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EUROPEAN INTEGRATION PROCESSES

Where is Croatia?

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The fact that by admission of Slovenia the borders of the European Union almost reached Zagreb, repeatedly provoked a discussion about the reasons of lagging behind of Croatia. The author observes the basic reasons (beside the imposed war) in political atmosphere which was unacceptable for international community. Such atmosphere resulted in big mistakes of the entire (Bosnia and Herzegovina) and economic policy (tycoon privatization and the wrong stabilization level). Unacceptable political atmosphere is also shown by the fact that Croatian and Slovenian economists commonly prepared the starting bases of transition. Slovenia consistently implemented this concept, while Croatia completely ignored it. The second wave of democratization (at the beginning of century) created political atmosphere more acceptable for international community and more adequate for economic development. Beside certain progress in economic sphere especially expressed are shifts in direction of somewhat faster integration into the European Union. In this sense the author was also encouraged by the President of the European Commission Romano Prodi at the XIII th World Congress of economists in Lisbon, September 9 to 13, 2002.

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Some general causes of lagging behind of Croatia

Comparing achievements of European countries in transition (within environment of globalization trends and integration processes and looking for position of Croatia) one question has been repeatedly imposed. What forces caused such drastic differences in transitional achievements during the ninetieth between two countries which were best prepared for realization of economics and politics of transition. It is a question of Slovenia which has almost become a member of the European Union and Croatia which will have to wait for this membership for several years more. Some Slovenian economists have been thinking along the same line of thought.¹

When it is a question of the imposed war, things are more or less clear. However, when it is a question of economic science things are slightly different. As a matter of fact it should be remembered that Croatian economists gathered at the Institute of Economics Zagreb, and Slovenian economists from the Faculty of Economics and the so-called Bajt's Institute in Ljubljana, commonly prepared starting fundamentals of transition.

They started to be implemented already within the Marković's programme.² Later on, already at the beginning of 1991, in the Institute of Economics Zagreb was prepared the study on privatization and development strategy.³ The success of Slovenians has been based on a fact that they consistently implemented that concept. The failure of Croatians was the result of complete ignorance of that concept. That could be explained neither by the imposed war nor by the explosion of the Balkan nationalism.

The reasons are related to political sphere and the relations within political powers. Although the reform powers both within League of Communists of Slovenia and League of Communists of Croatia were very active and they completely supported reform-oriented economic science, the achievements in both countries were essentially different. Let me mention by the way that reform bases for the so-called First Conference of the League of Communists of Yugoslavia which gave the green light for general pluralization and democratization had been prepared in the Institute of Economics Zagreb, at the session which was moderated by Štefan

¹ Jože Mencinger: The Benefits of Ignoring IMF, *Ekonomski pregled*, No. 3-4, 2002

² Ante Marković was the last president of the Government of the former state. In 1989 that Government began the process of transition, pluralization and democratization.

³ Marendić, B., Škegro, B. et al. (eds.) (1992): "Conception and Strategy of Economic Development of the Republic of Croatia", in: *Current Economic Development and Economic Policy of Croatia*, No. 10, National Bank of Croatia and the Institute of Economics Zagreb; Zduni?, Stjepan (ed. et al.): *Privatization in the Policy of Economic Development of Croatia*, Institute of Economics Zagreb, 1991.

Korošec (Slovenian) as the secretary of the Central Committee of the League of Communists of Yugoslavia, and me as director of the Institute of Economics Zagreb. At this conference participated Ante Marković as the president of the Presidency of the Republic of Croatia, Ante Milović as the president of the Government of the Republic of Croatia, Janez Zemljar (Slovenian) as the vice president of the Federal government, Božo Marendić who was my deputy for years, as well as many other scientists and politicians.

In Slovenia pluralistic democratic changes made political atmosphere very similar to that one of developed countries of Europe. In Croatia at the same time was created political atmosphere very different from one of the west countries. That was the result of too strong influence of a part of Croatian diaspora which was not only very right but pro-Ustasha oriented. Consequently Croatia was faced with international isolation and during the ninetieth it was under shadow sanctions.

