

# CROATIAN FOREIGN POLICY IN 3D

By Dr. Sandro Knezović and Ms. Nani Klepo



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## PREFACE

Europe and the European Union are in a dynamic process by deepening, expanding or changing their structure. Since the EU-membership from 2013 and due to its geostrategic position as a country on intersection of Central Europe, Southeast Europe and the Mediterranean Croatia has got growing responsibility, aiming at playing the role of a "bridge".

The following study, elaborated from scientific experts of IRMO in cooperation with HSF-Croatia gives a profound analytic overview and insight into Croatian Foreign Policy towards the above mentioned three regions. It describes and analyses the concrete foreign-policy goals that Croatia achieved in the region and refer to the challenges and goals for the future.

Croatia, as it is stressed in the latest Strategic plan 2017-2019 for Croatian Foreign Policy, has to strengthen its position in Central Europe in order to keep common values and economic trade relations with the "Visegrad Group" and has to enforce and enhance its interests on the Mediterranean territory with whom Croatia is connected by Adriatic Sea as new discovered zone of influence.

Croatia especially on background of political situation in its direct southeast neighborhood due to hidden or open conflicts, crisis and tensions, has the duty to act as a responsible regional player in the "Western Balkans". Mediation and cooperation has to be a focal point of Croatian Foreign Policy towards the countries in Southeast Europe, to implement or maintain regional stability and security, to support their reforms and furthermore to contribute to their efforts of EU and transatlantic accession.

Since the beginning of project activities of Hanns Seidel Foundation (HSF) in Croatia twenty years ago in 1997 transitional aid and inter-regional cross-border development cooperation have been fundamental components of the HSF-Zagreb office to contribute to the Southeastern European reform processes.

Moreover HSF put a visible sign to document and prove that "regional approach" of foreign project-work by enlarging HSF-Zagreb office since 2016 as a "Regional office" with the task to combine state related cooperation with interregional dialogue. Only by such cross-border activities, as it has been already conducted by HSF in project sectors of municipality-, border-police-, university- and diplomatic academy-networking, it can be improved mutual understanding, reduced still existing mental barriers of neighborhood-relations and contributed to peace and development in South Eastern Europe.

Without any doubt Croatia is regarded by its southeast neighborhood-countries despite of internal problems as a positive example for getting membership of the European Union. This was the decisive reason for HSF to implement the above mentioned "Regional office for South East Europe" in Zagreb, Croatia, in order to coordinate sectoral and regional project cooperation together with the local partner-institutions at the intersection point of Central and South Eastern Europe.

**Dr. Klaus Fiesinger**, Representative for Croatia, Regional Director for South-Eastern Europe,  
Hanns-Seidel-Foundation

## 1. CROATIAN FOREIGN POLICY – STRATEGIES AND GOALS

By reaching the full-fledged membership in the European Union and NATO, two major goals that dominated the Croatian foreign policy since the country's independence have been accomplished. Today, Croatia faces the challenge to define its contemporary foreign policy and goals, in order to become a relevant actor, if not on the global, then most certainly on wider regional and to a certain extent at the European level. The necessity of analysing Croatian foreign policy arises from complexity of its proximate environment that is highly challenging and uncertain, where Croatia should, if it wants to be an important political factor and play a prominent role, coordinate its political strategy with stronger engagement.

The Strategic plan 2017 – 2019, the latest strategic document of the Croatian Ministry for Foreign and European Affairs, states that its mission is to promote stability in its proximate environment, to promote and to protect interests and safety of Croats abroad, to serve interests of Croatian economy abroad, to strengthen Central European and Mediterranean dimension of Croatian foreign policy, as well as to preserve and develop mechanisms for cohesion and stability within the EU and develop bilateral and multilateral cooperation in the world.<sup>1</sup>

Throughout the document, the EU and NATO still have the focal point position in Croatian foreign policy, but one can point out three regions that have been targeted for improving Croatian international position – Southeast Europe as the most proximate neighbourhood, Central Europe and the Mediterranean. It seems natural that Croatia targets these three regions considering its geographic position and constant aspirations to be perceived not only as the country of the Southeast Europe and Balkan peninsula, but also a Central European and Mediterranean country.

But to build the national identity and international relevance on affiliation to three European regions, cultural background should exist, as well as geopolitical and economic relevance, respectively impact, besides the geographic position. Historically, Croatia was influenced by three major civilization circles – European Mediterranean that predominantly came through Italy, Central European whose influence came through Habsburg Empire and Ottoman influence brought to Europe by Turks. The impact of all three cultures influenced Croatia and has become integral part of Croatian cultural identity, but political aspects of regional affiliation to Central Europe and the Mediterranean gained more of a symbolic dimension. It is primarily due to the long Croatian recovery process from the Homeland war and economic crisis, as well as long-term focus of Croatia at the EU and NATO accession processes whose main conditionality was regional cooperation in Southeast Europe, making the regional inclusion in other regions “a side plan”.

Now when it has been four years after official accession to the EU, Croatia came to the moment when it needs to justify and reconsider its 3 D identity and relate it directly to its foreign policy priorities in

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1 MVEP (2017): Strategic Plan of Ministry for Foreign and European Affairs 2017-2019, pg 1, <http://www.mvep.hr/files/file/2017/170524-strateski-plan-mvep-2017-2019-izmjene-i-dopune.pdf>

order to become a relevant international actor in its surroundings and foster its further development. In the Strategic plan 2017-2019, Croatian foreign policy targeted only one goal - *Implementation of foreign policy, European affairs and advancement of Croatian foreign policy service* that has three aspects: a) implementation and coordination of European affairs b) implementation of foreign policy and c) management and development of foreign policy service.<sup>2</sup>

Strengthening of Central-European and Mediterranean regional dimension was mentioned only within the mission of the Strategic Plan, leaving it without further elaboration on how the mission should be accomplished. However, it has been pointed out in first aspect of main goal of Strategic Plan – Implementation and coordination of European affairs - that Croatia will keep with active engagement within the framework of macro regional strategies such as *EU Strategy for Danube Region* and *EU Strategy for Adriatic – Ionian Region*. Activity in these Strategies can be perceived as contribution to regional inclusion in Central Europe or Mediterranean, but it is still far from individual and independent plan or vision. On the other hand, region of Southeast Europe has been tackled within the two aspects of the Strategic Plan, referring to the Croatian role of bridge between the EU and the SEE countries, in particular through Twinning projects and knowledge transfer, and stronger political and economic bilateral cooperation with countries of SEE.

Strategic plan 2017-2019 shows that Croatian political elites recognized the need for Croatian foreign policy to enhance Central-European and Mediterranean dimension, but without further and concrete measures how to accomplish it. Therefore, one can conclude that foreign policy towards these two regions is far from well-defined and implementable priority to Croatia. Taking into account the wideness of the Strategic plan and its universal tone, that in some aspects appears to be oversimplified, this study will try to give a deeper analysis of the outlined mission that includes three dimensions of Croatian foreign policy - Southeast Europe, Central Europe and Mediterranean.

Determination of particular region can be difficult due to the wide possibilities of placing some countries in one region or another, depending usually on an aspect or factor crucial for the research or the context. For the purpose of this study, the regions will be politically determined rather than only geographically, therefore countries of Central Europe will be considered: Austria, Poland, Hungary, Slovakia, Czech Republic and Slovenia. The Mediterranean countries will be considered: Cyprus, France, Italy, Malta, Portugal, Spain, Algeria, Egypt, Israel, Jordan, Lebanon, Mauritania, Monaco, Morocco, the Palestinian Authority, Syria, Tunisia, Turkey and countries of Southeast Europe: Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia. Such regionalization of Europe will have some overlapping, nevertheless it has been perceived as most optimal division for the volume of the study.

The analysis will include political and economic aspect of Croatian relations with countries of three region, as well as existing regional frameworks of cooperation in order to get comprehensive study, whose conclusions and recommendations can serve as an interesting and helpful tool for decision makers.

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2 Ibid

## 2. CROATIAN FOREIGN POLICY IN THE SOUTHEAST EUROPE

### 2.1. Opportunities and challenges

The region of Southeast Europe has unfortunately been a well-known zone of instability for more than two decades. Croatia, as well as the majority of other countries, had been a security consumer for a significant period of time, receiving foreign aid of various kinds that was necessary for consolidation in post-conflict and post-communist period. However, unlike the rest of the region, Croatia managed to finalise its early transition phase and meet all demanding criteria for accession to the EU and NATO. While regional co-operation represented one of the main preconditions in its pre-accession phase, its policy towards the region, being a full-fledged EU and NATO member state, undoubtedly became a crucial pillar of country's activities in the contemporary IR arena.

The region itself consists of a number of weak states, unfinished transition processes, intra- and interstate disputes, as well as international protectorates and even political entities that are not entirely recognised at the international level. Obviously, it remains for quite some time a potential source of instability and geostrategic 'arm-wrestling' of global players, regardless of the fact that the focus of international politics has shifted to the Pacific long ago.

The region itself, more precisely the countries it consists of, had been given an opportunity to stabilise and join the EU and NATO once they meet the criteria for membership, which meant developing capacities to undertake fundamental reforms and develop a sustainable society built on principles of democracy, rule of law and market economy. Namely, so-called Stabilisation and Association Process, launched in 2000, introduced the possibility for countries in the region to join, after meeting the demanding membership standards. The process foresaw allocation of generous material, financial and human resources from the EU to the region in order to foster the transition process. The EU deployed, for the first time in its history, its peacekeeping missions (both military and civilian) to the region in order to stabilise it and set the basic precondition for sustainable transformation process. However, the transition process lasts already for more than two decades, showing very limited progress and success, mainly due to the complexity of problems in Southeast Europe and the democratic deficit of local political elites, but also due to the changed geostrategic context and rapidly decreasing enthusiasm for further enlargement in the EU itself.

