

Croatian Membership in the EU – Implications for the Western Balkans

Policy Recommendations¹ Study Group Regional Stability in South East Europe



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Situation Analysis

Current Events involving Croatia's EU Accession

On 1 July 2013, Croatia officially became a fully-fledged member of the European Union, thus fulfilling both her foreign policy goals (EU and NATO membership) and making a huge step ahead in the process of its long-term consolidation. After a painful and energy-consuming process of reforms in every segment of society (applying for EU membership in 2003, starting negotiations in 2005 and signing the accession treaty in late 2011), the country finally met all criteria for membership in the EU and hence became eligible for fully-fledged membership without any further monitoring system by the European Commission. In order to achieve that, it had to cope with significantly stricter criteria and patterns of their application than former applicant countries, something that reflects both the complexity of Croatia's transitional framework and the current EU attitude towards further expansion.

The other Western Balkan countries are currently in different stages of their reforms and/or accession processes and it is very difficult to predict the pace of the developments in the period to come. The issue of long term consolidation of BiH is far from being resolved. The name issue is a heavy burden of Macedonia's EU and NATO accession processes. However, the Belgrade-Prishtina dialogue and re-

lated developments such as the possible initiation of accession talks with Serbia and negotiations on the stabilisation and association process with Kosovo in the period to come represent a significant step ahead. Full implementation of these agreements has yet to take place and it is still difficult to anticipate the final resolution of the problem. Regardless of that, the last EC's Monitoring Report on Croatia dated March 2013 sends a somewhat optimistic note for the future: "Croatia has demonstrated its ability to fulfil all commitments in good time before accession. EU membership offers many and substantial opportunities for Croatia and the EU. These opportunities now need to be used, so that Croatia's participation in the EU will be a success – to the benefit of Croatia itself, of the Western Balkans region, and of the EU as a whole."



It remains to be seen what will be the consequences of Croatia's accession to the EU both for the former and the latter, but also for the countries of the Western Balkans. It will be interesting to see what will be the impact on political and economic life in Croatia, the Western Balkan countries and the EU itself, if any. Apart from that, what matters as well is a perception of the ongoing trends by major foreign actors that have recognisable influence on the developments in South East Europe (EU, NATO, US, and Turkey). It is clear that there is no alternative to long-term stabilisation of the entire South East Europe. While this should predominantly be a task for the local political elites (local ownership), to a certain extent it remains the responsibility of the EU, and Croatia as its new member in particular. Therefore, it is important to try to explore the new role of Croatia as a bridge between the EU and countries of the region that are still not a part of it.



Other than that, for many of these countries, Croatian membership brings the EU for the first time to their borders, which may cause a positive spill over effect and enhance the processes of Europeanization in respective countries and contribute to their enthusiasm for the reform processes before them. That would be very important for the long-term stabilisation of South East Europe and its accession to the Euro-Atlantic structures. However, this may also create challenges in particular vis-a-vis freedom of movement, cross border cooperation and trade.

Challenges and Expectations of the New Political and Economic Environment for Croatia

For Croatia, the accession to the EU undoubtedly represents a paramount achievement, especially for a country that had to cope not only with post-socialist but also with post-conflict remnants in its transformation process. It not only changed the context of the country's positioning at the wider regional and

international arena, but even more so entirely transformed the society through the processes such as reform of judiciary, fight against corruption and organised crime, as well as an overall 'Europeanization of values'.

However, this does not necessarily mean that the reform process was conducted in an optimal manner and without visible difficulties and errors. The current economic standing of the country shows that the structural reforms should have been done in a more persistent manner.

While issues like alignment with the *acquis* in the field of European arrest warrant and usage of bilingual plates on state and local municipality buildings in some parts of the country have dominated the political discourse in the early post-accession phase, the economic problems like lack of FDI's (especially green-filed ones), weakness of industrial sector and growing trade deficit and unemployment rate remain the most important ones. Given the fact that accession to the EU carries along submission to mechanisms like the European semester (surveillance of economic and fiscal policies by the EC), one could expect significant pressures exerted onto Croatian government to cut the costs of state administration and welfare state systems, which could lead to social tensions. Leaving CEFTA and all its trade benefits was obviously difficult for Croatian macroeconomics, especially given the fact that competitiveness at the EU single market and maximisation of use of structural and cohesive funds still remain a serious challenge.

