Chapter 2.

Economic Integration and Interdependence in Croatia

The Last Shall be the First? From Late-comer in Central and Eastern Europe to Front-runner in the Western Balkans

Fruzsina Sigér

The Conditions at the Beginning of the Integration Process[1]

In 1989 Croatia was the second most developed republic of Yugoslavia and when it became independent, it was one of the most developed transformation economies, particularly among Southeastern European countries (SEE). It began its transformation as a relatively industrialised and open country. The openness was not only significant in terms of trade, but also because of the large tourist sector and the notable size of Croatian diaspora who worked in the West as guest-workers. The share of the tertiary sector was relatively high undoubtedly due to the tourism sector. In the late 1980s, Croatia had every chance to shift from a middle-income country to a developed one. (Bićanić 2001; Bartlett 2003) At the time of the regime changes in Eastern Europe, Yugoslavia was better positioned to make a successful economic and political transformation than most of the peer countries in the region. (Woodward 1995) It is a telling fact that in its Economic Survey of Europe, the United Nations Economic Commission for Europe (UNECE)

[1] This section is based on Sigér 2010.

https://doi.org/10.36250/00801_03

https://orcid.org/0009-0002-3315-6485

classified Yugoslavia among "Western Europe and North America" instead of "Eastern Europe and the Soviet Union" until 1993, although Yugoslavia was a planned economy, even if not a classical central planned one.

The transformation of Croatia did not begin in 1991 when it became independent but well before, during the Yugoslav times. Therefore, Croatia has inherited the Yugoslav path of transformation. Although the establishment of the independent statehood was not reached peacefully, the creation of the individual Croatian economy was smooth and its costs were low. Due to the federal structure of Yugoslavia, the republics enjoyed a high level of independence regarding their economic policy. With the dissolution of the federal state, Croatia quitted form the convoy of Yugoslavia and got the opportunity to shape its own transformation policy and concentrate on specific Croatian problems. (Bićanić 1994) At the time when Croatia gained independence, its economy (and the whole Yugoslavian economy) was in the middle of recession. The Yugoslav economy experienced severe problems since the 1970s that manifested in growing external debt, accelerating inflation, stagnating or even decreasing output and increasing unemployment. The war in 1991 led to the acceleration of prices again. (EIU[2] 1996, 40) The consumer prices increased in 1992 by 1.038% and in 1993 by 1.249%. The stabilisation steps proved to be very successful, retail price inflation decreased from a monthly rate of 38.7% to 1.4% in November, i.e. in the next month, and it was even negative (–0.5) in December. The low inflation proved to be sustainable. The World Bank (WB) labelled the stabilisation program as one of the most successful in the region. (WB 1997) In answering the question of why was the program successful, Škreb (1998) highlights that the initial conditions were so bad that hardly anything could have worsened it. At the same time, the program included a good mix of monetary and fiscal policy and enjoyed strong political and popular support that made both the government and the HNB[3] enable to implement it.

[2] EIU: The Economist Intelligence Unit.

[3] HNB: Hrvatska narodna banka (en – Croatian National Bank).

The GDP per capita in 1990 in Croatia was around the average of the Central and Eastern European (CEE) countries. However, the decline of the GDP of the early 1990s was deeper in Croatia than that of the CEE or SEE countries (Figure 1). The transformational recession[4] of Croatia was exacerbated by the break-up of the Yugoslav market and by the Yugoslav war. In 1991, partly due to the explosion of the war, the GDP fell with 21.1% and by 1994 it reduced to two-thirds of the pre-war level. However, the magnitude of fall in the GDP per capita was in line with the CEE average (Figure 2). The cost of the dissolution was less severe than in the Commonwealth of Independent States (CIS) region.

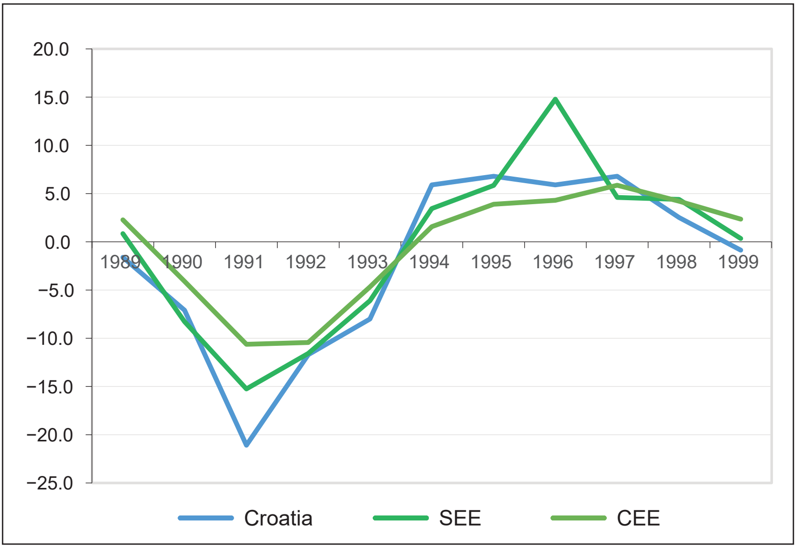

Figure 1.

GDP year-on-year rate of growth in real terms in Croatia, 1989–1999

Note: In 1996 and 1997 Bosnia and Herzegovina experienced an extraordinary growth rate (86% and 37% respectively) that increases the (SEE) average as well.

Source: EBRD[5] s. a.

[4] Cf. Kornai 1993.

[5] EBRD: European Bank for Reconstruction and Development.

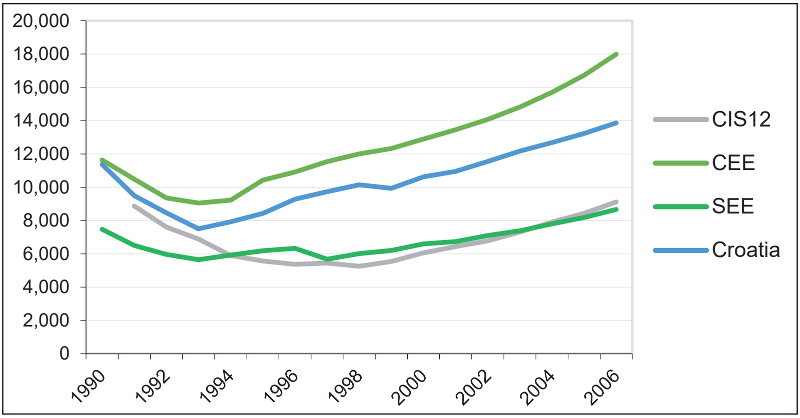

Figure 2.

GDP per capita, in international comparable prices by expenditure, at prices and PPPs of 2005 in USD

Source: UNECE s. a.

As a result of the macro-stabilisation programs, the negative growth of the GDP stopped and it turned into a positive trend. The post-war reconstruction activity, among others housing and infrastructure spending, provided another important impetus to growth. Consumer spending and private-sector investment, both of which were postponed during the war, also contributed to the growth in 1995–1997. However, the consumer boom was disrupted when the economy went into recession in mid-1998. The reason for the downturn was the 1998–1999 bank crises, during which 14 banks went bankrupt.

Concerning the structure of the economy, the share of the tertiary sector has been relatively high since the beginning of the 1990s, undoubtedly due to the tourism sector. The structural problems and the lack of competitiveness of many export sectors, which were common among the transformation economies, were exacerbated by the disruption caused by the war and the loss of much of the Yugoslav market. (EIU 2000) During the war, heavy industries such as shipbuilding and metal products were regarded as strategically important and thus were kept afloat by the government with generous subsidies. The importance of shipbuilding continued after the war. Its output rose by 20.6% year on year in 1998 and by 12.6% in 1999. Shipbuilding exports reached 782 million in 1998, making shipbuilding the largest single export sector.

Open unemployment already existed in Yugoslavia. That is why the initial transformation effect on the unemployment rate in Croatia was smaller than in other countries. At the same time, the war made the transformation recession deeper that was reflected in the labour market, as well. The consistently high unemployment rate was partly a consequence of the insufficient Foreign Direct Investments (FDI) inflow but also the legacy of the Yugoslav self-management system and thus the insider capitalism. (Soós 1986) The overall employment fell dramatically in 1991–1992, partly due to the war-related loss of population (Figure 3). From 1993 change in employment converged with the peer countries average and until 1997 the change in employment was negative, in line with the peer countries average. The labour productivity per person employed in Croatia was in line with that of the CEE countries.

