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*From a European Union perspective, what were  
and what are the challenges of accession for  
Croatia, and what were the lessons learnt?*

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## Executive Summary

The objective of this dissertation was to research the challenges of accession that Croatia faced in order to become part of the European Union. In order to better understand why these challenges occurred during Croatia's negotiations, an overview of the Copenhagen Criteria will be provided. Furthermore, in order to further analyze how Croatia faced these challenges, an in depth analysis of what the European Union expected Croatia to do will be given.

On the basis of the research question, two research methods were used: desk research and a personal interview with a policy officer of the Ministry of Foreign Affairs. Desk research was used in order to find reports, and articles that would help answer the research question. An interview was initiated with a policy officer of the Ministry of Foreign Affairs. The interview was a useful way of finding out more information on subjects such as the renewed consensus on enlargement, what the European Union learnt from the 2007 accession and if the economic crisis had any impact on Croatia.

The research showed that Croatia faced four issues during its negotiation process for becoming the 28<sup>th</sup> member of the European Union. These four issues were the independence war, the 2007 accession round, the new chapters of the *acquis communautaire* and the economic crisis. These issues all had a different effect on Croatia's negotiation process. The independence war was the issue that slowed down the negotiations the most. Border dispute between Croatia and Slovenia, and the lack of cooperation with the International Criminal Tribunal of the Former Yugoslavia (ICTY) in finding war criminals were the main reasons why the negotiations were stopped. Furthermore, after the 2007 accession round, the European Commission decided to take new measures by introducing the renewed consensus on enlargement in 2006. The new chapters of the *acquis communautaire* made it more difficult for Croatia to open and close chapters due to a new negotiating methodology called benchmarking. In addition to this, some chapters in the 'old' *acquis* were combined while others were divided, creating new chapters. Finally the economic crisis had some impact on the implementation of reforms. These four issues will be analyzed in chapter four of this paper.

All in all, it can be said the Croatia faced many issues to become part of the European Union. In order to avoid the same situation in the next accession round, personal recommendations as well as recommendations made by the European Commission will be stated at the end of this paper.

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## Introduction

On July 1<sup>st</sup> 2013, the European Union (EU) will be welcoming its 28<sup>th</sup> member: Croatia. Croatia applied for EU membership in 2003 and was confirmed as a candidate country by the European Council in June 2004. In 2005, the accession negotiations began and ended in June 2011. By the end of the year, the Council adopted the decision to admit Croatia as an EU member, and the Accession Treaty was signed.

Becoming part of the European Union is a long and difficult process. Candidate countries must conform to the Copenhagen Criteria and must apply all of the EU's treaties and laws, declarations and resolutions as well as international agreements and judgments of the Court of Justice. A referendum on European Union accession must be established, so that the citizens may decide whether or not they agree with the decision of being part of the union. These are all included in the process towards European Union accession.

As previously said, becoming part of the European Union is a long and difficult process. Bulgaria and Romania were the first two countries to experience great difficulties. It took them more than ten years to become part of the European Union. The difficulties faced by both countries included the reformation of its judicial system, the fight against corruption, money-laundering and organized crimes. In addition to this, instead of implementing the laws, regulations and other measures stated in the *acquis communautaire* they only adopted the measures and would only implement them on the day of accession, meaning that both countries were not as strong as they could have been if the *acquis* had been implemented and not merely adopted. Because of this, the European Commission decided to continue to monitor both countries under the cooperation and verification mechanism. It is due to these difficulties and the fact that the European Commission did not want to have another cooperation and verification mechanism, that it, the European Commission, decided to make stricter measures. These new measures had consequences on Croatia, which made it more challenging for them to join the European Union.

Therefore, the objective of this paper is to answer the following research question *From a European Union perspective, what were and what are the challenges of accession for Croatia, and what were the lessons learnt?* In order to answer this question, sub-questions were formulated:

- What are the Copenhagen Criteria a country must fulfill in order to become part of the European Union?
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- Why did Croatia not join the European Union at the same time as Bulgaria and Romania?
- How has the independence war between Croatia, Serbia and Bosnia-Herzegovina slowed down the negotiations towards accession?
- What has the European Union learnt from the 2007 accession round?
- By adding new chapters to the *acquis communautaire*, what consequences did that have on Croatia?
- What impact did the economic crisis have on Croatia?
- What did the European Union expect Croatia to do in order to become a member of the European Union?

Two research methods were used: desk research and interview. Desk research was used in order to find reports, and articles that would help answer the research question and the sub-questions. An interview was initiated with a policy officer of the Ministry of Foreign Affairs. The interview was a useful way of finding out more information on subjects such as the renewed consensus on enlargement, what the European Union learnt from the 2007 accession and if the economic crisis had any impact on Croatia.

The paper is split into four parts. The first chapter examines the Copenhagen Criteria as it has a direct consequence on the challenges. The second chapter looks at Croatia's economic situation. The third chapter discusses the expectations of the European Union on Croatia, and finally, chapter four analyses the challenges and how Croatia made the necessary changes. Finally, a conclusion will be drawn and personal and European Union recommendations will be made on the improvements needed based on the lessons learnt from the Croatia accession round

## Chapter One: The Copenhagen Criteria

In December 1993, a summit was held by the European Council in Copenhagen, Denmark. It was dedicated to assist Central and Eastern European countries that desired to become members of the European Union (Markler, T. n.d. “The Power of the Copenhagen Criteria”, p.344). The Copenhagen Criteria consists of four membership criteria that a candidate country must achieve in order to become a European Union member. These are:

- **Political Criteria:** Stable institutions that guarantee democracy, the rule of law, human rights and the respect for and protections of minorities;
- **Economic Criteria:** A functioning market economy, as well as the ability to cope with the pressure of competition and the market forces that work in the Union;
- **Acquis Communautaire:** The ability to adopt the obligations of membership, in particular adherence to the objectives of political, economic and monetary union; (European Commission, 2012, “Conditions for Enlargement”, para. 4)
- **Integration Capacity:** Capacity of the Union to absorb new members and to deepen integration. Specified in 2006, this implies that the country’s accession is consistent with the efficient functioning of the institutions and decision-making procedures of the Union, and does not undermine the common policies and funding (Toute l’Europe, 2011, “Ouverture des négociations d’adhésion”, para. 1).

### A. Political Criteria

The required political criteria of the Copenhagen Criteria are the “stable institutions that guarantee democracy, the rule of law, human rights and the respect for and protections of minorities” (European Commission, 2012, “Conditions for Enlargement”, para.5).

The principle of democracy “must enable citizen’s effective participation in the legislative process, based on free and fair multiparty elections” (Markler, T. n.d. “The Power of the Copenhagen Criteria, p.349). It is crucial that the citizens of any democratic country are sufficiently informed so that it gives them the opportunity to choose which candidate ( for example president) is most suitable and meets their demands and interests.

The rule of law, however, consists of:

“Laws must be an effective guide to action; they must be publicized, reasonably clear and prospective, rather than retrospective in effect. Judgments and the reasoning of which they are based must be made public so that they can guide future conduct and be the subject of critical scrutiny” (Markler, T. n.d. “The Power of the Copenhagen Criteria”, p.349).

These laws and judgments are available to the public, which gives them the opportunity to defend them in case they are, for example, placed in trial. They may use the appropriate laws and refer to previous judgments that are relevant for their case. Furthermore, it also gives the citizens the possibility to know what their rights are under those laws.

The other two elements are human rights as well as the respect for and protection of minorities. These are easier to characterize than the previous components. Human rights and the protection of minorities are accepted under the fundamental rights and international agreements that are dealing with those. “The Commission refers to the fundamental rights as civil and political rights, economic, social and cultural rights, and minority rights” (Markler, T. n.d. “The Power of the Copenhagen Criteria” p.352).

When speaking of human rights, the Commission pays very close attention to “trafficking in human beings, police abuse of minorities, homosexuals and prostitutes, and disproportionately long pre-trial detentions” (Markler, T. n.d. “The Power of the Copenhagen Criteria” p.352). The close attention paid by the Commission to the above examples illustrates that these rights were not respected in the past. It is therefore important that these rights are protected and when not, a solution is found in order to do so.

The respect for and protection of minorities has taken great importance throughout the years. In 1995, the Framework Convention for the Protection of National Minorities was signed by member states of the Council of Europe (Council of Europe, 1995, “Framework Convention for the Protection of National Minorities, para.1). The states that signed the convention must respect the minorities that live within their country and allow them to be able to practice their own religion, language, and culture without facing discrimination. These different aspects, for example the right to freedom of expression, freedom of thought and the right to manifest his or her religion, Article 7 and Article 8, are reflected in the Framework Convention for the Protection of National Minorities.



## B. Economic Criteria

The economic criterion is more specific and detailed than the political criteria. It can be divided into two sub-areas:

- i. “Being a functioning marketing economy requires
  - a) The existence of a broad consensus about essential of economic policy;
  - b) Macroeconomic stability (including price stability, sustainable public finances and external accounts);
  - c) A free interplay of market forces (including liberalized prices and trade);
  - d) Free market entry and exit (including issues of establishment/bankruptcies of firms; and
  - e) An adequate legal system (including a system of property rights, enforceability of laws/contract) and a sufficiently developed financial sector” (European Commission, 2011, “Economic Accession Criteria – How are economic criteria defined?” para.1).
- ii. “Being competitive in the EU requires:
  - a) The existence of a functioning market economy;
  - b) Sufficient human and physical capital (including issues of education, research and infrastructure);
  - c) Limited state influence on competitiveness (including issues of trade policy, competition policy, state aids, support for small and medium-sized enterprises etc.); and
  - d) Sufficient trade and investment integration with the EU” (European Commission, 2011, “Economic Accession Criteria – How are economic accession criteria defined?” para.2).

These two sub-criteria are extremely detailed, and each candidate and potential candidate must fulfill them. In order to comply with these criteria, candidate and potential candidate must put in place new reforms with the aim of being a functioning marketing economy and being able to compete in the European Union.

## C. Acceptance of the *Acquis Communautaire*

“The *Acquis Communautaire* is the accumulated body of the European Union law and obligations from 1958 to the present day. It comprises all the EU’s treaties and laws

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(directives, regulations, decisions), declarations and resolutions, international agreements and the judgments of the Court of Justice. It also includes action that EU governments take together in the Area of Freedom, Security and Justice and under the Common Foreign and Security Policy” (Miller, V. 2011, “The EU’s Acquis Communautaire” p.1).

