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**Activities of the Government
of the Republic of Croatia
in the Process of
European Integration**

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Introduction

Since the fall of the Berlin wall, which for more than forty years symbolised the lines of division in Europe, central and eastern European countries (CEEC) have quickly moved to adopt the western European model of state, based on democratic institutions, free market economy and the rule of law. Political and economic co-operation has been established between the two parts of the continent, with western countries supporting democratic and pro-market reforms undertaken in CEECs with various assistance programmes. The actual or planned accession to western organisations has been conditional on the implementation of reforms, policies and legal regulations which would make CEECs' political and economic systems very similar to that existing in the western countries. This process of rapid institutional convergence is a welcome phenomenon as it removes a potential for conflicts arising from ideological and systemic differences between countries. It has also made many observers and politicians to believe that, after centuries of wars, conflicts and divisions, Europe is eventually going to emerge as a homogenous region, with shared values and similar institutional and political characteristics in individual countries.

Yet the continent is still far from being a homogenous and conflict-free area. The collapse of communism may have eliminated much of the

political divisions in Europe, but it could not, by itself, reduce the economic disparities. As a matter of fact, at the end of the 20th century and nearly ten years after the transition began, Europe is still deeply divided, with average per capita incomes in the eastern part four-to-five times lower than those in the western part. What is, however, even more worrying, is that the gap is not likely to significantly narrow any time soon. The economic transition was initially associated with deep recessions, and then it has progressed at a very uneven pace across CEECs. The most successful transition countries managed to stabilise their economies, introduced market and structural reforms right from the start of transformation, and embarked on steady growth path. But even those countries have not yet reached - after almost a decade of transition - their pre-transition growth levels. Some transition countries are still in deep recession and only few market reforms have been implemented so far. It can be clearly seen that the group of transition countries has been gradually breaking into two categories: fast reformers and slow reformers. This process may be further exacerbated by the impact of respective European Union and NATO enlargement. As a result, we may witness a new dividing line emerging - this time separating more advanced and less advanced transition countries. This would certainly be an unwelcome outcome of the political breakthrough of 1989. Such a situation must be avoided with a joint effort of EU and transition countries.

When at the far-reaching Copenhagen summit in 1993 the European Council declared the enlargement to be the Union's "historic" mission, it was indeed a sign of hope for the peoples of Central and Eastern Europe that their newly-emerged democracies and market economies would keep on the path of prosperity and peaceful development. Indeed, for all partners, enlargement is a win-win-situation, with political, security and economic benefits to be had on all sides. The talk of pressures which the enlargement implies has overshadowed the essential point that enlargement is needed by the European Union and candidate countries when staring the globalising economy in the face. In facing fierce

competition on the world markets, and threats to peace and security in its neighbourhood, there is little doubt that pushing the border to the east will serve the European Union's interest as well as those of the countries of Central and Eastern Europe. Indeed, we must make sure that the conflict in Kosovo was the last armed conflict on the European soil. Probably the best tool to provide for this is ever-closer integration.

As was stated in the Conclusions of the Cologne European Council in June 1999, the accession negotiations have further gained momentum and are on the right track. The European Council also emphasised its resolve to continue to maintain this momentum. Another paragraph of the Council conclusions was of special importance for Croatia. Namely, the Council reaffirmed the readiness of the European Union to draw also the countries of south-eastern Europe closer to the prospect of full integration into its structures. This will be done through a new kind of contractual relationship taking into account the individual situation of each country, including progress in regional co-operation, and with a prospect of EU membership on the basis of the Amsterdam Treaty and fulfilment of the Copenhagen criteria.

Croatia – EU relations

What is the present situation in Croatia like and what are our preparations for future membership in the EU? In the last couple of years, we were, for the first time since gaining independence, able to turn towards economic and social issues. The extraordinary circumstances in which Croatian statehood was gained are behind us, and at this stage, the strategic goal of steady improvement of living standards for all Croatian citizens is at the top of the agenda. Our ambition to become part of modern political, economic and defence European structures is clearer today than it ever was before. First steps in this direction had been made, yet the over-all results are still insufficient. In order to speedily make up for the time lost due to war and multiple transformation processes the Croatian society has been undergoing, all levels of the society need to get

actively involved in order to fully adapt to the recognised European values, standards and obligations.

Improvement of relations with the EU is one of priorities of the Croatian Government. I believe it is fair to say that neither side is satisfied with the present level of relations. The vast majority of Croatian citizens have expressed their support for eventual Croatian membership in the EU. It is evident that this is our natural choice, indeed, when we look over our shoulder, the only one. In order to achieve this, there is a long way still ahead of us.

