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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**

2018 Communication on EU Enlargement Policy

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I. INTRODUCTION

In November 2015, the European Commission set out a **medium-term strategy for EU enlargement policy**, which remains valid. This Communication takes stock of progress in the implementation of enlargement policy by the end of January 2018, and encourages the countries concerned to keep up their modernisation through political and economic reforms, in line with the accession criteria.

The enlargement process continues to be built on **established criteria and fair and rigorous conditionality**. Each country is assessed on the basis of its **own merits**. The assessment of progress achieved and the identification of shortcomings aim to provide incentives and guidance to the countries to pursue the necessary far-reaching reforms. For the prospect of enlargement to become a reality, a firm commitment to the principle of "fundamentals first" remains essential. Structural shortcomings persist, notably in the key areas of the rule of law and the economy. Accession candidates must deliver on the rule of law, justice reform, fight against corruption and organised crime, security, fundamental rights, democratic institutions and public administration reform, as well as on economic development and competitiveness. Given the complex nature of the necessary reforms, it is a long-term process.

It is important to recognise that accession negotiations are not - and never have been - an end in themselves. They are part of a **wider process of modernisation and reforms**. The governments of the enlargement countries need to embrace the necessary reforms more actively and truly make them part and parcel of their political agenda - not because the EU is asking for it, but because it is in the best interests of their citizens. Embracing core European values such as the rule of law is central to the generational choice of aspiring to EU membership. Public support for future enlargements will depend on the degree of preparedness of candidate countries. Reforms conducted through the EU accession process should contribute to increasing the confidence of citizens of EU Member States and of the candidate countries alike.

In February 2018, the European Commission reaffirmed the firm, merit-based prospect of EU membership for the **Western Balkans** in its Communication *A credible enlargement perspective for and enhanced EU engagement with the Western Balkans*¹. This is a strong message of encouragement for the whole Western Balkans and a sign of the EU's commitment to their European future. Leaders in the region must leave no doubt as to their strategic orientation and commitment. Regional cooperation and good neighbourly relations are essential for progress on the respective European paths. The European Commission also stated that our Union must be stronger and more solid, before it can eventually be bigger. This is why, in line with its Roadmap for a More United, Stronger and more Democratic Union², the Commission will throughout this year put forward a number of initiatives aimed at improving the democratic, institutional and policy framework for the Union of 2025, based on the current Treaties.

Turkey is a key partner for the EU and a candidate country, with which dialogue at high-level and cooperation in areas of joint interest have continued, including support to Syrian refugees. The Commission recognised Turkey's legitimate need to take swift and proportionate action in the face of the failed coup attempt of July 2016. However, Turkey has been significantly

¹ [COM\(2018\) 65 final](#)

² https://ec.europa.eu/commission/sites/beta-political/files/roadmap-factsheet-tallinn_en.pdf

moving away from the European Union, in particular in the areas of the rule of law and fundamental rights and through the weakening of effective checks and balances in the political system. The European Commission has repeatedly called on Turkey to reverse this negative trend as a matter of priority.

II. IMPLEMENTATION OF THE 2015 ENLARGEMENT STRATEGY

Addressing reforms in the area of the **rule of law, fundamental rights and good governance** remains the most pressing issue for the enlargement countries. It is also the key benchmark against which their prospects will be judged by the EU. They must embrace these fundamental EU values much more strongly and credibly. Failure to uphold them is also a deterrent to investment and trade. Strengthening the rule of law is not only an institutional issue. It requires societal transformation.

a) Rule of law

Despite the growing focus on rule of law reforms, progress remained uneven in enlargement countries. In the former Yugoslav Republic of Macedonia the strong commitment of the new government to implementing "Urgent Reform Priorities" has had a positive impact on the rule of law. In the aftermath of the coup attempt of July 2016, the rule of law situation in Turkey continued to deteriorate.

Successfully reforming a **judicial system** is a long-term process that requires sustained political will across the political spectrum and much work lies ahead in the enlargement countries. In Albania, the ongoing unprecedented process of re-evaluation of judges and prosecutors is expected to give a boost to the judicial system in terms of its professionalism, independence and integrity. In Turkey, the mass dismissals of judges and prosecutors as well as constitutional changes have further undermined the efficiency and independence of the judiciary.

The countries must root out **corruption** without compromise, and eliminate any element of state capture. Corruption remains widespread, despite continuous efforts to bring legal and institutional frameworks in line with the EU *acquis* and European standards. Strong and independent institutions are crucial to prevent and tackle corruption, in particular at high level, and to conduct more effective investigations and prosecutions, leading to final court rulings that are enforced and that include dissuasive sanctions. More transparency is needed in the management of public funds especially at all stages in public procurement, an area particularly prone to corruption.

Specialised bodies are in place in but cases of inexplicable wealth among politically exposed persons are rarely investigated. The limited progress shows a lack of genuine political will in combination with still limited administrative capacity. More transparency and accountability, the separation of powers and stronger independent oversight bodies remain essential. Efforts launched at Trieste in 2017 to agree a regional instrument on data exchange in asset disclosure and conflicts of interest could contribute to improving the countries' track record of dealing with corruption cases in the Western Balkans region.

Organised crime's foothold on the enlargement countries remains strong. Powerful criminal groups continue to operate in and from the Western Balkans region and Turkey. The region remains an important entry route for the trafficking of illicit goods, in particular drugs and arms, and people on their way to the EU. Enlargement countries are increasingly cooperating

with EU law enforcement agencies such as Europol and Eurojust and gradually improving their capacity to deal with specific types of organised crime, including drug trafficking. In Albania, large scale law enforcement operations led to successful seizures of large quantities of cannabis and, recently, also cocaine from Latin America. Nevertheless, staffing levels and respect for the operational independence of law enforcement bodies remain problematic in the region. There continues to be a gap between an analysis of organised crime threats and operational priorities set, reducing the success rate in effectively dismantling criminal groups. The authorities also need to start using Financial investigations-in line with the Financial Action Task Force methodology-and improve results on confiscating the proceeds of crime. The establishment and reinforcement of centralised agencies in charge of the identification and tracing of criminal assets (Asset Recovery Offices) in enlargement countries could make their national asset recovery systems more effective and facilitate operational cooperation with the Asset Recovery Offices in the EU Member States. On anti-money laundering/countering terrorist financing, the enlargement countries should as a priority align their legislation and practices with the recommendations of the Financial Action Task Force. A concrete and sustained track record of tackling corruption, money laundering and organised crime should be established as a matter of urgency.