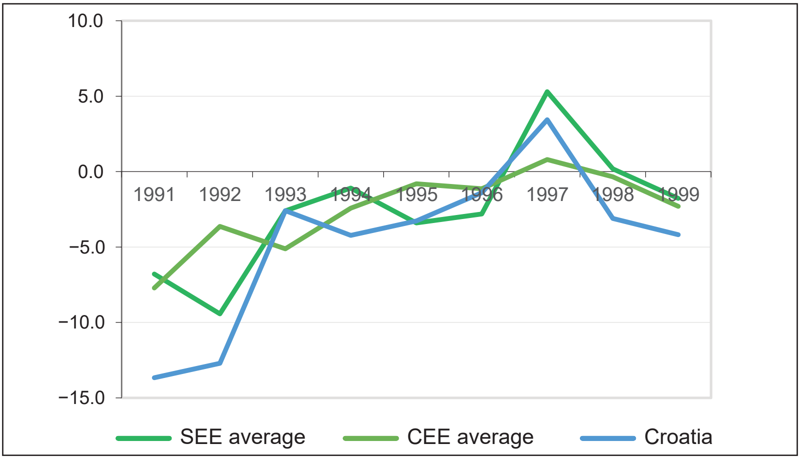

Figure 3.

Percentage change in employment (end-year) in Croatia, 1991–1999

Note: Data based on labour force surveys (LFS).

Source: EBRD s. a.

Compared to the Human development index (HDI) of the future EU28 countries in 1990, Croatia had the lowest value (0.669) (Figure 4). The average of the future EU28 was 0.753 and all the other countries reached at least 0.700 points. The armed conflict in Croatia had a crucial impact on the HDI in the early 1990s. Later, with the end of the war, a fast catching-up process started.

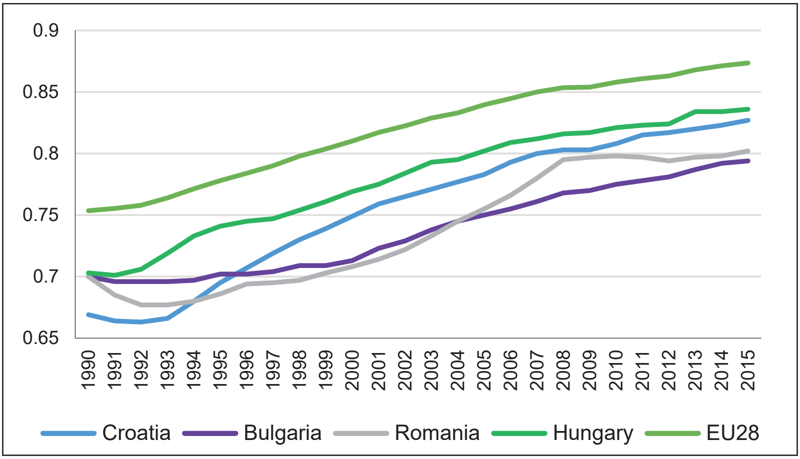

Figure 4.

Human Development Index (HDI), 1990–2015

Source: UNDP[6] s. a.

Interdependence and Economic Penetration

With the dissolution of Yugoslavia, the inland trade with the former federal republics became foreign trade that, by definition, made the Croatian economy more open. When declaring its independence in 1991, Croatia's imports of goods and services in % of GDP ratio was 86% i.e. it was much more open than former Yugoslavia ever was. (Vujčić–Šošić 2004) However, the economy of Croatia was rather closed during the 1990s: by 1994 the openness ratio declined to 46% and it stayed between 49% and 57% during the decade. The war disrupted the trade links with the Eastern parts ofthe former Yugoslavia and as a result, the Croatian export focused more towards the EU. The share of the EU decreased slightly in the post-war years (Table 1). Whereas the CEE peer countries had association agreements with the EU, which gave them

[6] UNDP: United Nations Development Programme.

tariff-free access to EU markets, this was missing in case of Croatia. Among EU countries Germany, Italy and Austria were the main trade partners of the country while Slovenia and Bosnia and Herzegovina among the former Yugoslav republics. Most non-tariff barriers were removed in 1996. The growth of import was stronger during the 1990s than the export growth, leading to a near tripling of the trade deficit. The post-war GDP recovery was based on an expansion in domestic demand. (Šonje–Vujčić 1999) The export underperformed; its growth rate was much under the CEE average.

Table 1.

Trade by main export partners 1994–2016

	1994	**1999**	**2010**	**2016**
Exports				
EU	59%	49%	61%	66%
Italy	N/A	18%	30%	14%
Germany	N/A	16%	17%	12%
Slovenia	13%	11%	13%	12%
BiH	8%	13%	12%	9%
Imports				
EU	59%	57%	60%	77%
Germany	N/A	19%	21%	16%
Italy	N/A	16%	25%	13%
Slovenia	10%	8%	10%	11%
Austria	N/A	N/A	8%	8%

Source: EIU 1996; 2000; DZS[7] s. a.

Concerning the direction of trade, the main trading partner of Croatia has been the EU from the beginning of its independence. Despite its small size, Croatia remained a relatively closed economy at the beginning of the new millennium. Exports of goods and services represented only 45% of GDP in 2000, compared with 60–75% for most countries in Central and Eastern Europe. Following political changes in 2000, the EU withdrew most of the barriers to Croatian exports and granted preferential access for export of textiles. The change in government also removed the political

[7] DZS: Državni zavod za statistiku (en – Croatian Bureau of Statistics).

obstacles of the World Trade Organization (WTO) membership; in July 2000 Croatia joined the WTO. According to the agreement, Croatia committed to agricultural and industrial protection by 2005 and the liberalisation of fixed-line telecommunication services by 2003. (EBRD 2000, 150) Croatia requested to accede to the Central European Free Trade Agreement (CEFTA) in July 2001 and the accession treaty was signed in December 2002.[8]

Concerning the structure of export to the European Union, it developed unfavourable during the second half of the 1990s. In 2006, when the first chapter of the accession negotiations was opened, the structure of export was characterised by a high share of labour- and capital-intensive industries and a low share of technology-driven industries. The most important export product group was machinery and transport equipment (36.1%). Within this sector, shipbuilding still accounted for around 30% of the total export. The export performance of the manufacturing industry was poor in spite of the high level of FDI inflow into this sector. This suggests the low return on investments.

The EU accession meant changes in Croatian foreign trade, partly because of entering the single market, but also due to the simultaneous exit from CEFTA. Concerning the direction of trade, the main trading partner of Croatia has been the EU long before the accession. Trade liberalisation started with the Stabilization and Association Agreement in 2001 which was asymmetrically in favour of Croatia. The EU has granted Croatia duty-free access to its markets for almost all products except for veal meat, seafood products and wine. At the same time, Croatia completely eliminated its custom duties on imports of industrial products from the EU by 2007 and reduced tariffs on agricultural products and fisheries. From 2007 to 2013 foreign trade with EU27 countries reached 60% of the total Croatian foreign trade which made the EU its most important trading partner. Since 2013 both exports to the EU and imports from the EU has been continuously increasing. The largest Croatian trading

[8] CEFTA was redesigned in 2006 in the framework of the Stability Pact and was extended to the countries in SEE. The aim of the CEFTA remained to improve the readiness of parties for membership in the European Union.

partners from the EU are Germany, Austria and Slovenia. With almost all member states Croatia records trade deficit. In 2015 Croatia belonged to the group of member states that are net importers of goods not only in their trade with European Union partners but also with trade partners outside of the EU. Croatia's share of total EU28 export is relatively low (0.3%) and equals the size of the share of Latvia or Estonia.

Despite its small size, Croatia still proves to be a relatively closed economy: exports of goods and services represented only 51.4 % of GDP in 2016, compared with 60–90% for most countries in Central and Eastern Europe. Access to the single market significantly improved the export capacity of Croatian companies. Still, Croatian firms appear to be less integrated into global value chains and to be less involved in inter-industry trade compared to other Central and Eastern European firms. As a relatively late-comer, Croatia missed the wave of expansion of western manufacturing CEE peers experienced. (Orsini 2017) However, EU accession together with economic recovery boosted exports (from 43% of GDP in 2013 to 51.4% in 2016), which also paved the way to a turnaround in the current account balance. Croatian value of exports of goods doubled between 2003 and 2015.

With entering the Single Market Croatia left CEFTA, the member of which it had been since 2003. About 20% of exports went to CEFTA countries, where Bosnia and Herzegovina and Serbia were its biggest trade partners. In 2013 Croatian foreign trade with CEFTA countries started to decrease (the fall in exports was 5.8% and 4.8% in imports right in the first year of EU membership). However, later both imports and exports recovered to the pre-2013 level or even exceeded it (Figure 5 and 6). As during the previous two enlargements, the EU launched consultations with CEFTA countries with which it has signed Stabilization and Association Agreements (Albania, Bosnia and Herzegovina, Montenegro, Macedonia and Serbia) regarding the mitigation of changes in terms of exports for Croatia. According to this, from the day of accession, Croatia enjoyed duty-free bilateral trade in industrial products without a period of adjustment and trade in agro-food products at basic, reduced and zero customs rates with these countries. With Kosovo and Moldova Croatia applies duties under the most favoured nation (MFN) status since EU did not sign SAA with the above-mentioned countries. (Štulec et al. 2014)

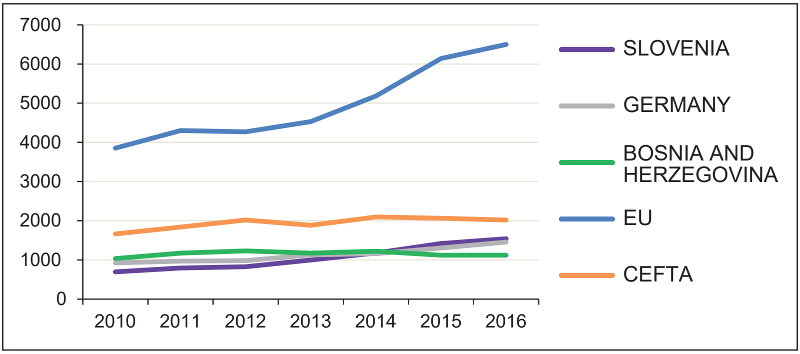

Figure 5.
Exports by countries of destination (Million USD)

Source: DZS s. a.