The Acquis Communautaire has been divided into 35 chapters, and all new European Union member states must accept the *acquis*. In addition to this, “some elements of it must be accepted during the transitional period, and put in place mechanisms to adopt future elements of the *acquis*” (Miller, V. 2011, “The EU’s Acquis Communautaire” p.1). It is also important to note, that the Court of Justice has regulated that the *acquis* “takes over national law if there is a conflict, and that the *acquis* may have direct effect in the Member States” (Miller, V. 2011, “The EU’s Acquis Communautaire” p.1).

In order for the *acquis* to be implemented effectively, it is crucial for the candidate country to prepare for the accession to the European Union. This is achieved by bringing “its institutions, management capacity and administrative and judicial system up to Union standards” (European Commission, 2005, “Guide to the Main Administrative Structures Required for Implementing the *Acquis*” p.7). Most candidate countries must put in place specific structures, such as judicial reforms for example.

An important step in implementing the *acquis* is the negotiation process. Firstly the Commission submits a report on each individual chapter of the *acquis*. This provides a clear observation of the “main administrative structures that are required to implement the various chapters of the *acquis*, of the main functions that each of these structures must fulfill, and of the basis characteristics these structures must have to duly fulfill their functions” (European Commission, 2005, “Guide to the Main Administrative Structures Required for Implementing the *Acquis*” p.7).

#### **D. Integration Capacity**

In 2006, the Commission proposed a renewed consensus on enlargement. This was based on the lessons learnt from the 2004 and 2007 accession round. The strategy paper on enlargement:

“Focuses on medium to long term issues concerning the EU’s capacity to integrate new members. It puts forward an approach for ensuring that Union can maintain and deepen its own development, in terms of policies, and institutions, while pursuing an enlargement agenda with major challenges in the world today” (European Commission, 2006,

“Enlargement Strategy and Main Challenges 2006-2007, Including annexed special report on the EU’s capacity to integrate new members” p.18).

In order to improve and better prepare a candidate country to become members of the European Union, the Commission has proposed the following measures:

- “The capacity to integrate specific countries will be assessed at all key stages on the enlargement process. These assessments will include the impact on EU institutions, budget and policies, in particular, agriculture and structural policies;
- The results of economic and political dialogue will be fed into negotiations;
- More systematic use of benchmarks, providing concrete criteria for opening and closing negotiations on individual chapters of the negotiations;
- Judicial reform, administrative capacity, fight against corruption and organized crimes need to be addressed early on in the accession process” (European Commission, 2006, “Commission proposes renewed consensus on enlargement” para.6).

These new measures had a direct impact on Croatia’s accession towards the European Union, as it was the first country to comply with these new rigorous measures. In the following chapter, the challenges of accession Croatia faced will be discussed and analyzed, in order to better understand the consequences the renewed consensus had on Croatia.

## Chapter Two: Croatia's Economy

Croatia's economy is based on "industry, agriculture, forestry, fishing industry and food, drink, and tobacco production, construction, transport, and trade" (Croatian Chamber of Economy, 2009 'Croatian Business Partner 2009 - Economy Profile').

- **Agriculture, fishery, forestry and the food industry:** "agriculture and fishery generate 5.9% of Croatian GDP. Agriculture covers domestic needs for cereals and sugar, as well as industrial crops. Fishery and fish processing is the most important activity along the coast and on the islands. 18,000 t of fish products per year. The production of food, beverages and tobacco generates 22.7% of GDP within the Croatian manufacturing industry" (Croatian Chamber of Economy, 2009, 'Croatian Business Partner 2009 – Agriculture, fishery, forestry and the food industry" p.2).
- **Industry:** "it accounts for 10.5% of Croatian GDP and generates a gross value added of about (EUR 8 bn). In terms of value added, the leaders are the manufacture of food and beverages; electricity; gas and water supply; chemicals and chemical products" (Croatian Chamber of Economy, 2009, 'Croatian Business Partner 2009 – Industry" p.2-3).  
Croatia's shipbuilding owns 1.5% of the global market, but it depends on state aid, which needs to be privatized according to Chapter 8 of the *acquis communautaire*. "It employs then thousands of workers, and influences the development of other industries that supply them with parts to equip ships" ('Case Study: Croatian Shipbuilding', n.d. para.3).
- **Tourism:** "compared with a year earlier, 2008 experienced a growth of tourist visits by 1% and nights by 2%, meaning it represented almost 20% of GDP in 2008. Figures show international tourism revenues amounting to EUR 7.45 bn in 2008" (Croatian Chamber of Economy, 2009, 'Croatian Business Partner 2009 –Tourism" p.3).
- **Construction Industry:** "small and medium-sized companies adapt more easily to current market demand. This has resulted in a growing number of such companies, whilst the number of large ones has dropped significantly. In 2007, the construction industry's share of GDP was around 6.0% of Croatian gross domestic product" (Croatian Chamber of Economy, 2009, 'Croatian Business Partner 2009 –Construction Industry" p.3).
- **Transport:** "its geographical position allows the development of transport infrastructure and transport as sectors that make a major contribution to Croatian overall economic and social development. Croatia should further expand the Rijeka Port by using the advantage of their

extraordinary geographical position and excellent conditions for the transshipments of all kinds of freight” (Croatian Chamber of Economy, 2009, ‘Croatian Business Partner 2009 – Transport’ p.4).

- **Trade:** “35% of all business entities are active in this field. This branch accounts for approximately 18% of Croatsians total employment. Wholesale trade and intermediation play a dominant role with a share of 40.85%, followed by retail trade (31.57%), retail trade in motor vehicles and motorcycles (12.53%), and non-trade activities (15.05%)” (Croatian Chamber of Economy, 2009, ‘Croatian Business Partner 2009 –Trade’ p.4).

After two years of recession (2009-2010), Croatia’s economic situation was stagnant in 2011. Most of Croatia’s economy is based on tourism, as it contributes to approximately 20% of GDP in 2011. “For 2012, the government is projecting a modest growth of 0.8% but with uncertainties in the Eurozone (that accounts for over 70% of Croatian trade) (Foreign and Commonwealth Office, 2012, ‘Croatia – Economy’ para.3). In order to help cut the public wage bill and for Croatia’s economy to be more flexible and competitive, it should “reduce the size of the public sector, labour market, pensions, health services, state subsidies and rapid privatization of the state portfolio” (Foreign and Commonwealth Office, 2012, ‘Croatia – Economy’ para.3).

## Chapter Three: European Union Expectations

Just like all other European Union members, the European Union expected Croatia to fulfill the Copenhagen Criteria as well as three other criteria. Therefore, the six criteria that Croatia had to successfully fulfill in order to become a member of the European Union are:

- **Political Criteria:** stable institutions that guarantee democracy, the rule of law, human rights and the respect for and protections of minorities;
- **Economic Criteria:** a functioning market economy, as well as the ability to cope with the pressure of competition and the market forces that work in the Union;
- **Acquis Communautaire:** the ability to assume the obligations of membership, in particular adherence to the objectives of political, economic and monetary union; (European Commission, 2012, “Conditions for Enlargement”, para. 4)
- **Cooperation with the International Criminal Tribunal for the Former Yugoslavia**
- **Regional cooperation**
- **Return of refugees** (Ivankovic. M, 2006, “Agenda setting: a study into the EU-Croatia relationship”, p.7).

In this section four of the six criteria will be analyzed in order to see how Croatia has fulfilled them, and what they have had to change in order to comply with the criteria. The criteria that will be omitted in this section are the *acquis communautaire* and the cooperation with the ICTY. These criteria will be thoroughly discussed in the next section, meaning it would be a mere repetition of what is going to be said.

### A. Political Criteria

In order to meet the political criteria, Croatia has had to change its judicial system, fight against corruption and protect human rights and minorities. Croatia had to endure a lot of changes in those three areas; therefore it is better to only analyze the most important changes Croatia has made.

#### Judicial System

Croatia has had to establish “an independent, reliable and efficient judiciary” (European Commission, 2005, ‘Guide to the Main Administrative Structures Require for Implementing the *Acquis*’ p. 71). Croatia therefore had to change its entire judicial system as it did not meet the criteria set in the *acquis*.

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In the 2011 Progress Report submitted by the Commission, Croatia strengthened the independence of the judiciary system. This was done through “the implementation of amendments of the Constitution and the laws of courts, the State Judicial Council, the State Attorneys Offices and the Judicial Academy, and the adoption of the necessary secondary legislation” (European Commission, 2011, “Croatia 2011 Progress Report”, p. 45).

Croatia has been “implementing uniform, transparent, objective and nationally applicable criteria for the appointment of judges and prosecutors” (European Commission, 2011, “Croatia 2011 Progress Report”, p.45). The State School for Judicial Officials was put into place in January 2011, where 60 candidates were admitted for the position of judge and prosecutor. The first appointments of judges and prosecutors are expected to be in 2013, at the end of the programme. In order for these judges and prosecutors to better understand European Union law, Croatia initiated “professional training programmes, including initial training and covering matters of the EU law” (European Commission, 2011, “Croatia 2011 Progress Report”, p.45).

The work load of the Supreme Court has been an issue for quite some time. Due to the fact that there are too many cases to be handled, the Supreme Court is falling behind schedule and cannot work efficiently. Therefore, Croatia established specialized courts in order to reduce the working load of the Supreme Court. However, according to Mr. van Buuren and the Progress Report 2011, improvements need to be made on civil cases. A civil case is a legal dispute between two or more people or organization in which a victim may receive compensation. In Croatia, there are many unresolved civil cases, meaning that the percentage of civil cases is decreasing slowly. “Some courts, for example the municipal courts of Zagreb, Split and Zadar, continue to suffer from disproportionately large numbers of old civil cases.” (European Commission, 2011, “Croatia 2011 Progress Report”, p.46). “The new enforcement system that was established by the adoption of the new Law on Enforcement and the Public Bailiff Act will be fully applicable in 2012” (European Commission, 2011, “Croatia 2011 Progress Report”, p.46). This new enforcement will help to reduce the number of old civil cases.

In July 2011, Croatia implemented the new Criminal Procedure Code, which applies to all organized crimes and corruption cases since 2009 (European Commission, 2011, “Croatia 2011 Progress Report”, p.47). This has led to better cooperation between the police and the prosecution services, accelerated the investigations and prosecution stages, and also arranged for additional police resources to deal with the stricter deadlines for interviewing suspects (European Commission, 2011, “Croatia 2011 Progress Report”, p.47).

