

Til

Udvalgets medlemmer og stedfortrædere

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Bearbejdet dansk pressemeddelelse for dette rådsmøde vil blive hjemsendt som omtryk til dette bilag så snart det ligger klar fra Rådets oversættelsestjeneste.

Bruxelles, den 18. juni 2001

Med venlig hilsen

Morten Knudsen

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PRESS RELEASE

Subject :

2356th Council meeting

- GENERAL AFFAIRS -

Luxembourg, 11-12 June 2001

President : **Ms Anna LINDH**

Minister for Foreign Affairs of the Kingdom of
Sweden

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For further information call 02-285.64.23, 02-285.87.04 or 02-285.68.08

PARTICIPANTS

The Governments of the Member States and the European Commission were represented as follows:

Belgium :

Mr Louis MICHEL Deputy Prime Minister and Minister for Foreign Affairs
Ms Annemie NEYTS State Secretary, attached to the Minister for Foreign Affairs

Denmark :

Mr Mogens LYKKETOFT Minister for Foreign Affairs
Mr Friis Arne PETERSEN State Secretary for Foreign Affairs

Germany :

Mr Joschka FISCHER Federal Minister for Foreign Affairs and Deputy Federal Chancellor
Mr Christoph ZÖPEL Minister of State, Foreign Affairs

Greece :

Mr George PAPANDEOU Minister for Foreign Affairs
Ms Elissavet PAPAZOÏ Deputy Minister for Foreign Affairs

Spain :

Mr Josep PIQUÉ I CAMPS Minister for Foreign Affairs
Mr Ramón DE MIGUEL Y EGEA State Secretary for European Affairs

France :

Mr Hubert VEDRINE Minister for Foreign Affairs
Mr Pierre MOSCOVICI Minister attached to the Minister for Foreign Affairs, with responsibility for European Affairs

Ireland :

Mr Brian COWEN Minister for Foreign Affairs

Italy :

Mr Roberto NIGIDO Ambassador, Permanent Representative

Luxembourg :

Ms Lydie POLFER Minister for Foreign Affairs and Foreign Trade

Netherlands :

Mr Jozias VAN AARTSEN Minister for Foreign Affairs

Austria :

Ms Benita FERRERO-WALDNER Federal Minister for Foreign Affairs

Portugal :

Mr Jaime GAMA Minister for Foreign Affairs
Ms Teresa MOURA State Secretary for European Affairs

Finland :

Mr Erkki TUOMIOJA Minister for Foreign Affairs
Mr Kimmo SASI Minister for Foreign Trade and European Affairs

Sweden :

Ms Anna LINDH Minister for Foreign Affairs
Mr Hans DAHLGREN State Secretary at the Ministry of Foreign Affairs

United-Kingdom :

Mr Jack STRAW Secretary of State for Foreign and Commonwealth Affairs

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Commission :

Mr Romano PRODI President
Mr Michel BARNIER Member

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General Secretariat of the Council :

Mr Javier SOLANA

Secretary General / High Representative for the
CFSP

RATIFICATION OF THE TREATY OF NICE - IRISH REFERENDUM

- Council conclusions

"While respecting the will of the Irish people, Ministers expressed their regret at the results of the Irish referendum on the Treaty of Nice. They excluded any reopening of the text signed in Nice. The ratification process will continue on the basis of this text and in accordance with the agreed timetable.

Ministers noted that the Irish Government is deeply committed to the European Union and to the ratification of the Treaty of Nice. The Fourteen expressed their readiness to contribute in every possible way to help the Irish Government find a way forward, taking into account the concerns reflected by this result, without reopening the text of the Nice Treaty.

They underlined the Union's commitment to enlargement and to sustaining the good progress in the accession negotiations."

WESTERN BALKANS - Council conclusions

"The Council expressed its growing concern at the serious deterioration of the security situation in the **former Yugoslav Republic of Macedonia** and condemned the continued terrorist actions by ethnic Albanian extremists. The extremists must lay down their arms. Any response to their actions must remain proportionate. The Council expressed its deep concern at the worsening humanitarian situation and called upon all parties to avoid endangering the civil population, to ensure full respect for human rights and to facilitate the free access of humanitarian organisations.

The Council welcomed President Trajkovski's strategy for disarmament presented to the FYROM parliament as a constructive approach to overcome the present crisis and encouraged the authorities to begin the implementation as soon as possible. The Council underlined the importance it attaches to the readiness of the partners in the coalition government for an intensified dialogue on inter-ethnic relations addressing all the issues on the President's agenda. A comprehensive, concrete and substantial package ensuring rights of all people in the country, regardless of their ethnic origin is urgently required. The Council invited Prime Minister Georgievski to present the results of these negotiations at its meeting of 25-26 June 2001.

The Council welcomed the recent visit of the Ministerial Troika and strongly supported the continued efforts by HR Solana, to contribute in close cooperation with other international actors to finding a solution to the crisis.

Regarding **Southern Serbia**, the Council welcomed the unilateral demobilisation by ethnic Albanian armed groups and the generally peaceful completion of the entry of Yugoslav security forces into the Ground Safety Zone. It recognised the important role jointly played by EU and NATO to reach a peaceful solution to the crisis as well as by the OSCE in the development of multi-ethnic policing. The Council called on the FRY/Serbian authorities and ethnic Albanian representatives to implement existing agreements without delay and to make rapid progress on necessary further confidence building measures, including multi-ethnic policing, the return of displaced persons and the integration of the ethnic Albanian population into local structures.

The Council warmly welcomed the promulgation by the UNSRSG of the constitutional framework for provisional self-government in **Kosovo**, which constitutes an important step in the implementation of UNSCR 1244 and provides the basis for Kosovo-wide elections scheduled for November 17. The Council urged all ethnic communities to seize this chance, and to participate in the election process and in the future provisional institutions of self-government.

The Council further welcomed the measures taken by UNMIK to counter illegal border crossings and illegal possession of arms, as well as the imminent adoption of a regulation to help combat terrorism in Kosovo. It underlined its support for tough action in Kosovo, and throughout the region, against extremists and organised crime. It called on the people of Kosovo, and the whole region, to renounce violence and to help bring the perpetrators of crime and violence to justice.

The Council warmly welcomed the **Framework Agreement on Succession Issues** reached on 25 May by five Succession States of the former SFRY. This agreement constitutes a historic breakthrough on this longstanding and difficult issue and represents a significant step for the region towards reconciliation and normal neighbourly relations, which will contribute to the integration of these countries into European structures.

In accordance with its 9 April decision, the Council approved the Report on the **Review of the Stabilisation and Association Process** (see Annex, page 16), assessing progress made by the countries of the region in their efforts towards European integration and making concrete recommendations on the way forward. Furthermore, the Council reiterated that regional cooperation is an essential element of the Stabilisation and Association Process, as was underlined at the Zagreb Summit. Accordingly, it called on each country of the region to demonstrate its commitment to make concrete progress in this field.

The Council decided to forward the Report to the Göteborg European Council. The Council looked forward to conducting a full review of the Stabilisation and Association Process by the end of this year on the basis of a report by the Commission, as agreed on 9 April.

The Council endorsed the document on EU priorities within the **Stability Pact for the South Eastern Europe** as a basis for further focussing the Pact process. It reiterated its support for the Stability Pact, which is instrumental in reinforcing stability in the region, and acknowledged in particular the Special Co-ordinator's personal commitment to this process."

MIDDLE EAST

Ministers addressed, over lunch, the situation in the region, notably in the light of information given by SG/HR SOLANA following his visit to the region (9/10 June) with Prime Minister PERSSON during which meetings were held with Israeli Prime Minister SHARON, Chairman ARAFAT of the Palestinian Authority and Jordanian political leaders. SG/HR SOLANA also briefed Ministers on the essential elements of the road-map that he will present to the European Council in Göteborg.

On the margins of the Council, Ministers met separately with Palestinian Minister for International Co-operation Nabil SHAATH and with Israeli Minister for Foreign Affairs Shimon PERES.

PREPARATION OF THE EUROPEAN COUNCIL IN GÖTEBORG (15-16 June 2001)

Under this heading - in addition to those items being separately on the agenda

- for discussion : Middle East, EU-US relations, enlargement, or

- for approval without debate : Presidency Progress Report on implementing the ESDP, EU Programme for the prevention of violent conflicts, Conclusions on EU-UN co-operation, Reports on implementation of the common strategies on Russia and on the Mediterranean, the Northern Dimension and special decisions on EU outermost regions,

the Council had a general debate reviewing the state of preparation of the European Council in Göteborg covering in particular the items of:

- Sustainable development - on the basis of a Commission communication "A sustainable Europe for a better world: A European Union strategy for sustainable development" and in the light of a Presidency non-paper, noting also the work done carried out on this subject in other Council formations;

- The future of Europe - draft Presidency report on the deeper and wider debate suggested by the Nice European Council containing a summary of actions taken, or intended, by the Member States and by EU institutions since the beginning of the year and a preliminary assessment of prospects for the continuation of the process leading to the next Intergovernmental Conference;

- Preparing the Council for enlargement - report from the Secretary General of the Council / High Representative for CFSP, evaluating the implementation of the recommendations from the December 1999 Helsinki European Council on improving the Council's organisation and working methods and aiming at further reform measures in order to ensure the efficiency of decision making of the Council.

The Council took on board also the results of work carried out by other Council formations such as of the ECOFIN Council on the BEPGs and the tax package, the employment and social policy Council on sustainability of pensions, the Environment Council and the Internal Market Council on security of electronic networks and the Community patent.

EU-US RELATIONS

The Council was briefed by the Presidency and the Commission on the preparations for the EU/US Summit in Göteborg on 14 June 2001 during which leaders are expected to address the following issues: Middle East, Western Balkans, North Korea, climate change, HIV, malaria and tuberculosis in Africa, WTO and bilateral trade issues.

The Summit will start in the morning with a plenary meeting, to be followed by a working lunch. The EU will be represented by the President of the European Council, Swedish Prime Minister PERSSON, assisted by the SG/HR SOLANA, and Commission President PRODI. Foreign Minister LINDH, Trade Minister PAGROTSKY and Commissioners PATTEN and LAMY will also be present. President BUSH is expected to be accompanied by Secretary of State POWELL, Secretary of Commerce EVANS and US Trade Representative ZOELLICK.

It is recalled that President Bush will meet with EU Heads of State and Government and the President of the Commission for a working dinner. A separate dinner will bring together Secretary of State Powell, EU Foreign Ministers, SG/HR Solana and Commissioner Patten.

ENLARGEMENT - Council conclusions

"The Council reconfirms the historic importance of the enlargement process and the priority that it attaches to its success.

The Council notes with satisfaction that the strategy for the accession negotiations endorsed by the Nice European Council has brought about a qualitative change and new impetus to the enlargement process.

The strategy has paved the way for significant breakthroughs in key negotiating chapters. The objectives set out in the road map for the first half of 2001 have been met. The Council welcomes the Commission's contribution to these achievements.

