



“Croatia on the Eve of the EU Accession: the Path of Reform”
Zagreb, 29th and 30th of April 2010

Report on the Conference

In the opening part of the conference “Croatia on the Eve of the EU Accession: the Path of Reform” all participants have strongly supported upcoming Croatian EU membership that will have positive catalytic effect on the whole region of South-East Europe (SEE). Mr. Hannes Swoboda, European Parliament's Rapporteur on Croatia, in his video message stated that the EU acknowledges Croatian reforms and efforts in the negotiation process although further endeavors are still needed in the fields of judiciary, public administration, fight against corruption and competition policy. Subsequently, representatives of Spanish and French governments stated firm support for Croatian EU membership and encouraged further reforms on that path. Mrs. Ursula Plassnik, former Austrian Minister of Foreign Affairs, argued on behalf of strong improvements that Croatia made since opening of its negotiations in 2005 and wished a warm reception of Croatia as the EU's 28th Member State. Finally, Croatian Minister of Justice, Mr. Ivan Šimonović claimed that despite the fact that negotiations with the EU are still blocked in chapter 23 “Judiciary and the Fundamental Human Rights”, Croatia accomplished good results in establishing fast, impartial and accessible judicial system with the series of reforms that were further elaborated at the conference. Mr. Šimonović's conclusion emitted strong political message in the area that according to various commentators represents one of the last major obstacles before the full Croatian EU membership.

Mrs. Vesna Pusić, President of the National Committee for Monitoring the EU Accession Negotiations, opened the conference's 1st session “On the Way towards Democracy” with the lecture about the Croatian parliamentary supervision over the accession negotiations with the EU. She emphasized political consensus between political parties that exists about Croatian accession to the EU and the role of Croatian Parliament in the accession process that is evident in adoption of necessary laws which are harmonized with *acquis communautaire*. Furthermore, cooperation with the ICTY is stressed as the best example of political consensus regarding the EU accession, since instead of being political this is now purely technical question. Mrs. Pusić also stressed the future role of Croatian Parliament after the EU accession because Lisbon Treaty strengthened the importance of the national parliaments in the entire EU policy process. Finally, she noted that continuation of overall reforms, particularly improvement of administrative capacities and the process of selection of judges, represent issues of utmost importance for Croatia.

Mr. Vedran Džihčić, political scientist from the Institute for Political Science in Vienna, delivered lecture about the crisis of representative democracy in Croatia. He claimed that despite strong Europeanization of political elites, the rest of Croatian society feels deep mistrust and skepticism towards the upcoming EU membership, political parties and institutions in general. Therefore he concluded that the Europeanization process has not generated wider public support for the EU membership and reforms needed to be undertaken as a part of that process. The lecture pointed towards the importance of civil society for transitional democracies that was also elaborated in the following presentation submitted by Mr. Ivan Vejvoda, director of the Balkan Trust for Democracy from Belgrade. Mr. Vejvoda emphasized the fundamental role of civil society for development of participative political culture and creation of positive societal climate towards reforms. Democracy as such has to be “seized” and fulfilled day by day and vital civil society represents an indispensable asset in achieving this. The first panel was concluded with an analysis of Croatian political system from the EU perspective. Mr. Guy Legras, former EU Director General of External Relations and advisor to the Croatian Prime Minister, claimed that democracy in Croatia follows the Copenhagen criteria and EU norms. In some cases it even embodies the best EU practices like for instance with the parliamentary oversight of the EU negotiations. Nevertheless, despite the overall positive remarks regarding democratic development, further efforts are still needed in the fields of judiciary, state administration and particularly in communication of the EU accession aspects. The whole EU integration process has to be better communicated as this is the strongest device against the widespread misperception and skepticism. The role of the civil society within this enhanced discussion and dissemination is essential.

