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Review article

## **CROATIA'S ECONOMIC DIPLOMACY NEEDS LONG-TERM STRATEGY AS CONSTRUCTIVE AXIS FOR FUTURE REFORMS**

*The article aims to examine how policies and measures taken by the Government, The President and the Parliament influence the country's economic diplomacy activities, and its relevance in Croatia's foreign policy. Firstly, the paper analyses the economic diplomacy features, main actors, and identifies factors that have power to affect its capacities to build a positive image of Croatia as a reliable partner in trade, and attract investments.*

*The paper sheds a new light on the nature of Croatia's diplomacy reforms (1991 – 2013) showing existence of a persistent practice of every Croatia's government to radically change organizational structure of economic diplomacy, and start from the beginning even in periods when it was effectively organized, well equipped with human resources, and based on interests of Croat firms. The main consequence of that approach is a great deficiency of a continuity what decreases power of Croatia's economic diplomacy to support the state's economic prosperity. The article recommends improvement of Croatia's economic diplomacy in line with a holistic and interdisciplinary approach aimed to increase its role in pursuing the country's economic interests in international relations taking into account a necessity of building its continuity.*

*Key words: economic diplomacy, Government, President, reforms, continuity, economic interests, the Croatian Chamber of Economy.*

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## 1. Introduction

This article explains features of Croatia's economic diplomacy and gauges its strength through an analysis of its key actors. The main actors of the state economic diplomacy are the Government, through its Ministry of Foreign Affairs and other ministries, the President of Croatia and his office, and the Croatian Chamber of Economy. There are, of course, in addition to the Croatian Chamber of Economy other non-state actors engaged in economic diplomacy like The Croatian National Tourist Board, Croatian Employers' Association, Croatian exporters. The article emphasizes that professional business organization of all companies operating on Croatian territory, because every Croatian government and the president has understood the Chamber as a force that can help in running bilateral and multilateral economic diplomacy and even be a relevant factor in its improvement.<sup>1</sup>

The article provides a historical overview of the Government approach to Croatia's economic diplomacy starting from 1991 to 2013. During that period, many reforms were announced and they all have suggested broad structural reforms of economic diplomacy, new organizational schemes inside the Ministry of Foreign Affairs, new agencies, more funding, more inter-ministerial coordination, more digital modernization, more economic affairs experts in the Croatian embassies, and new economic diplomacy strategy.

The improvement and development of economic diplomacy of The Republic of Croatia is significant for achieving stronger economic growth of the country. The Croatia's prosperity depends on successful integration of its companies in international markets. It is of particular importance to have economic diplomacy capable to play more efficient role in accelerating economic growth of the country. For this reason, it is necessary to analyze historical development, and key characteristics of Croatian diplomacy, and evaluate its past and current contributions to the country economic development.

The hypothesis of the article is that government reforms have paid nominal attention to the economic diplomacy modernization process because they were mainly focused on changes which have no power to fundamentally strengthen Croatia's economic diplomacy's ability to help the country to achieve its development aims.

The first part of the article describes content of the Government's economic diplomacy and its reform results to argue that the reforms have become the meta-

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<sup>1</sup> In what way these institutions understand the business of economic diplomacy and their role in economic foreign policy of the country, see Mirko Bilandžić and Ivona Baron, "Business knowledge in the function of development: economic diplomacy in the republic of Croatia". *Marketing*, Vol.25, No. 1, June 2013.

phor for “change of government” instead of a mechanism for improving that tax-funded activity to be in sync with national economic objectives .

The article also looks into relations among the principal actors of the country's economic diplomacy and estimates their efforts and ability to bring the Ministry of Foreign Policy closer to the objectives of internationalization of Croatia's economy. The idea that the relationship between the Government and the President has strong power to determine the economic diplomacy results lies visibly on the surface of the article. The article provides an in-depth analysis of the economic diplomacy of Stjepan Mesić, the President of The Republic of Croatia from 2000 to 2010 in order to support, and clarify its significance. Over that period, the President's concept of economic diplomacy and the Government's concept became less compatible and that development resulted in loss of important opportunities for the Croatian economy with Qatar, and Russia prepared by Mesić. In line with that, the article explains these events.

The aim of the second part of the article is to provide insight into the rationales of Croatian economic diplomacy. It is not clear enough on which sources, ideas and knowledge the government shapes its concept of economic diplomacy and implements it. For that reason that article opens the questions on theoretical and empirical foundations of the Government's approach towards economic diplomacy.

## **2. The main actors: the Government, the President and the Croatian Chamber of Economy**

This section examines the Government decisions and efforts which have been undertaken to improve the efficiency of economic diplomacy led through the Ministry of Foreign Affairs since 1991 to 2013.<sup>2</sup> This, however, has no pretensions to be understood as a summa of the Government economic diplomacy but as a broader insight into motives, principles, approaches and content of the changes in the field of Croatia's economic diplomacy.

In 1991 The Government decided to shape economic diplomacy as an integral part of the activities of Croatian diplomatic and consular missions abroad and organized it within the Ministry of Foreign Affairs as a Department of economic

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<sup>2</sup> The government conducts foreign policy, determines its objectives, chooses means and decides how to organize them to carry out the country's political and economic interests in international relationships. See Article 113, The Constitution of the Republic of Croatia, (consolidate text), at [www.constitution.org/cons/croatia.htm](http://www.constitution.org/cons/croatia.htm)

relations with foreign countries, which had two units: for system and economic integration, and for foreign investment and concessions.<sup>3</sup> The top business cadre from Croatian pride companies INA and Pliva had a vital role in building the economic diplomacy of the state and had strong intention to develop close connection between foreign policy and economy.<sup>4</sup>

The Ministry of Foreign Affairs had a central position in managing and operating the state's economic diplomacy in bilateral and multilateral economic contexts, but it was also loosely related with other government ministries and agencies.<sup>5</sup>

Each interpretation of the economic diplomacy beginnings must be weighed in the light of regional geopolitical constraints on the country's foreign policy. In 1991, Croatia declared its independence from Yugoslavia, in terms of the enormous military pressure on its territory, and those geopolitical conditions affected the country's foreign policy agenda in a fundamental way. The essential question that diplomacy had to address was achieving internationally recognized territorial sovereignty.

When that era ended the first strong push in the direction of leading economic diplomacy came from Croatia's political elite, the academic community and the media who embraced the neoliberal ideas on "interdependent world" in which the country, if it wants to prosper economically, must be integrated through the opening of its economy. The economic diplomacy tasks that Croatia has performed since the mid-1990s have come to depend on the processes which people then called "uključivanje u globalizaciju".<sup>6</sup> The process of integration into global capitalism, and standard-setting international organizations for trade, finance, health or ecology became a central idea of the multilateral economic diplomacy.<sup>7</sup> The

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<sup>3</sup> For a historical perspective of Croatian diplomacy, see a lecture of Sergej Ivan Morsan, "The beginnings of Croatian diplomacy", held at the one-year course of diplomatic studies at the Diplomatic Academy of the Ministry of Foreign Affairs and European Integration of the Republic of Croatia on 27 March 2009, and 2 February 2010. The lecture is published in the Herald of Croatian Diplomatic Club, Year VII, Issue 3, June 20 2009, [www.hdk-cdc.hr/index.php?](http://www.hdk-cdc.hr/index.php?) ...

<sup>4</sup> This theme is developed in „Ina diplomacy“, in Jasna Plevnik, Stjepan Mesić and Ljubo Jurčić (2013). *China in the Balkans*. Zagreb: Plejada, pp. 224-227.

