

Zentrum für Europäische Integrationsforschung  
Center for European Integration Studies  
Rheinische Friedrich Wilhelms-Universität Bonn



Ivo Sanader

# **Croatia's Course of Action to Achieve EU Membership**

**Discussion Paper**

**C 59  
1999**

Dr. Ivo Sanader, born 1953, is Deputy Foreign Minister of the Republic of Croatia since 1996. He received his PhD-degree in Comparative Literature and Romance languages and literature at the Universität Innsbruck. In the Parliamentary elections of 1992 he was elected Member of the deputy chamber of the Croatian Parliament and served as minister in different portfolios. From 1995-1996, he was the head of the Office of the President of Croatia and Secretary General of the National Defence and Security Council.

*Ivo Sanader*

## **Croatia's Course of Action to Achieve EU Membership**

### **1. *Foreign policy orientation of the Republic of Croatia***

Working towards membership in the EU has been one of the main goals of Croatian foreign policy strategy ever since the country became independent and internationally recognised in 1991 and 1992. While firmly pursuing its Euro-Atlantic priorities vis-à-vis the EU and NATO in the 1990's, Croatia was forced, for a number of complex reasons, to concentrate primarily on resolving domestic issues, i.e., defending itself from aggression, liberating the occupied territories, achieving territorial integrity and re-establishing authority over its entire territory. At the same time, Croatia supported efforts to achieve peace and stability in neighbouring Bosnia and Herzegovina (B-H).

The Croatian Government's goal to adjust its institutions to those of the EU as quickly as possible is shared by the overwhelming majority of political parties in Croatia. Moreover, there is broad national consensus on the necessity to move closer to the EU. This includes economic, scientific and professional circles as well as representatives of civil groups.

Croatia experienced its key democratic transformation in the first democratic elections in 1990 when it ousted the single-party dictatorship and endorsed a pluralistic multiparty system. Unlike most of the other states in Central and Eastern Europe, Croatia is going through a double transi-

tion: the usual transition from a planned to a free market economy and, in addition, the transition from a defence-oriented wartime economy to a peacetime one.

The completion of the peaceful reintegration of the Croatian Danube region on 15 January 1998 marked the actual beginning of peacetime development, including the foreign policy of gradually creating conditions to intensify activities aimed at moving closer towards the EU.

Over the past years, Croatia has established good, even partner-like relations with international peacekeeping and monitoring missions as a result of its co-operative attitude and transparent co-operation with the international community within the framework of the crisis management for countries of the former Socialist Federative Republic of Yugoslavia (SFRY). To date the following UN missions have operated in Croatia: the United Nations Protection Force (UNPROFOR), the United Nations Confidence Restoration Operation in Croatia (UNCRO), the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES), the United Nations Police Support Group (UNPSG) and the United Nations Mission of Observers in Prevlaka (UNMOP), the latter of which is still active. In addition, the European Community Monitor Mission has been present in Croatia since 1991, and during the past few years the OSCE has been primarily responsible for monitoring the work of the police in the Croatian Danube region, ensuring that life is normalising in the liberated areas, and monitoring the democratisation process.

When it comes to regional stability, Croatia has played a significant role in creating the conditions that led to the signing of the 1995 Dayton Peace Accords for B-H. In this regard, Croatia continues to fully support the implementation of the Accords, which, together with the Washington Accords, guarantee a peaceful and stable development, while extending reliable protection to and ensuring the survival of the Croatian population in B-H as one of the three constituent peoples of that country.

By signing the Agreement on the Normalisation of Relations with the Federal Republic of Yugoslavia (FRY), Croatia boldly initiated the sensitive process of regulating its relations with the very country that started the aggression that resulted in such grave consequences for Croatia and its people.

Since the beginning of the activities of SFOR and IFOR in B-H, Croatia has given them logistic and political support, thus confirming its strategic role as a generator of peace and unavoidable factor of stability in the region.

Having become a member of the OSCE in 1992, Croatia took a big step forward in 1996 by being admitted to the Council of Europe as its fortieth Member State. This in itself acknowledges the fact that Croatia is dedicated to consolidating democracy, the rule of law and the protection of human rights.

Upon its admission to the Council of Europe, Croatia signed the basic conventions, the most important of which is the European Convention for the Protection of Human Rights and Fundamental Freedoms. In addition, Croatia undertook a number of commitments whose fulfilment is monitored by the Parliamentary Assembly and the Committee of Ministers of the Council of Europe.

As the presiding state of the Central European Initiative (CEI) in 1998, Croatia showed with its constructive approach that it is strategically interested in developing regional co-operation and good neighbourly relations. Croatia has also attempted to reinforce the political dialogue between the CEI and the EU, thus significantly reaffirming its Central-European orientation and identity. In the year 2000, Croatia will take over the presidency of the Working Group of the Danube Regions, which will serve as an excellent opportunity to internationally promote its role as a Danube State and show others the peacetime atmosphere of the region at large.