At the second panel “Reforming Police and Justice” Mr. Kristijan Turkalj, Director of the Directorate for European Union and International Cooperation at the Croatian Ministry of Justice, analyzed the temporary state of play in the Chapter 23 of the *acquis*. He evaluated series of improvements achieved by the Ministry of Justice that cover establishment of objective and transparent criteria for career advance of judges. One of the main vehicles of that achievement is through foundation of Judicial Academia as an independent public institution for education and improvement of judges. Furthermore, besides upgrading of professional standards and education for judges, second important contribution is related with the increased efficiency of the judicial system. The number of unresolved judicial cases has been decreased and the time duration of temporary ones has been lowered. The rationalization system of the courts has been launched that aims to diversify and dampen the pressures on some particular courts and better allocate judicial resources. The third important contribution deals with fight against corruption. The 2009 marked tremendous success in combating this political pathology as corruption cases became prioritized and the whole necessary legal infrastructure was upgraded. That meant firstly establishment of the USKOK's vertical system in which Ministries of Justice and Interior Affairs cooperate closely with the State Attorney and secondly new Criminal Procedure Act that empowered state structures in fight against corruption. Finally, further strengthening of efficiency and impartiality of judicial system remains absolute priority. Mr. Turkalj also stressed the upcoming challenge regarding the Croatian joining of the EU zone of justice, freedom and security. This means that Croatia will become part of the Schengen zone that implies adoption of the EU immigration and asylum policy. Moreover, that also means increased pressure from illegal migrations on Croatia with

affiliated threats like organized crime, smuggling of drugs and people and even terrorism. This new dynamism demands regional cooperation in police and justice affairs since the question of migration management has to be dealt from the regional perspective.

The 2nd conference session “Towards better Governance of the State and the Economy” was opened with the panel dealing with the improvement of the state governance in Croatia and the broader region. Professor at the Faculty of Political Science in Zagreb, Mr. Damir Grubiša elaborated six meanings of the concept Europeanization and the process of catching-up of Croatian political elites that were one decade late in comparison with their Central European counterparts. State Secretary from the Ministry of Public Administration, Mr. Davor Ljubanović, summarized the reform activities towards the establishment of efficient and professionalized public administration. Finally, the presentation by Mr. Bertrand Rioust de Largentaye, counselor at the European Commission’s Delegation to the OECD and UNESCO, talked about the lessons learned from the application of the SIGMA Programme, which envisaged the support for the EU neighborhood in building government capacity and management.

Public sector as essential partner of the private sector and indispensable device in dealing with the crisis represented a central topic of the following panel “Handling the Economic Crisis and Guaranteeing more sustainable Growth?” Mrs. Eliane Mossé, counsellor of the Austro-French Centre at the French Institute for International Relations, claimed that this economic crisis is atypical one in comparison with some previous recessions like for example during the 1970s because the recovery is weak and followed by unemployment and increased public debts. There are several scenarios about the outcome of the crisis but what is for sure now is the limited capability of the states to further boost demand with public money. She expressed concerns that the desired transparency in the financial sector has not occurred as activities of the hedge funds flourish again with the large sum of available public money. Regarding perspectives of the states in South Eastern Europe, she claimed the overall EU incapacity to be an economic locomotive for the region. Nevertheless, the region and Croatia in particular have not been hit so hard like for example Baltic States so the perspectives for the recovery in Croatia are still feasible although they depend on three sets of measures. That means primarily necessary reforms in the public sector that has to get added value and become valuable asset of the economic growth. Second set of measures is the improvement of the trade balance and fostering export throughout modernization of the industrial sector and definition of the mid-term industrial strategy, improvement of the labour force skills and better public-private partnership. Finally the third set of measures of the exit strategy covers tourism and agriculture sector. Tourism has to be developed on a higher scale with the new high-valued niches while agriculture should become more competitive, skilled and market oriented. In these sectors, the usage of the EU pre-accession and structural funds is crucial as they can upgrade the level of competitiveness within crucial sectors like agriculture for instance.