To tackle **terrorism**, violent extremism, radicalisation and, in particular, the phenomenon of (returning) foreign terrorist fighters, the EU has stepped up operational cooperation with each of the enlargement countries. There have been continued good efforts in all countries to align legislation and practices in the field of anti-terrorism and the fight against radicalisation with EU standards and practices. There remains nevertheless scope for more effective structures at national and regional levels to ensure concrete results, in particular as regards the prevention of violent extremism, arms trafficking, terrorism financing, anti-money laundering, information sharing and anti-radicalisation policies. The EU Radicalisation Awareness Network has been supporting much of this work. The fight against terrorism should be further stepped up with each Western Balkan partner and Turkey. Personal data protection standards should be brought into line with EU standards to allow for cooperation agreements with Eurojust to be concluded. Inspired by earlier joint work on anti-terrorism, the EU and Western Balkan partners agreed in 2017 on the Western Balkans Integrated Internal Security Governance as a new approach to security governance capacity-building and reforms in the region.

b) Fundamental rights

Fundamental rights are largely enshrined in the legislation in the Western Balkans but serious efforts are needed to ensure they are fully implemented in practice. Turkey has seen a continued strong deterioration in key human rights areas over the reporting period.

Particular focus is needed to safeguard **freedom of expression** and the independence of the media as a pillar of democracy across the region. There has been an important deterioration in this area in some countries, including serious backsliding in Turkey, where over 150 journalists remain in prison. Elsewhere, there has been limited progress at best. Attacks and threats against journalists have continued, while investigations and prosecutions remain slow. Efforts to influence the independence of public service broadcasters and non-transparent public funding of the media remain prevalent in all enlargement countries. These abuses undermine not just the basic right to freedom of expression, but also democracy in the region. Governments need to take urgent and concrete steps to implement the existing legal frameworks on freedom of expression, and to improve the overall climate for media freedom.

The EU strongly supports local civil society organisations, human rights defenders, journalists and independent media outlets, often at the receiving end of intimidation. Their contribution is vital to ensuring government accountability on freedom of expression, as well as on all other fundamental rights.

Increased efforts are needed across enlargement countries to effectively address **child rights** abuses which remain prevalent. Governments also need to address discrimination against **persons with disabilities, minorities** and other vulnerable groups as a matter of priority. More must be done to advance **gender equality** and to prevent and address violence against women. While progress has been made in the Western Balkans on the rights of lesbian, gay, bisexual, transgender and intersex persons, additional efforts are needed to end discrimination, threats and violence. The precarious situation of **Roma** also needs to be prioritised as they continue to face social exclusion, marginalisation and discrimination. **Prison conditions** need to improve and procedural rights of suspects and accused persons and victims' rights should be aligned with the EU *acquis*. In Turkey, decrees adopted under the State of Emergency curtailed key procedural rights including the rights of defence.

c) Functioning of democratic institutions and public administration reform

The proper functioning of **democratic institutions** remains a key challenge in a number of countries. This includes ensuring constructive dialogue across the political spectrum, notably within the **parliaments**. Despite some progress, several fundamental aspects in the conduct of democratic elections still pose challenges. The recommendations of election observation missions should be properly implemented. Parliamentary accountability, as an essential element of a well-functioning democracy, needs to be embedded in the political culture.

In Turkey, while recognising Turkey's legitimate need to take swift and proportionate action in the face of the failed coup attempt, there are serious concerns as to the proportionality of measures under the state of emergency which still remains in force and which curtailed Parliament's key legislative function whilst the space for dialogue among political parties further narrowed. Far-reaching constitutional changes assessed by the Council of Europe as lacking sufficient checks and balances and endangering the separation of powers were approved in a referendum organised under the state of emergency.

In the Western Balkans, the capacity of the national parliaments to exercise core legislative and oversight function is undermined by the lack of political dialogue, the excessive use of urgent parliamentary procedures and the absence of constructive engagement by all parties. A divisive political culture remains, although some boycotts have been overcome. In Albania, the May 2017 cross-party political agreement allowed resumption of parliamentary work ahead of the electoral recess. In the former Yugoslav Republic of Macedonia, the new Parliament made efforts to restore its oversight capacities over the executive. However, in Montenegro, the opposition has boycotted legislative activity since the convening of parliament in November 2016. In Serbia, parliamentary effectiveness and the quality of legislation suffer from the lack of proper parliamentary scrutiny on draft legislation. In Kosovo^{*}, both under the previous and the current ruling coalitions, the work of the Assembly was marked by political polarisation and paralysis, though the Assembly recently ratified the Border Demarcation Agreement with Montenegro. In Bosnia and Herzegovina, the adoption

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

of legislation stemming from the Reform Agenda was negatively affected by tensions between ruling coalition parties, leading to a slowdown of the reform process. While the conduct of elections as such in the region broadly happens without major incidents, important shortcomings, including the politicisation of electoral bodies, the abuse of state resources and the lack of transparency in political party and electoral campaign financing, have an impact on the level of citizens' trust in the electoral processes.

Public administration reform is paramount to strengthening governance at all levels. This includes improving the quality and accountability of administration, increasing professionalism, de-politicisation and transparency, also in recruitment and dismissals, more transparent management of public finances, and better services for citizens. An appropriate balance between central, regional and local government also needs to be found. While there has been moderate progress in the Western Balkans in some areas, Turkey has been seriously backsliding as regards public service and human resources management and accountability.

Comprehensive public administration and public financial management **reform strategies** are now in place, except in Bosnia and Herzegovina and Turkey. Delays in implementation and the financial sustainability of reforms remain a concern. Budget transparency has in many cases improved. The quality of central government **strategic planning** and links to sector planning need to be substantially improved in the Western Balkans. Policies, legislation and public investments are still often prepared without systematic impact assessments and consultations. A key problem in most countries is the extensive use of urgent legislative procedures. **Professionalisation of the civil service** still needs to be ensured in all countries. Despite modern civil service legislation, exceptions are regularly used, especially for appointments and dismissals of senior civil servants.

In all enlargement countries, the **structure of the state administration** needs to be further rationalised. In the Western Balkans, similar administrative bodies have different statuses, many of them reporting directly to the government or the parliament rather than to their natural parent ministries. There is insufficient accountability and reporting between subordinated agencies and their parent institutions. To improve **service delivery**, most enlargement countries have focused on introducing e-government services but initiatives often lack strategic steering and coordination. Most countries have also made progress with adopting modern laws on general administrative procedures, but in many countries a substantial amount of sector legislation still needs to be amended to reduce the special administrative procedures to a minimum.

d) Migration

Challenges related to the refugee crisis and to irregular **migration** have been central to the EU's work with enlargement countries. Progress was made through the joint work along the Eastern Mediterranean/Western Balkans migratory routes. Smuggling of migrants and human trafficking remain of concern. More efforts are needed to ensure that countries are better equipped to face migration challenges, including with regard to reducing irregular migration, activities on return and protecting the borders and preventing irregular migration, capacity building on asylum, social inclusion and integration, in line with EU *acquis*.