Mistakes of economic policy in the light of exchange rates deviations indices

In such macropolitical environment appeared also mistakes of economic policy as it was tycoon privatization and mistaken stabilization level which directed entire economic flows to the wrong way. Instead of application of the economic model based on development of production and exports expansion, the mistaken stabilization level directed current economic development to the trade and imports expansion. All measures of economic policy were predominantly directed to stability of prices and mistaken exchange rate level, while all other tasks were left behind. Under such economic conditions instead of enterprise restructuring it followed its destruction, suppression and extinguishing, and consequently mass bankruptcies and permanent increase of army of unemployed. Industrial production was almost halved, and the entire production (as distinguished from all other Central European countries which much more surpassed pretransitional level) achieved in 2001 the index of 90.3 (Table 1).

Cumulated problems during the ninetieth (except high unemployment) were especially related to big illiquidity, high level of premature Europeanization, big role of foreign exchange clauses, too wide price ranges of domestic and foreign money, small investments (in particular years smaller than depreciation), unfavourable property structure especially in

Table 1.

EUROPEAN COUNTRIES IN TRANSITION - COMPARATIVE ECONOMIC INDICATORS

GDP 2001 Index 1990=100	Gross industrial production Index 2000 1989=100	Labour productivity in industry Index 2001 1989=100	The rate of consumer price inflation 2001	Unemploy- ment rate in 2001	Foreign trade balance in m EUR 2001	Current account in bn EUR 2001	Current account in % of GDP 2001	GDP per capita EUR (p.p.p.) 2001	GDP per capita EU-15=100 2001	Indices of the rate of exchange deviations 2001 (based on ECU)	
Czech Republic	104.5	87.2	137.6	4.7	8.9	-3438	-2.6	-4.6	13958	61	2.27
Hungary	112.1	142.0	236.2	9.2	8.0	-3572	-1.1	-2.1	11870	52	2.09
Poland	144.6	129.6	199.5	5.5	17.4	-15848	-7.2	-4.1	9057	40	1.78
Slovakia	108.7	95.5	130.6	7.3	18.6	-2383	-1.8	-8.6	11575	51	2.73
Slovenia	123.7	82.6	156.8	8.4	11.8	-994	-0.1	-0.4	16251	71	1.54
Bulgaria	84.2	50.5	125.3	7.4	17.3	-2397	-0.9	-6.5	7011	31	3.72
Romania	88.3	53.7	116.5	34.5	8.6	-4652	-2.3	-5.9	5660	25	3.28
Croatia	90.3	60.3	142.7	4.9	23.1	-4915	-0.6	-3.1	8855	39	1.51
Russia	69.4	59.9	96.6	21.6	8.7	55434	35.1	11.3	6526	29	2.72
Ukraine	47.1	65.4	126.3	12.0	3.7	547	1.4	3.7	4187	18	4.88

Napomene: 1) Preliminary. -2) Sales. -3) WIIW estimate.

Source: WIIW database incorporating national statistics, forecasts: WIIW. This table has been constructed on the basis of the study: Leon Podkaminer et al. *Transition Countries in 2002: Losing Steam, The Vienna Institute of International Economic Studies, Research Reports No. 285. July 2002.*

banking complex which is dominantly in hands of foreigners, and everything connected with such a state of affairs. Under such circumstances Croatia omitted the most attractive foreign direct, especially green field, investments. One of synthetic expressions of cumulated problems is very low competitiveness. That could be also illustrated by comparison of exchange rate deviation indices what will be discussed later on (Table 2). By the way I would like to mention the warnings suggested by the Vienna Institute's scientists in their last, recently published study, that such development model could be maintained only for a certain time, but only under the condition of continued disindustrialization. Phenomenon of disindustrialization is especially manifested in low level of industrial production (Index 60.3).

Table 2.

INDICES OF THE RATE OF EXCHANGE DEVIATIONS
 (ERDI/EUR BASED)

Countries	1993	1995	1996	1997	1998	1999	2000	2001
Czech Republic	3.38	2.90	2.68	2.68	2.47	2.50	2.44	2.27
Hungary	2.30	2.46	2.43	2.32	2.39	2.36	2.26	2.09
Poland	2.60	2.47	2.28	2.22	2.13	2.20	1.99	1.78
Slovak Republic	3.28	2.99	2.90	2.79	2.80	2.99	2.77	2.73
Slovenia	1.82	1.59	1.61	1.59	1.54	1.53	1.57	1.54
Bulgaria	4.10	4.15	4.22	4.88	4.16	4.05	3.88	3.72
Romania	4.87	4.77	4.90	4.27	3.41	3.89	3.38	3.28
Estonia	5.53	3.08	2.59	2.56	2.39	2.31	2.26	2.18
Croatia	2.14	1.67	1.65	1.62	1.53	1.61	1.56	1.51
Macedonia	3.31	2.15	2.16	3.12	3.38	3.33	3.15	3.12
Russia	7.24	3.49	2.77	2.01	2.97	4.35	3.14	2.72
Ukraine	8.45	6.06	4.46	3.80	4.50	5.72	5.44	4.88
Austria	0.91	0.88	0.90	0.96	0.95	0.97	0.98	0.98