<sup>5</sup> Since 1991 until 2013 The Ministry of Foreign Affairs several times changed its name. It began as the Ministry of Foreign Affairs (MFA) than became the Ministry of Foreign Affairs and European Integration (MFAEI) and current name is the Ministry of Foreign Affairs and European Affairs (MFEA). The article mainly uses name the Ministry of Foreign Affairs or just the Ministry.

<sup>6</sup> The article deliberately uses these words, which means "integration into Globalizations", in Croatian language, because the public was "tortured" with them at least ten years. Those words were a center of every political, economic and academic speeches at that time and shaped the public's thinking about the world

<sup>7</sup> Croatia has a membership in 32 international organizations, see [www.mvep.hr/.../clanstvo\\_univ\\_karakter\\_eng.pdf](http://www.mvep.hr/.../clanstvo_univ_karakter_eng.pdf). For a detailed analysis of Croatia's multilateral economic diplomacy see,

word “globalization” has expanded into the bilateral economic diplomacy denoting a term for foreign investments and worldwide exports. Political discourse in the field of national economy and foreign policy became similar and that raised the conclusion that Croatia has equalized the process of implementation of global economic standards almost with the whole system of international relations. That perception of the world was not incorrect but was partial, and fashionable. Croatia’s aim to achieve faster economic development through integration into the global economy has not been fulfilled yet. At the same time, the phrase “integration into globalization” has lost its ruling position in the country’s foreign policy and economy discourse. However, a declining of globalization discourse power has not left behind a vacuum in Croatia’s reality because all those processes of internationalization of national trade, and labor market and privatization of government assets that have shaped more than a decade the country did not undergo a major restructuring.

In 1994, according to the Law on the State Administration, the economic diplomacy service was reorganized and a directorate with departments for bilateral and multilateral economic diplomacy was established.<sup>8</sup> The role of Directorate was to be the first point of contact for Croatian businesses at the Ministry. The concept that economic diplomacy is an obligation of one directorate and an economic adviser in Croatia’s diplomatic missions and consular offices abroad has become predominant in the country’s economic diplomacy. For many years, it has deepened a divide between political, public and economic diplomacy that constrained the country’s external activities.

The Government led by Zlatko Mateša (1996 - January 2000) had a goal to strengthen the economic diplomacy role in the implementation of its economic program. In 1996, in the context of a low level of international competitiveness of the Croatian economy, external trade deficit and foreign debt growth, the Government established the Agency for Investments Promotion whose responsibilities were similar to those of the Directorate of the Minister of Foreign Affairs: to promote investments and exports, and to consult business. The members of its Supervisory Board were the Minister of Foreign Affairs and Minister of the Economy.<sup>9</sup>

The chronology of the Agency “fate” has sufficient explanatory weight to support the article’s thesis that the economic diplomacy of Croatia has not been developed through upgrading. In 2000, the new Government abolished the Agency for Investments Promotion with an explanation that the Agency’s jobs would be

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Dubravko Radošević. “Croatian economic diplomacy in the Globalised World“, Working paper for the Conference Diplomacy and Economic Development in the Transition, Dubrovnik, 2002.

<sup>8</sup> Official Gazette: NN no. 75/93.

<sup>9</sup> For a clear overview of the Agency duties, see The Decree on Founding of the Croatian Agency for Investment Promotion of 6 June 1996, [cadial.hidra.hr/searchdoc.php?query=&lang=hr&bid...](http://cadial.hidra.hr/searchdoc.php?query=&lang=hr&bid...)

taken by The Ministry of economy. That decision was withdrawn in 2002 when the Government re-established the identical agency naming it the Agency for Exports and Investments Promotion. At the end of 2003, after the arrival of the new government, the heads of the Agency were removed. In the new Government's document on economic diplomacy, the Agency has maintained an important place, but, according to its employees, it was financially marginalized until 2005, which limited the Agency's activities. In 2010, the Agency for Exports and Investments Promotion was abolished, and its employees were transferred to the Directorate for Economic Diplomacy of the Ministry of Foreign Affairs. In 2012, the Government established the new Agency for investments and competitiveness whose duties are very close to that of the abolished one.

This approach – change with no continuity – recurred so systematically that it seems reasonable to emphasize it, especially when the country's foreign policy tradition is a “long” 23 years.

In 2000, Croatia set as a strategic foreign policy goal a membership in the European Union and that could be explained as another swing to an economic foreign policy. Bruxelles set up economic cooperation with South East Europe as a strong condition of membership. In 2001, Croatia signed with the European Union the Stabilization and Association Agreement by which it committed itself to regional cooperation and creation of a free trade area for industrial products and most agricultural products. The practical result of that policy was the first CEFTA agreement.<sup>10</sup>

The turn in that direction was not sharp, but gradual and under great pressure of an anti-regional tendency based on a bizarre idea that Croatia does not belong to the Balkans neither civilizational nor geographically.<sup>11</sup> Especially the relations with Serbia were considered unacceptable, and explained as a foreign policy aimed at a restoration of Yugoslavia.

The mandate of the Government led by PM Ivica Račan (2000 - 2003) was marked by aspirations for an ambitious reform of economic diplomacy, the outcome of which should be a higher priority of that service within the Ministry of Foreign Affairs, and more visible connections between diplomacy and the prosperity of the country. At the time, the Croatian economy was characterized by a low level of international competitiveness and high foreign trade deficit while the country's foreign debt has increased significantly. The Government

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<sup>10</sup> The Agreement on Accession of the Republic of Croatia to CEFTA was signed on 5 December 2002, and the seven CEFTA members begin the implementation in March 2003.

<sup>11</sup> For more discussion, see Jasna Plevnik (2009), *The Price of the New Order: World Challenges to the National Interests*. Zagreb: Golden marketing-Tehnička knjiga, pp.106, and 129-156.

has put particular emphasis on the single market of the European Union and the markets of South East Europe defining those economic areas as key for Croatian companies' exports. The left Government encountered strong pressure while implementing the European Union's demands for building stronger economic ties between Croatia and the region. The strong right-wing political forces brought back the war issues of the early 1990s, explaining those events as an actual factor capable of harming national interests in the first decade of the 21st century. Concentrating on the past narrowed a scope for fully understanding the modern kinds of dangers for Croatian sovereignty that have come from a literal, even pedantic, implementation of the theories on "open economy" and "free trade".

In the summer of 2003, the Government tried to overcome a question visible throughout its whole mandate and after it – a missing economic diplomacy network – by signing a pre-agreement on cooperation among The Ministry of Foreign Affairs, the Ministry of Economy and the Agency for Exports and Investments Promotion. In that, more formalized way an economic diplomacy network, understood as an extensive, flexible tool that helps better implementation of Croatia's economic goals into external relations practice, should be built. That became only a memory because six months later the new Government was focused upon establishing its own concept of economic diplomacy. This article does not seek to extend the political power change into the only cause of the economic diplomacy reforms though it appears as an approach which dominates over empirical and academic approaches towards Croatia's economic diplomacy.

In 2003, Ivo Sanader was elected as president of the Croatian government and it was hard to expect, given his performance in opposition, that the new government would continue with improvement of relations with the region. Coming to power Sanader has pursued a policy of cooperation with other countries in the region through a strategy that emphasized economic means in bilateral or multi-lateral context.

