Agreement EU/Croatia: negociations for a stabilisation and association agreement

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PURPOSE : to report on the feasibility of negotiating a Stablisation and Association Agreement with the Republic of Croatia. CONTENT : the Commission communication of 26 May 1999 established a new framework for closer relations between the EU and the countries of South-Eastern Europe, to be developed through a progressive approach adapted to the specific situation of each country. This new context provides for a wide-ranging partnership, notably through a new category of agreements, the Stabilisation and Association Agreements (SAA). The opening of negotiations for a SAA depends upon the compliance by the specific country with the relevant political and economic conditions. Furthermore, it was decided that prior to considering the opening of negotiations for such an agreement, the Commission would report on the feasibility of this step. This report presents the recent political and economic developments in the Republic of Croatia and assesses the state of play in all sectors of possible cooperation with a view to the opening up of a SAA. Although Croatia has managed to make significant progress, reforms are still required with regard to the political and economic aspects in areas such as democratic and institutional reform, and economic stabilisation and reform, the perspective of a future Stabilisation and Association agreement will depend on its capacity to fulfil its obligations under this new type of contractual basis. This will include political dialogue, regional cooperation; trade in goods; approximation legislation; cooperation in home and justice affairs and financial cooperation. Overall, in light of these considerations the Commission concludes that the new Government is committed to full democratisation and long-term stabilisation of the country and has already started serious work in finding appropriate solutions to earlier political shortcomings. These developments foster compliance with EU conditionality for enhanced relations within the framework of the Stabilisation and Association process. Substantial progress can be reported in politically sensitive areas such as refugee and displaced people return, full cooperation with International Criminal Tribunal for the former Yugoslavia, improved regional cooperation and democratisation of the media. Political stability will need to continue this important reform process. Furthermore, the first encouraging steps in the economic sector have also been taken, although the Croatian economy continues to face problems. As far as technical issues are concerned Croatia has started progressive harmonisation with European standards and has the capacity to ultimately fulfil the obligations of a future Stabilisation and Association Agreement. However, major efforts of further rapprochement with the EC acquis will be needed. These efforts should focus initially on full implementation of necessary refoms in trade related sectors of the internal market. On the basis of this report and in particular taking into account the considerable progress noted under the new Croatianleadership, the Commission considers that the conditions for the opening of negotiations for a Stabilisation and Association Agreement with the Republic of Croatia are met. Therefore, the Commission recommends to the Council to authorise the opening of the negotiations and will shortly present a proposal for negotiating directives for an Agreement with Croatia.