Source: WIIW database incorporating national statistics, forecast: WIIW. This table has been constructed on the basis of the study: Leon Podkaminer et al. Transition Countries in 2002: Losing Steam, Vienna Institute for International Economic Studies (WIIW), Research Reports No. 285. July 2002.

The result of this phenomenon (i.e. disindustrialization) is high unemployment level (23.1) as well as high foreign trade balance deficit (- 4914 mn EUR). However, it is especially interesting to consider the movement of exchange rate deviation indices. This complex is especially important for a small country which develops the model of open market economy. In respect to that I would like to mention that at the beginning of preparation of the reform from 1965, was established the Federal Commission for the dinar parity. That Commission headed by Kiro Gligorov was founded in 1962. I was nominated into this Commission as the representative of economic science from Croatia. All problems related to the role and place of the exchange rate and its influence to relative prices which were discussed in that time are also very actual nowadays. Less developed country must conduct the policy of appreciated currency. The measure of this appreciation is double determined. One side of this determination must ensure the pressure of foreign competitiveness aimed to entire restructuring of domestic enterprises and based on this the increase of their economic efficiency. The other side of this determination must prevent foreign competitiveness to cause, instead of restructuring, massive suppression and bankruptcy of domestic enterprises. As a matter of fact, it is a question of searching for some optimal relations between foreign and domestic global labour productivity. If these differences are taken too much into consideration there are no pressures of foreign competitiveness in direction of restructuring. And vice versa. If these differences are underestimated it appears too big appreciation and suppression of domestic economy. Such processes started with us at the very beginning of realization of antiinflationary programme in October 1993. In 1993 the exchange rate deviation index was 2,14. The parity of German mark and Croatian dinar (HRD) was 1 : 4.444. However, after strong appreciation the exchange rate deviation index declined to 1.72 in 1994. Some relations known from theory and practice should be remembered here. The exchange rate deviation index is that much higher as bigger is difference of the development level between a country for which the measurement is made and a country in the currency of which this measurement is expressed (USD or EUR). The movement of exchange rates deviation indices expresses such relations as the level of Croatian economy is the highest in comparison with all countries in transition. However, the real situation is essentially different. Differences are especially drastic in relation to Slovenia which is more than twice more developed than Croatia, and which has higher exchange rates deviation indices. It is indicative that kuna also continued its appreciation in 2001, while depreciation happens in Slovenia. Such relations show that something is wrong in the economic system as a whole. What is wrong is generally known. Mistaken is the model of economy established on diametrically opposed premises, known from theory and practice. The model is based on the trade development and the imports expansion instead on the production development and the exports expansion. This model is the consequence of already mentioned political atmosphere, tycoon privatization

and mistaken stabilization level. In any case unusual behaviour of exchange rate deviation indices expresses cumulated mistakes of economic policy during the ninetieth. However, more remarkable changes in economic policy have not been noticed so far.

Macroeconomic and macropolitical environment at the beginning of the new century

New coalition government of the left centre which after election at the beginning of 2000 came into power, was faced with a lot of difficulties in its trying to overcome the cumulated problems during the ninetieth and to find some way out. Especially heavy problems, were and remained, connected not only to economic but also to deep moral crisis. Very strong social problems are the consequence of a fact that according to the World Bank study, Croatia belongs to countries with the most uneven income distribution.⁴ Due to all this, the problems of functioning of social and law-governed state and realization of social justice principles are more than actual. This is all followed, not as less important but just the opposite, by cumulated problems of the organized crime and mafiacracy. The activity of known and unknown centres of power, often under the motto the worse the better, is the part of existing macroeconomic and macropolitical environment. Some manifestations of the reform of the welfare society especially in the sphere of searching more flexible solution in the labour market complex additionally complicated this contradictory macroeconomic and macropolitical environment.