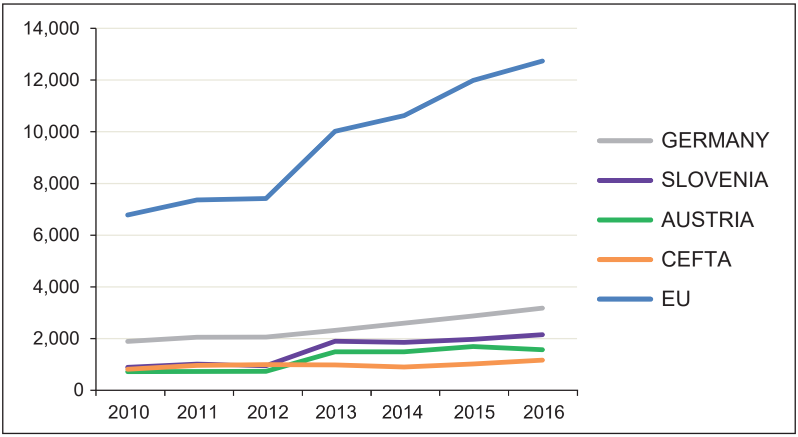

Figure 6.
Imports by countries of origin (Million USD)

Source: DZS s. a.

Traditionally Croatia always had a trade deficit that was compensated by the strong surplus of tourism and remittances. However, tourism is highly sensitive to bad news and the armed conflict in 1991 virtually eliminated tourism incomes. In 1995, the current account deficit reached 7.5% of GDP as a result of the huge trade deficit that was not compensated by the tourist earnings due to the repeated armed conflict. The tourism industry recovered further in 1996 and 1997 but was still far from the pre-war level and it could only narrow but not eliminate the current account deficit. In 1999, the tourism incomes were disturbed again by the Kosovo conflict, but the current account balance stayed at the level of the peer countries average. With 37% international tourism receipts of total exports in 2015, Croatia stands high above all the other member states in this respect. International tourism plays an outstandingly important role in the country's external position. This sector not only generates revenues but also drives up the import of consumption goods. Contrary to most of the new member states, Croatia's imports appear to be mainly driven by export of services (primarily tourism), while export of goods and investments play only a secondary role. (Orsini 2017) Travel and tourism's direct contribution to GDP in Croatia was 10.7% in 2016, compared with the EU average of 3.7%. The sector's direct contribution to employment is the double of the EU average (10% and 5% respectively in 2016). (WTTC[9] 2017) Compared to EU28, Croatia's tourism activities are much more seasonal. This seasonal character is visible also in the import dependence of the country which is driven by the surge in consumption of non-domestic residents during the peak tourist season. Tourism in Croatia is mainly focused on guests from within the EU. In 2012 only 11% of guest nights were spent by tourists from outside the EU. The top 5 countries of origin were Germany (24%), Slovenia (11%), Austria (9%), the Czech Republic and Italy (both 8%). (Demunter–Dimitrakopoulou 2014) The tourism sector is definitely a beneficiary of the EU accession, although the potential benefits are far from being totally utilised. Croatia is still not a member of the Schengen zone, and becoming a member is certainly a priority for the country. In June 2017 Croatia connected to the Schengen Information System (SIS) which helps to reduce waiting time at Slovenian and Hungarian land borders. This also means that Croatia has met the technical and legal requirements of the Schengen evaluation and a phasing-in process can begin. Foreign Minister Miro Kovač hopes to be fully admitted to the Schengen zone in 2018. (Morgan 2017) As European Commission (EC) President Juncker said in his State of the Union 2017 speech, Croatia should be allowed to become a full Schengen member once it meets all the criteria.

[9] WTTC: World Travel and Tourism Council.

The amount of net foreign direct investments into Croatia remained low during the first half of the 1990s, mainly due to the war. In the mid-1990s the country's current account deficits were mainly covered by external borrowing, whereas FDI inflows were weak. After the war, in the second half of the 1990s, a substantial increase in annual FDI flows took place, peaking in 1999 when the government sold its 35% stake of the public fixed-line telecommunications operator, Hrvatski Telekom to Deutsche Telekom. Beyond Germany, the dominant investors came from Austria and Italy. However, the FDI per capita stayed significantly below the CEE average during the Tudjman regime, albeit it exceeded the average of Romania and Bulgaria. Although the war was over, the legacy of the Yugoslav self-management model and the economic nationalism in the country made the investors cautious. Foreign investors were deterred by the non-transparent relationship between the ruling party and favoured businesspersons. There were many incidents reported by foreign investors that they had been defrauded by local partners. (EBRD 2000)

The primary form of the Croatian privatisation process was the management and employee buyouts. About half the shares in each company were to be sold at a discount price to employees. By mid-1995 about 3,000 schemes were submitted and two-thirds of them were approved. (EBRD 1995) In 1998, the first round of mass voucher privatisation scheme was introduced. Primarily it intended to benefit the victims of the war and communism. While a number of large banks, Telekom and the first part of INA were sold, the state kept many firms out of privatisation and other firms could not find buyers and the state acted as a buyer of last resort. Again others were used as "milk-cows", which were returned to the state after their assets were taken out. (Bićanić 2001) In the "golden" age from 2004 to 2009 (Figure 7), the second stage of the sale of INA and the telecommunications was carried out. (*White Book* 2017) The most important motivation of foreign investors in the majority of Central and Eastern European countries have been the low labour costs. In Croatia, most of the investors either entered the country to increase their market share by capital increases and takeovers or to take part in the privatisation process as strategic investors, although the method of privatisation (manager and employee buy-out and later voucher privatisation) was not really in favour of FDI. Accordingly, most of the foreign investments took place in already existing capacities. The number of greenfield projects has been below potential, partly due to the unfavourable business environment. The innovation activity in Croatia has been in line with peer countries, measured by new patents. (Moore–Vamvakidis 2007) According to the comparison between potential and actual non-privatisation FDI at the end of 2003, (Demekas et al. 2005) Croatia was among the countries that could gain the most in terms of additional FDI.

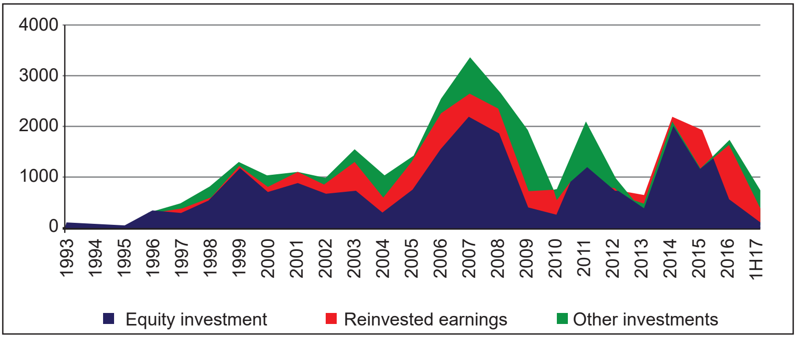

Figure 7.

FDI in Croatia (Million EUR)

Source: White Book 2017, based on HNB s. a. statistics.