In an outstanding effort, Turkey currently provides shelter to more than 3.5 million registered Syrian refugees and the EU remains committed to assist Turkey in addressing this challenge. Cooperation under the EU-Turkey Statement continued to deliver concrete results. The trend of significantly reducing irregular and dangerous crossings and loss of lives in the Aegean Sea has been consolidated. 42 319 migrants arrived via the Eastern Mediterranean route in 2017,

compared to 182 277 in 2016, representing a drop of almost 77 %. The Turkish Coast Guard remained committed to active patrolling and the prevention of irregular crossing and the opening of new routes. The EU Facility for Refugees in Turkey continues to support the needs of refugees and support host communities. Its first tranche of EUR 3 billion has been fully contracted. Disbursements have reached EUR 1.9 billion to date. The mobilisation of the second tranche of the Facility has started, in line with the EU-Turkey statement. The Facility has proven to be one of the swiftest and most effective of EU support mechanisms, providing almost 1.2 million of the most vulnerable refugees with monthly cash transfers under the Emergency Social Safety Net. More than 312 000 children have received Turkish language training and the distribution of stationery and course books has started for 500 000 students. Refugees have benefitted from more than 763 000 primary health care consultations and more than 217 000 Syrian refugee infants were fully vaccinated.

EU-coordinated response measures supporting national efforts resulted in 2017 in a 91 % reduction in irregular migratory flows transiting the Western Balkans region and an overall stabilisation of the situation along the borders. The former Yugoslav Republic of Macedonia and Serbia in particular proved reliable partners of the EU in this area. Nevertheless, they remained affected and their capacity to deal with crisis situations has been continuously tested. Administrative capacity and infrastructure require further strengthening throughout the region. The EU is committed to supporting the efforts of Western Balkan partners. The Commission has been negotiating status agreements between the European Border and Coast Guard Agency and the Western Balkans. These will allow the deployment of the European Border and Coast Guard Agency teams with executive powers in the zones bordering the EU external border in support of national border authorities.

e) Economy

The Western Balkans and Turkey have significant **economic potential**. Increasing growth rates in the last few years have translated into job creation across the board. Despite some progress, all governments face major structural economic and social challenges, with high unemployment rates, in particular among youth, large skills mismatches, persistently high levels of informal economy, weak business environments with limited access to finance and low levels of innovation and of regional connectivity. In the Western Balkans, the investment climate continues to be hampered by signs of state capture, in particular as regards the lack of independent and efficient court systems and the uneven enforcement of competition rules. State influence in the economy is strong in the region, exacerbating the risk of corruption through weak public financial management and frequent changes in permits and taxes. Corporate governance frameworks need to be strengthened and the privatisation process finalised. Infrastructure and education systems need to be improved. Infrastructure investments in the region should be consistent with the priorities agreed with the EU, in particular in the context of the extension of the Trans-European Networks-Transport networks to the Western Balkans. In Turkey economic growth rebounded strongly, but the business environment continued to deteriorate and the economy remains vulnerable to financial uncertainty, changes in global investors' confidence and continued political risks.

The EU is supporting improved policy formulation and economic governance through the Economic Reform Programme exercise, which is an integral part of the preparation process. This exercise has become the key tool for formulating and implementing macroeconomic and structural reforms. It thereby helps to strengthen long-term sustainable growth and convergence, facilitates policy planning, and delivers progress towards the Copenhagen

economic criteria. All governments are invited to submit annual Economic Reform Programmes. Now a strong political push and ownership from the governments concerned is needed to implement the reforms identified. The EU is also supporting the improvement of the investment climate in the Western Balkans through the deepening of a Regional Economic Area that aims to remove obstacles to trade, mobility and investment across the region. In December 2016, the Commission adopted a recommendation to open negotiations with a view to the potential extension and modernisation of the EU-Turkey Customs Union, which has since been under consideration in the Council.

f) Regional cooperation and good neighbourly relations

Regional cooperation is key to ensuring political stabilisation and economic opportunities. The EU's connectivity agenda in particular has given Western Balkans' regional cooperation an added momentum. In 2017, in Trieste, leaders of the region endorsed an action plan for the Regional Economic Area and signed the Transport Community Treaty. The South East European Cooperation Process and other regional initiatives have also continued to foster stabilisation and cooperation. The Regional Youth Cooperation Office has been set up and it has launched the first call for proposals to continue enhancing people-to-people cooperation. The Erasmus+ programme has continued to foster inter-cultural dialogue in higher education and amongst young people, and has supported actions to encourage the internationalisation and modernisation of higher education institutions and systems. There has been some progress in delivering connectivity projects on the ground. The EU Strategy for the Adriatic and Ionian Regional Action Plan has contributed to foster development of joint projects, promoting further alignment with the *acquis* in the participating countries. However, far too many obligations from regional agreements and commitments have not yet been met. If citizens are to see real benefits from regional cooperation, more efforts are needed to make these agreements and commitments operational, including as regards the implementation of the connectivity reform measures agreed in 2015.

Good neighbourly relations and regional cooperation are essential elements of the Stabilisation and Association and enlargement processes. While there have been ongoing and regular government-to-government contacts and cooperation at bilateral and regional level, there is a need for more efforts in the most sensitive areas such as war crimes, missing persons, organised crime and judicial and police cooperation. One exception concerns the return of refugees from the Balkan wars; here, the Regional Housing Programme is showing positive results. Statements which negatively impact on good neighbourly relations should be avoided. Promoting stability and the creation of an environment conducive to overcoming the legacy of the past and to reconciliation require both responsible political leadership and further substantive efforts. The Friendship Treaty between Bulgaria and the former Yugoslav Republic of Macedonia is a positive example in this regard.

The EU's enlargement policy must continue to export stability. Therefore the EU cannot and will not import **bilateral disputes**. They must be solved as a matter of urgency by the responsible parties. Results in this regard have been limited. Further efforts are required across the Western Balkans region. Urgent progress is needed in the EU-facilitated Dialogue towards the full normalisation of relations between Serbia and Kosovo, which should result in concluding and implementing a comprehensive, legally binding normalisation agreement. As regards the former Yugoslav Republic of Macedonia, the positive progress made towards finding a negotiated and mutually acceptable solution to the name issue under UN auspices

should be built on, along with the progress made on good neighbourly relations. Albania has also taken steps to resolve long-standing bilateral disputes.

Although renewed efforts made in the United Nations-led settlement talks on Cyprus failed to deliver an agreement, it is important to preserve the progress made so far and to pursue preparations for a fair, comprehensive and viable settlement, including in its external aspects. Turkey's continued commitment and contribution in concrete terms to the negotiations on a fair, comprehensive and viable settlement of the Cyprus issue within the UN framework will be of paramount importance. Turkey needs to urgently fulfil its obligation of fully implementing the Additional Protocol and make progress towards normalisation of relations with the Republic of Cyprus. The Commission 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. Turkey's actions and statements against several EU Member States have also created tensions that are affecting negatively its relations with the EU. Solving these bilateral issues is a matter of priority.