The efforts are directed to searching for some consensus with social partners, government, trade unions and employers, but with changeable success. Such occurrences, although unavoidable, are still additionally very inconvenient for the government of the left centre. I had foreseen such occurrences (having in mind the case of Germany) much earlier than they started.

New government of the left centre paid the biggest attention to the inclusion into the European integration processes. The international position of Croatia has been essentially improved. Based on the signed Agreement on stability and association, Croatia should very soon become a candidate for integration into the European Union. Altogether, this is surely the biggest success of the new coalition government of the left centre.

New government realized that one of the basic questions in economy was connected to increase of competitiveness. It decided upon three main segments in

⁴ M. Bisogno (and group of authors from the World Bank, Government Statistical Office and the Institute of Economics Zagreb): Croatia: Economic vulnerability and welfare study, World Bank document, June 2000

realization of this policy. The first refers to policy of entire restructuring. The second refers to monetary and the third to fiscal policy. Certain results have been achieved in all three spheres. There are observed shifts in investment consumption and quality increase of the economic growth. Unit labour costs decrease in some parts of industry, what means that movement of labour productivity is faster than the increase of real wages, as well as a series of positive movements in this sense.⁵

In monetary policy especially should be observed the rate of interest decrease and increase of the credit potential for investments. However, besides the activity of some educational and managerial centres, the proper investment shift based on massive entrepreneurial initiatives with the consequence of faster employment increase has not appeared so far. Dominant slogan is the lack of good projects, because assets for good projects are always found. This is surely a part of the truth. There is however the other part of truth. Big credit foreign exchange and kuna potential in banking system is based on saving of Croatian citizens and this is their property. However when this saving is converted into banking capital this is no more Croatian, but mostly foreign capital.

Managing of this capital depends upon other, and not Croatian centres of power. So far have been manifested the same tendencies as in earlier years. You are always welcome and promptly accepted for credit for car. Situation is completely different if you search credit for extension of existing and beginning of new projects as an entrepreneur. Beside all stories about general climate which increases risk (in which is surely a part of the truth) one can hardly get rid of impression that it is nevertheless a question of property structure of banking capital which is not Croatian. These property aspects of problems will probably appear in somewhat different light when Croatia becomes a member of the European Union. But that should be met under conditions when it is not certain that such property structure of banking capital, and even restriction of monetary sovereignty, helps this to happen as soon as possible.

Certain shifts more or less known in fiscal, budget and tax policy have been also realized. Decrease of illiquidity should be especially pointed out.

Altogether, new coalition government of the left centre realized some shifts, but insufficient.

It can be only guessed what are the reasons of not realizing more. It certainly is coalition government, and democracy is known to have its price. For me stays one dilemma at least, which refers to relations of political powers, including also known and unknown centres of power.

⁵ More detailed in Nikić, Gorazd: Strukturne promjene u prerađivačkoj industriji ("Structural changes in manufacturing industry of Croatia"), *Ekonomski pregleđ*, No. 1-2, Zagreb 2002, pp 191-255

Having all this in mind I wrote at the very beginning of the new government of the left centre, that due to the cumulative problems during the ninetieth, it found itself in the position of certain interneer who hardly finds its way out.

Although it can be said now that certain solutions have been found, the results are nevertheless modest. The present situation is the result of cumulated problems connected with two groups (having also in mind the mentioned structure of political powers) of mistakes. The first refers to tycoon privatization and the second to the wrong stabilization level. Economic policy pointed out, at least verbally, the first group of mistakes. The second group of problems did not have any treatment. The wrong stabilization level was not treated as the problem but as an advantage. Therefore this government is still faced with open problems of how to increase production and the exports and how to decrease unemployment. The fundamental precondition of all this is the competitiveness increase. This is in connection with the main question whether more expressive competitiveness increase is possible with continuation of such monetary and exchange rate policy, at least if we desire full employment. It is especially interesting to consider here the movement of exchange rates deviation index (Table 2).

It is known from theory and practice that with GDP growth rate of 3-4 percent this can hardly be achieved. Consequently higher growth rate is needed, that is more active economic policy. Some recent measures of government directed to searching for possibility for growth rate increase by means of more active economic, especially investment policy, show that government has decided, at least to certain extent, to abandon the policy of uncritical application of economic neoliberalism doctrine, including here the policy of wild capitalism and market fundamentalism. The government found itself relatively well in some activities imposed by the welfare society reform (in the sphere of pension and health service, education, science, defence and police). However, the most actual problems of judiciary reform closely correlated to the function of legal state, especially in regard to fight against organized crime and mafiocracy, are still open. As I personally wrote and predicted several years ago the fighting against organized crime and mafiocracy would be one of the most difficult problems. Hard problems also appear in looking for more elastic solutions in labour market sphere. Beside tensions of these problems it should be expected that new labour act will be adopted in Croatian parliament based on social partners consensus.

