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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL**

Commission Opinion on Serbia's application for membership of the European Union

{SEC(2011) 1208 final}

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A. INTRODUCTION

a) Application for membership

Serbia presented its application for membership of the European Union on 22 December 2009. Subsequently, on 25 October 2010, the Council of the European Union requested the Commission to submit its opinion on this application, in line with the procedure laid down in Article 49 of the Treaty on European Union, which states that *"Any European State which respects the values referred to in Article 2 and is committed to promoting them may apply to become a member of the Union. The European Parliament and national Parliaments shall be notified of this application. The applicant State shall address its application to the Council, which shall act unanimously after consulting the Commission and after receiving the consent of the European Parliament, which shall act by a majority of its component members. The conditions of eligibility agreed upon by the European Council shall be taken into account"*.

Article 2 states that *"the Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail"*.

This is the legal framework within which the Commission submits the present Opinion.

The Feira European Council in June 2000 acknowledged that Western Balkan countries participating in the Stabilisation and Association Process were 'potential candidates' for EU membership. The European perspective of these countries was further confirmed by the Thessaloniki European Council in June 2003 which endorsed the 'Thessaloniki Agenda for the Western Balkans'. This agenda remains the cornerstone of EU policy towards the region.

The European Council of December 2006 renewed the EU's commitment *"that the future of the Western Balkans lies in the European Union"* and reiterated that *"each country's progress towards the European Union depends on its individual efforts to comply with the Copenhagen criteria and the conditionality of the Stabilisation and Association Process. A country's satisfactory track record in implementing its obligations under a Stabilisation and Association Agreement (SAA), including trade-related provisions, is an essential element for the EU to consider any membership application"*. At the Sarajevo EU-Western Balkans ministerial meeting on 2 June 2010, the EU reiterated its unequivocal commitment to the European perspective of the Western Balkans and that the future of these countries lies in the European Union.

In line with the Treaty requirements, the current assessment is made in terms of the conditions of eligibility laid down by the European Council. In Copenhagen in June 1993, the European Council concluded that:

"Accession will take place as soon as a country is able to assume the obligations of membership by satisfying the economic and political conditions required.

Membership requires:

- that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;*
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;*
- the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union".*

The Union's capacity to absorb new members, while maintaining the momentum of European integration, is also an important consideration in the general interest of both the Union and the candidate countries.

In December 1995, in Madrid, the European Council referred to the need *"to create the conditions for the gradual, harmonious integration of [the applicant] countries, particularly through the development of the market economy, the adjustment of their administrative structures and the creation of a stable economic and monetary environment"*.

The Stabilisation and Association Process (SAP) conditionalities were defined by the Council on 31 May 1999. They include cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) and regional cooperation. As a fundamental element of the SAP, these conditions are integrated into the Stabilisation and Association Agreement (SAA) with Serbia, currently under ratification, and also into the Interim Agreement (IA) on trade and trade-related matters, which entered into force on 1 February 2010.

In December 2006, the European Council agreed that *"the enlargement strategy based on consolidation, conditionality and communication, combined with the EU's capacity to integrate new members, forms the basis for a renewed consensus on enlargement"*.

In the present Opinion, the Commission analyses Serbia's application on the basis of the country's capacity to meet the criteria set by the Copenhagen European Council of 1993 and the conditionality of the Stabilisation and Association Process. Serbia's track record in implementing its obligations under the Stabilisation and Association Agreement and the Interim Agreement on trade and trade-related matters is also examined.

The Opinion was prepared following a methodology similar to that used in previous Opinions. The Commission organised a number of expert missions to Serbia concentrating mainly on the fields covered by the political criteria. This approach allowed an assessment of the administrative capacity of Serbian institutions and of the way legislation is implemented. It also helped to better identify remaining challenges and priorities for future action. The Commission has analysed both the present situation and the medium-term prospects. For the purpose of this Opinion and without prejudging any future date of accession, the medium-term perspective has been defined as a period of five years.

The detailed analysis on which this Opinion is based is contained in a separate document (*Analytical Report accompanying the Opinion on Serbia's application for membership of the European Union*)¹. In line with the renewed consensus on enlargement, the analytical report provides initial estimates of the impact of the future accession of Serbia in some key policy areas. The Commission will provide more detailed impact assessments for these policy areas at later stages of the pre-accession process. In addition, the EU accession treaty for Serbia would involve technical adaptation of the EU institutions in the light of the Treaty on European Union.

b) Relations between the EU and Serbia

Relations between the EU and Serbia have developed since the democratic changes of 2000, initially with the Federal Republic of Yugoslavia and then, from 2003 onwards, with the State Union of Serbia and Montenegro. The EU continued its relations with the Republic of Serbia, as the successor of the State Union, when Montenegro became independent in 2006.

