

## POLICY RECOMMENDATIONS

### Study Group Regional Stability in South East Europe (RSSEE SG)

## “Croatia’s Accession to the Eurozone and Schengen Area – Potential Impact on South East Europe”

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PfP Consortium of Defense  
Academies and Security  
Studies Institutes



### Executive Summary of Recommendations

- **WB governments:** WB countries would benefit from the experience of Croatia in managing the integration processes and in preparing for future EU membership. In particular, the governments of the WB should focus on improving democratic standards and developing economic growth models.
- **Croatian government:** The Croatian government should make further efforts towards addressing open bilateral issues with its neighbouring countries to avoid these issues becoming an obstacle for EU membership of those countries.
- **EU – SEPA:** The EU should consider including WB countries in the Single Euro Payments Area (SEPA). This would contribute to better economic and financial integration.
- **EU – ETIAS:** The EU should take into account the specific situation of each WB country when it comes to the European Travel Information and Authorisation System (ETIAS).
- **EU:** The EU should intensify the coordination of migration policies with neighbouring Western Balkan (WB) states to ensure efficiency.

### Situation Analysis

As of 1 January 2023, Croatia has been a full member of the Eurozone and Schengen Area, thus completing the process of European integration. Slightly more than 20 years ago, Croatia was a country torn by conflict that suddenly found itself on the threshold of post-socialist and post-conflict transformation. Croatia is now a stable democracy and therefore a true example of the European Union’s transformative power. The completion of the process of European integration significantly changed Croatia’s position in the regional and European environment, positioning the country as a role model in the region of the Western Balkans.

During the integration process, Croatia gained extensive experience concerning various aspects of democratic transition. Croatian “know-how” could be useful, not only as an asset in the regional context, but in the wider European context as well. It is therefore

of great importance to mention the Stabilisation and Association Process launched in 1999 and concretised at the Zagreb Summit in 2000, which emphasized the EU’s dedication to promoting and ensuring stability and eventual integration of the Southeast European countries.

Today, the change of the geostrategic context, marked by increasing conflicts worldwide, also affects the general stability of Southeast Europe. However, the main obstacles for the continuation of the European integration of the region remain internal. The democratic deficits of political elites, inter and intrastate tensions in the region, unfinished state-building processes, alarming levels of organised crime and corruption, as well as the growing influence of various assertive players are threatening not only the EU integration processes, but also the long-term stability in Southeast Europe.



Therefore, the European Union should use its transformative power to stimulate the spill-over effect at its borders. The Croatian experience could be of help in a wide range of chapters of the accession process, covering many policy areas. Croatia's accession to the Eurozone and Schengen area have been challenging, but moreover they have created an opportunity for Croatia, and therefore the EU, to deepen its relations with non-EU Western Balkans states on issues related to irregular migration and border management, as part of a more effective migration policy.

According to the Study Group "Regional Stability in South East Europe", Croatia could play a big role in advocating the EU integration process of the neighbouring countries and in providing helpful information gained during its own integration experience. This would be especially beneficial to the Western Balkan countries, which experience similar challenges in terms of e.g. high levels of euroization, demographic decline and specialisation in the service sector. By joining the Eurozone, Croatia eliminated foreign exchange risks, while leaving its already low level of monetary policy autonomy largely unaffected. In that sense, the Croatian experience can be helpful to countries hoping for a fast Eurozone integration. Its position as an EU member gives Croatia the potential to use all the foreign policy resources to advocate at the EU level for the accession of the Western Balkan countries to the EU.



## Policy Recommendations to Increase WB Countries' Stability

### With Reference to the Entire WB

- **WB governments:** WB countries would benefit from the experience of Croatia in managing the integration processes and in preparing for future EU membership. Important elements

of Croatia's success were a national strategic consensus, a sufficient number of experts, the commitment to fulfil all the conditions as well as regained trust in public institutions.

- **EU – SEPA:** The EU must consider a new strategic approach to connectivity issues in the Western Balkan region, including new models of financing joint cross-border infrastructure projects in the area.
- **EU – SEPA:** The EU should consider including WB countries in the SEPA zone, which would contribute to better economic and financial integration.
- **EU – ETIAS:** The EU should, as soon as possible, engage in dialogue with the candidate countries in anticipation of the implementation of ETIAS (2024). This is to ensure that this point does not affect the credibility of the enlargement process. This means that the EU should reconsider the implementation of this mechanism in certain cases in order to make exemptions or further extend the application of the previous system.
- **EU – ETIAS:** The EU should take an individual approach when it comes to ETIAS by taking into account the level of integration and the fact that most of the countries from the WB already have a special bilateral security and border control arrangement with the EU, including new FRONTEX agreements.
- **EU:** The European Union should deepen its relations with neighbouring Western Balkan states on issues related to irregular migration and border management, as part of a more effective migration policy.
- **WB governments:** WB countries should adapt their border management by implementing the Frontex Action Plan. The EU-sponsored border refugee camps should be inspected with respect to human rights.
- **WB governments:** Policies should focus on "entrepreneurial" states investing in research and development, in order to progress up the value chain. WB countries should fully embrace and take advantage of the digital revolution and should maximise EU resources available to fund green transition.
- **WB governments:** In order to address demographic decline, the automation of low-paid jobs should be considered. Policies should limit economic and