The Council notes in particular that the EU has defined its position on the nine chapters assigned for the period of the Swedish Presidency in the road map, including complex issues such as Freedom of Movement for Persons and Free Movement of Capital. This has permitted the provisional closure of the negotiations in most of these chapters. A major part of the accession negotiations on Environment and within the area of the Internal Market has now been provisionally concluded. In addition, a number of other negotiating chapters have also been dealt with and in several cases provisionally closed.

The Council furthermore notes with satisfaction that, in accordance with the conclusions of the Feira European Council, negotiations in all areas of the *acquis* have been opened with several candidate countries that started negotiations in 2000. Catch-up has thus been made possible.

The Council is determined to build upon these achievements and to pursue the accession negotiations during the Belgian and Spanish Presidencies in accordance with the road map. It calls on the Commission to present Draft Common Positions accordingly.

The Council appreciates the important efforts made by the candidate countries, including in the context of the pre-accession strategy, for meeting the accession criteria. Progress in the negotiations in accordance with the road map depends on them keeping up these efforts, with particular emphasis on the implementation and enforcement of the *acquis* and strengthening of administrative capacity. The EU will continue to closely monitor progress in this respect.

The Council reiterates that all candidates will continue to be judged on the basis of their own merits. The principle of differentiation remains a cornerstone of the accession negotiations. In this context the Council takes note of the monitoring reports put forward by the Commission and welcomes the candidate countries' progress towards accession.

The Council welcomes the Commission's information note on road transport market integration in the context of enlargement, which has provided a useful basis for discussions on options in this area. The Council also welcomes the Commission's information note on food safety in the context of enlargement. It looks forward to receiving, in the context of the respective negotiating chapters, Draft Common Positions from the Commission to enable the EU to define its position as soon as possible in these fields.

The Council furthermore notes the report on nuclear safety in the context of enlargement. It reconfirms the objective of a high level of nuclear safety in the candidate countries, as underlined by the European Council.

The Council will, as agreed by the Stockholm European Council, develop ways and means to actively involve the candidate countries in the goals and procedures of the Lisbon strategy and invites the Commission to present proposals to this end.

The Council recalls the progress made on the implementation of the pre-accession strategy for Turkey. It welcomes the adoption by the Turkish Government of its National Programme for the Adoption of the *Acquis* as an important element in the implementation of the Accession Partnership, which indicates the priority areas for Turkey's membership preparations. The EU welcomes the open and frank discussion within the enhanced political dialogue, but remains concerned with regard to the human rights situation and urges Turkey to take concrete measures to implement the priorities of the Accession Partnership. The EU welcomes the new economic programme and the additional assistance provided by the IMF and the World Bank. This financial support, coupled with the vigorous implementation of the programme, should stabilise the economic situation in Turkey and create the conditions for recovery."

* * *

"The Council underlines the basic principle for the enlargement negotiations that "agreements - even partial - reached during the course of the negotiations on chapters to be examined successively may not be considered as final until an overall agreement has been established".

The Council recalls its conclusions of 4 December 2000, endorsed by the conclusions of the Nice European Council. It encourages the Commission to present the necessary proposals for common positions in such time as to make it possible for the Council to respect the indicative road map. The Council recalls that the enlargement negotiations will be conducted within the framework established by the European Council at Berlin in March 1999 and by the Inter-institutional Agreement of 6 May 1999 .

The Council notes that enlargement will have consequences for all Member States and for the functioning and development of Community policies. These issues will be addressed in accordance with agreed procedures.

The Council notes the **Declaration of the Commission** of 11 June 2001." :

"The consequences of enlargement for economic and social cohesion were analysed by the Commission in the second report on economic and social cohesion. At the forum on cohesion on 21 and 22 May 2001, the Commission took note of the concerns voiced by current and future Member States and in particular the memorandum submitted by the delegation from Spain.

The Commission will continue its work and report regularly to the Council. It will prepare the third report on cohesion with a view to drawing up the necessary proposals for the continuation of the cohesion policy after 2006."

* * *

It is to be noted that, in the margins of the Council, Accession Conferences at Ministerial Level were held on 11 and 12 June 2001 with all candidate countries : Lithuania, Bulgaria, Czech Republic, Slovenia, Cyprus, Malta, Hungary, Poland, Latvia, Slovakia, Romania and Estonia.

OTHER BUSINESS

One-day cruises between Turkey and Greece

The Council took note of a request from the Greek Minister on the facilitation of movement of persons (with regard to existing visa obligations) on one-day cruises between Turkey and Greece and held an exchange of views on this matter. It asked the relevant Council bodies to study the technical aspects of this issue with the intention of the Council being to return to it at its session of 25-26 June 2001.

ANNEX

COUNCIL REPORT - Review of the Stabilisation and Association Process

I. Introduction

The Stabilisation and Association Process represents the European Union's commitment to contribute to peace, democracy and prosperity in South-Eastern Europe. In line with the General Affairs Council's decision of 9 April 2001(1) to undertake annual reviews of the countries of the Stabilisation and Association process, and the decision to conduct an early, political review already in June 2001, the Council has prepared an assessment of each country in the context of the st c objectives of the Stabilisation and Association process. The first part of this report explains the overall rationale behind the Stabilisation and Association process, its objectives and how it can allow the EU to help each country achieve sustainable reforms and to move closer to the overall goal of EU membership. This part is followed by a summary of country assessments, which contains recommendations for further action to be taken by the countries concerned, and operational conclusions relating to: Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia and the Federal Republic of Yugoslavia.

II. From Regional Approach to the Stabilisation and Association process

After a period of violent conflict in the region the EU Regional Approach of 1997(2) sought to underpin the implementation of the Dayton/Paris and Erdut agreements and bring basic stability and prosperity to the region. In June 1999 the EU(3) set out a more ambitious vision for the region's development. This was based on:

- a recognition that the main motivator for reform in these countries is a credible prospect of potential membership once the relevant conditions have been met(4), as offered at the Feira European Council. It clearly goes beyond the former offer of "contractual relations" (Trade and Co-operation Agreements) in the Regional Approach;
- the need for the countries concerned to establish normal mutual relations, which would allow greater economic and political stability in the region to develop;
- the need for a more flexible approach enabling each country to move ahead at its own pace. This flexibility is balanced by a common set of political and economic conditions so as to maintain the integrity of the EU's overall policy towards the region(5).

In July 1999 the Stability Pact, which also contributes to the core aims of the Stabilisation and Association process, was launched.

III. The Stabilisation and Association process (SAP)

The Stabilisation and Association process is a long-term commitment to the region in terms of both political effort and financial and human resources. The process represents an overall framework in which *preferential trade* concessions, an *assistance programme* and a *new contractual relationship* should assist each country to progress, at its own pace, and on the basis of the implementation of necessary reforms, on the way towards the prospect of EU accession.

The 24 November Zagreb Summit set the seal on the Stabilisation and Association process by gaining the region's agreement to its objectives and conditions. The Summit stated in particular that "democracy and regional reconciliation and co-operation on the one hand, and the rapprochement of each of these countries with the EU on the other, form a whole". The countries of the region thereby undertook to abide by the EU's conditionality and use the Stabilisation and Association d in particular the Stabilisation and Association Agreements when signed, as the means to begin to prepare themselves for the demands of becoming candidates for EU membership some time in the future. Thus conditionality, as a policy addressing the region as a whole, is the cement of the Stabilisation and Association process.

a) Trade

The EU is by far the most important trading partner for the region. The promotion of trade flows is a core action for the EU within the Stabilisation and Association process. The Lisbon European Council of March 2000 stated that Stabilisation and Association Agreements should be preceded by asymmetrical trade liberalisation. Since December 2000(6), the EU has accordingly applied a highly preferential trade regime to all the countries covered by the Stabilisation and Association process. The opening of EU markets to products from the Stabilisation and Association process countries is intended to promote foreign investment, develop export capacities and contribute to the overall political and economic stability of the region. The granting of autonomous, preferential trade measures remains, however, subject to compliance with relevant Stabilisation and Association process conditions, including readiness to engage in effective economic reforms and in regional co-operation.

b) Assistance

EU assistance requires that certain political and economic conditions inherent in the Stabilisation and Association Process be met. CARDS(7) brings a more strategic approach to assistance to the countries concerned. It underpins the objectives and mechanisms of the Stabilisation and Association Process. As each country moves deeper into the process, assistance will focus increasingly on support for the reforms and institution building as required by the Stabilisation and Association Agreements. But this is not to ignore the political requirement of responding to crises, as necessary, and carrying out the massive reconstruction task the Community has been set. The challenge to Community policy is to respond effectively to volatility, while holding a steady course towards the strategic goal of integration into the EU.

c) Stabilisation and Association Agreements

Stabilisation and Association Agreements are a high-value political tool which, much as the Europe Agreements did for other countries, provide the formal mechanisms and agreed benchmarks whereby the EU can work with each country individually to bring it closer to EU standards. The Stabilisation and Association Agreements represent both the cornerstone of the Stabilisation and Association process and a key step towards its completion. The conclusion of Stabilisation and Association Agreements represents the signatories' commitment to complete, over a transitional period, a formal association with the EU. Such association is based on the gradual implementation of a free trade area and on reforms designed to achieve the adoption of EU standards, including enhanced co-operation, notably in the field of justice and home affairs, with the aim of a gradual rapprochement with *the EU*.

Differences between agreements for individual countries are likely to be reflected principally in the transition period towards full association with the EU and in the precise phasing and articulation of obligations. But the destination for all countries is expected to be the same: the full realisation of an association after a transitional period through implementation of the same core obligations.

- First phase: towards an Agreement

For the countries which are still working towards a Stabilisation and Association Agreement the "Consultative Task Force/High Level Steering Group" approach has proved an effective means of focusing authorities' minds on essential reforms and of engaging with them in a sustained way to secure implementation. The process is both pedagogical and political. It is based on clear objectives for reform, a work plan and a careful political judgement of how fast each interlocutor can realistically progress.

- Second phase: implementing the Agreements

Effective implementation of the Stabilisation and Association Agreement is necessary for harmonisation with EU standards. The Stabilisation and Association Agreements do not, however, require signatories to endorse the whole of the EU acquis in one go. The focus is rather on respect for key democratic principles and the core elements of the EU acquis, which allow the EU single market to function properly. By extension through a free trade area with the EU and the associated disciplines (competition and state aid rules, intellectual property etc) and benefits (e.g. rights of establishment), this will allow the economies of the region to begin the process of integration into EU structures. For areas where the agreements do not impose specific obligations relating to the EU acquis there are provisions for detailed co-operation with the EU, again the purpose being to help each country to move closer to EU standards.

The Stabilisation and Association Agreements, then, are posited on respect for the conditionality of the Stabilisation and Association process agreed by the Council. But they also bring with them a dynamic means of operationalising that conditionality and give the EU the leverage necessary to get the countries to adopt genuine reforms with a view to achieving the immediate objectives of the agreements. The mechanisms of the Agreements themselves will enable the EU to help prioritise reforms, shape them according to EU models, to address and solve problems, and to monitor implementation.