However, there were traceable successes at various different fields. The respect of human and minority rights was significantly fostered and improved, together with the overall interaction/co-operation between the state and civil society, significantly contributing to general success of the negotiation process. This unfortunately does not eliminate a general remark about insufficient transparency of the entire process.

All in all, Croatian accession to the EU, especially taking into consideration the environment in which it took place (EU's internal problems and general lack of enthusiasm for further enlargement) and specific requirements the country had to face (additional *acquis* chapters, new benchmark system and pre-accession monitoring), regardless of its problems and shortcomings, is a success that sends a positive and stimulating message throughout the region. Croatia is the first SAP country to join the EU which sends

a clear message about the European future of other countries from the region once they meet the membership criteria. One should bear in mind that for a country like Croatia, EU membership, apart from various benefits, carries a significant amount of responsibility for a mature approach to the region and support as well as knowledge-sharing with its south-eastern neighbours. Croatia, with its specific comparative advantages for the region of South East Europe (geographical and historical proximity, no language barrier and similar transitional problems), could be a bonding bridge with the EU and a strong advocate of finalisation of European project in this part of the Old Continent.

The Western Balkans: Integration vs. Stagnation after the Croatian EU Accession

From the EU perspective, it is important to underline that Croatia is the first candidate country that actually acceded to the EU according to the 'regatta principle'. It is also worth mentioning that the Croatian accession has taken place at the moment when the EU itself is facing considerable internal problems and rising enlargement fatigue, coupled with the reformation fatigue among the countries in the region. Therefore, its accession represents an important signal that the enlargement process has not ended.

However, the fact that the accession process has been successfully concluded opens the possibility for political elites and citizens alike to scrutinise the reforms and accession process critically and exercise additional pressure onto respective governments to intensify efforts for the reforms which is a process far from over.

Furthermore, the way Croatia will act as a new member state is no less important both for justification of the enlargement process and for the message it sends to the aspiring countries, especially taking into account the examples of Bulgaria, Romania and Hungary. The transparency and maturity of Croatian policies within the EU is rather important given the fact that it is now in a position to influence and co-design EU's internal and external policies.

On the other hand, the new Croatian position represents a challenge for the country where it would require persistent support by the EU itself. First of all, having in mind the dynamics of reform of its South East neighbours, Croatia would remain 'the protector' of EU's South East borders for significant period of time. In that regard, the support of the EU for strengthening Croatia's capacity in preparation

for the Schengen regime remains crucial, as well for its bilateral negotiations with the countries in the region on trade issues in post-CEFTA period. Croatia would also be expected to engage in intense communication and co-operation with the countries from the region, to share its knowledge and experience from the accession process. Its special responsibility for support of sustainable progress of democratic reforms in BiH, given the fact that it is a signatory of Dayton Peace Accord and due to the special relation with Croatian population in BiH that represents a constitutive element of the state, has been underlined.



While the EU accession for the countries in the region seems to be 'a long road ahead', the strategic reality and level of preparedness of aspirants for NATO membership seems to be postponing further enlargement of that alliance as well. Countries that pushed for enlargement in previous summits have other issues on the top of their agendas and the region as such does not seem to attract the amount of attention as before.

On the other hand there are other re-emerging actors in the region, such as Turkey, that are seeking for the opportunity to extend their influence throughout the region. So, while EU and NATO accession remains on the top of the agenda of the countries in the region, the enlargement fatigue in those organisations coupled with lack of preparedness of aspirants would obviously not be helpful in the period to come. It remains to be seen how would this trend, together with increased interest of other external actors, influence the geostrategic picture of the region in the period to come.

Potential for Positive Spill-over Effects for the Region

In general, Croatian accession to the EU represents a stimulating signal for the countries in the region, primarily due to the fact that it represents ‘a proof’ of functionality of the SAP and the fact that the enlargement process is still ongoing. However, the estimation about further expansion of the EU have to take into account two important elements: the current ‘volume of enthusiasm’ for enlargement within the EU and the current state of play in the reforms process of the WB countries.

It is clear that the pace of their reforms will determine their accession processes to the EU and in that sense, while it is important that the EU remains committed to the enlargement, the principal responsibility for the overall success is with every single state in this part of Europe.

