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COMMUNICATION FROM THE COMMISSION  
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

OPERATIONAL CONCLUSIONS

**Regional Approach to the countries of South-Eastern Europe:  
Compliance with the conditions in the Council Conclusions of 29 April 1997**

Bosnia and Herzegovina, Croatia, Federal Republic of Yugoslavia,  
former Yugoslav Republic of Macedonia and Albania

## INTRODUCTION

In the context of the Regional Approach to the countries of South-Eastern Europe<sup>1</sup>, the Council established political and economic conditions<sup>2</sup> to be fulfilled by these countries, as the basis for a coherent and transparent policy towards the development of bilateral relations with these countries in the field of trade, financial assistance and economic cooperation, as well as of contractual relations.

The present Commission Conclusions are accompanied by a factual report<sup>3</sup> which monitors compliance by Bosnia-Herzegovina, Croatia, the Federal Republic of Yugoslavia (FRY), the former Yugoslav Republic of Macedonia, and Albania with these conditions. For each, compliance has been monitored under the following headings: democratic principles; human rights and the rule of law; respect for and protection of minorities; market economy reforms; regional cooperation<sup>4</sup>; and, where relevant, compliance with obligations under the Dayton and Erdut Agreements and the Sintra and Bonn Peace Implementation Councils.

While progress has been made in some areas, the compliance by some countries in the areas of democratic reforms, respect for human and minority rights, economic reforms and regional cooperation has been less than satisfactory. Improvements are also necessary with regard to the return of refugees and displaced persons to their place of origin, cooperation with the International Criminal Tribunal on former Yugoslavia, the implementation of the peace agreements (e.g. that agreements with the entities of Bosnia-Herzegovina must be made compatible with the Bosnia-Herzegovina Constitution, that functioning common institutions must be established in Bosnia-Herzegovina, Eastern Slavonia in the case of Croatia and the establishment of constructive dialogue with the Kosovo Albanians in the case of the FRY).

At this time, the Commission has therefore concluded that the present level of relations with the countries covered by the Regional Approach should continue i.e. that there should be no extension of the autonomous trade regime (to FRY) or the PHARE programme (to Croatia or FRY), and no opening of negotiations for Cooperation Agreements (with Bosnia-Herzegovina, Croatia or FRY).

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<sup>1</sup> Conclusions of the General Affairs Council of 26 February 1996, followed by a Commission report on common principles for future contractual relations with certain countries in South-Eastern Europe: *Report from the Commission to the Council and the European Parliament*, COM(96)476 final of 2.10.96

<sup>2</sup> Conclusions of the General Affairs Council of 29 April 1997

<sup>3</sup> *Commission Staff Working Paper: Regional Approach to the countries of SouthEastern Europe: Compliance with the conditions in the Council Conclusions of 29 April 1997: Bosnia and Herzegovina, Croatia, Federal Republic of Yugoslavia, former Yugoslav Republic of Macedonia and Albania* [SEC(1998)586 of 30.03.98]

<sup>4</sup> See the *Commission Staff Working Paper: Second Report on Economic Relations between the countries of SouthEastern Europe concerned by the EU's Regional Approach* SEC(98)381 of 27.2.98 which covers developments during 1997

## CONCLUSIONS

On the basis of the factual report contained in the Commission Staff Working Paper on compliance, by the five countries concerned, with the conditions set out in the Council Conclusions of 29 April 1997 [SEC (1998)586 of 30.03.98], the Commission has reached the following conclusions.

### Section 1

#### **1 Bosnia-Herzegovina**

##### **1.1 General Assessment**

There has been progress on democratization and human rights, though significant pressure by the international community has been needed. Much, however, remains to be achieved. Particular attention needs to be paid to private property rights (linked to free movement and the return of refugees / displaced persons) and to fully independent public service television.

The creation of a market economy proceeds, not without difficulties, but there is a clear lack of progress in establishing a regulatory framework. The conditions for the successful conclusion of the ongoing discussions with the IMF and other international financial institutions need to be met rapidly to avoid a serious handicap to further economic progress. Privatization has been heavily influenced by political considerations.

Compliance with the Dayton Accords has been patchy, with missed deadlines and a clear reluctance on the part of the parties to implement certain commitments except under the powers of the High Representative. There must be free movement of citizens, including the return of refugees and the right of settlement, and determination to pursue interethnic reconciliation, if there is to be a lasting peace in the region. This has yet to be achieved, even if significant progress has been made in recent months.

The appointment of the new government in the RS, committed to the Dayton process and putting a high priority on economic progress and refugee return, is a very substantial step forward.

