 60% of the foreign direct investments in Turkey come from the EU.

Building on the experience of EU Member States in the European Semester, the Commission is strengthening its support to improving economic governance and competitiveness in enlargement countries. This should help the enlargement countries to release the potential for sustainable growth

and job creation, to better plan and sequence structural reforms and, ultimately, to meet the economic criteria. This support is particularly important in relation to the Western Balkan countries since none of them is yet considered to be a functioning market economy.

In early 2015 all enlargement countries submitted Economic Reform Programmes addressing both the medium-term macroeconomic and fiscal policy framework as well as, for the countries of the Western Balkans, structural reforms. Based on the Commission's analysis of these programmes and its recommendations, finance ministers from the EU and the countries concerned met in May 2015 and adopted joint recommendations on the reforms needed to support long-term growth and competitiveness. These recommendations are fully reflected in the Commission's underlying annual reports which provide further guidance for reform priorities. IPA funding is also being better targeted.

From next year, the Economic Reform Programmes will be presented as a single integrated document with a stronger focus on employment and social challenges. The Economic Reform Programmes exercise will continue on an annual basis.

As regards Turkey, this country and the EU have a shared interest in promoting economic reform, exchanging experience, aligning positions in the G20 and deepening economic integration. The Commission has launched a comprehensive impact assessment that will underpin a negotiation mandate for a modernisation and extension of the EU-Turkey Customs Union. The aim is to enhance trade relations to a level commensurate with the strategic importance of EU-Turkey relations and the significance of their economic exchanges. An EU-Turkey high-level economic dialogue will be launched, complemented by an EU-Turkey business forum and the high level energy dialogue will be pursued.

Increasing competitiveness and introducing measures fostering job creation in the region should mitigate migratory pressures from the enlargement countries to the EU. Similar to the situation in the past, the possible need for and nature of transitional measures and/or a safeguard mechanism on the free movement of workers will be addressed in the course of accession negotiations on future enlargement, taking into account a future impact assessment.

d) Functioning of democratic institutions and public administration reform

The proper functioning and stability of core institutions guaranteeing democracy remains to be fully addressed. Democratic institutions remain fragile in a number of countries. A culture of compromise building is lacking, with the role of national parliaments underdeveloped. Boycotting of parliament has occurred in the reporting period in the former Yugoslav Republic of Macedonia, Albania and Montenegro. In Kosovo and Montenegro, members of the opposition have been involved in incidents of violence against the government. Parliamentary scrutiny is often undermined by excessive use of urgent procedures for legislation, weak parliamentary committee systems and procedures and insufficient stakeholder consultation, with minimal input from experts.

While there are fewer issues to be addressed around the conduct of free and fair elections as such, elections are often seen as an opportunity to gain political control of state institutions. Public administration reform is key in this regard, including professionalisation and de-politicisation of the civil service.

Public administration reform is together with the rule of law and economic governance a cross-cutting issue of fundamental importance for success in political and economic reforms and building a basis for implementing EU rules and standards.

A well-functioning public administration is necessary for democratic governance and accountability. The quality of administration also directly impacts governments' ability to provide public services, to prevent and fight against corruption and to foster competitiveness and growth. Embedding meritocratic principles in the management of the civil service and ensuring adequate administrative procedures are essential. There has been progress over the past year in some countries but much more remains to be done.

Countries also need to find an appropriate balance between central, regional and local government that best supports implementation of reforms and the delivery of services to citizens. The role of regional and local authorities in the EU alignment process and eventual application of EU rules is also key.

Citizens have not only a right to good administration, but also to be actively involved in policy-making. More needs to be done to strengthen participatory democracy and develop dialogue between decision makers and stakeholders. An empowered civil society is a crucial component of any democratic system. It enhances political accountability and social cohesion, deepening understanding and inclusiveness of accession-related reforms, as well as supporting reconciliation in societies divided by conflict.

In some cases, a more supportive and enabling environment needs to be developed that improves the conditions for policy dialogue and non-partisan input to the decision making process, supported by good quality statistics provided by independent national statistical bodies. The independence and effectiveness of key bodies such as the ombudsman and state audit institutions need to be ensured and their recommendations appropriately followed-up.

III. REGIONAL COOPERATION

a) The connectivity agenda

Connectivity is at the very heart of the Commission's efforts to promote integration among the individual countries and between these countries and the EU. Such efforts also serve to drive forward their European perspective. Improving connectivity requires both investments to improve transport and energy infrastructure and the implementation of "soft" measures to open markets, remove barriers to integration and create a transparent regulatory environment.