Consequently, long transition period with limited success, coupled with waning EU and NATO accession perspective, has opened a possibility for populist political elites to regain power and to start seeking for alternative solutions at the international arena. This opens a window of opportunity for players like Russia, China, Turkey and Gulf states to position themselves strategically and start exerting influence in the region, which is of course not always in line with principal transatlantic values and interests. Troubled economies, unstable democratic systems and low level of political culture open various channels of influence for those who are willing to trade un-transparent funding for political influence and geostrategic positioning. Hence, the strategic outlook of the region is constantly changing, bringing



new challenges and threats for bordering EU and NATO members. On the other hand, even the EU and NATO members are showing tendencies of gradual democratic backsliding and rising populism. Furthermore, the migration crisis has shown the lack of solidarity and functionality of resilience mechanisms at the EU level as well as the amount of distrust and tension at the regional level in the period of instability. Bilateral issues with both EU and non-EU member states, are obviously not making the regional environment for Croatia less complicated.

The entire regional political set-up clearly represents a challenge for Croatia, especially due to the fact that the country aspires to be 'the gateway' between the region and the transatlantic community, attempting to cleverly use the comparative advantages *vis-à-vis* the others who would like to assume that position and in that sense profiting from commonalities with countries of the region derived from common socialist history, similar transitional problems, geographic proximity and lack of language barrier. Finally, when the question mark over the 'transatlantic destiny' was finally removed after accession to NATO in 2009 and to the EU in 2013, the regional engagement became self-explanatory and lucrative as a part of country's active membership, *au contraire* to being a strict conditionality in the pre-accession phase.

## 2.2. Political aspect

The region of Southeast Europe consists of six countries representing candidate and potential candidate states for membership in the EU within the Stabilisation and Association Process.<sup>3</sup> These include very difficult post-socialist and post-conflict candidates with unresolved status issues, undefined state borders, as well as international protectorates with very complicated institutional set-up and variety of bilateral disputes.

Obviously, the region is not likely to accede to the EU in the forthcoming period and is about to remain a potential source of instability due to stalled reform process, blurred integration perspective and increased geopolitical influence of different assertive actors. As an EU and NATO member, Croatia has an important role in knowledge and experience transfer in the region, as well as an opportunity to act as an advocate of further enlargement to Southeast Europe within the EU itself. Having in mind country's limited capacities and geostrategic leverage at the wider international level, it is rational to expect that Croatia's contribution to overall EU and NATO efforts to consolidate the region, where it has undoubtable comparative advantages to other potential actors, will be a principal indicator of the overall success of its active membership in the transatlantic community. However, the bilateral issues that are still unresolved are threatening to hinder the capacity to portray that role and the fields of bilateral co-operation can surely be more numerous.

The relations with Albania, in a broader sense, are marked with good co-operation and similar attitudes towards basic geostrategic orientation and fundamental regional issues. Albania joined NATO together

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3 Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia.

with Croatia in 2009 and became an EU candidate state in 2014, with a clear orientation towards the accession. The two countries were members of the Adriatic Council, an US led initiative supporting the NATO accession, and have signed an Agreement on European Partnership after Croatia's accession to the EU. There are also other cooperation agreements signed in the field of culture, tourism, maritime transport, disaster management and combat against terrorism and organised crime etc.<sup>4</sup>

Bosnia and Herzegovina is not only geographically directly related to Croatia with a border exceeding 1000 km, but the former is also a co-signatory of Dayton Treaty and has a constitutional obligation to protect the Croats in Bosnia and Herzegovina and their role of constituent people. The country's complicated and inefficient political system does not create a framework of political stability and economic welfare, opening possibilities for rising populism and religious extremism to assume a more noticeable role in Bosnia and Herzegovina.

Hence, for all the reasons mentioned above, especially having in mind the share of tourism in the national economy and the importance of security for its sustainability, Croatia has a strategic interest in Bosnia and Herzegovina's stability. There are a number of bilateral agreements signed between the two countries in different fields – European integration, fight against organised crime, transport, border management, environment and sustainable development, tourism and many others.<sup>5</sup> However, there are also open bilateral issues, such as unresolved border demarcation that is having a burdening impact on Croatia's attempt to connect its mainland with the Dubrovnik region (Peljesac Bridge).

Kosovo represents a unique example of political entity that is still in the lengthy process of gaining international recognition of sovereignty it declared in 2008. Croatia recognised Kosovo's independence soon after its declaration, established diplomatic relations and started developing bilateral cooperation. There are multiple agreements between the two parties, mainly securing the assistance to newly established Kosovar state through providing know-how and experience of the transition process and accession to the euroatlantic structures from the Croatian side. The agreements were signed in the field of European partnership, diplomatic education, economy, health and medicine, culture, tourism and many others.<sup>6</sup> There are barely any open bilateral issues that could potentially burden the relations, other than the issue of prevention and management of illegal Kosovar immigration to Croatia.

Relations with Macedonia are traditionally stable and characterised with basic consensus on fundamental international, European and regional issues<sup>7</sup>. Together with Albania, Macedonia and Croatia were the

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4 MVEP (2017): Review of bilateral international agreements: Albania: <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/albanija,4.html>

5 MVEP (2017): Review of bilateral international agreements: Bosnia and Herzegovina, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/bosna-i-hercegovina,17.html>

6 MVEP (2017): Review of bilateral international agreements: Kosovo, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/kosovo,239.html>

7 MVEP (2017): Review of bilateral international agreements: Macedonia, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/makedonija,82.html>

founding members of the Adriatic Charter and only the bilateral name dispute with Greece prevented the country to join the Alliance together with other Charter members at the Bucharest NATO Summit in 2008. Democratic backsliding and intra-state ethnic relations that followed have complicated the EU accession process and the country has stagnated in the field of accession to transatlantic structures ever since. Croatia fully supports Macedonian accession efforts and represents a useful example due to highly comparative transitional complexities and problems.

Relations with Montenegro have improved substantially after Montenegrin restoration of independence in 2006. Despite strong opposition and general division of Montenegrin society over its main geopolitical orientation, the country has joined NATO in 2017 and is being considered a front-runner in the EU accession process under the SAP umbrella. The bilateral agreement in the field of euroatlantic partnership has been signed in 2012, followed by the one on economic co-operation, but also in the field of data protection, police cooperation, tourism and protection of maritime cultural heritage.<sup>8</sup> The process of overall harmonisation of bilateral relations looks steady, with only one potential spoiler (unresolved border issue at the Prevlaka peninsula).

Relations with Serbia remain highly complicated not only due to consequences of conflicts in the early 90's and border disputes that derive from that period, but also due to fundamental differences in strategic orientation and increasing regional rivalry stimulated predominantly by bigger actors that are dominating the geostrategic reshuffle in Southeast Europe during the last few years. Namely, while Croatia has clearly defined its framework of values and geostrategic profile within the transatlantic community (membership in EU and NATO), Serbia is pursuing so-called military neutrality and, while opting to join the EU, failing to align with its fundamental positions in the wider international arena. Other than refraining from introducing sanctions to the Russian Federation, it signed the Strategic Partnership Agreement and Defence Co-operation Agreement with Moscow, receiving significant assistance in military hardware and know-how.

### 2.3. Economic aspect

While due to political and identity-related issues, Croatian attitude towards the Southeast Europe was always lukewarm, economic exchange and surplus created in this part of Europe have painted a different picture in the field of economy. Namely, the difference in the stage of development between Croatia on one and other countries in the region on the other, made Croatian economy exceedingly competitive which yielded significant profits. Not only that the decreased productivity at the common European market was to a certain extent counterbalanced by surpluses in Southeast Europe, but also lack of language barrier and already acquired image of Croatian products played as an important asset for marketing, which contributed to positive results.

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8 MVEP (2017): Review of bilateral international agreements: Montenegro, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/crna-gora,236.html>

Other than that, Croatia is also gaining a lot of profit from tourism. Regardless of the fact that citizens of Southeast European states do not have the biggest purchasing power, especially in comparison with those from the western part of Europe, they also contribute to the overall income generated from tourism in the amount of 3%. Again, common habits and memories from the former federal state, together with geographic proximity and the absence of language barrier play a role in attracting tourists from the Southeast European countries. However, the trade itself has the most important role, fostered significantly by formation free trade area within CEFTA. The conditions changed slightly with the Croatian accession to the EU, which meant leaving CEFTA, but trade exchange with countries in the region remained relatively high and with significant surplus, as one can see from the following table.

**Table 1.1. Croatian trade with countries of Southeast Europe in mil €**

Country	2010*		2016*	
	Export	Import	Export	Import
Albania	60,33	4,13	46,53	4,89
Bosnia and Herzegovina	1 033,93	461,7	1 119,99	572,9
Kosovo	54,7	2,78	65,7	2,33
Macedonia	84,72	106,99	121,57	81,99
Montenegro	81,36	2,7	139,95	4,75
Serbia	349	230,55	521	497,69
<b>Southeast Europe in total</b>	<b>1 664,04</b>	<b>808,85</b>	<b>2 014,74</b>	<b>1 164,55</b>
<b>Croatia in total</b>	<b>8 905</b>	<b>15 220</b>	<b>12 320</b>	<b>19 686</b>

\* The datas include period from January till December for the year

Table made by the author, source: National Bureau for Statistics, [http://www.dzs.hr/Hrv\\_Eng/publication/2011/04-02-04\\_01\\_2011.htm](http://www.dzs.hr/Hrv_Eng/publication/2011/04-02-04_01_2011.htm), [http://www.dzs.hr/Hrv\\_Eng/publication/2016/04-02-01\\_12\\_2016.htm](http://www.dzs.hr/Hrv_Eng/publication/2016/04-02-01_12_2016.htm)

