



EUROPEAN COMMISSION

## MEMO

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### **Croatia's accession to the European Union - Q&A**

On Monday 1 July Croatia will become the 28<sup>th</sup> Member State of the European Union. Croatia's accession marks another milestone in the construction of a united Europe. It also provides fresh evidence of the transformative power of the European Union: torn by conflict only two decades ago, Croatia is now a stable democracy, capable of taking on the obligations of EU membership and of adhering to EU standards.

Croatia's accession reaffirms that the perspective of European integration remains open to all aspirant countries which show the necessary will to implement political and economic reforms and prove their respect for European values such as the rule of law, democratic principles and human rights. This transformative impact of the enlargement process benefits the country, but also the whole European Union and demonstrates the importance of a credible enlargement policy.

*This document contains a few examples of the practical effects of accession for Croatia and for the whole EU.*

*Regarding the institutional implications of Croatia's accession to the EU, please see [MEMO/13/593](#). For statistical information, see [STAT/13/100](#).*

#### **What will happen with EU customs after Croatia's accession?**

One of the most visible and positive effects of Croatia's accession will be the end of customs controls at internal EU borders. This will make crossing borders with Slovenia or Hungary, and further on with all the countries in EU, much smoother with less hassle and time lost for both people and goods.

#### **Will trade in goods be simplified after EU accession? For example, purchase of vehicles, online shopping, customs, etc.?**

The principle of the free movement of goods implies that products must be traded freely from one part of the Union to another, be it a vehicle or a physical CD. Some restrictions apply to certain pharmaceutical products (transitional period agreed) and may still apply in the on-line world but the Commission aim is to deliver a true digital single market in the very near future.

The customs union was one of the EU's earliest milestones. It abolished customs duties at internal borders and put in place a uniform system for taxing imports. Internal border controls subsequently disappeared. Customs officers are now found only at the EU's external borders.

#### **What benefits will the EU's single market bring to Croatian citizens and business?**

As a consequence of accession, Croatian consumers will have access to more products of better quality and at a lower cost. For instance, since 1992 the price of airline tickets has fallen by 40% in the EU and roaming charges for mobile phone calls between EU countries have considerably fallen.

Families wanting to buy a house or a new car should be able to borrow money at a far lower rate than today, thanks in particular to the free movement of capital.

Member States must remove, with some exceptions, all restrictions on movement of capital both within the EU and between Members states and third countries. EU law also includes rules concerning facilitation of cross-border payments and the execution of transfer orders concerning securities. As a result, the access to capital for Croatian entrepreneurs should be much easier.

The single market will offer new opportunities for partnership and networking with similar industries and sector within an enlarged EU. The accession of Croatia will also boost opportunities in terms of public procurement.

**Will Croatian citizens be able to benefit from their domestic entitlements (health services, pension) in another EU country, and vice-versa?**

This is exactly the idea behind the free movement of people principle – so that citizens can benefit from the health and pension services in the entire Union. Retired EU citizens can move to any EU country and receive their statutory pension there and in that country they are entitled to the same healthcare coverage as citizens of that country.

For necessary health care during a temporary stay in another EU Member State, citizens can use the European Health Insurance Card (EHIC) which grants its holders access to public healthcare when medically necessary on the same terms as the host country's citizens.

**What about border controls?**

Becoming an EU Member State does not mean that the country will automatically join the so-called Schengen Area. Countries must also fulfil a list of pre-conditions. Currently, 22 EU Member States are part of the Schengen Area. The Accession Treaty envisages to establish Schengen instrument as a temporary instrument in order to help Croatia to apply measures on new outer EU borders and surveillance system as a part of Schengen acquis. Countries that entered EU in 2004 joined the Schengen Area in 2007. Therefore, it is likely to expect that it will take Croatia a couple of years to prepare for joining the "full Schengen".

Therefore border controls will not be automatically abolished on 1 July 2013. Police control will stay, but the customs control will no longer be there. Police control will only disappear once Croatia joins the Schengen Area.

**Free movement of EU workers - will there be any restrictions on the free movement of Croatian workers?**

The right of every EU citizen to work freely in any country within the European Union is one of the fundamental freedoms enshrined in the EU Treaty, and constitutes an essential part of the EU's Single Market.

Free movement of workers benefits the economies of both the host and home country as well as the individuals concerned. Better matching available skills with labour market demands is one of the key actions under the Europe 2020 Strategy and the April 2012 employment package.

