

# The Croatian European Story

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## 1. Introduction

Croatia's role and place in the European milieu is determined by its three main geopolitical dimensions which define it as a Central European, Mediterranean and Danubian country. The first of these places Croatia into the Central European group of countries with whom it has numerous historical, political and economical linkages. The second emphasizes that Croatia is also a part of the culturally diverse and rich Mediterranean basin. Aside from these two dimensions, Croatia also has access to probably the most important European river - the Danube.<sup>1</sup> These three geopolitical dimensions of Croatia which orient it towards Europe, constitute the axes for the fundamental framework of the philosophy of the Croatian Government in defining foreign policy actions and setting priorities.

The projects and intentions of the Croatian Government are, however, only one aspect of the *Croatian European story*, the other one, of course, is the European policy towards Croatia. This paper shall be limited to the policy of the European Union (EU) which, through its coordinated efforts within the framework of the Common Foreign and Security Policy, is evidently the most coherent European voice.<sup>2</sup> If one was to give an assessment of the EU policy towards Croatia, the most likely conclusion would be that it has varied a great deal with time and the alteration of the overall political and security situation. Still it may be said that the predominant approach was characterized by a reluctance of the EU to adopt an open and welcoming stand towards Croatia. Moreover, an analysis of relations between Croatia and EU could lead to the conclusion that the wait-and-see policy pursued by some European states in regard to Croatia's admittance to the Council of Europe as well as with concluding the Cooperation Agreement with the EU, in some cases, caused Croatia to be at variance with EU policy. No matter what the intentions were, the European messages did not prove to be conducive to encouraging the peaceful reintegration of the occupied parts of Croatia.

Consequently, such a policy urged Croatia to look for different ways of finding solutions to its most acute problems. In that context, by far the most significant events for Croatia were two military operations (Flash and Storm)<sup>3</sup> during which the majority of the former occupied territories were liberated. These victories, not only enabled Croatia to return fully back onto its feet, but they also lifted a long lasting siege of one of the so-called UN safe havens in Bosnia - Bihać, which had been strangled by the Serbs for over three years.<sup>4</sup> Moreover, the successes of the Croatian Army as well as the alliance with the Bosnian Army and Croats in Bosnia created the conditions for a more even military situation in Bosnia.<sup>5</sup> In other words, for the first time after the onset of the war, the Serbs started to lose the territories they have earlier occupied and ethnically cleansed. There is no doubt that this development was a precondition to the peace process and in fact paved the way for the diplomatic efforts of the Contact Group in organizing the conference in Dayton which resulted with the now famous Peace Accords.

In evaluating the period behind it, Croatia can be satisfied with the fact that it succeeded in acquiring and exercising sovereignty over most of its territory. This contentment can also be extended to the ongoing process of

peaceful reintegration of the Croatian Danubian area into the constitutional and legal system of the state. In that respect, credit should be given to United Nations Transitional Administration for Eastern Slavonia, Western Sirmium and Baranya (UNTAES) and General Jacques Klein, the Transitional Administrator, who has demonstrated a very high level of determination in fulfilling the mandate he was given by the Security Council. Given that the demilitarization of that part of Croatia has been completed, hopefully the whole process shall progress quickly and the return of Croatian refugees will commence shortly, as well as the vast reconstruction of the area, in particular the city of Vukovar which suffered the greatest destruction and devastation. In that sense the full support that the Croatian Government has given to UNTAES will also contribute to the positive achievements of the ongoing process and will further protect the rights and ensure the safety of all Croatian citizens.

There is another important issue that has put a positive light on Croatia's future in Europe - the decision taken by the Committee of Ministers of the Council of Europe on 2 July 1996. This decision means that Croatia has been invited to become a member of the Council of Europe, upon the condition that the decision will enter into force during the second half of September, after the elections in Bosnia and Herzegovina. Croatia shall also have to comply with the list of 21 commitments that was accepted and signed by President Franjo Tudman and President of the Sabor Vlatko Pavletić on 15 March 1996. Although, almost all European states, each with their own levels of political and civic development, are already members of the Council of Europe, Croatia's path toward this objective has been riddled by many postponements and thorough examinations of all aspects of functioning of the state and after having been a special guest in the organization for four years.<sup>6</sup> Nevertheless, this decision should still be regarded as one of the crucial steps forward in Croatia's attempts to become fully integrated into the Euro-Atlantic political, economic and security structures. Finally, despite various views concerning the significance of the Council of Europe, it must be said, that membership in one of the oldest European organizations can substantially contribute to strengthening the development of democracy, rule of law and the protection of human rights in any country wishing to become a member. It also seems a lot easier and more logical to use all the international mechanisms of control and supervision when a country is in the club rather than when it is outside it.