Signatories to the Stabilisation and Association Agreements should understand that effective implementation of the agreements is a prerequisite for any further assessment by the EU of the country's prospects of accession.

d) The Regional Dimension

The Stabilisation and Association process is not simply a bilateral process with each country. With the democratic changes in Belgrade it has become possible to tackle more common issues and objectives at a regional level. The Zagreb Summit placed considerable emphasis on the central need for regional co-operation as part of the EU's "contract" with the Stabilisation and Association process countries. Similarly, the Stabilisation and Association Agreements include a clear commitment to regional co-operation. The policy objectives are principally:

- to encourage the countries of the region to behave towards and work with each other in a manner comparable to that of EU Member States. An important means to this end will be the establishment of a network of close contractual relationships (conventions on regional co-operation) between the signatories of Stabilisation and Association Agreements;

- to create a network of compatible bilateral free trade agreements (as part of the conventions mentioned above) which would mean that there were no barriers to movement of goods between the countries of the regions nor between them and the EU and, in effect, neighbouring candidate countries;

- to achieve the gradual re-integration of the countries of the Stabilisation and Association process into the infrastructure networks (TENS) of wider Europe (transport, energy, border management);

- to ensure that the authorities in the countries of the region work together to respond effectively to the common threats which organised crime, drugs trafficking, illegal immigration and other forms of trafficking represent for the region's and the EU's security. In many cases, e.g. on visa policy, a common approach by all the countries will be needed to deal with the threat effectively. In this context, and as a follow-up to the commitments on justice and home affairs made at the Summit, the countries of the Stabilisation and Association process have recently signed the Sarajevo Declaration on regional co-operation on asylum and migration.

Each country's contribution to achieving these objectives will help to determine the EU's assessment of that country's implementation of a Stabilisation and Association Agreement. The agreement on succession issues recently reached by the five Successor States of the former SFR of Yugoslavia represents a significant step towards reconciliation and normal neighbourly relations.

The Stability Pact complements the Stabilisation and Association process and will continue to be an important forum on which the Union can draw to further the strategic goal of the Stabilisation and Association process, in particular the dimension of regional co-operation. Constructive co-operation within the Stability Pact will therefore be recognised as a positive effort towards improving regional co-operation.

IV. Objective of the "Review Mechanism"

The range and depth of the new relationships embodied in the Stabilisation and Association process have not reduced the need for certain conditions to apply at all stages. The objectives of the EU's "Review Mechanism" in the Stabilisation and Association process are:

- to be able to regularly assess whether each country's level of compliance with Stabilisation and Association process criteria warrants the current level of engagement with the EU. In the event that this is not the case the Stabilisation and Association Agreements, the Autonomous Trade Measures Regulations and the CARDS Regulation provide for decisions on appropriate action;
- to provide a benchmark against which to judge how well a country is implementing the Stabilisation and Association Agreement;
- to agree on priorities for EU co-operation;
- to provide a tool for decisions on the further development of the relationship with the EU.

V. Country assessments

A) Albania

Domestic politics are dominated by preparations for the upcoming parliamentary elections scheduled for 24 June. Politics remain polarised, and personalities rather than policies still largely dominate the political debate. Despite progress achieved in ensuring public order and tackling criminality, state control in some parts of the country still remains weak. The stability of Albania is also influenced by forces outside the country, in particular by the situation in the ethnic Albanian inhabited territories across its borders and by organised crime. Albania has made great efforts to improve its relations with its neighbours, and has played a constructive role during the latest crises in the region, notably in FYROM and Kosovo.

The economy has been gaining in strength. In 2000, GDP grew by 7.8 % with respect to the previous year, while equal success was reached in the fiscal area, with a 25 % increase in tax revenues with respect to 1999 and a decrease in the fiscal deficit from 11.5% of GDP to 9.5% in 2000. Foreign financing of the deficit was consequently reduced from 6% to 4.5% of GDP.

1. Issues needing special attention

Democratic Principles

Albania's Constitution guarantees democratic freedoms such as political pluralism, freedom of expression and freedom of religion. Following adoption of the Constitution of Albania in November 1998, the authorities are in the process of undertaking major institutional reforms including the legal and judicial system. To this end, a number of new institutions have been and continue to be created, such as the appointment by the Parliament of Albania's first Ombudsman, the adoption of a new Electoral Code, the establishment of a complete Civil Service Commission, the establishment of the State Publication Centre and the School of Magistrates. Nonetheless, Albania needs to improve its performance considerably in the field of implementing democratic principles, as well as in that of institutional capacity, in order to achieve European and Community political standards.

Achieving such standards in practice means further strengthening the principle of separation of powers, by means of suppressing remaining interference between the legislative, executive and judicial organs.

- Completing the legislative framework in all fields and enhancing the capacity of the judiciary.
- Consistently implementing and better monitoring of the Anti-Corruption Plan.
- Holding free and fair elections in accordance with democratic principles, and carrying out outstanding improvements in the electoral process.
- Overcoming the country's confrontational political environment.

Human Rights and Rule of Law

Albania's Constitution guarantees respect for human rights. While the constitutional court ruled out the death penalty as unconstitutional in December 1999, in September 2000 Albania ratified the Convention on the Protection of Human Rights and Fundamental Freedoms and thereby took a further significant step towards European standards. However, implementation of existing rules need to be reinforced. The Council of Europe is currently preparing a report on the conformity of Albania's legislative practices with the European Convention on Human Rights.

Civil society remains underdeveloped. It lacks sufficient financial resources as well as advocacy skills and in practice is not yet capable of playing its role in the country. Outside the capital, civil society is hardly present.

Freedom of expression and association is guaranteed in Albanian. However, in practice, the independence of radio and television needs reinforcing and the transformation of the State TV and Radio into an independent broadcasting institution needs to be completed. The opposition continues to breach the Law on Television and Radio, which requires it to participate in the National Council on Radio and Television.

The right of assembly and demonstration is in general respected in keeping with a recently enacted relevant law. However, there have been isolated cases where the treatment by the local authorities of detained persons has not abided by European norms and standards. The right to property is guaranteed in theory, but it needs further clarification and engagement with a view to creating a functioning and contemporary property and land market (cadastre).

Improvement in implementing the rule of law in Albania, along with sustained efforts to combat organised crime, should constitute the country's top priorities since they remain very serious problems, which hamper improvement in many other areas. The poor state of the judiciary, due to lack of qualified human resources, widespread corruption and party affiliation must be targeted for concentration of resources and attention. The poor working conditions, poor state of the Courts and Court Administration and poor performance and co-operation between the local prosecutor's office, the police and the judges needs to be urgently reversed.

- Completing the legal framework for the judiciary, and enhancing the training of judges.
- Ensuring the proper application of human rights legislation by the judiciary and law enforcement agencies, including by means of improved training.
- Improving the capacity of and co-operation between law enforcement bodies.
- Enhancing the fight against organised crime, smuggling and trafficking in human beings.

Respect for and Protection of Minorities

Albania's Constitution guarantees the rights of persons belonging to national minorities and in general these are respected. The most important minority in Albania is the Greek minority, however, there are also small communities of Slavo-Macedonians, Montenegrins, Vlachs and Roma. The Albanian government is committed to organising during the next few years a census on the ethnic composition of the population as well as to presenting new minority legislation.

The Albanian government has committed itself to further improving the relevant legislation in order to adapt it fully to existing European standards. In September 2000, Albania ratified the Council of Europe Convention on the Protection of National Minorities, but it has not yet proceeded to implement the reporting obligations associated with its ratification. Albania guarantees the right to use minority languages in court proceedings, however, in practice, the costs of translation/interpretation must be paid by the interested party.

The Greek minority in Albania is organised through the association named Omonia and is represented at the political level through the Human Rights Union Party, currently in the ruling coalition. The minority enjoys normal access to the media. Last year's local elections were unfortunately marked by nationalistic overtones and a consequent rise in tension and irregularities in certain polling stations in the Himara municipality, where a sizeable ethnic Greek minority lives.

- Abolition of "minority zones", with the aim of ensuring the possibility for minorities to exercise effectively all their rights (i.a. property rights, the possibility to obtain education in mother tongue) throughout the country in accordance with Albania's international obligations.
- Drawing up a national strategy for their social and economic integration, namely for the Roma communities.

Market Economy Reform

Continued progress has been made as regards macroeconomic stability as well as in implementing the pre-requisites listed in the Commission's Feasibility Report, despite the persistent structural weakness of the Albanian economy and the high percentage of the shadow economy. An important element expected to contribute to improved public expenditure management has been the adoption by the government at end of 2000 of the Medium-Term Expenditure Framework (MTEF) (2001-3). As for trade liberalisation, Albania became a member of the WTO in 2000 and is on track for fulfilling the commitments undertaken in this context. Indeed, it currently has no quantitative restrictions on imports or exports, and has reduced the maximum tariff rate from 18 to 15% (Jan. 2001). Due to the sizeable shadow economy, statistical data have to be carefully considered.

In the field of privatisation further progress was achieved with the full liquidation, lease or selling of all small and medium-sized enterprises in Albania by the end of 2000. Successful privatisation in June of the Albanian Mobile Communications company paved the way for the concession awarded to the second mobile telecommunications operator in February 2001. During 2001 it is expected that parts of the oil sector (Servcom) will be privatised as well as the copper and chrome mines. Privatisation of the Savings Bank is also expected to be completed by the end of 2001. The law on the privatisation of between 51 and 76 % of the fixed net operator "Albtelecom" has just been passed by the Parliament.

Although foreign direct investment has increased recently (three-fold compared to previous years) due to the successful privatisations mentioned above, it still remains limited due to structural impediments such as heavy administrative procedures, corruption in the judiciary and the public administration, poor infrastructure and a climate of occasional insecurity, despite considerable progress in consolidating law and order. Financial sector reform has progressed, but further efforts are needed to enhance the legal, regulatory and supervisory framework of the banking sector.

- Implementing the Growth and Poverty Reduction Strategy.
- Developing implementation and monitoring mechanisms for the MTEF.
- Continued efforts in strengthening tax collection and reducing tax evasion.
- Reducing corruption and fraud.
- Boosting the restructuring and privatisation of large-scale enterprises in the strategic sectors.
- Making the National Investment Promotion Agency operational and taking measures to protect foreign investment.
- Implementation of the power sector action plan.

Regional Co-operation

Albania has committed itself to playing a constructive role in the region, be it at the bilateral or multilateral level. The Albanian authorities signed many agreements with neighbouring countries in the period from January 1998 to February 2001. Most of these are co-operation agreements in the educational, cultural and economics spheres. Albania is currently working towards establishing a free Trade Area with FYROM and has increased significantly its co-operation with its EU neighbours in the field of Justice and Home Affairs. In the context of the difficult political situation in neighbouring FYROM, Kosovo and Southern Serbia, Albania has clearly condemned the actions perpetrated by the ethnic Albanian extremist groups, aligning itself with the positions of the international community. In the case of FYROM, it has been pursuing a constructive dialogue both with the authorities and with the ethnic Albanian political leaders. Albania has also improved its relations with FRY through the re-establishment of diplomatic relations. It is actively engaged in the Stability Pact as well as in other regional fora (SECI, SECEP).