Sanader's government ( 2003 – 2009 ) was bound up with the complex process of Croatia's approaching to the EU (avis, candidacy, the date of the start of negotiations) and NATO membership, but in parallel worked on strengthening the role of economic diplomacy at three levels: within the Ministry of Foreign Affairs; regionally and globally. Diplomacy had to promote Croatia as a country in which a business can quickly be opened and whose cadastre and land books are on Internet.

In 2006, the Government issued The Decree to adjust the role of the Directorate for International Economic Cooperation within the Ministry of Foreign Affairs to its organizational concept of economic diplomacy which was centered to fill a vacuum that has existed in the relations between economic advisers in

the diplomatic and consular missions abroad and the Directorate for International Economic Cooperation through closer mutual communications.<sup>12</sup>

Sanader's visit to the border crossing Croatia – Serbia (Bajakovo) in 2006 and his message to citizens of Serbia in which he wished them the same as to citizens of Croatia – economic success and faster approaching to the EU – made it clear that Croatia became determined to cooperate with Serbia and contribute to regional stability. In the same year, Croatia signed a new Central European Free Trade Agreement too.<sup>13</sup>

The government announced a combination of various measures from hiring economy orientated experts to shaping stronger networking of all subjects involved in economic diplomacy tasks and, in particular, highlighted strengthening ties between the Ministry of Foreign Affairs and the Ministry of Economy. In January 2007, The Ministry of Economy launched a project called "Croatian Export Offensive" whose strategic objectives were to build a stronger bridge between Croatian companies and the Ministry of Foreign Affairs until 2010.<sup>14</sup> In building that network the outcome of the Government has been, however, fragile.

In 2009, the Government decided to change significantly its previous economic diplomacy organizational scheme within the Ministry of Foreign Affairs, including into every directorate a department of economic relations. This approach – the organization of economic diplomacy at the entire Ministry level – was aimed to ensure that all diplomats work on promotion and representation of economic interests of the country, and to build a stronger interconnection between political, public and economic diplomacy. It marked a sharp break with the pattern established in the 1990s.

At the time, the foreign policy looked like it was overcome by economic Zeitgeist. Even the goal of membership in NATO was presented as a means for strengthening Croatia's economic power, although there was no concrete evidence

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<sup>12</sup> For the organizational change details, see The Decree on amendments and changes of the Decree on the internal organization of the Ministry of Foreign Affairs and European Integration and the diplomatic missions and consular offices of the Republic of Croatia, issued by the Government on 3 August 2006, [http://www.hidra.hr/cro/sluzbena\\_dokumentacija\\_rh/radni\\_dokumenti\\_vlade\\_i\\_sabora](http://www.hidra.hr/cro/sluzbena_dokumentacija_rh/radni_dokumenti_vlade_i_sabora)

<sup>13</sup> See EU Trade Commissioner Peter Mandelson speech on "How CEFTA will replace the spaghetti bowl of regional FTAs in South Eastern Europe with a single agreement that will boost trade and attract investment", Croatia signed of new Central European Free Trade Agreement, [http://ec.europa.eu/trade/issues/bilateral/regions/balkans/index\\_en.htm](http://ec.europa.eu/trade/issues/bilateral/regions/balkans/index_en.htm)

<sup>14</sup> When the project Croatian Export Offensive was launched the Government presented data on which was possible to get an insight into what Croatian companies asked the Ministry of Foreign Affairs economic advisors in 2007. Of the 800 queries, 23 percent were related to services, the business of manufacturing industry 20 percent, 8 percent tourism and shipbuilding 1 percent! See [www.izvoz.hr](http://www.izvoz.hr)

that economic prosperity could be increased in that way.<sup>15</sup> In 2009, Croatia became a member of NATO and simultaneously entered into a severe economic crisis. The article certainly does not see any connections between those two events.

At the end of 2010, the Ministry of Foreign Affairs opened a position of trade attaché explaining it as an important step towards strengthening the economic diplomacy ability in the field of exports and foreign investments. The Croatian Chamber of Economy, Croatian Employers' Association and The Croatian exporters supported it but had an objection as to why the Ministry did not include the market of the former USSR, where Croatian companies have been very competitive. In the middle of 2011, the Ministry hired five trade attachés and sent them to Austria, Slovenia, Germany, Italy and the United States.

In 2012, the new Government decided, even before it publicly presented its new system of economic diplomacy, to abolish the system of trade attachés of the previous Government. In any case, the trade attachés, hired by the former Government, did not come into an opportunity to work for Croatia's diplomacy. In 2009, Serbia set up 28 trade attachés as the center of its economic diplomacy, on the initiative of the Ministry of Economy and Regional Development, and according to the experiences of Russian, Japanese and French economic diplomacy. The Serbian government did not abolish the whole system, but partially reduced the number of trade attaches, replacing them with representatives of the Serbian Chamber of Commerce.<sup>16</sup>

The abolishment of trade attaches arguments the article's thesis that approach – change with no continuity – weakens effectiveness of economic diplomacy. Improving economic diplomacy, as well as overall public administration, is heavily feasible in terms, which ignore planning, and the simple fact that all reforms need a broader timeframe for implementation.<sup>17</sup>

The Milanović administration's (in the service of December 2011 to January 2016) foreign policy was focused on the completion of the process of integra-

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<sup>15</sup> For more discussion of an economic role of the NATO, see Tomaž Subotič, "NATO, economy and economic diplomacy" [www.finance.si/428](http://www.finance.si/428)

<sup>16</sup> This theme is pursued in Vladimir Prvulović's article, "Does Serbia need economic diplomacy?" *Politika* online, published December 12 2012, [www.politika.rs/](http://www.politika.rs/).

<sup>17</sup> The Strategic Plan of the Ministry of Foreign Affairs and European Integration from 2011 to 2013 in the section dealing with the improvement of the economic diplomacy's effectiveness as a measure sets increasing number of trade attachés. See at [www.mvep.hr/.../static/.../120417-stratplan2011-13.pdf](http://www.mvep.hr/.../static/.../120417-stratplan2011-13.pdf)

And in the Strategic Plan of the Ministry of Foreign Affairs and European Integration for 2012 to 2014 as a special target is stressed development of bilateral economic diplomacy by heads of diplomatic and consular missions and diplomats specializing in economic activity – trade attachés and economic advisers–.... See at [www.mvep.hr/hr/...i.../strateski-plan-ministarstva/](http://www.mvep.hr/hr/...i.../strateski-plan-ministarstva/)

tion into the European Union, and the development of relatively stable economic relations with the countries of South East Europe. The context in which the Government led its economic diplomacy was shaped by a very long economic recession, low exports and foreign direct investments insufficient to initiate economic growth.

The government was the first one under pressure to prove the benefits of Croatia's membership in the EU. In summer 2013, Croatia became a member of the EU but the opportunities to accomplish its developmental objectives through the membership seemed more uncertain and problematic than in 2000. The Union's shining moment has been quite ruined by a huge crisis that has occurred at the Eurozone level and revealed that such a thing as economic solidarity could be very fragile.<sup>18</sup> Here it is necessary to recapitulate that the dominant motif of Croatia's integration in the multilateral EU was not adoption of its legislation and social and political values but achieving economic prosperity. This is not an attempt to raise a claim that the integration process into the European Union, which was "negotiated" and implemented through a specific type of "foreign" policy led at home as a deep internal reform of Croatia's economy, judiciary and public administration, has failed.<sup>19</sup> It is about the new reality in the EU that calls in question Croatia's development paradigm organized exclusively around an implausible idea that the EU's economic growth is nothing less than unstoppable.