Serbia is participating in the Stabilisation and Association Process. The **Stabilisation and Association Agreement** provides a framework of mutual commitments on a wide range of political, trade and economic issues. It was signed, along with the **Interim Agreement** on trade and trade-related matters, in April 2008. EU ministers agreed to submit the SAA to their parliaments for ratification and the EU agreed to implement the Interim Agreement on trade and trade-related matters as soon as the Council decided that Serbia was fully cooperating with the International Criminal Tribunal for the former Yugoslavia. Serbia started on 1 January 2009 to implement the Interim Agreement. The Interim Agreement entered into force on 1 February 2010. At the 14 June 2010 Foreign Affairs Council, ministers agreed to submit the Stabilisation and Association Agreement to their parliaments for ratification. The process is still under way. In general terms, Serbia has built a positive track record on implementing the obligations imposed by the Stabilisation and Association Agreement and the Interim Agreement. Whenever problems arose, Serbia took a constructive and transparent approach to resolve them promptly and effectively.

A **European Partnership** with Serbia was adopted by the Council in 2004 and updated in 2006 and 2008².

Political dialogue meetings at ministerial level have been held since 2003. Policy dialogue between the European Commission and the Serbian authorities has been taking place in the framework of the Enhanced Permanent Dialogue (EPD) since 2003. Inter-parliamentary meetings between representatives of the European Parliament and of the Serbian parliament have been held annually since 2006. The Interim Committee under the IA and a number of sub-committees meet annually, notably on the internal market, competition, transit traffic, trade, customs, taxation, agriculture and fisheries. Several sub-EPD meetings are covering all sectors of the SAA that are not included in the Interim Agreement, such as energy, the environment, social policy, justice, freedom and security.

Serbia participates in an economic dialogue with the Commission and the EU Member States. In this framework, Serbia presented in January 2011 an update of its annual Economic and Fiscal Programme (EFP).

¹ SEC(2011) 1208.

² OJ L 80, 18.3.2008, p. 46.

Visa liberalisation for Serbian citizens travelling to the Schengen area was granted by the Council, after consultation with the European Parliament, as of 19 December 2009. This decision was based on substantial progress in the areas of justice, freedom and security and fulfilment of the specific conditions set out in the roadmap for visa liberalisation. The rules for visa-free travel have been respected by the vast majority of travellers. To ensure the continued implementation of the commitments, a post visa liberalisation monitoring mechanism was established in view of increased numbers of asylum seekers from the region. The Commission presented its first monitoring report to the European Parliament and the Council in June 2011. An agreement on readmission between the European Union and Serbia has been in force since January 2008.

Serbia signed the Energy Community Treaty in October 2005 and the European Common Aviation Area (ECAA) agreement in June 2006.

In October 2008, the government of Serbia adopted the National Programme for the Integration of Serbia into the European Union for the period 2008-2012. A revised and updated version was adopted in December 2009. In December 2010 the government adopted an Action Plan on fulfillment of priorities set in the European Commission's 2010 Progress Report, with the aim of increasing focus and achieving additional results on the reform agenda, ahead of the present Opinion.

Serbia has been receiving **EU financial assistance** since 2001. Overall, between 2001 and 2011, the EU committed over €2 billion to Serbia in the form of grants and €5.8 billion in the form of soft loans. From 2001 to 2006, Serbia benefited from EU CARDS assistance worth €1,045 million. Since 2007, CARDS has been replaced by the Instrument for Pre-Accession Assistance (IPA), under which Serbia received assistance worth €74 million between 2007 and 2011. The assistance under the IPA is designed to support the reforms undertaken as part of the European integration process, with a focus on the rule of law, institution-building, approximation with the EU *acquis*, sustainable economic and social development and support to civil society.

Serbia participates fully in a number of EU programmes under the financial perspective 2007-2013: the 7th Framework Programme for research and technological development, PROGRESS, the Competitiveness and Innovation Programme, the Information and Communication Technologies Policy Support Programme, the Culture Programme, the Customs Programme and the Fiscalis Programme. IPA funds are used to meet part of the costs of participation in these programmes.

