

# 250 Days of the New Croatian Government

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*After ten years' experience of a party, which identified itself with the state, Croatian voters gave their trust to a coalition. The most spectacular achievement of the coalition is overcoming of international isolation. Croatia was admitted to the Partnership for Peace, and was admitted to the NATO General Council as an associated member. EU Ministerial Council instructed the European Commission to start official talks with Croatia. After the elections the OSCE, whose mission is monitoring the situation in the field of human rights has already announced the lifting of monitoring.*

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**Key words:** Croatia, human rights

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## 1. Introduction

Two hundred and fifty days have elapsed from the moment when the Croatian electorate resolutely withdrew its confidence from the party, which, for ten years, had a sizeable majority in the Parliament. After ten years' experience of a party, which identified itself with the state, the voters gave their trust to a coalition. Finally, ten years after the first multi-party elections in Croatia, they opted for the form of management of state affairs which almost all democratic countries - including those in transition - had already embraced.

Why did the Croatian electorate opt in favour of a radical turnaround, ten years after Croatia's emancipation from seventy years in Yugoslavia? A somewhat simplified answer could be found in the fact that these ten years of one-party rule had shown that the pre-election declarations, promises and expectations had for the most part remained unfulfilled. Moreover, for most of the time after the 1990 elections, the party in power showed an increasing ten-

dency to identify itself with the state. Instead of establishing a democratic social state, as it had pledged itself in the constitution, this party asserted its undeniably strong electoral victory by launching pre-election military operations and organising early elections after successful operations to free the occupied parts of the country. In the meantime - by a policy, which never obtained parliamentary and public support, - it embroiled Croatia in a war with its neighbours and caused the impoverishment of the country and of the larger part of its population.

Even the so-called stabilisation five-year period that followed the liberation of the occupied parts of Croatia did not bring prosperity to the population of Croatia. This is especially deplorable as progress could have been easily achieved had the verbally declared aspiration of Croatia to join the prosperous community of free peoples - the European Union - been implemented in practice in the way it was presented to the public in the statements made by the highest state officials.

But, declarations were one thing, and political and economic practices a completely different matter. As a result of all this, even without any con-

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demnatory resolutions, Croatia was isolated, the economy declined and most of the population fell into poverty. The insatiable appetites of some individuals in power and the growing hardships for the population are best illustrated by the sluggish growth of the social product - one to two percent annually - during the last five years, accompanied by a four-fold increase in public spending. The untenable consumption of over one half of the social product through the state budget and other forms of state-controlled spending was further aggravated by other adversities, such as a 20% unemployment rate, the decline of the worker-to-pensioner ratio to a depressing 1.3: 1, and the all-pervasive practice of non-payment of debts, not only between economic organisations but also between them and the state, worsened still more by the public enterprises which were generating losses of about two million DEM a day. This was the state of affairs when, early this year, parliamentary elections were held in Croatia. All of these hardships, combined with the findings of the World Bank experts that Croatia was the worst-positioned country in transition in terms of relative poverty, could not produce any other election results than the ones that were obtained.

What, however, could and should have been done during the two hundred and fifty days after the election? What **has** been done?

## 2. The impressive overcoming of international isolation

The most spectacular achievement of the six-party coalition which won the election on January 3rd, 2000, is undoubtedly the impressive overcoming of international isolation, in which Croatia had existed in the past years. It was an undeclared isolation, and yet the country seemed to exist behind a transparent, but unbreakable, glass wall. Indeed, so strong was this international isolation that even the signing of an agreement about the avoidance of double taxation, or about air transport with a Far Eastern country, were proclaimed political events of the first order and proofs of Croatia's high international standing.

Already in May this year, in Florence, Croatia was admitted to the Partnership for Peace as its 26th member. Viewed from a short-term perspective, this

was a sure sign that the wall of isolation had been lifted and that its security, irrespective of the explosive situation in its eastern neighbourhood, had been raised to a higher level. From a long-term point of view, again, this implies that Croatia is on the way to reducing its relatively twice as high military expenditures than in most European countries to a more tolerable level without endangering its security. A little later, Croatia was admitted by acclamation to the NATO General Council as an associated member, having been granted observer status already in March this year.

