



REPUBLIC OF CROATIA

STATEMENT BY

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**LIBERALIZATION,
GLOBALIZATION, INTEGRATION
- SOME EXPERIENCES**

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SPECIAL SESSION ON INTEGRATION

PROCESSES IN THE OSCE REGION

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Ladies and Gentlemen,

I have the honour and pleasure to share with you some points concerning the Croatia's experiences and positions concerning the area we are discussing today.

Following its independence Croatia like many other European countries in transition set the speedy entry into the Euro-Atlantic structures and integrations as one of its foreign policy priorities, even though we were well aware that this also meant the quick liberalisation of foreign trade. Considering that our internal market is too small and that many of our traditional markets were lost in the early 1990's, Croatia had no choice but to firmly link its economic development with an export orientation and consequently – to open its own market to its partners. But, while other countries in transition have had time to implement their trade liberalisation gradually, Croatia's economy has had very little time for this adjustment which for obvious reasons has taken some delay and was speeded up in last two years. We believe – successfully.

Croatia tackled this problem by adopting a two pronged approach: at the global level foreign trade liberalisation was implemented through accession into the World Trade Organisation (WTO), while at the regional level it was implemented by concluding 37 free trade agreements with a countries belonging to CEFTA, EFTA and to our immediate neighbourhood. The Stabilisation and Association Agreement with the European Union is equally very important in this context as a framework for establishing partnership and for institutionalising relations with the EU.

As a full member of the WTO, Croatia joined a large group of countries with a transparent and predictable foreign trade system, and became a reliable foreign trade partner, attractive for foreign investors. The customs system was adjusted to that which exists today in European countries. Approximately 150 laws, decrees and regulations were amended, fully or partially, in order to correspond to WTO regulations. In the services sector such as telecommunication the monopolies have been abolished and the insurance sector was simplified to enable the entry of foreign insurers into our market.

In parallel, the process was carried out through the establishment of Free Trade Agreements with CEFTA Member States. Speaking about CEFTA, Mr. Chairman, may I kindly ask the OSCE services to add Croatia to the list of CEFTA members* in the next revision of the very interesting document prepared for our today's meeting. Croatia was participating for more than a year as a *de facto* member in all the activities of CEFTA, waiting for the ratifications in all the Member States. This procedure accomplished, the Agreement entered into the force this 25 of May and I have the pleasure to inform the Forum that from this moment Croatia is full CEFTA member.

The fact that some CEFTA Member States joined the EU a month ago has had the positive effect of further liberalising trade with those countries owing to our Agreement with the EU, which has in the meantime been appropriately modified to the mutual satisfaction. On the other side, Croatia still has effective Agreements with other CEFTA Member States based on the principle of symmetry and equal mutual

* (EF.GAL/1/04/Rev. 2 of 2 of June 2004, pages 13 and 26)

privileges, and the objectives and methods for creating free trade zones have been harmonised with the principles of the WTO. As you are certainly aware, we can add to this the series of FTA Croatia has in immediate neighbourhood in South East of Europe, as the clear confirmation of our wish to have the strongest possible regional cooperation.

Mr. Chairman,

in this context, as well in the whole context of today's discussion, I have to emphasise the importance the Stabilisation and Association Agreement between Croatia and the EU has had for my country. It provides Croatia with much more favourable trade conditions and a proactive role in the region. The European Commission, based on the Regional Operative Plan (ROP – Strategic Development Programme 2004 – 2010) within the CARDS programme, supports in cooperation with the local government structure strategies for economic development by allocating the right of using national and local resources, and is financed by the EU in accordance with the development needs of Croatia's regions.

It is our firm hope that this will assist our efforts for reviving economies in areas which were affected by war, which in any standards is a prerequisite for the sustainable return of the refugees and displaced persons which was and remains one of the main goals of the Croatian Government.

In the same time, the main facets of Croatia's economic policy are strengthening entrepreneurship, the reduction of taxes, increasing employment, strengthening the social and security system, reducing Government expenses and a stronger emphasis on the role of science and technology in the economy and economic development.

The Croatian Government also bases its economic strategy on the concept of good governance, with an emphasis on key elements such as peace, security, personal security, an environment conducive to the development of entrepreneurship, transparency, and the elimination of corruption. For this reason, Croatia as OSCE member has and will continue to emphasise the importance of the economic segment within the OSCE and wishes to give it full consideration, expecting that it will contribute to some concrete actions and results where needed.

To conclude, Ladies and Gentlemen, let me share with you just one point more:

Foreign investments in Croatia during the past ten years have amounted to about 9 billion USD. Croatia rates third amongst countries in transition for foreign investment per capita, immediately after the Czech Republic and Hungary. Foreign investments have been made mostly in the banking sector, telecommunications and Croatia's leading oil (petroleum) company, while green-field investments have been for the largest part neglected.

We hope that the above mentioned liberalization process as a part of our effort for speedy entry into Euro-integration, as well as other efforts by the Government to create a favourable climate for investments, including the further development of small and medium size entrepreneurship, will draw the interest of new potential partners.

It should be noted that in less than 3 weeks the European Council will hopefully approve Croatia as a candidate for membership in the European Union and determine the further course of the accession process by deciding on the date of the beginning of negotiations, making the climate for investment in Croatia even more favourable.

To conclude, let me reiterate that Croatia is especially pleased to have the full support of countries with which we cooperate in the already mentioned regional and subregional frameworks, as well as those in our immediate neighbourhood, as confirmed in documents of recently held meetings of the highest representatives of the Central European Initiative and Adriatic-Ionian Initiative.

Looking forward to our future cooperation, I thank you for your attention.