Most of the foreign investments took place in the service sector during 1993–2007, and the largest beneficiary of the inward FDI has been the financial sector, reflecting bank privatisation and capital injections to foreign-owned banks. (Moore–Vamvakidis 2007) Foreign ownership in the banking sector was over 90% in 2014. On the other hand, FDI had less impact on manufacturing in Croatia. Due to the drop in the real estate sector, investment had been very low from 2008. After the crisis, investments gained in recovery momentum in 2015, increasing by 4.6% in 2016. The expected materialisation of newly announced publicly-funded projects together with a greater efficiency in attracting and absorbing EU funds give cause for optimism regarding the mid-term investment outlook. (EIZ 2017) The biggest FDI investments make up for almost one half of total FDI inflows: Telekom (having a dominant position in both land and mobile networks), the biggest banks (holding more than 55% of the banking market), and the oil company (having MOL and the Republic of Croatia as its biggest shareholders) (Figure 8). The financial industry accumulated the largest amount of FDI investments until Q3 in 2017. The amount of the FDI was 9.5 billion euro, that was almost a third of the total accumulated investments in Croatia (32 billion euro). The financial industry is followed by wholesale trade, with 2.8 billion euro investments. (*White Book* 2017)

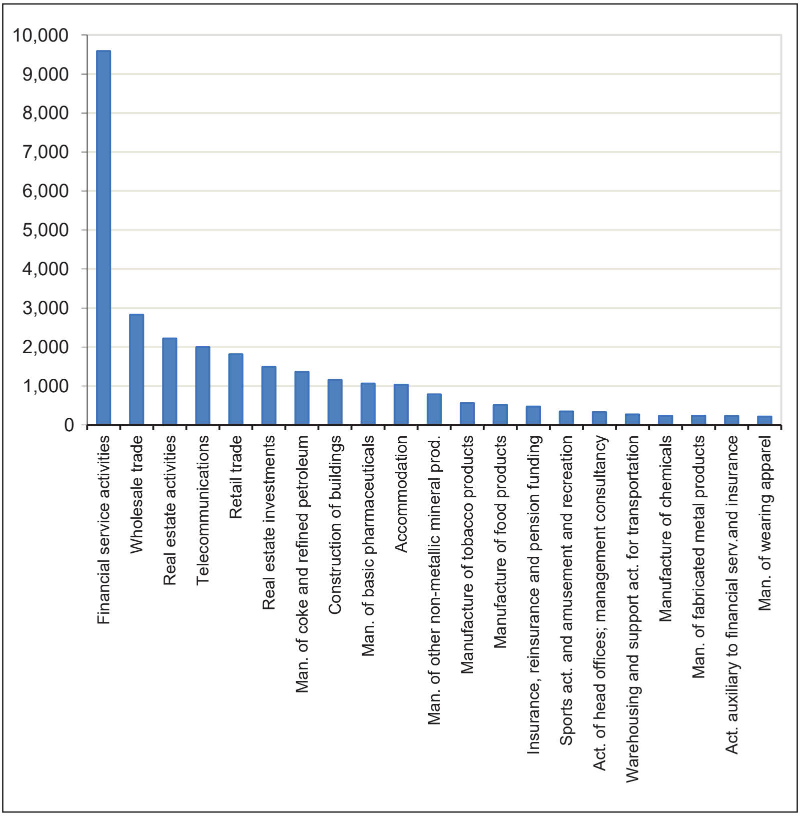

Figure 8.

FDI in Croatia by industry (net incurrence of liabilities), top 20 industries, in Million EUR, 1993–2017Q3

Source: HNB s. a.

In most CEE economies, early EU accession had a significant impact in shaping the scale and the nature of the FDI. EU membership ushered in sizeable foreign direct investments which underpinned their progressive integration in global value chains, especially in the automotive industry. (Orsini 2017) During the 1990s, the low level of FDI was interconnected with the underperformance of the export. The lack of trade associations with EU and CEFTA, i.e. less advantageous trade relations with the European market made Croatia less attractive in the eyes of foreign investors. As a result, the FDI's positive impact on export performance was also missing. (Šonje–Vujčić 1999) Many Croatian companies that were internationally competitive in the early 1990s have lost their markets, because firms from other transformation countries have restructured faster, often with the contribution of foreign investors. Croatian firms have shown relatively low level of internationalisation. Despite sizeable FDI in the 2000s, it bypassed the export-oriented sectors, contrary to the trend in Central and Eastern Europe where FDI had contributed significantly to export restructuring. While most CEE countries also succeeded in increasing exports mainly in higher-end technology sectors, Croatia mostly specialised in exporting lower-end technology products. (EC 2015) Although the Croatian manufacturing sector confirms that companies that have received FDI are more successful regarding their capital, sales, employment and productivity growth (compared to domestically owned ones), FDI failed to increase the employment rate, exports, productivity or competitiveness of the economy significantly. Retained profit and flows into and from mother companies make up for 15–15% out of the total FDI inflows. However, retained profit recorded a strong decline in 2015, as large banks did not pay out dividends after they recorded strong losses due to conversion of CHF loans. (White Book 2017)

Concerning the origin of FDI, the EU has been the largest investor in Croatia (Figure 9). Since 1993, the share of the EU15 has grown constantly until the crisis of 2008. Based on the inward stock in 2012, the top three investment partners were Austria, Germany and Hungary. On the other hand, the most important destination countries of Croatian outward stock FDI were Slovenia, Bosnia and Herzegovina and Serbia by 2012. (UNCTAD[10] 2014) In 2017, the top three investment partners were the Netherlands, Austria and Italy. At the same time, the most important destination countries of Croatian outward FDI (net acquisition of financial assets) were the Netherlands, Bosnia and Herzegovina and Slovenia in Q1 of 2017.

[10] UNCTAD: United Nations Conference on Trade and Development.

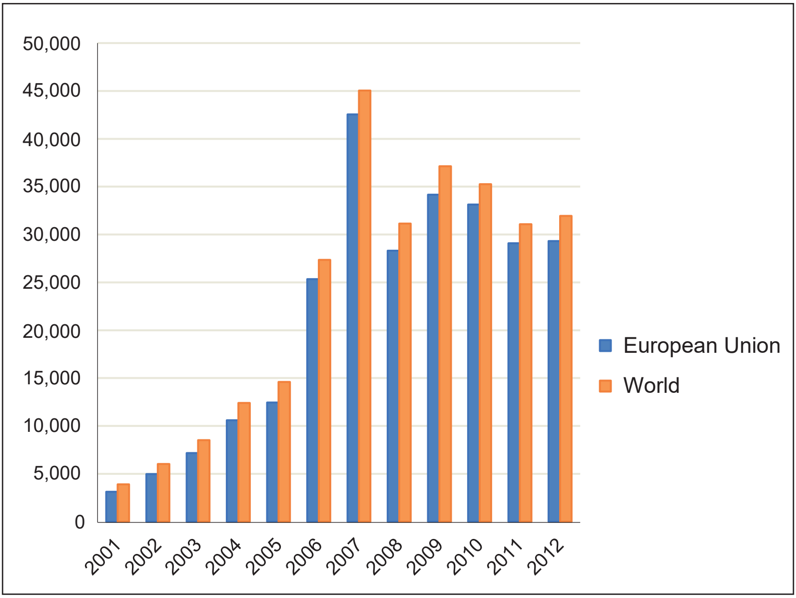

Figure 9.
FDI stock in Croatia, by geographical origin, Million USD
Source: UNCTAD 2014

Together with its geo-strategic location and high quality of road infrastructure (the 10th best according to EU transport scoreboard 2016), Croatia's attractiveness has certainly developed with the EU accession. Besides all the already mentioned obstacles, an improving business environment (Table 2) emerges since the EU entry.

Table 2.
Doing business in Croatia, measured in DTF (distance to frontier)[11]

Year	Overall DTF
2017	72.99
2016	72.78
2015	72.20
2014	63.79
2013	62.65
2012	62.98
2011	61.76
2010	61.33

Source: Doing Business s. a.

Research by Bezić et al. (2011) indicates that the Croatian manufacturing industry is characterised by a lack of comparative advantages. Weak export competitiveness emerged mainly because of insufficient investment in production which could speed up the adjustment of the Croatian manufacturing industry to the competitive conditions at the international market. This weakened connection results also in reduced innovating competences of the companies. Aprahamian and Correa (2015, 1) see the fundamental problem in the failure of renewal and transformation of the manufacturing base, linked to low rates of firm entry and exit. Annual entry rates were only 5.5%, compared to 9–18% for peers, while annual exit rates were 6.5%, against 7–26% for peers in the examined period. Transition to a market economy is usually characterised by much more firm entry than firm exit. Croatia, where exits outpace entries, show a picture of a country with a stagnant economy and little creative destruction or innovation—hence limited export diversification. Another marker of economic stagnation is the inadequate levels of R&D by enterprises. Business enterprise R&D (BERD) in Croatia is among the lowest in the member states and much lower than the EU28 average (Figure 10).

11 An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. For example, a score of 75 in 2016 means an economy was 25 percentage points away from the frontier constructed from the best performances across all economies and across time. A score of 80 in 2017 would indicate the economy is improving.

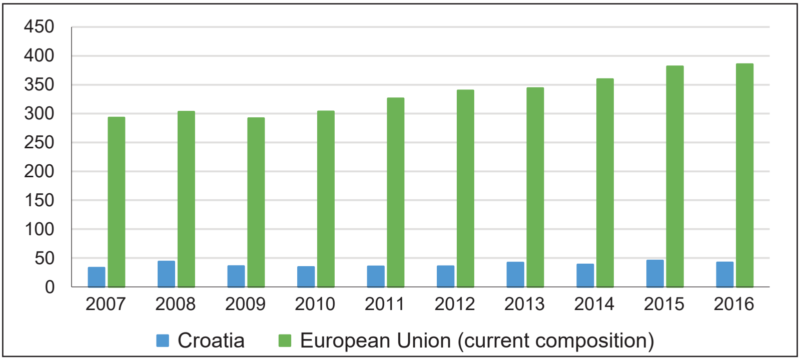

Figure 10.

Business expenditure on R&D (BERD), EUR per inhabitant

Source: Eurostat s. a.