The Accession Treaty for Croatia foresees a period of 7 years during which Member States may choose to put in place transitional arrangements for access by Croatian workers to their labour markets. This is made up of a period of 2+3+2 years (similar to the regime that applied to Romania and Bulgaria when they joined the EU).

As regards the first 2 years of the arrangements, Member States are permitted to apply their national law on access to their labour market and are not obliged to apply EU law. There is no requirement for them to notify the Commission of their intentions.

The Commission's services have written to the Member States to ask them to provide information as to whether they will make use of the transitional arrangements or not. This information will be made available on the website of the Commission's employment department in July 2013. For the moment complete information about the position of all Member States is not yet available.

### **What will be the impact of EU accession on Croatia's labour market?**

Free movement of workers and services and the freedom of establishment means that people can move freely in the territory of the EU (save for any transitional periods). This creates opportunities and allows for better allocation of labour within the UE.

Market opening will increase competitiveness on all markets and so also on the labour market. That said, no significant inflow of labour from other EU Member States is expected.

Citizens of other EU Member States who seek employment in Croatia will be employed under the same conditions as Croatian citizens in their home EU Member State.

Already today, Croatia employs foreign workers in some sectors. Pursuant to the Law on Foreigners, foreigners can work in Croatia based on a work permit or a business permit. With Croatia's accession to the EU, if any of the Member States make use of the transitional provisions for workers from Croatia, according to the principle of reciprocity, Croatia can decide to apply its own transitional measures so that workers from those countries will still not be able to work in Croatia without a work permit.

### **What about the European Social Fund?**

The EU has been investing in Croatia for a long time through the Instrument for Pre-Accession Assistance (IPA). Over 2007-2013, the EU already invested more than €94 million in Croatia through IPA Component IV (Human Resources Development Operational Programme).

Investment has focused on improving labour market performance, ensuring access for long-term unemployed and for disadvantaged groups (including women, youth, national minorities), supporting the social welfare sector and integration of disadvantaged groups into the education system.

From the date of accession in July 2013, the current IPA Component IV (Human Resource Development Operational Programme) will be transformed retrospectively into ESF 2007-13. A new Operational Programme is currently being negotiated between Croatia and the European Commission and will be set up for the period until the end of 2013. This transition goes along with a substantial increase in budget: on top of €94.2 million for IPA 2007-13, an additional €60 million will become available for programming in July to December 2013.

This is around 10 times the level of investment under IPA, and shows the EU's commitment to investing in reinforcing employment, lifelong learning and social inclusion in Croatia. Of course, the allocations for the programming period 2014-2020 are likely to continue to be very substantial, however pending agreement on the overall size of the EU budget.

### **Does Croatia need to adopt the euro?**

The Treaty foresees that all Member States that do not have an opt-out clause (i.e. United Kingdom and Denmark) shall adopt the euro once they fulfil the necessary conditions. Until Croatia meets these conditions, it is, in legal terms, a Member State of the Economic and Monetary Union (EMU) with a "derogation". The same was – or is – the case for the twelve Member States that joined the EU in 2004 and 2007. Five of them have already adopted the euro (and Latvia is planning to do so in 2014).

Every two years the Commission prepares a convergence report assessing whether those Member States that should still adopt the euro satisfy the underlying conditions, namely:

- economic criteria (price stability, sound public finances, exchange rate stability, convergence in long-term interest rates; the assessment also takes into account other factors relevant for convergence)
- compatibility of national legislation with EMU rules (including independence of the national central bank, prohibition of monetary financing, compatibility with the statutes of the European System of Central Banks and of the European Central Bank)

The next convergence report is due next spring 2014 and will also cover Croatia.

It should be noted that it is up to individual countries to calibrate their path towards the euro, and no timetable is prescribed. However, it is important not to underestimate the role of euro adoption as a medium-term policy anchor, and the risks to credibility and confidence of derailing the convergence process. Thorough preparation of the economy, backed up by high policy credibility, is key in this context. This should be Croatia's policy priority related to future euro adoption.

### **How will the Stability and Growth Pact apply to Croatia?**

As a Member State, Croatia will be expected to meet the requirements of the Stability and Growth Pact and to fully align its general government statistics with the standards set out in the European System of Accounts (ESA). The data will need to be validated by Eurostat.

### **How will the Macroeconomic Imbalance Procedure be applied to Croatia?**

As with all other EU Member States (except programme countries), Croatia will be covered by the Macroeconomic Imbalance Procedure (MIP), which aims to identify potential macroeconomic risks early on, prevent the emergence of harmful imbalances and correct the imbalances that are already in place. Croatia will be assessed in the Alert Mechanism Report, which the Commission will publish towards the end of the year and which will kick off the next cycle of the MIP.