Our relations with the EU have indeed had numerous ups and downs. The slow and careful improvements in the beginning of the 90s were followed by much too fast deterioration and different political pressures. Since the adoption of the Regional Approach in 1997, our relations have been stagnating. Croatia is today the only country in Europe, with the exception of Yugoslavia, that does not have any kind of institutionalised relations with the EU. We firmly believe that at this stage a more far-reaching strategy needs to be developed by the EU, to underline that all countries in this part of Europe have the prospect of increasing rapprochement with the EU, with the perspective of full integration into European structures, which has proven to be a key incentive for reform. We are thus encouraged by the latest Union initiatives towards this end and the launching of the Stability Pact.

Croatian Government is fully aware of its commitments and expectations of the international community. We therefore remain committed to the process of fulfilling political conditionalities put forward by the EU, in spite of all difficulties and burdens of the past. We do know that our homework is still not completely done, and the Government is determined to pursue further democratisation of the society.

Significant step in this direction was made when parliamentary parties reached a consensus on basic principles of new electoral law in May 1999. The Government has repeatedly supported the political dialogue and mature atmosphere that prevailed. After the adoption of the draft law

in the Parliament, this consensus reached will significantly contribute to further democratisation of the Croatian society.

Another issue often mentioned in discussions with our friends and colleagues from the international community is freedom of the media. One of the conclusions of talks between relevant political parties was to initiate changes in legislative framework relevant for Croatian Television. It is of utmost importance that the media, both written and electronic, provide the Croatian public with accurate and objective information, in particular in the upcoming period, when election campaign will be in full swing.

In a different development, the Government has also welcomed the launching of a joint Council of Europe/ EU programme for free media. We hope to closely co-operate with international experts in the implementation of this programme, which will be covering areas such as legal framework, training of the judiciary, free access to information, media pluralism and transparency and the distribution of printed media.

With regard to the process of return of all Croatian citizens and reconstruction and development of the war-affected areas, it has to be emphasised that Croatia is the only country in the region that has effectively promoted and enabled the return of all its citizens. Actions and initiatives undertaken by the Croatian Government have created conditions for opening of the multi-way return process in the whole region. The Return Programme, adopted by the Croatian Government a year ago, is based on the principle of unconditional right to return of all citizens. Actual physical return of Croatian citizens of Serb nationality is a significant result of the implementation of the Return Programme. So far, almost 60,000 Croatian citizens of Serb nationality were able to return to their homes, with about half of them coming from the Danube region and another half from Yugoslavia and Bosnia-Herzegovina (B-H).

Post-war rehabilitation requires a non-discriminatory elimination of the consequences of war. The return of all displaced persons and refugees to their places of origin needs to be supplemented by the reconstruction of

physical and social infrastructure. The international community, especially the EU, has already provided assistance in this field. However, the existing needs necessitate further developments of co-operation.

The achieved rate of returns is a realistic one when one takes into account the objective environment, in particular the almost total devastation of the housing fund, economy and social and communal infrastructure, as well as the large number of land mines. In addition, numerous refugees from B-H who are unable to return are temporarily being accommodated in these areas. Co-operation between the Croatian Government and the international community on these issues has been steadily improving, and an atmosphere was created to continue an open and constructive dialogue relating to all return issues.

Being a signatory and a guarantor of the *Dayton Agreement*, Croatia has been actively promoting the implementation of principles and obligations agreed to in Dayton. Within this framework, we have signed the *Agreement on Special Relations* with the B-H Federation. The Croatian Government has submitted its proposal on the Annexes to this Agreement to the Federation authorities in May 1999 and is looking forward towards fruitful discussions and an agreement on the annexes. This would further enhance the stability in the region and provide for equality of all constituent nations in the B-H, which is a necessary precondition for strengthening of B-H institutions at all levels. Furthermore, Croatia and B-H signed an Agreement on the port of Ploče and Neum. This marked a significant step forward towards improvement of bilateral trade relations and further stabilisation in the region.

In the present situation, the need to preserve stability and integrity of Bosnia and Herzegovina is even more evident. Croatian Government is therefore reiterating its full support for the Dayton principles and is looking forward towards further improving and strengthening relations with our neighbour.

At the same time, we expect from the EU establishment of true partnership relations and objective evaluation of the situation in Croatia.

It has been often repeated by the EU that each country aspiring for closer relations shall be judged on its own merits, and shall not depend on the speed of the slowest ship in the convoy. If this principle is adhered to, then we rightfully expect significant improvements of our relations in the upcoming period and hope not to become hostages of the situation in other parts of the wider region.