##### **1.2 Operational Conclusions**

At present, given the improved respect for fundamental principles of democracy and human rights, Bosnia and Herzegovina continues to benefit from the **autonomous trade preferences** extended by the European Community. The maintenance of these benefits assumes continuing progress in these fields.

In accordance with the Council Conclusions of 29 April 1997, **PHARE** assistance to Bosnia and Herzegovina is limited to projects in direct support of the peace agreements, as long as Bosnia and Herzegovina does not comply with the conditions relevant for access to full PHARE assistance. Bosnia and Herzegovina is presently eligible for reconstruction assistance under the PHARE programme, targeted at reconstruction, institution-building and refugee return. Recent political developments in Republika Srpska have made it possible to attribute an increased share to Republika Srpska. A progressive extension of PHARE programmes will depend on the country's and the entities' compliance with the relevant conditionality.

The time has not yet come to begin negotiations on a **Cooperation Agreement** with the Community.

## **2 Croatia**

### **2.1 General Assessment**

There have been, in recent weeks, many statements of Croatian commitments to European norms and objectives, about progress in refugee return and the willingness to welcome citizens of all ethnicities, Dayton implementation, democratic reform and reconciliation.

In practice, however, progress has *not* matched commitments. Increased respect for fundamental human and minority rights is needed, as well as a determination to apply democratic processes. There are certain key areas where outstanding commitments, had they been implemented in advance of this report, could have altered the conclusions e.g. reform of state broadcasting (to increase the distance between HRTV and the government and ruling party, and to open the way to alternative national TV stations); property issues (the much-promised reform of the Law on Temporary Takeover and Administration of Specified Property); refugee returns (where concrete proposals are awaited, and for which there is a long-standing offer of assistance); clarification of the amnesty law. The Government needs to persuade their own Croatian Serb citizens that they can safely remain in Croatia, without fear of harassment or intimidation; to convince refugees that they can return and remain in safety; to explain to local authorities and individuals that reconciliation must be implemented, at all levels - authorities in Zagreb are not responsible for individual acts of harassment or intimidation, but rather for creating / contributing to circumstances in which this occurs (either by act or omission).

### **2.2 Operational Conclusions**

Croatia has, like the other countries of the Regional Approach, the real opportunity to achieve its aspirations. This, however, requires compliance with the relevant conditions, a matter which is entirely under its control. Without a clear commitment to and implementation of its obligations under the Dayton and Erdut Agreements, ethnic reconciliation and democratic reform, Croatia is continuing to seriously hamper its chances of realizing its European ambitions.

At present, Croatia benefits from **autonomous trade preferences** extended by the European Community. Unless Croatia makes progress in relation to the relevant criteria, and avoids moving away from the Conditionality criteria, the justification of these benefits may be questioned.

Despite positive declarations by the Croatian authorities in recent months, the Commission considers that, at present, Croatia has not fulfilled the relevant conditions for additional progress in its relations with the Community, in particular the (even partial) lifting of the suspension of its eligibility for **PHARE**. Discussion of the possible opening of negotiations on a **Cooperation Agreement** is therefore also premature.

### **3. Federal Republic of Yugoslavia**

#### **3.1 General Assessment**

The picture is mixed, with contrasting developments in the two republics that make up the Federal Republic of Yugoslavia.

The outcome of the various elections in **Serbia** in the second half of 1997 has led perforce to increased contacts between President Milosevic's party and at least some elements of the opposition. But the other democratic shortcomings identified in the Gonzalez Report of December 1996 remain largely unaddressed. There has been no progress in relation to the exercise of certain fundamental human rights. While there is a certain awareness of the need for market economy reform, and some initial efforts have been made, little has been done in terms of practical implementation, and there is still no credible commitment to reform. While certain efforts in relation to the establishment of a government in Republika Sprska are welcome, there has been no general improvement in relation to Dayton obligations. There has been a marked deterioration in the protection of the human and minority rights of Kosovo Albanians, with many casualties in recent police operations. While for almost the entire reporting period there has been no progress on Kosovo, heavy international pressure in recent weeks has resulted in some indications of movement with regard to the Education Agreement and dialogue.

In **Montenegro**, by contrast, Djukanovic's inauguration has resulted in some evidence of a commitment to democratic reforms, although the time for assessment has, as yet, been short. There are indications of progress in relation to fundamental human and minority rights, and economic reforms, with good prospects regarding regional cooperation, both economic and political, with neighbouring states. A commitment has been given to contribute to respect for and implementation of all obligations under Dayton, including full cooperation with the ICTY.