In March, the EU Ministerial Council instructed the European Commission to start official talks with Croatia, thereby opening the door to the integration of Croatia into the community of EU countries. It would not be unrealistic to expect that the process of Croatia's association to the European Union could be completed by next spring. The final accession of Croatia, of course, does not depend only on the goodwill of the EU member countries but also on Croatia's efforts and skills in bringing the respect of human rights, legal security and the state and social organisation up to the level of those relations in the EU.

What is encouraging in this respect is the fact that such progress has been achieved in the field of human rights after the elections that the OSCE, whose mission is monitoring the situation in this field in Croatia, has already announced a new phase in its relations - the lifting of monitoring. In the eyes of the world, the greatest progress in the respect for human rights has been expressed in the unequivocal commitment - and practice - of the Croatian government with regard to the return of refugees who left Croatia during the past ten years. Eight thousand Serb refugees returned in the first part of this year alone.

This happened in spite of the fact that during the same period there were no signs that any of the Croatian refugees would be able to return to Yugoslavia, while the repatriation of Croatian refugees from Bosnia and Herzegovina, although theoretically feasible, is practically negligible.

The amended Law on Reconstruction is now fully non-discriminatory. It accords absolutely equal treatment to all refugees and displaced persons, irrespective of origin and nationality.

### 3. The Declaration on Cooperation with the Hague War Crimes Tribunal

The attitude towards the prosecution of indicted war criminals has also changed in Croatia. The Declaration on cooperation with the Hague War Crimes Tribunal is no longer just a declaratory act passed by the Croatian Parliament but serves as the basis for the practice of the Croatian judiciary authorities. Relations with the International Tribunal are at a very high level, and the wheel of justice has been set into motion also in Croatia. As a result, a war crime is a crime in Croatia, regardless of who committed it. The Croatian Government does not recognise the concept of collective guilt. Croatian courts prosecute those who have committed, ordered or inspired crimes, thus helping to eradicate the extremism which had been nourished for years by stories of the collective guilt and responsibility of one nation, and of the innocence of the other nation, as if the perpetrators of crimes were nations and not criminals.

The Croatian Government has also announced firm measures also with respect to the media and to the dissemination of information in general. The citizens are entitled to true, accurate and timely information on everything that is happening, in the country as well as abroad. This applies to electronic and to print media equally. The first steps in this direction are already under way. On television and in the national news agency, confidence was given to people committed to the idea of information in the service of the public, rather than of the party in power or the government. Added impetus to more objective information is expected from new legislation in the field and from the clearing of the morass created around private media or those, which were privatised, by criminal means. In spite of all the good intentions, though, we shall probably have to wait a little longer for genuine results to appear and to invest much more money and effort, since only well-trained people of integrity can produce objective information. And this requires both time and money.

The first eight months after elections have been used in Croatia not only to assess the financial situation but also to build a basis for economic growth, the creation of preconditions for greater prosperity and a higher purchasing power of the popula-

tion. In the past years, state propaganda abounded in such proclamations, although this was not borne out by results. Both of these claims are supported by the facts that the economy has been handicapped by enormous budgetary spending, which in the past could not be satiated even by over one half of the social product, with the state burdened by vast inherited debt and by guarantees that often turned to new debt. In addition, the excessive tax burden and a corrupt administration have left a legacy of a grey economy of unprecedented proportions. The real state of affairs is best illustrated by the findings of a study carried out by experts from the World Bank and the Croatian Statistical Office, according to which 80 percent of the population feel that they are poor, while the gap between the 10 percent of the most poverty-stricken citizens and the rich exceeds all the figures recorded in other countries in transition.

At the end of 1999 - according to the information imparted to the members of the Croatian Parliament - public debt, loans plus guarantees had reached the volume of 47 percent of GDP. Croatian foreign debt amounted to over 29 billion kunas (over \$3.5 billion); domestic public debt accounted for a further 16.7 billion kunas (about \$2 billion), with state guarantees amounting to over 21 billion kunas (over \$2.5 billion). In the months that followed new debts came to light. Partly owing to the efforts of the government to meet the debts incurred by the state, the level of uncollected debts began to subside in Croatia. But the government's efforts go even further. A series of new measures is under preparation with the aim of raising the level of legal security of economic organisations and of helping creditors to collect their outstanding debts more promptly and safely. Some legislative changes are likewise expected.