The Use of EU Funds

In 1995, the EU started a negotiation about a cooperation agreement with Croatia and the country's involvement into the PHARE program. However, the negotiations were suspended in the same year following the military offensives in Krajina. Later, the cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) became a key factor in the EU–Croatia relations, first stated in the Regional Approach in 1997. It would have been the condition to join the PHARE program and to negotiate a cooperation agreement but the condition was never fulfilled. Until November 1999, Croatia was excluded from the PHARE because of its failure to strengthen its democratic institutions (e.g. reforming the electoral law, decentralising the media, respect for minorities and the return of refugees). The outage from the PHARE did not only mean financial losses for Croatia but also reduced possibilities of participation in international projects and experience exchange. (Samardžija et al. 2000) At the same time from 1991–1999, the EU provided 349 million euro to Croatia for reconstruction in the framework of the Obnova program, humanitarian aid in the framework of ECHO. (EP 2001) The new financial instrument was adopted in December 2000, to support the participation of the countries in the Stabilization and Association Process (SAP). The Community Assistance for Reconstruction, Development and Stabilisation (CARDS) program announced 4.6 billion euro for the region in the period of 2000–2006. The development of the SAP has been monitored in stabilisation and association reports. Between 2001 and 2004, in the framework of CARDS National Program in Croatia, the country received 260 million euro. Within the CARDS, most of the projects were financed entirely by EU funds without the requirement for co-financing, except for small scale grants where final beneficiaries had to ensure co-financing of 20%.

Following the decision of the European Council of 17–18 June 2004, Croatia became a candidate country, which also created a basis for utilisation of pre-accession funds (PHARE, ISPA and SAPARD) to enhance important political, economic, social and institutional reforms. Compared to the CARDS program, the pre-accession funds were substantially larger and focused on financially bigger projects with obligatory co-financing from the side of the beneficiary. From 1 January 2007, pre-accession funds underwent a significant policy reform. The Instrument for Pre-Accession Assistance (IPA) was set up to facilitate the entry of the candidate countries into the European Union. The program in Croatia replaced the CARDS, PHARE, ISPA and SAPARD. Croatia got access to all 5 IPA components[12] and received accreditation to manage the funding itself under the Decentralised Implementation System. Through 2007–2013, Croatia received more than 900 million euro. The IPA assistance focused on institution building, supporting alignment with EU law, the preparation to use EU structural and cohesion funds and promoting economic and social development (Table 3).

Table 3.

EU assistance to Croatia through various programs, 1991–2013, million EUR

	1991–1995	**1996–2000**	**2001–2006**	**2007–2010**	**2011–2013**
Humanitarian aid (ECHO)	243.2	50.6	N/A	N/A	N/A
OBNOVA	N/A	59.1	N/A	N/A	N/A
CARDS	N/A	N/A	260.0	N/A	N/A
PHARE	N/A	N/A	160.0	N/A	N/A
ISPA	N/A	N/A	60.0	N/A	N/A
SAPARD	N/A	N/A	25.0	N/A	N/A
IPA	N/A	N/A	N/A	474.1	430.0

Sources: Novota et al. 2009, 13; Antonopoulos–Bachtler 2014, 190; EC 2011, 10.

[12] Transition Assistance and Institution Building, Cross Border Cooperation, Regional Development, Human Resource Development, Rural Development.

The initial political and administrative conditions were not in favour of effective pre-accession assistance coordination in Croatia. Weak performance in terms of inter-ministerial coordination was stressed by assessment reports of the European Commission but also academics and employees in the EU assistance field. From 2004, every government ministry had a European Coordinator and many had established European coordination departments but policy coordination continued to suffer from lack of an overarching body for policy supervision of planning, and decision-making remained politicised and fragmented. (EC 2004; 2005) The State Administration Reform Strategy was launched in 2008 aiming to enable the transition to the principles and practice of good governance in line with the best European standards to improve coordination among other measures. (Kandžija et al. 2011) The Central Office for Development Strategy and Coordination of EU Funds (CODEF) was designated to be responsible for the overall coordination over preparation and monitoring of the IPA programme implementation. Pre-accession assistance was seen as the main driver for inter-institutional coordination in Croatia. Antonopoulos and Bachtler (2014) found mainly positive the CARDS and IPA influence on administrative capacities for coordination. At the same time, they highlighted the importance of three domestic constraints in Croatia: the limited synergies between EU and national policies and value-addition; considerations of political cost; and allocation of responsibilities. Lessons learned from the EU10 reveals that the path of Croatian structures differs from many Central and Eastern European countries, and there are more similarities with countries like Bulgaria and Romania, as regards the instability and incomplete state of structures, and the preferred type of institutional structures to receive financial assistance.

In 2013 the transition from the IPA to the Structural and Cohesion Funding was challenging for Croatia, not to mention the preparations for the new financial period of 2014–2020. Soon after the accession, the National Strategic Reference Framework was approved by the European Commission, which covered half a year until the end of the 2007–2013 financial period. With the beginning of 2014–2020, Croatia became the beneficiary of the European Structural and Investment Funds (ESIF). The Partnership Agreement for Croatia was adopted in October 2014, setting up the priorities for 2014–2020. (Lenardić 2016) With the accession, the allocation of funds has increased significantly. Through 4 national programs, Croatia benefits 10.7 billion euro from the ESIF over the period 2014–2020. This represents an average of 2,526 euro per person from the EU budget. At the beginning of 2018, 12% of the 10.7 billion was absorbed (Table 4).

Table 4.
Total EU payments, cumulated to the end of each year, million euro, as of 9 March 2018

	2015	2016	2017	2018
Initial pre-financing	223	326	326	326
Annual pre-financing	0	164	215	215
Interim pre-financing	54	194	611	780
Total EU Payments	278	684	1,152	1,322
Percentage of the total (10.7 billion)	3%	6%	11%	12%

Source: Cohesiondata 2018

Beyond institutional matters, the ability of co-financing is also crucial. In 2012, Harris and Hahn warned about the need to create fiscal space to co-finance a six-fold increase in EU funding: right before the accession, Croatia lacked the fiscal space to co-finance EU funded projects. Considering the 2007–2013 period, 77% of available funding from the ERDF, 65% of the ESF and 95% of the Cohesion Fund was absorbed by Croatia, which means 81% average rate and which was the lowest rate in the EU, but Croatia was the only newcomer as well. (Cohesiondata 2018)

Croatia's operating budgetary balance started with 173.4 million in 2014 and improved to 226.7 million euro in 2015 (Table 5). However, 0.52% of GNI as operating budgetary balance is the worst number among peer countries (Figure 11). The Croatian Chamber of Commerce (Hrvatska Gospodarska Komorna, HGK) reported that during the first three and a half years Croatia has absorbed 19% of the funds available to it (a little under 2 billion euro). According to their calculations, Croatia absorbed twice as much in 2016 as in 2015. The weaker absorption capacity right after the accession was mainly due to a high number of uneven project proposals, lack of staff in relevant bodies and frequent tender documentation changes. With an improvement in the number of the tenders, stronger administrative capacities in EU fund management, and the financial sector's openness to back applicants, Croatia could take more advantage of EU funding in 2016. (EBL 2017) In April 2017, Prime Minister Andrej Plenković said that the money available to Croatia in EU funds represents "an obligation, a challenge and a task" to absorb and use these funds for specific projects. (Vlada 2017)

Table 5.
Operating budgetary balance of Croatia

	2013	2014	2015	2016
Gross National Income (GNI), EUR million	42,732.2	41,772.8	43,596.5	43,988.0
Operating budgetary balance (EUR million)	+49.6	+173.4	+226.7	+529.5
Operating budgetary balance (% GNI)	+0.12%	+0.42%	+0.52%	+1.20%

Source: EC s. a.

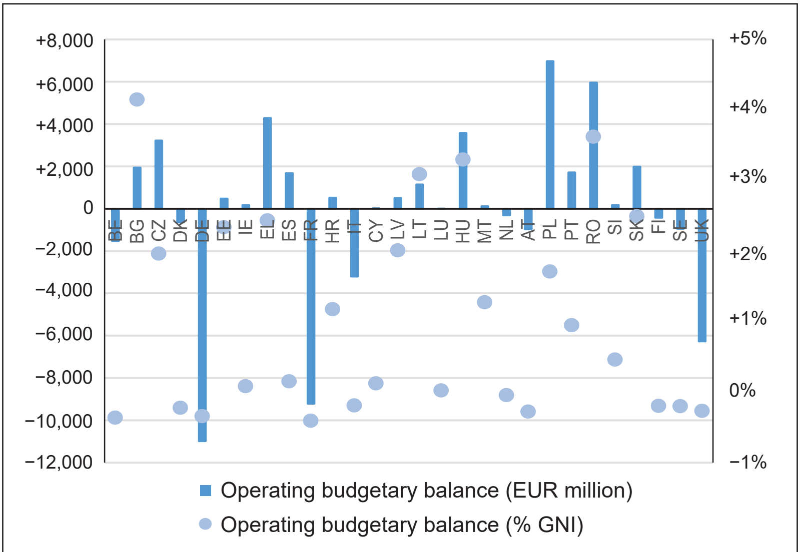

Figure 11.
Operating budgetary balance by member states, 2016

Source: EC s. a.