Activities of the Government in the process of European integration

As a small economy - compared to the EU standards - and with a population of 4.5 million people, Croatia's prospects for economic growth depend on a successful integration into global economy. This can be achieved through membership in regional economic grouping. Some seventy per cent of the world trade goes through regional integration and there is little hope for Croatia to function outside such an organisation. Roughly speaking, Croatia has 60 per cent of its trade flows directed towards the Union, while another 17 per cent are directed towards the countries of Central and Eastern Europe.

A slow-down in economic growth of our primary export markets and the outbreak of the Kosovo crisis have negatively affected the Croatian economy, which was already suffering from high external deficit, internal insolvency and slow pace of restructuring and privatisation, with banking sector still not strong enough. In order to achieve sustainable economic growth, significant adjustments of macroeconomic policy aimed at preservation of macroeconomic stability, increase of productivity, determined structural changes and restoration of confidence in the banking sector are needed at this stage. The Government is currently negotiating with the IMF and the World Bank the launching of a stand-by arrangement worth 300 million USD, which should support these Government measures. Negotiations with the World Trade Organisation (WTO) have entered the final phase, and we expect to become full

members by the end of this year. This development shall also have significant positive influence on Croatian economy.

In the coming period, the privatisation of the largest enterprises in the state sector such as telecommunications and transport is to be completed and reforms of the pensions' and health system carried through. We also need to more vigorously implement structural reforms that are a necessary precondition for fully functioning market economy and sustainable economic growth.

Even though Croatia still does not have any form of institutionalised relations with the Union, it is determined to undertake necessary preparations and adjustments and work towards the goal of full integration with the European Union.

Structure for European integration set up within the Government

In order to be able to successfully carry through the integration process, preparations for this have been steadily intensifying. The most important task that was facing Croatia as it embarked on this process was to design and set up a structure for European integration. The task required putting in place a new decision-making body and setting up new structures for co-ordination, technical administration and implementation of the process.

The decision making body is the *Council of Ministers* (which consists of the Minister of Foreign Affairs, Minister of Economy, Minister of Finance, Minister of Justice, Minister for European Integration), presided by the Prime Minister. Since European integration penetrates deeply into every sector of the society, all line ministries and other state bodies are involved in this process through the work of the inter-sectoral Co-ordination for European Integration.

At the centre of the process, co-ordinating the work of the line ministries is the *Office for European Integration (OEI)*. The Office is responsible for the co-ordination of domestic policies in the area of European integration,

as well as for taking initiatives and submitting proposals. The structure of the Office reflects the nature of its tasks. There are three departments: the Department for Strategy and Legal Harmonisation, The Department for Strategy Planning and Legal Harmonisation, the Department for Foreign Technical and Legal Assistance and the Department for Information, Translation and Education.

Activities of the Office for European Integration (OEI)

In the initial period, education was the primary concern of the Office for European Integration. A network of civil servants with specialised knowledge of European affairs was created, a scholarship scheme was devised, and, following a public competition, some twenty students were sent abroad for postgraduate studies in the field of European Integration at the leading European institutions. The scholarship programme for the academic year 1999/2000 is expanded, with almost thirty scholarships available. Almost eighty per cent of the costs are being borne by the Croatian Government. All the recipients of the government scholarship are contractually bound to, upon their return, work in the Croatian public administration for three years.

Another dimension of the activities in the field of education is to provide specialised in-job training for civil servants who are already dealing with European matters in line ministries through organisation of specialised seminars and lectures. There is also a more general need to raise the level of awareness in the administration at large. The Office organised specialised seminars, covering topics of fundamental interest, such as the development of the EU and functioning of its institutions, EU policies and issues relating to the enlargement process. So far the Office has organised two seminars, one dealing with the institutional adjustment of Croatian public administration and the second one dealing with the assessment of the effect of economic and monetary union on Croatia and the specifics of the enlargement process, such as its economic costs and benefits and the preparation for harmonisation with the EU body of law. Another two

seminars will be held by the end of 1999 - in July, the seminar on experiences of different transition countries in the process of European integration, and in September, co-organised with the London School of Economics, seminar on economic policy adjustments. In addition to these seminars, the Office has initiated a series of weekly lectures entitled "Croatia and EU".

The Office is also the focal point for the dissemination of information on EU affairs and has developed a wide range of activities in this regard. The aim is to provide information to the government administration and experts, as well as to the general public. Translation activities are also slowly but surely taking up significant amount of our time, with obvious constraints in this area stemming from limited financial resources.