III. 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, prosperity and therefore stability** in Europe. It provides increased economic and trade opportunities to the mutual benefit of the EU and the aspiring Member States. The firm prospect of EU membership, as continuously reaffirmed by the EU and its Member States, continues to drive transformation and anchor stability and security in the countries of Southeast Europe.
2. The enlargement process continues to be built on **established criteria and fair and rigorous conditionality**. Each country is assessed on the basis of its **own merits** so as to provide incentives to pursue far-reaching reforms. For the enlargement perspective to become a reality, a firm commitment to the principle of "fundamentals first" remains essential.
3. The Commission's **Western Balkans** strategy, adopted in February 2018, provides a **historic window of opportunity** to firmly and unequivocally bind the region's future to the European Union. The countries in the region now need to act with determination to decisively and irreversibly move forward their transformation process and address the existing shortcomings, in particular concerning the fundamentals of rule of law, fundamental rights, democratic institutions and public administration reform, as well as the economy.

II

4. **Turkey** is a key partner for the European Union. The EU, which immediately and strongly condemned the July 2016 attempted coup, reiterated its full support to the democratic institutions of the country, and recognised Turkey's legitimate need to take swift and proportionate action in the face of such a serious threat. However, the broad scale and collective nature of measures taken since the coup attempt, such as the widespread group dismissals, arrests, and detentions, continue to raise serious concerns as to the proportionality of measures under the state of emergency which still remains in force. The Turkish government reiterated its commitment to EU accession but this has not been matched by corresponding measures and reforms. On the contrary, Turkey has been significantly moving away from the European Union. Under the currently prevailing circumstances, no new chapters are considered for opening. Turkey needs to reverse the current negative trend in the rule of law and fundamental rights as a matter of priority starting with the lifting of the state of emergency and addressing the weakening of effective checks and balances in the political system, including through reinforced cooperation with the Council of Europe.

There was serious backsliding in the key areas of judiciary, public administration reform, fundamental rights and freedom of expression, and further backsliding in a growing number of other areas. The full respect of the rule of law and fundamental rights and freedoms is an essential obligation of the accession process. Since the introduction of the state of emergency, over 150 000 people were taken into custody and 78 000 were arrested. Over 150 journalists remain in prison, together with scores of writers, human rights defenders, lawyers and elected representatives. Many Turkish citizens were detained for expressing their political views on social media. The 31 decrees taken under the state of emergency, which have been exempt from judicial review and effective scrutiny by parliament, have curtailed key civil and political rights substantially, including the freedom of expression, freedom of assembly and defence rights. A State of Emergency Commission became formally operational but still needs to develop into an effective, credible remedy, in a context where the capacity of Turkey to ensure an effective domestic legal remedy in the sense of the European Court of Human Rights has been further undermined by a number of problematic court rulings.

In a referendum organised during the state of emergency, far-reaching constitutional amendments introducing a presidential system were approved by a close margin. These were assessed by the Council of Europe as lacking sufficient checks and balances as well as endangering the separation of powers between the executive and the judiciary. The Parliament's key function as legislator was curtailed, the space for dialogue among political parties was further narrowed down in Parliament, whilst more HDP Members of parliament were arrested and ten of them stripped of their seats. The appointment of trustees to replace elected representatives led to an important weakening of local democracy. Civil society came under increasing pressure in the face of a large number of arrests of activists, including human rights defenders, leading to a rapid shrinking space for fundamental rights and freedoms. The situation in the south-east remains one of the most critical challenges for Turkey's own stability. There were no developments on the resumption of a credible political process which is needed to achieve a peaceful and sustainable solution.

While growth rebounded strongly in 2017, it remains vulnerable unless Turkey addresses macroeconomic imbalances, conducts further structural reforms and improves the business environment. Political uncertainty, increased state control in the economic sphere and attacks on the independence of the judiciary led to a less predictable investment climate, a fall in the national currency and a significant decline in European direct investment.

The EU and Turkey continued their dialogue and cooperation in the areas of joint interest including with a number of high-level visits and Leaders' meetings in May 2017 and March 2018. High level dialogues continued on foreign and security policy, including counter-terrorism, on transport and on the economy. The European Commission underlines the importance of its proposals to the Council for an extension and modernisation of the EU-Turkey Customs Union which would be mutually beneficial.

Turkey continued to make outstanding efforts to provide shelter to over 3.5 million refugees from Syria and some 365 000 refugees from other countries. The cooperation with the EU on migration continued to deliver concrete and remarkable results in reducing irregular and dangerous crossings and in saving lives in the Aegean Sea. The EU Facility for Refugees in Turkey continues to support the needs of refugees and support host communities. As regards the implementation of the Visa Liberalisation Roadmap, at the beginning of February, Turkey submitted to the European Commission a work plan outlining how Turkey plans to fulfill the seven outstanding visa liberalisation benchmarks. The Commission is assessing Turkey's proposals and further consultation with the Turkish counterparts will follow.

Turkey launched a military operation in northern Syria. While Turkey has a right to take action to prevent terrorist attacks against it, the operation raised immediate humanitarian concerns while adding concerns about a new escalation of violence.

In line with the repeated Council and Commission positions from previous years, it is urgent that Turkey fulfils its obligation of fully implementing the Additional Protocol and makes progress towards normalisation of relations with the Republic of Cyprus. Although the Conference convened on Cyprus was closed without an agreement in July 2017, it is important to preserve progress made and to pursue preparations for a fair, comprehensive and viable settlement, including in its external aspects. Turkey's continued commitment and contribution in concrete terms to such a fair, comprehensive and viable settlement will be of paramount importance.

Cooperation with Greece and Bulgaria on migration further intensified. However, tensions in the Aegean Sea and Eastern Mediterranean were not conducive to good neighbourly relations and undermined regional stability and security. Bilateral relations with several EU Member States deteriorated, including at times offensive and unacceptable rhetoric. The EU called on Turkey to avoid any kind of threat or action directed against a Member State, or any source of friction or action that would damage good neighbourly relations and the peaceful settlement of disputes. Moreover, in March 2018 the European Council strongly condemned Turkey's continued illegal actions in the Eastern Mediterranean and the Aegean Sea and recalled Turkey's obligation to respect international law and good neighbourly relations and to normalise relations with all EU Member States.

IV. ANNEXES

1. Summaries of the findings of the reports³

2. Statistical annexes

³ Reference to numbers of staff working documents.