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Another big change that has occurred is the establishment of a strategy on impunity of un-investigated and un-prosecuted crimes. On both the national and regional level, priority cases have now been identified, and special investigation teams have been established for sensitive cases (European Commission, 2011, "Croatia 2011 Progress Report", p.47). This strategy will act to investigate and prosecute crimes that were not investigated or prosecuted in the past. This will help give peace to the victims.

### **Fight against Corruption**

Corruption has been a major problem for Croatia throughout the years. Corruption is recurrent in the public administration sector, especially in the judiciary, health and local government. However, corruption is also present in the Croatian parliament, police, universities and privatization funds (UNODC, 2011, 'Corruption in Croatia: bribery as experience by the population' p.11).

In order to fight this problem, Croatia has implemented an anti-corruption strategy. In order for witnesses to testify, Croatia has improved the protection of witnesses. In addition to this, the departments were reinforced and the personnel trained in order to prevent corruption.

An important office was created called the Office for the Fight against Corruption and Organized Crimes (USKOK) has been established and works on tax fraud cases and controls the dismissal of criminal report by the State Prosecutor (European Commission, 2011, "Croatia 2011 Progress Report", p.48). Furthermore, USKOK has been very active and issued indictments on cases. A lot of these cases are involving political figures, government ministers as well as head of local administration, judicial officials and so forth (European Commission, 2011, "Croatia 2011 Progress Report", p.48).

In 2011, "the legislation on financing of political activities was further amended. It improves transparency and increases penalties for non-compliance with the law" (European Commission, 2011, "Croatia 2011 Progress Report", p.48). These finances are regularly controlled and election campaigns are now supervised and controlled by the State Electoral Commission (ESC) (European Commission, 2011, "Croatia 2011 Progress Report", p.48).

### **Human Rights and Protection of Minorities**

Croatia had to take several measures in order to protect and enforce human rights. These human rights, better known as civil and political rights, included the prevention of torture and ill-treatment, prison system, the right to have access to justice and several freedoms such as the freedom of assembly and

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association, freedom of thought, conscience and religion (European Commission, 2011, “Croatia 2011 Progress Report”, p.9). Croatia took measures in order “to raise public awareness and improve the protection of human rights. Measures to raise awareness of police, prosecutors and courts about human rights law are ongoing” (European Commission, 2011, “Croatia 2011 Progress Report”, p.9).

In addition to this, the European Court of Human Rights has delivered several judgments “finding that Croatia had violated rights guaranteed by the European Convention on Human Rights” (European Commission, 2011, “Croatia 2011 Progress Report”, p.8). These violations included Article 6 (right to a fair trial), Article 8 (right to respect for private and family life), Article 46 (binding force and execution of judgments) and Article 14 (prohibition of discrimination) in conjunction with Article 9 (right to freedom of thought, conscience and religion) (European Commission, 2011, “Croatia 2011 Progress Report”, p.8).

The protection of minorities is especially aimed at the Serb and Roma community. The Serbian community was deeply affected by the independence war in Croatia. During the independence war, Serbs were displaced, meaning that they lost their properties, houses and land they owned. In 1991, the Serb Democratic Forum was established to help issues regarding the position of the Serb minority in Croatia (Minority Rights Group International, 2003, ‘Report: Minorities in Croatia’ p.14). “Today it mainly focuses on issues facing returnees, reconstruction and the restitution of returnees’ property; and the renewal of communities in war-affected areas” (Minority Rights Group International, 2003, ‘Report: Minorities in Croatia’ p.14). But “cases of vandalism against monuments of war victims (Serb war victims) have continued. Police investigations have improved, but few cases have ended in prosecution” (European Commission, 2011, “Croatia 2011 Progress Report”, p.12). In addition to this, the Serb minority, for those who returned and those who stayed in Croatia, still “faces difficulties in gaining access to employment, and cases of discrimination continues” (European Commission, 2011, “Croatia 2011 Progress Report”, p.12).

The Roma community in Croatia enjoys a high level of protection under the Constitution and the Constitutional Law of the rights of National Minorities (European Parliament, October 2010, ‘Protection of the Roma in Croatia’ p.1). Due to the fact that the Roma minority is the biggest minority in Europe, the *Decade of Roma Inclusion 2005-2015* was initiated in 2005 by 8 European countries (Bulgaria, Czech Republic, Hungary, Macedonia, Montenegro, Romania, Serbia and Slovakia). It focuses mainly on “education, health care, employment and housing, and improving of its living conditions” (European Parliament, October 2010, ‘Protection of the Roma in Croatia’ p.1). In order for

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this initiation to work, a coordinated action plan was established. “In each of the envisaged areas, it sets out the goals, the targets, indicators and monitoring methods, as well as the necessary funds, and also combating discrimination and poverty and promoting gender equality” (European Parliament, October 2010, ‘Protection of the Roma in Croatia’ p.3). However, according to the 2011 Progress Report submitted by the European Commission “access to education, social protection, health, employment and adequate housing” is very limited (European Commission, 2011, “Croatia 2011 Progress Report”, p.12).

## **B. Economic Criteria**

### **Functioning Market Economy**

All candidate countries must take part of the Pre-accession Economic Programme (PEP). Croatia, Iceland, Turkey, the Former Yugoslav Republic of Macedonia and Montenegro are all part of this programme.

“The aim of the PEP is to determine an appropriate economic policy and structural reforms as well as to develop institutional and analytical capacities for participating in the multilateral surveillance procedures of Economic and Monetary Union. Therefore, the PEP elaborates in detail the direction of economic and structural policy a candidate country in the forthcoming medium-term period” (Republic of Croatia Ministry of Finance, n.d. “Pre-accession economic programme (PEP), para.2).

Ever since the European Council confirmed Croatia is a candidate country, it has taken part to all of the Pre-accession Economic Programmes. The 2011-2013 programme is the seventh programme Croatia is following and was launched in April 2010. “The fundamental goal of Croatia’s economic policy is maintaining macroeconomic stability, encouraging economic recovery and stepping up economic growth” (Embassy of the Kingdom of the Netherlands, 2011, “Croatia: Economic News in Brief”, p.3). So far, only some fiscal measures have been adopted, but the whole programme including its 131 measures should be implemented over a period of ten years (European Commission, 2011, “Croatia 2011 Progress Report” p.17). Some of these measures include macroeconomic developments in the real sector, inflation, monetary and exchange rate policies and external sector, structural reforms in the enterprise sector (competition policy and state aid, privatization, shipyard restructuring etc), stimulating employment, and public administration reforms.

**The capacity to cope with competitive pressure and market forces within the Union**

Croatia is a functioning marketing economy and one of its major challenges is the labor market, which remains very weak. The labor market includes the high level of unemployment amongst the young and its low participation. The government continues “to implement labor market policies on the basis of the Economic Recovery Programme and the National Employment Promotion Plan” but unemployment rate continues to increase. (European Commission, 2011, “Croatia 2011 Progress Report” p.23). In January 2012, Croatia’s unemployment rate was 19.8%, up 1.1% from December 2011. (Croatian Times, 2012 January, ‘Unemployment rate at nine year high’ para.1).

As previously said, Croatia’s shipbuilding owns 1.5% of the global market, but is dependent on state aid. According to Chapter 8 of the *acquis communautaire* that industry must be privatized and not dependent on state aid:

“Under competition rules, the European Union demands from Croatia to restructure its shipyards in order to secure their financial sustainability without the existing state aid. However, without state aid, the shipyards are not competitive. It is thus in the interest of the Government of the Republic of Croatia, as it is in the interest of the European Union, to put these shipyards on healthy footing in order for them to become financially viable and competitive on the global market” (Delegation of the European Union to the Republic of Croatia, n.d. ‘Croatia and EU – prejudices and realities’ section ‘The European Union has destroyed Croatia’s shipbuilding industry and jobs’).

**C. Regional Cooperation**

Regional cooperation and maintaining good neighborly relations was another expectation set by the European Union. It was seen that during the negotiation process, border dispute rose between Slovenia and Croatia, which dated back from the break-up of Yugoslavia. Slovenia vetoed the negotiation process of some chapters, which made it impossible for Croatia to advance and make progress. However, after a year of vetoing, Slovenia and Croatia signed a binding arbitration agreement allowing for the border dispute to be resolved internally.

In order to maintain regional cooperation, Croatia is participating in several regional initiatives. Croatia is a member of the South-East European Cooperation Process. It is “a forum for diplomatic and political dialogue – the participating countries are open to cooperation for the future development of the region, for defining common views and for sharing experience” (Regional Secretariat for

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Parliamentary Cooperation in South-East Europe, 2012, 'About SEECP', para.1). In addition to this, the members of SEECP are willing to start multilateral cooperation in the fields of “strengthening stability, security and good-neighborly relations; economic development; humanitarian, social and cultural issues; justice, combat against organized crime, illicit drug and arms trafficking, and terrorism” (Regional Secretariat for Parliamentary Cooperation in South-East Europe, 2012, 'About SEECP', para.2).

Croatia is also part of the Central European Free Trade Agreement (CEFTA). However, because it is a trade agreement between non-European countries in Southeast Europe and that Croatia will be joining the European Union in 2013, this means that it will no longer be a member of CEFTA once it has joined the EU. The original agreement was signed in December 1992 by Poland, Hungary, Czech Republic and Slovakia. These four countries have now joined the European Union. It was therefore decided to extend this agreement with the remaining Balkan States. This was signed in 2006. The main objectives of this agreement include

“to expand trade in goods and services and foster investment by means of fair, stable and predictable rules, eliminate barriers to trade between the Parties, provide appropriate protection of intellectual property rights in accordance with international standards and harmonize provisions on modern trade policy issues such as competition rules and state aid” (CEFTA, 2009, 'Central European Free Trade Agreement – CEFTA 2006' para.3).

Finally, Croatia has been an active member in the Igman initiative. The Igman initiative brings together NGOs from four countries; Bosnia and Herzegovina, Croatia, Serbia and Montenegro. “The Igman initiative efforts are aimed at establishing good neighborly relations, building mutual trust and tolerance and overcoming all types of discrimination in the countries of the region” (Igman Initiative, n.d. 'About Us – Mission' para.4).