The trade exchange with Albania still remains fairly low, due to various reasons. Primarily, this is the only country with which Croatia has no historical memory of shared past (market included) and there is a strong language barrier which does not help the marketing and trade. On top of that, Albania was completely isolated for a long period and is the poorest of all countries in Southeast Europe. With its low living standard and weak economy based predominantly on agriculture and production of raw materials it neither can offer much for exchange nor import a lot due to low purchasing parity. However, it is a market that is going to grow in the forthcoming period and represents an upcoming opportunity to foster Croatian export in the region. Last year's annual exchange in the amount of less than 50 mil€ clearly supports that argument.<sup>9</sup>

9 Croatian Bureau for Statistics (2017): Foreign trade in goods of the Republic of Croatia 2016, [https://www.dzs.hr/Hrv\\_Eng/publication/2016/04-02-01\\_12\\_2016.htm](https://www.dzs.hr/Hrv_Eng/publication/2016/04-02-01_12_2016.htm)

Bosnia and Herzegovina is one of the most important export markets for Croatian goods, where different links across the border stimulate economic exchange and where lack of language barrier helps the marketing of products on both sides. Croatian export exceeds more than two times the import and tourism industry additionally contributes to the overall positive figures of exchange with this neighbouring country. BiH's economy suffers from a complicated and dysfunctional administrative framework, which is a consequence of the burdensome political set-up of the post-conflict state. The economic consequences are the following: modest GDP growth and exports, lowered imports due to low domestic demand, decrease of private investments and high unemployment rates. Obviously, there is still significant room for improvement of Croatian activities at this market, especially due to the fact that Croatia is the most important foreign investor in 2016.<sup>10</sup>

Harmonization of political relations with Montenegro opened different opportunities for economic co-operation and exchange. The same commonalities as with other former Yugoslav republics obviously contributed to the increase in that field over the course of the last decade or so. While the size of the Montenegrin market obviously limits the potential for expansion of Croatia's exports, current figures<sup>11</sup> already show that there is a significant surplus on the Croatian side. Both economies depend significantly from the income of the tourism industry, which represents a generator of growth of other branches as well. Hence, regardless of existing limitations and the fact that the progress made is evident<sup>12</sup>, there is room for improvements in the period to come.

Kosovo, same as Montenegro, represents a new market that opens different opportunities for Croatian goods and know-how. The agreement on the economic co-operation was signed in 2012 as a framework agreement, with implementation starting in 2013, while other more specific agreements followed. Kosovo's overall export covers only 13% of its import and in bilateral exchange with Croatia it amounts only 5%.<sup>13</sup> The fact that Croatia is among top foreign investors in Kosovo opens additional space for improvements in this field.

Macedonia is also an important regional economic partner with whom Croatia has a trade surplus. The framework agreement on cooperation in the field of economy and trade has been signed in 1994, which was upgraded with new amendments in 2013 after Croatian accession to the EU. Numerous other specific

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10 N1 (2017): Vlada Federacije objavila: Ovo su najveći strani investitori, N1 Portal, <http://ba.n1info.com/a215929/Vijesti/Vijesti/Vlada-Federacija-objavila-Ovo-su-najveci-strani-investitori.html>

11 Croatian Bureau for Statistics (2017): Foreign trade in goods of the Republic of Croatia 2016, [https://www.dzs.hr/Hrv\\_Eng/publication/2016/04-02-01\\_12\\_2016.htm](https://www.dzs.hr/Hrv_Eng/publication/2016/04-02-01_12_2016.htm)

12 Agreement on economic cooperation in 2013, Agreement on cooperation in tourism in 2013, Agreement on establishment of Business Council for Economic Cooperation in 2007, Agreement on mutual help regarding tariff issues in 2007, MVEP, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/crna-gora,236.html>

13 Ibid ref no.10

agreements in the field of tourism, social security, fiscal policy and others were signed.<sup>14</sup> Macedonia has a rather small market, burdened with a significant share of grey economy, underdeveloped infrastructure, high unemployment rates and low FDI. While it has a relatively manageable foreign debt, its foreign-trade deficit is fairly high<sup>15</sup>, including the bilateral exchange with Croatia that is steadily growing.

Economic co-operation with Serbia is frequently burdened with political issues, however, it is steadily growing over the course of last years which increases benefits of both sides. The bilateral agreement on economic co-operation has been renewed in 2009, coming to force in 2013.<sup>16</sup> Croatia still keeps the surplus in trade exchange, but it is decreasing in the recent period. Croatia is among the biggest investors in the Serbian market and opening of the Office of Croatian Chamber of Commerce in 2017 confirms intentions to increase the presence of Croatian companies in Serbia.

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14 MVEP (2017): Review of bilateral international agreements: Macedonia, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/makedonija,82.html>

15 Ibid

16 MVEP (2017): Review of bilateral international agreements: Serbia, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/srbija,121.html>

### 3. CROATIAN FOREIGN POLICY IN CENTRAL EUROPE

#### 3.1. Opportunities and challenges

The EU accession in 2013 opened for Croatia new possibilities, mechanism and tools for cooperation without barriers with Central European countries. Accession to the EU and NATO led to a need for Croatian foreign policy to focus also towards strengthening the bonds with countries of Central Europe and to create new and adjusted approach towards the region. Indication of such foreign policy turn came with the Strategic Plan 2017-2019 in which it has been stated that fostering the Central-European dimension of Croatian national identity is a mission of Croatian foreign policy. Furthermore, fostering and deepening connections and cooperation within Central Europe through joint projects such as Three Seas Initiatives or EU Strategy for Danube Region is pointed out as one of the main goals of Croatian foreign policy.<sup>17</sup> The analysis of older strategic documents of Croatian foreign policy<sup>18</sup>, as umbrella documents, showed the certain shift in the latest document, where above mentioned initiatives and strategies are for the first time considered as a tool to link the responsibility of EU active membership and aspirations to affiliate to Central European region.

The Croatian aspiration to be perceived as Central Europe's country was accentuated in the 90s and in the time of the disintegration of Yugoslavia, when Croatia made substantial efforts to catch the train for euro-integration and 'Europe'. However, for Croatia it is still questionable to what extent it is perceived as a Central European country, even after the EU accession in 2013. Such reassessment might be realistic considering the significant role that Croatia still plays in SEE, but it could also be considered awry given the historical bonds and mutual influence that Croatia has with some Central European countries.

Croatia can hardly "demand" a Central European status based on its economic development; however the identity basis for regional affiliation with countries of V4, Austria and Slovenia appears more suitable, with whom the country shares a common history and culture. During the Austrian – Hungarian Empire there was a strong Austrian influence on Northern parts of Croatia and capital Zagreb, what can be seen even today. Furthermore, there is a track-record of a common political life with almost all Central European states within wider Austro-Hungarian framework, encompassing shared societal values. Such historical background is the main factor of rooted sense for Croatian Central European regional identification and it should be the main determinant on which further regional affiliation will be built..

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17 MVEP (2017): Strategic Plan of Ministry of Foreign and European Affairs for 2017-2019, pg. 2

18 Strategic Plan of Ministry of Foreign and European Affairs for 2016-2018 and Strategic Plan of Ministry of Foreign and European Affairs for 2015-2017

The latest advocacy for closing the ties with Central Europe and restoring the Central European national identity, came with new Croatian president Grabar – Kitarović that has been, since the beginning of her mandate in 2015, calling for stronger cooperation with Visegrad group.

Countries of Visegrad group represented the success story of transition and the EU integration processes, as well as economic development. They managed to build resilience and to adapt to fundamental changes after the fall of communism in '89. The 2004 EU enlargement to Central Europe was perceived somewhat risky considering the number of post-communist countries. However, soon after recovery from economic crisis in 2008, Central Europe proved to be stable and sustainable.<sup>19</sup>

Visegrad group is considered the 15th biggest economy in the world<sup>20</sup>, and through joint positioning within the EU they are boosting its political profile and relevance accordingly. All countries consider their membership in V4 beneficial and important in particular regarding security and energy security, migration, transport and education<sup>21</sup> on which they take a joint position in the EU and push the legislature and policy in their interests. This alliance is built on a political conviction that regional cooperation and joint investments are beneficial for all parties what made V4 a growth engine for wider Central and Eastern Europe.

Eastern Europe has always been important for V4 countries, due to its proximity and strategic impact. However, their concerns are also bonded to SEE, in particular through interests of Hungary and Slovakia. Considering Croatian role in the SEE, this overlapping of spheres of interests in the region?, can be used to gain support in reaching its own regional goals, in particular through V4+ format and Three Seas Initiative. Also, this joint positioning in wider regional context can be a platform to make partnership within the EU to reach common goals. Considering the lack of experience that Croatia, as a new member of the EU, has in policy making processes within the EU institutions, cooperation with countries of V4 can significantly contribute to Croatia in articulating its interests and stances within the EU and consequently in participating in the decision-making process.

Furthermore, Croatia shares pressing internal issues with V4 countries such as pessimistic trends in demography, shortage of highly educated labour and experts and high centralization that made huge gap between capital cities and rural area.<sup>22</sup> These social components are another link and at least an identification tool, if not a possible area of cooperation.

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19 Nič, M., Świeboda, P. (2014): Central Europe fit for the future – Visegrad group 10 years after accession, Report by the High Level Reflection Group, [http://wise-europa.eu/wp-content/uploads/2014/01/demos\\_Central%20Europe\\_fit\\_web.pdf](http://wise-europa.eu/wp-content/uploads/2014/01/demos_Central%20Europe_fit_web.pdf)

20 Ibid

21 Vít Dostál (2015): Trends of Visegrad Foreign policy, Research Paper, Association for International Affairs, [https://trendyv4.amo.cz/files/paper\\_en.pdf](https://trendyv4.amo.cz/files/paper_en.pdf)

22 Ibid



Austria is somewhat different country than the members of V4, more developed politically and economically, and represent a long-term partner to Croatia. Austria is also a crucial Central European partner in supporting further EU enlargement in SEE, with the highly problematic remaining SEE candidates.

Besides security in the SEE, there are several common areas of interests where Croatia and Austria can foster their cooperation, such as energy and transport infrastructure, migration policy, trade and investments.