Supporting the idea of the Republic of Italy to establish an Adriatic Initiative, Croatia is still fully engaged in the preparatory activities to institu-

tionalise co-operation in the Adriatic and Ionian Seas. Similarly, Croatia actively participates in the preparation of further reforms to be carried out by the Alpin-Adriatic Working Group, of which it has been a member since 1978.

Croatia is undertaking efforts to complete negotiations on its admission to the World Trade Organisation (WTO) by the end of 1999. Realisation of this important goal will provide new impetus for the conclusion of free trade agreements with the Member States of the Central European Free Trade Agreement (CEFTA), one of the priorities of Croatia.

In light of new developments in the region in 1999, Croatia hopes to improve current relations with the EU by intensifying political dialogue and technical assistance, with the aim of establishing contractual relations in the near future.

## ***2. Relations between the Republic of Croatia and the European Union up to 1999***

With the tectonic changes in the geopolitical map of Europe, commencing with the fall of the Berlin wall in 1989 and the collapse of the complete socialist system in Central and Eastern Europe, the new democracies turned to Western Europe with the intention of adopting its institutions. Under such circumstances, the EU (i.e. the EC) closely followed the respective processes by means of which the individual states acquired independence or former federations were dissolved, establishing certain requirements which all new states had to meet, on equal terms, in order to gain international recognition.

As regards the dissolution of the former SFRY in 1991, the EC played an important role in the attempt to prevent conflicts and find a solution to the looming crisis. Regarding the issue as a predominantly European one, the EC practised preventive diplomacy by engaging mechanisms of the European Political Co-operation, making frequent Troika visits, and presenting

various proposals, all in an attempt to prevent the conflict from escalating and spreading.

Regretfully, these efforts remained futile despite the good will. Serbian (Yugoslav) aggression struck heavily first in Slovenia, then in Croatia, B-H, and more recently and hopefully for the last time, in Kosovo. From the viewpoint of the EC, the timing of the crisis in the former SFRY could not have been worse. At that time the EC Member States were entering the final round of negotiations on the Maastricht Treaty on the European Union.

Further involvement of the EC (i.e. the EU) in resolving the crisis occurred within the framework of the Peace Conferences on the former SFRY to which it appointed peace mediators, first the British diplomats Peter Carrington and David Owen, and finally the Swedish diplomat Carl Bildt.

Based on the opinions of the Badinter Commission, strong political support from individual EC Member States and the general agreement that the specified requirements had been met, the then twelve EC Member States recognised Croatia and Slovenia as sovereign states on 15 January 1992.

In the autumn of 1991, the European Community Monitor Mission (ECMM) for the former SFRY was established for the purpose of gathering information on conditions in the field. The delegates came from the ranks of the then Conference for Security and Co-operation in Europe (CSCE) to the EC Member States; however, monitors from other CSCE Members States also participated. During the Austrian Presidency of the EU, a Memorandum of Understanding in respect of the ECMM activities in Croatia was signed in December 1998. Among other things, the preamble stressed the need to continue developing mutual political and economic activities and intensify the political dialogue.

Since Croatia has no contractual relations with the EU and the 1980 Co-operation Agreement with the former SFRY was rescinded by a decision

of the EU Council of Ministers of 25 November 1991 (under which Croatia had some institutional contacts with the EC in its capacity as one of the republics of former Yugoslavia), mutual trade relations are regulated by unilateral provisions of the EU Council of Ministers. That is to say, since 1992, the EC, i.e. EU Council of Ministers has regularly renewed the autonomous trade preferences at the beginning of each year.

In regard to the PHARE programme, the most important instrument of EU assistance to countries in transition in Central and Eastern Europe, it should be noted that Croatia was among the few states that could not benefit from these funds throughout the 1990's. It was only during the short period between the two military and police operations "Flash" and "Storm", which liberated occupied territories, that Croatia was formally a beneficiary of PHARE funds, i.e., between 12 June 1995 and 4 August 1995. However, despite thorough preparations by Croatia, co-ordinated by the then National PHARE Co-ordinator and later by Prime Minister Zlatko Mateša in co-operation with EU experts, the Memorandum signed with the European Commission in respect to certain projects, primarily for the infrastructure, was never implemented.

The Co-operation Agreement between Croatia and the EU experienced a similar fate. After several rounds of negotiations, only a small number of open issues remained relating to lists of goods in the Annexes to the Agreement. At that time the EU Council of Ministers unilaterally froze implementation of the PHARE programme in Croatia by virtue of a decision of 4 August 1995, as a result of which negotiations on the Co-operation Agreement were suspended. The then Draft Co-operation Agreement was a somewhat more elaborate version of the first generation of agreements which the EU (pursuant to Art. 113 of the Treaty establishing the EEC) concluded with Central and Eastern European states, e.g. with Slovenia in 1993. However, unlike the Slovenian draft, at the time the negotiations were suspended, consensus could not be reached on the so-called evolution clause, which implies the eventual conclusion of

an Association Agreement. This was due primarily to resistance on the part of the European Commission.