B. CRITERIA FOR MEMBERSHIP

1. POLITICAL CRITERIA

The present assessment is based on the Copenhagen criteria relating to the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, as well as on the conditionality of the Stabilisation and Association Process.

Serbia is a parliamentary **democracy**. Its constitutional and legislative framework is largely in line with European principles and standards and its institutions are well developed. Serbia is committed to its objective of membership of the European Union and since 2008 has

increasingly focused its efforts on the EU-related reform agenda. The government has upgraded some of its procedures and parliament has become far more effective in its legislative activity under the current legislature. The legislative process would benefit from more thorough preparation and greater emphasis on consultation of stakeholders. Capacity for parliamentary oversight and governmental policy planning, coordination and implementation remains to be further developed. Serbia has set up all the necessary independent regulatory bodies. The rules governing the parliamentary review of their annual reports have been clarified even though the follow-up of recommendations by independent and regulatory bodies needs to be strengthened. The public administration is in general well developed, in particular at central level. The principle of a merit-based career system needs to be fully implemented. Serbia has established a Statute for the Province of Vojvodina and has undertaken to transfer some competences to the municipal level.

Since 2001, elections have been consistently conducted in Serbia in accordance with international standards. The electoral legislation was recently brought into line with European standards. It now provides that the appointment of MPs follows the order of the lists presented to the voters and it puts an end to the practice of 'blank resignations', by which MPs were tendering resignation letters to their parties at the beginning of their mandate. This consolidates the free exercise of parliamentary mandates, a principle which needs, in due course, to be fully enshrined in the Constitution.

The legal and institutional framework for the **rule of law** in Serbia, including the fight against corruption and organised crime, has been enhanced, particularly following substantial reforms in the judiciary, the setting-up of the Anti-Corruption Agency and the stepping-up of international cooperation in criminal matters. This has led to initial results. The main challenges remain in the areas of the judiciary, the fight against corruption and the fight against organised crime. In particular, a proactive approach in the fight against corruption leading to a credible track record of opened investigations and final convictions remains to be built up. An extensive framework for civilian control of the security forces is in place.

Substantial reforms of the judiciary were pursued in Serbia following the adoption of the national strategy in 2006 and intensified in 2009 and 2010. Independence and self-administration were strengthened with the establishment of the new High Judicial and State Prosecutorial Councils, which have been functioning in their permanent compositions since April 2011. A re-appointment procedure for all judges and prosecutors was undertaken in December 2009, aiming in particular at raising their professional and integrity standards. The initial significant shortcomings identified in that procedure are in the course of being addressed by a review process for which there are clear guidelines. The review process remains to be satisfactorily completed, in a transparent manner, in line with these guidelines. A revision of the role given by the Constitution to parliament on appointments and dismissals in the judiciary will need to be undertaken in due course, to further reduce the risk of undue political influence. Several steps have been taken to increase the efficiency of the judicial system. The court network was restructured and the number of courts reduced, leading to a better distribution of workload. An Administrative Court was set up and a Law on enforcement of court decisions adopted in May 2011. Further efforts are still needed to improve the functioning of the judiciary, reap the full benefits of the restructured network of courts and ultimately increase public trust. Efforts to strengthen the execution of judgments and further reduce the important backlog of pending cases are to be pursued.

The legal and institutional framework for fighting corruption is, overall, in place in Serbia. An Anti-Corruption Agency was established and is competent in the areas of integrity of public

officials and control of party funding. Its resources were recently further increased. An enhanced framework for controlling financing of political parties' activities and electoral campaigns has been established in line with European standards. The Minister of Justice was appointed coordinator for the fight against corruption. The authorities have launched a review of the outdated strategy and action plan for the fight against corruption. The State Audit Institution has started to play a useful role in controlling public expenditure and uncovering irregularities. The customs administration and the police have stepped up their internal controls resulting in a greater number of cases being investigated and sanctioned. Steps have also been taken towards specialisation of the law enforcement agencies and a greater number of cases have been prosecuted. Corruption remains prevalent in many areas and continues to be a serious problem. Stronger political will is essential in order to significantly improve performance in combating corruption. Enhanced investigation capacity and coordination of law enforcement bodies are indispensable. The track record of investigations, prosecutions and final convictions in corruption cases at all levels needs to be gradually and significantly built up. There are also concerns regarding supervision of public procurement, privatisation, spatial planning and construction permits.