## 2. A review of relations between Croatia and the EU

Amongst multilateral organizations, the EU is undoubtedly economically the most attractive and financially the most powerful organization representing an exclusive club of European countries. Becoming a member of this club is one of the long-term Croatian foreign policy objectives. Relations with the EU are often the subject of extensive debates in Croatian political circles and it can be concluded that there is a vast consensus by all the political parties that a firm pro-European orientation is not only the most obvious but also the most natural future scenario for the country.

The path to institutionalized relations with Europe is not an easy one. On the contrary it is very demanding and involves serious work and thorough preparations of the state

administration and institutions. It also encompasses a broad adjustment of Croatian legislation with the *acquis communautaire* and the adoption of numerous technical and other standards. The implementation of these processes is itself a very difficult exercise, however, it is even harder without the proper assistance of EU institutions. Croatia has not received the adequate and necessary technical and expert assistance that would have effectively enabled the realization of all the tasks that confront any country in transition. Most of the work on harmonization that has been done so far has been conducted through the use of Croatian resources. Despite all the efforts that are being put into achieving the aims of internal adjustment, there are serious reserves about the full success and sufficiency of such work. In that respect Croatia has repeatedly asked for the establishment of closer ties with the EU, but has not yet witnessed the desired level of readiness for better cooperation from the other side.<sup>7</sup>

Even though it may seem to have been fairly modest cooperation, let us take a concise overview of the past and present relations between Croatia and the EU.

In the period prior to the democratization of the country Croatia had intense economic cooperation and political linkages with western European countries. Moreover, Croatia, as one of the most advanced republics of the former Yugoslavia, was among the first states in the region of Central and Eastern Europe that had established relations with the European Community, as well as trade cooperation with its members. After the establishment of independence, Croatia and the EU continued to run their trade relations on the basis of the decision of the Council of Ministers of the European Community in December 1991, which granted Croatia trade quotas with so-called "preferential regimes". The same decisions were reconfirmed in December 1992 and December 1993. The relations between Croatia and the European Community during that period can be seen as a kind of transitional phase of mutual cooperation.

At that time, approximately 40% of total Croatian exports, worth some US\$1.85 billion, were directed to the European Community market, which amounted to 0.5 percent of the total European Community imports. Imports from the European Community member countries to Croatia amounted to approximately US\$2 billion. The most important trading partners were Germany and Italy, covering 75% of the overall trade with Community.

Therefore, the 1991-93 period could be seen as a period of "low-level" relations. In that period, most of the political activities consisted of valuable humanitarian aid and the EU involvement in the peace process negotiations. Subsequently, the Croat-Moslem conflict in Bosnia, the tragic conflict between victims of the same aggression over the scarce land that had not been occupied by Serbs, impacted upon the relations resulting in the EU freezing its links with Croatia.

In the first quarter of 1994, the Washington Agreement re-established cooperation between Croats and Moslems in Bosnia and was actively supported by the Croatian Government. Its implementation led to a "revival" of encouraging political relations between the EU and Croatia. The positive trend in the mutual relations continued during the first half of 1995 when some important decisions concerning Croatia were taken by the EU. In April the Council of Ministers of the EU mandated the European Commission to commence preparations for negotiations on a Co-operation Agreement. On 27 April the European Parliament approved the inclusion of the Republic of Croatia into the PHARE Program. Both decisions became operational on 12 June 1995.<sup>8</sup>

In Croatia, the National Co-ordinator for the PHARE Program and the Chief Negotiator for the Co-operation

Agreement were appointed.<sup>9</sup> In addition, the relevant expert teams were established.<sup>10</sup> Soon after two negotiation rounds for the Co-operation Agreement were successfully concluded in Brussels and Zagreb.

