



Country Issue: Croatia



The Relaunch of Europe

Mapping Member States' Reform Interests

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Institut für Europäische Politik (Institute for European Politics, IEP) is one of the leading foreign and European policy research centres in the Federal Republic of Germany dedicated to the study of European integration.

Further information on the project can be found here:

www.relaunch-europe.eu

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THE RELAUNCH OF EUROPE

MAPPING MEMBER STATES' REFORM INTERESTS

The Relaunch of Europe. Mapping Member States' Reform Interests (RelaunchEU) is a project conducted by the Institut für Europäische Politik (IEP) on behalf of the Friedrich-Ebert-Stiftung (FES) that surveys the implementation prospects for twelve concrete reform proposals. It covers the policy areas of Social Union, Economic and Monetary Union and Defence Union as well as asylum and migration policy and the EU's institutional set-up. Furthermore, it analyses the support for flexible integration and the positioning towards the five scenarios presented in the European Commission's »White Paper on the Future of Europe« of spring 2017. It covers the positions of national governments and of relevant progressive political parties, which received a minimum share of 5 % of the votes in the previous European or national elections.¹

The study follows two main objectives: (1) It demonstrates the scope of action for prompt reforms of the EU in the selected policy areas while also taking into account which member states would, under certain conditions, be willing to implement the specific proposals. (2) It empirically determines which member states could belong to an avant-garde group willing to deepen integration.

Researchers from think tanks and research institutions in the member states of the EU-27 compiled information to determine the position of governments and progressive political parties towards the twelve reform proposals. This qualitative analysis reflects the country experts' views and is based on documents such as coalition agreements, government or party programmes, position papers, press releases, interviews, op-ed pieces, and official documents. It presents a snapshot of the discussions within the governments and parties. In order to keep the country issues short, internal debates and deviating opinions cannot be covered in detail. Positions are subject to change, especially following elections and the formation of new governments. The snapshot was taken at the end of September 2017. More recent developments could not be included. Notable exceptions are the country issues of Austria and Germany, which were updated following the latest coalition negotiations.

The study's results are published in English on the website www.relaunch-europe.eu. It presents maps for every actor and reform proposal, 27 country issues and an analytical paper. The paper compares the positions of all actors in all member states of the EU-27 on the twelve concrete reform proposals and presents five flagship-projects, which bear the chance for a relaunch of Europe.