In the fight against organised crime, the legal framework developed by Serbia is generally adequate and capacity has improved, including on international cooperation. This has led to significant results, such as the dismantling of a major international drug-trafficking ring. Money laundering and drug smuggling are key areas of concern and the track record of investigations and convictions needs to be built up further. Capacity for proactive and better coordinated investigations and enhanced cooperation at regional and international levels also remain to be further developed. Technical capacity to carry out special investigative measures should be developed within the law enforcement bodies, under the direct control of the judiciary.

The legal and policy framework for **human rights and the protection of minorities** in Serbia is, overall, in line with European standards. The Constitution guarantees a wide range of human rights and fundamental freedoms and recognises the possibility of filing a Constitutional appeal as the final remedy for protection of human rights. However, implementation of the legislation needs to be stepped up. Advanced training of the administration, the police and the judiciary remain to be developed to ensure more active and consistent application of standards in this field.

Human rights are generally respected in Serbia. The Ombudsman and the Commissioner for access to information and data protection are playing an increasingly effective role in the oversight of the administration. The legal framework to combat discrimination has been substantially improved and mechanisms have been set up to oversee its implementation, which is at an early stage. The authorities have also been paying growing attention to safeguarding the respect of the freedom of assembly and freedom of association and the role of civil society. The newly adopted media strategy aims at substantially clarifying the legal and market environment in which media outlets are operating. More comprehensive and proactive action is expected from the relevant institutions in cases of threats and violence against journalists and media, emanating notably from radical groups. The current prison conditions are a matter of serious concern. A long awaited law on restitution as well as a new law on public property were adopted. Transparent and non discriminatory implementation of both laws has to be ensured and further measures taken to fully establish legal clarity over property rights. The Commission will monitor the implementation and application of these laws.

The legal and institutional framework for respecting and protecting minorities in Serbia is in place. The Constitution guarantees specific rights to members of national minorities in addition to the rights guaranteed to all citizens and provides a legal basis for the National Minority Councils. Political representation of minorities is ensured. At State level, the Ombudsman and the Commissioner for Equality are exercising their prerogatives in this area. Serbia has established a comprehensive strategy for the integration of Roma and is currently progressing in its implementation. Active social inclusion measures have been taken, in particular in the fields of health, education and housing. Measures have recently been taken to alleviate obstacles to the registration of 'legally invisible persons' which will improve their access to basic rights. Further serious efforts, including financial resources, are needed in order to improve the status and socio-economic conditions of the Roma, who continue to be the most vulnerable and marginalised minority, as illustrated by the high number of illegal settlements. The situation of refugees and internally displaced persons remains a concern, even though significant progress was achieved in recent years in reducing the number of collective centres.

Serbia generally fulfils the conditions of the **Stabilisation and Association Process**. Cooperation with the International Criminal Tribunal for the former Yugoslavia has greatly improved since 2008 to a now fully satisfactory level, as best illustrated by the arrests and transfers to the Hague tribunal of Radovan Karadzic in 2008, Ratko Mladic and Goran Hadzic in 2011. Serbia is committed to pursuing this cooperation at the same level. It participates actively in regional initiatives and has taken significant steps to foster reconciliation. The agreement reached with Bosnia and Herzegovina, Croatia and Montenegro in the Sarajevo Declaration Process on durable solutions for refugees and IDPs is a major achievement. Serbia has made good progress in its bilateral relations with other enlargement countries, particularly Croatia, Bosnia and Herzegovina and Montenegro, while continuing to maintain good relations overall with neighbouring EU Member States. A number of outstanding bilateral issues remain with its neighbours, in particular regarding border demarcation.

Serbia does not recognise Kosovo³'s unilateral declaration of independence. It maintains its structures in Kosovo and organised parallel municipal by-elections in May 2008, which is inconsistent with UNSCR 1244/1999. On the basis of the UN General Assembly resolution adopted on 9 September 2010, which had been tabled jointly by Serbia and the 27 EU Member States, a process of dialogue between Belgrade and Pristina started in March. It has been conducted in a generally constructive spirit until September and it has led to agreements on several issues: free movement of goods and persons, civil registry and cadastre. The agreements reached to date need to be implemented in good faith. Further results remain to be achieved to implement, as a matter of priority, the principles of inclusive and functioning regional cooperation and to provide sustainable solutions on EU *acquis*-related matters in sectors such as energy and telecommunications. All sides need to play their part in defusing the tension in northern Kosovo and allow for free movement of persons and goods, for the benefit of the people of the region.