Internal issues of Croatia can be a possible obstacle in achieving stronger cooperation and connection to the countries of Central Europe. Disharmonized policy towards countries of the region or political crisis can endanger the development and decrease the Croatian possibility to parry on the Central European market. Furthermore, countries of V4 still have an issue with the consolidation of democracy, whereas the consequence is growing sense of populism and radicalism, like in Hungary or Poland. Unstable political climate and opposed policies to the ones of the EU can have a negative influence on the entire region of Central Europe and therefore consequently also relation to Croatia. Furthermore, dissented interests and unsolved disputes can be threatening factors in Croatian further Central European affiliation. Also, Croatia needs to fasten its development and implementation of the key reforms in order to create a more stable economic climate for enhancing the economic cooperation that is a core interest of central European connection.

The goals outlined in Strategic plan – *connection and cooperation through initiatives, strategies and partnership* - can easily be reached, in particular due to the existing co-operational framework, such as Interreg Central Europe, Central Europe Initiative, Central European Defence Cooperation etc. Cooperation can be fostered even more with joint EU projects and initiatives, as well as on bilateral level through mutual investments, increasing level of trade, political and cultural cooperation, what will be analysed further in the study.

### **3.2. Political aspect**

Croatia developed rich political relations with countries of Central Europe due to the historical and cultural bonds that were the basis for today's cooperation. Central Europe had a significant role during Croatian accession process by advocating and supporting it, but also after official accession, in the present process of further integration into the Eurozone, Schengen area etc. Accession to the EU enabled Croatia to foster relations with countries of Central Europe, not only bilateral but also through various multilateral initiatives or strategies that are platforms for closing the ties in the decision-making process within the EU and trans-regional cooperation.

Relations with two neighbouring countries, Slovenia and Hungary, are rather complex, in most aspects relations are good, however, they are burdened with few disputes. There are bilateral issues such as with Slovenia over the territory in the Northern Adriatic or with Hungary over the INA-MOL case, but true deterioration of relations was during the 2015/2016 migration crisis. Irregular and massive flows

of migrants that were coming from the MENA region to Europe through 'Balkan route' caused unbearable load on Serbian, Croatian, Hungarian and Slovenian borders. During a migration crisis, political leaders of all countries failed to reach cooperation or common response to crisis, which was transnational in its character, but struggled individually to handle the crisis, using somewhat extreme measures such as building the wall or sending military at the border.

Relations with Slovenia often vary due to its complexity. Slovenia is considered as one of the closest and most important Croatian allies in the region of Central Europe, but also in Southeast Europe for advocating further EU enlargement and maintaining stability. However, several disputes occurred after the disintegration of Yugoslavia, leaving two neighbouring countries in negotiations and strain for last two decades. The dispute over the Bay of Piran escalated in last two years, when Croatia decided to leave the arbitration in 2015, convinced that the work of Arbitrary court is compromised by Slovenian side and that continuation of arbitrary is impossible and unsustainable.<sup>23</sup> Arbitrary Court on the 29th of July 2017 made a final decision on border division what Croatia refused to recognise and Slovenia kept insisting on a solution brought by the international community.

Besides territorial dispute, Yugoslavia left an open question on the Ljubljana Bank that bankrupted after the disintegration of former state and on Croatian savings that are still not paid by the New Ljubljana Bank. Also, Nuclear Power Plant Krško after the independence of two countries opened the question of price of the electricity, management, disposal of waste and funds for financing and disposing of radioactive waste. The construction costs were covered by Croatia and Slovenia equally, but the Power Plant is on Slovenian territory what puts Slovenia in a more favourable position in the exploitation of the Plant.

Slovenia used the Croatian accession process to the EU as a leverage in these bilateral questions and has stalled Croatian negotiation and joining the EU. However, today when both countries are EU and NATO member states, there are numerous fields where cooperation is highly needed. That applies in particular to the Southeast Europe region and maintaining its security and stability, what is a crucial aspect of active membership of both countries in the EU and NATO. The most important joint Croatian - Slovenian initiative for fostering regional cooperation and Euro-Atlantic accession processes is the Brdo - Brijuni Process launched in 2010. Brdo - Brijuni are valuable tool for maintaining open dialog and solving interstate disputes in particular considering highly challenging time in the region.

Slovenia and Croatia share many bonds and have fruitful cooperation in the field of economy, security, transport, culture etc. that is supported by many bilateral agreements. As a symbol of friendly relations, in 2013, the presidents of two countries signed a joint declaration on deepening the cooperation between folks and states.<sup>24</sup>

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23 MVEP (2017): „Prestanak arbitražnog postupka između Hrvatske i Slovenije: uzroci i posljedice“, <http://www.mvep.hr/hr/ostalo/prestanak-arbitraznog-postupka/>

24 MVEP (2017): Review of bilateral international agreements: Slovenia

Also, Croatia has very rich and developed relations with other neighbouring country, Hungary, which was the closest partner for Croatia within the Visegrad group. However, the relations between two countries are not entirely free of disputes, but are somewhat less intense than with Slovenia due to the absence of border disputes. The biggest weight on bilateral relations is MOL shares in INA Company. In 2003 Croatian government sold 25% + 1 stock of state company INA to Hungarian company MOL and in 2009 additional 22,15% what made Hungarian company the biggest stakeholder of INA and enabled Hungarian control over the company management. Croatian Agency for Supervision of Finance Services (Hanfa) filed an application to State Attorney (DORH) on a suspicion that shares sold in 2009 are bought with compromised money and manipulation.<sup>25</sup>

However, relations in economic field and even political, haven't deteriorated as one would consider, on the contrary, the trade rate has grown as well as the number of Hungarian tourists coming to Croatia. Also, cooperation is maintained within multilateral initiatives and on bilateral level through cooperation in the field of culture, energy, science, health and cooperation for Croatian full application of Schengen *Acquis communautaire*.<sup>26</sup>

A Central European country with whom Croatia has traditionally good and friendly relations is Austria. The two countries have strong cooperation in the field of culture and education, enhanced with a new programme of cooperation until 2019<sup>27</sup> and numerous joint science – research projects. Austria was a constant partner during the Croatian accession process and still represents an important partner for Croatia in Southeast Europe. Austria is bond to Southeast Europe, whose further EU enlargement, development and stability it strongly supports, in particular within “the Berlin process”. Such attitude and political commitment is unsurprising considering immediate vicinity as well as the number of people from SEE living in Austria. The data is that there are 90 000 Croats living in Austria<sup>28</sup> with the growing trend of emigration towards it (namely, over three thousand Croats emigrated to Austria in 2015).<sup>29</sup>

Bilateral relations with the Czech Republic are also good, free from any open disputes and in the process of growing cooperation, mostly in culture and through various multilateral organizations and initiatives. The important segment, even in relations with the Czech Republic is a question of Southeast Europe, where the Czech Republic is getting more involved through its wider regional context/activity/interest. Relations with Slovakia are also correct, with tendency of more intensive cooperation. Until

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25 Dnevno.hr (2016): INA-MOL – 13 godina pregovora, sukoba, burnih političkih rasprava, <http://dnevnik.hr/vijesti/hrvatska/ina-mol-13-godina-pregovora-sukoba-burnih-politickih-rasprava---437464.html>

26 MVEP (2017): Review of bilateral international agreements: Hungary, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/madarska,81.html>

27 MVEP (2017): Review of bilateral international agreements: Austria, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/austrija,2.html>

28 Central State Office for Croats Abroad (2017): Croatian Diaspora in Republic of Austria, <http://www.hrvatiizvanrh.hr/en/hmiu/croatian-diaspora-in-republic-of-austria/18>

29 Državni zavod za statistiku Republike Hrvatske (2016): Statistički ljetopis Republike Hrvatske 2016, [https://www.dzs.hr/Hrv\\_Eng/ljetopis/2016/sljh2016.pdf](https://www.dzs.hr/Hrv_Eng/ljetopis/2016/sljh2016.pdf)

the end of 2017 there is a programme of cooperation between two ministries of education and science, an agreement on joint support in the field of Schengen cooperation signed in 2014 and continued cooperation during tourist seasons.<sup>30</sup>

With Poland, Croatia also has very good bilateral relations marked with cooperation in the field of security and the fight against crime<sup>31</sup> and very frequent official meetings of political leaders. Croatian and Polish presidents are the initiators of Three Seas Initiatives what occurred as a promising form of cooperation in the Central Europe regarding security, energy, migrations and transport. The latest meeting held in Warsaw this year was attended by US president Donald Trump giving the initiative acknowledgment of its wider importance. The importance of Poland for Croatia was after the EU accession in the field of knowledge transfer, where Poland, as EU country that uses EU funds the most, sent its experts to give their expertise to Croatia in managing the EU funds. Also, the symbolic link between countries is the Croatian signing of its Accession Agreement during the Polish presidency of the EU.

With countries of Visegrad group, Croatia has multilateral cooperation through the V4+ format where the V4 countries obligated themselves to develop and strengthen the European integration process, to pursue joint political and project-oriented activities, to jointly tackle the issues of common concern in the field of transport, energy and infrastructure, cultural exchange and foster overall cooperation.<sup>32</sup> In 2017, within V4+ format joined Austria, Slovenia and Croatia on meeting of the ministries of foreign affairs under Hungarian presidency. They agreed on open political dialog and joint initiatives in the field of promoting security in its neighbourhood, interconnectivity in the field of transport and energy and further EU enlargement especially in the SEE.<sup>33</sup>

One of the most important multilateral frameworks for promoting wider regional cooperation in Central Europe is the Central European Initiative.<sup>34</sup> It is an intergovernmental macro-regional forum established in 1989 with the primary goal to support regional cooperation and further European integration of its member states, namely from Eastern and Southeast Europe. This initiative enables Croatia to cooperate with Central Europe in wider regional context from the Baltic to the Black Sea and to fold its regional interest with the CE countries.