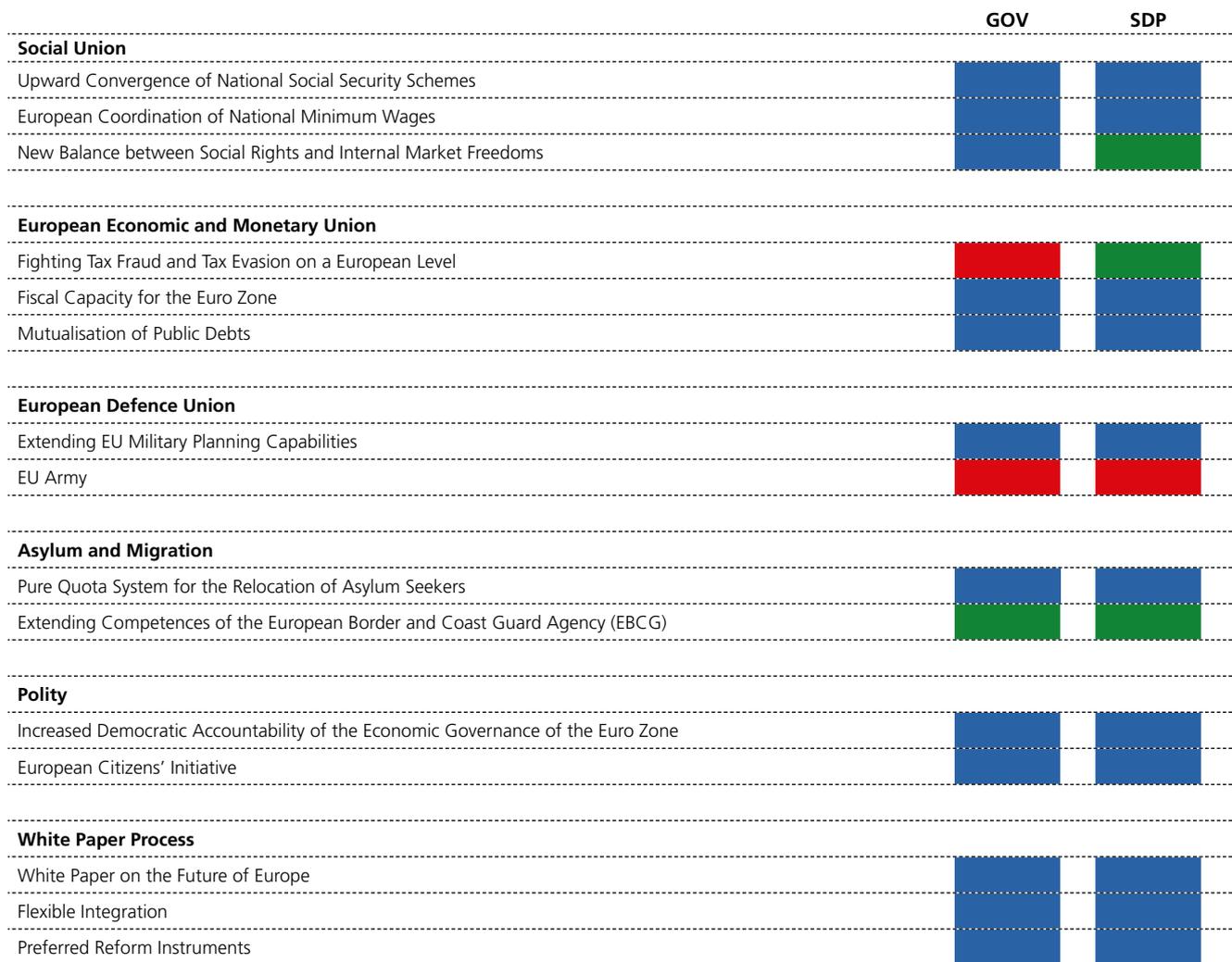
¹ If a party fulfills this criterion, but is not a relevant actor in the national public debate anymore, it was deleted from the sample based on the judgement of the projects' country expert.

CROATIA

The youngest EU member state is still facing several domestic challenges such as corruption or high unemployment. The Croatian Democratic Union (*Hrvatska Demokratska Zajednica*, HDZ) leads the government. It is a coalition with the Liberal

Democrats (*Hrvatska narodna stranka – liberalni demokrati*, HNS), also including the Croatian People's Party since June 2017. The biggest opposition party in parliament is the Social Democratic Party of Croatia (*Socijaldemokratska partija Hrvatske*, SDP).

Support of the Croatian Government and the SDP for Deepening EU Integration



Legend

- support for
- support under conditions
- against
- neutral

- GOV** National Government
- SDP** Social Democratic Party of Croatia

- 1 – Scenario 1: »Carrying on«
- 2 – Scenario 2: »Nothing but the single market«
- 3 – Scenario 3: »Those who want more do more«
- 4 – Scenario 4: »Doing less more efficiently«
- 5 – Scenario 5: »Doing much more together«

SOCIAL UNION

Due to a relatively low standard of living in Croatia, social security schemes regularly play an important role in the Croatian public and political discourse. From that perspective, it might be assumed that reform proposals such as **upward convergence of national social security schemes** in Europe or the establishment of minimum national standards might have strong proponents in Croatia. However, this is not entirely the case as the current political discussion covers mostly the national perspective and neither SDP nor the government have presented positions on those issues yet. Nevertheless, both might become very important topics in the near future, especially for the SDP as a traditional pro-social schemes party. The Croatian government increased the minimum wage in December 2016 by roughly 5% to 42.9% of an average gross wage, and again in December 2017. Whereas there is no information available on the official government position on a **European coordination of national minimum wages**, the government might not be against such a development and under certain circumstances might even support it on the European level. Similarly, the SDP is strongly in favour of higher minimum wages. As a matter of fact, this is one of its major policies communicated on a regular basis. But so far, it only pursues this goal on the national level. There is no official position on the idea of European coordination. However, it seems to be very likely that the SDP would indeed be in favour of such a policy. This lack of articulated positions on the matter might also be due to the fact that Croatia is still not in the euro zone and, therefore, this debate has not yet appeared in the Croatian public sphere. Neither the government nor the SDP publicly criticize the relevance of the Single Market within the EU or have a clear stance on a **new balance between social rights and internal market freedoms**. However, public statements of the SDP in the context of the five scenarios for the future of Europe suggest that the single market as such cannot be the sole or main vehicle of EU integration. The argument goes on saying that although the internal market freedoms are an essential part of the European project, the EU should never be reduced to them. Therefore, a balance must be struck.