Bosnia and Herzegovina (BiH) can be understood ‘more as a process than as a state itself’, with the democratic consolidation representing the highest concern in general. However, while one should acknowledge the inefficiency and dysfunctionality of its current political system and a need to change it with an operational one, it was made clear that there is no alternative to the existence of the state. While ethnic parties still are strong, the building of the civil society remains a long-term process, leaving BiH visibly unconsolidated with reform processes stalling.

The accession of Croatia to the EU represents not only a positive signal to the country, but it also brings the latter to BiH’s borders and hence reduces physical and hopefully other types of distances between the EU and itself. It also, to a certain extent, brings the EU within BiH, given the fact that a vast majority of BiH’s citizens of Croatian nationality are also Croatian, and thus now EU citizens. This would hopefully also change the perception of the EU. However, while there are numerous initiatives of the foreign actors to resolve the BiH’s statehood issue, it is obvious that most of the work has to be done from within.

Serbia itself can profit much from the Croatian experience in the accession process to the EU. However, it was underlined that apart from the usual conditionality that every country has to meet prior to acceding the EU, Serbia also has to be able to deal with the issue of Kosovo. Apart from that, lack of enthusiasm for further enlargement within the EU,

coupled with internal EU challenges, has been recognised as an additional burden to the already difficult accession process. Additionally, the fact that national parliaments (especially the German Bundestag) have acquired increased leverage in setting ‘the additional conditionality’ have made the process of accession to the EU even more complicated and demanding. It additionally renationalised the entire process and decreased the significance of EU institutions, of the EC and the EP in particular. Regardless of aforementioned difficulties, Serbia will have to intensify its efforts in the field of reforms and good neighbourly relations in order to speed up its accession process.



Kosovo remains in a very difficult situation having its status issue unresolved and five out of 28 EU members still not recognising its statehood. On top of that, while a dialogue with Belgrade dominates the political discourse; it struggles very hard with the problem of corruption dominating both the public and private sector. The economy itself is very weak and with limited FDI’s, let alone growing Turkish presence, the issue of security and functionality of justice remains a serious concern. Due to the status issue, Kosovo has only limited access to regional co-operation initiatives and only recently became a member of RCC.

Given the fact that Kosovo’s long-term foreign policy priorities are also membership in the EU and NATO, it is obvious that it can profit a lot from co-operation with Croatia and its experience from the accession processes. However, there is only a limited track-record of bilateral co-operation in the broader fields of security, rule of law and fight against corruption. Therefore, more active and visible Croatia’s participation and assistance to Kosovo transition process is needed, given the fact that Kosovo suffers from a lack of informed political elites about EU accession processes where an experience of a partner from the same region can be more than helpful.

Macedonia has traditionally good relations with Croatia and therefore its accession to the EU provoked only positive reactions, making it 'a new player of the EU' in the region. The aforementioned represents a positive message for Macedonia, not only as a confirmation about the functionality of the SAP and the fact that long and energy-consuming reforms pay-off in the end once you meet all membership criteria, but also due to the fact that Croatian accession means increasing number of friends within the EU for the country. However, the political situation within Macedonia is far from being that optimistic, given the fact that there is general sense that Macedonia is backsliding, mainly due to the blockade imposed by Greece over the name issue and misbehaviour of the current Macedonian government.

The aforementioned regression, together with growing EU enlargement fatigue, makes the conditionality for Macedonia more difficult and demanding. Growing populism and democratic deficits of the current government result with questionable freedom of media, intransparent judiciary and no separation between the governing party and the state. Additionally, the increasing problems with neighbours – especially Greece, Bulgaria and Kosovo – make regional co-operation for Macedonia very difficult. Obviously, the country is in a deadlock that is preventing any substantial progress and unless it is resolved it is difficult to expect any positive trends in the forthcoming period.



Albania seems to be entering a new stage following a change of the government at the last parliamentary election that have been judged as free and fair by international monitors. As a consequence, there is a new dose of optimism and modest estimations that it could receive the candidate status in the forthcoming period. This is rather important, especially given the fact that Albania was stuck in a significant democratic deficit with the previous administration. However, while there is a recognisable amount of

optimism after the parliamentary election, there are still numerous problems that represent a heavy burden of the Albania's transition process and a huge challenge for the new administration – corruption, organised crime, inefficient state administration and very weak economy. Croatian accession to the EU sends a positive signal to Albania about the prospects of future EU enlargement to the region, but also represents 'a reminder' about the necessity to fight corruption and organised crime at the highest political level in order to consolidate the rule of law system within the country and meet the criteria for EU membership.

