

Croatia's Position for the Future Relations with the EU*

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The paper focuses on the Croatian progress and achievements in light of signing the Stabilisation and Association Agreement with the European Union, subsequently addressing the issue of Croatian position in the Western Balkans or South East Europe as well as its prospects for future relations with the EU. In order to ensure a more stable and prosperous political and economic environment, various forms of integration are taking place in the world today. For Croatia, this first formal agreement with the European Union marks the beginning of preparations of Croatia for EU membership as its priority political goal. The Agreement defines the relationship between Croatia and the EU in three fundamental pillars of the EU: the European Communities and its economic aspects, the Common Foreign and Security Policy, and Justice and Home Affairs area. Croatian policy toward the EU integration should be based on its own unilateral activities and decisiveness in implementing the programme of adjustments.

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Ladies and gentlemen,

It is my great honour to address this distinguished gathering with information on the progress and achievements made by the Republic of Croatia in the light of signing the Stabilisation and Association Agreement. I would also like to present an overview of Croatia's position on the prospects for future relations with the EU, as well as its role in the Region, sometimes called Western Balkans or South East Europe.

The Region has never fallen short on ambition, but it has always fallen short on realism. This is why it is necessary to establish the right balance between the two in the Balkans today, when the region has come closer to Europe than ever before. The same applies to the topic of our meeting today, which is the preparation for EU membership.

The Schedule for the Near Future

Croatia is a newcomer, or better to say a late-comer to the process of EU enlargement. This very fact entails its own setbacks, but also its own advantages, the most important being a possibility to learn from the good and bad experience of the today's candidate countries.

The new realities that characterise the world today clearly show that various forms of integration are taking place, in order to ensure a more stable and prosperous political and economic environment. As for many other countries, it is in Croatia's interest to embark upon a path that will, through a series of carefully planned and well executed steps, confirm that it is recognised as a true member of the European and world community, firmly embedded in the spirit of cooperation, and certain of its rights and obligations to that very community.

The key to understanding integration is to always keep in mind that it is a two-way street. It is equally valuable to be an aspirant for membership in

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an association, as it is to be the one granting admission. The synergy that is created in the accession process allows the existing members as well as the future members to be mutually more complete and more enriched by the enlargement of integration.

Croatia is fully aware of this. In the period after the last year's elections, it has devoted special attention to its role as a reliable partner to its neighbours and to all other countries it cultivates ties of cooperation with. Its foremost foreign policy goals have concentrated on forging closer ties with its partners, and on ensuring that processes of both political and economic integration proceed unimpeded. Croatia has been admitted to the World Trade Organisation, has continued with negotiations with a view to concluding bilateral free trade agreements with EFTA and CEFTA countries, planning to also become a CEFTA member itself, and has stepped up its efforts to enter into contractual relations with the European Union.

Let me continue with what is on Croatian schedule for the near future. The Stabilisation and Association Agreement with the European Union was signed last week in Luxembourg. This represents the first bilateral agreement ever concluded between the EU and Croatia, and that in itself has great significance.

The importance of the first agreement establishing legal and contractual relations with the EU is so much greater since it is not only the first formal step in institutionalising the relations with the EU, but also marks the beginning of preparations of Croatia for EU membership, which is our priority political goal.

The Agreement belongs to a new generation of association agreements. It contains all elements of the so-called "Europe Agreements" whereby associate member status was extended to the transition countries, which are today's candidates for EU accession. However, in addition to these, our Agreement particularly underscores stabilising and political aspects, political dialogue and regional co-operation. This is quite understandable, taking into account the need to attain and maintain both political and economic stability in the sometimes tragically volatile region of South Eastern Europe.

The Agreement defines the relationship between Croatia and the EU in all three fundamental pillars of the EU - the European Communities and its economic aspects, the Common Foreign and Security Policy, and Justice and Home Affairs area. The adjustments that the Agreement will undoubtedly require of Croatia include meeting Copenhagen political, economic and democratic criteria, legal ap-

proximation and readiness to contribute to regional cooperation and stability.

If we speak of specific required steps to take, Croatia is first and foremost facing an extensive activity in the field of harmonisation of Croatian legislation with that of the EU. According to the stipulations of the SAA, the priority areas of harmonisation shall be the following: freedom of market competition, state subsidies, intellectual, industrial and commercial property rights, public procurement, standardisation and metrology, and consumer protection. Additionally, an agreement has been reached on the obligations of Croatia to simplify and make more transparent the procedure for acquiring real estate in Croatia for the citizens of the EU member states. The SAA envisages for the Republic of Croatia to gradually harmonise the regulations from the above areas with the corresponding EU regulations. The transitional periods for the harmonisation of the Croatian legislation last between three and five years, depending on the area. The total transitional period for acquiring a complete level of compliance required for associate membership of Croatia shall last maximum six years.

The Relevance of the SAA

Croatia also needs to work on the fulfilment of the issues highlighted by the political part of the Agreement, notably the regional cooperation component. Within the scope of the Agreement this means a readiness to conclude bilateral conventions with the countries encompassed by the Stabilisation and Association Process, but also with candidates for EU accession. These conventions will be primarily aimed at strengthening bilateral economic relations and mutual free trade, but will be devoid of any pressure to enter into any kind of multilateral or new state-building associations in this region.

Croatia is and will remain determined and committed to substantially contribute to the development of regional cooperation and to the stabilisation of the region. This is not only our formal obligation stemming from the Agreement on Stabilisation and Association, which we signed with the EU, but it is also a priority in the foreign policy of the Croatian Government. Croatia needs an economically and politically stable neighbourhood to the same extent that it is a need for the EU. This is why there should be no doubt about the future regional intentions and actions of Croatia in the South Eastern Europe.

