

Croatia has become part of the Union of Liberal Democracies, a club of countries that are obliged to respect high political standards (just like NATO), no matter how imperfect they may be. Already in the preamble of the Treaty on the Functioning of the EU, one can see fundamental European values such as the inalienable rights of every person, freedom, equality, democracy and the rule of law. In particular, these measurable principles of liberal democracy are elaborated through the Copenhagen criteria, which set out three fundamental requirements for accession countries. The first is the stability of institutions in guaranteeing democracy, the rule of law, human and minority rights; the second involves a functioning market economy that can cope with competitive pressure in the EU market; and the third requirement relates to the ability to take on the obligations of membership, the capacity to effectively implement the rules, standards and public policies of EU law, and to respect the objectives of political, economic and monetary union.

If for some this framework and principles are not important, there are two options that need to be clarified.

First, there are those who are against membership in the European Union because they advocate rapprochement with Russia. It is about striving for cooperation with the authoritarian political, economic and social system, the main generator of anti-European and anti-American disinformation. Such a system is a significant contrast to the above principles that unite much of Europe, or the entire transatlantic world. The second relates to the UK or EFTA dilemma. If the UK came out, why would we come in: the UK unfortunately came out, due to a number of reasons, such as those that could be understood as argumentative (Anglo-Saxon tradition of less regulated system, high costs of certain regulatory standards, net contributor to the European budget, etc.) but on the other hand as a reflection of populism (narratives about socialist creation, big bureaucracy, etc.). Although the UK is losing access to the single market, given its global economic position it is likely to (to some extent) make up for that loss. In any case, no matter how Brexit is viewed, Croxit's advocacy or, for example, Serbia should not join the Union is definitely not the same position for comparison.

The option is that we could only in EFTA - Norway, Iceland and Liechtenstein are not politically part of the EU, but they accept the rules on single market freedoms and some other rules. Many EU Member States might then think about it. Why didn't Denmark or Estonia go to EFTA and why would they accept Croatia rather than Sweden and Finland? There are simply exceptions. For example, Norway and Iceland do not agree to a common European fisheries policy. So, if we understand the EU as a community of political values and markets, then EFTA is actually part of European integration, and together they make up

the European Economic Area (EEA).

Economic framework - easier access to the single market

The Union has integrated about thirty markets into one (including EFTA markets). The guarantee of the free movement of goods, services, capital and people is one of the fundamental rules guaranteed by the Treaty in the functioning of the EU. Liberalization has removed many obstacles, there are mechanisms to prevent unjustified obstacles, ie any restriction can only be a well-justified exception (eg for health, safety, etc.). While there are European legislative rules that set certain requirements and standards for citizens and businesses, market rules set requirements for institutions in the direction of removing obstacles to the free market. A passport for travel within the Union is no longer required, and an ID card will not be required in the near future when Croatia joins Schengen. Also, the last restriction on freedom of employment in relations between Croatia and other members has expired, so permits are no longer needed anywhere. By removing customs duties and multiple controls on products, and by reducing a number of administrative and regulatory barriers for many service sectors, the Croatian economy has had easier access to the European market, which was immediately reflected in the increase in exports.

Among the ten members with the lowest regulation

Also, many economic and especially service activities are open to market competition. This can be proven by the OECD report Product Market Regulation (PMR 2018) which shows that the Croatian market just before joining the Union (PMR 2013) was the most regulated compared to the EU (score: 2.08), while at the end of 2018. the level of overall regulation decreased by over 30% (score 1.43, as at the end of 2019 and to 1.35 due to additional liberalization in the area of starting a business). This is a lower overall result than, for example, Poland, Slovakia, Malta, Bulgaria, Romania, France and Belgium, and in real time it is almost the same as the result of Slovenia, Latvia and the Czech Republic. Looking at the two main segments measured by the OECD PMR report, Croatia is 1.05 below the EU-OECD average in terms of market access regulation (Barriers to Domestic and Foreign Entry), and where business registration is viewed, the regulation of services markets in several sectors (market professions, distributive trade, taxis) and trade and investment. In these areas, Croatia is among the ten member states of the European Union with the lowest regulation of market access. This is a consequence of the liberalization reform in the segment of a number of service sectors and professions, as well as the start-up of business, which is being implemented through the so-called European Semester. As we can see from the OECD

report, the results of the member states are not the same. Thus, deregulation is not only a matter of jointly fulfilling the rules on market opening, but also of Croatian adjustments that are encouraged through the European framework.

The European framework encourages privatization

On the other hand, while market access has been facilitated, this same OECD report speaks of a significantly different result when it comes to state influence through many companies (Distortions Induced by State Involvement). In this area, Croatia is above the EU-OECD average, in the company of Lithuania, Poland and France. Nevertheless, the planned reduction of the state's minority shares in about 90 companies could bring Croatia closer to Finland and Latvia. Also, high regulation of pharmacies can be seen, and there is no competition in the water and primary health insurance sector. Thus, we have examples of regulatory liberalization on the one hand, while on the other hand there is a structural problem of a large range of state-owned enterprises affecting the functioning of the market. Privatizations are not mandatory, but there are different practices in the Union when it comes to the level of privatization or the scope of state-owned enterprises. Nevertheless, it is good that the European framework, despite the absence of commitment, encourages privatization as an important reform strongly advocated by the Croatian Center for Public Policy and Economic Analysis. In practice, this reform may affect competition, foreign investment, lower prices, as well as reduce the size of the public sector (which deviates significantly from EU practice in the segment of the number of employees in state-owned enterprises).

Lessons for the rest of the Western Balkans

Certain political and economic reasons that can be informatively useful to the citizens of the Western Balkans are listed. European integration is a politically and administratively very demanding process of harmonization with a set of principles, rules, standards and public policies that requires the large participation of political scientists and other experts. Croatia has gone through this process and now the opportunity is open to the countries of the Western Balkans, as well as the Eastern Partnership. At the same time, Croatia needs to make great efforts to implement structural reforms, which were significantly lacking in the administrative sector, despite some improvements that mainly affected only the segments largely related to European affairs. Russia's influence, which seeks to slow down or at least slow down the process of European integration of countries in the two regions, is a major risk that can only be managed with a clear foreign policy direction, which also affects the



What the rest of the Western Balkans can learn from Croatia-EU relations

geopolitics of economic freedom.

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