Improved connectivity within the Western Balkans and with the EU is a key factor for growth and jobs, as it strengthens the countries' backbone of competitiveness. It will bring clear benefits for citizens in the aspiring Member States already before accession and open opportunities for EU investors. The connectivity agenda is closely linked to economic governance and the Economic Reform Programmes prepared by the enlargement countries. In addition the connectivity agenda contributes to building bridges in the region, developing good neighbourly relations and promoting peace and reconciliation.

Important progress is being made in the context of the 'Berlin process' and the Western Balkans Six format, which is supporting a regional approach to setting realistic priorities for core connectivity infrastructure projects and investments as well as encouraging necessary reforms. In Vienna in August, heads of State and government from both the region and a number of Member States took stock of progress and agreed priorities for further infrastructure developments.

In the area of **transport**, the Vienna Summit built on the agreement of the countries of the Western Balkans in April 2015 on the core network and in June 2015 on extending three Trans-European Transport Networks core corridors to the Western Balkans. The countries identified the priority projects along sections of these corridors to be implemented by 2020. To ensure sustainability and also achieve short term results, the countries agreed to implement before the next summit in Paris in summer 2016 a number of soft measures such as aligning and simplifying border crossing procedures, road safety and maintenance schemes. This will also be supported by completing the Transport Community Treaty which will promote integration of land transport markets and infrastructure whilst helping the Western Balkan countries implement EU land transport standards.

A selection of priority projects among the already agreed 35 Projects of **Energy** Community Interest (PECI) was also identified, notably power interconnectors. In addition, the countries have agreed to take steps to establish a regional electricity market. Measures that will allow results to be achieved also in the short term include ensuring full compliance with existing legal requirements under the

Energy Community Treaty, including in the fields of unbundling, third party access, and strengthening regulatory independence.

As regards climate change, aspiring Member States will need to carry out significant reforms consistent with the EU2030 framework for climate and energy policies and implement their international climate commitments.

The investment projects identified will require significant funding and co-financing including through the Western Balkans Investment Framework in order to support investments boosting jobs and growth and promoting connectivity in the region. Coordination with international financial institutions (IFIs) is being strengthened. The Western Balkan countries have established National Investment Committees that have elaborated draft single project pipelines which will need to become credible planning and prioritisation mechanisms ensuring that the countries have the budgetary resources and fiscal space to take up the necessary loan financing to get all the projects implemented on time.

Youth and education is another key priority. The Commission welcomes the agreement on the "Positive agenda for the Youth in the Western Balkans" and the agreement at the Western Balkans Platform on Education and Training on eleven regional projects aimed at supporting reforms and increasing capacity. The initiatives under the Erasmus+ programmes will be further promoted including the specific Youth window, as well as entrepreneurship. The Commission also supports the Regional Cooperation Council's work with the countries on mutual recognition of diplomas which would improve regional mobility and make labour markets more efficient.

Further **market integration** is another priority for the region. Through the Central European Free Trade Area (CEFTA), tariffs and quotas for agricultural and industrial products have been eliminated. The limited intra-regional trade flows are largely a consequence of uncompetitive businesses. Countries have identified specific competitiveness measures in the Economic Reform Programs they submitted to the European Commission in January 2015. It will also be important to get the right mix of incentives for business, avoiding damaging tax competition. The Commission will conduct a comparative study on business incentives.

In the field of **ICT and electronic communications**, the EU digital single market should be seen as a model for the enlargement countries to ensure better access for consumers and businesses to digital goods and services; to create the right conditions and a level playing field for digital networks and innovative services to flourish; and to maximise the growth potential of the digital economy. The Regional Cooperation Council and the countries, through the e-SEE initiative, have already started working on concrete cooperation in this field, such as a roaming-free zone in the Western Balkans.

The Commission fully supports the work of the South-East European Cooperation Process and the RCC, including the Regional 2020 strategy and its emphasis on supporting economic cooperation and development in the region. The Commission welcomes the intensification of the work of the Western Balkans Six initiative, which has also supported the focus on connectivity under the Berlin process.