The Socioeconomic Effects of Integration

Yugoslavia was relatively open compared to other socialist economies in terms of free movement of persons. The 1965, reforms opened the borders for people and a mass guest-worker migration started to the West. It reached its peak in 1973 when 1.1 million workers were abroad, most people left Croatia. (World Bank 1983) During the 1990s, the Yugoslav war had remarkable socioeconomic impacts (Figure 12). The heaviest fights occurred in the second half of 1991, resulting in waves of large-scale forced migration. Altogether between 1991 and 1995, the conflicts in Croatia led to an outflow of refugees, most of whom were ethnic Serbs. In the post-conflict period (1996–2000) ethnic Croats returned in significant numbers to territories reintegrated under Croatian government control, both from abroad and from other parts of Croatia, whilst the exodus of ethnic Serbs tended to continue. The return of Croatian Serbs came to the political agenda after 2000, when Croatia's commitment to this became a key test of progress on accession to the European Union. (Mežnarić–Stubbs 2012) Thus, contrary to other member states of Central and Eastern Europe, Croatia has a more diverse pattern of migration which has been characterised by not only a high but almost stagnant number of traditional labour migrants but also the return of refugees who left the country because of the war. Migration flows during the 1990s but also the 2000s were politically motivated to some extent. The bulk of immigration came from Bosnia and Herzegovina, while most of the emigrants went to Serbia and Montenegro, followed by Bosnia and Herzegovina. During the period 2000–2007 among the Southeast European countries, Albania reported the highest share (nearly 28%) living in the EU15, followed by Bosnia and Herzegovina, Macedonia and Croatia. Over that period 300 thousand Croatian citizens, accounting for about 7% of the Croatian population, were living in the EU15, most of them in Germany and Austria. After its accession, Slovenia introduced quotas for workers from non-EU member states and the number of Croatian workers (mostly commuters) reduced compared to the pre-accession period. (Vidović 2007) Thus there are two recent trends in terms of emigration from Croatia. The one is regional, to the direction of the Yugoslav successor states, particularly Serbia and to a decreasing extent, Bosnia and Herzegovina. This migration is often based on national and ethnic identification and family ties but also includes a degree of labour market migration. The second is to the European Union, Germany in the first place and Austria in the second (Figure 13). The largest motive of this migration is labour migration either directly or indirectly. (Mežnarić–Stubbs 2012)

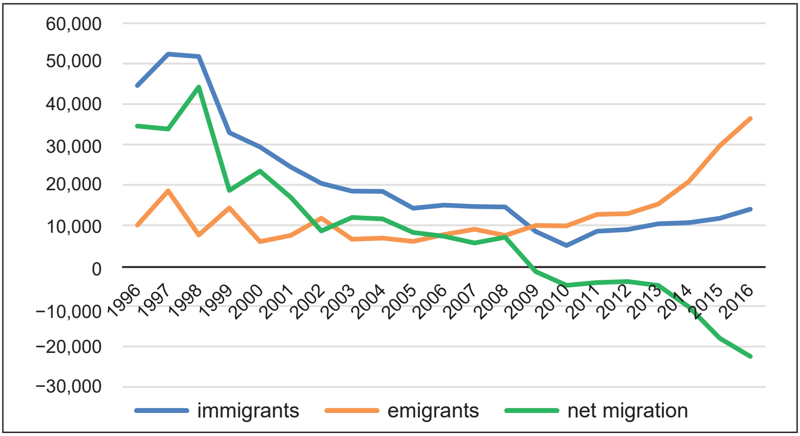

Figure 12.

International migration of the population of Croatia, 1996–2016

Source: DZS s. a.

All in all, throughout the 1990s and most of the first decade of the 2000s, Croatia was a country of net immigration, mainly of citizens from other parts of the former Yugoslavia. This trend turned over in 2009 and 2010 when figures showed a 40% reduction in the number of immigrants to Croatia, which may be related to the impacts of the global economic and financial crisis. The crisis resulted in a significant reduction in the demand for foreign labour in the building, construction and service sectors. (Mežnarić–Stubbs 2012) The negative net migration trend has become particularly pronounced with Croatia's accession to the European Union in 2013. Since joining the EU, the country has experienced significant levels of emigration, particularly of people of prime working age. However, Stubbs and Zrinščak (2017) warn that official statistics significantly underestimate the extent of emigration. Higher figures are usually based on figures from the statistical offices of destination countries. For example, based on DEStatis[13] data, between 2014 and 2015, Germany alone had an increase of 34,548 registered foreigners with Croatian citizenship, while the Croatian Bureau of Statistics suggested that some 12,325 Croatian citizens emigrated to Germany.

[13] DEStatis: Statistisches Bundesamt (en – Federal Statistical Office in Germany).

It is important to note that Croatia did not enter the labour market of the EU without any restrictions. The provisions concerning the movement of the labour force include a 2 + 3 + 2 arrangement. Thirteen member states (including Austria, Germany, Italy and Slovenia) applied restrictions during the first phase (1 July 2013 – 30 June 2015). Among others, Austria and Slovenia maintain restrictions during the second phase (1 July 2015 – 30 June 2018). In the third phase (1 July 2018 – 30 June 2020) member states will be able to apply the restrictions only in case of serious disturbances of their labour market or a threat of such disturbances. According to Župarić-Iljić (2016), these temporary restrictions have not hindered the emigration of workers. Beyond economic or education-driven migration, Croatian citizens increasingly migrate to reunite their family with Croatian people who have already worked the EU.

We may have two conclusions. First, the traditional destinations such as Germany, Austria and Italy, which have attracted previous generations of Croatian emigrants, still remain the most relevant target countries. Second, data compared before and after EU entry are indicative of the ongoing trend of increased emigration.

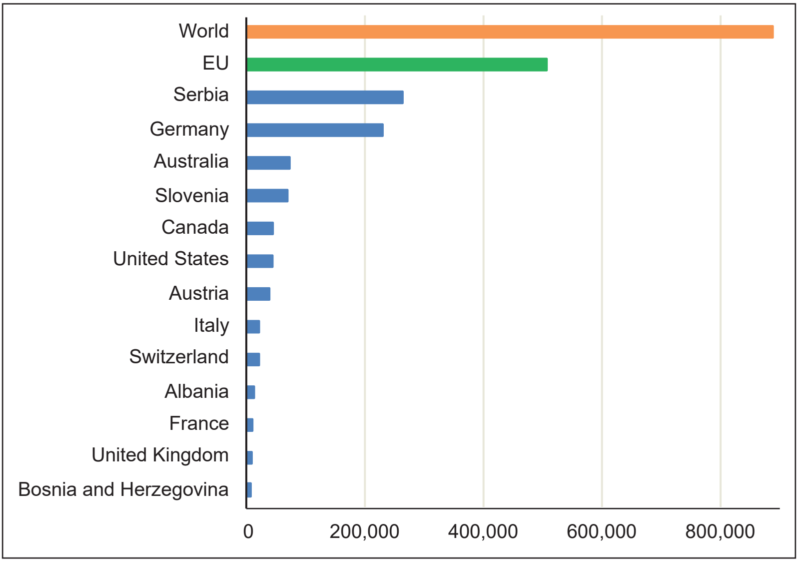

Figure 13.

Estimates of emigration from Croatia, stocks in 2013, by destination countries

Source: WB 2017

Inward remittance flows were estimated at 2,190 million U.S. dollars in 2016 (Figure 14). Whilst relatively low by regional standards as a proportion of GDP, Croatia's remittances represent about 30% of FDI inflows. (Mežnarić–Stubbs 2012) Gligorov (2004) argues that remittances of Croatian citizens working abroad (together with the revenues from the tourism sector) have helped to maintain the possibility of policymaking towards vested interest. As a result, it has not enforced any radical structural changes.

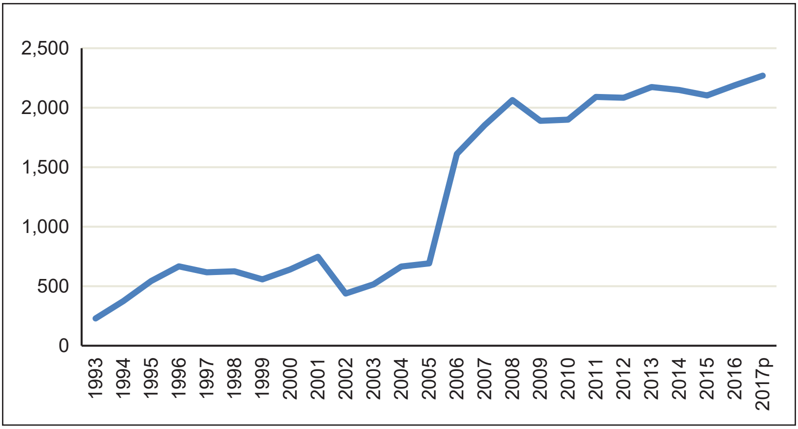

Figure 14.
Migrant remittance inflows, million USD

Source: WB 2017

Brain drain is an important issue not only for Croatia but for the entire Central and Eastern Europe. Croatia is reportedly a country with a high emigration rate among the highly educated. However, due to statistical shortcomings, it is difficult to draw clear conclusions regarding the educational and occupational profile of Croatian emigrants. (Župarić-Iljić 2016) According to the available data, some 50% of emigrants had completed secondary education and around 8% higher education in 2015. According to the Croatian Association of Hospital Physicians, there has been significant emigration of healthcare professionals: with estimates that 525 medical doctors left Croatia between 2013 and 2016. (Stubbs–Zrinščak 2017) The results of Sundać and Stumpf (2016) suggest that brain drain caused by dissatisfaction in the home country greatly affected the competitiveness of Croatia, diminishing its global competitiveness ranking. Emigration, together with a natural decrease of population, contributes to a significant population decline in Croatia and a rapidly ageing population.