Moreover, Croatia must also maintain its good relations with other enlargement countries and neighboring EU member states. For example, “Croatia and Montenegro have signed an agreement on the extradition of citizens sentenced for corruption and organized crimes” (European Commission, 2011, 'Croatia Progress Report 2011' p.15). Croatia and Serbia relation has been obstructed due to the “issue of investigation and prosecution of war crimes against citizens of the other country” (European Commission, 2011, 'Croatia Progress Report 2011' p.15). Moreover, relations with Slovenia have progressed, as they have signed the Arbitration Agreement on their border dispute.

#### **D. Return of Refugees**

The return of refugees was discussed in the Sarajevo Process in 2005. As refugees had fled to neighboring countries, it was evident that this demanded regional implications and cooperation with neighboring countries, Serbia, Montenegro and Bosnia and Herzegovina. These four countries “decided to initiate a process aimed at resolving the immense problem of millions of refugees and displaced persons created by the conflict” (‘The Sarajevo Process’, 2007, p.1).

“On Croatia’s side alone, there were nearly 350, 000 Croatian Serbs who left the country, about 90% of them taking refuge in Serbia, and the rest in Bosnia. There were in additional 200, 000 Croats who moved away from the areas affected by the conflict, almost all of whom have returned to their homes so far. There were also up to 800,000 refugees from Bosnia and Herzegovina of different ethnicities who took temporary refuge in Croatia during the war, about 150,000 of whom have integrated in the country” (‘The Sarajevo Process’, 2007, p.1).

According to the Organization for Security and Cooperation in Europe (OSCE), Bosnia and Herzegovina was the country which resolved this problem in the best manner. “The international political and economic trusteeship has provided returnees with a possibility to return to their homes or relocate to alternative ones” (‘The Sarajevo Process’, 2007, p.1). During this process, other issues were identified, which were mainly directed to Croatia as refugees who returned to their country have certain rights: “repossession of their houses, reconstruction of damaged property, convalidation of pensions, a solution for unsolicited investments made by temporary occupants ect.” (‘The Sarajevo Process, 2007, p.1). This made it difficult for the Croatian government to comply with these rights especially because the attacked country was to provide compensation to the aggressors. This means that Croatia was to provide some sort of compensation to the refugees, including Serb refugees that were to return to Croatia.

The Sarajevo Process was a great success overall and to this day, refugees continue to return to Croatia. So far, the Croatian authorities have registered near 133, 000 returnees belonging to the Serb minority (European Commission, 2011, “Croatia 2011 Progress Report” p.13) and housing care programs have been put into place for the returnees. There are currently “1012 positive approvals for housing care that have been issued so far” (European Commission, 2012, “Monitoring report on

Croatia's accession preparations" p.7). In order to maintain further progress, Croatia has continued to work alongside its neighbors in the Sarajevo Process.

## Chapter Four: The Challenges of Accession for Croatia

Every new European Union member has dealt with challenges through their accession. As Croatia will be joining the European Union in July 2013, the aim of this paper was to analyze the difficulties countries face when joining the European Union as well as examining the areas Croatia has had to modify in order to become part of the Union.

Croatia has faced four main issues:

- The independence war between Croatia, Serbia and Bosnia-Herzegovina
- The 2007 accession round
- The addition of new chapters of the *acquis communautaire*
- The economic crisis

In this chapter, these four challenges will be analyzed in order to better understand the difficulties Croatia has faced to become an EU member. The first section will look into why Croatia was unable to join the European Union in 2007. Following this, the main challenged will be further examined and finally, the expectations of the European Union on Croatia will be discussed.

### A. Why not 2007?

Following its independence from Yugoslavia in 1991, Croatia's ultimate goal was to become part of the European Union. Croatia was inspired by post-communist countries in central and Eastern Europe. Hungary, Poland, and Slovakia, for example, strengthened their democracies and progressed towards EU integration. Croatia's desire to integrate the European Union was soon halted by the 1991-1995 Croatian War of Independence, where the Yugoslav National Army and Serb attacked Croatia. They, the Yugoslavs and Serbs, were opposed to the independence of Croatia and wanted it to remain a part of Yugoslavia. The years following the war, especially 1996 and 1997, were dedicated to post-war recovery and to improve economic conditions.

After Franjo Tudjman's death in 1999, parliamentary and presidential elections were held in 2000. The new government, lead by Racan, amended the constitution, adjusting the political system from a presidential system to a parliamentary system. The policies implemented by the government had positive results for Croatia; economic growth was increasing; the return of refugees was progressing at a rapid pace as houses were rebuilt by the government; Croatia signed the Stabilization and

Association Agreement with the European Union, and applied for membership in 2003. It was confirmed as a candidate country in 2004.

The negotiations were to start in the beginning of 2005, but “were delayed by seven months as Croatia struggled to convince the European Union it was doing its best to find war crimes suspect Gen Ante Gotovina” (BBC, 2012, “EU Enlargement: The next eight”, para. 28). Finding these war criminals were part of Croatia’s full cooperation with the ICTY. In addition to this, in 2009, border disputes with Slovenia held up negotiations until Slovenia agreed to withdraw its veto in order to let Croatia continue the accession talks. However, the question remains as to why it took Croatia so long to apply for membership, which enabled them to only join in 2007.

Firstly, Croatia’s independence war set its wish to integrate the European Union back. Like mentioned above, Croatia was attacked by the Yugoslav National Army and Serbs as they were opposed to Croatia’s independence, and wanted Croatia to stay a part of Yugoslavia. Serbian forces took control of one third of Croatia’s territory, and Croatian cities and villages were heavily damaged in combat. This led citizens to flee their cities and villages, having no place to go. In a period of six months, the UN intervened more than ten times without any success. However, in 1992, a new ceasefire was sponsored by the UN and came into force immediately. Croatia was placed under UN protection for the remaining time in order to try to separate Croats and Serbs. In that same year, Croatia was also involved in the Bosnia-Herzegovina war, “supporting the Bosnian Croats against the Bosnian Serbs” (BBC, 2012, “Croatia Timeline – A chronology of key events”).

In addition to this, Tudjman’s reelection in 1997 put another halt to Croatia’s desire of integration the European Union. In his first election, Tudjman was heavily criticized for his autocratic rule, poor civil rights record of the Serb population and initiating illegal processes such as privatization and denationalization putting Croatia in deep depression. The European Union “decided not to invite Croatia to start membership talks, criticizing the Tudjman regime’s authoritarian tendencies” (BBC, 2012, “Croatia Timeline – A chronology of key events”). In the meantime, Bulgaria and Romania had already submitted its application in December 1995, and negotiations started in 2000 (European Commission, n.d. “Bulgaria – EU-Bulgaria Relations”, para.1).

Finally, once Croatia submitted its application, in 2003, and negotiations were opened, in October 2005, Croatia suffered many setbacks which slowed down the process of joining the European Union. These included border disputes with Slovenia, fighting against corruption, and the lack of cooperation,

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for finding war criminal, with the International Criminal Tribunal of the former Yugoslavia, ICTY, (Dépêche, 2011, “La Croatie prête à devenir le 28e pays de l’Union européenne en 2013”, para.8). These will be further analyzed in following section.

Due to the independence war, the unsettling in the country during the war, Tudjman’s reelection and the other setbacks it faced, it was impossible for Croatia to submit its application at the same time as Bulgaria and Romania making it impossible for them to join in 2007.

## **B. Independence War**

The end of the independence war had several consequences towards Croatia’s accession to the European Union, which delayed the process substantially. These were:

1. Cooperation with the International Criminal Tribunal of the former Yugoslavia (ICTY)
2. Border disputes with Slovenia
3. Fighting corruption

### **Cooperation with the ICTY**

“Croatia was the first country to request from the international community the establishment of an international criminal tribunal to investigate and try war crimes committed during the armed conflict in former Yugoslavia, which then had just started. [...] Croatia was claiming to be the victim of the Serb aggression. Nevertheless, when the “requested” tribunal was established by a resolution of the UN Security Council in 1993, Croatia had already assumed a second role in the series of civil wars within the former Yugoslavia territory because of her involvement in Bosnia and Herzegovina, and this time as the aggressor rather than the victim of aggression” (Erozden, O. n.d. “Croatia &/v. ICTY: A difficulty year of cooperation” p.2).

“On May 25 1993, the UN Security Council passed resolution 827 formally establishing the ICTY” (ICTY, n.d. “Establishment” para.6). The fact that Croatia was one of the first countries to appeal for an international tribunal to deal with its war crimes was a great step forward. Full cooperation with the ICTY was also one of the criteria that Croatia had to fulfill in order to become a European Union member. However, there were many issues when cooperating with the tribunal. These issues already started in 2005, through which the negotiation processes were pushed back by several months due to the lack of cooperation. According to the European Commission, Croatia was not putting as much

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effort as they should in finding war criminals, nor providing the necessary wartime documents asked by the prosecutor. As Croatia had also committed crimes, suspected war criminals had to be extradited. However, this was not always the case, leading the ICTY prosecutor, Serge Brammertz, notifying Croatia on numerous occasions to improve its cooperation with the tribunal. In 2010, the prosecutor requested “wartime documents from the prosecution of three Croatian generals, which he had requested from Croatia two years ago (2008)” (Miley, S. 2010. “ICTY prosecutor urges greater Croatia cooperation for EU accession” para.1).

According to Mr. van Buuren, policy officer at the Ministry of Foreign Affairs in the Netherlands (see Annex 1), one of the reasons why Croatia was unwilling to cooperate was due to domestic political reasons. From a political perspective, it was difficult for political leaders in Croatia to extradite some Croatians suspected of war crimes, as some were considered to be “war heroes”. Furthermore, he stated that the war affected the population greatly, both during and after the war. During the war, the Croatian citizens had to constantly flee the country, creating hundreds of thousands of refugees. Others were forced out of their villages by Serbs, losing their homes, land and other belongings.

So what pushed Croatia to cooperate with the ICTY in October 2005? There was one main reason. It was due to pressure from other European countries, mainly Great Britain and the Netherlands. Both countries were willing to veto part of the negotiations if Croatia did not further cooperate with the tribunal. According to Mr. van Buuren, the Netherlands was one of the countries pushing hard for Croatia’s cooperation with the ICTY. The fact that the Netherlands was consistently demanding Croatia to cooperate put extra pressure on Croatia and led them to extradite suspected Croatian war criminals. If Croatia had not started cooperating with the ICTY, the negotiations would not have resumed, which meant that their wish of becoming part of the European Union would have slowly faded away.

