

## To Europe and back – The Croatian EU accession process and its outcomes

### Abstract

*This article reviews the domestic processes involved in Croatian accession to the EU. This poses interesting questions in the light of growing public euro-scepticism in spite of consensus among the political elites and a media which was, on the whole, sympathetic to the project. The Croatian government, after some years of unofficial isolation, took some political gambles, presenting accession more or less as the sole aspect of the country's foreign policy and investing in it a significant amount of political capital as a result of a policy of attaining as high a speed of accession as possible. This had an impact on the effectiveness of the government's communications strategy. Reviewing the main challenges, the author concludes that the economic effects of accession, including as regards the labour market, may be only weakly positive, but a Croatia operating outside the EU would still face many of the same obstacles. Croatia continues to face serious challenges in defining a strategy for how EU membership will assist its social and economic development.*

**Keywords:** EU accession, reform, euro-scepticism, trade unions, civil society, social dialogue, judicial reform, anti-corruption strategies, industry policy, labour law, employment rate, migration, institutional capacity

### Introduction

The signing of the EU Accession Treaty in Brussels on 9 December 2011, and the subsequent positive result of the referendum on membership held on 22 January 2012, marked the beginning of the final step in Croatia's eleven-year process of accession to the European Union. Providing the ratification process in all the member states proceeds as planned, Croatia will become the 28<sup>th</sup> EU member state on 1 July 2013. The long-term economic and social effects on Croatia are still debated, and are insufficiently analysed, while the accession process itself was the main motivator for a wide range of positive reforms the country has undergone throughout the last decade.

The 'return to Europe' had featured in Croatian politics since the declaration of independence in 1991, but the 1991-1995 war and the authoritarian style of governance of President Franjo Tuđman (1990-1999) and his Croatian Democratic Union (HDZ) resulted in the country ending the decade in unofficial isolation, with no formal relationship with the EU (Jović, 2006). The formal process of EU accession was initiated only after the January 2000 elections brought to power a six-party coalition government led by the Social Democratic Party of Croatia (SDP) and Prime Minister Ivica Račan, which set the country on the road of democratisation and economic and social reforms.

The Stabilisation and Accession Agreement (SAA) was signed in May 2001, while the submission of the membership application in February 2003 resulted in candidate status being received in June 2004. The November 2003 elections returned HDZ to power under Prime Minister Ivo Sanader, but this did not lead to any change of policy regarding EU accession. This remained the main strategic goal of Croatian foreign policy throughout the years of two consecutive HDZ-led coalition governments (2003–2011).

Accession negotiations were opened in October 2005 and provisionally closed in June 2011, a process which lasted longer than that of any of the countries in the fifth round of enlargement. Elections held on 4 December 2011, five days before the signing of the EU Accession Treaty, resulted in a new four-party coalition government led by the SDP and its Prime Minister Zoran Milanović.

### Consensus among the political elites and growing public euro-scepticism

In the first years of the accession process,<sup>1</sup> the level of public support for membership was relatively high, ranging around 75 % until the end of 2003. At the same time, the consensus between the political elites was practically absolute, resulting in parliament's unanimous ratification of the SAA in December 2001, and the Resolution on Accession to the EU, which set European integration as a strategic national goal, adopted in December 2002 with only one abstention. The Post-Tudman HDZ initially continued to express certain reservations about full co-operation with the International Criminal Tribunal for the Former Yugoslavia (ICTY), which was one of the principal conditions for progress in the accession process, but, after returning to power at the end of 2003, the party resumed the strong pro-European policy of the Račan government. However, HDZ's return to power marked the beginning of a period of falling public support, which decreased significantly to around 50 % in June 2004, falling further to only 42 % in June 2005 and eventually remained slightly above 50 % up to the end of the accession negotiations.

The low level of public support must, to a significant extent, be attributed to the insufficient and unsatisfactory communications efforts on the part of the government (which will be dealt with later), but the level of public support was also strongly influenced by the perception of the EU's attitude to Croatia, especially in the context of co-operation with the ICTY (Skoko, 2007). The European Council in December 2004 set 17 March the following year as the date by which to open negotiations, but this was conditioned by full co-operation with the ICTY. The Tribunal's Prosecutor assessed Croatian co-operation as unsatisfactory, due to insufficient efforts being made to capture the fugitive general Ante Gotovina, so the opening of negotiations was postponed. In October 2005, the Prosecutor confirmed Croatia's full co-operation in efforts to locate and arrest Gotovina, and negotiations were formally opened. Gotovina was eventually arrested by the Spanish police in the Canary Islands, i.e. outside the jurisdiction of the Croatian police, so the condition was widely perceived as unfair to Croatia.

1 The term 'accession process' refers to the period since the start of preparations for negotiation on the Stabilisation and Association Agreement between Croatia and the EU in January 2000; not to be confused with 'accession negotiations' which were opened in October 2005.

Combined with a certain part of the population being altogether opposed to prosecuting Croatian officers accused of war crimes, perceiving them as ‘war heroes’, the result was a growing opinion that the EU was treating Croatia unfairly. This was only strengthened by the new and more rigid methodology applied in negotiations with Croatia, as well as by the 2007 accession of Bulgaria and Romania, countries that were economically less developed than Croatia.