The Commission will continue to support the work on these areas and to explore with the countries of Western Balkans new areas of co-operation. This will include EU best practices for regional priority setting such as the Smart Specialisation Strategy, which can encourage further investment in research and innovation and vocational education and training.

b) Good neighbourly relations and regional cooperation

Good neighbourly relations and regional cooperation are essential elements of the Stabilisation and Association and enlargement processes, which continue to drive transformation and anchor stability in the countries of south-east Europe aspiring to EU membership. There have been intensified contacts and cooperation at bilateral and regional level, also in sensitive areas such as war crimes, refugee return, organised crime and police cooperation. Good neighbourly relations also continue to be

reinforced through various regional cooperation initiatives. Regional contacts at prime ministerial and ministerial level have also been increasingly frequent. It is important that these initiatives are complementary, inclusive and regionally-owned and driven. In August, border agreements were signed between Montenegro and Bosnia and Herzegovina, and Montenegro and Kosovo. Regional cooperation on environmental issues should continue, with particular attention to flood prevention and water (trans-boundary river basins), air pollution and nature protection (cross-border protected areas).

At the same time further efforts are needed to overcome **bilateral disputes** among enlargement countries and with Member States. Many unresolved issues continue to burden bilateral relations in the region, especially those stemming from the break-up of the former Yugoslavia such as inter-ethnic and status disputes, the situation of minorities, accountability for war crimes, displaced persons, missing persons and border demarcation. Reconciliation and responsible political leadership is essential to promote stability and support the creation of an environment in south-east Europe conducive to overcoming the legacy of the past, thereby minimising the risk of open bilateral issues being politically instrumentalised or new disputes arising. Greater support in the region should be provided to reconciliation efforts such as through the truth and reconciliation initiative of the Coalition for Reconciliation Commission (RECOM).

Bilateral issues need to be addressed by the parties concerned as early as possible and should not hold up the accession process, which should be based on established conditionality. The Commission urges parties to make every effort towards solving outstanding disputes in line with established principles and means, including referring issues as appropriate to the International Court of Justice or other existing or ad hoc dispute settlement bodies. The positive climate surrounding the Vienna summit in August - when the leaders of the Western Balkan countries signed an agreement committing not to block each other's EU progress and to make use of international arbitration whenever bilateral issues cannot be resolved by the parties concerned – is welcome and should be further built on.

There has been important progress in the process of normalisation between Serbia and Kosovo, with further landmark agreements in August. This process needs to be followed up and all agreements (including the Brussels Agreement³) need to be implemented. The EU has integrated the requirement for normalisation of relations into the framework for accession negotiations with Serbia and into the SAA with Kosovo. As regards the former Yugoslav Republic of Macedonia, maintaining good neighbourly relations remains essential, including a negotiated and mutually acceptable solution to the name issue, under the auspices of the UN, which needs to be found without further delay.

The Commission will continue to offer political support to all countries concerned to find solutions to bilateral issues as early as possible and continue to actively support the efforts in other fora to find solutions.

The Commission welcomes the support of **Turkey** to the resumption of the UN-led settlement talks in Cyprus. It is now important that progress is made on these talks as soon as possible. In line with the repeated Council and Commission positions from previous years, it is now urgent that Turkey fulfils its obligation of fully implementing the Additional Protocol and makes progress towards normalisation of relations with the Republic of Cyprus. This could provide new momentum to the accession process. The Commission also urges the avoidance of any kind of threat, source of friction or action that damages good neighbourly relations and the peaceful settlement of disputes. The Commission stresses all the sovereign rights of EU Member States. This includes, inter alia, the right to enter into bilateral agreements and to explore and exploit natural resources in accordance with the EU acquis and international law, including the UN Convention on the Law of the Sea.

³ April 2013 'First agreement of principles governing the normalisation of relations'.

IV. CONCLUSIONS AND RECOMMENDATIONS

Based on the above analysis and the assessments in the country summaries in annex, the Commission puts forward the following **conclusions** and **recommendations**:

I

1. The EU's enlargement policy is an investment in **peace, security and stability** in Europe. It provides increased economic and trade opportunities to the mutual benefit of the EU and the aspiring Member States.
2. The enlargement countries must meet the well-established criteria in order to join the EU. A rigorous accession process, built on strict but fair **conditionality and the principle of own merits**, is crucial for the credibility of enlargement policy, for providing incentives to enlargement countries to pursue far-reaching reforms and for ensuring the support of EU citizens.
3. The challenges faced by the enlargement countries are such that none will be ready to join the EU during the mandate of the current Commission. This underlines the need to reaffirm the strong focus on the principle of "**fundamentals first**" in the accession process, which will be the **backbone of enlargement policy** under this Commission.
4. Accordingly, the Commission will continue to focus its efforts on ensuring that countries prioritise reforms in the fields of **rule of law**, including judicial reforms and tackling organised crime and corruption, **fundamental rights**, including freedom of expression and fighting discrimination, notably against the LGBTI community and Roma, and the functioning of democratic institutions, including **public administration reform**. It will also work on promoting **economic development** and strengthening competitiveness.
5. The **fundamentals are both indivisible and mutually reinforcing**. Strengthening the rule of law increases legal certainty, encourages and protects investment and contributes significantly to supporting economic development and competitiveness. It is imperative that the enlargement process facilitates these synergies, to provide a stronger impetus to economic reforms so that the aspiring Member States enjoy the benefits of functioning market economies with the rule of law before they join, and contribute to the well-functioning of the Union as a whole.
6. The Western Balkans and Turkey have been seriously affected by the **refugee crisis**, with Turkey in particular playing a crucial role in providing humanitarian support to refugees. Increased cooperation with the wider region is urgently required to address this phenomenon, in order to identify people in need of protection, to provide assistance, to secure the EU's external borders and to dismantle criminal networks engaged in people smuggling. The EU is providing substantial support to this end. Moreover, the Commission has proposed that the EU list of safe third countries include all enlargement countries.
7. The clear perspective of EU membership for the Western Balkans is a key stabilising factor in a region where continued efforts are needed to overcome the legacy of the past and foster reconciliation. **Good neighbourly relations and regional cooperation** are essential elements of the Stabilisation and Association Process and good progress has been achieved in the past year.
8. The Commission is providing strong support to the **connectivity agenda**, which saw important progress at the Vienna Summit in August. Agreement has been reached on the core transport network and key transport and energy infrastructure projects will now be implemented. The Commission will continue to support this process, including with significant funding from the Instrument for Pre-Accession Assistance.
9. This Communication sets out an **overarching medium-term strategy for EU enlargement policy**. The Commission will continue to adopt annual communications to take stock of

progress, draw conclusions, make recommendations on thematic or country issues and propose adjustments to the overall strategy as necessary.

10. The Commission has introduced a new, strengthened approach to its assessments in its **annual country reports** on a pilot basis in a number of key reform areas. In addition to reporting on progress, much more emphasis is put on the actual level of preparedness for taking on the obligations of membership and providing clearer guidance to the countries on addressing reforms. This will increase transparency, facilitating greater scrutiny of the reform process by all stakeholders, including civil society, for which a more enabling environment needs to be developed. The more harmonised assessments also increase comparability between the countries.

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17. **Turkey:** Turkey is a key partner for the European Union. Over the past year, the EU and Turkey continued to enhance cooperation in key areas of joint interest. Turkey is facing serious foreign policy and security issues, including the rising threat of terrorism. Turkey is also at the forefront of a major refugee crisis and is providing substantial support to more than 2 million Syrian refugees on its territory. Increased political dialogue, cooperation and partnership between the EU and Turkey are crucial. The European Council welcomed the Joint Action Plan for refugees and migration management as part of a comprehensive cooperation agenda based on shared responsibility, mutual commitments and delivery. The EU and its Member States expressed readiness to increase cooperation with Turkey and step up their political and financial engagement substantially within the established framework. Successful implementation of the Joint Action Plan will contribute to accelerating the fulfilment of the visa liberalisation roadmap towards all participating Member States and the full implementation of the readmission agreement. Progress will be assessed in spring 2016, by which time the Commission will issue the second visa implementation report.

Turkey's progress on reforms has however been held back by a context of repeated elections and political confrontation. Significant shortcomings affected the judiciary. The situation regarding freedom of expression and freedom of assembly continued to deteriorate. The settlement process of the Kurdish issue has come to a halt. As regards alignment with the EU acquis more broadly, Turkey has reached a good level of preparation in many areas. Turkey is a functioning market economy with moderate growth but it still needs to address macroeconomic imbalances and conduct further structural reforms. The EU and Turkey have intensified their work to raise the profile of joint economic and trade relations, including by endorsing the principles of a modernisation and extension of the Customs Union and improving policy dialogue in the energy sector.

The EU stands ready to re-engage with Turkey on the entire spectrum of our shared agenda. Turkey needs to reinvigorate reforms in the areas of rule of law and fundamental rights. It is imperative that the peace talks resume without delay. The Commission looks forward to work on these key priorities with the new government following the elections on 1 November.