### **What does accession to the EU mean for Croatia's trade policy?**

Upon accession, Croatia will be part of the internal market and will trade freely with all Member States. Similarly, imports into Croatia will automatically become imports into the EU. Croatia will take over the EU's common commercial policy, which means that it transfers the responsibility for trade policy to the EU. Accession will also mean that Croatia will have denounced any trade agreement it might have concluded and become part of the free trade agreements the EU has so far concluded.

**What are the implications of Croatia's accession for the EU's free trade agreements?**

To take Croatia's accession into account, the EU's free trade agreements and other trade agreements with non-EU countries, like Partnership and Cooperation Agreements, are being adapted, where necessary. Sometimes, this might mean nothing more than a technical adjustment, for example adding Croatia's name to the list of EU Member States. Or it might involve something more substantial, such as renegotiating the tariff rate quotas so they take into account the additional amount resulting from Croatian trade.

**Will accession increase VAT and excise duties?**

Croatia is free to set the general level of the VAT rate and that of excise duties. Nevertheless, it has to be in line with EU rules that are applied by all the Member States, this means that the minimum standard VAT rate of 15% and the minimum excise duty rates should also be applied by Croatia.

**What has Croatia done to reform its justice system?**

Croatia completely reformed its justice system over recent years, starting with the country's application for EU membership in 2003. Croatia changed its Constitution to guarantee the independence of public prosecutors and put in place a transparent procedure for appointing new judges. The Croatian parliament also passed a law allowing for the admissibility of International Criminal Tribunal for former Yugoslavia evidence in Croatian court cases. It also made an effort to reduce the number of pending cases by making better use of the specialised war crimes chambers and taking measures to increase their capacity. Finally, Croatia set up a body to fight corruption, the Conflict of Interest Commission.

**What remains to be done for Croatia to improve the efficiency of the judicial system and how is the Commission helping?**

Further efforts are needed to improve the efficiency of the judicial system and to reduce the backlog of cases which currently amounts to 800,000 cases, many related to enforcement. It is essential that Croatia limits cases of immunity from prosecution as much as possible. Cases of high-level corruption must also be prosecuted and it is vital to establish a mechanism to prevent conflicts of interest that might hamper the efficiency of the judiciary. The Commission will continue to closely monitor progress as it does with all Member States.

**Are Croatian patents going to automatically apply within the entire territory of the EU?**

No, Croatian patents are the "national titles" which cannot be enforced outside Croatia, not even after accession. But the same principle applies to German, Portuguese, etc patents; this leads to a fragmented market which prompted the EU to adopt the unitary-patent system.

**Did Croatia adopt any climate and energy targets till 2020?**

Under the Accession Treaty, Croatia has committed to allowing an increase of greenhouse gas emissions in non-ETS sectors not exceeding 11% (compared to 2005) by 2020. Furthermore, Croatia notified a renewable energy target of 20.0% till 2020. There is no individual biofuel target but the EU's Renewables Directive includes a 10% target for renewable energy in transport, which also applies to Croatia. No energy efficiency target has been set yet; this will be done upon Croatia's accession.

### **How will structural and cohesion funds contribute to Croatia's economy?**

After EU accession, Croatia will have at its disposal the EU structural and cohesion funds. The country has already started to prepare for their use through the pre-accession funds which automatically convert to structural funds after July 1.

Croatia is currently preparing a "partnership agreement" with the European Commission on how it proposes to use its EU funds for investments in key areas like research and innovation, support for small and medium sized businesses which can create long term, sustainable jobs and support for the low carbon economy as well as measures to tackle skills shortages and youth unemployment. The reforms to the EU's Cohesion Policy will demand a greater focus in the next seven years where the administrative capacity of the country will be key if it is to take full advantage of the investments.

Structural funds should provide access to finance for businesses and support them to be more competitive through new technologies, green production, and high quality training. - Investment in ICT networks and services will also be key as will measures to increase labour market participation, ensure better education and skills and reduce poverty.

In Croatia, EU funds will also help to diversify the agriculture, fisheries and aquaculture sectors. The investments, combined with the national contributions will also support a more balanced transport network, especially railways well as promoting sustainable transport networks in Croatia's cities.

### **What does Croatia's EU accession mean to a farmer?**

Farmers in Croatia should already have seen some of the benefits that EU membership can bring in the build-up to enlargement. Targeted rural development schemes have already started through the IPARD scheme and the progressive liberalisation of trade has been an important part of the preparation for enlargement of the single market.

