

EU-27 WATCH



No. 9
July 2010

ISSN 1610-6458

www.EU-27Watch.org

EU-27 Watch

Contributing partners are

Austrian Institute of International Affairs, Vienna
Bulgarian European Community Studies Association, Sofia
Center for European Studies / Middle East Technical University, Ankara
Centre d'études européennes de Sciences Po, Paris
Centre d'étude de la vie politique, Université libre de Bruxelles
Centre d'études et de recherches européennes Robert Schuman, Luxembourg
Centre of International Relations, Ljubljana
Cyprus Institute for Mediterranean, European and International Studies, Nicosia
Danish Institute for International Studies, Copenhagen
Elcano Royal Institute and UNED University, Madrid
European Institute of Romania, Bucharest
Federal Trust for Education and Research, London
Finnish Institute of International Affairs, Helsinki
Foundation for European Studies - European Institute, Łódź
Greek Centre of European Studies and Research, Athens

Institute of International Affairs and Centre for Small State Studies at the University of Iceland, Reykjavik
Institute for International Relations, Zagreb
Institute for World Economics of the Hungarian Academy of Sciences, Budapest
Institute for Strategic and International Studies, Lisbon
Institute of International and European Affairs, Dublin
Institute of International Relations, Prague
Institute of International Relations and Political Science, Vilnius University
Istituto Affari Internazionali, Rome
Latvian Institute of International Affairs, Riga
Mediterranean Academy of Diplomatic Studies, University of Malta
Netherlands Institute of International Relations 'Clingendael', The Hague
Ohrid Institute for Economic Strategies and International Affairs, Skopje
Slovak Foreign Policy Association, Bratislava
Stockholm International Peace Research Institute (SIPRI)
University of Tartu

On the project

Due to the new treaty provisions of the Lisbon Treaty and the economic crises the enlarged EU of 27 member states is on the search for a new *modus operandi* while also continuing membership talks with candidate countries. The EU-27 Watch project is mapping out discourses on these and more issues in European policies all over Europe. Research institutes from all 27 member states and the four candidate countries give overviews on the discourses in their respective countries.

The reports focus on a **reporting period from December 2009 until May 2010**. This survey was conducted on the basis of a questionnaire that has been elaborated in March and April 2010. Most of the 31 reports were delivered in May 2010. This issue and all previous issues are available on the EU-27 Watch website: www.EU-27Watch.org.

The EU-27 Watch No. 9 receives significant funding from the **Otto Wolff-Foundation, Cologne**, in the framework of the *"Dialog Europa der Otto Wolff-Stiftung"*, and financial support from the **European Commission**. The European Commission is not responsible for any use that may be made of the information contained therein.



Disclaimer

Institutes/authors are responsible for the content of their country reports. The publisher and editorial team cannot be held responsible for any errors, consequences arising from the use of information contained in the EU-27 Watch or its predecessors, or the content of external links on www.EU-27watch.org or in the EU-27 Watch. The content of the EU-27 Watch is protected under German copyright law. The articles of the EU-27 Watch can be printed, copied, and stored for personal, scientific, and educational use for free. Articles of the EU-27 Watch may not be used for commercial purposes. Any other reprint in other contexts is not allowed without prior permission from the publisher. For permission or any other question concerning the use of the EU-27 Watch please contact: info@EU-27watch.org.

Editorial Team

Publisher: Prof. Dr. Mathias Jopp
Executive Editor: Dr. Katrin Böttger
Managing Editor: Julian Plottka
Editorial Staff: Daniela Caterina, Gregory Kohler, Christoph Kornes
Layout: Matthias Jäger

Contact: info@EU-27watch.org
www.EU-27watch.org

 Institut für
Europäische Politik
Bundesallee 23
D-10717 Berlin
Tel.: +49/30/88.91.34-0
Fax: +49/30/88.91.34-99
E-mail: info@iep-berlin.de
Internet: www.iep-berlin.de