- Continuing efforts in co-operation with and the assistance of the international community in combating organised crime and illegal trafficking from and through its territory, by further enhancing the policing of its borders (FRY/Montenegro – Kosovo and FYROM).
- Strengthening co-operation with regional neighbours in the fields of Justice and Home Affairs – as agreed to in the Zagreb Summit – as well as implementing relevant Stability Pact Projects.
- Continuing to use her influence with ethnic Albanian communities in neighbouring countries to promote peace and stability.

2. Operational conclusions

The Council welcomed the Report by the Commission on the work of the EU-Albania High Level Steering Group. It recognised the substantial progress made by Albania and therefore invited the Commission to build on this dynamic with a view to an early presentation of draft negotiation directives for the negotiation of a Stabilisation and Association Agreement with Albania, if possible before the end of the year.

In order to support the ongoing reform process and in view of preparations of the future SAA-negotiations, the Council has agreed that a joint Consultative Task Force with Albania shall be set up, as soon as possible.

B) Bosnia and Herzegovina

For the first time in 10 years, the State government and the government of the Federation of Bosnia and Herzegovina (FBiH) are formed by non-nationalist parties of the multi-ethnic "Alliance for Change", which has expressed its commitment to multi-ethnicity and European integration. In the Republika Srpska (RS), Prime Minister Mladen Ivanic is following a pragmatic course in his support for the "Alliance" at State level. In its relations with the EU, the goal of the new Council of Ministers is to complete the Road Map. Top priorities include i.a. the Election Law, the Civil Service Law, implementation of Property Laws and conditions for sustainable returns.

Still, tensions remain. Bosnia and Herzegovina's (BiH) special problems are exemplified by two current issues: (i) a stand-off with HDZ-inspired "Croat self-rule", mostly in Herzegovina and characterised by systematic intimidation and occasional violence; (ii) the eruption of violence in Trebinje and Banja Luka (RS) as work began on reconstructing Muslim mosques. Acceptance of integration is far from universal.

Despite over US\$ 5 billion in aid, BiH remains one of the poorest countries in Europe (GDP \$972 per capita); its GDP is just over half the pre-war level. Growth rates have declined due to a decline in donors' assistance (2000 +10-12%, 2001 est. +4-5%). Given limited domestic resources, BiH must move from donor-driven to investment-driven growth, but the conditions for attracting foreign direct investment remain poor.

1. Issues needing special attention

Democratic Principles

Progress in fulfilling outstanding Road Map criteria and in advancing the peace process is hampered by nationalist obstruction delaying BiH parliamentary legislative steps. The never-ending battle between those favouring strengthening the State vis-à-vis those safeguarding entity powers is keenly felt at present. The constitutional challenge of the HDZ/CNC-led "Croat self-rule" and setbacks to the peace and reconciliation process in the RS have greatly compounded the State-building process. The Council of Ministers rests on a frail majority and has little time to produce results before the 2002 elections. Adoption of civil service and election laws are important Road Map criteria. The wartime divide between Bosniacs, Serbs and Croats remains deep. Lack of political will and optimism for the future, and widespread corruption, are main reasons for the slow pace of reintegration and reconciliation.

Political influence over the media is common. Recently, the media picture has deteriorated in Croat-controlled areas due to the so-called "Croat self-rule". Strengthening independent media and building the Public Broadcasting System (PBS) are very important. In early May, PBS radio began broadcasting.

- Compliance with the General Framework Agreement for Peace (GFAP) – ICTY, elimination of parallel power structures (especially in the FBiH) etc.
- Adoption of an election law and organisation by the BiH authorities of free and fair elections (next due in 2002).
- Strengthening functional and democratically accountable common institutions, especially at BiH State level, and adoption of the Civil Service Law.
- Strengthening Civil Society.
- Strengthening an independent media landscape.

Human Rights and Rule of Law

In general, there is a slow but steady trend towards an improved human rights situation. However, there are considerable human rights problems in the country. Attacks on minority returnees, journalists and politicians occur. Discrimination along ethnic lines is common. The educational sector is largely ethnically segregated.

Ensuring that the BiH Constitutional Court's decision on "constituent peoples" is thoroughly implemented is probably the single most important way to strengthen human rights in BiH. The entity parliamentary Constitutional Commissions are now drafting amendments for the harmonisation of the entity constitutions with the BiH one. Strengthening the rule of law by establishing a truly independent judiciary continues through the judicial review process. Continued reform of BiH police forces is necessary.

Strengthening the legal system inter alia through sufficient trained judges.

- Strengthening the rule of law through judicial reform, police reform and State Border Service (SBS) build-up to fight crime and corruption.

- Strengthening the fight against organised crime, corruption and trafficking in human beings.

Respect for and Protection of Minorities

Until the entity constitutions are amended, making Bosniacs, Serbs, Croats and others constituent peoples throughout BiH, their rights are not fully protected. The Council of Ministers has drafted a law on the rights of ethnic minorities, which will be discussed with the entities and with ethnic minorities prior to submission to parliament. As currently drafted, the law defines 17 ethnic groups as minorities. Each minority would have the right to education in their own language in areas where they constitute a majority, and in areas where they constitute more than three percent they would be entitled to participate in the local authorities.

Regarding return of refugees and displaced persons, minority returns in BiH have doubled in the first three months of 2001 compared with 2000. However, refugee return-related violence occurs. Property law implementation is slow and often obstructed by local authorities. Repossession efficiency rates vary greatly and are on average 13% in the RS and 32% in the Federation. This process must be accelerated.

- Implementing the BiH Constitutional Court's ruling on constituent peoples.

- Ensuring the rights of minorities.

- Strengthening the conditions enabling sustainable refugee returns in line with the Dayton/Paris agreement.

Market Economy Reform

The BiH economy is in dire straits. Living standards are bleak for most citizens. Unemployment averages 40%. The potential risk for increased strikes and growing social unrest is high. The Council of Ministers has few sources of own revenue, relying to some 75% on entity contributions.

The fiscal stance of the entities, particularly of the RS, is a cause for concern. Economic reforms must be pushed vigorously by the Council of Ministers. Creating a single economic area in BiH and removing all inter-entity trade barriers are crucial for economic progress. BiH must move from donor-driven to growth increasingly relying on domestic forces. Attracting foreign direct investment must be a top priority. The poor investment climate must be improved by easing cumbersome administrative regulation. Private sector development must be encouraged and privatisation accelerated. Increasing compliance with and enforcement of customs and taxation policies are crucial to combat widespread smuggling, fraud and tax evasion. The single BiH standards institute imposed by the High Representative must be approved by the BiH Parliament and adequately funded. Competition and consumer protection legislation must be enacted.

- Continuing ongoing economic reforms, especially the creation of a Single Market, and furthering privatisation.

- Rationalising and reducing the entities' military expenditures.

- Increasing tax collection and independent Council of Ministers revenues.

- Attracting Foreign Direct Investment by appropriate legislation, including Property Laws implementation, Competition and Consumer Protection Law and for a single BiH National Institute of Standards.

Regional Co-operation

Strengthening bilateral relations with Croatia and FRY are crucial prerequisites for the peace process to advance. The recent establishment of Inter-State Councils for Co-operation with Croatia and FRY are good signs that relations are improving. As GFAP signatories, Croatia and FRY have significant responsibilities and influence on BiH developments.

BiH has increasingly become a transit country for illegal migration to the EU. Regional co-operation in the area of justice and home affairs is of the utmost importance. The Sarajevo Joint Declaration of 28 March, adopted by BiH and its neighbours as a follow-up to the Zagreb Summit on regional co-operation in the area of asylum and immigration, must be implemented in earnest.

Securing funding for the further build-up of the State Border Service (SBS) is crucial for BiH to take full control of its borders. On 4 May, a UNMIBH-sponsored agreement on regional co-operation to fight organised crime and trafficking was concluded between the interior ministers of Croatia, FRY and the BiH entities.

- Developing good neighbourly relations, in particular with FRY and Croatia.

- Establishing effective border control, including adoption of the Law on the State Border to fight illegal migration, in line with the Sarajevo Declaration of 28 March.

Compliance with International Obligations and Peace Agreements

Five and a half years after the signing of the GFAP, a massive international involvement in BiH is still needed for the peace implementation process to advance. Despite efforts by the local governments, BiH is still far from being a viable State with sustainable structures that can take sole ownership for the implementation of the Dayton Agreement. Thanks to efforts by the High Representative W. Petritsch and other internationals, which make up for the lack of political will in BiH, the peace process inches forward. The so-called "Croat self-rule" is an illegal parallel structure that must be eliminated. ICTY co-operation is dismal, particularly as regards the RS. No arrests of persons indicted for war crimes (PIFWC)s have been initiated by RS authorities. The draft RS law on co-operation with ICTY must be accompanied by swift action.

- Further efforts to fully comply with the Dayton/Paris agreement.

- Continued efforts towards full co-operation with the ICTY, particular as regards RS.

2. Operational conclusions

The Council expressed its appreciation for the efforts by the new Council of Ministers in BiH to move forward on the path towards European integration. It recalled that the Zagreb Summit called on BiH to fulfil the EU Road Map by the middle of 2001, so that the Commission could undertake a feasibility study as the next step in the Stabilisation and Association process. The Council looked forward to receiving a report from the Commission on the state of completion of the Road Map.

C) Croatia

Croatia is overall a stable democracy and evident progress has been made in the reform process since the change of government in January 2000. Constitutional reform and a clearer re-balancing of institutional powers were important achievements. The authorities are still confronted by structural problems and the consequences of the relative isolation of the economic system in the past. Further efforts are needed to meet the challenges of the transition process and to fully implement the ambitious reform agenda.

Croatia is one of the economically most developed countries of the region (GDP/capita estimated at \$ 4,230 in 2000). After a short recession, GDP started to grow again in the last quarter of 1999, albeit at modest levels and owing to favourable external factors. The overall macroeconomic situation is encouraging, with positive growth in 2000 (3.7% with respect to the previous year), relatively low inflation (4.5% at end year), stable exchange rate and a comfortable current account position expected for 2001.

1. Issues needing special attention

Democratic Principles

The government has been making efforts to enhance political freedoms and transform Croatia into a liberal and more stable democracy. The process of effective decentralisation and strengthening of local government has started and some devolution of powers to the local level formulated in a new law will enter into force on 1 July. Several other parts of the necessary reforms are awaiting decision. A new election law has been passed which provides for democratic elections. However, improvements are deemed necessary regarding representation and participation of minorities. Parliament has passed a new law on the HRT, while the new law on Telecommunications, which will be an important part of the privatisation process, is presently under Parliamentary procedure. The transformation of HRT into a public service broadcaster has however not yet happened and no final decision has been taken on privatising the remaining State-owned press (Vjesnik and Slobodna Dalmacija). Privatisation of the 3rd channel, as recommended by the Council of Europe and the OSCE, should take place in full transparency.