With the consensus of the political elites on EU membership being maintained until the end of the negotiation process,<sup>2</sup> and the opposition to accession expressed only by marginal groups or individuals at both extremes of the political spectrum, there was never a proper public discussion on the issue, based on rational argument or cost-benefit analyses. Consequently, arguments against EU membership continued to revolve around general ideas of a ‘loss of national sovereignty’ or the abolition of certain national products or traditions.

### Speed versus transparency and inclusiveness of the negotiations

The negotiating structure established in April 2005 was highly centralised, with a dominant position for the Ministry of Foreign Affairs and European Integration,<sup>3</sup> whose minister both headed the State Delegation to the EU and chaired the government’s Coordinating Committee, which reflected the government’s priority of a high-speed integration (Maršić, 2006). Parliamentary oversight was to be achieved through the National Committee for Monitoring the Accession Negotiations, established in January 2005 as a special working body of parliament, chaired by a representative of the opposition. The inclusion of civil society, social partners and other interest and expert groups in the negotiating process was intended to be achieved through working groups on individual chapters. Most working groups had between thirty and fifty members,<sup>4</sup> depending on the scope and volume of the matter covered by each chapter, while the majority of members came from public administration or state-affiliated agencies. The working groups were intended to participate in the screening process,<sup>5</sup> as well as in the drafting of proposals for negotiating positions.

A comprehensive assessment of the performance of the working groups and the actual possibility of non-government members influencing the process of drafting the country’s negotiating positions requires empirical study, but certain remarks can be

- 2 In the 2007-2011 parliament, only the extreme right-wing Croatian Party of Rights (HSP), with a single MP, openly opposed EU membership.
- 3 The Ministry was created in March 2005 by a merger of the Ministry of Foreign Affairs and the Ministry of European Integration. The merger followed the resignation of the Minister of Foreign Affairs in the January following media accusations of involvement in a corruption scandal, with the Minister of European Integration assuming the newly-created position, so it seems that this was more an *ad hoc* decision than a strategic choice.
- 4 The largest working group was the one for Chapter 11 – Agriculture and Rural Development, which had 395 members; while the smallest groups were for Chapter 35 – Institutions (six members) and 35 – Other Issues (three).
- 5 ‘Screening’ was the initial phase in the negotiations on the individual chapters, consisting of the joint assessment of the extent to which national legislation had been harmonised with the *acquis communautaire* in order to determine the steps remaining to be taken.

provided as regards the satisfaction of civil society organisations and the social partners with their level of inclusion in the process. According to a survey conducted in 2009,<sup>6</sup> 44 % of civil society organisations stated they had not followed the negotiation process in their field of work, stating as the main reason that they did not receive invitations for discussion on subjects related to the negotiations, together with having a lack of expertise in understanding the accession process as well as a lack of access to basic information. Among the 71.6 % of civil society organisations which considered that the non-governmental sector was not sufficiently included in the negotiation process, most felt that they should have been actively included in the working groups and in the consultation process, and that they should have received more information.

Representatives of the trade unions, which participated in seven working groups, assessed their involvement as mostly formal. A trade union representative in the working group for Chapter 19 – Social Policy and Employment stated that the group held only a few meetings in which the negotiating position was ‘presented to the group’. Members had the opportunity to give feedback on the document, but the trade union proposals were not accepted and the request for information on subsequent accession conferences was never fulfilled (Lasić, 2010).

The National Committee for Monitoring the Negotiations also included, beside members of parliament, four external members representing the Office of the President of the Republic, the academic community, employer associations and trade unions. These did not, however, have voting rights. The Committee’s principal functions were to supervise and evaluate the course of the negotiations and deliver opinions and guidelines on behalf of parliament on the preparation of negotiating positions. The Committee’s existence was often quoted as an example of good practice in securing parliamentary oversight of the negotiations, but the outcomes of its work remain difficult to assess. Its sessions were, as a rule, closed to the public and, from the reports on the work of the Committee presented to parliament, it is not possible to see to what extent, if any, the government accepted opinions on the negotiating positions which the Committee submitted.

Trade union participation in the Committee did not allow any kind of substantial influence on the negotiations and remained mostly at a symbolical level. Receiving the drafts of negotiating positions only a day or two before the sessions did not allow time for their thorough analysis and for the formulation of opinions. A special problem was that the trade union representative on the Committee was supposed to act on behalf of all five representative confederations. All the negotiating documents were classified, so it was not possible to forward them to other confederations and consult efficiently with them before formulating the opinion.

The involvement of trade unions and civil society organisations in the process of the accession negotiations suffered from the same shortcomings as the social and civil dialogue in Croatia in general. Certain formal structures were established, but the effective possibility of their impact on the process was limited, while non-governmental

6 National Foundation for Civil Society Development (2010) *Assessment of the State of Civil Society Organisations in Croatia for 2009*.

actors were also restricted by a lack of expertise on those aspects which were not strictly related to their main fields of work.

Overall, it can be said that the way in which the preparation of negotiating positions and legislative harmonisation were conducted reflected the priority being taken by the high speed of accession, as opposed to allowing a good representation of all stakeholders and a thorough preparation of negotiating positions and new legislation.<sup>7</sup>

An integration strategy focused on high speed reflected the political priorities of the first non-HDZ government after 2000, which wanted to catch up the time lost in the EU integration process throughout the 1990s and was aimed at achieving accession at the same time as Bulgaria and Romania (Maršić, 2006). However, the political context of the negotiations changed in the meantime, both due to the challenges presented to the EU as a result of the fifth enlargement and the subsequent rejection of the Constitutional Treaty, as well as the complexity of undertaking the necessary reforms partly resulting from the new negotiating methodology. Such a scenario soon become infeasible. In spite of this, the two consecutive HDZ governments during the period 2003-2011 carried on with the same strategy and a pre-occupation with the date of accession remained a feature both of the statements of state officials and the media discourse on the integration process. Beside the obvious drawbacks in the field of the transparency and inclusiveness of the negotiating process, this was also reflected in the way the accession process was communicated to the citizens. Furthermore, the whole process was characterised by a lack of scientific cost-benefit analysis, studies and projections on the effects of accession, as well as an absence of ideas on how Croatia aimed to use its future EU membership to enhance its economic and social development.

