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Research Report

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Croatia's rush to join the EU

Hasty admission would damage the country, other candidate countries and the EU

Andrea Despot / Dušan Reljić

If the government and the opposition in Zagreb were to have their way, in the next few weeks the remaining stumbling blocks to Croatian EU accession would be removed, and by the end of June 2011 accession negotiations in progress since 2005 would be concluded. Yet, in certain key areas – primarily in respect of the rule of law – the *acquis communautaire* is still not being fully implemented. The European Commission and EU member states should therefore resist wishes for an expedited process. They must insist that deficits are first remedied.

Croatian politicians of every stripe are convinced that their country, after protracted negotiations, has now made the grade for EU accession. They believe that every one of the 35 negotiating chapters could be closed when the European Council meets on 24 June 2011. The Croatian government has indeed undertaken remarkable efforts since the publication of the latest progress reports on candidate countries issued by the Commission on 9 November 2010. On 21 April 2011 the Croatian government succeeded in provisionally closing two further accession chapters (agriculture and regional policy/the coordination of EU structural funds). Nevertheless, two central chapters – the judiciary and fundamental rights (ch. 23) and competition policy (ch. 8) – remain open.

Chapter 23 is the major stumbling block. It lists the benchmarks for establishing an independent judicial system, combating

corruption, coming to terms through the justice system with war crimes as well as fundamental rights questions. Progress needed to be made in this field is quite sizeable: for example, Croatia still needs to improve standardisation and transparency in criteria for nominating judges; it must reduce the huge backlog in hearing court cases and in enforcing decisions (about 785,000 cases); it needs to pursue measures in respect of preventing impunity for war crimes; and it must demonstrate a willingness to cooperate unrestrainedly with the UN War Crimes Tribunal for the former Yugoslavia. The European Commission also requires that Serbian and other ethnic groups should be able to achieve greater social participation and that protection against discrimination of minorities and of human rights in general be improved.

The tentacles of a many-armed monster named Corruption

According to a joint statement adopted by more than a dozen Croatian civil society organisations in February this year, the country has certainly not fulfilled the requirements which would enable chapter 23 to be concluded. In May, these groups called upon the European Commission to set up a monitoring system for at least three years to measure the implementation of the rule of law. This would be set up if the accession negotiations are concluded for 'political reasons' rather than because they objectively deserve to be. The Croatian government denies that such a mechanism would be necessary. In its most recent report to the European Commission, it insists that all the benchmarks have been achieved. But at the conclusion of the EU foreign ministers' summit on 23 May 2011, some member countries remained sceptical of the level of its commitment. They apparently wish to make the entry into force of the accession treaty dependent on Croatia continuing its reform programme after the conclusion of negotiations. In this interim period, an EU observation mechanism should be in operation.

Reservations about the functioning of Croatia's judicial institutions are also prevalent in the country itself. Some 90 per cent of the population sees corruption as a many-tentacle monster reaching far into government structures and into the economy. It is not, then, only the latest EU interim report (February 2011) which highlights these issues. In spite of various counter-measures – the most sensational being the arrest of the former Prime Minister Ivo Sanader in Austria and his impending trial for embezzlement – corruption remains a core problem. Only after senior officials have actually been convicted for corruption can an assessment be made about whether the Croatian judicial system has tamed the 'monster'. Deeds rather than words also count in gauging the credibility of government plans to employ more members of ethnic minorities in public admin-

istration – and to the question whether returning refugees will have property restored and will enjoy adequate accommodation.

Hardly competitive

Another impediment to Croatia's EU membership is the outstanding privatisation of state-owned shipyards and the withdrawal of state subsidies for key industries in the country. Croatia urgently needs further economic reforms in order to overcome structural deficits, in particular its lack of competitiveness on international markets. In common with the majority of other countries in the region, Croatia has not yet managed – despite funds derived from privatisation and loans raised from foreign capital markets – to offer competitive goods and services on the global market. Admittedly, the country did manage to climb out of recession in the course of 2010 (after GDP had fallen by 6 per cent in 2009). Nevertheless, economic recovery is not prevalent in all Croatia's regions.

Unemployment has risen sharply to almost 20 per cent. A lack of flexibility in the labour market, increasing burdens on the budget (in the main for subsidies, the pension system and payments to war veterans) and liquidity-bottlenecks in companies attributable to the general financial crisis, have all brought about an increase in the budget deficit. In 2010 this amounted to 4.5 per cent of GDP, instead of the hoped-for 2.7 per cent. Foreign debt too is having a negative effect on the national economy. Indebtedness to foreign sources has reached 61 billion US dollars and thus amounts to 100 per cent of GDP. So far Croatia has been servicing its foreign debt on time, but following a reduction in its creditworthiness by one of the leading international rating agencies at the end of 2010, raising money on foreign markets has become more expensive. As a consequence, pressure has increased on the government to cut costs wherever possible – a highly risky political challenge in the run-up to parliamentary elections due in autumn 2011.

The domestic politics of enlargement

Zagreb's ambitious timetable for EU membership is primarily motivated by domestic politics. Prime Minister Jadranka Kosor of the national-conservative Croatian Democratic Union (HDZ) would like elections to be held soon after the anticipated conclusion of EU negotiations so that she can profit from this success. She has stated that she will announce the election date in June. By then, the outcome of negotiations with the EU will be clear. A 'defeat', which is how a delay in the conclusion of the negotiations would be interpreted, could thus cause further damage to the government's already tarnished reputation.