However it should be repeated that one of the main strategic tasks of economic policy is connected with transformation of the existing model of the economic development. The past undertaken measures (of general restructuring) have given some, but still rather moderate results. Combination of measures of monetary and fiscal policy had some but insufficient shifts. Consumption still moves out of possibilities of production. Those who draw attention to Argentine syndrom perhaps

a little bit exaggerated (in regard to existing reserves both foreign exchange and privatization), but all possible consequences should be comprehended in time. Finally only accelerated development, including also more active industrial policy, can satisfy Croatian ambitions for faster integration into the European Union.

Looking for adequate solutions it is also useful to use the experiences of more successful neighbours.

Hungary is a good example for us, but the best is Slovenia. This last one especially when it is a question of protection from uncritical application of the economic neoliberalism doctrine. In such orientation the coalition government of the left centre should be also supported by Croatian economic science.

I used to repeat in public many times that since Ministry of development was abolished, what was wrong, it would be necessary to form better institutional presumption for more efficient collaboration of economic science and economic policy. In this sense it is necessary to revitalize such institutions as Economic Planning Institute and Institute for Macroeconomic Analyses and Forecasts. These institutions should continually deal with conception and strategy of development in collaboration with economic science.

Croatia and the European Union

I repeat again that beside Slovenia, Croatia was best prepared for transition. It happened however, due to known historical circumstances during the ninetieth, that Slovenia was on the top of countries which would already very soon associate the European Union, while Croatia was and still is among the last countries of this group. This position is both inadequate and unjust for Croatia, the more so as already at the Conference of economists of the European Union in September 1994 (University of Exeter) in Great Britain, where I personally participated, criteria for integration into the European Union started to change.⁶

Economic criteria dominated during the European Community. Later on (probably under the influence of explosion of Balkan nationalism) political criteria started receiving increasingly bigger importance, what means general democratization and pluralization, function of law-governed and social state, human rights (especially minorities rights), freedoms and all correlated to this.

⁶ Vojnić, Dragomir: "European integrational processes and the countries in transition - with a special reference to Croatia and former Yugoslavia", Conference ISSUE. Single European Market, paper No. 88, University of Exeter, September 8-11, 1994

Such standpoints were also expressed at the 13th World Congress of Economists (September 9-13, 2002 in Lisbon), at which I personally participated. The president of the European Commission Romano Prodi expressed these points in public, as well as in talks with representatives of the Croatian delegation, including also the author of this paper.

Besides it was said that entire level of redistribution to which the European Union would be obliged in case of admittance of countries candidates would amount to about 0,25 percent GDP of 15 member countries. It was also said that Croatia could accelerate its admittance into the European Union very much if it would be able to fulfil faster the conditions from the Agreement on Stability and Association. The existing GDP level in relation to average of 15 countries members of the European Union should not be too big problem (Table 3).

According to criteria from Exeter, Croatia would achieve the level of 50 percent GDP of the average of countries members of the European Union not earlier than in 2015, according to projection from Table 3. According to criteria expressed at the mentioned World Congress of economists, the achieved level of development of Croatian economy should not prevent the admittance of Croatia into the European Union. At the symposium dedicated to the 80th anniversary of the academician Jakov Sirotković held at the Faculty of Economics Zagreb on September 19, 2002 I put a question whether these changes of criteria represented a basis for big optimism in regard to acceleration of admittance of Croatia into the European Union. We agreed that optimism should stand, but realistically looking, numerous questions were still open. Without regard to all known (and also unknown problems) our consideration must start taking into account the fact that the border of the European Union will reach Zagreb in the foreseeable future. For Croatia would be normal the decisive orientation to pass this border as soon as possible.

Table 3.