### Main challenges in the accession negotiations

The number of chapters into which the EU legislation (the *acquis communautaire*) is divided for the purpose of negotiations was slightly increased compared to the fifth round of enlargement, from 31 to 35, but the principal novelty was the introduction of opening and closing benchmarks.<sup>8</sup> Croatia received a total of 127 benchmarks, out of which 23 were opening benchmarks in eleven chapters and 104 were closing benchmarks in 31 chapters (Vlada, 2011). The most challenging chapters in terms of meeting the benchmarks turned to be those on Judiciary and Fundamental Rights (23), and Competition Policy (8). Both chapters were among the last to be opened (in June 2010), as well as to be closed (in June 2011), while the implementation of the commitments undertaken by Croatia will continue to be monitored by the European Commission (EC) up to the date of accession.<sup>9</sup> However, contrary to the case of Romania and Bulgaria, no further monitoring mechanisms are envisaged in the period after accession.

7 This can be seen, among others, from the great majority of ‘EU laws’ (i.e. those laws which were adopted for the purposes of harmonisation) being adopted by urgent parliamentary procedure. This significantly shortens the possibility of parliamentary discussion.

8 Set as a condition for opening or closing negotiations on a certain chapter, this new instrument aimed at drawing the attention of the candidate country to the most important reforms required before accession, and usually included the adoption of certain laws, strategies and action plans or the fulfilment of certain of the obligations set by the SAA.

9 *Treaty Concerning the Accession of the Republic of Croatia.*

The reform of the judicial system was one of the most comprehensive aspects of meeting EU standards. Beside the issues of the independence, impartiality and accountability of the judiciary, principal problems were encountered in its efficiency, i.e. the excessive length of court proceedings and the number of pending cases, which eventually fell from 1.6 million in 2005 to 775 000 in 2011, and the still-remaining problems in the enforcement of court rulings.

Special attention had to be given to the problem of corruption and organised crime, including the drafting of an anti-corruption strategy and improving the legislative framework. The State Attorney's Office for the Suppression of Corruption and Organised Crime (USKOK) was founded in 2001, but it started actively to deal with, and issue, indictments on high-level corruption cases only in 2007. However, the significant shift in dealing with corruption occurred only in 2009, after the unexpected resignation of Prime Minister Sanader and his replacement as the head of both the HDZ and the government by Jadranka Kosor. After this date, USKOK became significantly more active resulting, among others, in indictments and court proceedings being taken against a number of ministers and other high-level officials, including Sanader himself. At the end of 2011, most of the cases were still going on and had not reached the level of court rulings, but this has undoubtedly created a changed atmosphere regarding the tolerance of, and future possibilities for, high-level corruption in the country.

The complexity of achieving effective and sustainable reforms in the field of the judiciary and human rights was illustrated, among other reports, by a joint document published in February 2011, while the government was trying to meet the closing benchmarks for Chapter 23, by a group of fifteen civil society organisations.<sup>10</sup> Contrary to the government's report submitted to the European Commission, this report claimed that Croatia was not ready to close negotiations on this chapter, arguing that there was no guarantee that the institutional reforms which had been carried out were permanent and pointing to a number of issues which remained to be solved. A follow-up report issued by the same group in May 2011 recommended that the chapter eventually be closed, but called also for the continuation of institutional monitoring of the reforms.<sup>11</sup>

The principal problem in Chapter 8 on Competition Policy was state aid for the metal and shipbuilding sector. The adoption of the *National Programme for the Restructuring of the Metal Sector, 2007-2011* and the subsequent privatisation of iron mills in Sisak and Split have resolved most of the institutional obstacles in this sector, but the implementation of restructuring started to be confronted with problems in 2008 as a result of the global crisis and the fluctuations in prices and demand on the world market. In consequence, both plants were, by the end of 2011, facing the prospect of bankruptcy and liquidation.

Throughout the accession process, much more public attention was given to the future of the Croatian shipbuilding industry, which is still one of the most important industrial sectors with a share of around 2.5 % in both employment and GDP, and

10 Joint Opinion of Croatian Civil Society Organisations on Chapter 23 – Judiciary and Fundamental Rights, 16 February 2011, available at .

11 *ibid.*

around 12 % of total exports.<sup>12</sup> The problem mainly concerned six big shipyards (only one of them being privatised before the end of 2011) which were, in recent years, accumulating total losses of around €130m annually and which were able to survive only as a result of state aid.<sup>13</sup> A lack of funds to restructure the industry, the long tradition of shipbuilding, the high level of unionisation in the sector and a further number of sub-contractors being dependent on the industry made the issue a socially-sensitive one, resulting in every government being prone to postpone the resolution of the problem.