The cost of the membership fee, and ensuring financial resources required for using the EU's structural funds became a burden for the state budget that was increasing the budgetary deficit.<sup>20</sup> Besides, after joining the European Union Croatia ceased to be a member of the Central European Free Trade Association (CEFTA), and lost temporarily the right to preferential tariffs it had in Bosnia and Herzegovina, Serbia, Macedonia, Albania, and Montenegro. That change reduced its exports in the regional market.

The Strategy of the Government's Programme (2013– 2015) stressed, on the basis of The Strategic plan (2013 – 2015) of the Ministry of Foreign and European Affairs, as the most important future activities of Croatian diplomacy "assisting Croatian exporters, attracting foreign investors and protecting the interests of Cro-

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<sup>18</sup> On the origins of the Euro area crisis, see Christopher Alessi, *The Eurozone in Crisis*, April 3, 2013, [www.cfr.org/world/eurozone-crisis/p22055](http://www.cfr.org/world/eurozone-crisis/p22055)

<sup>19</sup> For a very fine recent illustration of what Croatia – the EU negotiations meant in practice, see how Ivan Grdesic, the Croatian ambassador to the UK put it: "Negotiating accession is really not a negotiating process – it's pretty much taking the decisions already done and written down in Brussels." See Simon Johnson, Scottish Political Editor, "Independent Scotland would have to accept the EU 'template'", *The Telegraph*, Friday 01, November 2013, [www.telegraph.co.uk](http://www.telegraph.co.uk).

<sup>20</sup> See The cost of Croatia's European Union membership in 2014 will lead to an increase in the budgetary deficit, 09/26/13, at , [www.vlada.hr/.../budget\\_deficit\\_to\\_reach\\_5\\_5\\_of](http://www.vlada.hr/.../budget_deficit_to_reach_5_5_of)

atian companies abroad.”<sup>21</sup> Since 2009 The Ministry of Foreign and European Affairs, as other ministries, has had an obligation to develop a three-year strategic plan of its activities and on that basis the Government evaluates whether the Ministry's goals are achieved or they should be revised.

In fall 2013, the Ministry of Foreign and European Affairs publicly presented a “systematically new approach to economic diplomacy,” which the Government summarized as an epochal change in the history of Croatian economic diplomacy.<sup>22</sup> The system has been set to pursue the Government's concept of building a deeper liaison between economic diplomacy and the country's economic development.<sup>23</sup>

The European Union's market, CEFTA's countries, the wider Middle East, the market of former Soviet Union Republics, the Far East and the USA were designated as the key areas for economic diplomacy activities.<sup>24</sup>

The reform began with an organizational scheme change. Economic diplomacy within the Ministry of Foreign and European Affairs was harmonized with the fact that Croatia became a member of the European Union. The economic diplomacy activities were divided within three directorates: the Directorate for European Affairs (Service for Economic bilateral cooperation with the EU members and EFTA (Iceland, and Lichtenstein, Norway, Switzerland); the Directorate for bilateral Affairs (Service for economic bilateral Cooperation); and the Directorate for Multilateral and Global Affairs (Service for multilateral economic and social Affairs).<sup>25</sup>

The government plan to improve the economic diplomacy using a force of honorary consuls could not be interpreted as a new approach, unlike its intention to recruit foreign consultants for finding international markets for Croatian prod-

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<sup>21</sup> See the strategic plans of the Ministry of Foreign and European Affairs for the period (2013 – 2015), and (2014 – 2015) at [www.mvep.hr/hr/dokumenti-i-obraci/.../strateski-plan-ministarstva](http://www.mvep.hr/hr/dokumenti-i-obraci/.../strateski-plan-ministarstva)

<sup>22</sup> On September 2013 Prime Minister Zoran Milanovic in the Government's Annual report to the Croatian Parliament, said: “The Ministry of Foreign and European Affairs, for the first time since its establishment, seriously dedicated to organize diplomatic and consular network as a service of the Croatian economy”, [www.vlada.hr/](http://www.vlada.hr/)

<sup>23</sup> More about that system of economic diplomacy, see <http://gd.mvep.hr/files/file/gd-dokumenti/GDprez.pdf>

<sup>24</sup> The Government is convinced that successful application of the new economic diplomacy system depends upon an evaluation of ambassador's economic activities too. For this purpose, every ambassador is obliged to submit to the Ministry a quantitative report on number of proposed export opportunities, foreign investments intentions, and visits to foreign companies. In 2006 Macedonian's ambassadors has been faced with that same somewhat surprisingly request that so far has not been recognized as successful.

<sup>25</sup> For a detailed organizational scheme, see the strategic plans of the Ministry of Foreign and European Affairs for the period (2013 – 2015), and (2014 – 2015) at [www.mvep.hr/hr/dokumenti-i-obraci/.../strateski-plan-ministarstva](http://www.mvep.hr/hr/dokumenti-i-obraci/.../strateski-plan-ministarstva)

ucts and investors. The economic diplomacy needs knowledge on local regulations, partnerships with local businesses and local governments who are influential and sometimes more helpful than central one to get the job done quickly. Local staff has a knowledge how to shape a bid and understands the public perception in some sensitive areas like are energy sector or construction one.

The Government was also concerned with the issue that has had a long history: missing of more open and powerful cooperation between all ministries, the government agencies, non-governmental organizations and associations that represent the interests of Croatian business. To support practically a process of building a more effective network the Government established a new body: the Commission for the Internationalization of Croatia's Economy.<sup>26</sup>

The very heart of the Government's new economic diplomacy system was a website, which the Ministry has described as an open and intensive communication tool with entrepreneurs, established to support them in a particular job and country. The new website has offered "relevant and updated information", collected by 84 Croatian diplomatic and consular missions abroad, the ministries, agencies, and associations of Croatian companies engaged in economic diplomacy. This Government's attempt to rise communication of the economic diplomacy's actors at a web level might be explained as an intention of starting a process of digitalization of economic diplomacy, and placing a special weight on improving real-time communication between state administration and the business sector. To foreigners it may seem strange that the Ministry of Foreign Affairs highlighted as a novelty a readiness of its economic services to answer requests from the Croatian or international business community. However, that problem of not responding is not only connected with economic diplomacy, but also existed in many other areas. The very process of communication is many times very long and without effects: ministries, agencies and institutions respond slowly, if at all. There are also companies that ask the Ministry of foreign Affairs to help them export their products abroad, but when the Ministry informs them about market opportunities, it cannot get simple feedback from them. If that would be changed, it could produce a qualitative shift in the economic diplomacy.

Looking back at the history of Croatia's diplomacy reforms it is possible to predict there is a high probability that Milanović administration's system of economic diplomacy could be dismantled.

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<sup>26</sup> Members of the Commission, among others, were deputies of Ministers of eight Croatian ministries, and Economic Advisor of the Prime Minister, while the coordinator of the Commission is Deputy of the Minister of the Ministry of Foreign and European Affairs. For more, see Decision on the establishment of the Commission for the internationalization of Croatian economy, [www.vlada.hr](http://www.vlada.hr).

### 3. The coordination between the President and the Government

The president of Croatia is, according to the Constitution, together with the Government, one of the foreign policy creators. If the article looks at the President's constitutional authority in foreign policy, Article 99, it is possible to conclude the President might most help the country's economy in the area of economic diplomacy.<sup>27</sup>

The presidency of the first Croatian president Franjo Tuđman (1990-1999) was focused at resolving the geopolitical problems that Croatia had because of Serbia's aggressive foreign policy beyond its own borders. In that context, the first of Tuđman's foreign policy concerns was to preserve territorial integrity and security of the country and to get support of international community.<sup>28</sup> The achieving of that foreign policy goals strongly limited the President's economic diplomacy capacities but during his presidency Croatia has joined to the majority of international organizations and financial institutions and it brought benefits to the country. That could be described as Tuđman's significant contribution to Croatia's multilateral economic diplomacy.