II



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ANNEXES 1 to 2

ANNEXES

to the

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Annex 1 - Summaries of the findings of the reports

Turkey

The **state of emergency** declared in the wake of the attempted coup of 15 July 2016 remains in force, aiming at dismantling the Gülen movement, designated by the Turkish authorities as a terror organisation responsible of the coup attempt, as well as at supporting the fight against terrorism, against the background of repeated attacks in Turkey.

The EU, which immediately and strongly condemned the attempted coup, reiterated its full support for the country's democratic institutions, and recognised Turkey's legitimate need to take swift and proportionate action in the face of such a serious threat. However, the broad scale and collective nature, and the disproportionality of measures taken since the attempted coup under the state of emergency, such as widespread dismissals, arrests, and detentions, continue to raise serious concerns. Turkey should lift the state of emergency without delay.

Serious shortcomings affect the 31 decrees taken to date under the state of emergency. They have not been subject to a diligent and effective scrutiny by parliament. Consequently, the decrees have long not been open to judicial review and none of them has yet been subject to a decision by the Constitutional Court. These emergency decrees have notably curtailed certain civil and political rights, including freedom of expression, freedom of assembly and procedural rights. They also amended key pieces of legislation which will continue to have an effect when the state of emergency is lifted.

Since the introduction of the state of emergency, over 150 000 people were taken into custody, 78 000 were arrested and over 110 000 civil servants were dismissed whilst, according to the authorities, some 40 000 were reinstated of which some 3 600 by decree.

A State of Emergency Appeal Commission became operational and received altogether some 107 000 appeal requests. This Commission only started to take decisions in December 2017 and it has so far provided redress to only few applicants. Its decisions are open to judicial review. It still needs to develop into an effective and transparent remedy for those unjustly affected by measures under the state of emergency.

Beyond the Appeal Commission, the capacity of Turkey to ensure an effective domestic legal remedy in the sense of the European Court of Human Rights has been further undermined by a number of unfortunate precedents. In one instance a lower court refused to observe a ruling of the Constitutional Court regarding an emblematic case; a follow up ruling by the Constitutional Court for one of the defendants was eventually abided with by a lower court. Several court rulings favorable to prominent defendants, including Human Rights Defenders, were swiftly reversed by another or even by the same court, in some instances following comments from the executive.

Key recommendations of the Council of Europe and its bodies are yet to be addressed by Turkey. Allegations of wrongdoing need to be established by transparent procedures and on an individual basis. Individual criminal liability can only be established with full respect for the separation of powers, the full independence of the judiciary and the right of every individual to a fair trial. Turkey should lift the state of emergency without delay.

In April 2017, Turkey held a referendum which approved by a close majority constitutional amendments introducing a presidential system. The amendments were assessed by the Venice Commission as lacking sufficient checks and balances as well as endangering the separation of powers between the executive and the judiciary. The referendum itself raised serious concerns in relation to the overall negative impact of the state of emergency, the 'unlevel

playing field' for the two sides of the campaigns and undermined safeguards for the integrity of the election.

Under the state of emergency, the Parliament's key function as legislative power was curtailed, as the government resorted to emergency decrees with 'the force of law' to also regulate issues which should have been processed under the ordinary legislative procedure. In light of the worsening political frictions in the country, the space for dialogue among political parties was further narrowed in Parliament. Following the one-off lifting of parliamentary immunities in May 2016, many lawmakers of the opposition party HDP have been arrested and ten of them were stripped of their seats.

The President role over the executive increased, following several transfers of powers to the Presidency through emergency decrees. The appointment of trustees to replace municipal executives and elected representatives led to an important weakening of local democracy.

Civil society came under increasing pressure, notably in the face of a large number of arrests of activists, including human rights defenders, and the recurrent use of bans of demonstrations and other types of gatherings, leading to a rapid shrinking space for fundamental rights and freedoms. Many rights-based organisations remained closed as part of the measures under the state of emergency and an effective legal remedy has not been available with respect to confiscations.

The government overhauled the legal framework governing the civil-military relations and increased the powers of the executive over the military significantly, thereby strengthening civilian oversight. As part of the constitutional amendments, high military courts were effectively abolished. The military and intelligence services continue to lack sufficient accountability in Parliament.

The situation in the south-east has continued to be one of the most acute challenges for the country. The deteriorated security situation has in part shifted to rural areas. The government's pledge to continue security operations, against the background of recurrent violent acts by the Kurdistan Workers' Party (PKK), which remains on the EU list of persons, groups and entities involved in acts of terrorism, remained as a defining element of the situation in the region. While the government has a legitimate right to fight against terrorism, it is also responsible for ensuring this is done in accordance with the rule of law, human rights and fundamental freedoms. Anti-terror measures need to be proportionate. The government's investment plan for the reconstruction of damaged areas in the south-east has resulted in the ongoing construction of thousands of dwellings but only few internally displaced persons received compensation so far. There were no developments on the resumption of a credible political process which is needed to achieve a peaceful and sustainable solution.

Turkey is moderately prepared in the area of **public administration** reform, with a strong commitment to a more open administration and the use of e-government. However, there has been serious backsliding in the area of public service and human resources management and in the area of accountability of the administration with regard to the right to administrative justice and the right to seek compensation. A transparent and effective remedy still needs to be provided for the large-scale dismissals.

Turkey's **judicial system** is at an early stage of preparation. There has been further serious backsliding in the past year, in particular with regard to the independence of the judiciary. The Constitutional amendments governing the Council of Judges and Prosecutors (CJP) entered into force and further undermined its independence from the executive. The CJP continued to engage in large-scale suspensions and transfers of judges and prosecutors. No

efforts were made to address concerns regarding the lack of objective, merit-based, uniform and pre-established criteria in the recruitment and promotion of judges and prosecutors.

The country has some level of preparation in the **fight against corruption**, where no progress has been achieved. The legal and institutional framework needs further alignment with international standards and continues to allow undue influence by the executive in the investigation and prosecution of high-profile corruption cases. Turkey's track record of investigation, prosecution and conviction in corruption cases remained poor, particularly regarding high-level corruption cases. No progress was made in bolstering the accountability and the transparency in the work of public bodies. A broad, inter-party political consensus and strong political will are required to fight against corruption decisively. Turkey still needs to follow up on nearly all recommendations of the Council of Europe's Assembly of the Group of States against Corruption. Corruption remains prevalent in many areas and continues to be a serious problem. Corruption perception also remains high.

Turkey has achieved some level of preparation in the **fight against organised crime** and some progress was made with the adoption of a new strategy and improved institutional capacity. Turkey needs to improve its legislation on cybercrime, asset confiscation and witness protection. Data protection legislation is in place but it is not yet in line with European standards. Financial investigations remain underused. Precautionary freezing of assets is rarely applied and the level of confiscated assets is low. In the fight against terrorism, a comprehensive legal framework on terrorism financing is in place. Both the criminal and anti-terror legislation need to be aligned with European Court of Human Rights case-law. The proportionality principle must be observed in practice.