### Border Disputes with Slovenia



(Demir, M. 2009, 'The Essence of Border Dispute')

Border disputes between Croatia and Slovenia originated with the collapse of Yugoslavia with the bay of Piran, situated on the Adriatic coast, being the main cause. According to Croatia, “the border should be drawn down the middle of the bay of Piran, which Slovenia feared would deny its ships direct passage to the high seas” (Lungescu, O, 2009, “Slovenia-Croatia border row heats up”, para 6). Croatia’s claim, that the borders should be drawn down the middle of the bay of Piran, is based on the first sentence of Article 15 of the United Nations Convention on the Law of the Sea:

“Article 15: Where the coasts of two States are opposite or adjacent to each other, neither of the two States is entitled, failing agreement between them to the contrary, to extend its

territorial sea beyond the median line every point of which is equidistant from the nearest points on the baselines from which the breadth of the territorial seas of each of the two States is measured. The above provision does not apply, however, where it is necessary by reason of historic title or other special circumstances to delimit the territorial seas of the two States in a way which is at variance therewith” (United Nations, n.d. “Delimitation of the territorial sea between States with opposite or adjacent coasts” p. 30).

Slovenia’s claims were also based on this article. However, Slovenia emphasizes on the second sentence, stipulating that historical claims or other unusual circumstances do not apply with the first sentence of Article 15. This dispute caused many incidents throughout the years such as “fishing boats seized and nets damaged” (Lungescu, O, 2009, “Slovenia-Croatia border row heats up”, para 7).

The border dispute slowed down negotiations for Croatia. “Croatia had provided maps and documents in the EU negotiations that would have pre-judged a solution to the border dispute” (Lungescu, O, 2009, “Slovenia-Croatia border row heats up”, para 11). Slovenia, already part of the European Union, possesses a powerful position and blocked its neighbor’s accession talks as these documents showed Croatia’s border proposal, but without distinguishing the dispute borderline. Slovenia perceived this as prejudicing the borderline outcome and forced it to veto Croatia’s negotiations. Furthermore, both countries differed in their solutions to the border dispute. “Slovenia prefers EU mediation [...] Croatia says the border dispute is a legal issue, not a political one, and should be handled by the International Court of Justice in The Hague” (Lungescu, O, 2009, “Slovenia-Croatia border row heats up”, para 15).

In November 2008, France proposed a document that would solve Slovenia’s blockade on Croatia’s negotiations. The 26 European Union countries were for the French proposal, but Slovenia was not and continued its blockade. Slovenia never signed the French proposal. In January 2009, a solution was found. The European Union proposed for mediation. However, getting to an agreement between the two countries was the most difficult, as Slovenia rejected the EU proposal but then decided on a compromise. As nothing was signed, Slovenia continued to blockade some of the chapters of the *acquis communautaire*. “Under pressure from other European countries, especially France and Italy, Slovenia signed up to a binding arbitrated settlement (proposed by the European Union) last September (2009) but agreement has remained controversial for many Slovenians” (Cain, P. & Waterfield B, 2010, “Croatia poised for EU membership following Slovenian border dispute referendum” para. 5). The Italian foreign minister, Pasquale Ferrara, stated that European Union

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member states do not need another border dispute, referring to the Cyprus border dispute between Greek Cypriots and Turkish Cypriots. It was in September 2009 that the final proposal was made. A month later Croatia and Slovenia signed the arbitration agreement. Almost two years later, in May 2011, Croatia and Slovenia presented their arbitration agreement to the UN, an important step before the start of the arbitration process. In January 2012, “Croatia and Slovenia agreed on the appointment of judges to arbitrate their border dispute, easing the way for Croatia’s accession to the European Union” (“Slovenia, Croatia agree arbiters for border dispute”, 2009, para. 1).

It has been said that Slovenia blocked the negotiations completely, however Mr. van Buuren claims that negotiations were blocked only on some of the chapters, and that on a technical level negotiations were still continuing. Some of the chapters blocked included Fisheries (chapter 13), Statistics (chapter 18) and Justice, Freedom and Security (chapter 24), resulting in 13 chapters being blocked by Slovenia (“Slovenia blocked opening of two chapters of Croatia’s EU accession negotiations”, 2008, para.4). In order to conclude the whole negotiating process, all chapters must be closed. Therefore, even if Croatia had managed to close some chapters from ongoing negotiations, it would still not have been able to access the European Union earlier due to Slovenia blocking negotiations on certain chapters.

So what can this border dispute tell us about the future expansion of the European Union in the Western Balkan? There are tensions between the Western Balkan countries, which is affecting their relation. Border and territory dispute remain, as well as rivalries and legacy issues dating back from the 1990s are still present between Serbia, Bosnia, Kosovo and Macedonia (Cain, P. & Waterfield B, 2010, “Croatia poised for EU membership following Slovenian border dispute referendum” para. 12). This will be further analyzed in the “recommendation” section.

### **Fighting Corruption**

According to the world corruption ranking, Croatia’s first appearance in the corruption ranking was in 2000. In Croatia, there are many areas in which corruption is present. These include politicians, state officials, the police, the government, judicial system and so forth. Croatia has started the European Union negotiations towards the accession in 2005, and it has been trying to fight corruption for the past six years.

The fight against corruption is the government’s top priority. Great efforts have been made, such as “the arrest, imprisonment and investigation of highly ranked government officials, including the Vice-President of the government and several top managers of state-owned enterprises” (Cuckovic, N. n.d.

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‘Fight against corruption in Croatia intensifies’ para.1). In addition to this, the government has adopted an action plan to combat corruption. This action plan is divided into several sections, mainly into the areas where corruption is high. For example, in order to fight corruption in the judicial system, the new Criminal Procedure Act is being implemented, and the Criminal Code and Court of Rules have been amended. In order to fight corruption against politicians, the monitoring and transparency of funds, financing political parties and donations have been strictly observed by the European Commission. In addition to this, “Croatia adopted a new law on the financing of political activities and election campaigns, which improves transparency and independent oversight and increases penalties for non compliance with the law” (European Commission, 2011, ‘Croatia 2011 Progress Report’ p.7). Furthermore, Croatia has also “increased transparency and integrity in its public administration and state owned companies” (European Commission, 2011, ‘Croatia 2011 Progress Report’ p.7).

### **C. 2007 Accession Round**

Even before Bulgaria and Romania entered the European Union, the European Commission implemented some new measures for the future accession rounds:

- The renewed consensus on enlargement
- The implementation of the European Union requirements
- Benchmarking
- Judicial Reform

#### **Renewed Consensus on Enlargement**

The first new measure that was taken was the renewed consensus on enlargement. It was proposed by the Commission in 2006. According to Mr. van Buuren “one of the most important features of the renewed consensus is that conditionality becomes stronger in the process. Before a country may join, it must fulfill strict conditions. In other words, the process has become more ‘merit base’” (M. van Buuren, personal interview, May 4, 2012). Furthermore Mr. van Buuren stated that “one of the reasons to establish a new enlargement policy was to regain the trust amongst the public i.e. due to the experiences from the enlargement round with Romania where public opinion towards enlargement policy became more negative” (M. van Buuren, personal interview, May 4, 2012). European Union members, such as Finland, France, Germany and the Netherlands also felt that Bulgaria and Romania joined the European Union too early in the process, and that they were not ready for the transition process. These stricter conditions talked about by Mr. van Buuren include:

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- Increased number of chapters of the *acquis communautaire* (35 chapters instead of 31 previously);
- Creation of Chapter 23 ‘Judiciary and Fundamental Rights’, specifically created in order to reinforce the country’s capacity in terms of rule of law;
- Strengthening the number of criteria for opening and closing negotiations, which emphasizes the practical implementation of the *acquis* in that country;
- Taking into account the integration capacity: the capacity of the Union to absorb new members and integrate the union (Blanc. J, & Boulaud, D, 2011, “Rapport d’Information fait au nom de la commission des affaires étrangères, de la défense et des forces armées sur l’adhésion de la Croatie a l’Union européenne” p. 29).

### **Implementation of European Union Requirements**

The second measure that has occurred since the previous accession round is the European Union requirements. “In contrast to the last enlargement the end of the negotiations will depend more on the implementation and less on mere adoption of the EU requirements” (Ott. K, n.d. “Croatia accession to the European Union: the challenges of participation” p. 12). This means that closing the negotiations for a chapter will highly depend on how far Croatia has implemented the requirements of the chapter. Compared to Bulgaria and Romania who mostly adopted the requirements, Croatia will have to implement most of the EU requirements of the *acquis communautaire*. Changing this and making it a requirement will facilitate the transition for Croatia and also allow them to be more prepared once they enter the European Union.

This leads us to the third measure; benchmarking.

### **Benchmarking**

In this context, benchmarking can also be replaced by the words criterion and measures. Mr. van Buuren stated that

“Croatia is also the first country that had to negotiate its accession according to the new negotiating methodology, where opening and closing benchmarks needs to be fulfilled in order to open or close a new negotiating chapter. For example, in order to open chapter 23, Croatia had to fulfill several opening benchmarks, which had to be approved by the entire Council in order to open it” (M. van Buuren, personal interview, May 4, 2012).

What Mr. van Buuren stated above is that in order for a country to either open or close a chapter, benchmarks (criterion, measures) must be fulfilled. If these are not fulfilled, the chapter cannot be opened or closed. Therefore, “benchmarking ensures the country is fully prepared once it enters the EU” (“Croatia: a new model of enlargement”, 2011, p.2). For example, in order to close chapter 23, the following benchmarks must be fulfilled:

- “The drafting of a new legal reform strategy
- The effectiveness and independence of the judiciary
- The trial of local war crime cases
- The fight against corruption
- The protection of minorities
- The return of refugees
- Human rights
- Cooperation with the ICTY” (Tweede Kamer, 2011, ‘Tweede Kamer der Staten-Generaal’, p. 10)

### **Judicial Reform**

The last measure that was taken by the European Commission is judicial reform. In 2006, the European Commission decided to continue assessing Bulgaria’s and Romania’s progress in judicial reform, corruption and organized crimes (European Commission, 2012, “Assessing ongoing process by Bulgaria and Romania” para. 1). This was imposed by the European Commission under the Cooperation and verification Mechanism. In order to prevent this from happening again, the European Commissioner for Enlargement Stefan Fule stated in December 2010

“The Commission considers that negotiations should be concluded once Croatia has met the outstanding closing benchmarks, in particular in the field of judiciary and fundamental rights, including fight against corruption, thus removing the need for the EU to consider a cooperation and verification mechanism after accession” (S. Fule, 2010, “Croatia in the EU: lessons from the Bulgarian accession” para. 3).

