



The prospects for Croatia's cooperation with the Visegrad Group¹

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Croatia's key partners in the EU

Croatia has strong economic and political connections with a few EU member states, which could become important partners in Zagreb's European policy. Croatia has traditionally maintained very close relations with Germany. Germany is its second largest trade partner, and Germans are the most numerous group of tourists visiting Croatia. Croatia has especially strong bonds with two southern federal states, Baden-Württemberg and Bavaria, which are home to most of the Croatian diaspora in Germany (over 200,000 people). Germany was an advocate of Croatia's independence, and was one of the first to recognize Croatia as a sovereign state. However, it was the last EU member state to ratify the accession treaty with Croatia, expressing dissatisfaction with the manner in which Croatia was implementing regulations concerning the European Arrest Warrant. Germany is also increasingly skeptical about further EU enlargement, contrary to Croatia's interests. Italy is Croatia's largest trade partner and a major investor, especially in the banking sector. It also has historic and cultural bonds with Croatia, in particular with its coastal regions, Dalmatia and Istria. Croatia shares some common history with Austria too, which is the largest investor in Croatia. Among Croatia's neighbors within the EU, Slovenia is the country it has most in common with, in terms of history and culture. However, Croatian-Slovenian relations became complicated in recent years due to disputes linked to their Yugoslavian legacy. Nevertheless, immediately before Croatia's accession, the two countries agreed on how these contentious issues would be handled (e.g. the maritime boundary delimitation issue would be submitted to arbitration), and bilateral relations improved. The heads of state of Austria, Slovenia and Croatia met in August 2013 in Graz, and promised to enhance their cooperation and hold regular trilateral meetings.

Among the Visegrad countries, Croatia has closest relations with its neighbor *Hungary*. For centuries, the kingdoms of Croatia and Hungary were connected through a personal union. The Balkan direction has traditionally been a priority in Hungary's foreign policy. Hungary backed Croatia's independence and clearly supported it in its efforts to join the EU. Even prior to Croatia's accession the two countries cooperated, for example in the Quadripartite format (with Italy and Slovenia also participating). Accession negotiations with Croatia were finalized

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at the time of Hungary's presidency of the Council of the European Union. Their bilateral relations are not burdened with ethnic minority issues, which sometimes cause tension in Hungary's relations with its other neighbors (Romania, Serbia, Slovakia and Ukraine). The Hungarian minority in Croatia is small and has extensive rights, as does the Croatian minority in Hungary.²

Although both parties emphasize that their bilateral relations are exemplary, they are still not free of disputes. These disputes are primarily linked to the presence of the Hungarian company MOL in the Croatian energy market. In 2009, it increased its stake in Croatia's strategic energy company, INA, to almost 50 per cent, thus taking over control of the company's management.³ Although INA's financial results have improved significantly since then, the Croatian government, which holds a 45 per cent stake, has reservations about the company's management policy (for example, it is questioning what it sees as insufficient investment, and the plan to close the Sisak refinery). The manner in which MOL took over control of the company has also given rise to controversy. In November 2012, a court of first instance sentenced Ivo Sanader (Croatia's prime minister from 2003–2009) to 10 years in prison for accepting a bribe from representatives of the Hungarian company. Croatian prosecution authorities have insisted since 2011 that MOL's CEO, Zsolt Hernadi, be tried in court. Hungarian prosecution authorities, however, have refused to detain the CEO of what is Hungary's largest company, who is also an influential person in Hungary, arguing that in so refusing they are guided by "national interests." The Hungarian government has distanced itself from this case, pointing out that the state owns only a minority stake in MOL. However, after a court in Zagreb issued an arrest warrant for Hernadi on September 27, 2013, the Hungarian government cancelled the visit of its Minister of Foreign Affairs, Janos Martonyi, to Croatia and called upon MOL's management to look into the possibility of selling its stake in the Croatian company. This issue will make it difficult to reach a compromise in the negotiations which commenced on September 18th between the Croatian government and MOL, over the matter of INA management. It will also adversely affect relations between the two countries.

