Croatia: Referendum paves way for EU accession

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Croatian voters approved joining the European Union in a referendum held on Sunday, but turnout was low. Despite the fact that the entire political elite and all the media campaigned intensively for a yes vote, only 44 percent of eligible voters went to the polls. Two thirds voted in favour of EU membership, with a third voting against.

The low turnout shows that the majority of the population is deeply sceptical regarding the benefits of membership. The fact that the referendum resulted in a yes vote is primarily due to a massive propaganda offensive by all the parties in government, broad sections of the right-wing opposition party, the HDZ, and business lobbies that campaigned massively in favour of the EU in recent weeks.

They stirred up fears that a no to accession would constitute an "economic and political disaster." Government officials threatened they could not pay out pensions and would have to implement more layoffs if Croatia did not join the EU.

For their part, the opponents of accession, who came mainly from the right-wing spectrum, deplored the sellout of national values. Despite all the scepticism about the EU, this crude nationalism scared off many voters and persuaded them to vote for membership for the lack of a better alternative.

The political and business elite of the country supports the EU primarily because it hopes to get its hands on EU subsidies and encourage foreign investors. The leading European powers are also interested in accepting Croatia into the ranks of the EU. As was the case with the new memberships in 2004 and 2007, the European elite hopes to improve its access to markets and access to cheap labour in the former Yugoslavia.

Germany, Italy and Austria are already the most important trade partners of Croatia. In 2010, 62 percent of all Croatia's exports and nearly 60 percent of its imports were with the EU. Imports from Austria alone amounted to €1.1 billion in 2010, and Croatian exports to Austria at €522 million.

Leading EU officials accordingly welcomed the result of the referendum. In a joint statement on Sunday evening, EU Commission president Jose Manuel Barroso and EU Council president Herman Van Rompuy stressed that Croatia's accession to the EU sent a "clear signal to the wider region of south eastern Europe." It shows "that EU membership is obtainable with political courage and on the basis of decisive reforms."

The Croatian population has already made its own painful experiences in recent years with such "decisive reforms." Under pressure from Brussels, all governments—whether social democratic or conservative—have enforced cuts in social standards, forced through privatisations and layoffs, and undermined public infrastructure in order to meet accession criteria.

The decision in favour of membership will lead to an intensification of these attacks on the working population. The newly elected "centre-left" coalition in Zagreb is planning drastic austerity measures to correspond to demands made by the European Union and the International Monetary Fund.

After the national election held in December last year,

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the new prime minister, Zoran Milanovic, who heads a coalition of the Social Democratic Party, the Pensioners' Party, the Croatian People's Party (HNS) and the Istrian regional party (IDS), announced "painful cuts." To avoid a "Greek" scenario, he argued, Croatia had to slash approximately 9 billion kuna (€1.1 billion)—i.e., the equivalent of 8 percent of the total state budget.

After the defeat of the right-conservative predecessor government of Jadranka Kosor, the new four-party coalition has more than 80 of the 151 seats in the Sabor, the Croatian parliament. Currently, the government is working out a new budget to be voted on in February.

The budget deficit in the country currently stands at €3 billion and the national debt at €47 billion. The central bank governor Zeljko announced that the year ahead would be "very, very tough for Croatia."

In order to maintain the country's credit rating, currently just one point above junk status, government officials have agreed to cut public spending and implement tax increases. Job cuts will be especially large in Croatia's allegedly "overstaffed" civil service. In the near future, 16,000 jobs in state administration are to be axed. Thousands of jobs are also expected to be lost in the country's previously subsidised shipyards.

Both the public and private sectors have already undergone extensive job cuts in recent years. The previous government had slashed posts in the public sector to meet the required conditions for EU accession.

As a result, unemployment has swelled. Labour Minister Mirando Mrsic recently presented the latest unemployment figures, which list more than 315,000 of the 4.2 million Croats out of work, the highest figure since 2003.

Finance Minister Slavko Linic has proposed an increase in VAT from the current rate of 23 to 25 percent. This hits lower and middle incomes hardest. The price of basic foodstuffs and energy is reported to have risen by up to 40 percent in recent years.

Welfare cuts and layoffs are not confined to the public sector. The free market policies of the 1990s, together with the NATO-led war, caused massive economic destruction. Numerous booming industries have since been shut down. Now, as a result of the international economic crisis, many companies that had survived or were able to find foreign investors have collapsed.

Trade union president Mladen Novosel reported on *SETimes* that mass layoffs are already on the agenda. The American parent company of the Zeljezara steel mill in Sisak fired more than 900 workers on Thursday.

An employee at Zeljezara, Antonio Lazovic reported on the same site, when he lost his job: "After 35 years, instead of the management and colleagues seeing to it that I get my pension as a man, I was fired and kicked out from the factory like a dog.... I now have to go to my relatives and friends and ask them for charity so I can bring home food for my child to eat."

Lazovic continued: "The employer reduced my salary last year by 10 percent due to anti-crisis measures. The workers expect their salary to be cut by another 10 percent."

Currently, 200 workers at the Jadran Kamen factory in Split are on strike. The workforce of Dalmacija Vino have announced they intend to take strike action next week.

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