EUROPEAN ECONOMIC AND MONETARY UNION

Both tax fraud and tax evasion are important political topics in Croatia, but they are traditionally related to the SDP, as both SDP-led governments invested substantial administrative capacity and political assets in fighting tax evasion and tax fraud. However, on **fighting tax fraud and tax evasion on a European level** neither the government nor the SDP have publicly formulated conclusions related to forcing multinational companies to publicly declare where taxes are paid, banning letterbox companies, or introducing a Europe-wide minimum corporate tax. An important aspect which has to be taken into consideration is the overall low competitiveness of the Croatian state in comparison with other member

states. This does not allow the government to pursue or promote such policies – at least for the time being. Therefore, although not explicitly said, the government will most likely not support those policies. On the other hand, SDP is traditionally promoting such policies in Croatia as they represent the core of its main values, in particular that of equal opportunities and the rule of law. As Croatia is not part of the euro zone, specific aspects of the common currency such as a **fiscal capacity for the euro zone** or the **mutualisation of public debts** have not been on the political or public agenda, yet. Thus, there are no government or SDP positions. Instead, the debate in Croatia covers pros and cons of entering the euro zone as well as its feasibility, possible timeframes and difficulties during the process. Accordingly, the government, in line with the Central National Bank, is strongly in favour of introducing the euro as soon as possible.

EUROPEAN DEFENCE UNION

Extending EU military planning capabilities, the establishment of EU headquarters for executive EU military missions and operations or creating an **EU army** has not appeared in discussions neither of the government nor the SDP and it will probably remain so. However, the lack of public interest in this field does not mean that both actors are indifferent or neutral. In fact, it is very unlikely that the government would ever support the idea of an EU army due to the specific Croatian experience and trauma with the War of Independence (1991–1995) and the resulting nationalist narrative. Therefore, defence is an aspect of state sovereignty that in the view of Croatian public is not negotiable. The sensitivity of this topic in the public debate is also one of the reasons for the SDP not to engage in the public discussion concerning an EU army or further transfers of national competences to the European level in this specific sector. Nevertheless, the Croatian Prime Minister (HDZ) recently referred to the EU global strategy for foreign and security policy and its implications on domestic policies, e.g. higher budget expenditures allocated to the Croatian armed forces.

ASYLUM AND MIGRATION

In 2015, Croatia was a transit country on the so-called Balkan route, witnessing an average of nearly 5,500 entries a day. It was therefore strongly affected by the so-called migration crisis. The former government neither implemented the Dublin regulation regarding compulsory registration of asylum seekers in first countries nor did it close its borders. According to the government, the Dublin system had not been created to deal with extraordinary situations. However, as the urgency of the crisis subsided, so did the interest of the media and public. Currently, neither the Croatian government nor the SDP have taken a clear stance on the introduction of a permanent **pure quota system for the relocation of asylum seekers** at EU level or the creation of an EU asylum agency. Yet, a statement by the Prime Minister (HDZ) before the UN General Assembly in September 2017

highlighted that Croatia »would advocate an approach [...] that prioritises safety, dignity and human rights and fundamental freedoms of all migrants [...] [while working] together to fight the root causes of mass migration.« Croatia is still preparing to join the Schengen area. The interest of the public and the main political actors is therefore primarily focused on the preconditions, including the readiness of state administration. The Prime Minister did mention the need for further integration of the Schengen area's external borders in the context of the so-called migration crisis – referring in particular to the Western Balkans route and the Greek-Turkish border. This, together with the statements of SDP in relation to the so-called migration crisis, strongly indicates the political wish of both actors to solve the crisis outside the EU. Both implicitly support a stronger European approach, even if this should mean **extending competences of the European Border and Coast Guard Agency**.