Furthermore, the overall legal framework in Croatia was also being improved and adjusted to European standards. Legislation, particularly in the commercial field, such as laws on trade, competition and company law, were adopted on the basis of the EU legislation. On these issues, Croatia showed its technical, legal and economic readiness to join the "pre-accession" framework in order to establish long term political dialogue with the EU.

All of these efforts were also supported by the positive effects of the national economic and developmental policy, which were repeatedly confirmed by the IMF and World Bank experts that have regularly visited Croatia.

However, in the summer of 1995 the Croatian leadership made a decision to return the occupied territories by using military and police force after several years of negotiations had proved fruitless and every opportunity for peaceful reintegration had been exhausted. This was not easily accepted by most of the international community, even though Croatia had every moral and legal right to establish law and order on its entire territory. It was with a swiftness rarely seen that the EU promptly adopted, on 4 August 1995, a decision to suspend the Co-operation Agreement negotiations and the implementation of the PHARE Program.

Following this development, Croatian - EU relations have not improved, but, on the contrary, have taken an unwanted direction.<sup>11</sup> Croatia's main concern is aimed at the EU's new regional approach policy, some of the effects of which have already been felt.<sup>12</sup>

### 3. The regional approach policy

The regional approach policy was formally laid down in the conclusions of the Council of Ministers of the EU at its session of 26 February 1996, and is, in a way, the extension and further elaboration of the Council of Ministers' conclusions of 30 October 1995.

The regional approach is constituted of three levels: cooperation amongst the states of south-east Europe, cooperation between the states of south-east Europe (in a narrow sense) and other neighboring countries and, cooperation between the states of the south-east Europe and the EU.

The regional approach is also comprised of the so-called conditionality policy in regard to the establishment of long-term relations with the EU. This conditionality is manifested through: the implementation of the peace process, respect for human and minority rights, the right of refugees and displaced persons to return, respect for the principles of market economy and cooperation with the Hague War Crimes Tribunal.

Finally, the regional approach calls for stability and good neighborliness in the region: by allegedly contributing to peace and security, by giving incentives for regional cooperation, by enhancing and intensifying relations with the EU and by contributing to the programs of reconstruction. The process of strengthening stability and good neighborliness is intended to ease tensions, prevent the renewal of the conflict, as well as to restore confidence and establish dialogue.

The Croatian Government is aware of and well acquainted with the different regional policies of the EU towards various regions of the world such as the Visegrad group, the Baltic states, the CIS and so on. Whilst this approach has been said to be fruitful for some of the countries in question, in many cases this approach has led to complaints that it is producing negative effects through its linkage of the progress of one country with the results of another.<sup>13</sup> This is but one of the reasons why Croatia is sceptical in its assessment of the regional approach.

Many people in Croatia become very concerned and anxious when such ideas of regional cooperation and linkages are proposed in certain capitals, or in academic circles. This anxiety is a consequence of what appears to be the hidden agenda behind the application of the regional approach to Croatia, that is, the revival of a new Yugoslavia. Most people do not want to see any form of reconstruction of nor revival of anything that may resemble Yugoslavia. The reasons are numerous, but the most obvious are the still fresh memories of the brutal aggression that took thousands of human lives, caused massive destruction and set back the development of the country for many years. These reasons alone are sufficient to wind up the pulse of public opinion in Croatia, and thus it is not easy to comprehend the policy of the EU and it is even more difficult to try accept it on a "take it or leave it" basis.

Croatia cannot accept being forcibly placed into a group of countries made up exclusively of those that were involved in the conflict in former Yugoslavia, namely Bosnia and Herzegovina, Federal Republic of Yugoslavia and two other countries that the EU envisaged to include, namely, Macedonia and Albania. The reasons are manifold, ranging from the most obvious, namely the war time aggression perpetrated against Croatia to fundamental cultural and historical differences, and very importantly, the alienation of Croatia from its major existing and natural economic partner states.