Due to the fact that Bulgaria and Romania still had problems with judicial reform, corruption and organized crimes, the European Commission decided to further assess these two countries on those three fields. The European Commission wanted to prevent this from happening again with Croatia, and



therefore established harder closing benchmarks for those fields, making it more difficult for Croatia to close that chapter.

#### **D. *Acquis Communautaire*: The “New” Chapters**

As previously discussed in chapter 1, the *acquis communautaire* consists of the European Union laws, its treaties, resolutions and declarations, its international agreements and the judgments of the Court of Justice. Since the renewed consensus of enlargement from 2006, the *acquis* has been split up into 35 chapters, instead of 31. In the Appendix, an overview of the chapters and what Croatia had to do can be found.

The *acquis communautaire* was another issue that Croatia had to deal with. The reason behind the acquisition of the ‘new’ chapters in the *acquis communautaire* is due to the 2007 accession round. In 2007, the *acquis* was composed of 31 chapters. Now it consists of 35 chapters, and not 31. The main reason for this was to better balance the chapter, especially the most difficult ones. Some ‘easier’ chapters were put together, while the ‘difficult’ ones were split up. For example, in the old *acquis* Industrial Policy (chapter 15) and Small and medium-sized enterprises (chapter 16) existed as two different chapters. In the new *acquis* these two chapters were united to form one called Enterprise and Industrial Policy (chapter 20). Uniting easier chapters was done because they were closely related, and did not need as much effort as the difficult chapters. These ‘difficult’ chapters have been divided into different chapters in order to facilitate negotiations. For example, Judiciary and Fundamental rights (chapter 23) and Justice, Freedom and Security (chapter 24) are now two separate chapters. Justice, Freedom and Security (chapter 24) is one of the most difficult chapters as countries must establish an independent, reliable and efficient judiciary, the establishment of a public supervisory authority responsible for monitoring the correct application of the data protection, comply with the ten principles for improving the fight against corruption etc (European Commission, 2005, ‘Guide to the Main Administrative Structures Required for Implementing the *Acquis*’ p. 72). The Commission decided to separate chapter 23 and 24, so that it could provide in greater detail the criteria and measures required for these chapters to be fulfilled by the country. This means that in today’s’ *acquis* chapters’ 23 and 24 are more detailed than in the 2007 *acquis* where it was only under one chapter.

In addition to new chapters, a new negotiating method has been put into place. As previously discussed, this method is called benchmarking. Benchmarking are the “measures a country has to fulfill in order to advance in the negotiating process” (“Croatia: a new model of enlargement”, 2011,

p.2). This means that in order for a country to either open or close a chapter, benchmarks (measures) must be fulfilled. If these are not completed, the chapter cannot be opened or closed. What is more complicated with this method is that for some chapters to be opened, others need to be closed. This makes the negotiating process longer.

For Croatia, Competition Policy (chapter 8), Judicial and Fundamental Rights (chapter 23) and Justice, Freedom and Security (chapter 24) were the most difficult chapters to conclude. Many adjustments and reforms had to be made in order to comply with the specific requirements set in the *Guide to the Main Administrative Structures Requires for Implementing the Acquis*. An in depth analysis will be done in the 'European Union Expectations' section of this paper.

Finally, Bulgaria and Romania merely adopted and did not implement all of the requirements set by each chapter. This can be seen in the 2005 *Report of the Results of the Negotiations on the Accession of Bulgaria and Romania to the European Union*, where this phrase "Bulgaria and Romania will take over and implement the *acquis* under this chapter as from the date of accession" can be seen quite a few times. This has changed and Croatia must implement all of the requirements before accession or on the day of accession. The reinforcement of this 'rule' demonstrates that only adopting the requirements did not work for Bulgaria and Romania. Moreover, it also illustrates the lack of preparation that was observed from both countries when they entered the European Union. A clear example of this lack of preparation is the disapproval by France, Germany, Finland, Sweden, the Netherlands and Belgium for Bulgaria and Romania to join the Schengen area.

"The six Western countries would like to wait until the European Commission has issued a favourable report for Sofia and Bucharest, under the so-called Cooperation and Verification Mechanism, unprecedented monitoring mechanism put in place for the two most recent EU newcomers" (EurActiv, 2011, "Bulgaria, Romania denied Schengen entry" para.6).

According to the report submitted in February 2011, the two countries were asked to do more to their judiciary reforms and to enhance their fight against organized crimes and corruption. That is the main reason why those six countries have vetoed Bulgaria's and Romania's joining the Schengen area. This is therefore a lack of preparation for joining the EU, as these two countries still need to provide more effort in their judiciary reforms and organized crimes and corruption, five years after joining the European Union.

## E. The Economic Crisis

Croatia's negotiation process debuted at the same time as the 2008 economic crisis. Therefore, it can be assumed that the economic crisis had an impact on Croatia. It certainly did, but it did not slow down the negotiations. According to Mr. van Buuren, the economic crisis had an indirect effect. "Croatia had to make some legal changes, which sometimes had a considerable financial implication, which meant that Croatia had to invest in order to make these legal changes possible" (M. van Buuren, personal interview, May 4, 2012). Money needed to be invested in order for Croatia to pursue these reforms. During an economic crisis, investing money, for any country, is not a top priority.

Croatia's economy suffered six successive trimester of recession (Blanc. J, & Boulaud, D, 2011, "Rapport d'Information fait au nom de la commission des affaires étrangères, de la défense et des forces armées sur l'adhésion de la Croatie a l'Union européenne" p. 14). In 2010, its GDP declined by 1.2%, investment continued to decrease (-11.3%), and public consumption was reduced by -0.8% (European Commission, 2011, "Croatia 2011 Progress Report" p.16). However, as part of the economic recovery, in 2010, export volumes increased by 6.0%, industrial production increased slowly as well as retail sales (European Commission, 2011, "Croatia 2011 Progress Report" p.16). Nevertheless, Croatia was very willing to make these legal changes happen, as it wanted the negotiations to advance and not be halted by yet another issue.

Even though Croatia suffered six successive trimesters of recession, its economy remained strong. The reasons why Croatia's economy remained strong include:

- "**Effective macroeconomic policy mix:** this was lead by the country's prudent monetary policy. The Croatia National bank has maintained a tightly managed exchange rate regime. Maintaining a stable exchange rate is important as the EU is Croatia's largest trading partner. The EU's share in Croatian exports and imports is 61% and 64% respectively" (European Commission, 2010, "Croatian Accession – Nearing the finish line?" section "Inherent strengths of the Croatian economy" para.1).
- "**Tourism:** represented nearly 20% of GDP in 2008. Tourist trade has provided stability and helped the country build its substantial foreign currency reserves" (European Commission, 2010, "Croatian Accession – Nearing the finish line?" section "Inherent strengths of the Croatian economy" para.2).

- “**Solid banking sector:** at 90% of net assets, high foreign ownership had had a stabilizing effect on the sector. Due to prudential and supervisory measures taken before the onset of the crisis, Croatian banks have remained well capitalized” (European Commission, 2010, “Croatian Accession – Nearing the finish line?” section “Inherent strengths of the Croatian economy” para.3).
- “**Fiscal policy:** fiscal authorities initially underestimated the impact of the economic slowdown: the budget needed to be revised three times in order to respond to the crisis. Eventually, a number of important fiscal measures were taken with a view to containing the deficit” (European Commission, 2010, “Croatian Accession – Nearing the finish line?” section “Inherent strengths of the Croatian economy” para.4).

Even though these measures have helped Croatia through the economic crisis, it still faces major economic challenges. The biggest danger to Croatia’s economy is their large debt. “Gross foreign debt is nearly 100% of GDP, and government debt is about one-third of GDP” (European Commission, 2010, “Croatian Accession – Nearing the finish line?” section “Room for improvement” para.1)..Another problem includes the labor market. Due to severity in hiring and firing, “Croatia is plagued by an extremely low participation rate and high unemployment levels, especially amongst the young” (European Commission, 2010, “Croatian Accession – Nearing the finish line?” section “Room for improvement” para.4). Furthermore, “a large portion of the population is living on replacement incomes. War veterans enjoy state benefits that can act as a disincentive to work and an incentive to take early retirement” (European Commission, 2010, “Croatian Accession – Nearing the finish line?” section “Room for improvement” para.4).

The 2008 economic crisis was a big test for Croatia’s economy. Croatia was in recession for several consecutive trimesters, and it was recovering slowly from the economic crisis, but it cannot be said that Croatia’s economy is bad. It has some strengths and weaknesses that need to be worked on. All in all, the economic crisis did not stop the negotiations for Croatia. It might have slowed them down, due to the fact that money had to be invested in order to implement the necessary reforms, and that was a financial problem for Croatia.

## Conclusion

The main purpose of this dissertation was to research the challenges of accession that Croatia had to face in order to become part of the European Union. Throughout this research, four issues were analyzed; the independence war, the 2007 accession round, the new chapters of the *acquis communautaire* and the economic crisis.

What can be concluded from this research is that these four issues slowed down the negotiation process significantly and they were a barrier to advance further in the negotiating process. The independence war between Croatia, Serbia and Bosnia and Herzegovina was the issue that affected Croatia the most. Firstly, Croatia was unwilling to cooperate with the ICTY, secondly a border dispute rose between Croatia and Slovenia and finally Croatia had, and still has, difficulties fighting corruptions. The fact that they were unwilling to cooperate with the ICTY stopped the process of starting the negotiations by seven months. The border dispute slowed down the negotiations by more than a year. Adding this together, it means that Croatia lost almost two years of negotiations. It is therefore crucial for upcoming Balkan Western countries to resolve their internal and bilateral disputes before wanting to join the European Union.