In May 2008, the government finally decided that five state-owned shipyards would be restructured through privatisation, with the elements of the restructuring and privatisation programme being agreed with the European Commission. Even in the case of the successful conclusion of this still-ongoing privatisation process, the future of the shipbuilding industry and its prospects for survival in a competitive market remain uncertain.

In 2008 and 2009, the Slovenian block on accession negotiations received significant media coverage. Due to a border dispute dating from 1991, Slovenia was blocking the opening of eight chapters and the closing of three between December 2008 and November 2009.<sup>14</sup> The land border is still not finally determined, but the dispute primarily concerned the sea border, including Slovenia's exit to international waters and the issue of fishing rights in the coastal area. Croatia had aimed to close negotiations at the end of 2009, so this was given a serious political dimension, with Slovenia being accused both by the government and the media of undermining Croatian accession. Use of the accession process for the purpose of resolving a bilateral dispute was not welcomed by the European Commission and most other member states but, with the benefit of hindsight, it can be argued that the issue did not seriously affect Croatian progress as it is difficult to assume that the benchmarks for chapters 23 and 8 would have been met sooner in the absence of the Slovenian block. The dispute was eventually resolved by an agreement signed in November 2009 which sets the parameters for international arbitration.

### Harmonisation of labour legislation

The Croatian Labour Law, adopted in 1995, was essentially based on the German system of regulating labour relations which made it, from the start, relatively harmonised with EU standards and, in some areas, such as worker co-determination, even going beyond them (Gotovac, 2003). Subsequently, ongoing debates between the social partners were focused on, from the employer standpoint, criticisms that the law was

- 12 Community of European Shipyards' Associations *Annual Report 2010-2011*, available at: <http://www.cesa.eu/download/bTIIYDo%252BamRhYDA5ZT4xaG07PG0%3D%3D>.
- 13 In 2007, state aid to the shipbuilding sector amounted to €426m, falling to €120-150m annually in subsequent years: Institute for Public Finances (2011) *Jesu li brodogradilišta prepreka fiskalnoj konsolicaciji u Hrvatskoj* available at: <http://www.ijf.hr/upload/files/file/newsletter/64.pdf>.
- 14 Slovenia objected to the negotiating documents containing maps and references to certain legal documents which could, in the case of these being officially recognised by the EU, prejudice the final resolution of the dispute.

not flexible enough and, from the trade union perspective, an insistence that the main problem was weak law enforcement and the protection of workers' rights in practice. Changes introduced in 2003, partly motivated by further harmonisation, brought a moderate flexibilisation, which was not paralleled by adequate compensation in the field of security nor in better mechanisms for the enforcement of workers' rights (Gotovac, 2003). With fifteen directives remaining to be fully transposed at the moment of opening Chapter 19 in June 2008, the government planned also to address a number of provisions which were the cause of discontent among the social partners, while the employers were pushing for further flexibilisation. The government had aimed to close the chapter by the end of 2008, but tough negotiations between the social partners prolonged the process and resulted in all the issues unrelated to harmonisation being left to a further occasion. The law was, eventually, passed to parliament without the consent of the trade unions and adopted in December 2009.

The most important changes were those applied to working time, leave, collective dismissals, fixed-term contracts, non-discrimination measures, maternity protection and parental leave, as well as the information and consultation of workers in multinational companies. In most of these respects, the new Labour Law brought improvements for workers, either through slightly higher rights or through better enforcement mechanisms. However, EU standards on working time, rest and annual leave, among others, were rather clumsily transposed into the provisions of the new Law (Potočnjak and Vukorepa, 2011). A number of grey areas, the introduction of numerous exemptions and extensive administrative procedures complicated the implementation of the new Law, while opening the way for employers to manipulate the actual extent to which rights could be assumed by workers in practice and the possibility that, for some workers, the application of the new Law could actually mean a decrease in the level of rights. The two main points of objection for the trade unions concerned the regulation of working time and fixed-term contracts.

Maximum working time was reduced from 50 to 48 hours, but the more flexible regulation of the schedule of working hours opened the possibility for employers to save on labour costs as regards workers who are engaged in shift work.<sup>15</sup> Flexibilisation in the regulation of working time was one of the principal reasons for trade union objections to the new Labour Law, leading to them invoking Article 23 of the Working Time Directive (2003/88/EC) which states that its implementation should not constitute valid grounds for reductions in the general level of protection afforded to workers.

The second main point of dispute concerned fixed-term contracts. Following the introduction of the concept in 1995, the ratio of fixed-term contracts to open-ended ones has been constantly rising, amounting to 83 % of all labour contracts newly concluded in the period 2000-2010,<sup>16</sup> thus undermining its legal definition as an excep-

15 Previously, any work exceeding forty hours per week was counted as overtime, but the new law stipulated that full working time must be calculated as working time averaged over a period of four months (still applying the limitation of a maximum 48 hours per week), allowing for regular working hours to be unevenly distributed between weeks.

16 Croatian Employment Service *Employment trends from the employment register – concluded fixed-term and open-ended labour contracts* available at: [www.hzz.hr/docslike/statistike/tablica%2037.xls](http://www.hzz.hr/docslike/statistike/tablica%2037.xls).

tional form of employment. In 2010, the total share of fixed-term contracts (12.3 %) remained slightly below the EU average,<sup>17</sup> but the trend has significantly affected young workers and women, for whom there is an increased tendency to conclude short fixed-term contracts (of between one and six months) (Bilić, 2011). The legal changes brought improvements in limiting the abuse of fixed-term work, introducing a ban on discrimination against fixed-term workers (as well as part-time workers) and setting a maximum period of three years for fixed-term work for the same employer. However, the number of contracts that the employer can conclude with the worker throughout this period was not restricted (meaning that it is possible to conclude 36 one-month contracts), so the trade unions claimed that the law still did not represent the effective prevention of employer misuse of successive fixed-term contracts.