³ Under UNSCR 1244/1999

2. ECONOMIC CRITERIA

The present assessment is made on the basis of the Copenhagen criteria related to the existence of a **functioning market economy**, as well as the capacity to cope with **competitive pressure** and market forces within the Union.

There is a broad political consensus in Serbia on the fundamentals of a market economy as well as a track record in the implementation of economic reforms. Serbia achieved a degree of macroeconomic stability that allows economic operators to make decisions in a climate of predictability. The economic policies of the past decade supported steady growth of close to 5% on average, gradually declining inflation and a general improvement of living standards. However, the global financial and economic crisis exposed the vulnerabilities of a growth paradigm, which was based on domestic demand financed largely by borrowing abroad, as well as the ensuing limitations of the policy mix to respond effectively to adverse external shocks. Recently, substantial progress has been made towards strengthening the financial framework and the quality of public finances, which would underpin a shift to more sustainable and balanced growth, driven by exports and investment. The free interplay of market forces has developed, albeit at a slow and uneven pace, through privatisation and liberalisation of trade and prices. Progress has been achieved in facilitating market entry and exit. Economic integration with the EU is high.

A number of structural weaknesses persist and hamper the economic performance. The state influence in the economy has remained high due to the slow progress of privatisation and price liberalisation. In spite of the steps towards establishing legal predictability and removing red tape, the business environment continues to be constrained by legal uncertainty. Lengthy enforcement procedures for court decisions undermine trust in the legal system. Lack of competition in certain sectors and significant infrastructure bottlenecks are a further drag on the economic potential. Foreign direct investment was relatively strong prior to 2008 and, following a substantial drop during the economic crisis, has started to slowly recover, but Serbia needs to further improve the investment climate. Against a modest economic recovery, unemployment remains high and the social situation strife. Serbia needs to urgently address structural rigidities on the labour market, including the mismatch between demand for and supply of skilled workforce. The informal economy remains an important challenge.

3. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

The ability of Serbia to assume the obligations of membership has been evaluated on the basis of the following indicators:

the obligations set out in the Stabilisation and Association Agreement;

progress with adoption, implementation and enforcement of the EU *acquis*.

Overall, Serbia has smoothly implemented its obligations under the Interim Agreement and is generally respecting its commitments under the Stabilisation and Association Agreement.

In 2008 Serbia adopted a National Programme for Integration into the European Union, which is a comprehensive and ambitious plan for the period 2008-2012 providing for approximation of its national legislation to the EU *acquis*. Since then, significant progress has been made with adopting legislation aligned with the EU *acquis*, particularly on the internal market, statistics, trade-related provisions, customs and taxation. Administrative capacity is overall

well developed and the judiciary is undergoing a significant overhaul. However, the country faces challenges in implementing and enforcing legislation. Particular and continued attention to the fight against corruption will be expected over time. The country will need to make additional efforts in order to assume the obligations of membership in the medium term.

If it continues its efforts Serbia should, in the medium term, have the capacity to comply with the requirements of the *acquis* in the following fields:

- Company law;
 - Fisheries;
 - Taxation;
 - Economic and monetary policy;
 - Statistics;
 - Enterprise and industrial policy;
 - Science and research;
 - Education and culture;
 - Customs union;
 - External relations;
 - Foreign, security and defence policy;
 - Financial and budgetary provisions.
- Serbia will have to undertake additional efforts to align with the *acquis* and to implement it effectively in the medium term in the following fields:
- Free movement of goods;
 - Freedom of movement for workers;
 - Right of establishment and freedom to provide services;
 - Free movement of capital;
 - Public procurement;
 - Intellectual property law;
 - Competition policy;
 - Financial services;
 - Information society and media;

- Food safety, veterinary and phytosanitary policy;
- Transport policy;
- Energy;
- Social policy and employment;
- Trans-European networks;
- Regional policy and coordination of structural instruments;
- Consumer and health protection.

Further adjustments of the legal and institutional framework, in particular strengthening of administrative and implementation capacity are needed in the above areas.