Conclusion and Outlook: Drawing the Balance of the Results of Integration

Deciding whether the EU served as an anchor during the transformation process of the post-communist countries means whether the EU was able to be the point of reference and to catalyse the process of changes. As Harrold and Hahm (2012) note, Europe has invented a "convergence machine". The machine functions so, that the EU welcomes poor countries and helps them to become high-income economies, the authors claim. The question is whether it works with every country since the "Convergence Machine" is certainly an opportunity but not a guarantee. Győrffy (2008) shows that the EU is powerless even regarding its own member states when the requirements do not reflect the domestic political and social convictions, but they appear only as external expectations instead.

There is certain evidence that in case of Central and Eastern European countries the EU served as an anchor during their transformation process.[14] Croatia could have joined this group of countries and might have been a frontrunner in Europeanisation based on the country's identity, historical and cultural heritage. As a consequence of certain conditions (most of all the Yugoslav war in which Croatia was involved from the very beginning of its transformation process) Croatia did not get into the group of Central and Eastern European countries as Slovenia. Croatia has experienced a detour from the "mainstream Europeanisation path", it became a late-comer candidate, a special case, and meanwhile, the attitude of the EU and the dynamics of Europeanisation have also changed. In case of Western Balkan countries, the role of the EU as an anchor has become weaker mainly because of the lack of a clear promise of membership. When the accession negotiations with Croatia went on after 2008, the prospects for the future were very different in Europe. It was not the transition process any more that needed to be anchored. Instead, it turned to recovery from the crisis. (Sigér 2018)

[14] See e.g. Csaba 2004.

In their opinion article, Harrold and Hahm (2012) collected Croatia's strengths and weaknesses compared to four new member states' (Slovakia, the Czech Republic, Slovenia and Estonia) position in the European Union. Among the strengths we find trade, "the first leg of the convergence machine". The evidence shows that just like the peer countries, Croatia definitely benefits from the trade integration with the EU. The other strength is financial integration, "the second leg of the convergence machine". The authors claim that Croatia benefits from capital flows from EU members. At the same time, Croatia faces several weaknesses that may hamper the fulfilment of potential benefits of the EU membership: the poor climate for private enterprises, the limited support for research and development, and innovation, the low level of labour productivity and employment, and the too-large government. As the Commission highlights, restrained growth, delayed the restructuring of firms and the limited performance of employment have common roots: inefficiencies in the allocation of resources. The unfavourable business environment is a major obstacle in the adjustment capacity of the economy. (EC 2015)

The "convergence machine" has also changed, and the dynamics of the 2004/2007 enlargement cannot be repeated. These days the EU model is not working as it worked at the very beginning of the new millennium since the EU finds itself in a stalemate in its response to new challenges. Öniş and Kutlay (2017) write about limits of the EU's transformative power in the European periphery, regarding both internal (member) and external (not member) countries. In case of Croatia, we only see a feeble anchor capacity. Take a look back onto the integration process of Croatia, we see a twofold phenomenon: Croatia wanted less from the EU (from both material and mental incentives it offered in return for political and economic conditionality) and as times have changed, the EU wanted and was able to give less as well. The fact that the country arrived to the EU alone, may limit its ability to enforce its interest. Since the EU prefers group enlargement, a single entry has not happened since 1981. Croatia arrived as a lonely newcomer among the old Southeastern Europe (SEE) or CEE countries, including Slovenia, its ex-Yugoslav peer, with whom its relationship is far from being unclouded. In many indicators, Croatia lags behind all the other member states. The question is whether the EU's active leverage has diminished after the accession. Croatian National Bank Governor Boris Vujčić said in January 2017 that Croatia is planning to introduce the euro. We need to meet the Maastricht criteria and we are on the right track – he said. (Sigér 2018)

The convergence process could be a strong anchor for further reforms and after the recovery from the long recession, it could be a determinant priority of Croatian policymaking. Most probably those researches are right, which state that the EU is an opportunity for Croatia but not a guarantee. The opportunity offered an anchor for economic restructuring and catching up, complemented with financial support, as well. If these opportunities remain unutilised, and the losers of the EU accession stay uncompensated, the disappointment with the membership is inevitable. Although it is clear that there will not be a further enlargement soon, a credible enlargement perspective for the Western Balkans must be maintained, as EC President Juncker stated in his State of the Union 2017 speech. Croatia can set a good example for this region which may contribute to the long term stability of the Western Balkans as well.

References

Antonopoulos, Eleftherios – Bachtler, John (2014): The Role of EU Pre-accession Assistance in the Establishment of National Coordination Structures for EU Funding: The Case of Croatia. *Journal of Contemporary European Research,* Vol. 10, No. 2. 184–202.

Aprahamian, Arabela – Correa Guilherme, Paulo, eds. (2015): *Smart Specialization in Croatia: Inputs from Trade, Innovation, and Productivity Analysis.* Washington, D.C., World Bank Group. DOI: https://doi.org/10.1596/978-1-4648-0458-8

Bartlett, William (2003): *Croatia. Between Europe and the Balkans.* London, Routledge. DOI: https://doi.org/10.4324/9780203642573

Bezić, Heri – Cerovic, Ljerka – Galović, Tomislav (2011): Changes in the Competitive Advantages of Croatia's Manufacturing Industry. *Proceedings of Rijeka Faculty of Economics: Journal of Economics and Business,* Vol. 29, No. 2. 465–487.

Bićanić, Ivo (1994): Croatia: First Steps Toward Economic Independence. *Working Paper,* No. 83. Stockholm, Östekonomiska Institutet (Stockholm Institute of East European Economics).

Bićanić, Ivo (2001): Croatia. *Journal of Southeastern European and Black Sea Studies,* Vol. 1, No. 1. 158–173. DOI: https://doi.org/10.1080/14683850108454628

EIZ (2017): *Croatian Economic Outlook No. 70.* Zagreb, Ekonomski institut Zagreb.

Cohesiondata (2018): *2007–13 absorption. European Structural & Investment Funds.* Brussels, European Commission. Available: https://cohesiondata.ec.europa.eu/dataset/2007-13-absorption/fs4p-xryn/data (Accessed: 25.04. 2018)

DZS (s. a.): *Databases.* Zagreb, Državni zavod za statistiku. Available: www.dzs.hr/default_e.htm (Accessed: 21.04.2018.)

Csaba, László (2004): Transition in and towards Europe: Economic Development and EU Accession of Post-Communist States. *Zeitschrift für Staats- und Europawissenschaften,* Vol. 2, No. 3. 330–350. DOI: https://doi.org/10.1515/zfse.2004.002

Demekas, Dimitri G. – Horváth Balázs – Ribakova, Elina – Wu, Yi (2005): Foreign Direct Investment in Southeastern Europe: How (and How Much) Can Policies Help? *IMF Working Paper,* 05/110.

Demunter, Christophe – Dimitrakopoulou, Krista (2014): Tourism statistics for Croatia. *Statistics in Focus,* No. 2.

Doing Business (s. a.): *Historical Data Sets and Trends Data.* Washington, D.C., The World Bank. Available: www.doingbusiness.org/Custom-Query (Accessed: 21.02.2018)

EBL (2017): Croatia nearly doubles EU fund absorption in 2016. *EBL News,* 09.01.2017. Available: https://eblnews.com/news/croatia/croatia-nearly-doubles-eu-fund-absorption-2016-51324 (Accessed: 21.04.2018)

EBRD (s. a.): *Economic statistics & forecasts.* London, European Bank for Reconstruction and Development. Available: www.ebrd.com/what-we-do/economic-research-and-data/data/forecasts-macro-data-transition-indicators.html (Accessed: 21.04.2018)

EBRD (1995): *Transition report: Investment and enterprise development.* London, European Bank for Reconstruction and Development.

EBRD (2000): *Transition report: Employment, skills and transition.* London, European Bank for Reconstruction and Development.

EC (s. a.): *Budget in figures.* Available: http://ec.europa.eu/budget/figures/ index_en.cfm (Accessed: 21.01.2018.)