In addition to this, the 2007 accession had an important impact on Croatia's accession round. The accession of Bulgaria and Romania was not seen as a positive move by most of the European Union. These countries, such as France, Germany and the Netherlands believed that Bulgaria and Romania entered the European Union too early. They believed that they were not ready to become part of the European Union. Due to this, a renewed consensus on enlargement was adopted by the European Commission in 2006, meaning that four new measures were to be adopted by the new candidate countries. For example, new chapters in the *acquis* were introduced, while other easier chapters were combined. Furthermore, a new negotiating method was introduced called benchmarking. This meant that it would be much more difficult for Croatia to open or close chapters, as it had to apply those specific benchmarks. A positive aspect of this renewed consensus is that it truly prepares the countries to become part of the European Union.

Like mentioned in the previous paragraph, new chapters were introduced in the *acquis communautaire*. This meant that Croatia had four more chapters to accomplish, in addition to the specific measures that needed to be applied in order to open or close a chapter. These specific measures were very strict and had to be respected and accomplished by Croatia in order to move on. However, just like the renewed

consensus on enlargement, this meant that Croatia would be more prepared than Bulgaria and Romania as it had to accomplish strict measures to open and close chapters.

The economic crisis also had its role in the Croatia's accession to the European Union. Croatia had to implement a lot of legal reforms, which meant that they had to invest a large amount of money. However, because they were hit by the global crisis, it did not necessarily have the finances to implement the legal reforms, as during a period of crisis it is not the governments' top priority to invest money.

All in all, it can be said that these four issues had an impact on Croatia's accession to the European Union. However, it can be said that they had more of a positive outcome than a negative outcome as it truly prepared Croatia to become part of this union. It has been said by the European Commission, that Croatia will be better prepared to join the European Union than Bulgaria and Romania.

## Recommendation

According to the research carried out during the completion of this paper, several recommendations, both personal and European Union recommendations, can be made. These recommendations are aimed towards future accession rounds. Some of these recommendations are directed to Western Balkan countries due to the fact that the other Western Balkan countries have a similar background as Croatia.

Firstly, should there be an accession round in the near future? There are two answers to this question: yes and no. Yes if it is Iceland, and no if it is the Western Balkan countries. Iceland is right on its way in becoming the next European Union country. It has already opened four chapters, and closed two of those. Furthermore, it has adopted more than two-thirds of European Union legislations, meaning that the negotiations will go quicker than those of Croatia and even Bulgaria and Romania. Iceland's background is also very different to the Western Balkan. For example, it was not affected by an independence war, or border disputes, meaning that it will not be held back in the negotiation process. The only issue that could slow down the negotiations would be the Icesave dispute (2008) between Iceland, the United Kingdom (UK) and the Netherlands. The UK and the Netherlands demands that the Icelandic government repays them the costs brought in covering their citizens' losses due to Iceland's bankruptcy.

Due to the euro crisis currently happening, with Greece, Spain and Portugal having great economic issue, it would definitely not be wise for a Western Balkan accession round. Western Balkan countries have too many issues to resolve amongst them; they have high corruption, they do not very strong economies and would bring the European Union to a lower state than it is now. Therefore, it would be best for those countries to enter the European Union once the euro crisis is over. The European Union does not need any more countries like, especially, Greece.

The first European Union recommendation would be that it is important to strengthen the rule of law and public administration reforms. A new approach for the negotiating chapters' judiciary and fundamental rights and justice, freedom and security will be established in 2012. According to Mr van Buuren and the Enlargement Plan 2012 submitted by the European Commission, it is important that these two chapters are tackled early in the enlargement process, in order to provide countries maximum time to maintain records of what had been implemented and to establish the necessary legislations and institutions (European Commission, 2012, "DG Enlargement Management Plan", p.4).

This new approach will strengthen the rule of law, as well as public administration reforms as it will give the countries more time to apply the necessary reforms.

In addition to this, the negotiation with Croatia has confirmed that it is important to resolve and find solutions to bilateral conflicts before a country joins the European Union. Due to Croatia's and Slovenia's border dispute, this significantly slowed down the negotiation process for Croatia. It is therefore crucial that these disputes and conflicts are resolved before hand. This will unquestionably affect the Western Balkan countries because some are still in conflict with their neighboring countries.

This leads us to the final recommendation. Western Balkan countries are encouraged to enhance regional cooperation and reconciliation in the Western Balkan. There has been progress in those two fields. For example, the Sarajevo Process gathered Croatia, Serbia, Montenegro and Bosnia and Herzegovina in order to find a solution on how to return the refugees that fled each country during the Croatian independence war. This is a step towards the reconciliation of the Western Balkan and to ameliorate the relations between each country. However, further progress is required in order to avoid any backset if these countries reach the negotiation process.

Overall, if the most difficult chapters of the *acquis* are dealt with early in the negotiating process, if bilateral conflicts in the Western Balkan are dealt with before the negotiating process and if the Western Balkan countries continue to cooperate and work towards the reconciliation of the Western Balkan, joining the European will be much less difficult and will also prove that they are willing to become part of this union.



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## Appendix

### Interview with Mr. van Buuren, Policy Officer at the Ministry of Foreign Affairs

**1. Could you please introduce yourself, tell me a little bit about your background?**

Since July 2011, Mr. van Buuren has been working within the European Integration Directorate (External Affairs Unit) of the Ministry of Foreign Affairs. He is dealing with the enlargement policy with countries with which negotiations are currently opened (Iceland and Turkey, and possible also Montenegro in the near future). In addition to this he is dealing with Croatia (with which the accession negotiations have already been concluded). He is coordinating the Dutch position in the Council's Working Party on Enlargement

**2. As you know, I am currently writing my thesis about the challenges of accession for Croatia, from a European Union perspective. I would first like to talk about the Copenhagen criteria, and then move on to the challenges. The last two points of the Copenhagen criteria are important ones and would like to know the following**

- a) Compared to Bulgaria and Romania, I have noticed that there were more chapters in the Acquis Communautaire. Did the fact that there were more chapters, had any consequences on Croatia? (i.e. made it more difficult).**

Since 2006, a renewed consensus on enlargement policy is in place, making this policy stricter.. This renewed consensus came about due to the previous accession round. It was a lesson learnt from Bulgaria and Romania. .

Croatia is also the first country that had to negotiate its accession according a new negotiating methodology where opening/closing benchmarks need to be fulfilled in order to open/close a new negotiating chapter. For example, in order to open chapter 23, Croatia had to fulfill several opening benchmarks, which had to be approved by the entire Council in order to open it.

One of the advantages (from the point of view of the Member States) of this new negotiating methodology was that it strengthened the control of the Council on the process.

- b) In 2006, the Commission proposed a renewed consensus on enlargement. Could you tell me more about this?**

One of the most important features of the renewed consensus is that conditionality becomes stronger in the process. Before a country may join, it must fulfill strict conditions. In other words, the process has come more 'merit bases'. The stronger conditionality is reflected in the new methodology of opening and closing benchmarks. One of the reasons to establish a new enlargement policy (renewed consensus on enlargement) was to regain the trust with the enlargement policy among the public. I.e. due to the experiences from the enlargement round with Romania public opinion towards the enlargement policy had become more negative. Many felt these countries joined the Union, while not ready for it. The renewed consensus on enlargement was needed to improve the credibility of the process. Furthermore, the renewed consensus on enlargement has been further reinforced, since the Council (General Affairs Council) approved in December 5 a new approach (for future accession negotiations) to the negotiations of the important chapters 23 and 24 (Rule of Law, and Justice and Home Affairs related issues), which i.e. enables to open these chapters earlier on and not wait till the end of the negotiations (which might increase the political pressure on Member States to agree with the closure of these chapters). This new approach will give the countries more time to fulfill all the criteria.

**3. I have read that the independence war and the border dispute with Slovenia slowed down the negotiations process considerably. Could you tell me why and how that affected Croatia's future negotiations?**

Slovenia was blocking the negotiations on some of the chapters, however on a more technical level negotiations were still going on. In order to conclude the whole negotiating process all chapters must be closed.

Croatia was not willing to cooperate with the ICTY fully (i.e. due to domestic political reasons). The war affected the population, especially the part of the Croatian population that lived in the part of the country with a considerable Serb minority. From a political perspective, it was difficult, for political leaders in Croatia, to extradite some Croatian suspects of war crimes as some considered them to be "war heroes". However, due to pressure from the other countries, Croatia in the end extradited them. The Netherlands was one of the countries pushing hard for this.

**4. It was seen that it was much harder for Croatia to become a new member, especially due to the previous accession round. What has the European Union learnt from that, and what has changed?**

Read the new consensus enlargement.

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**5. The economic crisis is another challenge for Croatia. How did the economic crisis affect Croatia? Did it slow down the negotiations?**

The economic crisis did not slow down the negotiations. It had an indirect impact/effect. I.e. legal changes had to be made, which sometimes has considerable financial implications and Croatia had to invest in those new legal changes. There is willingness by Croatia to continue with the reforms, but financially it is a bigger challenge for Croatia to pursue these reforms.

**6. In order for Croatia to become an EU member state, what did the European Union expect Croatia to do/change?**

Adjustments had to be done in many policy areas (dealt with in all the chapters). However, for Croatia some of the most demanding chapters for Croatia were chapters 8, 23 and 24. For example, chapter 8 (competition policy), it includes the steel and shipyard sector. Those used to be owned by the state which was aiding the companies, but these needed (and some still need) to be privatized.

**7. How has Croatia handled**

**a) Fight against corruption and organized crimes**

Croatia has improved its judicial system, the protection of witnesses, reinforcing the department, training the personnel etc.

**b) Judicial reforms**

For examples they have established a new recruitment system. The Commission has called on Croatia to change the immunity of judges. Judges are too much protected, and this is something that needs to be changed. They are also trying to reduce the work load of the courts, and have created specialized courts. However, improvements need to be made i.e. in civil cases.

**c) Minority rights**

Legislation is in good place for minority rights. Here again they are training police officers, improving rights for sexual minorities by launching campaigns so that the population better understands. But still considerable work has to be done to improve the position of minorities.

**d) Return of refugees**

The return of refugees was discussed in the so-called Sarajevo Process. One important problem is related to the housing of refugees, and a plan has been developed in order to resolve this. About half a billion euro is approximately needed to resolve the problem (contribution from the Member States, the European Union and UN-Agencies), in order to resolve this issue.

**e) Regional cooperation**

Bilateral agreements were signed between neighboring countries. For example in the field of the judicial affairs.

