EU concludes negotiations over Croatia’s accession

Markus Salzmann
18 July 2011

At the end of June, the Hungarian presidency of the European Union (EU) Commission announced the conclusion of six years of negotiations over Croatia's entry into the EU. The Balkan state’s accession to the EU is to take place in mid-2013. This will increase the membership of the EU to 28 states.

The remaining four of the 35 areas under negotiation for accession were completed in a fast-track procedure on the last day of the six-month-long Hungarian presidency. Janosz Martonyi, the Hungarian head of the EU Commission, spoke of an "historic day." He hoped that the accession treaty could be signed during the term of the subsequent Polish presidency. After the intergovernmental conference in Brussels, EU Enlargement Commissioner Stefan Fule declared: "Today we have made an important piece of history".

Speaking for Croatia, Foreign Minister Gordan Jandrokovic expressed his hope that the ratification process would now run "smoothly". He said the accession of Croatia was also important for "the other countries in Europe who (want to) follow us."

However, these optimistic gestures cannot hide the fact that the inclusion of Croatia into the EU remains highly controversial and is by no means a certainty. Each of the previous 27 member countries of the EU will have to agree to the accession, and the Croats themselves will also first have to decide in a referendum.

Many observers are sceptical about the accession in view of the economic crisis ravaging the country. They particularly regard contagion from the Greek financial crisis as the biggest threat. Thus, Michael Landesmann of the Vienna Institute for International Economic Studies (WIIW) warned, "If there is a spill-over from Greece, then it's going to pass through Croatia."

Landesmann claimed Croatia is lucky that the financial world's spotlight concentrates on only a few countries, and the one on the Adriatic coast is currently not in its glare. Croatia, which declared its independence from the former Yugoslavia 20 years ago, is basically just as dependent on borrowing from the financial market as Greece.

Foreign debt is also mounting at disconcerting rate—to 120 percent of gross domestic product (GDP)—in the neighboring eurozone county of Slovenia, just as it is in other former Yugoslav states and Bulgaria. According to the WIIW, "The countries lack the funds to finance themselves. And as long as this is the case, they are dependent on the financial markets. That could be catastrophic."

The WIIW points out that the economic crisis has revealed just how weak and superficial economic recovery has been in eastern Europe and the Balkans. "The massive state financing from abroad was the stimulant, through which southern and eastern European countries grew so strongly," said Roman Römisch of the WIIW. With no more capital pouring in to quell the crisis, economies are collapsing.

The private-sector debt level in the Balkan countries has steadily risen. Private debt in Bulgaria and the Baltic countries alone accounts on average for more than 120 percent of GDP; it is higher only in Greece (145 percent), and in Portugal and Spain (both more than 200 percent).

Analysts at BNP Paribas—one of the leading French commercial banks and the biggest bank in Europe for deposits—have been drawing attention to the weaknesses of the Balkan economies for some time. They warn that some Balkan states could face serious problems in the wake of the debt crisis in countries like Greece and Italy.

Furthermore, there is little confidence among Europe’s ruling elite that Jadranka Kosor's right-wing conservative government in Croatia will be able to enforce the punishing austerity measures, structural reforms and stamping out of corruption, demanded by Brussels. The mounting social crisis has led to violent protests in recent

© World Socialist Web Site

months.

The number of unemployed is rising rapidly. More than 200,000 people in a population of nearly 4.5 million have lost their jobs since 2009 alone. The most recent official unemployment figure was 20 percent last year.

The Kosor government has already adopted brutal austerity measures, including staggering reductions in wages and social benefits. Trade unions claim that the wages of about 70,000 employees are not being paid. The current average gross wage of €1000 per month is regarded as too high by the EU and the International Monetary Fund (IMF). The IMF has been demanding a downward adjustment of Croatian wages for years.

Moreover, the EU is emphatically urging the cutting of social benefits, continually described in Brussels progress reports as an excessive strain on the budget. Sandra Svaljek, spokesperson for the Zagreb Institute of Economics (EIZ), bemoans the "overpaid" public sector, where necessary job cuts are constantly being blocked. She claims this places a heavy burden on attempts to foster a healthy business climate. Although job cuts in the private sector are easier to effect, she complains about employers often having to pay very high redundancy compensation.

Government and EU officials have long been pushing for further privatisation. The state privatisation management body still has over 700 enterprises on its list for potential sale. During the EU accession negotiations, tensions arose concerning the shipyards in Pula, Split and Rijeka, which have been able to survive only due to state aid. Approximately 15,000 workers are employed there.

Croatia's pending entry into the EU has increased pressure on the government to make further cuts. The government in Zagreb has announced its intention to reduce the number of civil servants, raise the retirement age, phase out incentives for early retirement, promote privatisation of state enterprises, and take further measures deemed essential by the EU for increasing competitiveness.

The brutal austerity measures Brussels has enforced in Greece, Ireland, Spain, Portugal and now Italy have not gone unnoticed in Croatia. Opposition to the dictates from Brussels is growing within the population. A Gallup poll last November indicated that only 38 percent were in favour of joining the EU. Some 43 percent were opposed to entry and the rest undecided.

Under these conditions, the EU is urging that the process be sped up. The accession of Croatia is to serve as a prelude to the integration of Bosnia-Herzegovina, Serbia, Montenegro and Macedonia into the EU at a later date.

In recent years, these countries have established themselves as locations for foreign companies, especially from Germany. In addition to automotive suppliers, Siemens, Fresenius Medical Care, the RWE energy provider and German Telekom have come to regard the Balkans as a target for investment, or are already located there. International corporations such as Samsung, Panasonic and Benetton are also active in the region.

European companies are increasingly transferring sections of their manufacturing out of the so-called "new EU member states" and into Croatia and Serbia. For example, the Dräxlmaier auto supplier moved a plant from Romania to northern Serbia, and the Leoni car cable manufacturer established a subsidiary in Serbia for its plant in Slovakia.

European financial firms have long been active in former Yugoslavia. Some 91 percent of banks and financial service providers in Croatia are today in the hands of western European banks.

The largest foreign investor in Croatia, ahead of Holland and Germany, is Austria. About 750 Austrian firms have branches there already. These companies have invested €6.2 billion in Croatia since 1993, amounting to more than 29 percent of all foreign investments in the country in this period. Austria's trade volume with Croatia came to around €1.7 billion in 2010.

The harsh austerity programmes demanded by the EU as conditional for membership are being directly used to transform Croatia and other Balkan states into low-wage countries for the exploitation of European industries.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site