The chief negotiators on behalf of Croatia were the Minister of Foreign Affairs, Dr. Mate Granić, his Deputy, Dr. Ivo Sanader, and the then Assistant Foreign Minister, Davor Štern. The Ministry of Foreign Affairs acted as the main national agency responsible for co-ordinating political and operative activities connected with the EU. Pursuant to the above-mentioned decision of the Government, the Foreign Policy Co-ordination played an important role in preparing materials for a similar but extended Croatian negotiating team.

After the signing of the Dayton-Paris Peace Agreement, the EU inaugurated the Process of Good-neighbourliness and Co-operation known as the Royaumont Process. Croatia was actively involved in the activities from the very beginning, with palpable results achieved in the co-operation between NGOs, media and scientific groups.

In recent years, the EU and individual EU Member States have given Croatia valuable humanitarian aid, as well as financial assistance to help rebuild the areas devastated during the war. In this sense, the EU Member States were the most generous donors at the Conference for the Reconstruction and Development of the Republic of Croatia held in December 1998. According to the latest information of the European Commission, the EU allocated 349.7 million Euro during the period from 1991 to 1999, and the Member States bilaterally a total of 1165.9 million Euro (1990-1997), i.e., a total of 1515.6 million Euro. Another 511.0 million Euro from the European Bank for Reconstruction and Development should be added to this figure. It should be noted that Croatia benefited neither from PHARE funds nor from EIB loans. Furthermore, Croatia's received no direct assistance from the European Union to offset its balance of payments.

Since 1996, political relations between Croatia and the EU have been dominated by the regional policy approach adopted by the EU for the states of Southeast Europe: Croatia, B-H, Yugoslavia, Macedonia and

Albania. The main goal of the regional policy is to achieve peace and stability in the region, while attempting to effectively implement the Dayton and Erdut Agreements.

As set forth in a proposal of the European Commission, in April 1997 the Council of Ministers adopted decisions for applying the “Regional Approach to the Southeast European States” in which the general requirements for all states are defined and the specific requirements for each individual state as it passes through the three preparatory stages in its relations with the EU (autonomous trade preferences, PHARE Programme and Co-operation Agreement).

To retain the status of autonomous trade preferences, it is necessary to make progress in consolidating democracy, practising the rule of law, guaranteeing human and minority rights, and developing a market economy.

To be admitted to the PHARE programme, Croatia must demonstrate its intention to carry out democratic reforms, adhere to the generally acknowledged standards of human and minority rights, fulfil obligations from peace agreements, co-operate with the ICTY, revise the agreements between Croatia and the Federation of B-H to bring them in line with the Dayton Accords, respect human and minority rights, create real possibilities for the return of refugees and displaced persons, carry out economic reforms, co-operate with the neighbouring states and practice open relations, including the free movement of persons and goods.

The general conditions for concluding a Co-operation Agreement include: 1) creating conditions for the return of refugees and displaced persons, 2) readmitting nationals currently in the EU Member States, 3) co-operating with the ICTY, 4) carrying out democratic reforms and respecting human and minority rights, 5) guaranteeing free elections, 6) guaranteeing non-discrimination of minorities, 7) ensuring non-discrimination of the independent media; 8) implementing the first phases of the economic reforms, 9) practising good neighbourly and open relations with the states in the

region, 10) revising the agreements between the Federation of B-H and Croatia to conform with the Dayton Accords.

In addition to the above requirements, Croatia must fulfil the following specific conditions in order to be eligible to conclude a Co-operation Agreement: 1) meet the obligations arising from the Basic Agreement and from the co-operation with OSCE and UNTAES, 2) open customs border-crossings between Croatia and the Republika Srpska of B-H, 3) exert pressure on the Croats in B-H to dissolve the institutions of Herzeg-Bosnia, support the Federation of B-H and co-operate with the ICTY.

Croatia has taken action to resolve all the matters related to these issues, as a result of which it has succeeded in fulfilling the above-mentioned conditions specified by the EU. Although there is still room for progress in some areas, there is nothing to support allegations that the Croatian Government's efforts to improve the general situation in the country are insufficient. This also applies in regard to its efforts to improve all aspects of its relations with the neighbouring states.

The semi-annual reports of the European Commission and subsequent adoption of the decisions of the EU Council of Ministers opened up only two opportunities for the said states to truly make progress in the institutionalisation of their respective relations with the EU within a period of one year.

As regards institutional preparations to strengthen relations with the EU, considerable progress was made in 1998 when the Office for European Integration and the European Integration Co-ordination were established, thus creating an effective mechanism at the level of the Croatian Government to focus on improving relations with the EU.

At a meeting of the European Council held in December 1998 at Vienna, it was decided that, after the Treaty of Amsterdam enters into force, work should commence on shaping a Common Strategy for the Western Balkans in the form of a new instrument of the Common EU Foreign and Security Policies. Although geographically a part of Central Europe,

Croatia found itself in this group of countries due to its important and constructive role in the political stabilisation of the neighbouring region. This decision of the European Council clearly reflects the great importance the EU attributes to regulating its relations to the states included in this regional approach. Moreover, it also implies that within the EU the belief is emerging that certain modifications are needed in the current policy toward these states.

