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UDK: 339.5(497.5)
Review article

Received: September 9, 2015
Accepted for publishing: October 5, 2015

THE EFFECTS OF THE WTO AND THE TTIP AGREEMENT ON THE CROATIAN ECONOMY

Abstract

Immediately after becoming independent on 15 January 1991, the Republic of Croatia became a member of the IMF. Although, as a successor of the former Yugoslavia, it had full GATT membership, and thus membership in the WTO, the Croatian government did not know how to exercise its rights and therefore had to go through the entire procedure in order to access the organisation in 2000. Presently, Croatia is the 28th Member State of the EU and has scarce information about the TTIP, the effects of which will directly affect Croatia as well as all Member States. The purpose of this paper is to realistically analyse the possible effects on our economy in relation to this globally important agreement. The TTIP is a trade agreement between the EU and the USA which has an important economic and geo-strategic interest, since its role is connecting two powerful economies and their common position on the global market as well as long-term pacesetting in relation to other regions in the world, which refers to the standard and the way of doing business. Therefore, we can conclude that the long-term strategic goal is market integration and establishment of grid plans which, once established, will not be able to undergo significant changes. The aim of this paper is to examine the default hypothesis and thus establish facts in relation to trends in international trade and its adaptation to globalization and economic changes in the world as well as its impact on Croatia. The scientific methods used in this paper are methods of systematic analysis, the dialectical and logical method, mostly in the inductive-deductive combination, and vice versa. The scientific contribution is reflected in the development of scientific thought about the importance of the effects of globalization on trade and the economy in general in the world and in Croatia.

Keywords: WTO, TTIP, trade, effects on the economy, cooperation with Croatia

1. Introduction

The World Trade Organization (WTO) is an international organization that operates and creates an institutional and legal framework for the multilateral trading system in the field of customs and trade in goods, services and intellectual property. The main hypothesis: The WTO operates in order to create rules and their interpretations within international trade, which are negotiated through various WTO agreements, all aimed at facilitating trade between countries. PH1: Negotiations between the Member States enable further trade liberalization processes and the aim is to create a non-discriminatory system for the settlement of trade disputes. PH2: There are many regulations and obligations on both the US and the European market, but the point is that they are carried out in different ways. There are many arguments against the TTIP agreement as well as the opportunistic attitude of the public, NGOs, trade unions and others with regard to the whole purpose and intent of the agreement and the fact that the cooperation between the EU and the USA has been well regulated. Additionally, there is also the Transatlantic Trade Council which continuously negotiates on specific issues. This agreement is aimed at boosting true transnationality of corporations that is dictated by a variety of other interests rather than trade, which was the case before. Today, EU countries have more than 1400 bilateral and multilateral agreements relating to the provision of certain guarantees and resolution of disputes with individual investors, which have nowadays become an accepted economic standard. The TTIP agreement should result in additional guarantees.

2. The Development of the Croatian Economy Through Cooperation with the WTO

Since the end of World War II, trade between countries has been growing three times faster than the growth of the world gross domestic product (GDP). To understand the meaning of this, for the purpose of comparison, it should be noted that the expansion of trade between various countries from 1870 until the beginning of World War I, a period of the first wave of globalization, was marked by strong growth of trade but was two times slower than in the post 1950s (Maddison, 2001: 363). In response to this phenomenon, several explanations are offered. Firstly, there was a strong development of technology at the time and we can speak of a technological revolution that significantly reduced the costs of transport and communication. The open trade policy was implemented between countries, changes occurred in the organization of work etc. In short, based on the above mentioned facts, it can be concluded that the main benefits of membership in the WTO are the following (Understanding the WTO):

- Maintaining peace at the global level;
- Dealing with various disputes in mutual agreement[1];
- The new system is based on agreed rules;
- Costs of living in the world are being reduced;
- Selection of goods and services in the world is greater and the quality of products is better;
- The steady growth of foreign trade increases the income of all countries;
- The newly established system protects the governments of all countries from narrow individual interests;
- The battle against corruption is being developed[2].

On the other hand, there are studies that prove exactly the opposite, with completely conflicting findings about the effects.

The benefits of WTO membership are already well known, but will be further clarified in the text[3]. It is particularly important to note that the WTO decisions are made by consensus, which is a big difference compared to other international institutions where decisions are made only by members of the Board of Directors. However, this way of reaching an agreement which requires consent of all Member States, has proven inconvenient. Its purpose was to reduce inequalities, thus giving smaller countries a greater say and at the same time relieving the largest economic powers from the obligation to establish trade agreements with each of their numerous trading partners (Eichengreen, 1995).

