

3

Croatia's economic profile and risk of foreign bribery

This chapter provides a brief introduction of Croatia's economic profile, with a particular focus on the indicators that can offer information on Croatian companies' exposure to risks of foreign bribery, such as exports and foreign direct investments.

As mentioned in Section 2.5.1, the first category of criteria for accession to the OECD Anti-Bribery Convention considers a range of economic indicators in a country. The OECD Working Group on Bribery examines these indicators to determine whether accession to the Anti-Bribery Convention is of “mutual interest” to the Working Group and the country seeking accession.

Croatia has a population of approximately 4.3 million. It joined the European Union in 2013 but is not in the euro zone or the Schengen area. If it were a member of the OECD Working Group on Bribery, then it would have the 40th largest economy out of 45 member countries. In terms of GDP per capita, it would rank 35th.¹

In terms of trade, Croatia would rank 40th out of 45 Working Group members in both exports and imports of merchandise. The main exports are machinery and transport equipment, accounting for almost one quarter of the total (23.9%), followed by manufactured goods classified chiefly by material (17.1%) and miscellaneous manufactured articles (13.8%). The top five export destinations are Germany (13.1%), Italy (12.6%), Slovenia (10.4%), Bosnia and Herzegovina (8.6%), and Hungary (6.8%). Germany is also the biggest import source (15.4%), followed by Italy (12.5%), Slovenia (11.4%), Hungary (7.8%) and Austria (6.7%). The main imports are machinery and transport equipment (26.0%), manufactured goods classified by material (18.2%), and chemical products (16.9%).²

As for foreign direct investment (FDI), Croatia would rank last out of 45 Working Group countries in terms of outward FDI stocks, and 40th for inward FDI stocks. The largest destination countries are Bosnia and Herzegovina (27.8%), Slovenia (22.5%), Serbia (19.1%), Montenegro (6.1%), and Poland (4.2%). The main sources of inward FDI are Austria (13.9%), Netherlands (13.2%), Luxembourg (11.3%), Germany (10.8%) and Italy (10.4%).³

State-owned enterprises (SOEs) play a significant role in Croatia’s economy. The country has one of the highest number of SOEs per capita in the EU, including in central and south-Eastern Europe. The central government holds full or majority ownership in 59 SOEs (including 6 listed companies) and minority stakes in 10 listed companies. The SOE sector (including at the sub-national level) is valued at 47.2% of GDP and accounts for 6.5% of total employment. The sectors with the most SOEs include transportation and storage; finance; manufacturing; construction; telecommunication; electricity and gas; agriculture, forestry and fishing; and real estate.⁴

Micro-, small- and medium-sized enterprises (SMEs) represent a substantial part of the economy and are active internationally. In 2019, SMEs accounted for 59.4% of value added and 68.9% of employment in Croatia’s “non-financial business economy”, both above EU averages.⁵ The Croatian government has made a concerted effort to seek overseas markets for SMEs, ranking 3rd of 28 EU countries in 2018 in the internationalisation of SMEs.⁶ That same year, Croatian SMEs accounted for 53.0% of the country’s exports.⁷

Croatian companies, including SOEs, are active in countries with substantial levels of corruption and are thus exposed to risks of foreign bribery. One-sixth of Croatia’s exports are to members of the Central European Free Trade Agreement, which consist of mostly of countries in South Eastern Europe (World Trade Organisation, n.d.^[1]). Among Croatia’s major trade and investment destinations, several rank poorly on Transparency International Corruption Perception Index 2020 (Transparency International, 2020^[2]), including Bosnia and Herzegovina (111th out of 180 countries), North Macedonia (tied for 111th), Serbia (94th) and Montenegro (67th). These four countries alone account for 55.3% of Croatia’s outward FDI stock and 15.4% of exports in merchandise. Some Croatian SOEs operating in these countries are active in risk sectors such as energy and extractive industries.⁸

However, Croatian stakeholders may not be completely aware of or agree with this foreign bribery risk profile for the country. Private sector representatives at the fact-finding mission state that they are unaware of any instances of foreign bribery involving Croatian companies. Parliamentarians state that foreign bribery is “generally not a problem” and that Croatian companies are not sufficiently large and hence cannot

afford to bribe foreign officials. Only civil society representatives acknowledge a risk of Croatian companies bribing abroad.

References

- CEPOR (2019), *Small and Medium Enterprises Report: Croatia 2019*, <http://www.cepor.hr/wp-content/uploads/2015/03/SME-REPORT-2019-EN-WEB.pdf>. [4]
- OECD (2021), *OECD Review of the Corporate Governance of State-Owned Enterprises in Croatia*, <https://www.oecd.org/corporate/soe-review-croatia.htm>. [3]
- Transparency International (2020), *Corruption Perceptions Index*, <https://www.transparency.org/en/cpi/2020/>. [2]
- World Trade Organisation (n.d.), *WTO Data - Information on trade and trade policy measures*, <https://data.wto.org/en>. [1]

Notes

¹ Croatia.eu; [International Monetary Fund](http://InternationalMonetaryFund.org), 2020 GDP in constant prices and GDP per capita at purchasing power parity.

² Information provided by Croatian authorities. Additional information obtained from the World Trade Organisation [database](#) and [Trade Profile 2020](#).

³ [Croatian National Bank](#) and [UNCTADStat](#).

⁴ (OECD, 2021^[3]), Part I, Sections 2.1-2.2.

⁵ European Commission (2019), [SBA Fact Sheet: Croatia](#).

⁶ European Commission (2019), [SBA Fact Sheet & Scoreboard](#).

⁷ (CEPOR, 2019^[4]), p. 14.

⁸ (OECD, 2021^[3]), Part I, Section 4.2.



From:

Fighting Transnational Bribery in Croatia

Assessment of Legal and Policy Frameworks

Access the complete publication at:

<https://doi.org/10.1787/90d486ae-en>

Please cite this chapter as:

OECD (2022), "Croatia's economic profile and risk of foreign bribery", in *Fighting Transnational Bribery in Croatia: Assessment of Legal and Policy Frameworks*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/21c63a2c-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.