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30 MVEP (2017): Review of bilateral international agreements: Slovakia, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/slovacka,119.html>

31 MVEP (2017): Review of bilateral international agreements: Poland, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/poljska,106.html>

32 Visegrad Group (2013): Joint Declaration of the Foreign Ministers of the Visegrad Countries and Croatia on the Occasion of the Croatian Accession to the EU, [Press release] <http://www.visegradgroup.eu/calendar/2013/joint-declaration-of-the>

33 Visegrad Group (2017): Joint Statement of the Ministers of Foreign Affairs of the Visegrad Group, Austria, Croatia and Slovenia, [Press release], <http://www.visegradgroup.eu/calendar/selected-events-in-2017-170203/joint-statement-of-the-170710>

34 Central European Initiatives (2017): <http://www.cei.int/>

Within the EU framework, Croatia is part of an EU funding programme Interreg Central Europe<sup>35</sup> that supports partnerships of private and public institutions in the fields of innovation, CO2 reduction, natural and cultural resources and climate change with the main priority to make Central Europe more competitive. Within the EU Strategy for Danube Region<sup>36</sup>, a macro-regional strategy adopted by the European Commission, Croatia has an opportunity to use the resources and undertake projects in line with its priorities: improving mobility and inter-mobility of inland waters, sustainable energy, culture and tourism, restoring the quality of waters with other Central European countries.

Cooperation in the field of security in a narrower context of Central Europe, as embraced in this study, is fostered within the Central European Defence Cooperation with the main aim to ensure stability and security of Central Europe, and consequently, Europe as a whole. Furthermore, the Austrian initiative from 2000 for strengthening Central European security partnership resulted in creation of the Salzburg Forum that gathered also Czech Republic, Hungary, Poland, Slovakia and Slovenia. After the EU accession in 2007 Bulgaria and Romania became members and Croatia officially joined in 2012. The main fields of cooperation are lobbying in the EU for the future EU enlargement, regional cooperation and cooperation with third countries mainly regarding the issue of migrations.<sup>37</sup>

Developed bilateral relations and many multilateral frameworks of cooperation are open possibilities for Croatia through which political affiliation to Central Europe can be accomplished and consequentially the Central European aspect of the Croatian national identity strengthened. Putting the accent on Central Europe in Croatian foreign policy and orientating towards it, politically and economically, is an important dimension of a way towards progress and further development that is of high significance for Croatia. Solving disputes with neighbouring countries will have a crucial role in that process. Furthermore, in relation with Visegrad group, Croatia needs to show more initiative for enhancing cooperation, particularly in the fields that are important within the V4 group: security, energy and transport.

In circumstances where Croatian interests differ from the ones of others Central European countries, the focus should be on reconciliation of the differences through multilateral frameworks of cooperation and on multiplication of opportunities which Croatia can use to achieve its goals on national, regional and European level.

### **3.3. Economic aspect**

The Central European commitment of Croatia perhaps lies on historical and identity basis, but the crucial factor for regional affiliation is the level of economic cooperation and presence. If economic cooperation does not support the political relations, Croatia will never be perceived and truly be part of Central Europe.

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35 Interreg Central Europe (2017): <http://www.interreg-central.eu/Content.Node/home.html>

36 Danube Region (2017): <http://www.danube-region.eu/about/the-danube-region>

37 Salzburg Forum (2017): [http://www.salzburgforum.org/Who\\_are\\_we/Our\\_history.html](http://www.salzburgforum.org/Who_are_we/Our_history.html)

All parameters are showing that Croatia is marking positive trends in the economy and catches the level of development of some countries of Central Europe, such as Slovenia and Hungary. In the analysis of economic relations between countries of Central Europe and Croatia, in particular in the area of commodity and trade exchange in the period from 2010 – 2016, there is a significant improvement. For instance, in 2010 both export and import with CE countries was only 18% of total Croatian trade to grow at 46% of total Croatian export and 32% of import in 2016. Such notable growth is the result of Croatian accession to the EU what enabled easier trade and transportation of commodities and services.

Table 2.1. Croatian trade with countries of Central Europe in mil €

Country	2010*		2016*	
	Export	Import	Export	Import
Austria	471	720,9	790,53	1 567,87
Czech Republic	79,99	288,6	177,43	413,4
Hungary	199,83	421,58	471,16	1 397,4
Poland	89,72	304,68	166,48	600,95
Slovakia	70,41	129,07	175,66	335,66
Slovenia	697	885	1 541	2 150
<b>Central Europe total</b>	<b>1 607,95</b>	<b>2 749,83</b>	<b>5 720,74</b>	<b>6 465,28</b>
<b>Croatia in total</b>	<b>8 905</b>	<b>15 220</b>	<b>12 320</b>	<b>19 686</b>

\* The datas include period from January till December for the year

Table made by author, source: National Bureau for statistics, [http://www.dzs.hr/Hrv\\_Eng/publication/2011/04-02-04\\_01\\_2011.htm](http://www.dzs.hr/Hrv_Eng/publication/2011/04-02-04_01_2011.htm), [http://www.dzs.hr/Hrv\\_Eng/publication/2016/04-02-01\\_12\\_2016.htm](http://www.dzs.hr/Hrv_Eng/publication/2016/04-02-01_12_2016.htm)

The most developed trade is with Slovenia and Austria that are in the top five trade partners of Croatia, and additionally with neighbouring Hungary, a traditionally good trade partner. With the rest of the V4 countries the numbers are somewhat lower, but the dynamic is positive what can be an indicator of future increase in these parameters. From the perspective of the rest of the V4 countries, Croatia has, for now, marginal place in trade. Main trade partners for V4 is Germany on which all economies of V4 are heavily depending, Austria, France and UK, as well as their own internal market.<sup>38</sup>

Central Europe has an important role in the Croatian tourism industry, where tourists from this region made 38% of total tourist arrivals in Croatia in 2011, and 35% in 2015. Besides Germany and Italy, tourists from Central Europe have the most arrivals and nights in Croatia in 2015, specifically from Slovenia, Austria and Czech Republic. Considering the proximity of the Croatian Adriatic coast for Central

38 Kryštof Kruliš (2015): Internal Market among V4 Countries: Energizing stakeholders' activity to press for its smoother functioning, Reaserch Paper, Association for International Affairs, [http://pasos.org/wp-content/uploads/2015/02/amocz\\_rp\\_2015\\_01.pdf](http://pasos.org/wp-content/uploads/2015/02/amocz_rp_2015_01.pdf)

European countries and its desirability as a tourist destination, Croatia needs to maintain good and friendly bilateral relations with countries that boost Croatian crucial branch of economy.

**Table 2.2. Tourist arrivals in Croatia from countries of Central Europe (in thousands)**

	<b>2011.</b>	<b>2015.</b>
Austria	893	1 120
Czech Republic	638	696
Hungary	328	436
Poland	495	673
Slovakia	335	381
Slovenia	1 100	1 192
<b>Central Europe total</b>	<b>3 789</b>	<b>4 498</b>
<b>Croatia in total (foreign tourists)</b>	<b>9 927</b>	<b>12 683</b>

Table made by author, source: National Bureau for statistics, Statistical Yearbook of the Republic of Croatia 2016

Regarding direct foreign investments, countries of Central Europe also have an important role for Croatian economy, especially Austria that is the second biggest investor in Croatia after the Netherlands, and Hungary with significant number of over 2 billion euros of investments.<sup>39</sup>

An important field of cooperation between Croatia and countries of Central Europe is energy and energy security that is in particular of interest to the V4 countries due to the strategic position of Croatia and its ability to export energy to neighbouring countries considering its relatively low energy consumption. Through Three Seas Initiatives the cooperation on issues of energy and energy security is tackled, where states support implementation of the Union's Energy policy objectives and realisation of Krk LNG terminal as well as connection of other regional pipelines to ensure energy diversification of Central Europe and its effective internal energy market.<sup>40</sup>

Energy security is the main field of cooperation of the Visegrad group due to their high dependency on energy import and high energy demands, natural gas in particular.<sup>41</sup> The pressing issue of V4 and Central Europe in general, is to find alternative suppliers and corridors to avoid unpredictability's and gas crisis that in the past occurred with Russia and Ukrainian corridor in 2006 and 2009.

39 HNB (2017): Inozemna izravna ulaganja, <https://www.hnb.hr/statistika/statisticki-podaci/sektor-inozemstva/inozemna-izravna-ulaganja>

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41 Brzezinski, Ian, Koranyi, David (2017): The Three Seas Summit: A Step Toward Realizing the Vision of a Europe Whole, Free, and at Peace?, The Atlantic Council, <http://www.atlanticcouncil.org/blogs/new-atlanticist/the-three-seas-summit-a-step-toward-realizing-the-vision-of-a-europe-whole-free-and-at-peace>

Croatia gained significant importance with planned LNG terminal in Krk island in the main initiative of V4 to connect North and South of Europe with one unique gas corridor (North – South Corridor) that will enable interconnection and international transport and gain strategically important position to V4 countries.<sup>42</sup> The LNG terminal will mean additional capacity for the V4, but will also enable Croatia to enter the V4 energy market. Moreover, Croatian and Polish companies, Plinacro and Gaz System, signed in 2012 a letter of intent on a gas corridor to connect Adriatic and Baltic Sea that will have a significant role once the terminal is built.<sup>43</sup>

However, construction of the LNG terminal is slow and by now Croatia engaged itself in few other projects such as South Stream gas pipeline, which is strongly supported by the European Commission for energy diversification and security of Central Europe and the Adriatic Pipeline (IAP) 7 project that is planned to be connected with the Trans Adriatic Pipeline by Azerbaijani Nabucco Consortium. These alternative projects are also possibilities for cooperation with Central European countries, in particular for gas export to Hungary.<sup>44</sup>

Furthermore, Croatia has an important role in oil transit route, in particular to Hungary, Slovakia and Czech Republic with Adria pipeline, with a primary goal to enable diversification of oil supplies for Central European countries. The Hungarian and Slovakian part of Adria is enough to cover all oil demand for Slovakia, although it is only a Slovakian backup source.<sup>45</sup> Croatia has with Hungary the closest ties regarding oil, whose company MOL is the majority shareholder of Croatian biggest oil company INA since 2008.