Turkey made good progress in the area of **migration and asylum policy** and remained committed to the implementation of the March 2016 EU-Turkey Statement effective management of migratory flows along the Eastern Mediterranean route. As regards the implementation of the Visa Liberalisation Roadmap, at the beginning of February, Turkey submitted to the European Commission a work plan outlining how Turkey plans to fulfill the seven outstanding visa liberalisation benchmarks. The Commission is assessing Turkey's proposals and further consultations with the Turkish counterparts will follow.

The Turkish legal framework includes general guarantees of respect for **human and fundamental rights**, which have however been further challenged and undermined by a number of emergency decrees. The serious backsliding on the **freedom of expression** continued, an area where Turkey is at an early stage of preparation. The scope of actions taken under the state of emergency has been extended over time to many critical voices, in media and academia amongst others, in contradiction with the principle of proportionality. Criminal cases against journalists - more than 150 of them remain detained - human rights defenders, writers, or social media users, withdrawal of press cards, as well as the closure of numerous media outlets or the appointment by the government of trustees to administer them, are of serious concern and are mostly based on selective and arbitrary application of the law, especially provisions on national security and the fight against terrorism. The Internet Law and the general legal framework continue to enable the executive to block online content without a court order on an inappropriately wide range of grounds. There was also serious backsliding in the areas of freedom of assembly, freedom of association, procedural and property rights. Freedom of assembly continues to be overly restricted, in law and practice. Measures adopted under the state of emergency also removed crucial safeguards protecting detainees from abuse thereby augmenting the risk of impunity, in a context where allegations of ill-treatment and torture have increased. Emergency decrees imposed additional restrictions to procedural rights including on the rights of defence. The enforcement of rights is hindered

by the fragmentation and limited mandate of public institutions responsible for human rights and freedoms and in a context where the judiciary's independence has been undermined. Extreme poverty and a lack of basic necessities remain common among Roma households in Turkey. The rights of the most vulnerable groups and of persons belonging to minorities should be sufficiently protected. Gender-based violence, discrimination, hate speech against minorities, hate crime and violations of human rights of lesbian, gay, bisexual, transgender and intersex persons are still a matter of serious concern.

Turkey expressed support for the talks on the Cyprus settlement between the leaders of the two communities, and for the efforts of the UN Secretary-General and his Special Adviser. A Conference on Cyprus, convened in Geneva in January 2017 and in Crans-Montana in July closed without an agreement. 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 of the European Union and endorsed by the European Council in December 2006 remain in force. They stipulate that negotiations will not be opened on eight chapters¹ 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.

Cooperation with Greece and Bulgaria on migration further intensified. However, tensions in the Aegean Sea and Eastern Mediterranean were not conducive to good neighbourly relations and undermined regional stability and security. Bilateral relations with several individual EU Member States deteriorated, including at times offensive and unacceptable rhetoric. In March the European Council strongly condemned Turkey's continued illegal actions in the Eastern Mediterranean and the Aegean Sea and recalled Turkey's obligation to respect international law and good neighbourly relations and to normalise relations with all EU Member States. The European Council also expressed its grave concern over the continued detention of EU citizens in Turkey, including two Greek soldiers, and called for the swift and positive resolution of these issues in a dialogue with Member States.

Turkey needs to commit itself unequivocally to good neighbourly relations, international agreements, 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. The economy supported by government stimulus measures, managed to recover from the contraction witnessed in the wake of the attempted coup of 2016 and achieved strong growth in 2017. However, high growth is coupled with significant macroeconomic imbalances. The current account deficit remains high and increased towards the end of 2017, making the country dependent on capital inflows and vulnerable to external shocks. Inflation moved to double-digit rates (11.1 %) in 2017, and the depreciation of the Turkish lira continued, highlighting concerns over the degree of commitment of monetary policy decision-makers to price stability. Turkey's economy continued to be characterised by a high level of informality. Overall, there was backsliding in

¹ 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.

this area. The tendency to increase state control in the economic sphere and the actions targeting companies, businessmen and political opponents and their businesses harmed the business environment.

Turkey has made some progress and has a good level of preparation to cope with competitive pressures and market forces within the EU. Turkey is well-integrated with the EU market in terms of both trade and investment. Some progress was made in the energy sector, particularly in the gas market, and in increasing research and development spending. However, significant problems remained with regard to the quality of education. There was no progress in improving the transparency of state aid.

Regarding its **ability to assume the obligations of membership**, Turkey has continued to align with the *acquis*, albeit at a limited pace. There have been more instances of backsliding regarding a number of key aspects in the areas of information society, social policy and employment and external relations. Turkey is well advanced in the areas of company law, trans-European networks and science and research and it has achieved a good level of preparation in the areas of free movement of goods, intellectual property law, Financial services, enterprise and industrial policy, consumer and health protection, customs union and financial control. 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 and transport policy where further significant efforts are needed across the board. Turkey has only reached some level of preparation on environment and climate change where more ambitious and better coordinated policies still need to be established and implemented. 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*.

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Annex 2 - Key statistics

STATISTICAL DATA
(as of 15.02.2018)

	Note	Montenegro		The former Yugoslav Republic of Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo *		EU-28	
		2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Demography																	
Total population (thousands)		622.1	622.2	2 069.2	2 071.3	2 892.3e	2 886.0	7 114.4	7 076.4	77 696	78 741	3 825.3	3 516.0 p	1 804.9	1 771.6	508 504 p	510 279 bp
Share of 15-64 in total population (%)		67.8	67.6	70.5	70.3	69.1e	69.5	67.1	66.6	67.8	67.8				65.6p	65.5ep	65.3bep
Crude rate of natural population change (per 1 000 inhabitants)		1.7	1.8	1.3	1.2	3.6e		-5.4	-5.1	11.8	11.2		-1.8p	9.2p		-0.2ep	0.0bep
Life expectancy at birth, males (years)		74.4		73.5		76.2e		72.8		75.4						77.9ep	
Life expectancy at birth, females (years)		78.6		77.4		79.7e		77.9		81.0						83.3ep	

Labour market	Note	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Economic activity rate for persons aged 20-64: proportion of the population aged 20-64 that is economically active (%)	1)	68.5	69.1	70.2	69.6	71.3e	73.3e	68.1	70.0	59.9	60.9	59.2	58.8	42.8	44.0	77.1	77.5
Economic activity rate for males aged 20-64: proportion of the male population aged 20-64 that is economically active (%)	1)	74.9	76.7	83.8	83.8	81.8e	82.5e	76.7	78.0	82.7	83.3	71.9	72.0	65.1	66.8	83.4	83.7
Economic activity rate for females aged 20-64: proportion of the female population aged 20-64 that is economically active (%)	1)	62.1	61.6	56.2	54.9	61.1e	64.2e	59.5	62.0	37.3	38.5	46.3	45.3	20.4	20.9	70.8	71.4
Employment rates, aged 20-64 (% of the population)																	
Total		56.7	57.1	51.9	53.3	59.3e	62.1e	56.0	59.1	53.9	54.3	43.2	44.2	29.1	32.3	70.0	71.0