Corruption scandals in government circles such as the Sanader affair, coupled with general dissatisfaction about falling standards of living, have already shaken the HDZ to its very foundations. Between January and April this year there were protests in the streets involving thousands of people in Zagreb and other cities. These demonstrations, occurring several times a week, are something quite new in Croatia. Often organised via social networks on the internet, they are an expression of the discontent which is spreading as a result of economic, social and political conditions, in particular amongst the younger generation and the middle classes. According to the views of the majority of election pollsters, anything other than defeat for the HDZ in the national elections would be a surprise.

For their part, the opposition Social Democrats (SDP) would never risk being accused of lacking patriotism. Such would however be the case if they were to come out in favour of extending the period of Croatia's preparation for EU accession. Yet, the party will benefit if the conclusion of the negotiations is delayed, and are insisting that in that case too elections be held immediately, in summer. This timing would give the opposition party more than enough scope to criticise the Kosor government. Post-accession, the SDP would then

be able, assuming they had won the elections, to ascribe the success to themselves.

Both the government and the opposition are united in their fear that the prolongation of negotiations would strengthen the already widespread euro-scepticism in Croatia. Verdicts passed by the Hague Tribunal on 15 April 2011 condemning the two Croatian generals Ante Gotovina and Mladen Markač have recently fuelled popular reservations with respect to the EU. Yet, actions by Croatian military personnel against Serbian rebels in summer 1995 are generally regarded in Croatia as a legitimate act of self-defence. In the public perception, there is scarcely any understanding that an injustice took place in the course of this offensive in which several hundred civilians were deliberately killed and tens of thousands of Serbs were driven out. It is for these actions that the two generals were sentenced respectively to 24 or 18 years in prison.

One frequently proclaimed objective of both government and opposition is to secure the necessary popular support for EU accession in the referendum stipulated in the constitution. Fortunately for the government, this formal hurdle has been lowered. Until the constitution was amended in June 2010, it required that a majority of all registered voters be in favour in order for accession to proceed. Now it is only necessary to have a majority voting in favour amongst all the votes cast, and no minimum figure or percentage of turnout has been specified. Neither the sympathy expressed for the two jailed generals by the Catholic Church (it had called upon its congregation to pray for the charges to be dismissed), nor the nationalist rhetoric re-emerging from numerous politicians and the media, have yet been able to mobilise the mass of the people actively against EU accession. Indeed, sympathy and support for the condemned war criminals appears to be diminishing. This should serve as a warning to the HDZ not to place its cards on nationalistic populism.

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According to figures given in surveys conducted by the 2010 Gallup Balkan Monitor, in an upcoming referendum 43 per cent would vote against and the 'yes' vote would amount to 38 per cent of votes cast, meaning that accession would be blocked. Yet, a considerable percentage of the population is still undecided: 38 per cent of those surveyed considered EU membership to be neither positive nor negative. This group might just tip the scales. Events received in a negative light, such as the judgements against the Croatian generals, can suddenly turn the mood of the people. Thus, for example, in the middle of April 2011, in a poll on behalf of a major Croatian daily newspaper, only 23 per cent of those surveyed were in favour of EU membership. Barely one month earlier however, when there was a campaign on a broad political front in favour of joint efforts towards achieving EU membership, support had been at 56 per cent.

Acid test for other candidate countries

In other candidate countries in the Western Balkans, Croatia's final dash for the tape is being observed with some concern. The standards which are being applied in Croatian EU negotiations and the consistency of the conditionality criteria imposed by the EU act as signposts for other candidates. The fact that EU enlargement Commissioner Štefan Füle has ruled out a post-accession monitoring procedures (like those set up for Romania and Bulgaria), testifies to the fact that there is still no sign of giving in to pressure and allowing Zagreb special dispensations. The cases of Bulgaria and Romania suggest that a post-accession control mechanism cannot counter a flagging readiness to continue with reforms. In admitting Western Balkan countries to membership, as numerous voices within the EU are demanding, no additional "gradual watering down of accession criteria" should be tolerated. In the place of the practice in earlier cases

where there were ready-made decisions held in stock – a sore point even then for former European Parliament president Klaus Hänsch and other leading EU politicians – this time there is to be "whole-hearted commitment" to EU values. Whether this kind of internalisation of EU criteria by Croatia can actually come about in view of the pressure with regard to the timetable emanating from Zagreb is questionable.

There is no sense in indulging in predictions as to when negotiations might be concluded. This would be to prejudge the outcome of negotiations on political grounds rather than factually assessing Croatia's fulfilment of the criteria. And if Croatia does not succeed in establishing a stable political and economic system in accordance with the Copenhagen criteria let alone to create an open-minded political culture, and if support amongst Croatians for EU membership really is dependent on political mood swings, then EU membership for Croatia in June would amount to nothing more than a summer special offer. With its illiberal tendency in media legislation and other political fields Hungary, the EU's current national presidency, provides a sobering case study of the dynamics that could well play out in present candidate countries which have not completed all the required preparations. Making Croatia a member state without having put a tick in the box against every item which needs to be complied with would be counterproductive for the country itself, for the West Balkan region and for EU enlargement policies as a whole.