### **3. Croatia and the EU regional approach**

Given these circumstances, the Croatian policy is to try to establish good partnership relations with all EU countries and, at the same time, regulate them contractually. On the other hand, the pace of Croatia's rapprochement to the EU is dependent on the so-called policy of conditionality that is part of its regional policy approach. The Croatian Government is aware that EU relations to third countries are generally subject to such political approach. In other words, this policy does not focus exclusively on the East-European or Western Balkan countries (the latest *terminus technicus!*). Croatia is also included in this category of Western Balkan states, although it in fact fulfils the EU criteria for Central European countries. The reasons for such classification are first and foremost the Dayton Accords and the efforts to keep the peace process in B-H on track, where Croatia is needed as a stabilising factor. In addition, as mentioned above, relations between Croatia and the EU are not regulated by contract.

Moreover, the decisions by the Council of Ministers of 29 April 1997 also contain a series of conditions that can easily be identified within the framework of the Copenhagen criteria. This includes emphasis on the principles of democracy, the rule of law, the protection of human and minority rights, developing a market economy and regional co-operation. In addition to Croatia's specific commitments arising from the Dayton and Erdut Accords and the requirement that it co-operate with the Hague Tribunal and the OSCE Mission, Croatia must also fulfil the other conditions required of all candidates for EU membership. Unlike the Copenhagen

criteria for EU membership, the so-called "carrot" was the retention of autonomous trade preference, admission to the PHARE programme and only then the signing of the Co-operation Agreement. In this context it is important to stress that the assessment of compliance is ultimately left to the discretion of the EU Member States, based on reports and recommendations of the European Commission. Today, however, Croatian diplomacy has largely succeeded in eliminating some previous tendencies favouring a collective instead of an individual assessment of the countries in Southeast Europe. Such assessment was likely to make Croatia or other country a hostage of the current situation in the region. Anyway, the attitude now appears to prevail among the EU Member States that each country should be considered and evaluated individually, i.e., on its own merits.

The Royaumont process proposed by the EU should also be mentioned in this context. It attempts to encourage good neighbourly relations among the states of Southeast Europe and guarantee stability by initiating advanced co-operation between NGOs and civil groups. This should be achieved above all by gaining support for and implementing the Dayton Peace Agreement. Like the SECI, the Royaumont process is a typical example of regional co-operation backed by leading international players, such as the EU and the USA. In this connection the question arises as to whether the EU would be better advised to support original regional initiatives more actively such as the CEI, instead of introducing a series of new initiatives. This would certainly yield better results. In other words, whenever possible, solutions should not be imposed; they should be found by entering into a dialogue with the countries concerned.

It should be noted that Croatia has reached a stage in its relations with the EU where it enjoys only trade preference. Although the questions of its admission to the PHARE programme and the signing of the Co-operation Agreement were once on the table, they have now been made contingent upon the Stabilisation Agreement and the Stabilisation Pact for Southeast Europe. It is true that a political dialogue is ongoing between Croatia and

the EU; however, in our opinion, it has not yet received the needed impetus, as a result of which the process has evoked a number of adverse economic and political effects.

#### ***4. Insufficient institutionalisation of Croatia's relations with the EU***

The main shortcoming in Croatia's relations with the EU has been the failure to take account of Croatia's economic and cultural adherence to Central Europe. This shortcoming has deprived Croatia economically and to a certain politically, thus raising two questions: 1) Are the resulting hardships for Croatia justified and necessary? 2) Would a different policy achieve better results in the EU's political priorities vis-à-vis Southeast Europe?

##### ***4.1 Adverse effects on the Croatian economy as a result of current EU policy***

The principal negative effect of EU policy to date is the isolation of Croatia from the process of European integration, making it impossible for Croatia to become a viable trading partner in the single market created by the EU Member States, which is accessible to the countries of Central and Eastern Europe having Association Agreements with the EU. Direct adverse effects on the Croatian economy include the following:

- reduced attraction for direct foreign investments,
- insufficient accessibility of Croatia's domestic economy to the global economy, and
- problems in the balance of foreign trade and external debt.

One of the chief factors in attracting foreign investments is the accessibility of goods and services to other domestic or regional markets. The fact that Croatia must compete with the Central European countries that have signed Association Agreements with the EU has led to the practical isola-

tion of Croatia from the West European market, thus making Croatia less attractive for direct foreign investments in comparison with other Central European countries. This in itself has weakened Croatia's ability to join the global economy. Reduced economic co-operation leads to reduced scientific and technical co-operation, which in turn slows down Croatia's scientific and technical development compared to that of the rest of the world.

The result has been an unfavourable balance of trade due largely to the types of Croatian products exported to the EU. A high percentage of exports are resources and products requiring considerable labour (about 50%), i.e., those with a low added value of processing, whereas the percentage of know-how products is negligible (about 3%). Most of the exports include textile products (largely finishing jobs), timber and wood products, oil products, non-ferrous metals, meat and meat products, non-metals, iron, steel and fertilisers.

The problems encountered include not only customs barriers but also the high quality and other standards of West European products. This situation has developed mainly as a result of Croatia's partial isolation from the European market, which is responsible for its lack of appeal to foreign investments, poor contacts with global trading partners, and weakened scientific and technical connections.