Should Croatia be offered a new text of the Co-operation Agreement similar to the one that was offered to Macedonia<sup>14</sup> and which includes the famous clauses on unavoidable and necessary regional cooperation, it must be understood that its acceptance would lead to somewhat bizarre results. For example, it is possible that the Croatian trade regime would then be more liberal towards goods from Yugoslavia than those from Italy or Germany. The fact that Croatia's historic and current trade orientation is firmly directed towards western Europe would make the impact of such a regional approach upon Croatia unnatural, massive and extremely negative.

The regional approach seems to contradict Article "O" in Title VII (or the Final Provisions) of the Treaty on the European Union which constitutes the legal basis for enlargement and which says: "Any European State may apply to become a Member of the Union...", by imposing additional obligations on a prospective applicant country so that it must not only fulfill the criteria on its own, but at the same time hope that its neighbors are also diligent enough to do the same.

How can one explain or interpret the highest EU officials when they say that the message they send to countries of south-east Europe is: cooperate among yourselves, if you want the EU to cooperate with you.<sup>15</sup> Particularly when those countries have not been given a chance to be assessed or judged on their own merits.

Finally, should Croatia agree to be constantly held responsible for the implementation of the peace agreement for Bosnia and Herzegovina and also tied to the development of Bosnia and Herzegovina in becoming a fully independent and stable country? This is especially onerous when the policy of tying countries together does not seem to have been implemented in the case of Slovenia, a country which has already concluded the Association Agreement with the EU.<sup>16</sup>

All of the above may suggest that the Croatian Government is paranoid and isolationist. It may suggest that Croatia is refusing any sort of cooperation with its immediate neighbors. However that is not true, and the practice and facts demonstrate something completely different. Croatia is well aware that the fostering of trade relations with the countries designated under the regional approach is of great importance in the overall normalization of relations and stabilization of the area. However, Croatia's Central European and Mediterranean orientation as well as the institution-

nalization of relations with the EU on this basis will not lead to new lines of separation in Europe. On the contrary, because of this orientation and its bordering with the Balkans, Croatia sees its interests in achieving peace and stability in that region. Accordingly, Croatia has been an active participant in the EU/Organization for Security and Co-operation in Europe (OSCE) Process of Stability and Good Neighborliness in South-East European states and was also present at the Ministerial Conference held in Sofia on 6 and 7 July 1996.<sup>17</sup>

Furthermore, there are some facts that shed more light onto the big picture of Croatia's cooperation with its neighbors. Namely, since independence and international recognition Croatia has signed 188 bilateral agreements with European<sup>18</sup> countries. 84 of them, or more precisely 45%, were concluded with close countries in the region: Albania - 11, Austria - 9, Bosnia and Herzegovina - 16, Italy - 4, Hungary - 17, Macedonia - 10 and Slovenia - 17. Many other agreements are currently being negotiated, while a large number of agreements that were concluded with the former SFRY and above mentioned countries have been adopted by succession to them. Thus for example, there are 105 agreements with Italy, 34 with Hungary, between 60 and 360 with Germany depending on methodology. Croatia has even signed Agreements with the FRY (Serbia and Montenegro) on consular functions, opening of highway, railway, air-traffic, pipe-line and telecommunications.<sup>19</sup>

It is crucial to outline that official visits from the highest political to expert level are frequently taking place and Croatia's cooperation with its neighbors on a bilateral basis is regarded as very positive. Croatia continues to develop dynamic technological, scientific and other relations through bilateral co-operation in Europe, particularly with its neighboring countries. On an economic level, Croatia's current foreign trade figures show a clear trend oriented towards Western-European and Central-European countries, for example, Italy - 20,29%; Slovenia - 11,63%; Austria - 6,38%; B-H - 3,23%; Hungary - 1,89%; Macedonia - 0,87%. These economic relations are governed by the principles of the free market economy which play a key role in determining the political and economic priorities of Croatia.

For all of these reasons one cannot see the need for such a fixed and inflexible policy on the part of the EU. A lot more subtleness, tact and fairness is required for a correct and respectful treatment of the countries in question by the EU. The establishment of more frequent dialogue should replace a firm conditionality policy. The placement of Croatia in the Balkans by external factors would be an alteration of the geopolitical reality, leading to serious instability, and is, therefore, unacceptable. The lack of assurance and clear explanation regarding the EU regional approach has caused deep concern in Croatia, particularly due to the effects that this policy has already had upon its process of European integration.