**8. What do you think is Croatia's future within the European Union?**

Croatia is already doing better in some policy areas than countries that joined the EU already in the past. Due to the stricter rules of the renewed consensus. The "exit level" of the negotiations was higher than for example was the case for Bulgaria and Romania, which means a higher level of preparation/readiness (in some fields), which will help Croatia to function better.

**9. What can Croatia gain from joining the European Union?**

Croatia will be fully part of the internal market and will have access to it. They will also receive funds for regional development. They will also have a say in all the EU decision-making, security.. Furthermore, in the long term, they will have the chance to join the Eurozone, which will give them financial stability, export etc.

**10. Finally, what has the EU learnt from this accession round and how is it going to affect the next accession round? (i.e. for the Balkan states)**

It is important to start the most difficult chapters, such as 23 and 24, the rule of law and justice and home affairs, to be opened earlier in process.

Also the negotiations with Croatia has again confirmed that it is important that bilateral conflicts need to be handled before a country can join the EU

## Chapters of the Acquis Communautaire

### Chapter 1: Free movement of goods

- Old approach product legislation
- New and global approach product legislation
- Procedural measures (arms, cultural goods)

#### *Meaning for Croatia:*

- Implementation of legislation in the fields of data exclusivity, absence of financial interest in pharmaceutical industry, clinical trials for medicinal products of human use.
- New transposition adopted in electromagnetic compatibility, explosive substances, machinery.
- Central contact point facilitating cooperation between the Ministry of Economy, Labour and Entrepreneurship and other central State departments

### Chapter 2: Freedom of movement for workers

- Access to labor
- Coordination of social security system

#### *Meaning for Croatia:*

- Participation with the European Employment Services network.
- Preparing towards EESSI project (electronic exchanges of data under EU regulations).
- Preparing towards European health insurance card.

### Chapter 3: Right of Establishment and freedom to provide services

- Right of establishment
- Freedom to provide cross-border services
- Postal services

#### *Meaning for Croatia:*

- Working on transposition of the Service Directive.
- Croatian post aimed at preparing towards full liberalization of postal services market.

### Chapter 4: Free movement of capital

- Capital movements and payments
- Payment systems
- Fight against money laundering

#### *Meaning for Croatia:*

- Croatia liberalized deposit transactions by residents.
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- New Payment Systems Act and implementing legislation entered into force.
- Cooperation between Croatian Financial Intelligence Unit and reporting entities to fight against money laundering.

### **Chapter 5: Public procurement**

*Meaning for Croatia:*

- Croatia adopted the Public Procurement Law.

### **Chapter 6: Company law**

- Cooperation accounting and holding

*Meaning for Croatia:*

- Croatian Financial Reporting Standards Board to provide translated versions of accounting reports.

### **Chapter 7: Intellectual property law**

- Copyrights and neighboring rights
- Industrial property rights
- Enforcement

*Meaning for Croatia:*

- Raise public awareness of intellectual property rights.
- Inter-agency cooperation in the field of enforcement.

### **Chapter 8: Competition policy**

- Anti-trust and mergers
- State aid

*Meaning for Croatia:*

- New Competition Act provides new tools for the Croatian Competition Agency to enforce competition rules in Croatia.
- Regulations were implemented – setting fines.
- Croatian Broadcasting Act entered into force, ensuring compliance of the finance of the public broadcaster with EU state aid rules.
- Restructuring plans for shipbuilding sector.

### **Chapter 9: Financial services**

- Banking sector
- Insurance sector
- Investment services and securities markets

*Meaning for Croatia:*

- Electronic Money Law was adopted and the implementing legislations.

**Chapter 10: Information society and media**

- Telecommunications and information technologies
- Audiovisual policy

*Meaning for Croatia:*

- Croatian Radio-Television Act adopted in line with EU state aid rules.
- Switched to digital television.
- Crisis tax on mobile operators' revenue introduced.

**Chapter 11: Agriculture and rural development**

- Common market organization (CMO) and animal products
- Rural development

*Meaning for Croatia:*

- Aligned act on the organization of the market in agricultural products with action plan for harmonization with the CMO.
- Implemented measures under the Instrument for Pre-Accession Assistance for Rural Development.

**Chapter 12: Food safety, veterinary and phytosanitary policy**

- Control and hygiene
- Rapid alert for food and feed
- Irradiated food
- Mineral water

*Meaning for Croatia:*

- Veterinary: adopting of implementing legislation in numerous fields. Training and recruitment provided for veterinarians.
- Implemented the national plan for the upgrading of establishments for food and feed of animal origin.
- Implementing legislation adopted in plant health and plant protection products.

**Chapter 13: Fisheries**

- Resource and fleet management, inspection and control
- Structural actions
- Market policy

*Meaning for Croatia:*

- Adopted implementing legislation in commercial fishing, fishing licences, fleet registration.
- Additional staff has been recruited in the fisheries monitoring centre.
- Administrative bodies to implement European Fisheries Fund are in place.
- Aligned its rules on state aid with the *acquis*.

**Chapter 14: Transport policy**

- Road transport
- Rail transport
- Air transport

*Meaning for Croatia:*

- Improvement on administrative capacity for implementing road safety needed.
- Administrative capacity of railway regulatory body has increased.
- Implemented first phase of European Common Aviation Area and working towards second phase.
- Participation in integration of its air space into Functional Airspace Block Central Europe.

**Chapter 15: Energy**

- Security of supply
- Internal energy market
- Nuclear energy

*Meaning for Croatia:*

- Preparing for implementing of its plan for security, formation and replenishment of mandatory storage of oil and oil products.
- New gas interconnector with Hungary established, connecting gas transportation system between the two countries.
- Several laws and pact have been amended in the internal energy market and renewable energy.

**Chapter 16: Taxation***Meaning for Croatia:*

- Legislation is in line with EU *acquis*, further requirements in VAT, reduced rates and exemptions, free zones and special schemes needed.

**Chapter 17: Economic and monetary policy**

- Monetary policy
  - Economic policy
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*Meaning for Croatia:*

- Pre-accession economic programme 2011-2013 shows consistent macroeconomic and fiscal framework.

**Chapter 18: Statistics**

- Statistical infrastructure

*Meaning for Croatia:*

- Central Bureau of Statistics and additional recruitment.

**Chapter 19: Social policy and employment**

- Labor law
- Health and safety at work
- Social dialogue
- Anti-discrimination and equal opportunities

*Meaning for Croatia:*

- Country court established for work-related disputes.
- Amendments of Labor Act.
- Labor inspectors dealing with health and safety.
- Economic and Social Council.
- Preparation for European Social Fund.

**Chapter 20: Enterprise and industrial policy**

- Policy making
- Implementing agencies

*Meaning for Croatia:*

- Implementing of Industrial Policy Strategy Participates in Europe Enterprise Network.
- Adopted four-year Operation Plan (wood industry).

**Chapter 21: Trans-European networks***Meaning for Croatia:*

- Cooperation under Memorandum of Understanding on development of South-East Europe Core Regional Transport Network.
- Continued implementing of the multi-annual development plan for South-East Europe Transport Observatory.

**Chapter 22: Regional policy and coordination of structural instruments***Meaning for Croatia:*

- Legislative framework to ensure full compatibility of operations financed by Structural and Cohesion funds with EU policy in place.
- New law on public procurement adopted.

### **Chapter 23: Judiciary and fundamental rights**

- Judiciary
- Anti-corruption policy
- Fundamental rights
- Citizens' rights

#### *Meaning for Croatia:*

- New Judicial Reform Strategy adopted for 2011-2015 period.
- Independence of Judiciary.
- Implementation of uniform, transparent, objective and nationally applicable criteria for appointing judges and prosecutors.
- Implementation of anti-corruption strategy.

### **Chapter 24: Justice, freedom and security**

- Schengen and external borders
- Visa policy
- Asylum
- Police cooperation and fight against organized crimes

#### *Meaning for Croatia:*

- Implementing legislation from the Act on Amendments to the Asylum Act adopted.
- New Asylum Act provides several rights in favor of refugees and persons under subsidiary protection.
- New Aliens Act – transposing EU Visa Code prepared.
- Strengthening of border police.
- Agreements with Slovakia and Montenegro for fight against corruption.

### **Chapter 25: Science and research**

#### *Meaning for Croatia:*

- Participate in Seventh EU Research Framework Programme.
- To integrate European Research Area.

### **Chapter 26: Education and culture**

- Education and training
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*Meaning for Croatia:*

- Participates in strategic framework for European cooperation in education and training.

**Chapter 27: Environment**

- Air and water quality
- Waste management
- Nature protection

*Meaning for Croatia:*

- Implemented legislation relating to reduction of emissions of Volatile Organic Compounds from petrol stations.
- Adopted a plan of measures for sudden and unforeseen cases of water pollution.
- Set of legislation to improve implementation of Water Act and Water Management Financing Act adopted.

**Chapter 28: Consumer and health protection**

- Market surveillance
- Non-safety related measures
- Public health

*Meaning for Croatia:*

- Regional counseling centres.

**Chapter 29: Customs union**

- Administrative and operational capacity

*Meaning for Croatia:*

- Customs Administrative implemented new Business Strategy and Anti-Corruption programme.
- New equipments for customs control.

**Chapter 30: External relations**

- Common commercial policy
- Development policy and humanitarian aid

*Meaning for Croatia:*

- Cooperates and coordinates with Commission to align itself with EU policies and positions towards third countries.
- Bilateral trade and investment agreements with third countries.
- Participates in Central European Free Trade Agreement.

**Chapter 31: Foreign, security and defence policy**

- Policy instruments

*Meaning for Croatia:*

- Implemented sanctions introduced by EU.
- Member of UN, OSCE, Council of Europe and NATO – maintaining its involvement in policy-making.

**Chapter 32: Financial control**

- Public internal financial control
- External audit
- Protection of EC financial interest

*Meaning for Croatia:*

- Action plan for further development of financial management and control systems adopted.
- Fiscal Responsibility Act entered into force.
- State Audit Office continues to implement its Strategic Plan, and new auditor general appointed by parliament.
- Implementation of National Anti-Fraud Strategy and Action Plan.

**Chapter 33: Financial and budgetary provisions**

- National budget formulation and execution.
- Own resources.

**Chapter 34: Institutions****Chapter 35: Other issues**

(European Commission, 2011, 'Croatia 2011 Progress Report', p.25-65)