The Law also introduced more specified provisions on the protection of the health and safety of under-age workers, night shift workers, pregnant workers and workers who are breastfeeding, as well as better-regulated procedures for using parental rights. The institution of collective dismissals was regulated in more detail through a procedure of consultation with the works council and the possibility of the public employment service, where there are justified reasons, ordering a postponement of a programme of collective dismissals for up to three months. Improvements were also made regarding the administrative extension of the coverage of collective agreements by determining the criteria under which such an extension might be made (only agreements concluded by the representative trade unions and employer associations can be extended) and stipulating the inclusion of the tripartite Economic and Social Council in the process of determining the public interest in such an action. Finally, the new section on European Works Councils and on the co-determination of workers in European societies and co-operatives was introduced, set to enter into force on the date of the accession. The whole subject was not a matter of particular interest from either the social partners or the government, and seems to be fairly generally re-written from the respective directives.

In general, the main effects of the new Labour Law are not expected to be felt so much in the higher level of rights as in their better enforcement. This will, however, take some time to be confirmed in practice.

### Economic effects of accession

In the 2000-2008 period, the Croatian economy enjoyed macroeconomic stability and economic growth of an average exceeding 4 %, partly due to institutional improvements and an increase in foreign investment resulting from the accession process as well as the favourable global economic environment.<sup>18</sup> GDP per capita in purchasing power terms increased from 50 % of the EU-27 average to 64 %. However, the growth was, to a large extent, fuelled by increased consumption (paralleled by the expansion of consumer credit) and a boom in the construction industry, largely connected with

17 Eurostat.

18 In spite of a relatively high level of foreign direct investment, a significant amount of FDI resulted from the privatisation of telecommunications, the financial sector and the national oil company, while the level of greenfield investment remained low.

public infrastructure investment. At the same time, the implementation of structural reforms, especially those which had socially-sensitive consequences, was slow.

With the government failing to adopt any measures in response to the growing influence of the global crisis until the second half of 2009, the economy contracted by 6 % in that year and by a further 1.2 % in 2010. Preliminary estimates point to a sluggish recovery, with growth of 0.6 % in 2011 and forecasts for 2012 promising, in the best case, approximately the same result if not a return to recession.<sup>19</sup> In addition to the results of the new government in implementing structural reforms, economic performance in the next few years will also depend on developments in the EU and the eurozone: the Croatian economy is already highly-integrated with that of the EU, which accounts for around 60 % of both Croatian imports and exports, while a high percentage of both bank deposits and loans is denominated in the euro (European Central Bank, 2011).

The only comprehensive study of the economic effects of accession was published in 2007 (Institute of Economics, 2007) which, today, has the obvious limitation of having been compiled before the start of the crisis. The study projected positive effects in levels of GDP growth, expenditure, export, employment and purchasing power,<sup>20</sup> but approximately 90 % of the effect in both cases was ascribed to institutional reforms<sup>21</sup> and only 10 % to the effects of joining the common market.

Prices in Croatia were already more converged with the level in the EU than was the case for any of the recent new member states and higher than could have been expected based on GDP in terms of purchasing power.<sup>22</sup> Consequently, significant price shocks were not expected as a result of accession, with an overall increase of a maximum 1.4 % per year, mostly affecting services, housing and energy. However, a further increase in prices, disproportionately affecting those on low incomes, is anticipated as a result of the abolition of zero-rate VAT on, among other items, certain basic food-stuffs.

According to the financial package contained in the Accession Treaty, in the first year of membership (i.e. the second half of 2013), Croatia will be allocated a total of €687.5m, while the Croatian contribution to the EU budget in the same year is estimated at €267.7m.<sup>23</sup> The European Commission estimates that actual payments to Croatia in

- 19 *European Economic Forecast* Autumn 2011, DG ECFIN and Croatian National Bank.
- 20 Up to 2025, the study assessed that the GDP growth rate would be 8.9 % and exports 70.8 % higher as a result of accession, with purchasing power rising from 48 % of the EU-25 average in 2005 to roughly 75 % in 2025, compared to 68 % in the scenario of remaining outside the EU.
- 21 The effect of institutional reform was calculated on the basis of an improvement in Transparency International's Corruption Perceptions Index, with the assumption of reaching the level of Portugal within a period of twenty years.
- 22 In 2005, the general price level in Croatia was 62 % of that of the EU-25 (and 67 % for that of final goods), compared to a GDP which was 57 % of the EU-25 level (as measured by purchasing power).
- 23 The financial allocation for 2014 and subsequent years will be contained in the Multiannual Financial Framework 2014-2020, which is still being negotiated among the member states themselves.

the second half of 2013 could amount to €374.3m, while the dynamic of the payment of the rest of the resources which have been allocated will depend on Croatia's absorption capacities.