#### **3.2 Operational Conclusions**

- Recent events in Kosovo have led the European Union to adopt a **Common Position** (19 March) on various punitive measures and, in the event of the non-implementation by the FRY of international demands, the Union will move to further international measures. The Commission will take the appropriate initiatives to contribute to the implementation of this Common Position.

Given the failure of the FRY, as a whole, to comply with the conditions relevant for inclusion in the **autonomous trade regime**, notably due to the lack of respect for the fundamental principles of democracy and human rights, the Commission does not consider that the FRY should, at present, be included in this regime.

At present, the FRY as a whole has not fulfilled the relevant conditions for eligibility for the **PHARE** programme. Discussion of the possible opening of negotiations on a **Cooperation Agreement** is therefore also premature.

## Section 2

### 4. Former Yugoslav Republic of Macedonia

#### 4.1. General assessment

Taken overall the former Yugoslav Republic of Macedonia complies with democratic principles and the principle of regional cooperation and shows a credible commitment to continue on the path of democratization and good-neighbourly and cooperative relations within the region. A credible commitment can be observed in the fields of human rights and the rule of law, respect for and protection of minorities, market economy reform, but further progress is needed, particularly in the following specific areas: public administration reform including the judiciary and law enforcement, education for the Albanian minority; minority representation in the security forces; private sector development including the promotion of foreign direct investment; the banking sector.

#### 4.2. Operational conclusions

The former Yugoslav Republic of Macedonia already benefits from regular **PHARE** assistance and has contractual links with the European Community on the basis of the **Cooperation Agreement**. The country will continue to benefit from Community assistance, notably in the framework of PHARE with a view to achieving further progress in the fields of democratization, human rights and the rule of law, respect for and protection of minorities, market economy reform and regional cooperation. It is important that the agreed programmes are fully implemented. The Commission will examine, together with the authorities of the former Yugoslav Republic of Macedonia, possibilities of specifically contributing through PHARE to further improvement of inter-ethnic relations in the country. In this context, support for the implementation of the Law on the Pedagogical Faculty at Skopje University will be considered.

Regarding **contractual relations** with the Community, the Cooperation Agreement and the Agreement in the Field of Transport must be fully implemented. The holding of the first meeting of the Cooperation Council on 20/21 March 1998 was an important step, and the working parties established on this occasion will provide the appropriate framework for continuous discussion between both sides at expert level. Relations will develop on this basis, including in the framework of the **Political Dialogue**. A possible upgrading of relations between the Community and the former Yugoslav Republic of Macedonia will be considered at a later stage, taking account of the implementation of the Cooperation Agreement and of assistance under PHARE, as well as developments in the country *inter alia* in the above-mentioned areas.

## **5. Albania**

### **5.1. General assessment**

Following the major crisis of 1997, the new government has shown a credible commitment to embark on a process of stabilization, recovery and democratization in the country. This process has started but has developed rather unevenly and is confronted with many structural problems which pre-date the crisis. The new government has made progress in terms of macro-economic stabilization which needs to be continued and underpinned by a medium-term structural reform programme currently being negotiated with the IMF. Rapid completion of the winding up of the pyramid schemes is expected. First steps with respect to institutions and public administration are encouraging but should be confirmed. Public order and the security forces remain, however, the subject of serious concern, and political normalization in the country leaves much to be desired. Law enforcement and progress in the field of individual civil rights will require the effective strengthening of the judiciary. Additional effort is also required regarding electronic media. Compliance with the principle of regional cooperation is satisfactory.

### **5.2. Operational conclusions**

Albania will continue to benefit from Community assistance, notably in the framework of PHARE with a view to achieving further progress in stabilization, recovery and democratisation in the country, and to enhancing regional cooperation. The implementation of agreed programmes in particular in the fields of public administration reform, agriculture, large infrastructure and local community development is of crucial importance. In this context, it is important that Albania provides the necessary conditions in terms of public order and security. The stabilization and recovery process also presupposes continued efforts to reform the financial sector and to stabilize political life.

**Contractual relations** with the Community are based on the 1992 Trade Cooperation Agreement and the connected Declaration on **Political Dialogue**. The second meeting of the Joint Committee on 23/24 March 1998 highlighted the need to use this agreement more actively through annual Joint Committee meetings and, where appropriate, regular meetings of working parties. Further progress, especially in those political and economic areas where significant problems are still being noted, is indispensable before consideration can be given to intensification of relations with the European Community

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# DOCUMENTS

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