

## Croatia in the Run-up to the Elections

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On 25 November 2007, a new parliament will be elected in Croatia. Following a change of party leadership for the Social Democratic Party (SDP) in spring, the two mass parties have been competing in a neck-and-neck race. Against all expectations, the current negotiations with the European Union are not being instrumentalised in the election campaign; instead, classic domestic policy-issues dominate, like the economy and corruption. All the same, with EU accession looming, the question of identity again appears to be moving to the centre of discussion.

Even before Croatia was elected a non-permanent United Nations Security Council member—with the full support of Serbia—Ivo Sanader, Prime Minister and Chairman of the governing Conservative party, the Croatian Democratic Union (HDZ), in a speech before the Council expressed the Croatian government's disapprobation of the sentences imposed by the International Criminal Tribunal for the former Yugoslavia (ICTY) against three Serbs involved in massacres against Croatian civilians in 1991. The speech was held before middle-ranking diplomats, although its primary addressee was probably the domestic electorate.

The countrywide outrage upon which Sanader was trying to capitalise reflects the continued sensitivity surrounding the question of identity in Croatian society—a phenomenon that can be traced to the recent experience of war in the country. The deep rootedness of national-conservative values within large segments of society and the

enduringly high levels of Euroscepticism indicate that efforts to forge a Croatian identity may be exclusionary—defined by reference to common ideas which Croatsians do not embody.

Despite enacting the respective legislation by the government in Zagreb, problems persist on the local level with the implementation of minority protection and antagonisms to co-operation with the ICTY. To what extent the principle of rule of law is incorporated on all levels of government will be closely monitored by the EU in the case of the lawsuit against Branimir Glavaš, who is indicted of murdering Serbian civilians. This applies in equal measure for the only process transferred from the ICTY to Croatian authorities against former generals Mirko Norac and Rahim Ademi.

It is also against this background that the Conservative Sanader has repeatedly argued against the belittlement of the Ustaša (i.e., of those Croatsians allied to the

Nazis during occupation). He has thereby left a strong mark on the ongoing process of nation-building in Croatia. Criticism of Franjo Tudjman's period in office as leader of the HDZ-dominated government in the nineties is currently deepening; it is especially here that the EU decisively strengthened the respective forces and altered the domestic opportunity structure.

While thereby cross-party and local reactionary currents are increasingly contrasted with political secularisation, a further remnant of the past—cronyism—is being addressed rather inadequately. Admittedly, corruption at lower, administrative levels is certainly being addressed; yet in the upper echelons of the political system, the remnants of entrenched clientelistic networks can still be found. The insider-privatisations of the nineties have become a synonym for illegitimate patronage; in many cases, individuals close to the government lucratively exploited enterprises which they had acquired on the cheap, instead of rehabilitating them.

A first strike against high-level corruption occurred with operation "Maestro", a concerted action of the state prosecution, the police and the Office for the Prevention of Corruption and Organised Crime (USKOK), which has been handed executive competencies in the area. In the course of the action, seven suspects were arrested, among them three vice-presidents from the supervisory board, on which there are also three cabinet members. Some of the incidents under investigation range back to the period of the Social Democratic government, 2000–2003. Although the complete ignorance of the ministers present on the board is doubtful, no further political-level arrests have been made. There have, however, been political ramifications, with Sanader backing out of his earlier announcement to dissolve the Management Board of the Croatian Privatisation Fund (HFP). It remains to be seen how mercilessly the matter will be investigated, especially since the electorate is tired of party politicisation.

The multitude of affairs in which some HDZ ministers are involved, coupled with Sanader's belated improvement of his anti-corruption record, has led to a deterioration in his credibility. As for the depoliticisation and professionalisation of the judiciary, the commitment to these principles of the HDZ under Sanader has been questionable to say the least.

### **Party Constellation in the Run-up to Parliamentary Elections**

Generally speaking, a fragmented but moderate and stable party system has emerged in the last few years. Its protagonists, the HDZ and the SDP, settle their differences in the centre ground.

Both of the two mass parties hold around 30 per cent in polls, with the SDP maintaining a small but stable lead. Should this trend be cemented in the long run, especially against the background of diminishing support for small Centre parties, the Croatian party system will witness increasing concentration.

Sanader has turned the semi-autocratic party that Franjo Tudjman led into a reformist and moderate mass party of the Centre-Right. Programmatic realignment is reflected in the diminishing Euroscepticism of the HDZ's supporters; traditionalist, national-conservative voters have increasingly turned their backs on the party. Eurocritical attitudes can in turn be discerned, particularly within the Croatian Peasant Party (HSS) and the national-conservative Party of Rights (HSP). Still, none of the parties articulates explicit Eurosceptic positions.

Since the election of the pragmatic and, to date, relatively unknown young former diplomat Zoran Milanović as chairman, the SDP, for its part, finds itself riding a wave of support. After the former Prime Minister and long-standing opposition leader, Ivica Račan, succumbed to cancer last spring, the party leadership anointed Ljubo Jurčić—a former minister of economy and recent recruit to the SDP—as candidate for the PM's office.

Compared to the popular new chairman, this rather technocratic prime ministerial candidate has been somewhat outshone by the dynamic Milanović, the more so as he does not have a genuine power base within the party. Against this background, it remains to be seen if the initial advantage Jurčić had—that is, the credibility he enjoyed as a party-outsider and his status as an “expert”—does not eventually rebound upon him.