Mr. Zdeslav Šantić, chief economist at Splitska Banka, revealed the main reasons of Croatian economic downturn as big dependency on state's infrastructure investments and

domestic consumption fueled with borrowed money has not produced solid ground for sustainable economic growth. Current problems of the Croatian economy are low employment level among the working force that is on the European bottom, high tax burden and unfavorable business environment all of which restrains private sector activities. Apart from these current trends, the future challenges for Croatian economy are even more serious as they include rise in energy prices, higher cost and lesser availability of international capital, aging of the population, absence of the highly skilled working force and competitive pressures from the region and Asia. This will further deteriorate structure of the Croatian export and erode its competitiveness basis unless major structural reforms will be implemented in the following period. Reforms have to cover public administration, pension, health and social system and labour market. Furthermore, fiscal reforms have to release the untapped potential of the private sector, stimulate entrepreneurship and lower the labour costs. One of the fiscal measures proposed by Mr. Šantić is capital and property taxation. These reforms have to be successfully implemented in a coherent and embracing manner along the longer period of time if Croatia wants to secure healthy economic basis and avoid Greek scenario.

Mrs. Andrea Mervar, senior research associate of the Institute of Economics in Zagreb stated that Croatian recovery will be weaker than the Central European one due to the decline in domestic consumption, infrastructure activities and industrial production. Recovery will start only in 2011 as the GDP prognosis for Croatia in 2010 is the decline of -0,7%. Mr. Vladimir Gligorov, prominent expert from the Vienna Institute for International Economic Studies pointed that the entire public indebtedness crisis in Greece is bottom line crisis of competitiveness. He stated that the measures of the Croatian government for the economic recovery are like “reading the Hamlet without the Danish prince” that means that they don’t foster enough questions of competitiveness and upgrading of production basis. Croatian public debt is stable and presently around 40% of the GDP but the real issues are questions of competitiveness and sources of growth and not indebtedness as such. Possible answers to this situation are restructuring of the public sector and stronger regional cooperation.

The third conference session “Croatia and its International Environment” started with the panel “Croatia's contribution to the Europe of Tomorrow” chaired by Mrs. Višnja Samardžija, Head of the European Integration Department at the Institute for International Relations (IMO). Mr. Vladimir Drobnyak, Chief Negotiator for Accession Negotiations, opened the panel claiming that Croatia will contribute to the EU with its four values: geography, people, policy and experience. Croatia is the only European country that is both Danube and Mediterranean state. This has a huge economic importance because of the sea ports and traffic corridors for the landlocked countries of Central Europe. Thus, Croatia represents natural juncture between the Central and South-East Europe. Regarding the contribution of the people, Croats live in great numbers throughout Europe where they are appreciated as hard and skillful workers. Also, Croatia possesses innovative culture and scientific potential that can flourish once we join the EU. Policy aspect relates to the strong Croatian involvement in regional cooperation and its devotion to further strengthen regional initiatives. Finally, Croatia will be the only EU member state that has passed through the process of post-conflict building

and management that will have huge importance for the CSDP and EU peace-building missions around the world.

The relevance of Croatian experience in dealing with its regional neighbors was restated by Ms. Henriette Riegler, senior researcher from the Austrian Institute for International Affairs. She claimed that the region is an important area for European security where Croatia can play very constructive role. Nevertheless, she also stressed that besides regional dimension, the future Croatian EU membership will have multilevel and complex character in which important thing would be the definition and enhancement of national interests. In this context she noted that the recent Slovenian blocking of Croatia was purely motivated with its national interest. Mr. Arnaud Danjean, member of European Parliament and the chairman of the Security and Defence Sub-Committee of the European Parliament also focused on the future diversified role of Croatian policy. Namely, Croatia does not have to be only the “spokesman of the region” despite the important role of being an anchor of regional stability. The EU foreign policy received an additional boost with the Lisbon Treaty and the European External Action Service after successful decade marked with CSDP missions across the world. It is clear that the EU's answer towards the global threats has to be stronger based on a greater coherence and usage of resources. An important role within this architecture is already played by Croatia as it participates in different CSDP military and civil missions. Those missions are an important vehicle of better knowing of the Union because the EU project is in its essence a two way street.