Males		61.9	51.3	61.5	63.7	68.1e	69.4e	63.7	66.3	75.3	75.5	53.9	56.4	44.9	49.9	75.8	76.8
Females		51.5	63.0	42.1	42.5	50.7e	55.0e	48.3	51.9	32.6	33.2	32.4	32.0	13.2	14.6	64.2	65.3
Persons aged 15-24 not in employment, education or training, % of the population in the age group		19.1	18.4			29.6	26.9e	19.9	17.7	24.0	24.0	27.7	26.4	31.4	30.1	12.0	11.6
Persons aged 15-29 not in employment, education or training, % of the population in the age group		23.4	22.3			32.8	30.0e	24.5	22.3	28.0	27.8	32.8	31.4	39.2	37.3	14.8	14.2
Employment by main sectors																	
Agriculture, forestry and fisheries (%)		7.7	7.7	17.9	16.6	41.3e	40.2e	19.4	18.6	20.6	19.5	17.9	18.0	2.3	4.2	4.5	4.3
Industry (%)		10.8	9.8	23.4	23.1	11.6e	12.8e	19.9	20.2	20.0	19.5	22.0	22.7	18.7	18.0	17.3	17.3
Construction (%)		6.6	7.7	7.1	7.2	6.9e	6.5e	4.5	4.3	7.2	7.3	7.5	8.6	9.5	11.5	6.8	6.7
Services (%)		74.8	74.8	51.6	53.1	40.2	40.5	56.1	57.0	52.2	53.7	52.6	50.8	69.5	66.3	71.4	71.6
People employed in the public sector as a share of total employment, persons aged 20-64(%)	2)	32.4	31.2			16.7e	15.6e	29.7	28.3	13.5	13.8	31.2	29.0	32.6	30.8		
People employed in the private sector as a share of total employment, persons aged 20-64 (%)	2)	46.6	47.0			83.3e	84.4e	70.3	71.7	86.5	86.2	63.2	65.9	67.4	69.2		
Unemployment rates (% of the labour force)																	
Total	1)	17.5	17.8	26.1	23.7	17.1e	15.2e	17.8	15.4	10.3	10.9	27.9	25.5	32.9	27.5	9.4	8.6
Males	1)	17.7	18.3	26.7	24.4	17.1e	15.9e	16.9	14.8	9.3	9.6	25.9	22.6	31.8	26.2	9.3	8.4
Females	1)	17.3	17.1	25.1	22.7	17.1e	14.4e	18.8	16.2	12.6	13.6	30.9	30.2	36.6	31.7	9.5	8.8
Youth, aged 15-24	1)	37.6	35.9	47.3	48.2	39.8e	36.5e	43.2	34.9	18.4	19.5	62.3	54.3	57.7	52.4	20.3	18.7
Long-term (>12 months)	1)	13.6	13.4	21.3	19.2	11.3e	10.1e	11.4	10.0	2.2	2.2	22.8	21.7	23.8	18.0	4.5	4.0
Average nominal monthly wages and salaries (EUR)	3)	480	499	356	363	386	397	506	516	604		424	429				

Education	Note	2015	2016														
Early leavers from education and training: percentage of the population aged 18-24 with at most a lower secondary education and not in further education or training (%)		5.7	5.5	11.3p	9.9	21.3e	19.6e	7.4	7.0	36.7	34.3	5.2	4.9	14.5	12.7	11.0	10.7
Public expenditure on education relative to GDP (%)						3.1p	3.1p	4.0	3.9	4.3	4.6			4.5	4.7p		
Percentage of the population aged 20-24 with at most lower secondary education, total		6.6	6.8					8.6	7.8	46.5	43.9	6.2u	5.8u		14.6	17.2	16.8
Percentage of the population aged 20-24 with at most lower secondary education, males		6.9	5.8					9.3	8.6	46.2	44.2	5.6u	5.5u		12.5	19.4	19.1
Percentage of the population aged 20-24 with at most lower secondary education, females		6.3	7.9					7.9	7.0	46.8	43.7	6.9u	6.3u		17.0	14.9	14.4
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, total		80.6	82.2					83.2	84.9	34.9	35.7	86.3	86.6		70.5	65.2	65.3
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, males		85.3	86.9					84.5	86.3	37.8	38.3	88.6	89.0		74.5	65.9	66.1
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, females		75.7	77.2					81.7	83.3	32.2	33.3	83.5	83.7		66.0	64.5	64.5
Percentage of the population aged 30-34 with tertiary education, total		31.0	33.9	28.6	29.1	22.1e	20.9e	28.9	29.9	23.5	26.5	17.2	23.1	17.2	19.1	38.6	39.0
Percentage of the population aged 30-34 with tertiary education, males		29.9	31.8	23.1	24.5	19.6e	18.0e	24.2	24.7	25.0	28.3	13.4u	16.6u	19.5	18.9	33.9	34.3
Percentage of the population aged 30-34 with tertiary education, females		32.2	35.9	34.5	33.8	24.7e	23.9e	33.7	35.3	22.1	24.6	21.3	29.4	14.7	19.4	43.3	43.8