EC (2004): *Opinion on Croatia's Application for Membership of the European Union.* COM(2004) 257 final. Brussels, European Commission.

EC (2005): *Croatia 2005 Progress Report.* SEC (2005) 1424. Brussels, European Commission.

EC (2011): *Commission Implementation Decision of 17.6.2011: adopting a Multi-annual Indicative Planning Document (MIPD) 2011–2013 for Croatia.* Brussels, European Commission.

EC (2015): *Country Report Croatia 2015. Including an In-Depth Review on the prevention and correction of macroeconomic imbalances.* COM(2015) 85 final. Brussels, European Commission.

EP (2001): *European Parliament Fact Sheets 03/08/2001.* Brussels, European Parliament.

EIU (1996): *Croatia Country Profile.* London, The Economist Intelligence Unit.

EIU (2000): *Croatia Country Profile.* London, The Economist Intelligence Unit.

Eurostat (s. a.): *Business expenditure on R&D.* Available: http://ec.europa.eu/eurostat/web/products-datasets/product?code=rd_e_berdindr2 (Accessed: 18.04. 2018)

Gligorov, Vladimir (2004): The Economics of Disintegration and Reintegration: The Case of Yugoslavia. In Mungiu Pippidi, Alina – Krastev, Ivan eds.: *Nationalism after Communism: Lessons Learned.* Budapest, Central European University Press.

Győrffy Dóra (2008): Költségvetési kiigazítás és növekedés az Európai Unióban: Tanulságok Magyarország számára [Budget Adjustment and Growth in the European Union: Lessons for Hungary]. *Közgazdasági Szemle,* Vol. 55, No. 11. 962–986.

Harrold, Peter – Hahm, Hongjoo J. (2012): *Croatia and the European Union: an Opportunity, not a Guarantee.* Washington, D.C., The World Bank. Available: www.worldbank.org/en/news/opinion/2012/07/30/croatia-and-the-european-union-an-opportunity-not-a-guarantee (Accessed: 05.03.2018)

HNB (s. a.): *Foreign Direct Investments Statistics.* Zagreb, Hrvatska Narodna Banka. Available: www.hnb.hr/en/statistics/statistical-data/rest-of-the-world/foreign-direct-investments (Accessed: 10.03.2018)

Kandžija, Vinko – Mance, Davor – Godec, Željka Tropina (2011): A Review of the Croatian Public Administration Reform. *South-Eastern European Administrative Studies, ASsee* (Online Series), No. 1. 105–118.

Kornai János (1993): Transformational Recession. A General Phenomenon Examined Through the Example of Hungary's Development. *Discussion Paper,* No. 1. Budapest, Collegium Budapest Institute for Advanced Study.

Lenardić, Daniel (2016): Croatia Country Overview. In *EU Funds in Central and Eastern Europe: Progress Report 2007–2015.* (s. l.), KPMG in Central and Eastern Europe.

Mežnarić, Silva – Stubbs, Paul (2012): *Social Impact of Emigration and Rural-Urban Migration in Central and Eastern Europe.* VT/2010/001. Final Country Report: Croatia. Brussels, European Commission and Berlin, Gesellschaft für Versicherungswissenschaft und -gestaltung e.V.

Moore, David – Vamvakidis, Athanasios (2007): Economic Growth in Croatia: Potential and Constraints. *IMF Working Paper,* 07/198.

Morgan, Sam (2017): Croatia inches closer to Schengen membership. *Euarctive* (online), 20.01.2017. Available: www.euractiv.com/section/justice-home-affairs/news/croatia-inches-closer-to-schengen-membership/ (Accessed: 20.01.2018)

Novota, Slađana – Vlašić, Ivana – Velinova, Rumiana – Geratliev, Kiril – Borissova, Olga (2009): *European Funds for Croatian Projects: A Handbook on Financial Cooperation and European Union Supported Programmes in Croatia.* Zagreb, Central Office for Development Strategy and Coordination of EU Funds.

Orsini, Kristian (2017): *What drives Croatia's high import dependence?* European Economy, Economic Brief 029. Brussels, European Commission.

Öniş, Ziya – Kutlay, Mustafa (2017): Global Shifts and the Limits of the EU's Transformative Power in the European Periphery: Comparative Perspectives from Hungary and Turkey. *Government and Opposition,* Vol. 54, No. 2. 226–253. DOI: https://doi.org/10.1017/gov.2017.16

Samardžija, Višnja – Stančić, Mladen – Nikić, Gorazd eds. (2000): *Croatia and the European Union: Costs and Benefits of Integration.* Zagreb, Institute for International Relations.

Sigér Fruzsina (2010): *Divergent Dynamics of Transformation: The Role of the European Union.* Debrecen, University of Debrecen Faculty of Economics and Business Administration.

Sigér Fruzsina (2018): Four years in the club: from external to internal Europeanization in Croatia. *Working Paper,* No. 239. Budapest, Centre for Economic and Regional Studies, HAS Institute of World Economics.

Škreb, Marko (1998): Economic Transition in Croatia: An Insider's View. *SAIS Review,* Vol. 18, No. 2. 71–88. DOI: https://doi.org/10.1353/sais.1998.0045

Šonje, Velimir – Vujčić, Boris (1999): Croatia in the Second Stage of Transition 1994–1999. *Croatian National Bank Working Papers,* W–1. Zagreb, Croatian National Bank.

Soós, Károly Attila (1986): *Terv, kampány, pénz: Szabályozás és konjunktúraciklusok Magyarországon és Jugoszláviában* [Plan, Campaign, Money: Regulation and Business Cycles in Hungary and Yugoslavia]. Budapest, Közgazdasági és Jogi Könyvkiadó, Kossuth Könyvkiadó.

Stubbs, Paul – Zrinscak, Siniša (2017): Policy vacuum in the face of a new wave of emigration from Croatia. *ESPN Flash Report,* No. 50. Brussels, European Commission.

Štulec, Ivana – Vučković, Valentina – Baković, Tomislav (2014): Impact of Croatian EU Accession on its Foreign Trade and Customs System. *Econviews: Review of Contemporary Entrepreneurship, Business, and Economic Issues,* Vol. 27, No. 2. 381–392.

Sundać, Dragomir – Stumpf, Gorana (2016): The Impact of Brain Drain on the Competitiveness of the Croatian Economy. In *15th International Scientific Conference on Economic and Social Development – Human Resources Development.* Varaždin, 9–10 June 2016.

UNCTAD (2014): *Bilateral FDI Statistics 2014.* Geneva, United Nations Conference on Trade and Development, Division on Investment and Enterprise.

UNECE (s. a.): *Statistical database.* Geneva, United Nations Economic Commission for Europe. Available: w3.unece.org/PXWeb2015/pxweb/en/STAT/STAT__ 20-ME__2-MENA (Accessed: 24.04.2018)

UNDP (s. a.): *Human Development Data.* New York, United Nations Development Programme. Available: http://hdr.undp.org/en/data (Accessed: 26.04.2018)

Vidović, Hermine (2007): *Labour mobility within the EU in the context of enlargement and the functioning of the transitional arrangements. Country Study: Croatia.* Vienna, Vienna Institute for International Economic Studies.

Vlada (2017): *PM Plenkovic: Absorption of EUR 10.67 mn is our obligation and challenge.* Government of the Republic of Croatia. Available: https://vlada.gov.hr/glavni-izbornik-14951/news/pm-plenkovic-absorption-of-eur-10-67-mn-is-our-obligation-and-challenge/20537 (Accessed: 24.04.2017)

Vujčić, Boris – Šošić, Vedran (2004): Trade integration in South-East Europe and the trade potential of Croatia. In Liebscher, Klaus – Christl, Josef – Mooslechner, Peter – Ritzberger-Grünwald, Doris eds.: *The Economic Potential of a Larger Europe.* London, Edward Elgar. 127–144. DOI: https://doi.org/10.4337/9781845423483

White Book 2017 (2017). Fifth edition. Zagreb, Foreign Investors Council.

Woodward, Susan L. (1995): *Balkan Tragedy. Chaos and Dissolution after the Cold War.* Washington, D.C., The Brookings Institution.

WB (2017): *Migration and Remittances Data.* Washington D.C., The World Bank. Available: www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (Accessed: 24.03.2018)

WB (1983): *Yugoslavia. Adjustment Policies and Development Perspectives.* A World Bank country study. Washington D.C., The World Bank.

WB (1999): *Memorandum of the President of the International Bank for Reconstruction and Development and the International Finance Corporation to the Executive Directors on a Country Assistance Strategy of the World Bank Group for the Republic of Croatia.* Report No. 19280 HR, May 11, 1999. Washington, D.C., The World Bank.

WTTC (2017): *Travel & Tourism. Economic Impact 2017. Croatia.* London, World Travel & Tourism Council. Available: https://zh.wttc.org/-/media/files/reports/economic-impact-research/archived/countries-2017-old/croatia2017.pdf (Accessed: 03.29.2018)

Župarić-Iljić, Drago (2016): *Emigration from the Republic of Croatia after the Accession to the European Union.* Zagreb, Friedrich Ebert Stiftung.