The problems that have arisen in the balance of foreign trade and the external debt can be attributed to the same cause. It is in this area that Croatia has achieved the poorest results compared to the first five countries that are candidates for EU membership. These problems are compounded by uncertainty about future trends – again because of Croatia's isolation from the markets of Central and West Europe.

The external debt accounted for 28% of Croatia's GNP in 1998, which is rather low in comparison with some of the first five countries that are candidates for EU membership. For example, the external debt of the Czech Republic accounted for 40% of its GNP, in Hungary more than 30%. However, the cause for concern is the current tendency character-

ised by a continued rise in Croatia's foreign trade deficit that threatens to disrupt the macro-economic stability of the Croatian economy. As far as inflation and budgetary stability is concerned, Croatia can boast of far better results than other Central European countries in transition: an annual inflation rate of 2-3% and a budget deficit of 1-2%. By comparison, Hungary, Poland and Estonia had double-digit inflation in 1998; only the Czech Republic and Slovenia managed to keep inflation at 9%. As for the countries in the second round of EU-expansion, their rate of inflation is much higher. In Romania, for example, inflation reached 57% in 1998.

From the above it follows that the adverse effects of Croatia's isolation from the process of European integration have created a tense and serious economic situation.

#### *4.2 Adverse political effects*

Croatia is committed to achieving lasting peace and stability in neighbouring Southeast Europe. Guided by this objective, Croatia has embarked on many highly demanding activities over the past ten years, independently or in co-operation with the international community.

Although there have been ups and downs in the relations between the Republic of Croatia and the EU, Croatia's European orientation was clear from the very beginning of independence. Deeply rooted in the history and tradition of the Croatian people, our faith in the achievements of European civilisation has never waned, not even when we expected protection and encouragement from Europe to pursue our goals. However, the treatment of Croatia by the EU Member States is more severe than that of the other Central European countries. This has often been perceived as unjust and unfair, especially in view of the aggression Croatia endured, the victims and destruction suffered in the struggle for independence and Croatia's substantial contribution to establish peace and stability in the region. Such treatment is harmful to the interests of the EU in Croatia and the region at large. Above all it creates mistrust in the Croatian public and discourages pro-European forces on the Croatian political

scene, thus playing into the hands of those who are not overly anxious to see Croatia enter the Euro-Atlantic and global integration processes.

What Croatia needs is constructive and positive treatment. This is all the more important because of the unfavourable conditions under which the economic and democratic transition has taken place.

Contrary to Croatian interests and international efforts as well, the policy of isolating Croatia from the integration process and consequently from economic, scientific and technical development creates unnecessary and, in our opinion, undeserved economic difficulties and social tensions. This, in turn, makes it more difficult for Croatia to fulfil its constructive role as a promoter of peace.

## **5. *Progress made by Croatia vis-à-vis the EU***

As a result of numerous diplomatic initiatives, progress has been made in Croatia's relations with the EU. Therefore, the time has come for the European Union to reassess and re-evaluate Croatia's achievements.

Let us briefly summarise activities in Croatia over the past years. The beginning of The UN peacekeeping mission UNPROFOR began in 1992, followed by UNCRO; however, little progress was made and the results are not worth mentioning because the UN troops only created a buffer zone. At that time the situation in Croatia resembled the so-called "Cyprus syndrome" all too much. As proposed under the Kinkel-Juppé plan, Croatia was offered the same "carrot" in 1993: the PHARE Programme. As mentioned earlier, Croatia was admitted to the Programme for a short time and even signed a Co-operation Agreement with the EU. By liberating its occupied territories, Croatia solved its major problem and with it the crisis that had dragged on for several years in the hands of the international community. Moreover, together with the Bosnian Army and the Croatian Defence Council of B-H, Croatian police and military actions succeeded in liberating the entire Southwest Bosnia, thus helping to break the siege of the so-called Bihać pocket, which was close to suffering the same

tragic fate as the UN safe havens Žepa and Srebrenica. The above-mentioned moves by the Croatian political leadership undoubtedly created the necessary conditions that enabled the international community, led by the United States, to bring about the signing of the Dayton Peace Accords. Croatia's readiness to co-operate continued throughout the UNTAES mandate up to the peaceful reintegration of the Croatian Danube region. A number of measures taken by the Croatian political leadership, such as the Amnesty and Convalidation Acts, substantially facilitated the peaceful reintegration of the Croatia Danube region. In this context one should also mention the current Plan for the Return of Refugees and Displaced Persons and the reconstruction process in general. In addition to the decisive role played by UNTAES, one should not forget the important contribution of the Serb population, which actively participated in the peaceful settlement of the crisis by co-operating in the demilitarisation, the municipal elections and the process of establishing local authorities.