Main leitmotif of this panel was the fact that Croatia has to think strategically about its future role as the EU member. This message was particularly emphasized by Mr. David Hudson, Head of Political Section at the Delegation of the EU to Croatia. He expressed his opinion that Croatia will be surprised with the level of its contribution to the EU and with the new opportunities and possibilities for its affirmation in the both EU internal and domestic field. For example, as Croatia particularly understands the Western Balkan region, it can play the same role as Poland plays for the EU in its relations with Eastern Neighbors or it can shape the particular regional voice within the EU that will be similar to the Nordic dimension within the Union. Also, Croatia nurtures special heritage and historical links with the Non-Alignment Movement that can also be used for the EU benefit. However, Croatia can contribute not only to the external dimension but it can asset added value on the whole set of other EU policies in issues covering energy corridors, visa-regime, environment and tourism due to its geographical position and economy. It is essential to find specific niches, areas in which Croatia can become specialized and contribute with its developed expertise. Croatia has vast potential and the EU accession can only boost dynamism and the flow of new ideas that the Union always seeks to attract. This role is complementary with the Croatian position in the Mediterranean Union that was a topic of the lecture given by Mr. Jean-Claude Pasty, President of External Relations Section at French Economic and Social Council. Mediterranean Union fosters closer cooperation in political, economic, ecological and cultural areas across the basin where Croatia has vital interests due to its maritime orientation and the importance of renewable energy and ecological protection for its economic growth.

Lecture about the Mediterranean Union marked transition to the last panel of the third conference session “Croatia's position to the Balkan Region” chaired by Mr. Mladen Staničić,

Head of the Department for International Economic and Political Relations at the IMO. Ms. Dunja Jevak, Head of the Department for Bosnia and Herzegovina, Montenegro and Serbia at the Ministry of Foreign Affairs and European Integration (MFAEI), restated the importance of the Croatia for regional stability seen both throughout regional incentives that Croatia supports and NATO membership. Future challenges ahead of Croatia and the region are continuation of the reforms, suppressing corruption and tackling economic crisis together with the issues of refugees return and war crimes prosecution. Mr. Aleksander Nikoloski, Head of the Macedonian Delegation in the Parliamentary Assembly of the Council of Europe, analyzed the similarities between regional bilateral disputes of Croatia and Slovenia and Macedonia and Greece. Both disputes have historical roots and in both cases the EU has showed its incapacity to find mechanism in which bilateral questions would not impede the EU accession process. In this sense Macedonia still waits the opening of the EU negotiations because despite the Commission's suggestion in 2009 to the European Council to open negotiations with Macedonia, Greek veto suppressed that possibility. This is directly opposite to the accession of Greece when Commission was against the opening of the negotiations, but the European Council proceeded with it.

H. E. Karel Kühnl, Ambassador of the Czech Republic to Croatia, expressed hope that the EU membership will mean full adoption of the “culture of compromise” and elimination of the “culture of lies” in which Croatia has special role as the forerunner of the region. EU enlargement and development depend highly on the regional cooperation and building up of the human potential that was a topic delivered by Mr. Mladen Dragašević, a Head of Building Human Capital and Cross-Cutting Issues Unit in the Regional Cooperation Council (RCC). RCC represents a milestone in the regional cooperation because for the first time it develops full ownership of the process by regional states. It was launched two years ago and it already represents a big success throughout efficient coordination between governments. The main task of the RCC is to pool regional resources and foster regional political, economic and social development in close cooperation with the EU goals and objectives. Thus, RCC is a platform in which SEE regional interests converge with the major EU interests in the region. In that sense RCC serves as a fora in which government officials collaborate with business community, experts and civil society in fields of energy, infrastructure, justice and home affairs and economic development. Finally, one of the most important prerequisites for growth is the human capital improvement in which RCC fosters cooperation in the issues of R&D, innovation and higher education reform. Mr. Dragašević expressed hope that Croatia will strengthen its leadership role after the EU accession because Croatia currently participates in 34 different regional initiatives. H. E. Johannes Eigner, Head of the EU Enlargement and ENP Department at the Austrian Federal Ministry of European and International Affairs gave a wider perspective about the EU future of the region where after Macedonia, the next country most likely to get the candidate status for the EU membership is Montenegro. Regarding Serbia, there is no consensus about its status in the European Council as its path to the EU most directly depends on the full cooperation with the ICTY. Finally, Albania and Bosnia and Herzegovina should proceed with their reforms but after Croatia there will definitely be no further EU enlargement in the region before the end of this decade.