Croatia is also in cooperation with other EU member states as part of macro-regional initiatives. It is one of the countries directly covered by the European Union Strategy for the Danube Region (EUSDR), which includes all V4 states except Poland. It also joined the Adriatic and Ionian Initiative (together with Italy, Slovenia, Greece, Albania, Montenegro, Serbia, and Bosnia and Herzegovina). These countries sent a request to the European Commission to prepare an EU strategy for the Adriatic and Ionian region by 2014 that would resemble the EUSDR and the EU Strategy for the Baltic Sea Region (EUSBSR). These strategies could potentially form a platform for enhancing cooperation between EU member states, and contribute to closer collaboration in the decision-making process within the EU. As part of the EU's European Territorial Cooperation, Croatia participates in two trans-national cooperation programs: the Mediterranean program and the South-East Europe program, where it collaborates, for example, with Hungary and Slovakia. On the other hand it does not participate in the Central Europe program (which covers all the V4 states among others). Croatia and its partners from the Visegrad Group are also members of the Central European Initiative, but as regards establishing closer cooperation between this region and the EU, this broad structure does not currently play any major role.

² According to the 2011 censuses, 14,000 ethnic Hungarians live in Croatia (0.33 per cent of the population) and 24,000 ethnic Croatians live in Hungary (0.24 per cent).

³ MOL held 25 per cent plus one shares in the company from 2003.

Visegrad Group's cooperation with Croatia

Croatians emphasize the view that upon accession, their country symbolically left the Western Balkan region. Due to historical bonds, the Central European is often counterposed to the Balkan in Croatian political thought (the concept of "the escape from the Balkans"). However, from Croatia's point of view, the bonds with Central Europe also include bonds with Austria, Slovenia and northern Italy, and the intensity of its cooperation with the V4 states lags far behind Croatia's links with these EU member states. Croatian foreign policy has for years been focused on the accession process, and resolving bilateral issues related to the legacy of the collapse of Yugoslavia. Croatia's accession to NATO (2009) and to the EU has entailed the need to optimize the formula for implementing its national interests within the new political framework. In the process, its bonds with Central Europe, including the Visegrad Group states, may become increasingly important. The indications that Croatia is interested not only in enhancing political cooperation but also in acting together in particular sectors, which is part of the cooperation within the V4, are promising signs. This cooperation could also be developed together with partners from Central Europe in the broader meaning of the term, in the larger V4+ format.

The Visegrad Group has over the past few years been increasingly engaged in the former Yugoslavia. This has traditionally been an important direction in foreign policy for the Czech Republic, Slovakia and Hungary. In the previous decade, the V4 states were engaged in multilateral cooperation with those countries classified as Western Balkan, mainly within the Regional Partnership format together with Austria and Slovenia, for example by sharing their common experience of the EU integration process. At present, the most important platform for regional cooperation with Austria and Slovenia for all the V4 states is the Salzburg Forum – a formula for the cooperation of interior ministries – which Bulgaria and Romania joined in 2006, followed by Croatia in 2012. Over time, Croatia and its partners from the Western Balkans, as the countries from the EU's eastern neighborhood, have become a priority area for the Visegrad Group itself.

The stimulus for establishing closer cooperation with Croatia came with the gas crisis of 2009, when Central and South-Eastern European countries had to face cuts in gas supplies as a consequence of the Russian-Ukrainian dispute. Croatia joined in the consultations concerning regional energy security that were initiated by the Visegrad Group. Since the V4's Hungarian presidency of 2009/2010, representatives of Croatia have participated in a number of Visegrad Group meetings (usually joining the V4+Slovenia format), covering such issues as transport, regional development, justice, and public administration. Other areas of cooperation appeared after the conclusion of accession negotiations in 2011.

During negotiations regarding the EU's Multiannual Financial Framework for 2014–2020, Croatia joined the so-called Friends of Cohesion Policy group, which was co-formed by the Visegrad "four." It should be expected that Croatia, being a beneficiary of EU funds, will support a strong cohesion policy in the future, as do the V4 countries. Croatia and the Visegrad Group have common interests in all those areas where the "four" cooperate especially closely, namely: energy security, transport corridors, neighborhood policy, and EU enlargement policy. The will to enhance cooperation was expressed in a common declaration by the ministers of foreign affairs of the V4 and Croatia, adopted shortly before Croatia's accession to the EU.⁴ The agenda of the Hungarian presidency

⁴ "Joint Declaration of the Foreign Ministers of the Visegrad Countries and Croatia on the Occasion of the Croatian Accession to the EU, Budapest, June 26, 2013. Available online: <http://www.visegradgroup.eu/calendar/2013/joint-declaration-of-the> (accessed on June 27, 2013).

of the Visegrad Group⁵ also provides a general perspective for developing cooperation within the V4+Croatia format.