European integration. Therefore, the Prime Minister expressed his opposition to the formation of a core Europe. Already facing the reality of a multi-speed Europe, more flexible integration in the future is clearly rejected by the public opinion in Croatia. It also expresses the feeling that Croatia is an outsider and has been left behind their EU counterparts in many respects.

POLITY

Increased democratic accountability of the economic governance of the euro zone is currently only marginally relevant in the political debate, since Croatia is still in preparation for the adoption of the euro. Consequently, neither the government nor the SDP have voiced any positions on that matter. However, the government is in favour of strengthening the democratic legitimacy of EU institutions in general. There are no discussions in the government or the SDP on the reform of the **European Citizens' Initiative** (ECI), as even the current and past initiatives undertaken with this instrument have not been given significant airplay in the Croatian media.

WHITE PAPER PROCESS

The government does not favour one of the proposed scenarios in the Commission's **»White Paper on the Future of Europe«**, but supports a combination of them. Accordingly, the Prime Minister has highlighted three main fields in which he sees urgent need for action: strengthening the EU's democratic legitimacy, demonstrating the benefits of EU membership to the citizens and preparing the EU for future challenges. The government acknowledges that a multi-speed Europe is already reality as not all member states – including Croatia – are part of the Schengen area and the euro zone. The SDP regards the fifth scenario as unrealistic and the first one as a prolongation of the inefficient and improvised politics of the past in reaction to the crises the EU has been facing. Thus, the party endorses a combination of the scenarios two, three and four. However, it criticises the lack of a common vision for the EU shared by the political left and right at least in Croatia and has, therefore, refrained from stating a clear position. The government and the SDP are concerned about the model of **flexible integration** and remain rather indecisive on using it as an instrument for reform within the EU. However, both actors plead for inclusiveness and equality when advancing

Legend

Actors Covered by the Study in each EU Member State

- *National Government*: including its members from one or more political parties, the Head of State or Government, relevant executive ministers and administration.
 - *Progressive Parties*: They include all parties that are represented either in the Group of the Progressive Alliance of Socialists and Democrats in the European Parliament (S&D) or that are members of the Party of European Socialists (PES) and have gained a minimum share of 5 % of the votes in the last national or European elections. They also include La République en Marche (REM) in France.
-

Concrete Reform Options in Different Policy Areas

Social Union

1. *Upward Convergence of National Social Security Schemes* to provide Europe-wide protection against social risks and to ensure a decent standard of living for EU citizens.
 2. *European Coordination of National Minimum Wages* to ensure a decent income within the EU to prevent in-work poverty, to promote social convergence and to avoid social dumping across the EU.
 3. *New Balance of Social Rights and Internal Market Freedoms* to compensate the current precedence of internal market freedoms over national social rights.
-

European Economic and Monetary Union

4. *Fighting Tax Fraud and Tax Evasion on a European Level* for a fair allocation of tax burdens among natural and judicial persons.
 5. *Fiscal Capacity for the Euro Zone* to provide stabilisation against economic shocks through public expenditure in the euro zone.
 6. *Mutualisation of Public Debts* to tackle the problem of a sharp increase in public debts in some member states as a result of the euro zone crisis.
-

European Defence Union

7. *Extending EU Military Planning Capabilities* also for executive military missions and operations.
 8. *EU Army* establishing a permanent multinational military force under European command.
-

Asylum and Migration

9. *Pure Quota System for the Relocation of Asylum Seekers* which would replace the Dublin system.
 10. *More Competences for the European Border and Coast Guard Agency (EBCG)* expanding the current EBCG tasks in terms of »shared responsibility« between the EBCG and national authorities.
-

Polity

11. *Increase Democratic Accountability of the Economic Governance of the Euro Zone* to make its institutions more responsive to EU citizens.
 12. *European Citizens' Initiative (ECI)*: revision of the ECI regulation to make the instrument more citizen-friendly and effective in order to strengthen the participative democracy in the EU.
-

White Paper Process

13. *The White Paper on the Future of Europe* by the European Commission presents five possible scenarios for the future course of European integration.
14. *Flexible Integration*: limiting the application of certain rules to certain EU member states.
15. *Preferred Reform Instrument*: Treaty reform, reforms inside or outside the Treaties.

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