- Pursuing an effective decentralisation and strengthening of local government.

- Improving the procedures for implementation of the provisions in the new election law for minority representation.

- Continuing the reform of the broadcast media with the final adoption of the Law on Telecommunications, including the privatisation of the 3rd TV channel in full transparency.

Human Rights and Rule of Law

The Government of Croatia has initiated a substantial reform of the legal framework governing the democratic institutions. These efforts need to be further pursued. The necessary reforms should include both extensive legislative changes and an administrative overhaul of the judicial system. As for corruption, a decision has been taken to establish an independent anti-corruption agency (USKOK), but actual implementation is pending.

- Pursuing substantial reform of the judiciary to underpin the democratic process.
- Implementing the government's commitment to fight corruption through concrete action.

Respect for and Protection of Minorities

Rights and freedoms are in general respected, but there is still room for improvement as regards rights of persons belonging to national minorities. The already prolonged deadline (May 2001) for a new "Constitutional Law on the Protection of Human Rights and Fundamental Freedoms and on the Protection of the Rights of Ethnic and National Communities and Minorities" has expired, without any evidence that a proposal is about to be presented to Parliament. The government recently announced a new and more decisive policy on refugee returns (the 'Knin conclusions'). In addition to these efforts, steps still need to be taken to ensure continuous and sustainable refugee return in the war-affected areas. The unreformed legal regime of repossession of property, including the issue of lost occupancy and tenancy rights, remains a significant obstacle. Further action is required to ensure that evictions take place in cases of multiple and illegal occupancy. The OSCE has outlined the relevant legislative and administrative changes that need to be taken to achieve a sustainable refugee return.

- Adoption of the new "Constitutional Law on the Protection of Human Rights and Fundamental Freedoms and on the Protection of the Rights of Ethnic and National Communities and Minorities"
- Fully implementing the refugee return process. This includes continued constructive dialogue and co-operation with the Bosnia and Herzegovina and FRY authorities. Continued efforts are needed on promoting return, creating sustainable conditions for it, securing repossessions and solving the problem of ineffective Housing Commissions, and providing alternative accommodation.

Market Economy Reform

Croatia has a solid industrial base, a qualified and educated workforce and areas with great potential for development like tourism. The consolidation of the banking sector continues and the confidence of banks and depositors seems to be returning. A new Central Bank law has been adopted recently which corresponds to international standards and gives the Central Bank wider authority and independence. A mixture of slow economic growth over the past years, dragging restructuring and modernisation of the economy and wage increases above productivity gains have resulted in high and rising unemployment (reaching a rate of 22.9% in March 2001). More efforts are needed to eliminate administrative obstacles and simplify bureaucratic procedures, which still hamper private sector development. Reform in this area is a necessary prerequisite for attracting foreign direct investment on a larger scale. A fundamental restructuring is necessary to obtain a market economy with a slimmed-down, efficient, decentralised public sector. The necessary reforms required with a view to the implementation of the SAA within the economic policy sphere will require a particular effort. Positive macroeconomic developments will depend greatly on the pursuance of a judicious combination of fiscal adjustment, wage discipline and structural reforms in the context of continued exchange rate stability, as well as on strict obedience to the reform programme agreed with the IMF and the World Bank. On 19 March 2001, a Stand-by Arrangement (SBA) with the IMF was approved, which provides an important framework of economic policy-making and monitoring in this respect.

- Pursuing a stable and sustainable fiscal policy including a reduction of the public wage bill.
- Streamlining the large public sector including privatisation.
- Improving the legal framework and creating the conditions for private sector development, in particular the tourist sector.
- Strengthening the pension and health care systems.
- Enforcing active employment measures (training, education).

Regional Co-operation

Croatia has a major role to play in the durable stabilisation of the region. Relations with Bosnia and Herzegovina have come to the forefront, and the government of Croatia has urged the Bosnian Croats to look for solutions within the constitutional and institutional framework of Bosnia and Herzegovina. Contacts between government officials and their Yugoslav counterparts are generally positive, but the dialogue with the FRY needs to be further enhanced. Regional co-operation, notably on justice and home affairs, will be an important issue under the Stabilisation and Association Agreement. Recently a co-operation agreement on illegal migration and organised crime has been signed with Bosnia and Herzegovina and the FRY.

- Pursuing efforts to develop fully transparent relations with Bosnia and Herzegovina and to improve relations with FRY to solve outstanding issues, notably Prevlaka.
- Initiating negotiations on a convention on regional co-operation with FYROM, as required under the SA Agreements, as soon as possible.
- Ensuring that expulsions of unwanted aliens take place only to the countries from which they entered Croatia.
- Any challenges or provocation to the common BiH institutions should continue to be condemned.

Compliance with International Obligations and Peace Agreements

Croatia has taken positive steps to co-operate with ICTY, but there is a continued need for full compliance with ICTY obligations. The EU recognises that overall relations between Croatia and Bosnia and Herzegovina have been strengthened. The government of Croatia has also made an earnest effort to reduce its transfers to the Croats in Bosnia and Herzegovina, and to make those transfers more transparent. After disturbing international reports, the government of Croatia is now asking for an audit of its own of last year's transfers, while withholding the transfers included in the State budget for this year.

- Continued efforts need to be undertaken to fully comply with the Dayton/Paris and Erdut agreements.
- Continued efforts towards full co-operation with ICTY, including the transfer to The Hague of Croats indicted for crimes committed on Croatian soil.
- Increasing transparency in relations with neighbouring Bosnia and Herzegovina, in particular in the field of financial transactions to the Bosnian Croats.

2. Operational conclusions

The Council welcomed the initialling of the Stabilisation and Association Agreement with Croatia on 14 May as a historic step in Croatia's integration into European structures. The future signing of the Agreement, and the conclusion of the Interim agreement, will for the first time establish mutual contractual relations between the Union and Croatia. Ahead of the entry into force of the Interim and the Stabilisation and Association Agreements, including their institutional arrangements, the Council agreed that the Joint Consultative Task Force should be maintained and that a Political Dialogue be formalised by means of a Joint Declaration between the EU and Croatia.

D) Federal Republic of Yugoslavia

The Federal Republic of Yugoslavia is today a full participant in, and beneficiary of, the Stabilisation and Association Process. Less than eight months after the "democratic revolution", the Federal and Serbian governments have made progress in many fields although the inherited challenges are still immense. Further to consolidation of political structures, focus has been on reforms aiming at creating the basic conditions for the market economy to operate. The Donors' Conference for the FRY scheduled for 29 June has turned into a clear goal for the authorities. A further priority is resolving the future constitutional relations between Serbia and Montenegro, through an open dialogue and a spirit of compromise, aiming at an agreed redefinition of their relations in a renewed federal framework according to democratic principles. This would also speed up the ongoing reform process. Belgrade has played a crucial and constructive role in resolving the crisis in Southern Serbia. This is true, and the developments in Kosovo, as well as the effects of the tense situation in FYROM, have nevertheless diverted attention from other aspects of the internal reform process.

1. Issues Needing Special attention at Federal/Serbian and Montenegrin Level and in Kosovo

i) At Federal/Serbian Level

Democratic Principles, Human Rights and Rule of Law

Respect for democratic principles, human rights and the rule of law has improved at the policy level. A number of new laws have been adopted, e.g. the amnesty law adopted at the beginning of March. A "Truth Commission" has been set up to promote an open and transparent process in the investigation of crimes. A large number of persons connected to the former regime and under suspicion of abuse of power, economic crime and murder have been arrested or are under investigation. An anti-corruption agency has been created and an anti-corruption law is being prepared. A department for combating organised crime has been set up and the government has proposed the formation of a parliamentary committee to control the State Security Service. A resolution presenting a Code of Conduct for State officials has been passed to Parliament suggesting also the establishment of a control body for the State administration. A new republican penal code has been proposed to Parliament.

But much remains to be implemented, particularly in the field of judicial reform, media independence and rights of persons belonging to national minorities. Around 260 prisoners of ethnic Albanian origin remain in prisons, some of whom are presumed to be political prisoners. Furthermore, the issue of missing persons from the Kosovo conflict remains to be effectively addressed. Fighting organised crime and corruption is among the most difficult challenges ahead. The three highly political cases (Curuvija, Stambolic and Ibarska highway) remain unsolved. The new republican penal code, which has been proposed to Parliament, will require harmonisation between the federal and republican levels. The fact that the death penalty is maintained in the new penal code is a matter of deep concern. Improvements and structural reforms at policy level need to be followed up with clear timetables for implementation - particularly in the field of judicial reform.

- Resolving the issue of remaining Kosovo-Albanian prisoners, as well as the issue of missing persons.

- Removing remaining restrictive legislation from the statute books.

- Urgent abolition of the death penalty from the republican penal code.

- Developing an independent media sector and promoting a healthy media climate.

Respect for and Protection of Minorities

The situation of national minorities has improved since September last year. A new law on national minorities is being drafted, as is a law on local self-government. But the situation on the ground for minorities (such as Roma and/or ethnic Albanians) remains difficult in many parts of the country. Efforts should continue with the ambition to place all citizens on an equal footing legally, economically and socially. Also, the commitment by the Serbian government to confidence-building measures in Southern Serbia is highly welcome, as well as their swift implementation.

- Strengthening further the rights of people belonging to national minorities and vigorously tackling discrimination and prejudice against minorities.

- Adopting the Law on local self-government.

Market Economy Reform

The entry of the FRY into the International Financial Institutions is important, as is the temporary and exceptional access to IDA resources granted by the World Bank. A stand-by arrangement with the IMF is being finalised. Progress has been made in restoring macroeconomic stability and starting the process of transformation from a command economy to a modern market economy. Positive steps have been the adoption of new employment laws, a law on extraordinary taxation of revenues and on properties acquired improperly during the Milosevic era, as well as a new law on privatisation. Some progress has also been made in the fiscal sphere, most notably with a first attempt at budget consolidation and tax simplification. However, FRY transition has just started and the reform agenda remains huge. Further progress will be necessary in particular in:

- the rationalisation of public expenditures, including the reduction of military expenditure;

- the creation of a legislative, institutional and policy framework conducive to the development of the private sector;

- the privatisation of socially owned companies and State companies;

- the adoption of a law on foreign investment, guaranteeing the rights of all investors;

- the enhancement of public administration (legal framework, accountability, reduction of discretion in administrative decision-making, etc);

- fighting corruption.

Regional Co-operation

Diplomatic relations have been established with all neighbouring countries and regional co-operation has significantly improved. Belgrade is developing contacts with the BiH-level institutions in Sarajevo, while continuing to develop its special links with Republika Srpska. More recently, Ministers of the Interior from the FRY, Croatia and BiH signed an agreement on co-operation in the area of organised crime and illegal migration. The resolution of outstanding refugee issues remains to be effectively addressed. In relations with Croatia the outstanding regional issue of Prevlaka awaits settlement.

- Undertaking at regional level co-ordinated efforts to resolve refugee issues relating to property rights, and /or economic and social reintegration for those wishing to return by their free will.