Croatia**Fight against corruption in Croatia intensifies**

Nevenka Čučković*

The fight against corruption remains a top priority of the government, as this area is *condition sine qua non* if the negotiations with the EU are to be completed by the end of 2010. The government had strived to have some tangible results from its intensified efforts with a hope that the negotiating chapter number 23 on judiciary and fundamental rights would finally be opened at the beginning of June 2010. This chapter remained closed for negotiations until fulfilment of preconditions set by the European Council: a) a full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) in The Hague and b) demonstrated ability of the government to systematically fight against corruption. The stumbling stone for opening this negotiating chapter with the EU had been the inability of the Croatian government to deliver the military artillery logbooks requested by the prosecutor's office of the ICTY in The Hague, which would serve as evidence that no excessive artillery was used while liberating the Croatian city Knin during the liberating operation "Storm" in 1995, for which some Croatian generals were indicted.

The determination to combat corruption and abuse of position in the highest governing structures has increased since the new Prime Minister Jadranka Kosor took office in July 2009. Since then, Croatia witnessed the arrest, imprisonment and investigation of highly ranked government officials, including the Vice-President of the government, the Minister of the Economy, Labour and Entrepreneurship Damir Polančec, and several top managers of state-owned enterprises such as Hrvatska elektroprivreda (Croatian Electricity Company – HEP), Hrvatske autoceste (Croatian Motorways – HAC), Hrvatska poštanska banka (Croatian Postal Bank – HPB) and Podravka, an internationally reputable food processing company. The government is now racing time to process these cases in front of courts and the situation is additionally aggravated by the fact that the Minister of Interior Ivan Šimonović will soon leave his position as minister in order to assume an important international function in the UN as Deputy Secretary-General. Šimonović is one of the rare politically independent experts in the present Croatian government, but regrettably will leave this unfinished agenda to his successor, most likely a member of the ruling Croatian Democratic Union (HDZ).¹ To show its strong dedication and determination the government adopted a revised action plan to combat corruption and organised crime in March 2010. Prime Minister Jadranka Kosor declared a "zero tolerance to crime", while also presenting 145 measures which are to be implemented by all ministries, but especially those which receive substantial government funding as providers of state aid or various incentive schemes – areas traditionally infected by corruption.²

Apart from judiciary reform and the fight against corruption and organised crime, shipbuilding and inefficient public administration remain the main problems that have to be solved prior to Croatia's full membership in the EU as often quoted by European Council documents on Croatia's progress and also by the Head of the EU Delegation in Croatia, Paul Vandoren.³ Since the start of the negotiations, all thirty-three negotiation chapters have been opened, of which twenty have been provisionally closed. At the accession conference held in Brussels on 19 April 2010, Croatia was able to provisionally close only chapter 1 on free movement of goods.⁴ The last three chapters: Judiciary and Fundamental Rights, Competition Policy and Foreign, Security and Defence Policy were finally open at the accession conference on 30 June 2009.⁵

The government's Economic Recovery Programme Introduced: yet another hard year ahead

On 19 April 2010, the government finally introduced the long awaited Economic Recovery Programme, an anti-recessionary package of policy measures with an aim to create a push towards faster economic recovery in Croatia.⁶ The programme encompasses a mix of long and short term economic and social measures in the areas of fiscal policy, the functioning of public administration, state property management, judiciary reform, social security and the pension system, research and innovation capacities, etc. Many Croatian analysts, both from academic and business circles, would consider the government's programme a very much delayed and "better late than never" move in the right direction.⁷ More critical views were received from opposition party leader Zoran Milanović (Social Democratic Party – SDP), who argues that the recovery plan is more a list of wishes, "a half

* Institute for International Relations.