The second Croatian President Stjepan Mesić (2000 to 2010) led ambitious and extensive economic diplomacy at bilateral, regional and multilateral levels. The President's foreign policy activities had two sides: the mission of popularization of economic diplomacy as a usable means for development and stability of the country, and personal involvement in economic diplomacy practice. The first decade of the twenty-first century Croatian diplomacy was deeply influenced by President Stjepan Mesić who was determined to change country's economic diplomacy in a fundamental way.

The realization of his ideas on a more effective economic diplomacy took place in the context of a low level of global competitiveness of the Croatian economy and foreign trade deficit. In 2002, Mesić officially visited Malaysia and Indonesia and was faced with the weaknesses of Croatian economic diplomacy in practice. He assessed that level of coordination between the subjects of economic diplomacy was insufficient and it directly limited results of top political delegations. In summer 2003 the Ministry of Foreign Affairs hosted a seminar on economic diplomacy, saying a higher level of coordination between the President, the Government, the Croatian Chamber of Commerce, and the Croatian Bank for

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<sup>27</sup> See Constitution of the Republic of Croatia(consolidated text), [www.constitution.org/cons/croatia.htm](http://www.constitution.org/cons/croatia.htm)

<sup>28</sup> The presence of the peacekeeping missions (UNTAES mandate, and Civilian Police Support Group of the UN) on Croatian territory ended in 1998, and with it questioning of territorial integrity of the Republic of Croatia.

Reconstruction and Development and Croatian entrepreneurs was called for. During his entire term, Mesić advocated for the modernization of economic diplomacy through a deeper networking of its all subjects that should bring the country more benefits from the existing international economic context.

Mesić's efforts to make economic diplomacy more relevant in Croatia's foreign policy were based on his concept that economic diplomacy should become an obligation of all ministries and all directorates of the Ministry of Foreign Affairs. He believed the country had both the capacity and motives for implementation of that approach in its bilateral, regional and global engagement. Mesić followed an idea that none of the economic diplomacy's subjects will be able to secure Croatia's interests worldwide by itself because in international relations economic, political, cultural and even military policies take place simultaneously and their goals are moving from one area to another.<sup>29</sup> Mesić's conceptual breakthrough, which could be defined as deploying theory on "total economic diplomacy" directly in foreign policy practice, was accepted in 2009 when the Ministry of Foreign Affairs integrated economic diplomacy activities into all its directorates.

Mesić's acknowledgment that the Government's perception of the world constrained his economic diplomacy efforts disclosed a relevant problem in the following way. The President's perceptions of international relations included the West, the Region, emerging market countries and the group of countries involved in the Non-Aligned Movement.<sup>30</sup> Mesić's economic diplomacy was focused on strengthening and renewal of economic relations with Russia, China, Malaysia, Algeria, Libya, Egypt, Iran, Qatar, the United Arab Emirates, Kazakhstan and Azerbaijan. In the former Yugoslavia, Croatian companies had operated successfully in their markets and the President had an idea to take advantage of that business legacy. In one way, but not in a way that he hoped, Mesić expanded territory for economic diplomacy activities.

The President's diplomacy has been criticized as "Yugoslav", "politically outdated" and focused on "non-democratic countries" although by its economic goals it did not differ from diplomacy that led the presidents of developed democracies in these markets. Besides, the analysis of the President's visits from 2000 to 2010 shows he most visited Bosnia and Herzegovina and the United States (fourteen times); Germany and Austria ( eleven times ), and France ( ten times).<sup>31</sup> The critique of The President's economic diplomacy concept, described above, required a better reaction of the Government but such an engagement was limited by its

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<sup>29</sup> For more on Mesić's approach to economic diplomacy, see chapter "My economic diplomacy" in Jasna Plevnik and Stjepan Mesić: *The Age of Economic Diplomacy* (Zagreb: Plejada, 2011), pp. 137-202.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

ideologically grounded approach to international relations. Croatia's Prime Ministers during Mesić's Presidency have been primarily focused on the West and the developed markets of capitalist economies in which Croatian companies were not competitive. Here we are not in a position to cover the full scope of differences between the President and the Government that have occurred in the period since 2000 to 2010. Therefore, the article will try to synthesize them through Mesić's economic diplomacy towards Qatar and Russia.

The President visited Qatar in 2004 and 2008, a central point of his diplomacy was gas, and construction works for Croatian companies. Doha, a luxury-crazy city has become a centre of beautiful buildings made by the best world architects and some buildings were made by Croatian construction companies, which have been very interested in more of Croatia's high political visits with an economic dimension. In his first visit, President Mesić signed several agreements with Qatari Emir Hamad Bin Khalifa Al-Thani that should encourage stronger cooperation between Qatari and Croatian companies. Two years after his visit, the Qatari Public Works Agency and Croatian *Constructor – Engineering Company* signed a contract to build a road in Doha, worth \$ 220 million. Could it be asserted that that was the result of Mesić's economic diplomacy? Things cannot be viewed as literal, but it should be recalled that the President invested a lot of time and energy and that the Croatian company got the job. Before the decision was made, the President sent a letter to the Qatari Emir with a recommendation for *the Constructor*. In 2008, he visited the construction area to send a message that Croatia stands behind the work that has made this company in Doha. Qatar's business culture appreciates it when the reputation of high-level officials and decision-makers stands behind a business corporation.

The exports to Qatar and getting construction jobs have been important for Croatia, but the gas was the strategic side of Mesić's Qatari diplomacy and the reason why he also visited the gas plant and the port Ras Laffan. Qatar is the leading country in world gas reserves and was ready to invest several billion dollars to build a liquefied natural gas terminal in Croatia. The government first has hesitated for two years to give a concrete answer on Qatar's LNG offer and finally decided to support a LNG terminal project of the international energy consortium *Adria LNG* (EoN-Germany, OMV-Austria, and Total-France). Mesić's Qatar energy diplomacy efforts have failed because he got no support from the Government. Very soon, *Adria LNG* announced that the final decision on their project would not be made before 2013, and the decision was to withdraw from the project.<sup>32</sup>

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<sup>32</sup> For an excellent illustration of what this meant in practice, see the experience of Former Director of the Agency for Exports and Investments Promotion Slobodan Mikac who said to the newspaper "Jutarnji list" that the Agency supported priority investment approach, and was focused on helping investors, but former Minister for Economy Damir Polančec wanted of investors to do

The President's foreign policy of pragmatic renewal of economic relations with Russia was gradual and faced with an unfavorable context at home. Russia belonged to that part of the world that Croatia has "denied" after the breakup of Yugoslavia. A stereotype of "hostile Russia towards Croatia's independence" in itself united all objections to Russia's politics during the war in Yugoslavia. Mesić led economic diplomacy toward Russia on three levels: restoration of bilateral relations in the areas of trade and investment, solving of Russia's debts to Croatian companies, and discussion of projects related to the transfer of Russian oil and gas.