At the same time, the present strength of the SDP needs to be put into perspective. Its positive standing in the polls can partly be traced back to losses on the part of its smaller, left-liberal competitor, the Croatian People’s Party–Liberal Democrats (HNS); this is a trend that is essentially the result of an electoral shift within the left camp. Meanwhile, the HDZ has maintained its clear advantages in the Croatian diaspora, which forms a separate electoral district.

In this respect, and with specific reference to government formation, the arithmetic of coalition formation will play a decisive role. Most small parties position themselves in the Centre-Right—examples include the Croatian Party of Pensioners (HSU) and the pre-electoral coalition of the HSS and the right-liberal Croatian Social Liberal Party (HSL), although their positioning does not predetermine the choice of their potential senior partner. The role of the crisis-ridden and lately weakened HSP remains somewhat unclear, as after the last elections the EU suggested to the HDZ that it abstain from forming a coalition with the right-populists. The HSP moderated its appearance mostly due to the governing ambitions of its chair, Anto Djapić; in many instances it voted with the HDZ in parliamentary ballots. Simultaneously, however, it still represents extremist positions like the support of Branimir Glavaš.

Echoing global trends in party development, party competition in Croatia is increasingly personality-based as shown by the installation of a prime-ministerial candidate by the rather small HNS. By virtue of undisputed issues like EU accession,

programmatic discussion is shifting to economic topics, especially to the reduction of unemployment and the generation of growth.

### **Economic Policy as an Important Dimension of Electoral Competition**

Substantial programmatic differences between HDZ and SDP are becoming visible in economic policy. The Centre-Right party pursues a “3x7” programme, so called because it targets 7 per cent economic growth, an unemployment rate of 7 per cent and the implementation of 7 growth-enhancing projects. This strategy of continuity with present policy is oriented foremost at the retention of a restrictive budgetary policy.

Within the context of the strategic development programme for the financial period 2006–2013, which the government presented in Brussels in the framework of accession negotiations, the government expects a gradual increase of the growth rate to an annual 7.3 per cent between 2010 and 2013—a very optimistic forecast!

The SDP, by contrast (and contrary to all recommendations of the EU Council and international financial institutions), propagates a program of Keynesian “deficit spending” and plans a temporary increase of public debt to 5 per cent until 2009. This is supposed to inject investment into industry as well as increase growth to 7–9 per cent. The SDP has additionally mapped out changes in monetary policy, in particular a devaluation of the constantly overvalued *kuna*, in order to boost exports. Jurčić considers a modification of the legal foundation for the Croatian National Bank possible (the bank is currently autonomous from political directives).

With the exception of foreign debt, which accounts for 85 per cent of GDP, the Croatian economy exhibits favourable macroeconomic data. Unemployment and the budget deficit have been in decline for years, although they remain at relatively high levels, while inflation is stable. At the same time, economic growth averaging

4 to 5 per cent p.a. does not fully exploit the economy's structural potential—this is also reflected in respective growth-expectations for the next years. Export growth remains too weak to address the negative trade balance in a sustainable manner—a clear indication of a lack of competitiveness. The Croatian market is still highly protected and the government, together with state-held companies, contributes 51.6 per cent to GDP. In this context, large subsidies go into industries like shipbuilding and steel. Further blockades to reform persist in the areas of health care and education.

The Heritage Foundation attests that Croatia has a low degree of economic freedom: worldwide it takes position 109 of 157, and with regard to Europe, it is placed only 37th out of 41. Reasons for the relatively bad rating are rooted first and foremost in the abovementioned inefficient judiciary, its positioning in the corruption index of Transparency International (64th of 179) and the high government expenditure. The tax burden totalling over 40 per cent is comparatively high and expenditure of more than 11 per cent for public administration is at the peak, even in European terms. Following Slovenia, average wages are second-highest among the new EU members.

### Conclusions

In addition to the party differences in economic policy, a potential SDP-led government will distance itself from the HDZ, also with respect to Croatia's relation to Bosnia and Herzegovina (BiH). After all, Croatian governments since 2000 have successively reduced their support for Croatians in BiH; the SDP's decision to disallow diaspora voting rights in Croatia and not to contest in the diaspora electoral district will decisively reinforce this reduction of influence.

As Croatia is structurally a conservative country, a Centre-Left government might meet larger domestic resistance in pushing reforms which apparently contradict "national interests". This pattern was al-

ready visible during the first social democratic term with reference to co-operation with the ICTY in The Hague and could become virulent against the background of polarising questions in accession negotiations. This can be expected especially in the case whereby a similarly fragmented governing coalition with strong particular interests develops those centrifugal powers which already weakened the first SDP-led coalition. Furthermore, the forecast neck-and-neck race does not permit the prediction of a convenient governing majority.

Despite lingering problems in the judiciary, in fighting corruption and in enforcing decisions at the local level, populism in the communication of the parties with the population has declined and moderate competition for centre votes has increased. In particular, the responsible handling of accession negotiations in the run-up to the parliamentary elections underscores the fact that Croatia has made further progress on its way to consolidation.

Nevertheless, the inconsequent action against illegitimate high-level clientelistic networks is cause for concern. It is especially here that the EU has the leverage within the accession framework to tie progress in negotiations to progress in reform. As it became clear after the last two rounds of enlargement, these deficits should be brought under control imperatively before eventual membership, as the disciplining effect of EU-conditionality lapses with accession.

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