The Office has also successfully established contacts with other transition countries, and a number of working and official visits took place. The main rationale behind this is transfer of knowledge and information on the process of European integration. Experiences of respective candidate countries have proved extremely valuable for us, and this is indeed one of the channels that we found of crucial importance for our work.

Plan of Integration Activities (PIA)

OEI was tasked by the Government to prepare a *Plan of Integration Activities (PIA)* of the Republic of Croatia. Its objectives are:

- to take stock of the situation in Croatia with reference to the requirements of EU integration;
- to perform first identification of priorities for action;
- to serve as a basis for discussion with social and economic groupings in the country;
- to provide a harmonogramme to serve as a basis for line ministries to draw up programmes for adjustment of legislation;
- to serve as a basis for the Government to draw up a strategy later.

In brief, our intention is to provide a framework within which economic, legal, political and other activities in the integration process will be defined and co-ordinated. The Plan is covering three main areas - political, economic and legal adjustments - in line with the Copenhagen criteria for membership.

The Office co-ordinates all activities in preparation of the Plan, forwards information and deals with both vertical and horizontal co-ordination in relation to other public administration bodies. OEI has formed an Advisory Council, consisting of prominent Croatian scholars and experts in this field. This think-tank provided guidelines and direction for expert aspects of the Plan.

At the beginning of July 1999, we hope to present the Plan to the Government for adoption. After that, the Plan will be sent for approval to the Parliament.

Harmonisation of the Croatian legal system with the EU body of law

The ability to transpose, implement and enforce the *acquis* is a precondition for accession. The work on the Plan of Integration Activities is in fact the first comprehensive analysis of the existing Croatian legislation with a view to comparing it to the existing EU legislation. Harmonisation of the entire legal system in the candidate country includes not only transposition of legislation but also implementation in accordance to the existing EU practice. This is a one-way process, meaning that the state intending to become a member of the EU is obliged to implement the approximations to the already integrated EU, while at the same time EU has no obligation to modify its own legal system. It is important to mention that it is a very dynamic process, because harmonisation must follow the dynamic development of the EU legal system.

In this phase of relations between Croatia and the EU, there is no legal obligation for harmonisation with the EU legal system. However, in light

of the Croatia's determination to participate in the European integration process, we deemed it necessary to start the process of voluntary approximation of Croatian legislation.

An early start of voluntary legal approximation enables triple effects:

1. Political effect - undoubtedly expressing the willingness of Croatia to accept the standards of the united Europe, thus accelerating the integration process.
2. Legal effect - since preconditions are created which are needed in order to develop legal framework harmonised with the one in the EU members;
3. Internal legal effect, because through certain stages of the legal harmonisation process, inconsistencies will be identified in the Croatian internal legal system, that are a result of intensive and not always well co-ordinated legislative action in Croatia since independence.

Resolve to push forward with the integration process was institutionalised through the Conclusion of the Government, adopted in January 1999, which requires all draft laws to take into account the Community legislation, specifically in the area of internal market legislation. A basis for all new Croatian laws to be adjusted with the law of EU has thus been created. Therefore, harmonogramme made for the purposes of the Plan will be used as a starting point for the development of national programme for the adoption of the acquis.

At this stage, since no institutionalised relations exist with the Union, Croatia is not receiving any technical or financial support for these activities. We therefore had to develop specific methodology. Various EU documents were used as a basis for our work. Primarily, it was the White Paper for the Preparation of the Associated Countries of Central and Eastern Europe for Integration into the Internal Market of the Union. In addition, Accession Strategies, European Agreements, Regular Commission Progress Reports and National Programmes/Strategies for

Integration and Adoption of the Acquis also served as important reference documents. CELEX-Justis base on CD-ROM was also extensively used. A number of consultative meetings were held with the experts from candidate countries and the EU.

As was stated, legal approximation working groups are focused on the survey of the present situation as well as evaluation of present degree of approximation in each area. Finalisation of the complete and detailed screening of the level of harmonisation of the Croatian legislation with the acquis shall represent a basic precondition for the development of integration strategy.

It has to be mentioned that the areas covered in the PIA analysis, chosen according to the areas suggested by European Commission in the White Paper, represent a part of the acquis relating to free market. EU membership, however, presupposes adoption of the entire acquis. Therefore, it will be necessary to take it into consideration that PIA contains only a partial analysis of acquis and, in the medium-term, initiate activities to analyse the level of approximation with other areas.