Regional co-operation remains important for the aforementioned and while relations with some countries from the region represents a recognisable challenge (tensions with Greece over the maritime border line), there are other countries from wider region (Turkey) that are becoming strategic partners for the period to come, thus making the strategic positioning of Albania more complicated.

Montenegro has started negotiations with the EU by opening the most demanding two chapters first (23: Judiciary and Human Rights and 24: Justice, Freedom and Security) which reflects the new EU's trend in putting issues related to rule of law and respect of human and minority right at the very centre of the enlargement process. In general, the process of EU integration is going in the right direction and is supported by some 70% of the public.

However, there are serious challenges that are significantly affecting its pace. First of all, there is widespread corruption in the entire society and - unlike the Croatian example - there are no convictions or trial procedures related to that. On top of that, the judiciary is under severe political influence and is far from being efficient. What is even more important, the same political elite has been governing the country since 1989, which led the country to the situation where it is actually difficult to 'draw the line' between the party and the state. In that regard, the Croat experience from the phase of post-socialist transition and EU accession is more than useful for Montenegro, especially given the common history, geographic proximity and similarity of reforms processes.

Summary of Recommendations

Regarding the Consequences of the Croatian Accession for Croatia itself and for the Western Balkan Countries

In most sectors, Croatia's accession is perceived as a positive process which led to legal harmonization and adoption of European values. On the other hand, reforms in the economic field in particular are not yet finalized. It is necessary that the Croatian government intensifies its efforts in making the business environment more attractive for potential investors. This includes the appropriate use of EU funds.

After becoming member of the EU, Croatia had to leave the regional free trade zone CEFTA. Croatia needs the support of the EU to adapt efficiently to these new economic circumstances. The EU should play a more active role in negotiations with the other CEFTA members in order to overcome their trade difficulties – in particular regarding agricultural and animal products – with the new member state.

It is of great importance that not only the political elites of a country, but the whole society become a member of the EU. Thus the Croatian government needs to communicate the advantages and commitments of EU membership extensively to its citizens. Information campaigns by the media need touch in particular consumer's rights, the best access to EU funds and educational topics.

During the accession talks, considerable progress was achieved in the field of human rights. Human rights standards need to be further developed also after the finalization of the accession process.



There are some lessons learned from the Croatian accession process for the other EU aspirant countries:

- Difficult economic reforms – like complicated privatization processes – should start at an early stage;
- Successful economic reforms are connected to the knowledge on the appropriate use of EU funds;
- During the whole process political, transparency has to be guaranteed by informing and involving the parliament as well as important civil society organizations;
- The political stakeholders in a candidate country have to be serious about corruption at an early stage of the integration process;
- Sensitive bilateral issues - c.f. the Croat Slovene political disputes - should not be delayed to the end of the EU negotiations.

Regarding the Impact of Croatia's EU Membership on Regional Cooperation

Croatia and other EU member states need to establish a group of friends of the Western Balkans in order to emphasize the significance of the enlargement process for the further consolidation of regional relations. The transfer of knowledge that stems from the Croatian accession process to the Western Balkan candidate countries could be supportive for managing the technical challenges lying ahead.



Bilateral problems should not be taken into the EU. For that reason, Croatia and her neighbors should start to tackle the unresolved bilateral issues (unsettled borderlines etc.) in order to prevent that these subjects will become a burden for the integration processes of the candidate countries. If the chances

for a bilateral compromise are small, the inclusion of an international arbitrage commission could become a viable option.

Being one of the co-signers of the Dayton Agreement, Croatia has a special responsibility regarding her bilateral relations with BiH. This demands a balanced approach which will take into consideration the support for the constitutional rights of the Croat community in BiH as well as conducting a policy that supports BiH's ambitions to become a EU member state.

The EU should continue with her policy to have regional cooperation as a core element of its conditionality policy. For optimizing this tool the establishment of more checks and concrete measures could be taken into consideration. Regional cooperation needs the clear vision that its priority is to serve consolidation and reconciliation. The EU could endorse regional ownership in this regard.

