

Croatia: membership application from February 2003

2003/2254(INI) - 20/04/2004 - Document attached to the procedure

Croatia submitted its application for membership of the European Union on 21 February 2003. In accordance with the provisions of Article 49 of the Treaty, the Commission has, at the request of the Council, prepared an Opinion on Croatia's request for membership.

Croatia is preparing for membership on the basis of the Stabilisation and Association Agreement signed on 29 October 2001 and the Interim Agreement which entered into force in March 2002.

To recall, the criteria set out by the Copenhagen European Council for candidate countries of Central and Eastern Europe are as follows:

- stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the ability to cope with competitive pressures and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

On the political criteria, the Commission's assessment is as follows:

Croatia has stable democratic institutions which function properly respecting the limits of their competences and co-operating with each other. The 2000 and 2003 elections were free and fair. The opposition plays a normal part in the operation of the institutions. There are no major problems over assuring the rule of law and respect for fundamental rights.

However, Croatia needs to take measures to ensure that the rights of minorities, in particular of the Serb minority, are fully respected. It should speed up the implementation of the constitutional Law on National Minorities and accelerate efforts to facilitate the return of Serb refugees from Serbia and Bosnia and Herzegovina. Croatia needs to make substantial improvements in the functioning of the judicial system. The effectiveness of the fight against corruption needs further strengthening.

Croatia's cooperation with the International Criminal Tribunal for the Former Yugoslavia has improved significantly in the past months. In April 2004, the Prosecutor stated that Croatia is now cooperating fully with ICTY. Croatia needs to maintain full cooperation and take all necessary steps to ensure that the remaining indictee is located and transferred to ICTY in The Hague. Croatia remains committed to regional co-operation; sustained efforts are needed in this area. In particular to resolve border issues with neighbouring countries in line with international standards for dispute settlement, and issues arising from the unilateral declaration of the protected "Ecological and Fishing Zone" in the Adriatic.

On the economic criteria:

Croatia can be regarded as a functioning market economy. It should be able to cope with competitive pressure and market forces within the Union in the medium term, provided that it continues implementing its reform programme to remove remaining weaknesses. In Croatia, there is an increasing political consensus on the essentials of economic policies.

The Croatian economy has achieved a considerable degree of macroeconomic stability with low inflation. Enhanced economic stability and structural reforms undertaken so far permit the working of market mechanisms. This holds in particular for the liberalisation of prices and trade as well as for privatisation, albeit to a lesser extent. Croatia is characterised by a relatively well educated labour force and good road transport and telecommunication infrastructure. The country has a well developed banking sector and a competitive tourism industry. Croatia's economy is already well integrated with that of the EU.

However, the working of market mechanisms still needs some improvement. In particular, the performance of the judicial sector needs to be enhanced and high administrative burdens as well as incomplete systems of cadastre and land registry need to be addressed. Enterprise restructuring and privatisation has been slower than expected and some large state and formerly socially-owned enterprises still play an important role in the economy. In particular the shipbuilding and agriculture sectors need to be modernised. The necessary reforms of the fiscal and social security systems as well as the public administration are not yet completed and fiscal consolidation needs to be vigorously pursued. Full integration in the single market and the adoption of the *acquis* would, at this stage, cause difficulties for a number of sectors in withstanding the competition within the single market. Addressing the identified weaknesses should contribute to higher investment and growth, thereby enhancing Croatia's competitiveness.

Capacity to take on the obligations of membership:

- Croatia has made significant efforts to align its legislation with the *acquis*, particularly in areas related to Internal Market and trade. These efforts need to be continued vigorously. Administrative capacity is uneven and enforcement of legislation needs to be improved. Croatia needs to continue legislative alignment while at the same time strengthening administrative and judicial structures that are necessary for the effective implementation and enforcement of the *acquis*.

If it continues its efforts, Croatia should not have major difficulties in applying the *acquis* in the medium term in the following fields: Economic and Monetary Union; Statistics; Industrial policy; Small and medium-sized enterprises; Science and research; Education and training; Culture and audio-visual policy; External relations; Common foreign and security policy; Financial and budgetary provisions.

Croatia will have to make further efforts to align its legislation with the *acquis* and to implement and enforce it in the medium term in the following fields: Free movement of capital; Company law; Fisheries; Transport; Energy; Consumer and health protection; Customs union; Financial control.

Croatia will have to make considerable and sustained efforts to align its legislation with the *acquis* and to effectively implement and enforce it in the medium term in the following fields: Free movement of goods; Free movement of persons; Freedom to provide services; Competition; Agriculture; Taxation; Social policy and employment; Telecommunications and information technologies; Regional policy; Justice and home affairs.

For the environment, very significant efforts will be needed, including substantial investment and strengthening of administrative capacity for the enforcement of legislation. Full compliance with the *acquis* could be achieved only in the long term and would necessitate increased levels of investment.

In the light of these considerations, the Commission recommends that negotiations for accession to the European Union should be opened with Croatia. To assist Croatia in the preparation of accession negotiations, a comprehensive screening exercise would need to be undertaken. Furthermore, the Commission recommends that the EU develops a pre-accession strategy for Croatia and is preparing the necessary proposals to this effect.