National accounts	Note	2015	2016														
Gross domestic product																	
In current prices (EUR billion)		3.7	4.0	9.1	9.7p	10.2p	10.7p	33.5	34.6	773.0	780.2	14.6	15.3	5.8	6.0p	14 797.4	14 907.9
Per capita (EUR)		5 827	6 355	4 382	4 691	3 547	3 728	4 720	4 904	9 949	9 909	4 312	4 494	3 278	3 304	29 033	29 148
In purchasing power standards (PPS) per capita		12 200	13 000	10 500	10 900	8 500	8 500	10 500	10 700	18 900	18 800	9 100	9 300			29 000	29 100
In purchasing power standards (PPS) per capita, relative to the EU average (EU-28 = 100)		42	45	36	37	29	29	36	37	65	64	31	32				
Real (volume) annual rate of change, compared with the previous year (%)		3.4	2.9	3.9	2.9p	22p	3.4p	0.8	2.8	6.1	3.2	3.1	3.3	4.1	3.4p	2.3	2.0
Gross value added by main sectors																	
Agriculture, forestry and fisheries (%)		9.7	9.0	11.1	10.5p	22.9p	22.9p	8.2	7.9	7.8	7.0	7.3		12.6	13.4p	1.5	1.5
Industry (%)		12.8	12.3	19.3	19.9p	13.9p	13.2p	25.9	25.9	22.4	22.3	21.9		20.8	21.1p	19.4	19.4
Construction (%)		4.5	6.8	8.1	8.6p	10.2p	10.5p	5.5	5.4	9.3	9.7	4.6		8.4	8.2p	5.3	5.3
Services (%)		73.0	71.9	61.5	61.0p	53.0p	53.4p	60.4	60.8	60.5	61.0	66.2		58.2	57.3p	73.8	73.8
Balance of payments	Note	2015	2016														
Net (inward - outward) foreign direct investment (FDI) (million euro)		619.3	371.6	202.8	316.9	818.4	936.5	1 803.8	1 899.2			248.9	240.5	271.8	177.2	-129 867	-116 465
Net (inward - outward) foreign direct investment (FDI) (% of GDP)		16.9	9.4	2.2	3.3p	8.0p	8.7p	5.4	5.5			1.7	1.6	4.7	3.0p	-0.9	-0.8
Net (inward - outward) foreign direct investment (FDI) in relation to EU-28 (million euro)		403.0	-32.5	-20.7	199.1			1 480.4	1 304.4			160.5	190.9	11.2	15.6		
Net (inward - outward) foreign direct investment (FDI) in relation to EU-28 (% of GDP)		11.0	-0.8	-0.2	2.0p			4.4	3.8			1.1	1.2	0.2	0.3p		
Remittances as % of GDP		1.2	1.0	2.3	2.0p	5.9p	5.7p	8.5	7.8			8.3	8.2	11.5	11.5p	0.1	0.1

External trade in goods	Note	2015	2016														
International trade in goods																	
Share of exports to EU-28 countries in value of total exports (%)		35.6	37.4	77.0	79.9	75.4	77.9	67.0	67.6	44.5	47.9	71.6	71.3	32.6	22.6		
Share of imports from EU-28 countries in value of total imports (%)		41.3	48.2	62.0	62.0	61.8	63.1	57.3	58.7	38.0	39.0	60.8	61.9	42.2	43.1		
Trade balance (EUR million)		-1 524	-1 736	-1 714	-1 777	-2 154	-2 399	-2 978	-2 483	-56 981	-50 676	-3 510	-3 448	-2 309	-2 480	59 553	32 002
International trade in goods and services relative to GDP																	
Imports (% of GDP)		60.6	62.9	65.0	64.7p	44.7p		56.4	57.5	26.0	24.9	53.2	52.3	49.5	51.3p	40.3	40.5
Exports (% of GDP)		42.1	40.5	48.7	50.0p	27.4p		46.7	50.0	23.3	22.0	34.6	35.4	19.3	22.5p	43.8	44.0

Public finance	Note	2015	2016														
Government finance statistics, relative to GDP																	
** General government surplus (+) / deficit (-) (%)		-7.4	-2.8	-3.5	-2.7	-4.1	-1.8	-3.7	-1.3	1.3		0.7	1.2			-2.4	-1.7
** General government debt (%)		66.2	64.4	38.1	39.6	69.1	68.7	76.0	73.0	27.5		41.9	40.5	12.8		84.5	83.2

Financial indicators	Note	2015	2016														
Annual change in consumer prices (%)	4)	1.4	0.1	-0.3	-0.2	2.0	2.5	1.5	1.3	7.7	7.7	-1.0	-1.1	-0.5	0.3	0.0	0.3
Total external debt, relative to GDP(%)				69.3	74.2p	74.7p	73.5p	78.3	76.5	47.1		72.2	71.0	33.3	33.7p		
Lending interest rate (one year), per annum (%)	5)					74.7	73.5			53.0							
Deposit interest rate (one year), per annum (%)	6)	8.53	7.45	3.75	4.25	7.77	5.89	6.50	5.50	10.79		5.74	4.97	8.32	7.47		
Value of reserve assets (including gold) (million euro)	7)	1.23	0.93	0.25	0.25	1.35	0.80	2.50	2.50	7.27		0.09	0.09	0.90	1.01		
International reserves - equivalence in months of imports		673.7	803.0	2 261.8	2 613.4	2 880.0	2 945.0	10 378.0	10204.6	99 619.6		4 414.6	4 887.4	706.4	605.1		

Business	Note	2015	2016														
Industrial production index (2010 = 100)	8)	88.3	84.4	118.0	122.0	161.7	130.5	107.1	112.1	124.1	126.3	107.4	112.0			103.9	105.6

Infrastructure	Note	2015	2016														
Density of railway network (lines in operation per thousand km ²)		18.1	18.1	28.1	27.4	13.8	12.2	48.6	48.6	13.2		20.1	21.9	30.9	30.9		
Length of motorways (kilometres)		0	0	259	259			693	741	2 282	2 542	128		80	98		

Energy	Note	2015	2016														
Net energy imports in relation to GDP		4.2	3.4	6.4	5.1p	0.8p	1.3p	4.8	3.6	1.2	1.0	5.3	4.3	5.4	4.1p	1.6	1.3

: = not available
b = break in series
e = estimated value
p = provisional
u = low reliability
- = not applicable

* = This designation is without prejudice to positions on status, and is in line with UN SCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

** = The government deficit and debt data of enlargement countries are published on an "as is" basis and without any assurance as regards their quality and adherence to ESA rules.

Footnotes:

- 1) Turkey: unemployment based on 4 weeks criterion + using only active jobs search methods.
- 2) Bosnia and Herzegovina: the shares do not sum to 100% because other types of ownership are excluded. Montenegro: excludes NGOs; data refer to number of employees (in private or public sectors) as a share of the total number of persons employed.
- 3) Albania: public sector. Bosnia and Herzegovina: net earnings. Serbia: wages and salaries paid to employees of legal entities and of unincorporated enterprises.
- 4) Harmonised index of consumer prices except for the former Yugoslav Republic of Macedonia, Bosnia and Herzegovina and 2015 data for Albania. Albania: variation between December of one year and December of the previous year.
- 5) Albania external debt (including FDI).
- 6) Albania: average weighted rate applied to new 12-month loans over the respective month, on 12-month maturity. Bosnia and Herzegovina: short-term lending rates in national currency to non-financial corporations (weighted average). Montenegro: weighted average effective interest rate, outstanding amounts, annual. The former Yugoslav Republic of Macedonia: end of year (31 December).
- 7) Albania: deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity. Bosnia and Herzegovina: demand deposit rates in national currency of households (weighted average). Montenegro: weighted average effective interest rate, outstanding amounts, annual. The former Yugoslav Republic of Macedonia: end of year (31 December). Turkey: overnight deposit facility.
- 8) Montenegro and Serbia: gross series, rather than calendar adjusted.