Energy issues

Croatia participates in the Visegrad Group's flagship project, namely the creation of the North-South gas corridor. Zagreb also desires the creation of a common energy market and the development of transport infrastructure. In November 2011, Croatia and other countries from the region joined the V4 initiative and signed a memorandum of understanding with the European Commission envisaging the construction of North-South system interconnectors. In September 2012, the Polish and Croatian transmission system operators, Gaz System and Plinacro, signed a letter of intent to create a gas corridor between the Baltic Sea and the Adriatic Sea.⁶ The first interconnector (with a relatively large capacity of 6.5 bcm) as part of the gas corridor was put into operation in 2011 and connected the systems of Croatia and Hungary. It is barely used but its significance could grow once a Croatian LNG terminal is launched or an attractive offer price appears in the north.

Although the launch of the Croatian LNG terminal has been planned for more than a decade, it is still unclear whether it will be built. The Adria LNG consortium⁷ suspended preparatory work for the construction of the Omisalj terminal on Krk Island in 2010, as a consequence of the economic crisis and falling gas consumption in Europe. The Croatian government is calculating that state-owned companies Plinacro and HEP could build a smaller gas terminal whose yearly capacity of 5 bcm (and not 15 bcm as originally planned) would be sufficient. The feasibility study is to be presented by the end of 2013. The Hungarian government is also considering whether its state-owned energy company MVM could join this investment.

However, Croatia is currently engaged in a number of competing projects which could postpone or even thwart plans to build the LNG terminal. In January 2013, it signed an agreement with Gazprom under which a branch of the South Stream gas pipeline (with a 2.7 bcm capacity) running to Croatia will be built. Croatia also participates in the Ionian Adriatic Pipeline (IAP)⁸ project, which is to be connected to the planned Trans Adriatic Pipeline (TAP), which in late June 2013 won its bid to supply natural gas from the Azerbaijani Shah Deniz II field to Europe, against the rival Nabucco consortium. Given the low level of domestic gas consumption in Croatia (2.8 bcm in 2012), the construction of an LNG terminal may prove groundless once all these projects have been implemented. On the other hand, if the IAP gas pipeline is built, Croatia (positioned to dispose of half of its 5 bcm capacity) will be able to export some Azerbaijani gas, for example to Hungary.

⁵ "Hungarian Presidency in the Visegrad Group (2013–2014)." Available online: <http://www.visegradgroup.eu/documents/presidency-programs/20132014-hungarian> (accessed on June 2, 2014).

⁶ "Deklaracja współpracy Gaz-System S.A. z chorwackim operatorem systemu przesyłowego Plinacro o.o [Declaration on Gaz-System S.A.'s co-operation with the Croatian transmission system operator, Plinacro D.O.O.]," Gaz-System, September 13, 2012. Available online: <http://www.gaz-system.pl/centrum-prasowe/aktualnosci/informacja/arttykul/201544/> (accessed on September 13, 2012).

⁷ Its shareholders are E.ON Ruhrgas (39.17 per cent), OMV (32.47 per cent), Total (27.36 per cent) and Geoplina (1 per cent).

⁸ "Joint Statement of Ministers of Foreign Affairs of Albania, Bosnia and Herzegovina, Croatia, Greece, Italy and Montenegro," Dubrovnik, June 12, 2013. Available online: <http://www.mvep.hr/files/file/2013/130613-jointstatement.pdf> (accessed on June 15, 2013).

Croatia is also potentially an essential oil transit country through which supplies could be directed to Hungary, Slovakia, and the Czech Republic. If supplies to Central Europe via the southern branch of the Druzhba pipeline were to be reduced significantly, the Adria pipeline would gain significance. This pipeline transports gas from the Omisalj port in Croatia to the refinery in Budapest, and in the future will do so also to Bratislava and possibly to refineries in the Czech Republic, once the planned modernization of the section connecting Adria and Druzhba is completed. This is one of the reasons why Russian companies are interested in entering Croatia (including INA), a fact evident for a few years now.