In 2003, Croatia exported to the Russian market more than all the countries of South East Europe. It was the first country of Yugoslavia that, in 2006, signed an agreement on the regulation of clearing the debt of the former Soviet Union of 186 million U.S. dollars. In 2007, just at the time of the growth of energy insecurity in the world, Mesić organized the energy summit of South East European countries and called Russian President Vladimir Putin to participate in its work. Putin came to Zagreb but the Croatian government did not use the chance to improve essentially its relations with Russia in the field of oil transportation and processing.

In 2010, Mesić's term finished but he has continued with his international commitments, of which the most important could be described as an improvement of economic cooperation between Croatia and Central Asia countries.

The President of Croatia, Ivo Josipović (in Office since February 2010 to February 2015) accepted, to some extent, the legacy of the economic diplomacy of his predecessor. In 2012, President Josipovic officially visited Qatar and opened the country's first embassy in the Gulf. He had intention to expand economic ties between the two countries and reopened the talks on a possibility of Qatar investment in Croatia's project for construction of a Liquid Natural Gas (LNG) terminal on Krk, and a 25-year natural gas supply deal.

The President founded the Council for economy that also has discussed a need for an economic diplomacy, which could be more helpful to Croatian entrepreneurs.<sup>33</sup> He supported a new concept of economic diplomacy that Prime Minister Zoran Milanović launched in late September in 2013.

The President and the Government, as well as those before, seek to take advantage of The Croatian Chamber of Economy's experience in economic diplomacy displayed in the first two decades of the country's existence. They both

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all the work by themselves. "So Croatia lost 15 billion dollars investment when the Emir of Qatar came and asked what Croatia can offer interesting for investment. We had nothing." See, [www.jutarnji.hr/katarski-emir--kako-smo-odbili-3...od.../958247/](http://www.jutarnji.hr/katarski-emir--kako-smo-odbili-3...od.../958247/)

<sup>33</sup> „The President's Council for the economy supported the project of the new economic diplomacy of Croatia", *Novi List*, Friday, September 13 2013, p. 6.

perceive The Croatian Chamber of Economy (the CCE) as an important partner and actor in implementing the country's economic goals in international relations.

The Croatian Chamber of Economy is a member of the Government Commission for the internationalization of Croatian economy. The Ministry of Foreign and European affairs, in its document on a new system of Croatian economic diplomacy, section VI, emphasized closer cooperation with the CCE's international offices.<sup>34</sup>

The Chamber is not the equivalent of the Ministry of Foreign Affairs, but the leadership of the country understands its role in economic diplomacy as similar to that of the Ministry. The Chamber follows international issues closely, discusses them with the Government, assists in the education of Ministry of Foreign Affairs' economic diplomats, and its employees have served as Croatia's representatives in many economic multilateral and bilateral diplomacy issues and were involved in the negotiations with the EU.

The Chamber is organized to connect and represent the interests of the national business sector. Every company registered at the Commercial Court in Croatia is a member of the Chamber to which they contribute money and time to press the Government for favorable economic conditions at home and abroad.<sup>35</sup> It is well equipped for the implementation of the interests of Croatian companies in international relations. The Chamber has its international offices to protect the interests of Croatian business sectors abroad, and develop international contacts. In 1993, The Chamber became a member of The International Chamber of Commerce (ICC). It is also a member of the Association of European Chambers, Eurochambers, and the Association of Mediterranean Chambers of Commerce and Industry (ASCAME-a). The CCE is included in the system of Private Sector Liaison Officer (PSLO), a network made up of industrial commerce, business and trade associations, investment promotion agencies that operate in 99 countries around the world to promote international trade and investment. The Croatian Chamber of Economy also co-operates with the World Trade Centre in Geneva.<sup>36</sup>

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<sup>34</sup> For a recent expectation of The Croatian Chamber of Economy, see a document of Ministry of Foreign and European Affairs, <http://gd.mvep.hr/files/file/gd-dokumenti/GDprez.pdf>

<sup>35</sup> For an illustration of what HGK, established in 1852, doing see, The Law on the Croatian Chamber of Economy, article 3, and the Statute of the CCE, <http://www.hgk.hr/o-hgk>

<sup>36</sup> The Chamber is also a member of UEAPME – European Association of Crafts, Small and Medium-sized Enterprises, Brussels; ECSB – European Council for Small Business, a branch of the ICSB International Council for Small Business, Halmstad; TII – European Association for the Transfer of Technology, Innovations and Industrial Information; Exchange of Technology through the EBEN, TRN and CORDIS networks, Brussels; FIATA – International Federation of Freight Forwarders, Zurich; OICA – International Organisation of Motor Vehicle Manufacturers, Paris; EMEC – European Marine Equipment Council, London. More on the CCE's international membership see at: <http://en.hgk.hr/about/>

The Chamber has successfully operated within limits that arose from war conflicts in former Yugoslavia. Great credit belongs to the CCE for a renewal of economic relationships with the region. It organized and guided a delegation of Croatian companies to visit Bosnia and Herzegovina in 1996, Kosovo in 1999, and Serbia in 2000.<sup>37</sup> At that time, a policy of strengthening economic ties with Serbia meant for Croatian politicians poor election results. Until 2000 relationships with Serbia have been at a low level and the two countries have not had a payment regime and normal customs (Yugoslav customs were then of 40 to 100 percent.)<sup>38</sup> In 2000 Croatian exports to the Federal Republic of Yugoslavia was sharply increased.

The creation of new jobs as an outcome of the rise in Croatian exports in the South East European market has helped people in the whole region to understand why economic relations are more useful for them than the old destabilizing geopolitics. In such an economic environment, even Croatia's recognition of Kosovo, on 19 March 2008 did not lead to a prolonged boycott of Croatian goods in Serbia nor did Serbia opt for a policy of economic sanctions towards Croatia.

#### 4. The ideas and sources of knowledge on Croatia's economic diplomacy

The government, as a major figure in foreign policy, has presented its mental picture of economic diplomacy mostly at the level of political statements and programs. To identify its ideas about economic diplomacy is to focus on the Croatian government's programs of activities in the period from 2000 until 2013. The article marks 2000 as a year in which the Government has started to think especially intensive about economic diplomacy and to conceptualize it as an instrument for Croatia's prosperity.

The Government's Program for the mandate 2000 to 2004 emphasized a classical idea that economic diplomacy could be a useful factor in national economy development. In the Program's chapter on foreign policy a priority – developing the country's economic diplomacy capability to help increase Croatian compa-

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<sup>37</sup> This theme is pursued in Deana Knežević, *Razgovor s Nadanom Vidoševićem, Večernji list*, (Obzor), May 17 2008.

<sup>38</sup> The Trade agreement, and the Agreement on the Reciprocal Promotion and Protection of Investments between the Croatian Government and the Federal Republic of Yugoslavia were signed in 1998. For a usefull discussion, see Reneo Lukić, *Odnosi Hrvatske sa Saveznom Republikom Jugoslavijom (SRJ), Državnom Zajednicom Srbije i Crne Gore i sa Srbijom (1992.–2010.)* u: Reneo, Lukić, Sabrina P. Ramet i Konrad Clewing, urednici. *Hrvatska od osamostaljenja: Rat, politika, društvo, vanjski odnosi* (Zagreb: Golden marketing – Tehnička knjiga, 2013). str. 417– 431.

nies' exports, protect their interests abroad and attract more foreign direct investments to the country – occupied a strategic position.<sup>39</sup> The Croatian Government in the mandate period 2003 – 2007 had similar objectives to make economic diplomacy operative, networking and efficient in providing quality services to business entities. “Emphasis will be on creating quality coordination between bodies of the State Administration and the Agency for the Exports and Investments Promotion.”<sup>40</sup> The Government Program for the mandate 2008 - 2011 planned to perform further improvement of “economic components of Croatian foreign policy”.<sup>41</sup> The Government Program for the mandate 2011 - 2015 defined foreign policy as one of the important channels in economic relations.<sup>42</sup>

Comparing the programs it is possible to see that among the governments there were no essential differences in their understanding of economic diplomacy aims and activities. In the case of an intellectual investment, they all have followed a generally accepted academic definition, which explains economic diplomacy as a tool of foreign policy, which could assist Croatia's economy to increase its exports and attract more foreign direct investments. On that “theoretical” approach organizational principles of the country's economic diplomacy have been developed.