The European Council also concluded that the accession process needs to be re-energised with a view to achieving progress in the negotiations in accordance with the negotiating framework and the relevant Council conclusions. The Commission has proposed the opening of Chapter 17 and calls on the Council to hold an intergovernmental conference before the end of 2015. An updated screening report for Chapter 31 was submitted in December 2013. The Commission will review progress in other chapters and plans to submit updated preparatory documents for Chapters 15, 23, 24, 26 by Spring 2016. Discussions can then start in Council on all these chapters, without prejudice to the position of Member States. In particular, re-launching preparations towards opening chapters 23 and 24 would provide Turkey with a

comprehensive roadmap for reforms in the essential areas of the rule of law and fundamental rights.

In line with the repeated Council and Commission positions from previous years, it is now urgent that Turkey fulfils its obligation of fully implementing the Additional Protocol and makes progress towards normalisation of relations with the Republic of Cyprus. The Commission welcomes the resumption of the UN-led settlement talks in Cyprus. It is now important that progress is made on these talks as soon as possible. Turkey's commitment and contribution in concrete terms to a comprehensive settlement is crucial. The EU has declared its readiness to accommodate the terms of a settlement in line with the principles on which the Union is founded.

ANNEX 1 - SUMMARIES OF THE FINDINGS OF THE COUNTRY REPORTS

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Turkey

As regards the **political criteria**, the pace of reforms slowed down, also due to protracted elections. The outgoing government made efforts to reinvigorate the EU accession process. However, this repeated commitment was offset by the adoption of key legislation in the area of the rule of law, freedom of expression and freedom of assembly that ran against European standards. The political landscape continues to be divided.

The 7 June general election saw a record 84% turnout, a clear sign of the strength of Turkish democracy with all major political parties being represented in the new parliament. However, a government could not be formed by the constitutional deadline and repeat elections took place on 1 November. Amongst the shortcomings in the legal framework regulating elections, the 10% threshold of votes for parties to be represented in parliament need to be addressed as a priority.

In the reporting period Turkey saw its security situation increasingly deteriorate. The authorities launched an extensive anti-terror military and security campaign against the Kurdistan Workers' Party (PKK), which remains on the EU list of terrorist organisations, both in Turkey and in Iraq. The settlement process of the Kurdish issue came to a halt despite earlier positive developments on the issue.

Turkey was struck by the deadliest terrorist attack in its modern history, on 10 October in Ankara, claiming the lives of scores of demonstrators gathering for a peace rally sponsored by trade unions and opposition parties' youth branches. It is essential that swift and transparent investigations are conducted into these heinous acts which were aimed to destabilise and harm Turkey's democracy.

Turkey is moderately prepared in the area of public administration reform. It has a strong public service and is committed to a user-oriented administration. However, impetus for a more comprehensive reform is weak. Recent dismissals and demotions in the context of the fight against the 'parallel structure' were a source of concern.

Civil society has remained active, growing in numbers and continuing to be involved in many spheres of public life, but restrictions to freedom of assembly remain a serious concern.

Turkey's judicial system has some level of preparation. The independence of the judiciary and the principle of separation of powers have been undermined and judges and prosecutors have been under strong political pressure. The government's campaign against the alleged 'parallel structure' within the state was actively pursued, at times encroaching on the independence of the judiciary. Substantial efforts are needed to restore and ensure its independence.

As regards the fight against corruption, Turkey has some level of preparation to effectively prevent and fight corruption. Turkey's track record in the fight against corruption remains inadequate. Corruption remains widespread. The undue influence by the executive in the investigation and prosecution of high-profile corruption cases continues to constitute a major concern.

Turkey has achieved some level of preparation in the fight against organised crime. Financial investigations remain under-used. Precautionary freezing of assets is rarely applied and the level of assets confiscated is low. The absence of data protection legislation is an impediment for wider cooperation with EU agencies and Member States.

Turkey's Constitution guarantees the protection of human rights and fundamental freedoms. Implementation had considerably improved over the past few years. However, major shortcomings remain. The enforcement of rights stemming from the European Convention on Human Rights (ECHR) and the case law of the European Court of Human Rights (ECtHR) is not fully ensured. There is an urgent need to adopt a comprehensive framework law on combating discrimination in line with European standards. Turkey also needs to effectively guarantee the rights of women, children, and lesbian, gay, bisexual, transgender and intersex (LGBTI) individuals and ensure sufficient attention to the social inclusion of vulnerable groups such as the Roma.