Legal insecurity and the possibility to buy favours from public administration officials will be combated by means of active anti-corruption measures. First steps have already been taken to ease the tax burden on the economy, and others are to follow. In these, the first post-election months, a programme was drawn up to establish the level of public expenditure, not only for the next year - as was customary until now - but also for a three-year period. As announced, the volume of the state budget during that period should not be increased.

#### 4. Croatian foreign currency reserves rose to \$ 3.1 billion

By mid-2000, the foreign currency reserves of the Croatian National Bank rose to \$3.1 billion. This is the highest foreign currency reserve level obtained so far. A solid tourist season - the best since the outbreak of war - afforded to the Croatian economy a foreign currency revenue of over \$3.5 billion. All this provides a solid basis for a reform programme that will lower the compulsory foreign currency reserves of Croatian banks before the year is out, and also gradually level out the rules of banking transactions with the domestic and with foreign currencies. This is conceived as an introduction to the time when Croatia will come so close to the European Union that its financial system will equally rely on the kuna as on the euro, or other European currencies, without any further major preparations and changes. This is borne out by the fact that Croats mainly keep their savings in foreign currencies.

After several years of verbal commitment to cooperation of the government with trade unions and employers' associations and, more lately, after the end of the war and numerous strikes and street protests of workers, for the first time this year Croatia has come closer to a genuine accord with trade unions and employers about social peace. This peace is essential to everybody, as the basis for all efforts to achieve economic growth and prosperity. So far no Croatian government has put its signature under a social peace treaty. The present government seems to have a serious intention of doing so.

Without concealing present and expected difficulties, bankruptcies and job losses in chronically non-profitable companies, the government has announced a programme that aims to create conditions for opening at least 30,000 new jobs every year during the next three years. A GDP growth of at least 3.5 percent has been announced for next year, to be followed by an even higher growth in the next two years. Fiscal policy measures are to be implemented, with the aim of lessening the tax burden on the economy, capital and labour. Another stated aim is to reduce public expenditure to a still high 38.8 percent GDP by the year 2003.

Measures have been prepared to prevent the operation of companies, which pay their workers ir-

regularly. It may sound unbelievable, but at the beginning of this year we had companies employing a total of 150,000 workers which pay their workers' wages at irregular intervals, if at all, in some instances for several years in succession.... One of the preconditions for tripartite agreement on social peace is to prevent the possibility on the part of management to avoid paying their employees. No favours will be shown, namely, to those employers who pay irregularly or not at all the social security contributions for their workers.

#### 5. Conclusion

All these efforts to introduce order in the house are meant, of course, to facilitate a more effective operation of economic organisations, but also to create an environment in which foreign investors will feel secure and welcome. The privatisation of companies, public enterprises and banks follows precisely this aim.

In all of these efforts, Croatia now enjoys the active support of the international community. After five years of waiting, Croatia has become full member of EUREKA. Another immediate goal is the admission to Logchain, the project of a European logistic transport system, since uneconomical transport is one of the weak points of Croatia's economy. Further aims are to join numerous other international scientific projects to promote various economic activities. Membership of WTO is a further step that will open the door for Croatia to the world markets, and at the same time step up the pressures towards rationalisation in the country, in production and in the operation of the economy as a whole.

The most convincing acknowledgement of Croatia's genuine wish to expand its cooperation with its neighbours was most certainly the conference of Speakers of Parliament of the Stability Pact member countries, held in Zagreb. Side by side with other partner countries in the Pact, Croatia gave a public commitment to true partnership and to the process of creating an undivided Europe consisting of secure, prosperous and open countries. This policy received further proof immediately afterwards by Croatia's joining the trilateral organisation of Slovenia, Italy and Hungary, which has now acquired its fourth partner. ■