Main cooperation with Slovenia in the field of energy is through Nuclear Power Plant Krško, where Croatian company HEP d.o.o. holds 16 hydro power plants, 7 power plants and half of installed nuclear power plants of Krško power station. The other half of Krško power station holds Slovenian company ELES GEN d.o.o.<sup>46</sup>

Moreover, the transport is another important field of cooperation between Croatia and Central Europe, where development and infrastructure are the crucial aspects. The role of Rijeka as Mediterranean port is highly attractive for Central European countries in the Central European Transport Corridor (CETC-Route 65) what is connecting the Baltic and Adriatic Sea through Sweden, Poland, Czech Republic, Slovakia, Hungary and finally Croatia. Croatian trend of modernising and developing railroads, seaports, airports, etc. is making Croatia a desirable partner for Central Europe, in particular due to its access to the Adriatic and Mediterranean Sea. These modernization processes will heavily depend on

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42 John Szabo (2016): „V4 Energy Cooperation“, Visegrad Plus, <http://visegradplus.org/analyse/v4-energy-cooperation/>

43 Andrzej Sadecki (2013): The prospects for Croatia's co-operation with the Visegrad Group, Centre for Eastern Studies, no. 116

44 ibid

45 Kovács, P. et al. (2011): „Energy security of the V4 countries. How do energy relations change in Europe“, Świątkowska, J. (ed), The Kosciuszko Institute, [http://www.pssi.cz/download/docs/117\\_energy-security-of-the-v4-countries.pdf](http://www.pssi.cz/download/docs/117_energy-security-of-the-v4-countries.pdf)

46 Ministarstvo zaštite okoliša i energetike (2015): Energija u Hrvatskoj, godišnji energetski pregled 2015, <http://www.eihp.hr/wp-content/uploads/2016/12/Energija2015.pdf>



external funding, mainly EU funds, such as joint project between Croatia and Hungary to renew Rijeka – Budapest connection worth 2 billion euros.<sup>47</sup>

Croatian economic relations with countries of Central Europe are branched and include cooperation in the field of trade, energy and transport. With significant improvement in economic cooperation after the Croatian accession to the EU and constant development of its capacities, Croatia occurred as valuable partner to V4 countries in the most important field of their joint cooperation - energy security and transport. However, besides Hungary, there are many opportunities to strengthen the economic aspect of relations with Poland, Slovakia and Czech Republic.

Regarding energy flows and corridors, Croatia has a strategic position for Central Europe, however, the realization of started and planned projects in foreseeable time will be crucial for future role and affiliation in Central European energy corridors. The same is with the transport infrastructure that, besides roads, needs modernization and better interconnectivity towards Central Europe. Nevertheless, Croatia is on a good track to become an integral part of Central Europe, where political cooperation and good relations are supported with joint projects and “acting together” in economic fields. Further approach to Central Europe, in order to reach regional inclusion and to strengthen that aspect of Croatian national identity, should continue as a comprehensive one, harmonizing both the political and economic cooperation without losing the focus on further modernization and growth.

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47 Ibid ref no.40

## 4. CROATIAN FOREIGN POLICY IN THE MEDITERRANEAN

### 4.1. Opportunities and challenges

The cradle of Civilization, the Mediterranean, has always been relevant in international relations, due to its geostrategic position that connects three continents, as well as due to its natural resources, energy flows, trade and tourism. However, with shift of power towards the Far-East in last decade, the Mediterranean found itself in a certain 'political vacuum' that does not correspond to the importance of the events that boil in the region. With illegal migration flows, human trafficking, weapon smuggling, terrorism and organized transnational crime, coming mainly from the MENA region through the Mediterranean, the consequences of inadequate policies and attitude of global powers towards the Mediterranean can be considerable. However, although sometimes lower in volume, geopolitical importance of the Mediterranean is still significant which is clearly visible from the following: Chinas 'one Belt, one Road' that marks one of its destinations through the land route in Adriatic countries - Albania and Montenegro, and the maritime route that reaches the Mediterranean over Suez Canal, Russian assertive actions in Syria, military overrun between Russia and the US, hegemonic aspirations of Turkey and constant EU engagement to maintain relevance in the region.

For the EU, the Mediterranean represents perhaps the most important region for strengthening of its influence. The role which the EU will play in the near future in its proximate neighbourhood - the Mediterranean, Eastern and Southeast Europe – will actually determine the future of the EU as the global power. The importance of the Mediterranean for the EU lies in an opportunity to take a step away from dependence on Russian gas and oil by increasing the percentage of gas imported from MENA region countries, Algeria and Libya in particular. Furthermore, the Mediterranean is rich with solar power and has huge tourism profit, but to enhance all these opportunities for cooperation, the stability in the region is crucial.<sup>48</sup>

Since the 90s, European Union is making an effort to gain influence on Mediterranean and to be a factor of stability by introducing the Barcelona process in 1995 that later in 2009 evolved into the Union for the Mediterranean and by re-vising and advancing the European Neighbourhood Policy (ENP) in 2015. Already in 2006 within the ENP, the EU progressively has opened the Euro – Mediterranean Agreement with Algeria, Armenia, Azerbaijan, Egypt, Georgia, Israel, Jordan, Lebanon, Moldova, Palestinian self-government, Tunisia and Ukraine to involve these partner countries in the EU programmes and to offer help and assistance in their political processes and economic development.

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48 Gasier, L., Hribar, D. (2012): „Euro-Mediterranean Region: Resurged Geopolitical Importance“, *International Journal for Euro-Mediterranean Studies*, 5:57-69, Springer

All these mechanisms weren't enough for the EU to surpass the attribute of soft power only in its neighbourhood and to become normative power that was expected from it. Therefore, there is a growing sense that the EU isn't capable of taking part in power struggle over the Mediterranean, but the possibilities for strengthening its position as a soft power are plenty, as it was stressed above.

The question arises, what can a small country as Croatia do, as well as can it make any impact and influence in region such as the Mediterranean? Croatia certainly cannot engage itself in a geopolitical game over the Mediterranean, but for the country with 1777 km long Adriatic coast and with more than 18% of GDP coming from tourism, the importance of strengthening its presence and actions in the Mediterranean followed by coherent and adequate foreign policy has never been higher. The analysis of the latest Strategic Plan for Croatian foreign policy<sup>49</sup> shows that Croatian political leaders have recognized the Mediterranean as an important region and a crucial determinant for Croatian identity, but there are no concrete policies or vision which Croatia can achieve in the region, or how.

However, there are many mechanisms at Croatia's disposal to foster the economic cooperation and political relations with countries in the Mediterranean that will accordingly boost its Mediterranean identity and foreign-policy profile. After joining the EU in 2013, more opportunities opened, especially within the Union for Mediterranean and other abovementioned EU mechanisms, but also with more accessible channels for cooperation with other Mediterranean member states.

Such direction of Croatian foreign policy can contribute to its positioning within the EU, widen the perspectives of Croatia and give it more credibility as a regional player. Nevertheless, Croatian foreign policy strives to overcome its SEE prefix often resorting to the Mediterranean dimension that occurs attractive. In order to revive its Mediterranean affiliation and regional activity, the aspiration must be intrinsic rather than motivated by conditionality, and foreign policy goals must be achieved independently.

One of priorities is fostering the political dialog and cooperation with all the countries of the Mediterranean, in particular with neighbouring countries, but the political action must be supported with economic policies in order for Croatia to become relevant in the region. The existing infrastructure for maritime transport and trade in Croatian ports make a base for further development and increase of economic cooperation. Moreover, in the region that participates with 19%<sup>50</sup> in world tourism market share, Croatia as a tourism oriented country, can exploit more the possibilities for further branding of the country as Mediterranean tourist destination. Also, taking into account the significant impact of security on the tourist industry<sup>51</sup>, Croatia is in a favourable position as a NATO member considering numerous instabilities in rest of the Mediterranean countries.

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49 MVEP (2017): Strategic Plan of Ministry for Foreign and European Affairs 2017-2019, <http://www.mvep.hr/files/file/2017/170524-strateski-plan-mvep-2017-2019-izmjene-i-dopune.pdf>

50 World Tourism Organization (2016): UNWTO Tourism Highlights 2016, <http://www.e-unwto.org/doi/pdf/10.18111/9789284418145>

51 R. Alkier, K.R. Nimac, S. Lipovac, (2016): „Security in European Tourism with Particular Attention Paid to the Republic of Croatia“ International Conference on Economic and Social Studies, Proceedings Book 353-365

All these possibilities are still insufficiently used, suffering from clear lack of strategy and concrete policies, as well as capacity of political leaders to reach full potential. This chapter will further analyse the mechanisms and tools for strengthening political and economic aspects of cooperation between Croatia and other countries in the Mediterranean that can contribute in fostering its influence and increasing the visibility of Croatia in this region.

## 4.2. Political aspect

Nineteen countries on the Mediterranean Sea make a wide and diverse spectrum of actors sharing the same basin and claiming their position in the region. For a small country as Croatia in order to stand along with the rest of the countries and be visible in such a region it is crucial to emphasise and use all of its advantages and opportunities. Also, because of the effect of a small state, the commitment and effort to achieve stronger cooperation or to foster bilateral relations with countries in the Mediterranean must be ambitious.