Nevertheless, this very simple definition, that leaves many things out, has been used as a ground for some extrapolations, which caused misreading of Croatia's economic diplomacy role in two ways. First, some Croatian companies, especially small and medium-sized, have understood the role, as a service per se that can replace a company's foreign and marketing departments in domestic and international context. This peculiar perception, which left behind the real nature and competencies of economic diplomacy was not kept to a minimum, but has caused a regular critique of economic diplomacy as a service incapable of helping Croatia's companies.

Second, an evaluation process of economic diplomacy's efficiency has become unnaturally connected with Croatia's macroeconomic data on exports and foreign investments. This kind of conclusion – Croatian exports and foreign direct investments are low, then the effectiveness of economic diplomacy is questionable – could be seen as reasonable at first glance, because it is based on figures and operated with the economic diplomacy tasks. Following that logic it would be pos-

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<sup>39</sup> See the Croatian Government Program for the mandate 2000-2004, [http://www.hidra.hr/cro/sluzbena\\_dokumentacija\\_rh/radni\\_dokumenti\\_vlade\\_i\\_sabora](http://www.hidra.hr/cro/sluzbena_dokumentacija_rh/radni_dokumenti_vlade_i_sabora).

<sup>40</sup> See the Croatian Government Program for the mandate 2003-2007, [http://www.hidra.hr/cro/sluzbena\\_dokumentacija\\_rh/radni\\_dokumenti\\_vlade\\_i\\_sabora](http://www.hidra.hr/cro/sluzbena_dokumentacija_rh/radni_dokumenti_vlade_i_sabora).

<sup>41</sup> See the Croatian Government Program for the mandate 2008-2011, [http://www.hidra.hr/cro/sluzbena\\_dokumentacija\\_rh/radni\\_dokumenti\\_vlade\\_i\\_sabora](http://www.hidra.hr/cro/sluzbena_dokumentacija_rh/radni_dokumenti_vlade_i_sabora).

<sup>42</sup> See the Croatian Government Program for the mandate 2011.-2015, [http://www.hidra.hr/cro/sluzbena\\_dokumentacija\\_rh/radni\\_dokumenti\\_vlade\\_i\\_sabora](http://www.hidra.hr/cro/sluzbena_dokumentacija_rh/radni_dokumenti_vlade_i_sabora).

sible to conclude that 2008 was a “golden age” of Croatian economic diplomacy, because that year FDI in Croatia amounted to 6 billion dollars and still has not been exceeded.<sup>43</sup>

The main premise of the logic is unstable because it is not derived from the effectiveness and experience of Croatia's economic diplomacy but from the field of macroeconomics that studies national economy output.<sup>44</sup>

This section has no ambition to put into question the concept of a closer relationship between diplomacy and the economy or to deal with some *a priori* justification of Croatia's economic diplomacy, but to clear the ground for broader empirical approach to its activities and results. A path towards stronger illumination of Croatia's diplomacy practice might provide more „objective “knowledge on economic diplomacy and help wider understanding of its activities and goals. That issue of using an experience grounded reform of the country's economic diplomacy is distributed across the article as a whole.

During his term former Croatian President Stjepan Mesic (2000 – 2010) several times asked Račan's government and, after that, Sanader's one, to hold a special session on Croatia's economic diplomacy practice and on that base made measures for its improvement. The proposal was accepted but such a thematic session was not held.<sup>45</sup>

The Parliament of Croatia discusses national foreign policy aims and their implementation in an international political and economic context.<sup>46</sup> State led economic diplomacy is often the object of criticism of MPs. The Parliament is also seen as an institution that has power to influence the Government to make economic diplomacy more dominant in the country's foreign policy. Thus, the Agency

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<sup>43</sup> In 2008 Croatia attracted 6 billion dollars of FDI and it stands as the best results in its investment history. In 2012 Croatia attracted 1, 25 billion dollars, which was a significant improvement in comparison with 2010 when FDI dropped to as low as 500 million dollars. See the World Investment report 2013, UNCTAD, and The Croatian National Bank analysis „Foreign Direct Investments to The Republic of Croatia“ ( per years), [www.hnb.hr/.../strana-ulaganja/h-inozemna-izravna-ulaganja-u-rh-po-go...](http://www.hnb.hr/.../strana-ulaganja/h-inozemna-izravna-ulaganja-u-rh-po-go...)

<sup>44</sup> In 2012 the Ministry of Foreign Affairs sent a message that the most important aspects of exports and investments marketing, development, quality and price of products, investment climate - have to be resolved at home. Minister of Foreign and European Affairs Vesna Pusić stated that ambassadors do know how to represent the Croatian economy, but Croatia need's to have an economy that they could represent. See Irena Frlan, “Pusić: We're abolishing HDZ's system of trade attache's”, see [www.novolist.hr](http://www.novolist.hr), March 7, 2012.

<sup>45</sup> This theme is elaborated in “My economic diplomacy” in Jasna Plevnik and Stjepan Mesic. *The Age of Economic Diplomacy* (Zagreb: Plejada, 2011), 137-202.

<sup>46</sup> The Parliament has number of committees that within their regular activities, act upon achieving foreign policy objectives of the Republic of Croatia. Among them, in the field of international cooperation, especially active is Foreign Policy Committee.

for the Exports and Investment Promotion, for example, asked the Parliament to oppose the Government's decision to abolish the Agency but something very opposite has happened.<sup>47</sup>

In retrospect, it can be seen that The Parliament's Foreign Policy Committee has not made yet a comprehensive and detailed paper on the situation of economic diplomacy with recommendations for its improvement with the help of, for example, academic institutions, think tanks and independent testimonies of experts who work in diplomacy. In Croatia, there is simply not a custom that diplomats regularly testify on the state of economic diplomacy in the Parliament or at the government. That approach leaves behind a considerable vacuum in knowledge on Croatia's economic diplomacy practice. This is what was meant when was said that a broader empirical approach to its activities and results is needed.