elaborated electoral programme”, and that it would be fair for the government to call for new elections and leave implementation to the new government.⁸ Academic analysts such as Katarina Ott, Institute of Public Finance, were pointing towards the absence of a strict action plan which would make the programme operational and determine who does what and in what term.⁹ She also argued that the programme is inconsistent with other previously introduced measures which focus on providing special financial assistance and loans to distressed enterprises. The initial reactions coming from business and academic circles encouraged the government to come up with an action plan for economic recovery relatively quickly thereafter.¹⁰ The programme did not receive enthusiastic, but rather tight, support from both employers and trade unions in the public sector, as it required further sacrifices in terms of wages. Later on, abolishment of Christmas and holidays’ bonuses and renegotiating the terms of collective agreements for workers in the public sector become an issue of open conflict of the trade unions with the Government.¹¹ But they welcomed the government decision to block further erosion of purchasing power of the lower-income population, which brought abolishment of the “crisis tax” introduced in July 2009, whose effects were in essence pro-recessionary and further strangled the economy. Governor Rohatinski welcomed the adoption of the Recovery Programme, as it takes seriously the need for significantly reducing the fiscal deficit and balance of payment deficit, which would, as a result stimulate exports, rationalise domestic consumption and increase savings – issues he often reiterated as a way out of the crisis.¹² As opposed to most Central and Eastern European countries, Croatia has not yet reached the turning point out of the recession and it seems that the recovery will be very slow and protracted. As the new European Bank for Reconstruction and Development (EBRD) data show, in 2010, the Central and Eastern Europe (CEE) countries would grow on average around 3.7 percent while Croatia could expect only a 0.3 percent growth rate.¹³ The Institute of Economics Zagreb data on the first quarter of 2010 also indicate that the turning point has not yet been reached, that growth in this year could still be negative, and that visible recovery of Gross Domestic Product (GDP) is expected only in 2011.¹⁴ There are only weak signs of recovery in industrial production and exports in the first quarter of 2010, while construction activity, which has been an engine of growth in the past years, further dives and retail trade stagnates.¹⁵ In short, yet another bleak year is ahead.

President Josipovic’s diplomatic offensive to improve relations with neighbours

In January 2010, Ivo Josipovic, a candidate from the Social Democratic Party (SDP), was elected new Croatian President, winning 60.3 percent of the votes. He succeeded Stjepan Mesic after 10 years as President of Croatia. Since he took office in February 2010, President Ivo Josipovic intensified foreign policy efforts towards improving relations with neighbouring countries in the Western Balkans, especially with Bosnia and Herzegovina and Serbia. Apart from meeting Serbian president Boris Tadić in March, which was also intensively covered by the media, Ivo Josipovic received a great deal of attention from the international and domestic political elite, the media and the general public with his speech delivered in Ahmici, Bosnia and Herzegovina, which paid tribute to war victims,¹⁶ and his address to the parliamentary assembly in Sarajevo.¹⁷ He apologised for the Croatian politics led by former President Franjo Tudjman during the 1990s, which might have contributed to the conflicts and sufferings in Bosnia and Herzegovina during the 1990s. His speech steered a lot of public and political debate in Croatia as Ivo Josipovic’ apologies were not received well by the HDZ hard-liners, but also some of its top government figures. Initially, it was also received with unease by the Prime Minister Jadranka Kosor, but later on they managed to “agree to disagree” on the matter. On the other hand, the President’s speech was very much welcomed by the main international actors and partners such as the EU and USA and is considered by most academic analysts and the media as a good basis for a qualitative shift of political focus from the past to the future.

President Josipovic’s additional step in the initiative to strengthen trust and improve relations with neighbours in the region was by visiting Republika Srpska in Bosnia and Herzegovina and meeting with Prime Minister Milorad Dodik in Derventa at the end of May 2010.¹⁸ They especially talked about open issues, such as the return of Croatian refugees to their homes in Republika Srpska.

¹ Jelena Lovric: Bad timing for departure of a good minister, *Jutranji list*, 6 May 2010, p. 23. In this text the author argues that this is a hard blow on Kosor’s team and that Simonovic skills and expert authority would be very much missed. Also his most likely successor Dražen Bošnjaković is a HDZ party member and his independence would be doubtful.