Furthermore, one of the benefits of membership in the WTO is the system in which, by means of negotiations and applying the non-discrimination principle, trade barriers are reduced, which results in reduced production costs (imported goods used for manufacturing are cheaper), lowering of the price

of the final product and services and, ultimately and logically, lower costs of living (Hoda, 2001).

3. TTIP Partnership - Agreement between the EU and the USA

Immediately after becoming independent on 15 January 1991, the Republic of Croatia became a member of the IMF. Although, as a successor of the former Yugoslavia, it had full GATT membership, and thus membership in the WTO, the Croatian government did not know how to exercise its rights, and had to go through the entire procedure in order to access the organisation. Since its accession to the WTO, Croatia became a full member in November of 2000, thirty days after the Parliament ratified the conditions of accessing the WTO, which is manifested through (WTO, 2003)**:**

- launching of various rounds of negotiations;
- systematic multilateral trade liberalization and strengthening of the WTO system;
- flexibility in taking new commitments until the end of the contractual period of transition in the areas of agriculture and market access;
- the special position of the Republic of Croatia within the RAM initiative[4], including longer transition periods known as *grace periods*[5] due to compromises that the Republic of Croatia made when accessing the WTO;
- supporting negotiations, that is, the inclusion of new areas, the relationship between trade and investment, competition and environment in the WTO's multilateral system;
- trade liberalization within regional cooperation frameworks such as the WTO system of complementary processes;
- supporting non-trade aspects of agriculture, that is, the principle of multi-functionality of agriculture;
- supporting special treatment for developing countries.

Croatia and other countries in transition are, to a great extent, mere objects in the globalization process. They are poor, technologically backward and have large deficits in foreign trade. Another problem Croatia faces, is an extremely low real base of exports and a weak basis for its increase due to destroyed production. In addition, the expansion of liberalization in the sectors of agriculture, services and intellectual property, while increasing standards of protection of the environment, brings new and specific problems of development of the national economy.

Despite certain difficulties and possibilities of regression or a trend change, liberalization and globalization are a common reality. Therefore, our country, which gains 60 per cent of the gross domestic product from foreign trade, must responsibly face the processes of economy restructuring and completion of privatization processes. The latter were significantly delayed and deviated by war and adverse political circumstances. Any negligence or attempt to delay and slow down the necessary adjustments can only bring greater difficulties in the long run (Matić and Lazibat, 2001: 692-707).

The purpose of WTO operations is improving the lives of people in the member countries. The measure of success of WTO activities is not the volume of the world trade and the level of tariff reductions, but rather the improvement of living conditions of all nations, especially developing countries like Croatia (Mesarić, 2007). The importance of the WTO for Croatia was already pointed out in 2001 by Branko Horvat. This confirms the thesis that nowadays, a country that is not a member of the WTO is not a world power and does not have much chance on the market. Out of 530 000 farms, only 150 000 professional food manufacturers remained active after entering the WTO (Matutinović, 2000: 1203).

A senior official of the same Ministry stated that "the integration into the world economy is, without any alternatives, our political and economic interest and most of our manufacturers must realize that they are not ready to enter the world market" (Poslovni svijet, 2000). Jakovljević says that "data from this period indicate that Croatian companies are most likely entering a new stagnation period, due to a decline in domestic orders and export transactions" (Jakovljević, 2001: 6).

Recession has also taken hold in the textile industry, leather and footwear, as well as in the food and timber industry. It should be noted that the real gross domestic product (GDP) in 1989, had not been reached until 2006, only to be followed by the economic crisis. In the period between 1990 and 2010, the GDP declined by 3.7 per cent. In 1989, the

Croatian GDP was 76.9 per cent in comparison with the EU, while in 2010 it was 54.1 per cent which is a decrease of 22.8 percentage points.

Therefore, it can be concluded that the results of the economic policy in the period between 1990 and 2010 were devastating, while the industrial production was still about 20 per cent lower than that of twenty years ago[6] (Domazet, 2011).