The Croatian Government believes that there is room for a solution that would be suitable to both sides and that would enable Croatia to create solid ground for a frank and fruitful long-term relationship with the EU. It should be noted that recent talks between Croatian authorities and the high officials of the EU have led to a more precise explanation of the meaning of the regional approach policy which, at least so far as the rhetoric was concerned, seemed more acceptable to Croatia.<sup>20</sup>

Furthermore, the fact that Croatia is still not a beneficiary of the PHARE Program and that the negotiations on the Co-operation Agreement have remained suspended for almost a year could presently be viewed as a part of the regional approach. This is likely to create a comparative difference between the dynamic of development in Croatia

and the other Central European countries, with the consequence of alienating Croatia economically from its principle partners. The creation of a special type of agreement shall have the effect of institutionally limiting Croatia's development and politically confining it into the Balkans, particularly when it is taken into account that the Association Agreement (Europe Agreement) is also a precondition for membership of the Central European Free Trade Area (CEFTA). In that respect, it should be noted that Croatia is currently in the process of negotiating free trade agreements with the CEFTA countries and also attaches special importance to establishing close ties with the European Free Trade Area.

Croatia and the EU have the same basic interests regarding the Balkan region, namely, peace, stability and good neighborly relations amongst states. Croatia has traditional links with Bosnia and Herzegovina which, through the framework of political and diplomatic partnership relations between Croatia and the EU, could well serve in the long term stabilization of that region.

At the same time, it ought to be clearly said that Croatia has no objections to any other country in the region regulating its relations with the EU in whichever way it finds to be most suitable.

#### 4. Perspectives

Historically, politically, economically, culturally and geographically Croatia has always been a part of Europe. Today Croatia is seeking active participation in the process of European integration because it feels it can contribute to the overall good of modern European society. For Croatia, Europe is a symbol of a stable system, of a regulated framework of societal relations, market economy and incentive for progressive development and growth.

The sole fact that over 60% of Croatian exports go to the European Union, already represents a sufficient argument for thorough and serious preparations in Croatia for institutionalized cooperation with the largest market in the

world. All of the challenges that are ahead will require a well organized, equipped and educated state administration for which the unavoidable precondition is introduction of European subjects in University education but also the education and practical training of civil servants in the tertiary institutions of the EU member states as well as in the institutions of the EU.

It is true that Croatia has been somewhat delayed in its development by the aggression which it suffered. Luckily the worst period is now definitely behind and Croatia is gathering its energies to be fully capable to join other countries in transition and also to become a member of such multilateral organizations such as the Council of Europe, CEFTA, and in due course, the EU.

Bearing in mind the full complexity of Croatia's international position it is crucial to state that Croatia fully supports the Federation of Bosnia and Herzegovina that was created in Washington in 1994. Croatia demonstrated a constructive attitude in attaining the Dayton Accords and also provided valuable input during the recent negotiations on sub-regional arms control.<sup>21</sup> Of course, Croatia's particular attention will be focused on the protection of the rights of Croats in Bosnia. Hopefully, the Mostar example will facilitate the elections in September on the entire territory of Bosnia.<sup>22</sup> Croatia will continue to seek stability and peace in Bosnia and Herzegovina.

Finally, it is impossible to imagine a united, democratic, stable and prosperous Europe, from the Atlantic to the Black Sea and the Mediterranean to the Baltic, with a geopolitical gap in the south-east of the Continent between Slovenia and Greece. The only way of filling such a void is by a comprehensive "Europeanization" of the area. The best method for achieving this objective is open and frequent dialogue between Croatia and the EU which will not only settle mutual relations, but also significantly contribute to the overall stability of the area.

1. This dimension is sometimes neglected due to the fact that Croatia was deprived of having access to the Danube in recent years when that part of Croatia was under Serbian occupation.

2. The EU policy that is shaped through the Common Foreign and Security Policy or the so-called second pillar of the Maastricht Treaty, is important, but is not the sole framework for arranging the external relations of the EU and thus with Croatia too. Namely, many of the Croatia - EU relations are of an economic nature and remain under the umbrella of the so-called first or EC pillar of the Maastricht Treaty.