² Government of Republic of Croatia: Government approved Revised Action Plan to Combat Corruption, 18 March 2010, available at: http://www.vlada.hr/hr/naslovnica/novosti_i_najave/2010/ozujak/vlada_prihvatila_revidirani_akciji_plan_za_suzbijanje_korupcije (last access: 17 May 2010).

-
- ³ Shipbuilding, Judiciary and Public Administration, interview with Paul Vandoren, available at: http://www.delhrv.ec.europa.eu/files/file/intervjui/PV%20-%20jutarnji%20list%2016_02_2010_.pdf (last access: 12 May 2010).
- ⁴ See the statement at the Delegation of the EU to the Republic of Croatia, available at: <http://www.delhrv.ec.europa.eu/?lang=en&content=2416> (last access: 14 May 2010).
- ⁵ Kosor: Croatia in the last 500 meters of the EU marathon, Dnevno.hr, 30 June 2010, available at: http://www.dnevno.hr/vijesti/hrvatska/kosor_hrvatska_na_posljednjih_500_metara_maratona_prema_eu_/64317.html (last access: 5 July 2010).
- ⁶ Government of Republic of Croatia: Economic Recovery Programme, April 2010, available at: http://www.vlada.hr/en/naslovnica/novosti_i_najave/2010/travani/predsjednica_vlade_predstavila_program_gospodarskog_oporavka (last access: 17 May 2010).
- ⁷ Damir Kustrak, President of the Croatian Employers Association: Interview, 101 Radio, 17 May 2010, 9. a.m.
- ⁸ Portal.hr: SDP describes economic recovery programme as wish list, 26 April 2010, available at: <http://daily.tportal.hr/64436/SDP-describes-economic-recovery-programme-as-wish-list.html> (last access: 17 May 2010).
- ⁹ Katarina Ott, Director of Institute of Public Finance: Which government should we trust? (in Croatian), available at: <http://www.ijf.hr/osvrti/20.pdf> (last access: 17 May 2010). In this comment she criticised not only the absence of an action plan, but also inconsistency of some economic measures.
- ¹⁰ Economic Recovery Programme Operational Plan, available at: http://www.vlada.hr/hr/preuzimanja/publikacije/plan_provedbenih_aktivnosti_programa_gospodarskog_oporavka (last access: 17 May 2010).
- ¹¹ The Unions strongly opposed to proposed changes in Labour Law which would enable an end and renegotiation of the present Collective agreement for workers in the public sector. They organised a written support of over 800,000 Croatian citizens calling for a referendum on the Law. See: Croatian Trade Union Association, Kosor said "no": referendum follows! available at: <http://www.hus.hr/?p=1104#more-1104> (last access: 6 July 2010).
- ¹² Željko Rohatinski: Additional liquidity yes, but only to production, 6 January 2010, available at: <http://www.seebiz.eu/hr/makroekonomija/hrvatska/zeljko-rohatinski-dodatna-likvidnost,-ali-samo-u-proizvodnju,65193.html> (last access: 19 May 2010).
- ¹³ Etic Berglof Chief economist: EBRD forecasts for transition countries, presented by at the EBRD Annual Meeting in Zagreb 14-15 May 2010, available at: <http://www.bankamagazine.hr/Naslovnica/EBRDvijesti/tabid/381/View/Details/ItemID/59835/ttl/Hrvatska-Procijenjeni-rast-BDP-a-u-2010-snizen-na-03-posto/Default.aspx> (last access: 17 May 2010). See also the interview with Peter Sanfey: EBRD lead economist for SEE and Croatia, Jutarnji list, 15 May 2010, pp. 6-7.
- ¹⁴ Economic Institute Zagreb: Croatian Economic Outlook Quarterly no. 42, available at: <http://www.eizg.hr/AdminLite/FCKeditor/UserFiles/File/Priopcenje-CroatianEconomicOutlook-travani-2010.pdf> (last access: 17 May 2010).
- ¹⁵ Ibid., p. 2.
- ¹⁶ For details, see the Statement of President Josipovic, available at: <http://www.predsjednik.hr/15042010-Ahmici> (last access: 14 May 2010).
- ¹⁷ Address of President Josipovic at the Parliamentary Assembly of Bosnia and Herzegovina in Sarajevo, available at: <http://www.predsjednik.hr/14042010-Sarajevo02> (last access: 14 May 2010).
- ¹⁸ Statement of the Office of the President of Republic of Croatia, available at <http://www.predsjednik.hr/30052010-Derventa> (last access: 2 July 2010).

