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## Croatia's EU accession threatens farmers home and abroad

 Harriet Salem in Sarajevo  
 July 9, 2013

Sharing over 1,000 km of border, it's not surprising Croatia and Bosnia and Herzegovina (BiH) have historically strong trade ties. However, since Croatia joined the EU on July 1, those relations have once again been disrupted.

Although disturbed by the brutal wars of the 1990s the trade ties between the pair were reaffirmed in 2006. That's when BiH, alongside the other countries of former Yugoslavia, followed Croatia into the Central European Free Trade Agreement (CEFTA); a common-market free trade agreement between the non-EU countries of South-East Europe.

"Traditionally our markets are very much connected, Croatian consumers are used to Bosnian products and vice versa" explains Vesna Malenica, a Policy Analyst at Sarajevo based think-tank Populari. "Of course before [the war] we were one country and one market."

Croatia's accession to the EU has meant the eradication of many tariffs and other trade barriers. However, despite increased access to the EU's vast market, with over 500m consumers in comparison to CEFTA's 27m, economic analysts are predicting Croatia's economy will suffer in the short-term. Joining the bloc will see the Croatian market open up to other EU member states, but close its membership in CEFTA, and the adjustment will likely be painful.

The reduced cost of market-ready imports from EU states will increase competition for Croatian food producers on the internal market. At the same time, while they are looking to develop their new capacity to export freely into the bloc, goods they send to CEFTA states are already subject to a 15% import tax. That local market accounted for 45% of Croatia's food exports last year.

So far, Zagreb's attempts to negotiate with individual CEFTA members for preferential trade agreements have been unsuccessful. That's largely because Croatia's exit creates a vacuum in the trade club that neighbouring countries are keen to fill. In practical terms this means most Croatian food goods will be priced out of CEFTA markets; a situation the Croatian Employers Association warn could create up to 3,000 job losses and cost the economy €250m a year.

## Foot dragging

However, farmers and food producers in neighbouring BiH stand to fare far worse. Whilst Croatia's exit from CEFTA does not preclude continuation of Bosnian exports to the country, food products must now meet stringent EU standards. Despite having over five years to prepare, the BiH government's administrative complexity and entrenched political rivalries - based on ethnic divisions - means necessary legislative and structural changes, have simply not happened. Consequently, since July 1, no animal products from BiH, bar honey, fish, hides and skins, have been allowed across the border into Croatia.

"The system here is too fragmented between state level and the other two entities [Federation of BiH, and Republika Srpska]" explains Andy McGuffie, spokesperson for the Delegation of the EU to BiH. "The EU's system of control is based on the principle of traceability, or farm to fork. This requires a single point of entry, an interlocutor, behind this needs to be a system behind which stands legislation."

It's unclear how long it will take for BiH authorities to reach the standards required for export to the EU. The last few months saw a flurry of action as the deadline approached, including the introduction of a Hygiene Package laying out standards for foodstuffs for export to the EU, as well as attempts to sew together existing pieces of legislation and regulation. However, even should the government manage to fulfil the necessary obligations, the EU's Food and Veterinary Office must still approve the results - a process that could take up to six months.

The largest single importer of goods from BiH, accounting for over 60% of the country's milk exports alone, it's estimated that the loss of the Croatian market to the EU will cost BiH farmers and food producers more than €22m annually. That's a potential disaster in a country with an unemployment rate already above 40%.

## State failure

"It is going to be very difficult. This is clear failure of state", insists Malenica. "Many producers, especially big ones, have already taken required steps to align with EU standards," she points out, but are now at the mercy of the foot dragging legislations.

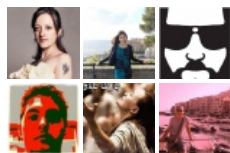
Milkos one of BiH's largest dairies is one example. Over 50%, or €2.7m of the company's annual exports were previously sold in Croatia. According to General Manager Adin Fakic, the dairy has already fulfilled all business level obligations required for issuance of an EU export number; now it is waiting for the authorities to catch up. "This is irresponsible," he says. "We are in a global market, we need the same rights both in the region and in European trade."

The situation means that instead being a growth opportunity, Croatia's CEFTA exit leaves farmers and food producers trying to compensate for losses. "We have invested substantial effort and money in finding new markets in CEFTA" Fakic points out to bne. However, McGuffie warns conditions will be tough. "Croatia's exit is not just to



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IN CERTAIN CASES, FARMERS POINT OUT TO BIH. HOWEVER, MCGUFFIE WANTS CONDITIONS TO BE TOUGH, CROATIA'S EXIT IS NOT JUST TO THE BENEFIT OF BIH. OTHER COUNTRIES IN THE REGION SUCH AS SERBIA, THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA, AND EVEN TURKEY, WILL ALSO SEEK TO EXPAND BUSINESS."

Some interest groups are now calling for the EU to intervene - under the 1995 Dayton Agreement the Office of High Representative has the power to issue the final word on contentious issues - but that's unlikely to happen. McGuffie insists BiH needs to start taking its own steps towards EU integration. "If we are running the country for them then that's not helping. In a functioning democracy, politicians need to be accountable to citizens, and citizens need to make their voice heard."

However, the EU spokesman adds a more optimistic note. "I think this is beginning to happen," he suggests, referencing the recent wave of public protest. "People need to ask, 'if we are in a situation where we can't export our milk to Croatia then are the politicians serving the people?' because it would appear not."

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