The Regional Cooperation Council (RCC) could become a more active and visible tool for enhancing regional exchange and relations. Since the EU is a member of the RCC, it should promote the visibility of this organization stronger that could encourage its members to be more engaged in regional cooperation. In practice, the RCC could launch more projects in fields which are visible for ordinary citizens, as they are social protection, health policies and economic development.

Regarding the Further Enlargement Strategy of the EU and its Impact on Specific Countries

Previous experiences with the „regata principle“ were positive. Therefore, the EU's strict policy of setting benchmarks and conditions should be continued. Beside the EU itself it is in particular in the interest of the Western Balkan societies that the integration processes of their countries do not end too early before the main European standards will be reached. Apart from the technical experts and political representatives also activists of substantial civil society organisations should be included in the integration process.

BiH still cannot be regarded a consolidated state. Since the national politicians in BiH display a lack of good governance, the EU is called to develop a pro-active policy for fostering the communication between the citizens from the two entities and the Brčko District.

Croatia having special relations with BiH and being a new EU member should advocate pro-active policies inside the EU for overcoming the stalemate situation in its neighboring country.

Notwithstanding the importance of a continuing political dialogue between Belgrade and Prishtina/Priština for regional stabilization, a proper balance has to be found between political requirements and the fulfillment of the necessary legal, economic and democratic reforms in Serbia as such.

In a short time period Kosovo will enter the first phase of the Stabilization and Association Process (SAP). The EU and the regional partners should support Kosovo's capacity building, so that this country will be able to meet the challenges of the SAP. For that purpose the mechanisms of the RCC could be used by encouraging the WB countries to train civil servants in Kosovo. In this regard also the role of existing educational structures in the region should be emphasized.

However, Kosovo can become a credible partner in the integration process only if the fight against corruption will represent a primary goal of the political decision makers and the society as such.



Authoritarian tendencies that characterize Macedonia's political development should be considered more seriously by the EU which in its progress reports needs to have a stricter position on that weak point. Concerning the protracted name dispute between Macedonia and Greece, which has impeded Macedonia's integration process so far, the only rational opinion seems to be to start membership negotiations under the present official name "FYROM" and to leave the solution to be found later. Albania as the prospective next country that will become an official candidate for EU membership has

to achieve measurable improvements regarding the fight against corruption. Further, the role of the civil society organizations has to be strengthened, in particular in the upcoming negotiations with the EU.

A more serious view on the problem of corruption and organized crime will remain also the crucial task for Montenegro in its integration process. Without establishing a judicial system that prosecutes also “untouchable” politicians who obviously are or have been involved in illegal business activities Montenegro’s chances to become an EU member in a foreseeable future would be small.



Regarding the Role of other Important Foreign Actors

At the 2014 NATO summit, most probably no new invitations for accessing the alliance will be extended to the Western Balkan countries. Among other factors, the main reasons for that are the unconsolidated intra-state situation (BiH), political blockades (Macedonia), and the negative public opinion towards NATO (Montenegro) as well as suspicious economic systems (Montenegro).

Although the concrete perspective for BiH, Montenegro and Macedonia to become NATO members will be postponed for some years, NATO should continue with sending positive signals to the aspirant countries and supporting their structural reforms.

1. These Policy Recommendations reflect the findings of the 27th RSSEE workshop on “Croatian Membership in the EU – Implications for the Western Balkans” convened by the PIP Consortium Study Group “Regional Stability in South East Europe” from 26 – 28 September 2013 in Zagreb, Croatia. The event was co-hosted by the Austrian National Defence Academy, the Directorate General for Security Policy at the Austrian Ministry of Defence and Sports and the Institute for Development and International Relations (IRMO). They were prepared by Sandra Knezović and Zrinka Vučinović. Valuable support came from Ernst M. Felberbauer, Predrag Jureković and Edona Wirth from the Austrian National Defence Academy.

Turkey has played a positive political role in the region, in particular regarding its trilateral initiatives which have been directed towards Belgrade and Sarajevo.

As Ankara’s economic engagement is increasing, it should try to coordinate its Balkan policy with Brussels and should avoid competition in the Western Balkans. As far as Turkey’s own European – and presently stagnating – integration efforts are concerned, it is unquestionable that for the continuation of democratic processes and strengthening of human rights in Turkey EU’s conditionality policies play a decisive role and therefore should be carried forward.

Study Group Information and Policy Recommendations:

<http://www.bmlv.gv.at/wissen-forschung/publikationen/verlag.php?id=22>

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