Questionnaire for EU-27 Watch, No. 9

Reporting period December 2009 until May 2010 – Deadline for country reports 21 May

All questions refer to the position/assessment of your country's government, opposition, political parties, civil society organisations, pressure groups, press/media, and public opinion. Please name sources wherever possible!

1. Implementation of the Lisbon Treaty

On the 1 December 2009 the EU-reform ended with the entering into force of the Lisbon Treaty. However, the new treaty provisions still have to be implemented. Some procedures and conditions have to be determined. In other cases, procedures, power relations, and decision-making mechanisms will change due to the new provisions.

- How is the work of the new President of the European Council, Herman Van Rompuy, assessed in your country? Which changes to the role of the rotating council presidency are expected?
- How is the work of the new High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, assessed in your country? Please take into particular consideration both her role within the European Commission and her relationship to the Council of the European Union.
- On 25 March 2010 a "Proposal for a Council Decision establishing the organisation and functioning of the European External Action Service" was presented. How is this concept perceived in your country? Which alternatives are discussed?
- On 31 March 2010 the European Commission presented a proposal defining the rules and procedures for the European Citizens' Initiative (ECI). What are the expectations for the ECI in your country? What are the various positions concerning the rules and procedures?

2. Enlargement and European Neighbourhood Policy

The European Commission has given its opinion on Iceland's application for EU-membership and a decision from the Council is expected before the end of June. Croatia seems to have settled its border dispute with Slovenia. Against this background:

- Which countries does your country expect to become members of the European Union in the next enlargement round? What are the opinions in your country on the membership of these countries?
- How are the membership perspectives of those countries discussed, which are not expected to become a member in the next enlargement round?

The Eastern Partnership and the Union for the Mediterranean were the last major projects dealing with the European neighbourhood:

- How are these projects assessed in your country?

3. European economic policy and the financial and economic crisis

The European Council agreed on 25/26 March on the key elements of the Europe 2020 strategy, the successor of the Lisbon strategy. While not being on the formal agenda the economic and financial situation in Greece was discussed. The European Council agreed on a finance package combining bilateral loans from the eurozone and financing through the International Monetary Fund.

- How is the finance package for Greece assessed in your country? Are there any opinions on the process, how the agreement on the package was reached?
- Which lessons should be drawn from the Greek case for a reform of the Stability and Growth Pact?
- How is the idea of "a strong coordination of economic policies in Europe" perceived in your country? What concepts of an European economic governance are discussed in your country and which role do they assign to the Euro group?
- How is the Europe 2020 strategy discussed in your country? What are the priorities for the Europe 2020 strategy from your country's perspective?

4. Climate and energy policy

The climate conference in Copenhagen took note of the Copenhagen Accord but did not reach a binding agreement. The next conference of the parties (COP 16 & CMP 6) will take place at the end of November 2010.

- How is the Copenhagen conference assessed in your country? Please take into consideration the negotiation strategy of European Union and the results of the conference.
- Does the European Union need to change its own energy and climate policy in order to give a new impulse to the international negotiations?
- Is a global agreement within the UNFCCC the best strategy to fight climate change? If not, which alternative strategy should the European Union follow?
- What is your country's position on financing mitigation and adaptation efforts in developing countries?

5. Current issues and discourses in your country

Which other topics and discourses are highly salient in your country but not covered by this questionnaire?