There was significant backsliding in the areas of freedom of expression and freedom of assembly. Legislation on internal security contradicts the measures outlined in the March 2014 action plan on the prevention of violations of the ECHR by granting broad discretionary powers to the law enforcement agencies without adequate oversight. After several years of progress on freedom of expression, serious backsliding was seen over the past two years, with some level of preparation in this field. While it had been possible to discuss some sensitive and controversial issues in a free environment, ongoing and new criminal cases against journalists, writers or social media users are of considerable concern. Changes to the internet law, which are a significant setback from European standards, increased the government's powers to block content without a court order on an unduly wide range of grounds.

Turkey supported the resumption of the talks on the Cyprus settlement in May and expressed its support for the UNSG Special Advisor's efforts. Turkey's continued commitment and contribution in concrete terms to this comprehensive settlement remains crucial. However, Turkey has still not fulfilled its obligation to ensure full and non-discriminatory implementation of the Additional Protocol to the Association Agreement and has not removed all obstacles to the free movement of goods, including restrictions on direct transport links with Cyprus. There was no progress on normalising bilateral relations with the Republic of Cyprus. The conclusions on Turkey that were adopted by the Council (General Affairs and External Relations) on 11 December 2006 and endorsed by the European Council on 14/15 December 2006 remain in force. They stipulate that negotiations will not be opened on eight chapters⁴ relating to Turkey's restrictions regarding the Republic of Cyprus and no chapter will be provisionally closed until the Commission confirms that Turkey has fully implemented the Additional Protocol to the Association Agreement.

Turkey needs to commit itself unequivocally to good neighbourly relations and to the peaceful settlement of disputes in accordance with the United Nations Charter, having recourse, if necessary, to the International Court of Justice. In this context, the EU has expressed once again serious concern and urged Turkey to avoid any kind of threat or action directed against a Member State, or source of friction or actions that damages good neighbourly relations and the peaceful settlement of disputes.

Regarding the **economic criteria**, the Turkish economy is well advanced and can be considered a functioning market economy. Economic growth has been moderate. Turkey continued to face external and internal imbalances, calling for adjustments in monetary and fiscal policies as well as an acceleration of comprehensive structural reforms. The large current account deficit continued to contribute to the economy's vulnerability to shifts in global monetary conditions and risk sentiment. On the internal side, inflation continued to run at a relatively high rate, which is problematic in terms of macro-economic stability, resource allocation and re-distributive effects. It again exceeded the official target; nevertheless the central bank cut interest rates. Public debt has attained a sustainable level, but the general government structural balance has been significantly negative. Unemployment increased slightly to an annual average of 9.9 %. Some progress was made in structural reforms such as improving schooling rates and further liberalising the energy sector. Such reforms need to accelerate to improve the functioning of the markets for goods, services and labour.

Turkey has a good level of preparation in acquiring the capacity to cope with the competitive pressure and market forces within the EU. The quality of education and gender equality in education needs particular attention. Efforts are needed to ensure the transparency of state aid and to remove constraints and exceptions in the area of public procurement.

Regarding its **ability to take on the obligations of membership**, Turkey has continued to align with the *acquis*, albeit at a slower pace, and has achieved a good level of preparation in many areas. Turkey is well advanced in the areas of company law, financial services, trans-European networks and science and research. The country has also achieved a good level of preparation in the areas of free movement

⁴ Free movement of goods, right of establishment and freedom to provide services, financial services, agriculture and rural development, fisheries, transport policy, customs union, and external relations.

of goods, intellectual property law, enterprise and industrial policy, customs union and external relations. Turkey remained highly mobilised to tackle the extraordinary migration and asylum challenges. Turkey has achieved a good level of preparation in the area of financial control. Further significant efforts are however needed to implement public internal financial control at all levels. Turkey is only moderately prepared on public procurement as important gaps remain in its alignment. Turkey is also moderately prepared in the area of statistics where further significant efforts are needed across the board. In all areas, more attention needs to be given to enforce legislation whilst many areas require further significant progress to achieve legislative alignment with the EU *acquis*.

In the past year, events in Syria and Iraq meant Turkey had to face a further increase in the number of **refugees and displaced people**. Turkey is currently hosting the largest refugee population in the world, of which close to 2 million are Syrians. Managing such a huge influx of refugees and displaced persons is a major challenge for Turkey, which has already spent more than EUR 6.7 billion to this purpose.

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