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Subject : EUROPEAN UNION COMMON POSITION  
Chapter 20: Enterprise and industrial policy

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**EUROPEAN UNION COMMON POSITION**  
**(Revision of CONF-HR 16/06)**

**Chapter 20: Enterprise and industrial policy**

This position of the European Union is based on its general position for the Accession Conference with Croatia (CONF-HR 2/05), and is subject to the negotiating principles endorsed by the Accession Conference (CONF-HR 5/05), in particular:

- any view expressed by either party on a chapter of the negotiations will in no way prejudice the position which may be taken on other chapters;
- agreements – even partial agreements – reached during the course of the negotiations on chapters to be examined successively may not be considered as final until an overall agreement has been established;

as well as to the requirements set out in points 13, 16 and 26 of the Negotiating Framework.

The EU underlines the importance for Croatia of compliance with the Stabilisation and Association Agreement as well as the Accession Partnership, which constitute basic elements of the pre-accession strategy.

The EU encourages Croatia to continue the process of alignment with the *acquis* and its effective implementation and enforcement, and in general develop already before accession, policies and instruments as close as possible to those of the EU.

The EU notes that Croatia, in its position CONF-HR 10/06, accepts the *acquis* under Chapter 20 as in force on 1 June 2006, and that Croatia declares that it will be ready to implement it by the date of its accession to the European Union.

## **Enterprise and industrial policy principles**

The EU welcomes the submission to the Commission of Croatia's Industrial Policy Strategy, which meets the requirements of the closing benchmark under this chapter. The EU encourages Croatia to ensure full implementation including efficient monitoring of this Strategy. The EU also notes the current preparation of a more detailed Development Strategy for the Manufacturing Industry and invites Croatia to keep the Commission duly informed about the outcome of this process.

The EU welcomes the progress achieved as regards improvements of the business environment and encourages Croatia to continue implementing measures to further improve its business environment including through the application of regulatory impact assessments and the consolidation of the results of the regulatory guillotine; with a view to reducing regulatory and administrative compliance costs for business, it invites Croatia to redouble its efforts to reduce the costs and time involved in company registration and notification procedures, through intensification of HITRO.HR and other measures, as and when appropriate.

The EU notes the various policy consultation mechanisms Croatia has established, and invites Croatia to further strengthen these especially with a view to establishing permanent consultation fora.

The EU encourages Croatia to complete the alignment of its SME definition with the EC recommendations. The EU underlines that the SME definition must be fully in line with the *acquis* by the date of accession.

The EU takes note of the information provided by Croatia which indicates that the basic administrative capacity needed to implement the enterprise and industrial policy *acquis* will be in place and operational by accession. The EU encourages Croatia to further strengthen its administrative capacity in key relevant bodies.

The EU invites Croatia to keep it regularly informed of the developments and steps undertaken as regards the enterprise and industrial policy principles.

## **Enterprise and industrial policy instruments**

The EU takes note of the signing and ratification of the Memoranda of Understanding for all three CIP components (Entrepreneurship and Innovation Programme – EIP, Intelligent Energy Europe – IEE 2 and Information Communication Technologies Policy Support Programme – ICT), which enables Croatia's full participation in the CIP programme. It also takes note of Croatia's statement that it secured the necessary funds within the State Budget for participation in these programmes. The EU encourages Croatia to ensure that all participants in the Competitiveness and Innovation programme have the necessary capacity to effectively implement the programme. The EU notes in particular that potential benefits from the financial instruments will only accrue if and when Croatian financial host-institutions have the capacity to distribute the funds effectively. To this effect, the EU recommends that the Croatian authorities carefully analyse absorption capacity of financial intermediaries in Croatia and provide this information to the European Commission.

The EU welcomes Croatia's current status of alignment with Directive 2000/35/EC on combating late payment in commercial transactions, and encourages Croatia to complete full alignment in good time before accession in order to allow the Croatian authorities to strengthen the administrative capacity of relevant bodies and ensure efficient implementation and enforcement by the date of accession. The EU invites Croatia to provide regular information to the European Commission on its transposition of measures with regard to the above Directive in the form of tables of correspondence.

The EU invites Croatia to keep it regularly informed of the developments and steps undertaken as regards the enterprise and industrial policy instruments.

## Sectoral policies

The EU encourages Croatia to finalise and fully implement its national restructuring programme and individual business plans for the steel industry. Without prejudging the assessment of compatibility with EC state aid rules, the EU takes note of the Croatian Industrial Policy Strategy as an overarching policy document for the restructuring of the shipbuilding industry. It strongly encourages Croatia to follow up on this by preparing realistic individual business plans for the shipyards and as a result a credible national restructuring programme for the sector. In this respect, the EU invites Croatia to keep it regularly informed of the developments and steps undertaken. The EU welcomes Croatia's work on the development of specific strategies for some of its industrial sectors, including the national strategies on forest policies, wood industries, textile and clothing industries and the planned preparation of sectoral strategies for the leather and leather products manufacturing industry and the Croatian chemical industry. The EU invites Croatia to share current and planned sector strategies as well as relevant analytical work with the European Commission. The EU encourages Croatia to continue the progress made on the liberalisation and transparency on the public monopoly of wood supply and invites Croatia to provide regular information to the European Commission on this point.

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In view of the above, the EU notes that, at this stage, this chapter does not require further negotiations.

Monitoring of progress in the alignment with and implementation of the *acquis* will continue throughout the negotiations. The EU underlines that it will devote particular attention to monitoring all specific issues mentioned above with a view to ensuring Croatia's administrative capacity to implement an effective enterprise and industrial policy. The EU underlines the importance of a functioning market economy as an essential element under this chapter. It also underlines the contribution of an effective enterprise and industrial policy to enhancing Croatia's capacity to cope with competitive pressure and market forces within the Union. Particular consideration needs to be given to the links between the present chapter and other negotiation chapters, such as Competition policy (in particular state aid). A final assessment of the conformity of Croatia's legislation with the *acquis* and of its implementation capacity can only be made at a later stage of the negotiations. In addition to all the information the EU may require for the negotiations in this chapter and which is to be provided to the Conference, the EU invites Croatia to provide regularly detailed written information to the Stabilisation and Association Council on progress in the implementation of the *acquis*.

In view of all the above considerations, the EU will, if necessary, return to this chapter at an appropriate moment.

Furthermore, the EU recalls that there may be new *acquis* between 1 June 2006 and the conclusion of the negotiations.

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