- Giving full support to the Dayton process in relations with BiH and giving privilege to the common BiH state institutions. Any illegal challenges or provocation to the common BiH institutions must be clearly condemned.

- Pursuing regional co-operation and reconciliation e.g. within the framework of the Stability Pact, the SEECP and other relevant fora. This includes the resolution of outstanding regional issues, such as Prevlaka.

Compliance with International Obligations and Peace Agreements

A new atmosphere of dialogue characterises the FRY's relations with regional and international interlocutors. FRY has taken a more co-operative stance towards the ICTY. Positive measures have already been taken, such as the arrest and transfer of one indictee as well as the arrest of former President Milosevic. Much remains to be done. The new government has to meet all its international obligations and should continue on the path towards full co-operation with ICTY.

It is also crucial that Belgrade's positive dialogue with UNMIK continues, in order to ensure the participation of Kosovo Serbs in Kosovo society, including in Kosovo-wide elections.

- Undertaking further efforts to fully comply with the Dayton/Paris and Erdut agreements, including efforts towards full co-operation with ICTY. This entails full compliance with UN Security Council Resolution 827, supplemented by the rapid adoption of the appropriate legal framework. Practical steps need to be taken to preserve and provide ICTY with access to evidence and further co-operation on the hand-over of indictees.

- Ensuring a genuine commitment to UNSC resolution 1244 and a continuing active and structured relationship with UNMIK.

ii) At Montenegrin Level

Democratic principles, Human Rights and Rule of Law

In general there is continued respect for democratic principles, human rights and rule of law. The commitment to reform in Montenegro is strong, this has so far resulted in concrete reform measures in the economic sphere. However, much of the political energy in Montenegro has been consumed by the unsettled relations within the Yugoslav federation and the reform process in many other areas needs to be converted into concrete measures. Several draft laws reforming the judiciary and the public sector await adoption, such as the laws on public prosecutors, on courts and in the municipal area. Transparency within the public sector remains to be improved, such as measures aimed good governance, and the police is disproportionately large and unreformed. Furthermore, some questions remain concerning media independence and standards.

- Enacting draft laws concerning the judiciary, the municipal level, aiming at reform, transparency and good governance.

- Initiating thorough reform of the police.

- Assuring media independence in accordance with international standards.

Respect for and Protection of Minorities

The constitutional provisions for minorities are good and the practice is generally functioning satisfactorily.

- Vigorously tackling non-official discrimination and prejudice against minorities.

Market Economy Reforms

Montenegro's macroeconomic situation had steadily deteriorated during a decade of gradual dissolution of the Socialist Federal Republic of Yugoslavia, disruption of trade patterns, wars in the region and economic decline in the larger Serbian market, and the outbreak of the Kosovo crisis.

The Montenegrin authorities moved towards a more independent policy stance towards the end of 2000, inter alia unilaterally adopting the D-mark/€ as sole legal tender. Macroeconomic stability has been broadly maintained, but mostly due to large inflows of foreign grants, covering the fiscal deficit of the Republican budget. On the structural side, various reform measures have been undertaken in the area of public finance (improvement in accounting standards, adoption of an organic budget law and measures to enhance revenue collection), as well as in the monetary area (central bank law). These steps were largely enforced through conditionality attached to the exceptional Community financial assistance provided in 2000.

Further progress is necessary, particularly in:

further restructuring of public finances, most notably through the introduction of a Treasury system to improve expenditure control;

- promoting the privatisation process in a transparent manner;
- enhancing further reforms of the banking sector;
- supporting small and medium-sized enterprises;
- combating corruption and organised crime, smuggling and trafficking;

iii) Kosovo

The international community is committed to the full implementation of UNSCR 1244. UNMIK and KFOR are working towards establishing a peaceful, multi-ethnic, multi-cultural and democratic Kosovo. In this context, the adoption of the regulation concerning the constitutional framework for provisional self-government in Kosovo is an important step in the implementation of UNSCR 1244. It will provide the basis for Kosovo-wide elections to be held on 17 November. The further development of co-operative relations between Belgrade and UNMIK will also be a priority for building confidence among the Kosovo-Serb community, which should assist in the organisation of Kosovo-wide elections.

The establishment of a secure environment for all the people of Kosovo remains a priority. More improvements must be made in respecting human rights as well as in strengthening the rule of law. In particular, the proper functioning of Kosovo's judicial system has to be ensured.

Much has been achieved in establishing and developing a market economy, under the guidance of EU pillar of UNMIK. However, private investment is still lacking due to insecurity and ownership problems and future status. In the economic domain, private sector development including privatisation is a key priority. To this extent, rapid progress is needed in creating or completing the essential legal and institutional basis.

2. Operational conclusions

The Council welcomed the important progress achieved by the FRY in consolidating democracy and in promoting the necessary economic and legal reforms, including its efforts to continue on the path towards full co-operation with ICTY. Recalling the perspective as outlined at the Zagreb Summit, the Council agreed to hold the first meeting of the EU-FRY Consultative Task Force, if possible by the end of July, as a first step towards a Stabilisation and Association Agreement. The Council looked forward to a successful Donors' Conference on 29 June.

E) Former Yugoslav Republic of Macedonia

The political situation is tense following the actions of the ethnic Albanian extremists of the "National Liberation Army" which started in March 2001. As a consequence, inter-ethnic relations have deteriorated considerably in the last few months, and it has become obvious that this is the single most important issue facing the country. Thus, a Government of National Unity has been established to overcome the crisis, to engage in an effective inter-ethnic dialogue and to address overall reforms in line with the Stabilisation and Association Agreement (SAA), including legitimate concerns over the rights and status of minorities. As a result of the visit of High Representative Solana to Skopje on 28-29 May, the four party leaders committed themselves to achieving substantial progress on the President Trajkovski reform agenda by June 15.

Macroeconomic developments were encouraging in 2000, as real GDP grew by 5.1%. FYROM made progress with economic reforms and institution-building. The nation is classified as a lower/middle income country and GDP/capita stood at USD 1885 in 2000. In late 2000 macroeconomic policies started to slip and additional military expenditure due to the crisis will burden government finances while structural reforms, including privatisation, appear to be stalling.

1. Issues needing special attention

Democratic Principles

Democratic principles are generally respected, and the democratic process functions normally overall. However, inter-ethnic tensions have increased dramatically in the current crisis. The enhanced inter-ethnic dialogue has been established to make speedy progress in the reform process, e.g. to strengthen local self-government and the integration of under-represented ethnic groups into the administration. There are shortcomings in the Law on Local Elections and the role of the State Election Commission is undefined. The new broader coalition government has, however, a reform of the election law including the election commissions high on its agenda. Lack of participation of MPs in Parliamentary meetings is causing deliberate delays in adoption of important legislation. The media landscape gives room for freedom of expression, but the State-funded media are in the control of the parties in power on an alternate basis and there has been no attempt to transform the State broadcasting company into a "public service".

- Continuing inter-ethnic dialogue at institutional and civic level on necessary reforms (i.a. social and non-governmental organisations, local government, religious leaders and business).
- Developing an appropriate election process including amendment of the Law on Elections to clarify the role of the State Election Commission and the financing of elections. Development of civic education on the conduct of elections;
- Clarifying the status of the Broadcasting Council and its independence from government and strengthening its legal position. A plan should be developed to transform the State broadcaster into a "public service broadcaster".
- Adoption of 3rd Channel in Albanian Languages;
- Adoption of the new Media Law in conformity with international standards.

Human Rights and Rule of Law

Human rights are generally being respected, but there are shortcomings in several areas: the independence of the judicial system needs further consolidation. Many international conventions have been ratified, but need now to be implemented. Impartiality on the part of the police and tax authorities should be ensured. Prison conditions need to be improved. The role and responsibilities of the law enforcement authorities need to be clarified.

- Completing the current process of reform of the judiciary.
- Implementation of the Public Administration Reform.
- Strengthening institutional capacity to deal with corruption, cigarette smuggling, money laundering and international organised crime.
- Structural reform and training of the law enforcement authorities.
- Facilitating and enabling the return of refugees and internally displaced persons, ensuring right conditions, including reconstruction of houses in areas affected by the conflict.

Respect for and Protection of Minorities

Inter-ethnic relations continue to be the single most important issue. The adoption of a new law on education in July 2000 was a major improvement in regard to higher education in Albania, but secondary education in Albanian still remains a concern. The Roma continue to be the most disadvantaged group from a socio-economic point of view.

- Providing a clear timetable to address, in the course of this year, legitimate concerns over the status of minorities and their ability to play a full role in the political, economic and administrative life of the country by recognising the multi-ethnic nature of the country.
- Proceeding with the political dialogue on ethnic issues (inter alia local self-government reform, integration of minorities into the public administration including in particular the police as well as the army, use of minority languages in the courts and public authorities, notably the Parliament.
- Undertaking a census of the population in consultation with the international community, in line with international standards.
- Ensuring the opening in October of the South East Europe University in Tetovo.

Market Economy Reform

In 2000, FYROM signed agreements with the IMF and the World Bank on a new economic programme that could be supported by credits from the International Financial Institutions (IFI). However, the IMF is currently revising the programme in the light of severe economic policy slippages and the recent crisis in the country, which will put a strain on government finances. Progress with new legislation, notably banking and insurance legislation, as well as privatisation, was encouraging in 2000, but the reform pace is currently slowing down, posing a risk to the medium and longer-term growth prospects. The privatisation process, notably regarding large loss-making enterprises, should be strengthened and made more transparent. The closer economic links with the

European Union in the context of the SAA and the unilateral trade measures in favour of FYROM an opportunity to strengthen economic transition. However, only a minor range of FYROM products is currently competitive in the EU market.

- Efforts to maintain economic equilibrium and a satisfactory track record on economic policy measures agreed with IFIs.
- Restructuring of public finances, completion of the privatisation process, and compliance with IFIs' conditionality, most notably with regard to selling or closing State-owned loss-making enterprises.
- Promotion of competitiveness through market-based enterprise restructuring, development of small and medium sized enterprises.
- Taking measures to stimulate domestic and inward investments and further reforms of banking and insurance sectors.

Regional Co-operation

FYROM is very active in strengthening regional co-operation. It has taken important steps by entering into bilateral free trade agreements (FTAs) with its neighbours, and furthering a network of FTAs including through the Stability Pact. It has also been actively encouraging improved regional co-operation within the framework of the SEECF. The Government is aware of the problem of organised crime, smuggling of arms, cigarettes and drugs, and trafficking in women. Regional co-operation, notably on justice and home affairs, will be an important issue under the Stabilisation and Association Agreement as well.

- Starting negotiations with Croatia, as soon as possible, on a convention on regional co-operation as required under the Stabilisation and Association Agreement.
- Continuing to enter into bilateral free trade agreements with neighbouring countries to establish Free Trade Areas, thus contributing to the creation of a network of Free Trade Agreements.
- Giving priority to addressing problems of illegal migration and trafficking in human beings, preferably in co-operation with neighbouring countries, for instance through signing up to the agreement on illegal migration and organised crime recently approved by Croatia, Bosnia and Herzegovina and the FRY.