Both the previous and the new government outlined investments in public infrastructure, especially on the railways and in energy, as well as in 'green technologies', as the main fields for the use of EU funds. However, Croatia faced considerable challenges in using pre-accession financial assistance, especially in relation to the timeliness and quality of prepared projects, as well as having a shortage of appropriate expertise on the part of the state administration to prepare mature infrastructure projects.<sup>24</sup> Consequently, future efficiency in the use of EU funds is difficult to predict. European Commission Progress Reports have continuously warned of *ad hoc* economic policy-making and a lack of even a medium-term orientation and structural reform strategy. If Croatia wants to use allocated EU funds efficiently, and taking into account that most national budget investment will have to be allocated to the co-financing of EU projects, the strategic planning of economic policy and structural reforms will need to be significantly enhanced.

### Impact on the labour market

The Croatian labour market is characterised by low activity and employment rates, a high unemployment rate and an emphatic problem of long-term unemployment, as well as a high structural mismatch between supply and demand (Institute of Economics, 2007). Registered unemployment has been steadily decreasing since the peak of 22.3 % in 2002, falling to 13.2 % in 2008, but this positive trend has, to a large extent, been offset by the crisis, with the rate rising to 18.8 % at the end of 2011. In November 2011, the unemployment rate as measured by the labour force survey (EU-LFS), of 12.7 %, was not significantly higher than the EU average of 9.8 % (with Ireland, Spain, Portugal and Slovakia having higher rates than Croatia), but more serious is the problem of the low employment rate. Growing from 53.4 % in 2002 to 57.8 % in 2008, the employment rate decreased to 54.0 % in 2010, which is 10.4 percentage points lower than the EU average and lower than any of the EU member states.<sup>25</sup> Special problems are youth unemployment, currently around 50 % above the EU-27 level, and long-term unemployment.

Public spending on active labour market policies in Croatia is low, ranging around 0.5 % compared to an EU-27 average of above 1.5 %. Spending and the rate of participation of the registered unemployed has increased in recent years, but the overall scope of the measures that are implemented remains low and the impact on the labour market is limited. Direct subsidies for employment have decreased in recent years, with the main measures becoming training and education, and public works. The implemented measures are not sufficiently focused or efficiently integrated with other public policies, and are also lacking in consistency. More efficient planning and the implementation of measures will also require a significant improvement in labour market

- 24 IPA MIPD 2009-2011, available at:  
[http://ec.europa.eu/enlargement/pdf/mipd\\_croatia\\_2009\\_2011\\_en.pdf](http://ec.europa.eu/enlargement/pdf/mipd_croatia_2009_2011_en.pdf).
- 25 Eurostat.

statistics. The activities of systematic evaluation have been initiated only recently (since 2006), but the overall impact on the labour market remains low.<sup>26</sup>

Regarding the rates of both unemployment and employment, the effects of EU accession are expected to be positive, but not significantly, at least in the short-term (Institute of Economics, 2007). Accession itself will not directly result in increased employment, but it should positively affect foreign investment, while institutional improvements should have positive effects on the efficiency of employment policy. The accession process has resulted in the signing of the Joint Inclusion Memorandum (JIM) with the EU in 2007 and the Joint Assessment Paper of Employment Policy Priorities (JAP) in 2008, both having the function of preparing the country for participation in the co-ordination of EU policies in the respective fields. The European Commission Progress Report for 2011 assessed the follow-up to both documents as satisfactory and they should result in better policy co-ordination and implementation.

However, more tangible results in improving the unemployment and the employment rates will depend on the implementation of more comprehensive structural reforms. In the context of the labour market, besides the need to harmonise the education system with the needs of the market, most attention is usually given to the need for further implementation of the principle of ‘flexicurity’. Unfortunately, promoting flexibility has, so far, not been followed by a strengthening of security. Existing strategic documents emphasise the need to enhance social security, but they have a clear focus on strengthening flexibility.<sup>27</sup>

Notwithstanding the current situation of the labour market, Croatia could, in the future, be faced with the problem of the lack of a workforce due to the negative demographic trends.<sup>28</sup> Croatia has traditionally been both an emigration and an immigration country, but assessing developments in migration in the period after accession will be difficult and the topic remains a matter of debate. In the recent past, the rate of emigration of the highly-skilled workforce was higher than that of those who are less skilled, but the trend could change as the European labour market opens to Croatian citizens. Emigration is, in any case, likely to increase, but available assessments do not expect it to reach significant proportions and that it will remain limited to highly-skilled young workers, with the possible addition of short-term and daily migrants to neighbouring member states.

At the same time, immigration could also increase. With a relatively high level of salaries compared to many EU-10 countries, as well as a cultural and linguistic closeness with some of them, Croatia could become an attractive destination for migrant

- 26 *Evaluacija mjera aktivne politike zapošljavanja za žene u nepovoljnom položaju na tržištu rada (2007.-2010.), evaluacijski izvještaj* available at: [http://www.wlmcroatia.eu/uploads/docs/evaluacija/2\\_Sazetak\\_izvjestaja-Evaluacija\\_mjera\\_aktivne\\_politike\\_HRV.pdf](http://www.wlmcroatia.eu/uploads/docs/evaluacija/2_Sazetak_izvjestaja-Evaluacija_mjera_aktivne_politike_HRV.pdf).
- 27 Joint study of the European social partners *The Implementation of Flexicurity and the Role of the Social Partners, National Fiche – Croatia* (2011), available at: [http://resourcecentre.etuc.org/linked\\_files/documents/Croatia\\_Fiche.pdf](http://resourcecentre.etuc.org/linked_files/documents/Croatia_Fiche.pdf).
- 28 In the period between 1991 and 2010, a positive birth rate was recorded only in 1996 and 1997; while the total population decreased from 4.44 to 4.29 million, or by around 150 000, between the 2001 and 2011 censuses.

workers. However, such a scenario will, above all, depend on the performance of the Croatian economy and its ability to overcome structural deficiencies and generate substantial growth. Illegal immigration is also expected to increase as a result of accession, with Croatia seen as a possible transit state on the way to more prosperous member states for migrants coming from eastern and southern Europe, as well as from Asia (Obadić, 2008). An efficient migration strategy and a comprehensive policy of integration which would maximise the positive impact of migration flows still remain to be developed.