In regard to regional co-operation, Croatia is pursuing an active policy to normalise relations with the Federal Republic of Yugoslavia. In addition to the large number of bilateral agreements already concluded, a dialogue has begun with the aim of finding a long-term solution to the security issue concerning the Prevlaka peninsula. Croatia has contributed to the implementation of the Dayton Accords, *inter alia*, by signing the Agreement on the Use of the Port of Ploče and Transit through Neum and the Agreement on Special Relations between the Republic of Croatia and the Federation of Bosnia and Herzegovina. Relations with neighbouring states can be described as very good, especially with Italy, Hungary and Austria. Despite some unresolved issues, relations with Slovenia are developing favourably. As regards unresolved issues in connection with the disintegration of former Yugoslavia, Croatia favours finding adequate solutions in a legally acceptable manner - either in the spirit of good neighbourly contacts or by international arbitration.

Other priorities of Croatian policy are developing and consolidating democracy, protecting human and minority rights, respecting freedom of the media, practising effective rule of law and developing a market economy.

Considerable progress was made in each of these areas last year. Democracy is maturing every day, and its values are being increasingly incorporated into Croatian society.

The progress described above represents only part of Croatia's achievements, all of which have been the result of constructive work in difficult circumstances, which - in our opinion - has not been sufficiently appreciated and valued by the EU.

This is particularly true if one takes account of the fact that, in many respects, Croatia's economic successes over the past few years satisfy the criteria of the Economic and Monetary Union: a low inflation rate of 3%, economic growth rate of 6%, a household deficit of about 1%, and a balanced ratio between the foreign debt and foreign currency reserves.

In regard to the so-called policy of conditionality, our relations with the EU can be described in terms of economic co-operation, humanitarian aid, and significant contributions to the reconstruction of the infrastructure destroyed in the war. Last year 57% of Croatian trade was with EU Member States. Italy, Germany, and Austria are Croatia's leading trade partners. This best shows how important trade preferences are for the Croatian economy, and how important it would be for Croatia to conclude a Co-operation Agreement i.e. the Agreement on Stabilisation and Association provided for by the Stability Pact for Southeast Europe. This would surely create additional opportunities for economic co-operation. The EU should regard Croatia as an important importer of West European products, i.e., as a country that in its own way creates employment for EU citizens, thus contributing to the policy of preserving jobs within the EU. This applies particularly to Germany since most of Croatia's imports come from this country.

The Croatian Government is very grateful to the European Union for its generous humanitarian aid during the years of crisis. This gave Croatia the hope that the EU Member States would continue their support by contributing to the reconstruction projects conducted by the Croatian Government. Croatia's expectations were fulfilled at the Conference on

Reconstruction and Development held 4 and 5 December 1998. Finally, one should not forget that, in addition to the OSCE Mission, there is still an active EU Monitoring Mission in Croatia. Finally, agreement has been reached on the signing of the Memorandum of Understanding between Croatia and the EU, which can be regarded as a big step forward.

## **6. *New Developments in relations between Croatia and the EU until 1999***

The aggressive policy of the Serbian regime, which practically dominated the last decade by systematically generating instability in Southeast Europe, has turned inward, the victims this time being the Kosovo Albanians. Struck by the brutal escalation of violence and fearing the results of another round of ethnic cleansing, the international community, led by NATO, launched a military intervention, the Allied Force operation, on 24 March 1999.

This put Croatia again in the position of a so-called front line state. Croatia supported the NATO operation from the very beginning and consistently met all obligations arising from UN Security Council resolutions involving sanctions against the FRY.

Croatia also sent humanitarian aid to Albania and Macedonia to help accommodate the Kosovo refugees. Since many Kosovo Albanians have relatives in Croatia, refugees were accepted based on the principle of family reunion. In addition, as many as 5000 refugees were accepted who chose to come to Croatia of their own free will.

As one of the front line states, Croatia participated in meetings arranged by the EU at Petersberg and Luxembourg. On these occasions the Croatian Foreign Minister, Dr. Graniæ, and the Deputy Foreign Minister, Dr. Sanader, presented Croatia's positions on the Kosovo crisis, proposed ways to alleviate the humanitarian disaster, and discussed a possible Croatian contribution. At the invitation of Mrs. Albright, US Secretary of State, Dr. Graniæ attended the meeting between the front line states and the NATO

## Croatia's Course of Action to Achieve EU Membership

Member States in Brussels. In late April of 1999, Dr. Granić attended the NATO summit in Washington on the occasion of the fiftieth Anniversary of NATO.

The Kosovo crisis made it quite clear that the foreign policy positions of the EU and Croatia are very similar. This is an important step towards strengthening co-operation in the field of Common Foreign and Security Policy modelled on the example of associated members of the EU. Participating in a regular political dialogue with the EU, associate members enjoy a considerably higher level of co-operation in this field.

The 3rd Euro-Mediterranean Conference was held in April 1999 at Stuttgart. At the invitation of Germany, Croatia participated as a diplomatic guest for the first time. This sent another signal to the EU and the non-EU Mediterranean States indicating the Mediterranean, i.e. Adriatic orientation of our country.

The German initiative for a Stability Pact for Southeast Europe is one of the main novelties in the EU policy toward this part of Europe. It is an attempt to co-ordinate efforts in the search for a way to institute lasting peace and stability in the region by proposing a uniform policy to be followed by all international organisations and major states.