From the analysis of Croatian bilateral relations with the Mediterranean countries, it is evident that Croatia, to a certain extent, showed the initiative in improving bilateral relations with some countries from the region. The example is signing of Croatian – French Strategic Partnership for 2014 – 2017<sup>52</sup>, whose goal is deepening of political, economic, security and cultural bilateral cooperation, overall cooperation for strengthening joint Mediterranean dimension and mutual support in multilateral initiatives and organisations such as Union for the Mediterranean. Cooperation with Turkey is also an optimistic example of Croatian foreign policy activity where, since Croatian accession to the EU, series of agreements were signed regarding the culture and science, customs issues, official - visa waiver and Memorandum on cooperation in the field of European affairs.<sup>53</sup>

Furthermore, the cultural cooperation was extended until the 2019 with Italy<sup>54</sup>, Israel<sup>55</sup> and agreements on cooperation during tourist seasons were signed with Italy<sup>56</sup> in 2014 and with Portugal in 2016<sup>57</sup>. Relations with Italy<sup>58</sup> are now progressive more than ever, in particular due to the Cross-border Cooperation Agreement 2014-2020.

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52 Vlada Republike Hrvatske (2015): Hrvatsko – francusko strateško partnerstvo, Akcijski plan 2014.-2017., <https://vlada.gov.hr/UserDocsImages//Sjednice/2015/227%20sjednica%20vlade//227%20-%2019a.pdf>

53 MVEP (2017): Review of bilateral international agreements: Turkey, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/turska,140.html>

54 MVEP (2017): Review of bilateral international agreements: Italy, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/italija,53.html>

55 MVEP (2017): Review of bilateral international agreements: Israel, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/izrael,54.html>

56 ibid 11

57 MVEP (2017): Review of bilateral international agreements: Portugal, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/portugal,107.html>

58 ibid 11

Relations with Greece appear to be weak what can be explained with numerous problems that Greece is facing with the economic crisis. But nevertheless Greece still represents a globally attractive tourist destination and is on a geostrategically important position regarding energy flows. Therefore, the review of the tourism cooperation treaty, that is on power since 1998, is needed, as well as fostering of the bilateral cooperation in general, since the last agreement signed is in 2008 on maritime transport.<sup>59</sup> Cyprus is also a small state with many issues, therefore it may seem out of the radar for Croatia, in particular considering the first round of negotiations on a treaty for avoiding double taxation in 2015<sup>60</sup>, but the Croatian export to Cyprus reaches over 11 mil euros per year.<sup>61</sup>

Furthermore, in relations with Spain, one of the biggest and most influential countries on the Mediterranean that is home to the Union for the Mediterranean, there is no bilateral treaty or agreement signed related to the Mediterranean or maritime issues.<sup>62</sup>

Besides the abovementioned cooperation with Turkey and Israel, bilateral relations of Croatia with other non- EU Mediterranean countries, the ones to the North Africa and Middle East, appear lukewarm. With Lebanon<sup>63</sup>, Libya<sup>64</sup> and Tunis<sup>65</sup> the latest bilateral agreements were signed in 2002 and diplomatic relations with Algeria began only in 2000.<sup>66</sup>

Egypt<sup>67</sup> and Morocco<sup>68</sup> are exceptional countries with which Croatia maintained active bilateral relations during last decade by founding the Croatian – Egyptian Business Council, signing the treaty on maritime transport and maritime fisheries, cooperation in the field of crime-combating and cooperation with Croatian

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59 MVEP (2017): Review of bilateral international agreements: Greece, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/grcka,41.html>

60 MVEP (2017): Review of bilateral international agreements: Cyprus: <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/cipar,22.html>

61 MVEP (2017): Ministry of foreign and european affairs, foreign markets: Cyprus, <http://gd.mvep.hr/hr/strana-trzista/cipar,67.html#p>

62 MVEP (2017): Review of bilateral international agreements: Spain, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/spanjolska,129.html>

63 MVEP (2017): Review of bilateral international agreements: Lebanon, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/libanon,76.html>

64 MVEP (2017): Review of bilateral international agreements: Libya, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/libija,77.html>

65 MVEP (2017): Review of bilateral international agreements: Tunis, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/tunis,138.html>

66 MVEP (2017): Review of bilateral international agreements: Algeria, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/alzir,5.html>

67 MVEP (2017): Review of bilateral international agreements: Egypt, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/egipar,29.html>

68 MVEP (2017): Review of bilateral international agreements: Morocco, <http://www.mvep.hr/hr/vanjska-politika/bilateralni-odnosi/pregled-bilateralnih-medunarodnih-ugovora/maroko,86.html>

Diplomatic Academy. But after Croatian accession to the EU bilateral engagement in strengthening and maintaining fruitful cooperation trailed, leaving the development of relations through channels of the EU.

One of the most important mechanisms for fostering relations with Mediterranean countries and building its position in the region through multilateral mechanism that Croatia has on its disposal are the Euro – Mediterranean partnership, the Union for the Mediterranean and the European Neighbourhood policy.

European Neighbourhood Policy opens a possibility for multilateral, as well as bilateral cooperation with Eastern and Southern European neighbouring countries. Although, the ENP is primarily a tool for implementation of the EU's foreign policy, it does offer mechanisms and ways for individual member state to get involved and to enhance its impact on particular region. Multilateral framework within the ENP for the Southern Neighbourhood is the Union for the Mediterranean (UfM) what started as a project of the former president of France, Nicolas Sarkozy in 2009, with main goal to connect Mediterranean members of the EU with the countries of Southern Mediterranean. In the end UfM was realized as the supplement for the Euro-Mediterranean Partnership and more advanced EU foreign policy tool for the Mediterranean.<sup>69</sup>

UfM represents a valuable mechanism to raise influence and maintain open dialog among member states in order to support and strengthen political and economic cooperation, with the main goal to secure the region and promote democracy.<sup>70</sup> Of significant importance is also cooperation in the field of research and innovation, backed-up by the establishment of Partnership in Research and Innovation in the Mediterranean Area (PRIMA) in 2012. It is based on Article 185 of the Treaty on Functioning of the EU and is supported by 11 EU member states and 7 other regional states with increase of states joining the initiative.<sup>71</sup> The main goal of PRIMA is to conduct common research to reach innovative solutions regarding serious issues in the region of Mediterranean such as climate change, food and water security, overexploitation of natural resources, loss of agro – biodiversity, sustainable agriculture etc.<sup>72</sup> Croatia was eager supporter of PRIMA and in April 2017 it made a financial commitment to common program initiative of 2 million €. <sup>73</sup>

The latest data on Croatian activity in the UfM is from 2011 Croatian Foreign Ministry Yearbook stating Croatia's participation to the Conference of Ministry of Industrial Development, organizing the *Croatia Summit* with one panel dedicated to the Mediterranean, hosting the Assembly of local and regional authorities of the Mediterranean, as well as organizing the conference "Civil Society on

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69 F. Bicchi, (2011): *The Union for the Mediterranean, or the Changing Context of the Euro-Mediterranean Relations*, *Mediterranean Politics*, 16:01, 3-19, Routledge

70 B. Zgurić, (2015): *Europska vanjska i sigurnosna politika prema Mediteranu*, *Političke analize*, br.22, 3-7

71 *Partnership for Research and Innovation in the Mediterranean Area, PRIMA (2017): Strategic and Innovation Agenda*, <http://4prima.org/sites/default/files/publication/PRIMA%20SRIA.pdf>

72 Ibid

73 Čokešić, M., Ministry of Science and Education, Personal Communication, June 13th, 2017

the Mediterranean: bail to dialog and cooperation” by Croatian network Anna Lindth and National Foundation for Civil Society Development.<sup>74</sup>

Union for the Mediterranean developed since 2009 into an established organisation dealing with concrete issues in the region. During co-presidency of the EU and Hashemite Kingdom of Jordan from 2012 till nowadays 47 projects were labelled, the number of dialog platform is constantly increasing and in 2016 UfM was an observer in the UN General Assembly.<sup>75</sup> This platform is one of the most promising tools for EU to increase its normative power in the region and maintain its presence, as well as for Croatia to increase its activity in this region and to improve its visibility and political engagement. Not only that such engagement will strengthen the Croatian Mediterranean identity, but it will contribute to the most important aspect of Croatian foreign policy goal – active membership in the EU.

After the EU accession, Croatia became a part of the Euro-Mediterranean Partnership adopting all the accession agreements between the EU and Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia and Turkey that foster the political dialog between the parties, enable free trade and encourage the regional cooperation with the goal to enhance regional security and stability. These agreements can be a base for developing closer bilateral cooperation between Croatia and countries of MENA region, especially in enhancing the political aspect of their relations.

### 4.3. Economic aspect

Analysis of trade data between Croatia and Mediterranean countries shows, especially in comparison to the bilateral trade data with other two region analysed in the study, that Mediterranean region is actually not in Croatian focus.

In the region, besides the Mediterranean EU member states, the best trade is accomplished with Turkey and Egypt while trade with other states is mostly negligible what is visible from table 3.1. Reasons for such results are constant instability and conflicts in the region, undeveloped economies and high level of corruption.<sup>76</sup> But on the other hand, even when the data for the EU member states is analysed, most significant numbers are in relations with neighbouring country – Italy. Positive trend in trade is visible with Spain, where level of Croatian export tripled in last six years and overall commodity exchange marks growth. Although positive trends can be seen in cooperation with Portugal, the level of trade remains low what is seen from trade with Cyprus, Greece and Malta.

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74 MVEP (2011): Yearbook of Ministry for Foreign and European Affairs 2011, [http://www.mvep.hr/\\_old/custompages/static/hrv/files/godisnjak2011/pdf/Godisnjak\\_MVEP\\_2011.pdf](http://www.mvep.hr/_old/custompages/static/hrv/files/godisnjak2011/pdf/Godisnjak_MVEP_2011.pdf)

75 Union for the Mediterranean (2016): Annual Report, [http://ufmsecretariat.org/wp-content/uploads/2017/05/2016-Annual-Report\\_-UfM.pdf](http://ufmsecretariat.org/wp-content/uploads/2017/05/2016-Annual-Report_-UfM.pdf)

76 Transparency International (2017): <https://www.transparency.org/country/>

In 2016, Mediterranean countries made 21% of Croatian export and 19% of total import, with a note that the numbers would be significantly lower if the EU member states aren't included in calculation. The fact that Croatian trade volume has increased from 2010 till 2016 from 8 to 12 billion € and that amount of export decreased towards Mediterranean countries from 1,6 billion to 700 million € is a clear evidence that this region is not the sphere of interest for Croatia.