According to the available projections of the Croatian Bureau of Statistics, both low and high impact scenarios for the period up to 2051 anticipate a positive migration balance, with an eventual exception in the first few years of membership. In both scenarios of a low and a high migration balance, the assessed numbers still represent a low proportion of the population of Croatia. In any case, the impact on the labour market of the EU will be negligible overall due to the small size of the Croatian population compared to that of the EU (less than 1 %).

The negotiated transition period for the free movement of labour will be the same as in the case of the 2004/2007 enlargement, with member states able to keep their labour markets closed for a maximum of up to seven years (the '2+3+2' model), while Croatia will be able to use reciprocal measures. Due to the small size of the Croatian labour force, it is expected that many countries will not use this measure. Application of the transitional period has, so far, been unofficially announced by Germany, Austria and Italy, which have traditionally been recipient countries for Croatian workers.

### Communication with citizens about the EU

The first communications strategy on European integration was adopted in 2001, with the principal aims of preparing decision-makers and policy-creators for their roles in the process, familiarising the initiators of public opinion and certain target groups (such as young people and the rural population) about the EU and informing the general public. Drawing on the experiences of similar strategies of other candidate countries, the strategy nevertheless mostly remained on a theoretical level without having a developed framework of practical actions. The second strategy adopted in 2006 retained the same basic aims, but represented a step forward in defining concrete means and activities aimed at the identified target groups (Skoko and Jurliji, 2010). It also envisaged an intensified public campaign for the period twelve to six months prior to the referendum. The implementation of the strategy lagged behind its theoretical framework, with one of its main drawbacks being the lack of a strategic answer to the growing euro-scepticism in the country (Gong, 2010).

The communications activities of the Ministry of Foreign Affairs and European Integration intensified after the official start of negotiations (2005-2006), mainly through a number of published brochures and other passive information materials, but they slowed down in subsequent years, failing to reach the set aims of comprehensively informing specific target groups and the general public on the general and sectoral effects of accession. Communications efforts were lacking concrete and clear information and explanations which would demystify certain aspects of common EU policies and assess the effects of accession (Skoko and Jurliji, 2010). Instead, communi-

cations remained limited to basic information on the institutional aspects of the EU and general information concerning aspects of the negotiating process, such as announcements on the opening and closing of certain chapters and the most important provisional periods negotiated with the EU.

Various analyses of the communications strategy and its implementation have assessed that it has left a majority of the population without sufficient information which would enable citizens to form a rational opinion on membership based on cost-benefit analysis.

Inadequate communications efforts were one of the main factors in the falling level of public support throughout the accession process. Varying around 50 % since 2004, support dropped significantly in April 2011 after the verdict of the International Criminal Tribunal for the former Yugoslavia on three Croatian generals, but this turned out to be a short-term effect. Following the conclusion of negotiations in June 2010, it started to grow once again and remained at between 58 % and 62 % throughout the period up to the referendum. Especially concerning, however, was the trend of support among young people: in 2004, only 12 % of secondary school leavers expressed their opposition to membership but, in 2010, this grew to 49 %, with only one-third of those in favour considering that it will bring benefits to Croatia (Gong, 2010). Another survey from 2010 showed that only 20 % of the same age group considered themselves to be well, or very well, informed on EU accession; just 16 % indicated their formal education as an important source of that information. Young people were identified as one of the target groups for both communications strategies, so this situation can certainly be attributed to shortcomings in their practical implementation. The 2006 strategy called for the adoption of both content and the means for transmitting the message to the younger population – but this has, obviously, never materialised.

The role played by the media throughout the accession process did not sufficiently enhance the general level of information, nor did it provide an appropriate open space for argumentative public debate. Media coverage on the EU was dominated by general political assessments and superficiality, without a sufficient analytical and expert approach. Reports on the EU were mostly written in bureaucratic language and focused on official events, with extremely rare debates or examples of investigative journalism. To a large extent, the media endorsed an affirmative approach to accession, but it mostly remained at the level of propaganda rather than focusing on a rational analysis of the effects of accession on ordinary citizens (GONG, 2010).

## Euro-scepticism – sources and answers

On the increase since 2004, euro-scepticism was, nevertheless, mostly ignored in the public discourse of the political elites. It started to receive more significant coverage in the media only during 2011, as euro-sceptic groups started to organise and launch a number of communications activities, mostly through the internet. The experiences of the new member states showed a trend of an increasing euro-scepticism with the closing of the accession date, with most countries adopting strategic communications platforms to address the issue, but this lesson was ignored. Both the communications strategy and the discourse of the political elites gave the impression that the government saw EU membership as the only logical aim of the country's foreign policy, and that it expected

from the citizens support for such a policy even without clear and comprehensive arguments (Skoko and Jurlji, 2010).

