

EU Relations with Croatia in 2005

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The start of negotiations on the European Union (EU) membership was the most important achievement of the Croatian Government in 2005. Croatia is the first Stabilisation and Association Process (SAP) country that started negotiations with the EU and therefore this event was also important for the region. It could motivate the other countries to follow the example and build stable democratic structures, capable of meeting the membership criteria. Croatia is also a Mediterranean country with very strong Mediterranean identity and its steps towards EU membership could help Croatia to play the bridging role in linking the Central, Eastern and South-eastern Europe with the Mediterranean basin.

Reaching the level of internal readiness for the EU integration by the end of 2007 and full membership in 2009 is a target of Croatian Government. The objective is to become fully prepared to assume all membership rights and obligations and to successfully take position of a new member state. Croatian Government estimates that it might need less time for negotiations than the former candidates, having in mind the achieved level of preparations combined with the possibility of using the already existing knowledge, experience and the *institutional memory* of the previous enlargement.

According to the opinion of Olli Rehn, member of the European Commission responsible for enlargement (Croatia &

EU, *Privredni vjesnik*, special issue. July 2005.), Croatia looks well prepared as seen from the organisational point of view. However, a lot of work remains to be done.

Key Developments in 2005

The Stabilisation and Association Agreement (SAA) between the EU and Croatia entered into force on February 1st, 2005. It provides the legal framework for relations with the EU. Consequently, first meetings of Stabilisation and Association Council and SA Committee were held in April and July 2005, while the first meeting of the EU-Croatia Joint Parliamentary Committee took place in Zagreb in March. Seven subcommittees have replaced the former five subcommittee structure of Interim Agreement. The meetings confirmed that Croatia has implemented a significant part of the obligations envisaged by the SAA, although stronger efforts will be needed in the area of competition policy and supply of services.

In 2005, several important strategic documents for the EU Accession were adopted. The third National Programme for Integration of the Republic of Croatia into the EU was confirmed by the Croatian Parliament in January 2005, as the main strategic document for bringing the political, economic, legal and administrative system in line with the EU standards. The second Pre-accession Economic Programme 2006-2008 (PEP) was adopted by the Croatian Government in December, followed by the Communication Strategy. The aim of the Communication Strategy is to inform Croatian wider public on all relevant issues regarding Croatia's accession to

the EU as well as on its positive and negative consequences.

Croatia's Preparations for Negotiations

The scheduled opening of accession negotiations was postponed by the Council in the absence of the common agreement. Negotiations did not start as envisaged in March 2005, due to inadequate level of cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY). With the purpose to mobilise all efforts to fulfil the remaining criteria, the *ad-hoc* Task Force has been established on 23rd March to examine the progress of Croatia's cooperation with the ICTY. It prepared the Action Plan, defined in six points in order to make progress regarding the fulfilment of this particular condition.

The final decision to start negotiations was brought on October 3rd (Council decision, IP/05/1222), based upon a positive report of the main prosecutor and the *ad-hoc* Task Force. The negotiations have been opened with the bilateral intergovernmental conference and started with screening. It is the formal process of analytical examination of the EU legislation and standards, their explanation to Croatian authorities and assessment of Croatia's level of preparation for opening negotiations in each particular chapter. In 2005, the exploratory part of screening covered seven chapters (Science and Research; Education and Culture; Public Procurement; Market Competition; Free Movement of Services; Free Movement of Capital; Agriculture). The procedures and principles of negotiations were agreed on the first meeting of the Intergovernmental

EU-CROATIA RELATIONS. CHRONOLOGY PRIOR TO 2005

October 2001: Signing of EU-Croatia Stabilisation and Association Agreement (SAA).

March 2002: Interim Agreement of the SAA comes into force whereby agreement provisions regarding trade and transport are applied.

February 2003: Croatia is the first country with a SAP (Stabilization and Association Process) agreement to apply for EU membership.

April 2004: The European Commission finalizes its positive report on the application of Croatia [COM (2004)257 final]. The European Partnership for Croatia that accompanies the Commission's report identifies the short and medium term priorities in preparation for accession.

http://europa.eu.int/comm/enlargement/croatia/pdf/cr_croat.pdf

June 2004: The European Council confirms the status of Croatia as a candidate for accession.

December 2004: The European Council establishes 17th March 2005 as the starting date for negotiations on condition that there is complete collaboration of the Croatian government with the International Criminal Tribunal for the Former Yugoslavia (ICTY). Croatia and the other countries having a SAP agreement must comply with a series of conditions that were not essential for previous candidate countries: regarding rights of minorities, return of refugees, regional cooperation and complete collaboration with the ICTY.

Conference (Brussels, 28th November 2005), and the programme of screening for 2006 was adopted.

Regarding the EU conditionality, the most significant progress was achieved on December 7th, when the former general Ante Gotovina, accused by the ICTY, was arrested in the Spanish Canary Islands and was transferred to The Hague. Thus the final remaining condition for negotiations, full cooperation with the ICTY, was fulfilled.