Table 3.1. Croatian trade with Mediterranean countries in mil €

Country	2010*		2016*	
	Export	Import	Export	Import
<b>non-EU</b>				
Algeria	10,8	6,74	39,12	3,99
Egypt	61,45	11,51	98,84	44,16
Jordan	4,08	0,18	/	/
Lebanon	53,16	0,019	9,32	0,11
Libya	36,18	10,06	7,76	78,4
Israel	4,82	25,21	50,03	16,6
Marocco	3,25	37,66	10,74	8,08
Mauritania	13,73	0,65	/	/
Syria	18,6	0,6	/	/
Tunisia	6,33	19,5	9,13	2,75
Turkey	84,61	440,74	108,48	239,58
Palestine	/	/	/	/
<b>EU</b>				
Cyprus	57,33	1,75	14,37	8,85
France	121,72	409,67	290,72	476,08
Greece	66,7	74,32	52,8	96,8
Italy	1 660	2 308	1 687	2 468
Malta	154,59	37,73	27,61	7,31
Portugal	6,66	23,4	50,72	24,1
Spain	59,97	226,76	198,54	398,92
<b>Mediterranean in total</b>	<b>2 423,98</b>	<b>3 634,5</b>	<b>2 655,18</b>	<b>3 873,73</b>
<b>Croatia in total</b>	<b>8 905</b>	<b>15 220</b>	<b>12 320</b>	<b>19 686</b>

\* The datas include period from January till December for the year

Table made by author, sources: Croatian Bureau of Statistic, [http://www.dzs.hr/Hrv\\_Eng/publication/2016/04-02-01\\_12\\_2016.htm](http://www.dzs.hr/Hrv_Eng/publication/2016/04-02-01_12_2016.htm), [http://www.dzs.hr/Hrv\\_Eng/publication/2011/04-02-04\\_01\\_2011.htm](http://www.dzs.hr/Hrv_Eng/publication/2011/04-02-04_01_2011.htm)

Second important factor in analysing economic relations, besides the level of trade is direct investment, what in case of Croatia and Mediterranean non-EU countries is extremely low. The highest investor in the region among Croatian companies was INA with its investments in research and oil and gas production in Syria till 2012. Other countries from the region where Croatia marks investment are Libya with increase



in last four years, Egypt, Israel and Turkey<sup>77</sup>. The level of investment from the Mediterranean non-EU countries in Croatia, are also similarly low and negligible, where only Turkey and Israel are countries with recorded investment. When level of investment with Mediterranean EU member states are analysed, Croatia invested the most in Malta, Italy and poorly in Spain. Direct foreign investments in Croatia are coming from Italy and France, with significant numbers over 1 billion euros, and from Malta, Cyprus and Spain whose investments has significantly lower amount.<sup>78</sup>

Such track-record in the Mediterranean can be understood due to the Arab spring and crisis in Syria. Nevertheless, from a perspective of Croatian Mediterranean identity and its importance for the tourism on which Croatian economy is heavily depending, better results were expected. Furthermore, as a member of the EU, an organization devoted to developing close relations with Mediterranean countries since 1985, Croatia should engage more in regional cooperation to harmonize more with European foreign policy.

The interest of the EU in close and cooperative relations with the Mediterranean region is primarily in energy trade and maintaining security, therefore all existing forms of cooperation and agreements are wider than only trade and economy, including almost always political dialog, human rights, cooperation in migrations and social affairs, culture and security. It is fair to say that even the EU hasn't managed yet to fulfil its goals in the Mediterranean. Besides numerous free trade agreements, the trade in the region is yet not liberalised enough and is unvaried with energy and textile as dominant trade goods. Also, regional integration of market is missing, as well as foreign investment in countries of Middle East and North Africa what influence the whole region.<sup>79</sup>

Nevertheless, the Mediterranean is still a region that is important for global economic trends, primarily regarding tourist industry. Tourism as a field of economy marks constant growth and in 2015 it represented 7% of the world's exports in goods and services and shows better trends than the trade on global level. Mediterranean as a region participate in world tourism markets share with over 14% and is a region with three countries in a top five world destinations – France, Spain and Italy.<sup>80</sup>

Also, when data for the rest of the Mediterranean countries are analysed, most of them mark significant growth in tourist arrivals. Generally, the growth percent for entire region is 5%, but some countries reach much highest percentage such as Lebanon (12%), Portugal (10%), Cyprus and Croatia (9%), as well as

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77 HNB (2016): Inozemna izravna ulaganja, <https://www.hnb.hr/statistika/statisticki-podaci/sektor-inozemstva/inozemna-izravna-ulaganja>

78 Ivo Ritz (2014): Inozemna izravna ulaganja u republiku hrvatsku (po zemljama porijekla i godinama, Statistika.hr, <http://www.statistika.hr/index.php/analize-podataka/8-inozemna-izravna-ulaganja-u-republiku-hrvatsku-po-zemljama-porijekla-i-godinama>

79 I. Kersan – Škabić (2015): „Perspektive gospodarske suradnje Hrvatske i mediteranskih zemalja u okviru Europske susjedske politike“, Političke analize, br 22, 8-9

80 World Tourism Organization (2016): UNWTO Tourism Highlights 2016, <http://www.e-unwto.org/doi/pdf/10.18111/9789284418145>

Malta (6%) and Egypt (5%).<sup>81</sup> Only countries from North Africa mark decrease in tourist arrivals what is caused by conflict and instability in most of the countries.

Croatia is a country with 18% of total GDP and 70% of total Croatian export services from tourism,<sup>82</sup> therefore it is evident that strengthening the visibility and presence in the Mediterranean can have positive influence on Croatian identity and positive trends in most dominant economic branch and overall national economy.

For Croatia as a small country it is important to manage to profile in the Mediterranean region as a desirable tourist destination, and in order to do so, multidimensional effort is needed, including economic and political aspect on a national and regional level.<sup>83</sup>

Even from the economic aspect, the Mediterranean region offers many opportunities that can be of importance and beneficial for Croatia's further development and growth. For future increase of trade with countries of this region, namely the non-EU countries, some preconditions need to occur, primarily the stabilization of region. However, Croatia as well needs to make stronger effort to involve itself as part of the Mediterranean region, by strengthening the political relations what should be followed with economic cooperation. Such recommendation can also apply for the EU member states, where Croatia can seek partners beyond its neighbourhood and strengthen its Mediterranean aspect of national identity.

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81 Ibid

82 Hrvatska narodna banka (2016): Bilten 227, <https://www.hnb.hr/documents/20182/1047571/hbilt227.pdf/931da48e-02d0-4a02-b9cc-84306e26eca5>

83 L. Škuflić, I. Štoković (2011): „Demand Function for Croatin Tourist Product: A panel Data Approach“, *Modern Economy*, 2, 49-53

## 5. CONCLUSION

The main aim of the study was to analyse where Croatian foreign policy stands regarding three key regions that determine country's national identity and obviously are chosen to be spheres of Croatian interest. The main conclusion drawn from the research is that certain grounds have been set up, in particular in Southeast and Central Europe, but that a highly demanding tasks are ahead of Croatia.

Southeast Europe is facing numerous security challenges and once again represents a challenge for the EU. More than ever, Croatia has an obligation to play the role of security provider and bridge between the euroatlantic institutions and candidate countries in order to support the integration of the region and consequently the stability. It is evident that Croatia keeps developing and upgrading the bilateral relations with countries of the Southeast Europe, but the main challenge is to increase its visibility within overall region and profile as a security provider. The complexity of these two tasks is in highly challenging landscape of the region coloured with geopolitical struggle, unsolved disputes, deterioration of political dialog, extremism and radicalism. These issues are main causes why regional cooperation still stands as an unreachable goal although it's a key component in handling crucial stability threats.

Croatian relations with the countries of Central Europe experienced certain take-off after the Croatian accession to the EU, where opportunities for enhanced political and economic cooperation opened and Croatia managed to utilize some of them. Still, there is a lot of space for progress, especially in the field of economic and energy cooperation. Learning from examples of the V+ format, Central Europe Initiative and Three Seas Initiative, multilateral frameworks of cooperation proved to be the most valuable tools for connections with the Central Europe. Neighbouring countries, Slovenia and Hungary have an important role in further Croatian rapprochement and regional affiliation to Central Europe. Therefore, improvement of these relations would be relevant in the period to come.

The Mediterranean aspect of Croatian identity is finding lowest amount of back-up in Croatian political engagement and economic cooperation with countries of that region. The fact can be optimistically perceived through the lens of potential opportunity, but the inevitable conclusion is that Mediterranean represents more a desired than a real region of Croatian affiliation. However, Croatia still has the chance to profile itself as a Mediterranean country and exert influence, namely through co-operational frameworks set up by the EU and by enhancing relations with the Mediterranean EU member states such as Italy, France, Spain, etc. Considering the never-ending turmoil in the MENA region, cooperation on maritime security of the Mediterranean is crucial for European security. That is an important opportunity that Croatia must utilize in order to contribute to the EU's security and increase its own visibility in this region. Without concrete actions and contribution in the region, Mediterranean aspect of Croatian identity will remain vague.

One can argue it's an ambitious strive of a small state with limited capacities to be equally engaged in three major regions, in particular considering required efforts to overcome certain challenges and accomplish the desired goals. Considering Croatian geostrategic position, the country should keep supporting it through increased political presence and economic cooperation in the regions. Shortages in capacities should be compensated with smart strategies and utilization of offered opportunities and available mechanisms as well as through valuable partnerships.

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