Notwithstanding the benefits of the general consensus among the political elites on EU membership, this also had certain shortcomings as it did not allow for a political or public representation of the euro-sceptic attitudes which were being expressed by a significant proportion of the population. The lack of an appropriate space for public debate and euro-sceptic views, based on rational arguments, resulted in a popular euro-scepticism based on a general mistrust of national politicians and politics, which was projected on the EU, as well as on an exclusive nationalism (Štulhofer, 2006). The main causes of such euro-scepticism were injured national pride;<sup>29</sup> economic fears (price increases and the widespread sale of property and land to foreigners); and a loss of trust in the European integration project itself (Štulhofer, 2006). Further identified problems included the information deficit; Croatia's unpreparedness for entry to the EU and the common market; a lack of trust in the Croatian and European political elites; and concerns related to the loss of sovereignty, language and national identity (GONG, 2010).

The eurozone crisis and the related developments in countries such as Greece, Spain or Portugal provided an important source of content regarding the anti-EU messages of groups opposed to membership in the period before the referendum. However, they still failed to produce concrete arguments against membership and remained on the level of emotional appeals about the loss of sovereignty and about joining an organisation which was itself facing serious problems. In that respect, the euro-sceptic campaign did not significantly improve the general level of public discussion on the issue, but mostly confronted positive propaganda with a negative one.

At the same time, the government's intensified campaign in the second part of 2011 mostly focused on a large number of short TV commercials, suffering from the same shortcomings as previous communications efforts. The new government, which assumed office only one month before the referendum, did somewhat improve the approach to communication with citizens, but this came too late to compensate for the years of failed communications efforts.

## Conclusion

The referendum on membership of the European Union, held on 22 January 2012, resulted in 66.3 % votes cast in support of membership, on a turnout of 43.5 %.<sup>30</sup> The positive result came as no surprise, but the low turnout can, at least partly, be attributed to shortcomings in the government's communication with citizens throughout the accession period, as well as to a general mistrust of the political elites, both national and European. The lack of information about the accession process and its implications for Croatia, combined with the current eurozone crisis, contributed to a large number of

29 Arising from the ICTY and the Slovenian block on negotiations during 2008 and 2009.

30 However, it must be noted that the actual turnout was higher and definitely surpassed 50 %. The Croatian voter register contains 4 092 137 voters in the country (and an additional 412 628 out-of-country voters). According to the preliminary results of the 2011 Census, the total population of Croatia is 4 290 612. A rough demographical estimation points to there being at least half a million more registered voters than adult citizens.

voters either not forming an opinion on membership or not wanting or caring to participate in the referendum. A majority of citizens still consider accession to be a positive thing for Croatia, but neither the signing of the Accession Treaty nor the positive referendum result were marked by an enthusiasm comparable to that surrounding the 2004 enlargement. For many EU-supportive Croatians, the final end of the accession process came as a normal, and long overdue, event.

The six-and-a-half year negotiation process lasted longer than that of any of the countries which joined the EU in 2004 and 2007, but it must also be noted that the Croatian negotiations proceeded on the basis of a different methodology and more strict criteria than were used in previous enlargements. Notwithstanding all the shortcomings of the accession process on the Croatian side, this should theoretically have made the country and its institutions only more ready to join the EU and the common market. The stricter criteria applied to Croatia caused certain frustrations and a sense of unfair treatment, but it could hardly be argued that a softer approach on the EU side would be more beneficial for the country. However, Croatia is still to face serious challenges before it might efficiently use the opportunities of EU membership in a way which would benefit a majority of its population.

During the last ten years, Croatia has been focused on fulfilling the conditions for membership, often transposing EU legislation mechanically and failing sufficiently to analyse the various effects and use the available manoeuvring space in the practical implementation of EU standards. At the same time, there has been an evident lack of clear strategic ideas on how Croatia aims to use EU membership towards its economic and social development. In the upcoming period, Croatia will have to improve its own institutional and analytical capacities for policy-making and implementation, especially in the field of economic policies, and including sectoral and regional ones, in order to prevent the threats coming from amplified socio-economic polarisation and uneven regional development which may result from accession. Croatia will also need to develop its capacities, including in the area of human resources, if it is to participate in European institutions and in the political processes, as well as in the debates on the future of the European integration project currently taking place, which, until now, have been perceived as something external to the country.

The institutions and economic conditions in the EU have changed significantly since Croatia submitted its membership application in 2003, and are expected to change even more up to the expected date of accession in July 2013. The EU will, in 2013, probably not be the same Union which Croatia signed up to join in the Accession Treaty. Notwithstanding all the problems and open questions of the European integration project, it is difficult to argue that Croatia would do better remaining outside the EU. The accession process has, so far, had indisputably positive effects for the country, especially in terms of institutional reform, including enhancing the rule of law and the accountability of the political elites. On the other hand, even if Croatia would have stayed outside the EU, its economy would remain dependent on developments in the common market and the eurozone.

Achieving positive effects from EU membership, starting from the improvement of the socio-economic well-being of a majority of the population, will depend above all on Croatia itself, as well as on its ability effectively and efficiently to use the op-

portunities and mitigate the threats that EU membership brings for the country. This will, for a start, depend on the continuation and even intensification of the reform process, in a situation of decreased pressure coming from Brussels. And then, after more than twenty years of independence, Croatia will finally have to start finding answers to the question of what kind of society it wants to build, as well as to start contemplating European issues not as an external phenomenon, but ones which are interconnected with domestic ones.

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