Adopted at the Conference of Ministers in Cologne on 10 June 1999, the Pact aims to promote and above all strengthen stability in the region in all segments of security, economy and democracy, thus making it easier for the Southeast European states to participate in the Euro-Atlantic integration. Croatia views this as an opportunity to strengthen its relations with the EU by actively supporting implementation of the Pact, just as it did during the drafting process.

From the Croatian point of view, it is important to note that, in accordance with the Royaumont Process, the Pact represents the broadest framework for Southeast European states with different degrees of institutional relations with the EU. During the process of stabilisation, a regional table will be responsible for the implementation of the Pact. In addition, there will be three working tables, one for democracy, economy, and security, each of

which is to be supported by international and regional organisations and initiatives, as well as by financial institutions.

Recognising the strategic importance of the Pact, Croatia accepts its basic points and insists that its implementation be based on the principles of transparency, rationality, efficiency and equality of all participants. Croatia expects the Pact to facilitate and accelerate its admission into the Euro-Atlantic integration and strengthen stability in the region, while contributing significantly to the reconstruction and development of the region. Efficient implementation of the Pact will depend primarily on the organisation and functioning of the regional policy and working tables. In this respect, Croatia is looking forward to active and constructive involvement.

The Communication of the Commission on the Stabilisation and Association Process for Countries of Southeast Europe of 26 May 1999 is extremely important for the further dynamics and quality of relations between Croatia and the EU. Croatia welcomes the decision of the Council of Ministers to adopt the Commission Communication as the formal beginning of a process that will lead to a more modern and appropriate method of communication between Croatia and the EU.

The Stabilisation and Association Process stands a good chance of becoming part of a long-term Common Strategy for the so-called West Balkans to be adopted by the European Council at the close of the Finnish Presidency of the EU Council of Ministers.

Unlike the 1997 regional approach, the new European Commission document, i.e., the parts on the future Stabilisation and Association Agreement explicitly provide that the states included have the possibility to join the EU after satisfying the requirements of the Amsterdam Treaty and the Copenhagen criteria. The document specifies that the prerequisites for the beginning of negotiations remain the same as those laid down in the decisions of the EU Council of Ministers of April 1997.

Croatia maintains that this new type of contractual relations should be adjusted to each individual state in accordance with its specific needs so as to take account of the progress of each state in its relations with the EU. The

concept of regional co-operation as envisioned in the Stabilisation and Association Agreement needs further explanation.

Croatia's view of the proposal of the European Commission for setting up the political dialogue is very positive, even before the negotiations on the new Stabilisation and Association Agreement have begun. Croatia believes that the new approach will bring order to the ad hoc dialogue practised to date, which was too dependent on current circumstances and short-term considerations, with too little focus on resolving specific issues.

It is necessary to intensify the political dialogue at both the ministerial and expert levels and schedule bilateral and multilateral meetings for this purpose.

Croatia welcomes the Commission's intention to enhance co-operation aimed at developing democracy, civil groups and institutions. The intention of the EU initiative to establish co-operation in judicial matters and internal affairs is also welcome and considered necessary, especially with respect to establishing more effective border controls and combating organised crime and corruption, tasks which definitely have priority in Croatia.

Individualisation of the system of EU autonomous trade preferences to take account of each individual state, including Croatia, and increases in economic and financial assistance are surely the most specific elements of the new document of the European Commission. This makes it possible to find legal grounds for utilising the EU instruments, i.e. funds, which was earlier impossible for Croatia due to its suspension from the PHARE Programme.

The document of the European Commission and the future Common Strategy for implementation of the Stability Pact for Southeast Europe provide a new positive framework within which Croatia should be able to join the process of establishing institutional relations with the EU rather quickly, thus bringing it closer to the candidate states.

## ***7. Goal of the Republic of Croatia, conditionality and membership application***

Full membership in the EU is a priority strategic goal of Croatian policy, as reiterated on several occasions in a number of declarations and decisions of the President of the Republic, the Government and the Parliament.

Without a doubt Croatia's desire to achieve this goal follows from a close political, economic, and cultural connection and co-operation with the EU and its member states.

Croatia is aware of the fact that it wants to and is able to consolidate its democratic order based on free elections and a free market economy within the broad process of European integration anchored in the EU, thus enabling it to achieve its strategic goal.

Believing that the stability of a democratic pluralistic society can be guaranteed only through the effective functioning of freely elected institutions as specified in the Constitution, Croatia has held a number of elections at the national level since 1990: two presidential elections (1992, 1997) and five parliamentary elections. The first democratic parliamentary elections were held in 1990 for the then tricameral Parliament. Thereafter, elections have been held twice for the House of Representatives (Zastupnički dom) (1992, 1995), and twice for the House of Counties (Županijski dom) (1993, 1997). County and municipal elections have also been held regularly.

By joining efforts and co-operating with the other democratic states of Europe, Croatia wishes to achieve democratic stability, ensure economic development and promote prosperity and social well-being. In reaffirming its own identity and role, Croatia hopes to make a contribution to the political and economic development of Europe in general and to its immediate neighbourhood in particular, which above all needs peace, stability, economic development and reconstruction.