2. Operational conclusions

The Council welcomed the signing of the Stabilisation and Association Agreement with FYROM on 9 April and the entry into force of the Interim Agreement on 1 June. It called upon all political leaders to rapidly achieve concrete and substantial results on inter-ethnic dialogue and to make further progress on overall reforms, thereby accelerating FYROM's progress along the road to Europe under the Stabilisation and Association process.

VI. Conclusions

Conditionality in all its guises is at the heart of the Stabilisation and Association process, as confirmed by the GAC conclusions of 9 April 2001. The establishment of a substantive review mechanism, based on a report prepared by the Commission, has provided the means to assess each country's performance and respect for the conditions of the Stabilisation and Association process. It allows the EU to assist the countries to progress at their own pace, in accordance with the operational conclusions as set out for each country above.

The above country assessments reflect priorities identified and recommendations on action to be taken for Albania, Bosnia and Herzegovina, Croatia, FYROM and FRY. The EU will expect each country to pay special attention to and to devote the necessary resources to the priority areas for action identified in these reviews.

The present report on the Stabilisation and Association Process represents a first political review. A full review, including an assessment of the efficiency of the Stabilisation and Association process instruments, will be undertaken before the end of this year, and then on an annual basis. Notwithstanding the annual review, the Council will, on a continuous basis, follow overall developments in the countries concerned.

ITEMS APPROVED WITHOUT DEBATE

EXTERNAL RELATIONS

Biological and Toxin Weapons Convention (BTWC) - Council conclusions

The Council adopted the following conclusions on the strengthening of the Biological and Toxin Weapons Convention (BTWC) :

"The Council expressed its concern over the risk of proliferation of biological weapons and over the lack of mechanisms to ensure compliance with the Biological and Toxin Weapons Convention (BTWC). A Protocol to strengthen the Convention, was a much needed instrument in the overall multilateral disarmament and non-proliferation regime.

The Council reiterated the high priority it attached to the successful conclusion, this year, of the negotiations in the Ad Hoc Group in Geneva on a legally binding Protocol establishing an effective-compliance regime to the BTWC as agreed upon in 1996 by all States Parties to the BTWC. The Council also recalled the active role continuously played by the EU throughout the negotiations, based on the common positions adopted in 1996, 1998 and 1999.

The Council stressed that during the past six years of negotiations substantial progress had been achieved and the compromise proposals made by the Chair in its composite text brings now an agreement within reach. The Council underlined that the next session of the negotiations will be of the utmost importance.

The Council expressed its conviction that a Protocol including the essential principles set out in the EU's Common Position of 17 May 1999 would strike the right balance between compliance requirements and national security interests and the economic interests of the States Parties. Such a Protocol would thus respond to the proliferation challenges posed by the rapid scientific and technological developments in this field, without stifling the economic progress these developments can offer and without affecting national security interests.

The Council recalled that currently the negotiation in the Ad Hoc Group in Geneva was the only ongoing multilateral disarmament negotiation and emphasised that, from a wider perspective, the successful outcome of these negotiations would send a positive signal demonstrating the international community's commitment to strengthen the multilateral disarmament and non-proliferation regime."

EU Co-operation Programme for Non-proliferation and Disarmament in the Russian Federation - Council conclusions

"The Council marked its political agreement on further implementation of Joint Action 1999/878/CFSP through an additional Council Decision, thus contributing to the continuation of the EU Co-operation Programme for Non-proliferation and Disarmament in the Russian Federation."

EU Priorities within the Stability Pact

The Council approved the following "EU priorities within the Stability Pact for South Eastern Europe".

"- Purpose of Paper

At the Helsinki European Council in December 1999, EU Heads of State and Government set out their priorities for the newly founded Stability Pact for South Eastern Europe, encouraging them to work together to their mutual benefit.

The EU and its Member States continue to give strong support to the Stability Pact which has contributed to stability in the region. But the Pact is entering a critical phase, as well as its working methods.

With this in mind, and ahead of the Regional Conference to be held on 25-26 October this year, the Council feels that it is time to restate and refine its guidance.

- General Priorities

The EU should, however, also support the Stability Pact. It can, as it further develops its regional approach under the SAP, help the Stability Pact to define clear

Similar written strategies should be produced within the framework of the other working tables, based on a small number of medium-term regional priorities. These s
rojects should be developed.

As a first step, the Council lists in the Annex the suggestions which it would like to make as to current EU priorities for each Working Table. Given the link with

Annex

N.B. : Though institution-building, good governance and gender issues are not included as specific priorities below, the Council does consider these issues importa

Priorities at each Working Table

1. Working Table on Democratisation and Human Rights

- Media
- Refugee return
- National minority issues, including inter-ethnic dialogue and cross-border cooperation
- Education and youth

2. Working Table on Economic Reconstruction, Development and Co-operation

- Trade liberalisation and implementation of reforms enabling increased investment,
- Regional infrastructure and environment

3. Working Table on Security Issues

Sub-table for Defence and Security Affairs:

- Arms control and security sector reform
- Humanitarian demining and small arms/light weapons
- Disaster preparedness and prevention

Sub-table for Justice and Home Affairs:

- Asylum and migration
- Trafficking in human beings
- Organised crime and corruption"

Liberia

The Council adopted a Regulation concerning certain restrictive measures in respect of Liberia.

On 7 March 2001 the United Nations Security Council adopted Resolution 1343 (2001) setting out measures to be imposed against Liberia, namely an arms embargo, a prohibition on the provision of technical training or the assistance related to arms, a prohibition on the importation of rough diamonds from Liberia and a visa ban.

On 7 May 2001, the Council adopted Common Position 2001/357/CFSP concerning the measures set out in UNSC Resolution 1343 (2001) and the present Regulation has been adopted due to the existence of Community competence in this field.

International Criminal Court - Common Position

The objective of this Common Position is to pursue and support an early entry into force of the Statute of the International Criminal Court - adopted by the Rome Conference of Plenipotentiaries (Rome Statute) which has been signed by 139 and ratified or acceded to by 30 States and will enter into force after the sixtieth instrument of ratification, acceptance, approval or accession is deposited - and thus the establishment of the Court.

In order to contribute to the objective of an early entry into force of the Statute, the European Union and its Member States shall make every effort to further this process by raising the issue of the widest possible ratification, acceptance, approval or accession to the Rome Statute and the implementation of the Statute in negotiations or political dialogues with third States, groups of States or relevant regional organisations, whenever appropriate.

The Union and its Member States shall contribute to an early entry into force and implementation of the Statute also by other means, such as by adopting initiatives to promote the dissemination of the values, principles and provisions of the Rome Statute and related instruments.

The Member States shall share all interested States their own experiences on the issues related to the implementation of the Statute and, when appropriate, provide other forms of support to that objective.

The Union and its Member States shall give support, including practical support, to the early establishment and good functioning of the Court. They shall support the early creation of an appropriate planning mechanism in order to prepare the effective establishment of the Court.

It is recalled that the establishment of the International Criminal Court, for the purpose of preventing and curbing the commission of the serious crimes falling within its jurisdiction, is an essential means of promoting respect for international humanitarian law and human rights, thus contributing to freedom, security, justice and the rule of law as well as contributing to the preservation of peace and the strengthening of international security, in accordance with the purposes and principles of the Charter of the United Nations.

Relations with the Mediterranean Region

The Council approved a report to the European Council on the implementation of the Common Strategy on the Mediterranean Region.

This report sets out to examine all the initiatives implemented under the Common Strategy in the context of the priorities of the French and Swedish Presidencies.

The priorities of those successive Presidencies were the following:

- to reinvigorate the Barcelona Process;*
- to strengthen the political and security-related dialogue;*
- to establish and develop a dynamic as well as human economic and financial partnership;*
- to promote co-operation in the JHA area as well as in social, cultural and human affairs;*
- to ensure that the EU assumes its rightful role within the Middle East Peace process.*

Relations with Russia

- Implementation of the Common Strategy of the EU in Russia - Report to the European Council

The Council approved a report to the European Council on the Implementation of the Common Strategy of the European Union in Russia.

The report makes clear that the Union's efforts have been guided by the strategic goals as defined by the Common Strategy:

- a stable, open and pluralistic democracy in Russia, governed by the rule of law and underpinning a prosperous market economy benefiting alike all the people of Russia and of the European Union,*
- maintaining European stability, promoting global security and responding to the common challenges of the continent through intensified co-operation with Russia.*

In its review and evaluation the report focuses specifically on:

- consolidation of democracy, the rule of law and public institutions in Russia,*
- integration of Russia into a common European economic and social space,*
- co-operation to strengthen stability and security in Europe and beyond,*
- common challenges on the European continent.*

- Kaliningrad - Council conclusions

"Further to its conclusions of February 2001, the Council took stock of work taking forward co-operation with Russia and neighbouring countries relating to the Kaliningrad region, notably on the basis of the Commission Communication on the EU and Kaliningrad. The Council recognised that primary responsibility for the future development of the Kaliningrad region lies with the Russian Federation. In this context, it noted with interest Russia's discussions of domestic policy towards the region.

The Council welcomed the constructive dialogue launched with Russia on Kaliningrad within the framework of the Partnership and Co-operation Agreement in order to identify practical solutions for the region with due respect for the Community acquis. It called upon Russia to play a full part in these discussions.

The Council reaffirmed its view that the institutions of the PCA, notably the relevant sub-committees, continued to be the most appropriate fora for further discussions. It noted that meetings of the PCA institutions at higher level during the coming year will provide important opportunities to take stock of progress made.

At the same time, the Council welcomed the dialogue with the associated countries on issues related to Kaliningrad and encouraged this to continue within the framework of the Europe Agreements. It recognised that some issues involving the candidate states, notably on the movement of people, could only be addressed in the context of the enlargement process and with due attention paid to the bilateral relations with the candidate states concerned and Russia.

The Council further welcomed discussion in the framework of the Northern Dimension and noted the suggestion to hold, if necessary, ad hoc meetings at expert level between interested parties to address technical issues raised in the Communication.

The Council noted with satisfaction the assistance being provided through Phare and Tacis as well as the bilateral contributions of Member States, to address issues such as economic development, transport and energy, good governance, democracy and the rule of law, justice and home affairs, environment, health as well as cross-border co-operation. In this respect it welcomed the recent opening of a Tacis office in Kaliningrad and preparation of a Tacis study on the energy needs of the region, to be launched during 2001. Moreover, the Council undertook to consider further efforts to enable the region to make full use of the opportunities of EU enlargement.

The Council asked the appropriate Council bodies, under the policy guidance of Coreper, to continue to examine the implications of enlargement for Kaliningrad and to report back to the Council on a regular basis. In this context, the Council noted that the issue of movement of people should be addressed with a view to identify practical measures to facilitate small border traffic and transit for Kaliningrad and the possibility to take advantage of any special arrangements permitted by the acquis.