Other actions required for successful integration/ Interim PIA conclusions

The interim conclusions that became obvious during our work on the Plan of Integration Activities point to next steps that will need to be made. It has been clearly detected that some line ministries are not prepared for the integration process. This is due to a number of reasons, with inadequate human resources often being the dominant one. It is therefore obvious that there is an urgent need to restructure some parts of public administration. Establishment of European integration units in respective line ministries is also advised, as one of the ways to better prepare the public administration for future tasks. In addition to this, effective horizontal and vertical co-ordination of such units must be established

simultaneously. Language skills, although on average satisfactory, need to be improved.

Translation of EU legislation must be significantly intensified. In the long run it will be necessary to translate all EU legislation, but since it represents an expensive and time consuming process, work will have to be simultaneously done in foreign languages. Education of a significant numbers of translators should be one of the priorities.

Adoption of legislation is only the first step in legal approximation. The second one, but not less important, is the correct implementation of the same in legal practice. It is therefore necessary to, along with the newly adopted regulations, pass directives for implementation, in line with practice in EU members. Full participation of the judiciary in this process is of utmost importance and it will be needed to develop education programmes to this end.

A programme of impact assessment to look at the real cost of adopting EU regulation and policies, as well as the benefits, will have to be developed as an immediate priority, in order to allow the Government to consider next steps.

Establishment of the central database is needed immediately, in order to provide functional support for legal approximation activities (ISAP system may serve as possible model).

In order to provide for systematic education, it will be necessary to introduce subjects covering European affairs in curricula of the Croatian Universities at undergraduate and postgraduate levels.

The general public must be well informed of the integration process and adjustment needs. To this end, a comprehensive information strategy needs to be developed and implemented. It is of utmost importance to present to the citizens the realistic costs and benefits of the integration process.

Conclusion

The summary of our policy goals is the following:

- firstly, it is needed to pursue sound domestic economic policies, strengthen the functioning of the legal system, and continue reforms in order to establish solid institutional and macroeconomic foundations for sustainable growth and improved living standards;
- secondly, Croatia strategically aims at integrating with the EU in terms of both economic and political co-operation;
- thirdly, on the strategic lines of the Stability Pact for South Eastern Europe, increased efforts to develop broad-based regional co-operation in order to reduce potential for regional conflicts and increase development advantages are needed.

It is obvious that macroeconomic stabilisation should be combined with liberalisation of domestic markets and opening to international markets. This has to be paralleled by appropriate structural policies, including privatisation, restructuring of senile sectors and policy measures geared to attracting FDIs. Much more attention should be given to institution building.

Institutional reforms need to be modelled on and harmonised with EU solutions, in order for Croatia to achieve a *status of self-imposed "shadow-membership"*. This would facilitate the catching up process and ensure institutional convergence and a de-facto integration that may provide an important argument in favour of possible accession to the EU in the future.

At the same time, if we are to witness successful and thorough integration of our continent, it is of utmost importance that the EU establishes a reasonably reassuring perspective for the non-candidate countries, sometimes called the "left-outs" and "have-nots". This could be done through clearly defined criteria for inclusion and exclusion, in order to help the potential candidates to design their domestic policies accordingly. It should be stressed that there is practically no alternative for

comprehensive inter-regional integration other than the EU. Willing or not, the "left-outs" will be gravitating towards the EU, and the EU, willing or not, is and will be largely responsible for their future development. In this context, the EU should further elaborate a long-term strategy vis-à-vis all potential candidates. The process of gradual convergence of respective economies towards the EU should be supported with more aid and broader assistance programmes. A serious and profound internal debate within the EU is needed to better understand the implications of only "limited" opening and potential benefits that can be obtained from further enlargements.

We see the proposals of a new generation of agreements - *Stabilisation and Association Agreements (SAAs)* - as a possible important tool in this process. They would have to be tailor-made, taking into account the individual situation and achievements of respective countries. Indeed, the great heterogeneity of different states requires that the EU takes on board interests and problems of individual countries and consider the individual progress each of them has made in the reform process.

The *Stability Pact for South Eastern Europe* which was adopted in June 1999 is emerging as another important tool for the development of a shared strategy for stability and growth of this part of Europe. The opportunity to address structural shortfalls and unresolved issues will accelerate democratic and economic development, as we strive towards the objective of lasting peace, prosperity and stability. The implementation of this process will allow those who seek it to proceed along the road to full integration into Euro-Atlantic structures.

In conclusion, I would like to point to the fact that Croatia is today the generator of stability in the wider region and is prepared to continue with its constructive role. In order to succeed, we need to further develop dynamic relations based on partnership, assistance and mutual understanding. I would also like to reiterate our openness and preparedness to discuss all the outstanding issues and to work together towards full inclusion of the Republic of Croatia into European integration processes.

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