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CROATIA

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(as an observer)

In today's world of interdependence where the process of creating a global economy is becoming a reality, trade liberalization has become the main tool for achieving sustainable development.

Such a new environment assumes at the same time even more responsibility for all governments to co-operate in order to create necessary political and economic conditions when integrating into the multilateral trade system.

It is Croatia's belief that co-operation is essential if we want to overcome the major challenge of balancing the needs of different countries, thus avoiding the feelings that trade liberalization brings advantages to some and disadvantages to others.

Consequently, being a part of the multilateral rule-based trading system, strengthened after the conclusion of the Uruguay Round, institutionalized in the World Trade Organisation and reaffirmed at the Singapore Ministerial Conference, has become the priority and imperative for all of us.

Having that in mind, one should admit that creating new conditions for sustainable development is not an easy task for many developing and transitional economies faced with new challenges.

As an observer country, Croatia shares concerns of many acceding countries with regard to the somewhat lengthy WTO accession procedure.

One of the main priorities of the Government of Croatia, upon which a large consensus has been built in the country, is the accession to the World Trade Organization. This process started in October 1993, by applying to join the GATT system and consequently for membership in the WTO.

Croatia has undergone the obligatory procedure starting with the submission of the memorandum on the foreign trade regime, trade in services and intellectual property regime. After answering to more than 600 questions raised by the members of the working party, documents on all aspects and sectors of the Croatian economy have been communicated through the WTO Secretariat for consultations and remarks.

Consequently, three Working Party meetings have been held with the last in January 1998.

Since the submission of Croatia's initial offers on market access for both trade in goods and in services, in the beginning of April 1997, five rounds of bilateral negotiations were held with the 15 Working Party members.

The Croatian Government has no second thoughts when arguing that every applicant should adhere to all multilateral rules and obligations of the WTO legal system. However, it is our belief that the process of evaluating a country's terms of accession is a two way street and each candidate should be evaluated on an individual basis specific to the level of its economic and social development.

Croatia is ready to assume all the core obligations and rights deriving from the Marrakesh Final Act including the acceptance of some Agreements concluded after 1 January 1995, such as the Information Technology Agreement. We believe that during its multilateral and bilateral talks, Croatia has clearly expressed and proved in practice its willingness and preparedness to liberalize its market and accept its obligations upon accession.

In that sense, strong efforts have been made and measures undertaken following the Government stabilization programme introduced five years ago. A steady record of good performance is registered in Croatian basic economic indicators. Industrial output is in an upswing trend, GDP growth rate in 1997 is over 5 per cent in real terms, the inflation rate for 1997 was 3.7 per cent, the budget deficit for last year was less than 1 per cent of the GDP. The Croatian currency remains stable and foreign exchange reserves are reaching US\$5.2 billion thus almost equalling a comparatively low external debt. The Croatian economy is already open and liberalized with over 60 per cent of foreign trade to GDP ratio.

In the legislative area, Croatia has abolished, two years ago, the large bulk of inherited trade restrictions. The customs tariff regime has been brought in full conformity with WTO rules and quantitative restrictions on imports have been abolished. Croatia is already taking steps in the areas of intellectual property rights protection, taxation, technical barriers to trade and other areas, thus adjusting its trade regime to the international rules and practices.

However, a fully successful story could not be written in such a short period of time.

Due to reasons caused by war and aggression against its independence and other inherited structural problems, typical to the countries in transition, all sectors of the economy were not able yet to adjust to a full competitive environment.

The opening of the Croatian market has resulted in a very large trade deficit of US\$4.5 billion in 1997, or around 20 per cent of the GDP, which is covered only by half with service sector surplus, thus bringing the current account deficit in 1997 to around US\$2 billion, or 10 per cent of the GDP. Another impact of structural changes was reflected in the high unemployment rate of 16 per cent. This requires additional social adjustment measures.

Those structural weaknesses are to be addressed by further economic policy measures. The Croatian Government is determined not to apply specific trade restrictive measures in order to reduce import and trade deficit, but all efforts will be directed towards export growth oriented measures.

Therefore, we count that Croatia's reasons for asking the extended transitional period for the application of the WTO rules in some areas and for exposing some socially sensitive industries in total to international competition would be understood.

Furthermore, Croatia understands the intention of admitting the remaining large trading partners to the WTO. However, the multilateral trading system could not be truly global if not tailored for all, notwithstanding the size of one's economy and market.

Consequently, we urge all trading partners and members for a balanced approach to all acceding countries in terms of time frame for their accession.

Taking into consideration that 35 countries are applying for WTO membership, we sincerely hope that the accession process will be accelerated so that the candidates who have expressed their readiness could become members and participate on an equal footing in the future rounds of multilateral negotiations.

Croatia is confident that the acceleration and simplification of the accession procedure would generate greater coherency within the WTO and mark a better cornerstone for future liberalization of world trade.

In that context, the aim of this Conference, being the further implementation of the existing Uruguay Round agreements and results of the Singapore Ministerial Conference, is only complementary to the enlargement of the WTO membership.

Such an approach can only strengthen the implementation of the existing Agreements and obligations and promote a stable foundation for the future policies and activities of the World Trade Organization in the next millennium.