Finally, the Council invited the Commission to present a comprehensive report to the Council by September 2002 on the basis of the Communication on the EU and Kaliningrad and on progress made in the EU's co-operation with Russia and neighbouring countries on Kaliningrad."

Report on Northern Dimension Policies

The Council took note of a full report on Northern Dimension policies, prepared by the Swedish Presidency, together with the Commission, in preparation for the Göteborg European Council on 15-16 June 2001.

The Feira European Council in June 2000, endorsed an Action Plan for the Northern Dimension. The Action Plan was prepared by the Commission, which was also invited to take a leading role in its implementation. The present report reviews ongoing activities and initiatives on the Northern Dimension and is based around the following elements:

- overview of actors*

The Northern Dimension has developed into an effective tool for enhancing co-operation in Northern Europe and for the forging of closer ties between the EU and its Member States and the seven Partner Countries: Estonia, Iceland, Latvia, Lithuania, Norway, Poland and the Russian Federation.

- sectorial overview*

environment

= nuclear safety

= the fight against organised crime / Justice and Home Affairs

= Kaliningrad

= energy

= public health

= information technologies / telecommunications

= transport and border crossings

= research

= regional and cross-border co-operation

= trade, business co-operation and investment promotion

- financial resources

- implementation and follow-up

- recommendations for further action

Relations with the Associated CCEE - Estonia : participation in the Community programmes Socrates and Youth

The Council agreed that the EU-Estonia Association Council should adopt a Decision by written procedure concerning the financial contribution of Estonia for participation in the Socrates and Youth programmes in the years 2001 to 2006.

During 2000 the Association Councils with the various associated CCEE adopted decisions enabling those countries to participate in the second phase of the Socrates programme (and of the Leonardo da Vinci programme) and in the new Youth programme. In the case of Socrates and Youth, however, the decisions established the financial contribution of the countries in question for 2000 only, and provided that the contribution for the remaining years (2001-2006) would be detailed in subsequent decisions.

Angola - Review of the Common Position (June 2000 - June 2001) - Council conclusions

"The Council took note of the review of the EU Common Position on Angola. The Council reaffirmed that the objective of the European Union remains to support a political solution to the Angolan conflict on the basis of the Bicesse "Acordos de Paz", the Lusaka Protocol and the relevant UN Security Council Resolutions, the respect for human rights and fundamental freedoms, as well as the fulfilment of economic and social reforms. The Council welcomes the indication by President dos Santos that his Government is ready to engage in a dialogue on how peace may be achieved on the basis of the Lusaka Protocol.

The Council confirmed its commitment to assist in the alleviation of the suffering of the Angolan population affected by the war, in particular refugees and internally displaced people, taking into account the need to secure safe and unrestricted access to them by relief agencies. In this regard, while recalling the Government's ultimate responsibility for the well being of all citizens in Angola, the Council urged UNITA to allow humanitarian aid to reach all populations. It demands that all parties in the conflict, and in particular UNITA, stop their minelaying activities. The Council welcomed the continuing engagement of the UN Secretary General in the search for peace in Angola and reiterated the importance it attaches to the UN security council measures imposed against UNITA and the importance of compliance with the sanctions regime.

The Council continues to attach great importance to the Government's decision to announce a general amnesty, later adopted by the National assembly, as well as the decision to establish a fund for Peace and National Reconciliation to facilitate the demobilisation and reintegration of former soldiers. The Council welcomed the Government of Angola's commitment to hold free and fair general elections in the second half of 2002 and urged that they be preceded by a period of intensive preparations aimed at developing the democratic culture necessary for the conduct of successful elections. The Council reaffirmed its readiness to assist the Government of Angola in the democratic process towards the elections, and contribute to the efforts towards the reintegration of demobilised soldiers."

EU-Canada Summit

The Council took note of information provided by the Presidency, the High Representative and the Commission on the state of play of preparations for the EU-Canada Summit, which is scheduled to take place in Stockholm, Sweden, on 21 June 2001.

The President of the European Council, Prime Minister PERSSON, assisted by Secretary General/High Representative SOLANA, and the President of the European Commission, Mr. PRODI, will represent the EU. Foreign Minister LINDH, Trade Minister PAGROTSKY and Commissioners PATTEN and LAMY will also be present. Canada is expected to be represented by Prime Minister CHRETIEN, Foreign Minister MANLEY and Trade Minister PETTIGREW.

The Summit will begin with separate Foreign and Trade Ministers' Meetings, followed by an expanded session where Ministers will report on their discussions to the Leaders. A Press conference will be held after the expanded session. At the working lunch closing the Summit, it has been suggested to Canada that the Leaders and Ministers could discuss "Immigration and demographic issues". Canada has on a preliminary basis responded positively to the suggestion.

Preparation of entry into force of the Treaty of Nice

The Council took note of information from the Presidency concerning the preparation of the entry into force of the Treaty of Nice.

The Presidency note outlines work pending as part of the process of preparing the entry into force of the Treaty of Nice and of ensuring that decisions foreseen at Nice are implemented swiftly following entry into force of the Treaty.

EU-UN co-operation in conflict prevention and crisis management - Council conclusions

"The Council underlines the commitment of the EU as well as of its Member States to contribute to the objectives of the UN in conflict prevention and crisis management, noting the United Nations' primary responsibility for the maintenance of international peace and security. The Swedish Presidency has taken forward the mandate given to it by the Nice European Council to identify possible areas and modalities for co-operation with the UN in crisis management.

The Council reaffirms its determination to develop and strengthen co-operation in the areas of crisis management and conflict prevention, following ministers' discussions with the UN Secretary-General in May.

The co-operation should develop progressively in close co-ordination with the UN, focusing on substantive issues and concrete needs. It will increase in scope and importance as the ESDP evolves.

The Council acknowledges the need for an integrated approach to conflict prevention and crisis management, encompassing also development co-operation and other measures addressing root causes of conflict, and in this context welcomes the important communications – on conflict prevention and on building an effective partnership with the UN in the field of development and

humanitarian affairs - recently presented by the Commission. On the latter, the Council also recalls its conclusions of 31 May 2000 whereby the Council notes the intention of the Commission to launch a dialogue with the UN on exchanging its Country Strategy Papers with the UN Common Country Assessments.

Specific themes and areas of co-operation

Contacts with the UN Secretariat have identified themes and areas for EU-UN co-operation. The Council endorses the following specific themes and areas as the focus of the EU's efforts to intensify interaction with the UN. They include:

1. Conflict prevention, in particular ensuring mutually reinforcing approaches; exchange of information and analyses concerning on-going and potential crises; co-operation on fact-finding; co-ordination of diplomatic activity and messages, including consultations between Special Representatives; field co-ordination and training; increased co-operation in electoral assistance and election monitoring.
2. Civilian and military aspects of crisis management, in particular ensuring that EU's evolving military and civilian capacities provide real added value for the UN, i.e. by enhancing compatibility of training standards for civilian crisis management personnel, and exchange of information on questions related to the planning and implementation of crisis management; co-ordination in the field.
3. Particular regional issues, Western Balkans, Middle East and Africa, in particular the Great Lakes, Horn of Africa and West Africa, will be for the time being the priority areas of reinforced co-operation between the EU and the UN.

Modalities for EU-UN co-operation

The following arrangements will provide a platform for the intensified co-operation by facilitating guidance, continuity and coherence at all levels:

- i) EU Ministerial meetings, where appropriate in Troika format, with the UN Secretary-General;
- ii) Meetings and contacts between the Secretary-General/High Representative and External Relations Commissioner with the UN Secretary-General and UN Deputy Secretary-General;
- iii) Political and Security Committee meetings, where appropriate in Troika format, with the UN Deputy Secretary-General and Under Secretaries-General; and other levels and formats as appropriate;
- iv) Contacts of the Council Secretariat and the Commission services with the UN Secretariat at the appropriate levels.

The Council requests the Presidency assisted by the Secretary-General/High Representative, and the Commission, drawing on EU Heads of Missions in New York, as appropriate, to pursue discussions with the UN with a view to implementing practical forms for co-operation to be reported to the Council.

The Council agrees that the Presidency will convey the content of these Council conclusions in a letter to the UN Secretary-General."

EU Programme on Conflict Prevention

The Council approved a European Union Programme for the Prevention of Violent Conflicts to be forwarded to the European Council in Göteborg (15-16 June 2001).

The programme states that the EU will:

- set clear political priorities for preventive actions,
- improve its early warning, action and policy coherence,
- enhance its instruments for long- and short-term prevention, and
- build effective partnerships for prevention.

Outermost regions

The Council noted political agreement on the agricultural aspects contained in the package of measures intended to implement the provisions of Article 299 (2) of the EC Treaty.

It is recalled that the Nice European Council called on the Council to examine the Commission's proposals as soon as possible and indicated that the European Council would take stock of progress on the whole dossier at its meeting in Göteborg in June 2001. Preparatory discussions in Coreper have allowed political agreement to be reached, this to be confirmed by the Council on specific measures for certain agricultural products for the French Overseas Departments, for the Azores and Madeira and for the Canary Islands, as well as for changes to the beef and veal market organisation (aid to milk production in the Azores). Final adoption shall take place before the end of June, after the European Parliament has delivered its Opinion. The articles concerning the structural measures will be adjusted once the Council gives its political agreement on the structural proposals in favour of the outermost regions.

EUROPEAN SECURITY AND DEFENCE POLICY

ESDP - military capabilities

The Council approved the refined Helsinki Headline Catalogue (HHC version June 2001), listing the Union's military capability requirements.

The Council also took note of the Supplement to the Helsinki Forces Catalogue 2001, of the Military Forces available to the EU already in 2001 and of the Helsinki Progress Catalogue (version June 2001).

APPOINTMENTS

Committee of the Regions

The Council adopted the Decisions appointing:

- Mr Luis Manuel Fernandes COELHO a member of the Committee of the Regions in place of Mr José Carlo das Dores ZORRINHO,
- Ms Paz FERNANDEZ FELGUEROSO an alternate member of the Committee of the Regions in place of Mr Vicente ALVAREZ ARECES,
- Ms Pilar BLASCO I PRIM an alternate member of the Committee of the Regions in place of Ms Soledad BECERRIL BUSTAMANTE,
- Mr Helmut HOLTER a member of the Committee of the Regions in place of Mr Rolf EGGERT,

for the remainder of their term of office, which runs until 25 January 2002.

Footnotes:

- (1) Council conclusions of 9 April 2001 and Review Mechanism.

(2) Council conclusions of 29 April 1997.

(3) The Commission's Communication to the Council and European Parliament of 26 May 1999 (COM(99) 235) and Council conclusions of 21 June 1999.

(4) In accordance with the TEU and the 1993 Copenhagen criteria.

(5) Council conclusions of 29 April 1997.

(6) Council Regulation No 2007/00 of 18 September 2000 and No 2563/2000 of 20 November 2000.

(7) Council Regulation (EC) No 2666/2000 of 5/12/2000, OJ L 306 of 7 December 2000 and Corrigendum to Art 9(2) in OJ L 38 of 8 February 2001.