**GDP PER CAPITA AT CURRENT PPPS (EUR/ECU),
FROM 2002 AT CONSTANT PPPS**

	1990	1993	1995	1996	1998	1999	2000	2001	2002	2005	2010	2015
	projection assuming 4% p.a. GDP growth and zero population growth p.a.											
Czech Republic	10038	9798	11281	11980	12220	12542	13259	13958	14377	16172	19676	23938
Hungary	7209	7366	8317	8597	9890	10560	11405	11870	12261	13792	16780	20416
Poland	4576	4963	6302	6787	7785	8269	8791	9057	9057	9992	12157	14791
Slovak Republic	7486	6325	8248	8848	10156	10487	10943	11575	11980	13476	16395	19947
Slovenia	10110	9934	11607	12192	13546	14516	15482	16251	16739	18829	22908	27871
Bulgaria	4861	4459	5006	4633	5722	6005	6500	7011	7256	8162	9931	12082
Romania	5342	4852	5768	6113	4970	5054	5263	5660	5830	6558	7978	9707
Estonia	-	5145	5734	6125	7685	7823	9002	9715	10104	11475	13961	16986
Latvia	7106	4058	4447	4725	5850	6086	6689	7376	7782	8922	10855	13207
Lithuania	7352	4995	5088	5455	7401	7305	7802	8470	8851	10051	12229	14879
Croatia	5980	4359	5214	5833	7540	7571	8339	8855	9121	10259	12482	15186
Macedonia	3943	3470	3769	3845	5380	5696	6056	5865	5865	6470	7872	9578
Russia	8435	6894	6157	6064	5001	5399	6045	6526	6748	7576	9217	11214
Ukraine	5876	4558	3324	3066	3316	3403	3714	4187	4354	4945	6016	7320
	projection assuming 2% p.a. GDP growth and zero population growth p.a.											
Austria	15945	18093	19937	20647	21589	22590	23801	24613	25105	26642	29415	32476
Germany	15052	17593	19890	19922	20916	21795	23018	23557	24028	25499	28153	31083
Greece	8767	10395	11920	12319	13182	13999	15014	16079	16400	17404	19216	21216
Portugal	9263	11086	12761	13153	14352	15329	16208	17236	17581	18657	20599	22742
Spain	11500	12897	14141	14667	15647	16806	17922	19037	19418	20607	22751	25119
Turkey	4416	5163	5239	5533	5988	5818	6299	5828	5944	6308	6965	7690
Japan	17241	19656	21675	22600	22907	23492	24467	24600	25092	26628	29400	32460
USA	21852	23889	26141	27140	29704	31173	33092	33769	34444	36552	40357	44557
EU (15) average	14750	16282	18153	18574	19802	20790	21996	22879	23337	24765	27342	30188
	1990	1993	1995	1996	1998	1999	2000	2001	2002	2005	2010	2015
Czech Republic	68	60	62	64	62	60	60	61	62	65	72	79
Hungary	49	45	46	46	50	51	52	52	53	56	61	68
Poland	31	30	35	37	39	40	40	40	39	40	44	49
Slovak Republic	51	39	45	48	51	50	50	51	51	54	60	66
Slovenia	69	61	64	66	68	70	70	71	72	76	84	92
Bulgaria	33	27	28	25	29	29	30	31	31	33	36	40
Romania	36	30	32	33	25	24	24	25	25	26	29	32
Estonia	-	32	32	33	39	38	41	42	43	46	51	56
Latvia	-	25	24	25	30	29	30	32	33	36	40	44
Lithuania	-	31	28	29	37	35	35	37	38	41	45	49
Croatia	41	27	29	31	38	36	38	39	39	41	46	50
Macedonia	27	21	21	21	27	27	28	26	25	26	29	32
Russia	57	42	34	33	25	26	27	29	29	31	34	37
Ukraine	40	28	18	17	17	16	17	18	19	20	22	24
Austria	108	111	110	111	109	109	108	108	108	108	108	108
Germany	102	108	110	107	106	105	105	103	103	103	103	103
Greece	59	64	66	66	67	67	68	70	70	70	70	70
Portugal	63	68	70	71	72	74	74	75	75	75	75	75
Spain	78	79	78	79	79	81	81	83	83	83	83	83
Turkey	30	32	29	30	30	28	29	25	25	25	25	25
Japan	117	121	119	122	116	113	111	108	108	108	108	108
USA	148	147	144	146	150	150	150	148	148	148	148	148
EU (15) average	100	100	100	100	100	100	100	100	100	100	100	100

Izvor: BENCHMARK RESULTS OF THE 1996 EUROSTAT-OECD COMPARISON BY ANALYTICAL CATEGORIES (preliminary), OECD, 1998; National statistics; WIFO; WIIW estimates.