In order to achieve this goal, Croatia is ready to do whatever it takes, provided the conditions are the same for all states applying for EU membership.

As decided by the European Council at its meeting held 21-22 June 1993 in Copenhagen, applicants for full membership must show that they have achieved:

- stable institutions guaranteeing democracy, the rule of law, human rights and rights of minorities,
- a functioning market economy that is able to compete with market forces within the Union, and
- the ability to take on obligations of membership, including compliance with the political, economic and monetary goals laid down by the respective institutions of the Union.

The Council's decisions also take account of the Union's ability to absorb new members, while maintaining the momentum of European integration.

As far as Croatia is concerned, the general and specific requirements apply which are specified in the decisions of the EU Council of Ministers of April 1997 and, in the broadest sense, fall within the Copenhagen criteria.

With the entry into force of the Amsterdam Treaty, Art. O, which provides that all European States are able to apply for EU membership, was revised by incorporating a reference to Art. F (1). This provision specifies that the Union is based on the principles of freedom and democracy, including respect for human rights, civil rights and the rule of law. This revision strengthens the political aspect of membership requirements, which Croatia fully understands and supports as it is consistent with our national interests.

As can be seen from the periodical reports of the European Commission on progress in conditionality and various agencies of the Government, Croatian policy is continuously developing in all fields, although numerous corrections are still needed in some segments.

Looking back over the past ten or so years, Croatia has constantly had to overcome various difficulties in its struggle for independence, the process of creating institutions of state, the transformation from a wartime, defence-oriented economy to one of peace, and the transition from a planned economy to a free market economy. After all of this, Croatia is now facing new challenges in its course of action to meet the requirements for EU membership.

Nonetheless, Croatia is committed to carrying out the political, economic, legal and institutional reforms required to gradually satisfy the requirements of the *acquis communautaire*. Croatia expects to receive appropriate assistance from EU institutions to help it through this complex process, as did the other countries in transition from Central and Eastern Europe.

It should be noted that further reforms will be carried out as required by the 1995 White Paper of the European Commission on the preparation for integration of the associated countries of Central and Eastern Europe into the internal market of the Union. Moreover, the 1997 European Commission document known as Agenda 2000 will provide valuable assistance during the adjustment process in order to ensure the effective and coordinated operation of state administrative organs. In preparation for admission to the accession process, Croatia is carefully studying the experiences of the neighbouring countries, so as to be able to respond effectively to the requirements specified in the accession process and accession partnership.

Once the Stabilisation and Association Agreement is concluded, Croatia will also decide about submitting a formal application for EU membership. In the meantime, the political transformation continues: further democratisation, emphasis on the rule of law and the protection of human and minority rights, implementation of the Dayton Accords, improvement of regional co-operation, normalisation of relations with the neighbouring states, and Croatia's role as a generator of stability.

In 1999, the new election law will be adopted on the basis of the consensus of all political parties, thus creating the conditions for free and fair elections. Respecting the separation of powers, especially the independence of the judiciary, is a clear priority of Croatian policy. Guaranteeing freedom of the media, including reforms in the area of electronic media, is another priority of the Croatian Government. Assisted by valuable counselling by experts of the Council of Europe, the EU and OSCE, the Croatian Government is striving to find the best ways to strengthen the democratic order. In co-operation with experts of the Council of Europe, there is an on-going review of the Constitutional Law on Human Rights and Freedoms and the Rights of Ethnic and National Communities or Minorities in the Republic of Croatia. Application of the said Law, in combination with the mechanisms provided by the Framework Convention of the Council of Europe for the Protection of National Minorities, to which Croatia is a party, will guarantee good protection of human and minority rights in accordance with the highest European standards. At the same time, the Government is taking resolute measures to speed up the return of displaced persons. This includes all Croatian citizens, Croats as well as Croatian Serbs and members of other minorities. This requires the quick and effective resolution of all open issues: humanitarian and social issues, property issues, economic and development issues. Finally, Croatia is dedicated to intensifying diplomatic activities to improve relations with B-H (the Federation of B-H and the Republika Srpska) and ensure implementation of the Dayton Accords.

Having accepted all these tasks, Croatia is committed to carrying them out, not only for its own benefit but also as a means of guaranteeing that all segments of its society will function in accordance with the highest European standards.

Taking account of all that has been stated above, as well as the experiences of other candidate countries from Central and Eastern Europe, the Ministry of Foreign Affairs will duly carry out all necessary activities, in co-operation with the Ministry for European Integration, to establish a

negotiating team and co-ordinate negotiations with the EU. The main model in this process will be the one established during the negotiations between Croatia and the EU in 1995.

---

ISSN 1435-3288

ISBN 3-933307-59-7

---



**Zentrum für Europäische Integrationsforschung**  
**Center for European Integration Studies**  
*Rheinische Friedrich-Wilhelms-Universität Bonn*

Walter-Flex-Straße 3  
D-53113 Bonn  
Germany

Tel.: +49-228-73-1880  
Fax: +49-228-73-1788  
<http://www.zei.de>