social volatility caused by these structural changes, for instance “policies for a good life”, specifically large-scale investment in social housing.

- **WB governments:** The countries should develop a sound and comprehensive retention policy for the entire civil service. It could increase its attractiveness by taking care of the staff’s wellbeing, ensuring good working conditions, guaranteeing a managerial culture in line with the principles of good public administration, as well as ensuring opportunities for professional development and training.
- **EU:** The EU’s pro-active approach regarding the integration of Ukraine and Moldova should also be used as a positive momentum regarding the integration processes of the WB candidate countries.
- **WB governments:** WB countries should engage without delay in addressing remaining regional bilateral issues as well as those with EU member states.
- **EU:** The EU should use its mediation powers to placate regional disputes.

#### With Reference to Croatia

- **Croatian government:** Croatia could become a supporter state that would share best practices and lessons learned, e.g. demographic challenges, specialisation in the service sector as well as challenges concerning euroization.
- **Croatian government:** Croatia should use foreign policy resources to continue advocating at the EU level for the accession of the Western Balkan countries to the EU.
- **Croatian government:** The Croatian government should make further efforts towards engaging on a bilateral level to address open bilateral issues with its neighbouring countries, to ensure that these issues do not become an obstacle for EU membership of those countries.

#### With Reference to Albania

- **Albanian government:** The Albanian government should work to increase the level of trust in state institutions. The people’s trust can be increased through the development of an effective legal system, the fight for transparency and against corruption, and streamlined cooperation with non-governmental actors and other parties.

#### With Reference to Bosnia and Herzegovina

- **EU:** The EU must implement and stick to a coherent policy towards Bosnia and Herzegovina. “Special approaches” (e.g. close contacts of the Hungarian government to separatist politicians in the BIH entity Republika Srpska) weaken European consolidation policy in the Balkan state.



#### With Reference to Kosovo and Serbia

- **Government of Kosovo and Serbia:** As part of the dialogue under EU mediation, already negotiated agreements should be implemented.

#### With Reference to Montenegro

- **Montenegrin government:** The new government should engage with Croatian authorities regarding open questions such as the status of the Prevlaka peninsula in order to resolve this open question by mutual agreement in the upcoming period.
- **Montenegrin political and institutional actors:** The political and institutional actors should contribute to the stabilisation and consolidation of the country’s still fragile political system and focus on public policy, economic development and the EU integration process.
- **Montenegrin government:** The government should enhance the implementation of “good life policies”, particularly in the areas of environment, transport, urban redevelopment, healthcare, social and educational system, reform of the labour market, sustainable infrastructure development and green tourism.
- **Montenegrin government:** Improvement of a secure digitalisation of public services and economic and financial processes must take place to ensure development in the light of increased cyber-attacks.

### With Reference to North Macedonia

- **North Macedonian government and political opposition:** There should be joint national efforts to overcome political and judicial hurdles in order to foster the EU integration process.
- **EU:** The EU should play a constructive role in resolving bilateral disputes in North Macedonia's integration process.
- **EU and Bulgarian government:** The EU should clearly state that if North Macedonia, as a constructive role model amongst the candidates, completes the reforms, the membership process will be accelerated and no new bilateral demands should be made by Bulgaria regarding North Macedonia's EU integration.

### With Reference to Serbia

- **EU:** The EU should not tolerate democratic backsliding in Serbia.
- **EU:** Serbia should not be perceived internationally only through the Kosovo prism. The EU should focus on reinvigorating the democratization process in the country, the rule of law as well as the security sector reform.

These policy recommendations reflect the findings of the 45th RSSEE workshop on "Croatia's Accession to the Eurozone and Schengen Area – Potential Impact on South East Europe" convened by the PfP Consortium Study Group "Regional Stability in South East Europe" in Split, Croatia, 14 – 17 September 2023. They were prepared by Sandro Knezović (Institute for Development and International Relations, Zagreb) on the basis of the proposals submitted by the participants. Valuable support in proofreading came from Predrag Jureković and Sara Milena Schachinger (Austrian National Defence Academy, Vienna).