Leon Podkaminer et al. Transition Countries in 2002: Losing Steam, Research Reports No. 285. July 2002. p. 34

Besides, it should not be forgotten that economic and the entire science, as well as all happenings on these spaces (during the reform time) gave considerable contribution to acceleration of collapse of the Bolshevik option and to the fall of the Berlin wall. All this especially refers to Croatia and Slovenia. Therefore Croatia deserves to associate into the European Union much earlier than it has been thought so far.⁷

Considering all what has been mentioned that is certainly possible. In his discussion with Croatian delegation Romano Prodi alluded that our destiny was in our hands. It remains to be seen how we shall make the most of our advantage. The Portuguese economists were convincing us that we should do it in very near future. Twenty years ago Portugal was remarkably below the level of the former state, and now it is remarkably in front of Slovenia.

Instead of concluding considerations

Croatia along to Slovenia belongs to the countries which were best prepared for transition. Drastic lagging of Croatia behind Slovenia was the consequence of imposed war and mistakes of entire and economic policy. The consequence of mistakes of entire policy was creation of political atmosphere which was not acceptable for international community. Croatia came under less or more shadow sanctions.

The mistakes of economic policy especially refer to tycoon privatization and wrong stabilization level. The synthetic expression of cumulated distortions of economic policy is development of such model of the economic development which is based on development of trade and the imports expansion, with completely neglected industrial policy.

Accelerated growth of GDP, production, exports and employment, appear to be the main strategic tasks of the new economic policy.

At the beginning of new century, the government of left centre realized, by combination of measures of economic policy, in the sphere of general restructuring, as well as in monetary and fiscal sphere, some, but insufficient shifts.

The question of further transformation of the model of economic development in direction of production development and exports expansion still remains open.

⁷ Žarko Puhovski, Ivan Prpić, Dragomir Vojnić (Ed.et.al.): Politics and Economics of Transition. Centre for the Study of the Transformation of Central and Eastern Europe. Zagreb, Informator, 1993. Dragomir Vojnić: Economics and Politics of Transition, Institute of Economics Zagreb and Informator, Zagreb. 1993.

Any similarity to the Argentine syndrom has not been direct danger so far (regarding foreign exchange and privatization reserves) but all possible consequences should be deliberated in order to undertake adequate measures.

Accelerated integration into the European Union demands both accelerated GDP growth and accelerated transformation of macroeconomic and macropolitical environment on fundamentals already accepted by the Agreement on Stabilization and Association.

At the 13th Congress of Economists (Lisbon 9-13 September, 2002) where Croatian delegation also participated, it was especially emphasized decisive role of political criteria (democratization, pluralization, function of law-governed state, rule of rights, human rights and freedoms) for admittance into the European Union, what means that the present GDP level of Croatia is not any more such an obstacle which could not be passed over. The forthcoming years will show whether this is the basis for optimism.

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EUROPSKI INTEGRACIJSKI PROCESI - GDJE JE HRVATSKA ?

Sažetak

Činjenica da je prijemom Slovenije granica Europske unije došla u predgrađe Zagreba opetovano je izazvala diskusiju o razlozima zaostajanja Hrvatske. Autor osnovne razloge (pored nametnutoga rata) vidi u političkom ozračju koje je bilo neprihvatljivo za međunarodnu zajednicu. Kao izraz takvoga ozračja pojavile su se velike greške ukupne (B i H) i ekonomske politike (tajkunska privatizacija i pogrešna razina stabilizacije). Odlučnu ulogu neprihvatljivog političkog ozračja pokazuje i sama činjenica da su hrvatski i slovenski ekonomisti zajednički pripremili polazne osnove tranzicije. Slovenija je taj koncept dosljedno provela, a Hrvatska ga je u potpunosti ignorirala. Drugi val demokratizacije (na početku stoljeća) stvorio je političko ozračje prihvatljivije za međunarodnu zajednicu i prikladnije za gospodarski razvitak. Osim određenih pomaka u gospodarskoj sferi, posebno su izrađeni pomaci u smjeru nešto bržeg priključivanja Europskoj uniji. Ohrabrenje u tom smislu autor je dobio i u razgovoru s predsjednikom Europske komisije, Romanom Prodigjem, za vrijeme XIII. svjetskog kongresa ekonomista koji je održan u Lisabonu od 9. do 13. rujna 2002. godine.