Serbia will have to make considerable and sustained efforts to align with the EU *acquis* and to implement it effectively in the medium term in the following fields:

- Agriculture and rural development;
- Judiciary and fundamental rights;
- Justice, freedom and security;
- Financial control.

Considerable adjustments of the legal and institutional framework and significant strengthening of administrative and implementation capacity are needed in these areas.

Regarding the environment and climate change, further coordinated and sustained efforts will be needed to align with the EU *acquis* and to implement it effectively. These should include substantial investments and strengthening of the administrative capacity for enforcement of legislation in order to achieve compliance on the most important issues, including climate change, in the medium term. Full compliance with the *acquis* could be achieved only in the long term and would necessitate higher levels of investment.

C. CONCLUSION AND RECOMMENDATION

In the light of substantial reforms over the last years, Serbia has considerably progressed towards fulfilling the political criteria related to the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, set by the Copenhagen European Council in 1993, as well as the conditions of the Stabilisation and Association Process. Serbia has a comprehensive constitutional, legislative and institutional framework which overall corresponds to European and international standards. Parliament has become far more effective in its legislative activity under the current legislature. The legal and institutional framework for the rule of law is comprehensive, including in the areas of the fight against corruption and organised crime where initial results were achieved. The legal framework for the protection of human rights and minorities is well developed and has started being implemented. Serbia has reached a fully satisfactory level in its cooperation with ICTY

and has taken an increasingly active role in fostering reconciliation in the region. Serbia has agreed to and participated in a process of dialogue with Kosovo to facilitate the lives of the people which has led to several agreements (free movement of persons and goods, civil registry and cadastre) and Serbia has taken initial steps for implementation.

As regards the economic criteria, Serbia has taken important steps towards establishing a functioning market economy and achieved a certain degree of macroeconomic stability in spite of the global economic and financial crisis. However, further efforts will be necessary for restructuring the economy and improving the business environment, in particular by strengthening the rule of law and removing red tape, enhancing competition and the role of the private sector as well as tackling rigidities on the labour market. In order to enable it to cope in the medium term with competitive pressure and market forces within the Union, Serbia needs to pursue structural reforms to upgrade the productive capacity of the economy and create a climate conducive to increased foreign investment.

Serbia has built up a positive track record in implementing its obligations under the Stabilisation and Association Agreement and the Interim Agreement.

Serbia would be in a position to take on the obligations of membership in the medium term, in nearly all *acquis* fields, provided that the alignment process continues and that further efforts are made to ensure the implementation and enforcement of legislation. Particular attention needs to be paid to the areas of agriculture and rural development, judiciary and fundamental rights, justice, freedom and security and financial control. Full compliance with the *acquis* in the field of the environment and climate change could be achieved only in the long term and would necessitate increased levels of investment.

Based on preliminary estimates, Serbia's accession would have a limited overall impact on European Union policies and would not affect the Union's capacity to maintain and deepen its own development.

The Commission recommends that the Council should grant Serbia the status of candidate country, taking into account progress achieved so far and on the understanding that Serbia re-engages in the dialogue with Kosovo and is moving swiftly to the implementation in good faith of agreements reached to date.

Serbia is well on its way towards sufficiently fulfilling the political criteria set by the Copenhagen European Council in 1993 and the conditions of the Stabilisation and Association process, provided that progress continues and that practical solutions are found to the problems with Kosovo.

The Commission therefore recommends that negotiations for accession to the European Union should be opened with Serbia as soon as it achieves further significant progress in meeting the following key priority:

Further steps to normalise relations with Kosovo in line with the conditions of the Stabilisation and Association Process by: fully respecting the principles of inclusive regional cooperation; fully respecting the provisions of the Energy Community Treaty; finding solutions for telecommunications and mutual acceptance of diplomas; by continuing to implement in good faith all agreements reached; and by cooperating actively with EULEX in order for it to exercise its functions in all parts of Kosovo.

The Commission will present a report on Serbia's implementation of the above key priority as soon as sufficient progress has been achieved.

Serbia is encouraged to maintain the momentum of reforms in pursuing the necessary degree of compliance with the membership criteria, with particular attention to the rule of law, and to continue its constructive engagement in regional cooperation and in strengthening bilateral relations with neighbouring countries. Implementation of the Interim Agreement, and from its entry into force, the Stabilisation and Association Agreement, are expected to continue. The Commission will continue to support these efforts through the IPA financial instrument.