3. Operation Flash was carried out in May '95 and involved the liberation of territories in western Slavonia. Operation Storm occurred in August '95 and involved the liberation of previously occupied territory that came to be constituted by UN Sectors North and South.

4. The UN Security Council resolution S/RES/824 ('93) of 6 May '93 declared Bihać and five other Bosnian cities (Sarajevo, Tuzla, Žepa, Goražde and Srebrenica) as safe havens. Prior to the operation Storm there was the absurd situation where the safe haven of Bihać was being attacked from the occupied parts of Croatia declared to be a "UN protected area".

5. Frequent and close consultations between Zagreb and Sarajevo led to the signing of the Split Declaration on 22 July '95 which provided the basis for the legal presence and military activities of the Croatian Army forces on the soil of Bosnia-Herzegovina. As it later became clear, the meeting in Split actually marked the strategic shift in the balance of power during the entire five years conflict in the region. From that point on the Serbian military dominance irretrievably diminished, while the Bosnian and Croat strength continued to rise.

6. Croatia was given the special guest status with the Council of Europe on 4 May '92, and has subsequently submitted the application for membership on 11 September '92.

7. Thus for instance Croatia has not been mentioned nor included in the European Council conclusions in Essen (Dec. '94) and Cannes (June, '95) regarding the "White Paper on the Preparation of the Associated Countries of Central and Eastern Europe for Integration into Internal Market of the Union" that was prepared by the European Commission.

8. The Council of Ministers decided to include Croatia into the PHARE Program and gave the green light to the European Commission to start the negotiations on the Co-operation Agreement.

9. Appointed were Mr Zlatko Mateša, the present Prime Minister, and at the time, Minister in charge of relations with international economic and financial institutions and Mr Davor Štern, the present Minister of Economy, and at the time, Assistant Minister for Foreign Affairs in charge of economic matters.

10. All of this was followed by several technical missions of the European Commission that visited Croatia and expressed positive opinions regarding the level of "technical" readiness of Croatia for the implementation of the PHARE Program, as well as for the negotiations on the Co-operation Agreement.

11. Nevertheless, it should be noted that the criminal events which were committed after Operation Storm, although condemned by the Croatian Government which initiated criminal proceedings against the perpetrators, severely damaged Croatia's human rights reputation.

12. This policy has also been referred to as the global-regional approach.

13. As an illustration, we will only mention the Co-operation Agreement with Hungary which was presented to the Hungarians as unique and reserved only for them. Interestingly enough, that agreement later became a model for almost all other Central and Eastern European states, and one can hardly say that the Hungarians were thrilled by it.

14. On 20 6 '96 Macedonia initialled a Co-operation Agreement with the EU.

15. These comments were made by the President of the European Commission Mr Jacques Santer, in his report to the Council of Ministers (10 June '96) after his visit to countries in south-east Europe on 7 and 8 June '96.

16. Slovenia's Association Agreement with the EU was signed on 10 June '96.

17. Croatia was represented by its Ambassador to Bulgaria.

18. Data accurate on 1 July '96.

19. These agreements were signed on 11 March '96 in Zagreb between Ministers of Foreign Affairs Dr. Mate Granić and Mr Milan Milutinović, as well as the Ministers of Transport and Communications Mr. Željko Lužavec and Dr. Zoran Vujović. Their signing represented a major breakthrough in the process of normalization of the bilateral relations between Croatia and FR Yugoslavia after the Dayton Agreement.

20. A frank exchange of views between Croatia's Foreign Minister Dr. Granić and the new President of the Council of Ministers Mr. Spring and European Commissioner Mr. van den Broek took place during their visit to Zagreb on 11 July '96.

21. The Agreement on Sub-Regional Arms Control was signed in Florence pursuant to Annex 1B of the Dayton Accords on 14 June '96 after six months of negotiations in Vienna under the auspices of the OSCE.

22. The EU's involvement in Mostar through its CFSP Joint Action (EU Administration of Mostar) is undoubtedly amongst the most significant foreign policy ventures of the EU, and represents a big challenge for the credibility of the Union. In this respect, the Republic of Croatia is providing continued support to the EU's efforts.