Only after the signing of the Agreement does the real work begin on the implementation of both

what has been agreed to and what we know are conditions for full EU membership. Crucial for our relations with the EU are not negotiations but a successful implementation of the commitments that ensue from these negotiations.

It is our intention to link from the very outset our commitments to meet the conditions for associate membership with the process of adjusting our entire system to the criteria for full membership. From the very start, we shall implement these two phases on the way to Europe simultaneously, even though they are separate in procedural terms.

The Croatian Government recently - and for the first time - publicly assessed its own and the Croatian society's ability to implement everything that the adjustment to EU criteria entails. To that end the Government has made public its objective to ensure that Croatia is ready for full EU membership by the end of 2006. This is a realistic yet ambitious goal. The Government has not conjectured on when the Republic of Croatia will become a full member of the EU, because we are aware that this does not depend solely on our performance, but rather on the EU's institutional capacity to admit new members.

But when, in 2006, we achieve the necessary level of readiness for EU membership, this will signify a comprehensive change in the conditions and quality of life, work and economic activity in Croatia. This is why the date of Croatia's formal entry into the EU as a member will then no longer be as important, for already such a virtual membership will satisfy most development interests of Croatia and its citizens. Therefore, we are not embarking on the way to Europe and the achievement of European criteria just to gain EU membership as a goal unto itself, but primarily to satisfy and achieve our own development goals.

The Program of Adjustments

To speculate today on the rate and direction of the EU enlargement process is a thankless task. Perhaps the most feasible scenario is one where several of today's most advanced candidates join the EU by about 2004 or 2005. This means that the EU, by its next Intergovernmental Conference in 2004, should make clear its position on the grouping and re-grouping of the remaining candidates and the possible addition of new candidates, depending on the level of individual readiness for membership potential candidates will have demonstrated by then. This is where Croatia's chance lies, but this also repre-

sents a great obligation not to miss such an opportunity.

The best way for Croatia to secure EU membership is through its own unilateral activities and decisiveness in implementing the program of adjustments, regardless of the formal course of EU enlargement. We do not have to compete with other candidate countries in this process, but must outdo ourselves in developing our own capabilities to achieve the necessary level of adjustment.

Such an approach is sufficiently ambitious, but also sufficiently realistic. It is the best way to highlight the different level of readiness of the countries involved in the Stabilisation and Association Process, and reaffirm the possibility of adopting an individual rather than a regional progress toward EU membership. I hope this will also make it possible for Croatia to quickly join the ranks of the current candidates for full membership, which according to a public opinion poll conducted in June of 2001, is supported and desired by 75 per cent of Croatia's citizens.

Ladies and Gentlemen,

Let me just briefly focus on the trade aspects of current and future economic relations in the Region. In our view, a strategic commitment to develop regional co-operation can best be highlighted in the area of trade policy by pursuing regional trade arrangements promoted and supported by the Stability Pact in the Memorandum of Understanding on the Liberalisation and Facilitation of Trade. Croatia has signed the Memorandum together with Albania, Bosnia and Herzegovina, Bulgaria, FR Yugoslavia, Macedonia and Romania. It confirms Croatia's commitment to develop and implement the network of bilateral agreements on free trade of goods by the end of 2002, which would be in line with the rules and discipline of the WTO, as well as with the relations established by the countries of the region with the EU. By agreeing to create such a free-trade environment in the Southeast of Europe, Croatia has sent a clear message that we stand ready to co-operate with all countries in the region and contribute to the reconstruction of their economies by rebuilding and reinforcing trade relations in the region.

We have, however, often been invited to take a step beyond a network of bilateral agreements on free trade and proposed to participate in creating a common economic space or customs union in the Balkans. It is too ambitious by any standards and therefore it is a highly unrealistic project. Croatia

does not see any economic or political reasons to support this idea. We have definitely drawn a line between efficient and inefficient solutions, between ambitions and reality, between regional co-operation and attempts to create new state-related associations in the Balkans. For us, this line goes straight between a network of bilateral free trade agreements on the one hand, and the customs union on the other. The customs union is on the wrong side of solutions acceptable to Croatia.

Everything the customs union could offer to companies and countries from the economic and trade-related point of view is equally achievable through a network of bilateral agreements on free trade. Even establishing such a network of bilateral agreements on free trade is an extremely complex affair. But, bilateral is beautiful.

This leads us to a conclusion that it is much more productive and realistic to contemplate how the economies of South Eastern Europe can become integrated to a much larger extent and at a faster pace with the united economies, legislation, standards and criteria of the European Union, than to try to figure out how to realise a Balkan-oriented economic self-sufficiency.

An evolvement of bilateral free trade agreements into a single, multilateral agreement on a free trade area may contribute to that goal, especially if all countries of the South Eastern Europe could become CEFTA members on an accelerated pace. In that case they should extend credible assurances that rules of origin system can function free of abuse on this multilateral level, and confirm their readiness to carry out liberalised, transparent and predictable trade policies by joining the World Trade Organisation. This proposal could also contribute to keeping long-term prospects of CEFTA, by shifting its membership to a southeast geographical direction at the time when most of the present day members would become EU member states.

For the end, I would like to thank the organisers by saying that meetings and conferences like this one can generate ideas and facilitate the sharing of experiences in the EU enlargement process. Therefore, I command determination of the participants to contribute to dissemination of views and proposals relevant to the process we are being embarked upon.

Only through professional and organised work can we close the erstwhile gap in relations with the EU. We are presented with a great challenge, but also with a great responsibility and obligation not to miss the present generation's best opportunity. ■