Conclusion speeches were given by Mr. Andrej Plenković, State Secretary for European Integration at the MFAEI and H. E. Peter Jankowitsch, Secretary General of the Austro-French Centre. Mr. Plenković emphasized the political context of Croatia's Accession to the EU in the wider EU context. He argued that Croatia faced much more unfavorable political conditions for the EU accession than the Central European states and that the EU should evaluate these Croatian efforts in general. Contrarily to the favorable enlargement climate in 2004 both among the EU elites and societies and prepared institutional architecture consisted in the Nice Treaty, Croatia started its negotiations in the midst of the enlargement fatigue and after negative referendums in France and Netherlands. Without firm institutional guarantee of its place in the EU that came only in the December of 2009 with the adoption of the Lisbon Treaty, Croatia opened its negotiations with perception of the EU as a moving target. Croatian negotiations are the most rigorous ones in the history of the EU enlargement because Croatia negotiates alone which decreases its negotiation power. Furthermore, it negotiates about increased *acquis* and bigger number of chapters while the whole negotiations methodology has been changed. European Commission after experiences with Bulgaria and Romania decided to make the negotiation process much stricter with the introduction of benchmarks, instrument used for the first time in Croatian case. Opposite to the Central European states, Croatia has to fulfill EU criteria and standards just to start the negotiation process (opening benchmarks) that is a novelty in the EU affairs. Finally, Croatia will be the first country part of the Stabilization and Accession Process to accede the EU. This is a precedent both for the region and the EU because apart from ordinary Copenhagen criteria, Croatia has to fulfill criteria of the Stabilization and Accession Process like full cooperation with the ICTY, return of the refugees, prosecution of war crimes and regional cooperation. Furthermore, additional two obstacles hit Croatia during the 2008. Firstly the global financial crisis caused worldwide economic downturn with the negative impact for the EU economy as well. Therefore the momentum of the upcoming Croatian EU accession has no similarity with flourishing of the global economy during the mid of 2000s. Secondly, the Slovenian blockade regarding the border dispute stalled the entire negotiation process for one year. Therefore, Croatian path to the EU is actually in many cases *sui generis* for both the EU and the candidate countries. No state faced such a strict criteria being at the same time burdened by regional heritage, world biggest economic slump in the last 70 years and the most cautious European Union ever regarding the enlargement since the fall of communism. Main message of Mr. Plenković's speech was that the EU has to take into account this political optic and the scope of burden Croatia has faced. The negotiation process entered the final phase so Croatia deserves fair acknowledgment of its entire efforts on this path.

In his final words, Mr. Jankowitsch expressed gratefulness towards the lecturers and participants in making the conference a big success. He appreciated the efforts of the Croatian partners that helped with the conference organization, namely Institute for International Relations (IMO) and Croatian Centre for the Renewal of Culture (COK) and expressed a wish that soon he will not visit Croatia as the candidate country but as the full EU Member State.

This report is prepared by **Saša Čvrljak**, Research Fellow at the Institute for International Relations in Zagreb, Croatia