Perhaps the vacuum could be filled with "downloading" the experience of some other country's economic diplomacy similar in geographical and population size to Croatia. The discussion which model of economic diplomacy: Austrian, Czech Republic, Finland, Ireland, Slovak or Slovenian would fit the best to Croatia's conditions lasted for years. Both Prime Ministers Ivica Račan and Ivo Sanader recommended the Slovenian model of economic diplomacy that Ljubljana has managed as foreign trade.<sup>48</sup> Slovenia was able to use the leadership it had in the market of the former Yugoslavia to transfer to the market of post-Yugoslav countries because Slovenia knew the situation of these markets and has continued to study their particularities.<sup>49</sup>

It is quite complicated to claim which model, if at all, of economic diplomacy influenced the Croatian one because, in reality, imitation is faced with several important limitations. The organizational scheme could be relatively easy to imitate, but efficiency of economic diplomacy of every state also depends on its

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<sup>47</sup> In 2010 the Government made a decision to abolish the Agency, which employees send a letter to Croatian MPs stressing the decision was contrary to the Government's measures of economic repair by exports and investment. They wrote that the Agency so far attracted investments worth a total of EUR 390 million which has brought 3,180 jobs. They also predicted that after a certain time the Government would re-establish a similar agency. See Dražen Tomić, The Government wants to encourage investment, and abolishes the Agency that's doing it, *Business.hr*, 23.8. 2010, <http://www.business.hr/dogadjaji/vlada-zeli-potaknuti-ulaganja-a-ukida-agenciju-koja-se-time-bavi/print>

<sup>48</sup> PM Ivo Sanader said on April 20 2004, at the opening of The Construction and Equipping Fair in Zagreb: "Our friends Slovenes in Belgrade embassy have more than 15 diplomats, according to our information, who deal exclusively with economic promotion of Slovenian companies, while in Belgrade we have only one diplomat who deals with economic promotion of Croatian companies." See more at [www.mingo.hr](http://www.mingo.hr) > News

<sup>49</sup> For a series of good examples see Matevž Rašković i Marjan Svetličič. "Važnost poznavanja nacionalnega značaja in kulturnih posebnosti za slovensku gospodarsko diplomacijo: primjer Hrvatske i Srbije", *Teorija in praksa*, let. 48, 3/2011.

economic, political and cultural power that are interwoven into a network through which every country participates in international relations.<sup>50</sup>

## 5. Concluding remarks

The main actors of Croatia's economic diplomacy are the Government through its Ministry of Foreign Affairs and other ministries and agencies, the President of Croatia and his office, the Croatian Chamber of Economy and other non-state actors. From 1991 to 2013, the Government initiated many reforms related to economic diplomacy to organize it to carry out and protect the country's economic interests in international relationships.

During the first decade of the twenty-first century, Croatian economic diplomacy was deeply influenced by President Stjepan Mesić (2000 to 2010) who led an ambitious and extensive economic diplomacy at bilateral, regional and multilateral levels. The President's foreign policy activities had two sides: the mission of popularization of economic diplomacy as a usable means for development and stability of the country, and the personal involvement in economic diplomacy practice. The President popularized and supported an idea that all foreign policy subjects should be included in economic diplomacy because in modern international relations economic, political, cultural and even military policies take place simultaneously and their goals are moving from one area to another.

In 2009, the Government decided to reform significantly the economic diplomacy position within the Ministry of Foreign Affairs, including in every directorate a department of economic relations to make it more connected with the country's economic interests in international relations.

In 2013, the Government started an ambitious and all-encompassing reform of the country's economic diplomacy identifying it as a change of systematic dimension.

The analysis of Croatia's economic diplomacy results before, during and after the reforms gave the apparent evidence that the Government's efforts to direct economic diplomacy to perform more benefits for interests of Croat firms in international economic relations could not be described as a success.

Analyzing what causes Croatia's economic diplomacy ineffectiveness, the article found that the governments did not guide reforms as policies for the improve-

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<sup>50</sup> This theme is examined in detail in Nicholas Bayne and Stephen Woolcock, eds. *The New Economic Diplomacy* (Ashgate: 2007).

ment of economic diplomacy but more as political actions which ignored the objectives and results of previous government's reforms. It lives a gap that constraints a continuous improvement of the country's economic diplomacy.

To be sure, no approach is without weaknesses but because of that political approach, the reforms have had no momentum of their own and were not able to grasp and resolve the problems intrinsic to the country's economic diplomacy, as well as to make it to develop further. Those reforms have produced damaging effects on economic diplomacy at three levels: organization, cadre, and continuity.

When the country's economic diplomacy tradition is very young and the approach "change with no continuity" persists, an idea of gradual and cumulative development hardly exists. The consequence of this "detraditionalization" is the need for a new approach in reforming the economic diplomacy in which the categories of continuity and time would have the central role.

Croatia's governments ignore assessing past achievements of economic diplomacy and providing a broader timeframe for implementation of a reform. A very fine illustration of that is the Government approach towards the Agency for Exports and Investments Promotion since 1996 to 2012. That example supports the claim that economic diplomacy of Croatia has not been developed through upgrading of the previous economic diplomacy achievements. And the case with trade attachés, positions that were established in 2010 and abolished in 2012, shows that the government did not even give trade attachés an opportunity to show whether they were as good or bad for Croatia's diplomacy. This article does not claim that all reform results were worthless, only that this approach – change with no continuity – weakens the effectiveness of economic diplomacy and limits it to become more experienced and to build its tradition.

It is possible to conclude that – change with no continuity – reforms, which recurred so systematically, will not end if a political consensus on a long-term strategy of economic diplomacy will not be reached in The Parliament.

Finally, knowledge of Croatia's economic diplomacy is very fragile at the level of its practice. In fact, repetition of a general theoretical definition of economic diplomacy and politically motivated analyses of the Ministry of Foreign Affairs' achievements at economic diplomacy tasks prevail. The theoretical and political arguments cannot by themselves provide a deeper understanding of the real situation in the country's economic diplomacy and be a ground for direction of change. For that the Government needs analyses of the empirical events and experiences of those who work on implementation of the Government's economic diplomacy objectives and that kind of cumulative retrospective knowledge should be used as an constructive axis for a future reform.

The Government and the Parliament have no deep and quantitative reports on the reality of the country's economic diplomacy, and no special session has been

held to discuss that issue. The disconnection between the country's economic diplomacy practice and reform must be challenged by the Government, the President and the Parliament through a process of deepening the knowledge of economic diplomacy practice.

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## HRVATSKA GOSPODARSKA DIPLOMACIJA TREBA DUGOROČNU STRATEGIJU KAO KONSTRUKTIVNU OSOVINU ZA BUDUĆE REFORME

### Sažetak

Članak istražuje na koji način politike i mjere poduzete od strane Vlade, Predsjednika Hrvatske i Sabora utječu na aktivnosti gospodarske diplomacije Hrvatske i njezinu važnost u hrvatskoj vanjskoj politici. Prvo se analiziraju ključna obilježja gospodarske diplomacije, glavni akteri te identificiraju čimbenici koji imaju moć utjecaja na njezine sposobnosti izgradnje pozitivnog imidža Hrvatske kao pouzdanog partnera u međunarodnoj trgovini te privlačenja stranih ulaganja.

Ovaj rad baca novo svjetlo na prirodu reformi hrvatske gospodarske diplomacije (1991. – 2013.) ukazujući na upornu praksu svake hrvatske vlade da radikalno promijeni organizacijsku strukturu diplomacije te počne od početka, čak i u razdobljima kada je diplomacija učinkovito organizirana, dobro opremljena s ljudskim resursima te fokusirana na promoviranje interesa hrvatskih tvrtki. Glavna posljedica tog pristupa je veliki nedostatak kontinuiteta što je stanje koje smanjuje moć gospodarske diplomacije da podrži ekonomski prosperitet države.

Članak preporučuje unapređivanje gospodarske diplomacije Republike Hrvatske u skladu s cjelovitim i interdisciplinarnim pristupom s ciljem da se poveća njezina uloga u ostvarivanju gospodarskih interesa zemlje u međunarodnim odnosima te uzme u obzir potreba građenja njezinog kontinuiteta.

Ključne riječi: ekonomska diplomacija, Vlada, Predsjednik, reforme, kontinuitet, gospodarski interesi, Hrvatska gospodarska komora.