Croatia also shares the Visegrad Group's stance on the use of nuclear energy. Because of its potential for ensuring competitive energy prices and low carbon emissions, it wants this sector to be developed (Croatia's state-owned company HEP co-owns the Krsko nuclear power plant in Slovenia). Given the fact that Croatian industry is relatively energy-intensive, the country may also be a valuable partner for the Visegrad Group as regards energy and climate policy issues.

Transport

Another potential area for closer cooperation between Croatia and the Visegrad Group is transport infrastructure and its development along the North-South axis. Croatia is attractive to V4 countries because of its access to the Mediterranean Sea (transport of goods and tourism). The Croatian government is planning to make Rijeka once again an important Adriatic Sea port – a role this port was forced to relinquish to Slovenia's Koper and Italy's Trieste as a consequence of the Balkan Wars in the 1990s. Croatia has a well-developed network of road connections, and is planning to develop and modernize its railroad infrastructure, seaports, river ports and airports in the near future. However, investing in such projects will depend on the availability of external funding.

As regards railway connections, the most important investment will be the construction and modernization of the railway line as part of the Vb corridor: Rijeka Port – Karlovac – Zagreb – Koprivnica (border with Hungary). The connection between Rijeka and Budapest is to be modernized by 2020 (2 billion euros of investment, financed predominantly with EU funds). Plans include developing the container terminal in Rijeka and a terminal construction on Krk Island. The connection of Rijeka with Central Europe also fits well with the Central European Transport Corridor (CETC-Route 65) concept, which connects Sweden to the Adriatic via the Świnoujście – Szczecin ports through the Czech Republic, Slovakia, Hungary and Croatia (Croatia's five regions are partner regions). Croatia is also interested in access to the intermodal corridor running from the Gdańsk/Gdynia/Sopot Tricity to the Adriatic Sea⁹. Zagreb would also regard favorably the development of the Vc transport corridor – Hungary – Croatia – Bosnia and Herzegovina – Croatia (Ploče Port). The implementation of this corridor would improve connections between the eastern and southern parts of the country via Bosnia and Herzegovina (BiH), and strengthen the role of Croatia's Ploče port, which predominantly handles customers from BiH. This would enable the development of underinvested regions of Croatia and BiH, and establish a better connection between Dalmatia and Central Europe.

⁹ The container terminals in Gdynia (BCT) and Rijeka (Adriatic Gate) are owned by one firm, ICTSI from the Philippines.

Eastern Partnership and Western Balkans

Like the V4 countries, Croatia is a staunch supporter of continuing the process of EU enlargement, and will strive to ensure stability in those countries neighboring the EU. Given its location, Croatia is interested primarily in the accession of its Balkan neighbors: Montenegro, Serbia, and Bosnia and Herzegovina. It should be expected that Croatia will be actively engaged in efforts to ensure that these countries join the EU as soon as possible. However, it will also be tempted to use accession negotiations to force its neighbors to make concessions to it in bilateral disputes. This tactic was employed by Slovenia, which suspended progress in the EU–Croatia negotiations for almost a year. Croatian diplomats have declared on numerous occasions that their country does not intend to obstruct the accession of Serbia or any other state from this region. Croatia's cooperation with the Visegrad Group on the one hand would enrich the Western Balkans' engagement with the V4, as they could draw on Zagreb's valuable experience, and at the same time would motivate Croatia to be constructively engaged in backing reforms in those Balkan countries which aspire to join the EU, and to continue the process of reconciliation with its neighbors.

Croatia has no major interest in the EU's Eastern Neighborhood (the countries covered by the Eastern Partnership). Being the European Union's newest frontier state, which has also joined the group of countries supporting enlargement and strives to tighten cooperation with the V4, it's in a position to significantly strengthen the group of countries wanting the EU to continue its engagement in the Eastern Neighborhood. As a Mediterranean country, Croatia is likely to be interested in the southern dimension of the European Neighborhood Policy. However, this does not mean that it will turn its back on Central Europe's priorities, especially given the fact that Croatia has no well-developed links with North African or Middle Eastern countries.

