



**COUNCIL OF
THE EUROPEAN UNION**



Luxembourg, 10 April 2006
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**2nd meeting of the
EU-CROATIA Stabilisation and Association Council**

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Joint Press Release

The Stabilisation and Association Council (SA Council) between the European Union (EU) and Croatia held its second meeting on Monday, 10 April 2006. The President of the Stabilisation and Association Council, Ms Kolinda Grabar-Kitarović, Minister of Foreign Affairs and European Integration, led the delegation of the Republic of Croatia. Ms Ursula Plassnik, Minister for Foreign Affairs of Austria, led the EU delegation. Javier Solana, High Representative/Secretary General, Mr Pierre Mirel, Director for Candidate Countries, European Commission, and Ambassador Eikka Kosonen, Finnish Permanent Representative to the EU, also participated in the meeting as members of the Troika.

P R E S S

The SA Council welcomed the opening of accession negotiations with Croatia on 3 October 2005, immediately after the outstanding condition for the start of accession negotiations had been met. This second SA Council provided a timely opportunity to review Croatia's progress in the preparations for membership. The SA Council noted that the screening process is proceeding according to schedule and commended the sound preparation of Croatia in the screening meetings. The SA Council recalled that progress in the negotiations will also depend on the fulfilment of Croatia's obligations under the Stabilisation and Association Agreement, as well as the implementation of the Accession Partnership.

The SA Council noted that Croatia continues to fulfil the political criteria but further sustained efforts are required in important areas such as reform of the judicial system, reform of public administration, the fight against corruption and measures to guarantee the freedom of the media. The SA Council encouraged Croatia to step up efforts, in particular to implement commitments taken on refugee returns in the context of the Sarajevo Declaration of January 2005. The SA Council noted that while the level of progress on minority rights previously achieved had generally been sustained, implementation of the Constitutional Law on National Minorities should be accelerated.

The SA Council welcomed the confirmation on 3 October 2005 that Croatia was fully cooperating with the ICTY. It also underlined that sustaining full co-operation with the ICTY remains a requirement for progress throughout the accession process.

The SA Council noted that Croatia has a functioning market economy and encouraged Croatia to continue the progress made on the economic criteria. The SA Council also encouraged Croatia to markedly accelerate the restructuring and privatisation of enterprises in the portfolio of the Privatisation Fund as well as of other large state-owned companies. Further efforts to ensure a regulatory environment free of corruption and to substantially modernise the land registry are crucial to attract higher levels of foreign direct investment.

The SA Council welcomed the fact that Croatia has made some progress since the last Association Council, in terms of legislative alignment with the *acquis*. Croatia needs to continue legislative alignment across the board while at the same time strengthening administrative and judicial structures that are necessary for the effective enforcement of the *acquis*. The SA Council noted that Croatia needed to take the strategic approach to *acquis* alignment a step forward and to develop, where appropriate, comprehensive strategies, which should include all reforms necessary in terms of legislative alignment and institutional capacity-building in order to implement and comply with the relevant *acquis*.

The SA Council welcomed the positive role Croatia continues to play in terms of regional cooperation and took note of Croatia's commitment to good neighbourly relations. The SA Council welcomed Croatia's active role in transforming the current network of bilateral Free Trade Agreements into one single regional FTA, building on CEFTA. The SA Council took note of a presentation by Croatia of its programme for the upcoming chairmanship of the South East Europe Cooperation Process at a time when the SEECP is called to assume a greater role in regional cooperation, as part of the transition strategy of the Stability Pact. The EU is looking forward to working closely with Croatia during its chairmanship.

The SA Council noted that Croatia as a candidate country continues to benefit from all three pre-accession financial instruments, which will amount to EUR 140 million in 2006 (Phare: EUR 80 million, ISPA: EUR 35 million, SAPARD: EUR 25 million). The SA Council noted that Croatia also remains a beneficiary of the CARDS Regional Programme. The SA Council noted that the management of aid on a decentralised basis through the Central Financing and Contracting Unit of Croatia has been decided. The SA Council congratulates Croatia for the measures taken which enabled this positive decision to be taken. The SA Council stressed that this increases the responsibility of Croatia for a sound financial management of Community funds.

The SA Council confirmed that Croatia has generally implemented its obligations under the Stabilisation and Association Agreement. The SA Council urged Croatia to adopt restructuring programmes for the steel and shipbuilding sectors without delay, to be in line with its obligations under the SAA. The EU recalled that in the absence of such programmes, state aids granted to these sectors since the entry into force of the Interim Agreement are illegal under the Agreement.

With regard to the free movement of capital, the EU noted that Croatia is not complying with its obligation under Article 60 of the SAA to authorise the acquisition of real estate in Croatia by nationals of Member States of the EU. The EU called on Croatia to properly implement these provisions, on a non-discriminatory basis, and to remove the backlog of pending requests from EU citizens by speeding up procedures for all. Croatia stressed its rigorous, non-discriminatory application of relevant laws and procedures in line with the obligations in Article 60 of the SAA.

The SA Council noted that Croatia had agreed to the introduction of tariff quotas for sugar. The SA Council also welcomed ongoing preparations of a zone of diagonal cumulation of origin between the EU and those countries in the Western Balkans which have a free trade agreement with the EU, currently Croatia and the former Yugoslav Republic of Macedonia. It noted that this initiative should soon start to deliver benefits. Croatia expressed its wish and readiness to start the process towards inclusion in the Pan-Euro-Med system of diagonal cumulation of origin.

The SA Council had an exchange of views concerning developments in the Western Balkans and the follow-up to the EU/Western Balkans Forum held in Salzburg in March 2006. The SA Council welcomed Croatia's regular alignment with Common Positions adopted by the European Union on foreign and security policies. It welcomed also the continuing support for the International Criminal Court and Croatia's commitment to preserving the integrity of the Rome Statute.