The main source of support for Croatian farmers through the Common Agricultural Policy will be the system of direct payments, which will be phased-in over 10 years. The payments will be allocated on a per hectare basis, although there is some scope for Croatia, as agreed in the recent CAP reform, e.g. to use up to 10% of its national envelope for a small farmer scheme. In addition, after accession available funds under the rural development programme will increase more than ten-fold. This means increased support for the necessary restructuring process in the rural areas of Croatia which will offer considerable opportunities for farmers in Croatia to improve their efficiency and diversify their income sources. The rural development programme will also take account of the enormous diversity that exists in the rural and agricultural sectors of Croatia and allow for tailored and targeted support depending on specific needs.

### **What will be the impact of Croatia's accession on animal health and food safety?**

A series of measures paving the way for the smooth accession of Croatia as the 28th member of the EU will be adopted by the Commission. The measures aim to ensure that trade flows are not disrupted whilst leaving room for some flexibility. The package of measures consists of a total of eight legal texts. The measures will: approve seven EU veterinary border inspection posts (2 seaports, 1 airport and 4 road points) in Croatia; authorise the exhaustion of stocks of safe food of animal origin imported according to the national requirements applicable before accession; lay down, due to the necessity to maintain access to the Croatian port of Ploče, specific conditions for transit of products of animal origin from Bosnia and Herzegovina; put in place national contingency plans for swift reaction in case of major epizootic diseases; provide for a Croatian plan to approve establishments authorised for intra-EU trade in poultry and hatching eggs; and regionalise the territory of Croatia by laying down certain restrictions related to the risk of classical swine fever in wild boars in four counties. This package is the result of months of fruitful cooperation between the Commission, the Croatian; Bosnian and Herzegovina national authorities and forms part of the final stages of Croatia's accession process.

### **What about the EU's maritime affairs and fisheries policy?**

Croatia is welcomed as an active shaper and partner in the European Strategy for the Adriatic and Ionian Region. For its 14,000 people employed in the fisheries sector it means that they can benefit from a newly reformed fisheries policy that will help them to fish sustainably in a well taken care-off marine environment. They will be able to benefit from EU financial assistance to support the development of the fisheries and aquaculture sector as well as assistance for Resource and Fleet management and in the field of inspection and control.

### **What is Croatia's participation in EU research programmes?**

Croatia has been an active participant in the European Union's Seventh Framework Programme (FP7) for research and technological development since 2007. There are currently some 300 participants from Croatia receiving just over €70 million in EU funding, including 10 top scientists holding European Research Council grants. Past projects have helped develop new remote-controlled fire-fighting equipment and prefabricated wall panel products manufactured from recycled concrete. Croatia has committed to raise investment in research and innovation to 1.4% of GDP by 2020, which should be facilitated by participation in Horizon 2020, the next EU research programme, and the expected contribution of EU Structural Funds.

### **What will be the role of the European Commission Representation?**

On 1 July, the current *Delegation* of the European Union will cease its functions and be closed. Instead, with Croatia a member of the EU family, a smaller Commission *Representation* will open.

The role of Representations is to support the Members of the Commission, to provide political information and analysis to headquarters, to speak for the Commission as an interface with national regional and local authorities as well as the media, and to reach out to citizens.

### **Who will work in the European Commission Representation?**

Since the new Representation will not have the same diplomatic function than the previous Delegation, the size of the Representation will be less than one-fourth the size of the Delegation.

The Representation will have 18 staff members plus the Head of Representation. They have been appointed from among the 69 colleagues already serving at the Delegation of the European Union. Three small teams will be responsible for relations with the press, political reporting and information/communication with citizens respectively. There will also be a small administration function.

**Where will the European Commission Representation be?**

In Zagreb, the new premises are in the centre of town close to people and the political heart of the capital – the address is Ban Centar, Ulica Augusta Cesarea 4-10, HR 10 000 Zagreb.

This will be a "Europe House", including the European Parliament Information Office in the same ~1700 square metre premises. Beyond ensuring the cost efficiency of the offices for the staff, this arrangement also maximises the space for both European Union Institutions to welcome citizens and groups.

The website of the new Representation will be: <http://ec.europa.eu/croatia>

The Europe Direct Contact Centre will be taking calls on 00 800 6 7 8 9 10 11 – operating in Croatian from 1 July from 9.00-18.00 CET (weekdays). It is also possible for people to submit their enquiries by [e-mail](#).