EU Steps Towards Negotiations

The Negotiation Framework with Croatia was adopted by the European Council in June 2005 and it confirmed that the objective of negotiations was accession. The substance of negotiations was broken into negotiation chapters. However, the EU legislation was divided into 35 instead of 31 chapters. The Negotiation Framework envisaged the possibility of considering transitional periods, derogations, specific arrangements or permanent safeguard clauses. Negotiations will be based on Croatia's own merits and their pace will depend on Croatia's progress in meeting the requirements for membership. The progress will be measured by compliance with the Copenhagen criteria, which continue to be the basis for overall reforms in Croatia. However, the accession negotiations could be suspended "*in the case of serious and persistent breach of the principles of liberty, democracy, respect of human rights and freedoms, and the rule of law on which the Union is founded.*" Although the mentioned suspension clause was not

explicitly underlined in pre-accession documents of former candidates, it could be understood as the outcome of the experiences of the previous enlargement. The European Commission prepared the first Progress Report for Croatia on November 9th [SEC(2005)1424]. Regarding the EU political criteria, the Report states that Croatia "*faces no major difficulties*" in meeting them. Progress has been made in the field of the judiciary and in regional cooperation; the position of minorities continued to improve. However, progress in implementation of key laws has been slow. Croatia can be regarded as a functioning market economy and should be able to cope with competitive pressure and market forces within the Union in the medium term, provided that it continues with the reform programme.

Croatian economy has achieved a considerable degree of macroeconomic stability with low inflation and a stable exchange rate; significant budget and current account deficits have been reduced. Major macroeconomic indicators place Croatia far at the helm of the SAP countries, but also in mid-range of the new member states, with the GDP per capita of 6,220 euro. State interventions in the economy are still significant and limited progress has been made in restructuring of large state-owned enterprises. Low competitiveness of economy remains the key challenge. Croatia made progress in legal harmonisation, particularly in the area related to the internal market, but further efforts are needed in law enforcement and administrative capacity building. The Commission welcomed the overall progress made by Croatia but urged the Go-

vernment to speed up its structural reforms.

The Pre-accession partnership [COM (2005) 556 final] accompanied the Progress Report.

Implementation Bodies for the EU Accession

Croatia made preparations for negotiations before they were formally opened: the main negotiating structures were established in late 2004 and 2005; the Chief Negotiator and the Head of the National Delegation have been nominated. Negotiators for particular chapters were appointed and the negotiating groups were set up to deal with all 35 chapters. The Ministry for European Integration was merged with the Ministry for Foreign Affairs in 2005, thus establishing a single coordinating body for the process of the EU integration.

Regarding the establishment of negotiation structures and bodies, the Croatian Parliament adopted the Statement on the joint Activities of the Government and the Parliament; Declaration on the Fundamental Principles of Negotiations; and Decision on the Establishment of a National Committee for Monitoring the Negotiations (January 2005). The National Committee for Monitoring the Negotiations encompasses representatives of all parliamentary parties, social parties, trade unions, and employer's union and academia with the aim to make the preconditions to supervise the negotiations process and keep it transparent. Even before (November 2004), the National Forum on Accession to the EU was established with the aim to in-

form citizens on the advantages and drawbacks of the EU integration.

Public Support

Regarding the integration into the EU, Croatia recorded a period of strong initial Euro-optimism (early 2000), followed with a period of decline in support for the EU (2004/05), due to different reasons and, finally, strong growth of support after the negotiation with the EU started. Namely, most of the *public opinion* surveys carried out since 2000 on a six-month basis by the Ministry for European Integration, showed that the support for membership ranged from 72-79%, with only 8-20% of the population declaring itself against it. In June 2004, support suddenly dropped to 51%, and declared opposition rose to 39%, and the situation did not change significantly until the start of negotiations with the EU. The results of the opinion poll by the independent firm Puls in mid 2005 show that 53% of the population did not support Croatia's membership, with only 36% in favour.

The survey carried out in late 2005 by the independent daily newspaper *Novi list* (October 6th), showed that 54% of citizens supported integration into the EU while 25% were against it. However, their attitude regarding negotiations with the EU was still divided: the slight majority of surveyed citizens responded negatively on the question whether Croatia will be able to defend the interests of its citizens in negotiations (36%) while 34% believed it would be possible.

Participation in Pre/accession Funds

In 2005, Croatia became eligible for the pre-accession funds. Namely, the Pre-accession strategy opened the door for the access to the PHARE and ISPA in 2005, and SAPARD in 2006. In 2005 euros 105 million was available for Croatia, rising to 140 million euros in 2006. The mentioned programmes will be available for Croatia until 2007. The new Financial Perspectives 2007-2013 envisage that the new Pre-Accession Instrument (IPA) should supersede the existing instruments for the candidates (Turkey, Croatia) and potential candidates (remaining Western Balkans). In 2005, Croatia is focused on developing institutions and strengthening capacities to absorb the expected additional support from the EU funds. Preparations were undertaken for the effective use of EU technical assistance as well as for the effective implementation of projects within the PHARE, ISPA and SAPARD programmes.

Concluding Remarks

Croatia made significant progress on the path towards the EU in 2005, and started negotiations on full membership. Efficiency in implementation and continuation of reforms will be the most relevant factor for success, having in mind the very tight schedule for achieving the target date 2007/09. The stage of achieved implementation of the SAA, progress in adopting the principles of the *acquis*, together with the overall macroeconomic picture of the country and the stage of reforms (economic, ju-

dicial and administrative one) make a good starting point for fulfilling the remaining Copenhagen criteria. In the coming period it will be crucial to continue implementing the reform programme in the same speed, in order to remove remaining weaknesses.

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