Conclusions

The V4 countries supported Croatia during the process of accession negotiations, which was finalized during Hungary's presidency of the Council of the EU in the first half of 2011. The accession treaty was signed under the Polish presidency in December 2011. Their cooperation achievements (multilateral and bilateral alike), and their community of interests in many areas, both form essential political capital for establishing stronger bonds between the V4 and Croatia. However, it should not be forgotten that the V4's priorities in these areas do not necessarily match the interests of Croatia's vital partners in the EU, which may reduce Zagreb's determination in the joint effort to carve out a common Central European stance. It is not always in the interest of the V4's Western neighbors to attach high priority to infrastructural connections running along the North–South axis. Last but not least, the logic for the development of this “axis” also includes elements of competition, such as rivalry among the Mediterranean seaports and also between the Mediterranean and Baltic seaports, as well as the possible parallel functioning of the Baltic and Adriatic LNG terminals. However, the countries involved should not be discouraged from cooperation due to this, and instead should be prompted to use multilateral cooperation instruments to align their interests and build synergistic solutions, since the building of stronger bonds between Croatia and the V4 is in the long-term interest of the region and the EU as a whole.

The V4 countries agree that the present shape of the Group needs to be maintained, but that the V4+ format offers a good platform for cooperation with third parties. This format provides

for meetings of representatives of the V4 and other states at various levels, depending on the issues on the agenda. This in particular concerns cooperation with those partners from the EU which are situated in the neighborhood of V4 states: Bulgaria, Romania, Slovenia and the Baltic states. A number of issues to which the Visegrad Group attaches high priority (the energy sector, cohesion, transport, EU enlargement and the Neighborhood Policy) will also be areas in which cooperation with Croatia could be enhanced. Given the strong territorial aspect of the sectoral policies which the V4 and Croatia share, it would be advisable to include Croatia in the existing model of cooperation in the area of spatial planning (the V4+Bulgaria and Romania format).

Establishing stronger bonds with the V4 could prove an attractive instrument for Zagreb in cementing its bonds with its partners inside the EU and increasing its influence on European policy. What might further stimulate the enhancement of this cooperation is the fact that Croatia's accession to the EU coincided with the beginning of Hungary's presidency of the Visegrad Group (Hungary is the only V4 state to be Croatia's direct neighbor). Hungary has declared its desire to enhance Central European cooperation, and to gain a "synergy" effect in connection with Hungary's parallel presidencies of the V4 (mid 2013 – mid 2014) and of the Central European Initiative (2013). Hungarian diplomatic activity in the first months of Croatia's presence in the EU will have a major impact on the development of regional cooperation, since this will be the period when Croatia's political profile in the EU will crystallize.

Appendix

Table 1. Croatia

Population	4.3 million
GDP <i>per capita</i>	10,295 euros
Economic growth	-1.0 per cent
Inflation	2.6 per cent
Budget deficit	-5.9 per cent of GDP
Public debt	59.7 per cent of GDP
Unemployment rate	16.7 per cent

Source: The latest data and forecasts for 2013, source: National Bank of Croatia. Available online: www.hnb.hr/publikac/bilten/arhiv/bilten-194/ebilt194.pdf (accessed on August 21, 2015).

Table 2. Croatia's key trade partners and the V4 states (2011)**A. Exports** (millions of euros)

Italy	1,511
Bosnia and Herzegovina	1,174
Germany	967
Slovenia	794
Austria	547
V4	
Hungary	241
Poland	103
Czech Republic	94
Slovakia	89
V4 as a whole	527

B. Imports (millions of euros)

Italy	2,676
Germany	2,049
Russia	1,185
China	1,153
Slovenia	1,012
V4	
Hungary	490
Poland	339
Czech Republic	314
Slovakia	151
V4 as a whole	1,294

Source: Croatian Statistical Office. Available online: www.dzs.hr/Hrv_Eng/ljetopis/2012/sljh2012.pdf (accessed on August 21, 2015).

Table 3. Accumulated value of Foreign Direct Investments (1993–2013/Q1)

country	billions of euros
Austria	7.16
Netherlands	4.08
Germany	3.12
Hungary	2.45
Luxembourg	1.73
France	1.39
Italy	1.30
Slovenia	1.14

Source: National Bank of Croatia. Available online: www.hnb.hr/statistika/strana-ulaganja/e-inozemna-izravna-ulaganja-u-rh-po-zemljama-porijekla.xls (accessed on August 21, 2015).