Croatia's industrial production continues to decline. The decline in the industry turnover is even more dramatic. It accounts for about 9 per cent in comparison with the previous year, which is also reflected in exports. The value of merchandise exports in 2014 fell from 67 to 62 billion, with a decrease in imports. Approximately seven billion in annual revenue from tourism kept the country afloat, but good tourism results were not sufficient to make up for all other declines. Croatia has not benefited from joining the EU like other countries, because domestic exporters did not do well on the large market. Therefore, at the end of November, exports to EU Member States decreased by two billion, and exports to non - EU countries also declined (Gatarić, 2014).

However, the current economic situation in Croatia[7] and the problems or crisis elements can be summed up in at least four economic indicators that are analysed in the previous paragraphs, and they are:

- Low employment, around 45 per cent (the employed in relation to the working age population), which is one of the lowest rates in relation to the EU Member States. 19.5 per cent of the people are at risk of poverty; out of the total of 1.29 million people employed, there are 10,000 pensioners more than there should be in order for the system to be sustainable. 500,000 pensioners receive less than HRK 2,000, and 55,000 employees do not receive a salary; there are 80,500 people working for a minimum wage of about HRK 2,400 and 115,000 of those who receive some kind of social welfare. Companies lost 102,697 employees in five years, which accounts for almost the amount of two Agrokor companies (FINA, 2014). There has been a trend of emigration; but no one can claim for certain how many educated people have left the country due to lack of research. German statistics presents data of 24,845 Croatian emigrants while the CBS mentions figures of 2,069 people (Jutarnji list newspaper, 6 December, 2014);
- Croatia is already heavily indebted (the amount of EUR 45.9 billion in 2013). In 2014, the external debt amounted to EUR 46.5 billion, with an increase of EUR 1.1 billion. In 2014, the share of external debt amounted to 108 per cent of the GDP, the state's share and the share of banks and other financial institutions amounted to EUR 12.8 billion. In 2014, the total external Croatian debt amounted to EUR 8.4 billion (Jutarnji list newspaper, 8 January 2015);
- With the decline of GDP for the sixth consecutive year, lowering of the credit rating of the country that rejected the earlier investment level amounting to 89.6 billion to 37.3 billion in 2014 was confirmed. In the same year, the share of non-performing loans, partially or fully irrecoverable, was less than 17 per cent, which is 1.25 per cent more than in 2013. Exports in 2014 increased by 8.4 per cent, while private consumption stagnated due to high unemployment[8];
- Private consumption remains a major factor in GDP growth. According to estimates, private consumption has a share of about 60 per cent in the GDP. The share of other factors, such as investments, is about 20 per cent, while the remaining 20 per cent relates to public spending (PBZ, 2014);
- The appreciated exchange rate and relative prices are a separate issue because they affect the relations between industry and further development. Monetary policy and extreme transactional focus on buying and selling foreign currencies, haves always been a problem. At the time of growing public debt, which had started to grow in the period from 2000 to 2009, the liquidity issue was resolved. After 2009, the external debt ceased to grow and insolvency reappeared. Banks stopped giving loans as this meant loss of liquidity, so they began collecting liquidity of the Croatian kuna. Parallel to the beginning of the crisis, the Central Bank had not developed other transaction channels and therefore caused a bad position of banks with high liquidity which cannot achieve economic growth.

Statistical errors are especially common when tracking the moving ratio of state variables and flow, which are due to changes in the assessment of the value. These changes in the assessment of the value can be caused, for instance, by changing the value of fixed assets (due to depreciation, revaluation, etc.).

Moreover, they can be caused by the influence of the structure of the currency of individual components and by the influence of changes in the exchange rate between these currencies, on the value of state variables reported in one currency.

It is necessary to strengthen the Croatian economy in order to secure a stable and sustainable economic growth that would lead to an increase in exports and promote Croatia to a higher rank in the WTO. Although, its membership in the WTO favoured development of the economy, a number of other factors that are analysed in the paper negate it. The World Economic Forum[9] classifies Croatia as a country with a transition economy, from one driven by efficiency towards one driven by innovation. In this group of countries are also Chile, Estonia, Hungary, Poland, Turkey and Slovakia. In this category, Croatia has all the "typical" features of a national economy in transition between two phases of development (WEF, 2014-2015).

Economy-driven efficiency is forced, primarily due to higher prices of labour, to develop more efficient production processes and to raise the quality of products. At this stage of development, its competitiveness is increasingly determined by the quality of higher education and training, an efficient goods market, a functional labour market, a sophisticated financial market, a rising domestic and export market, and the ability to use available technologies.

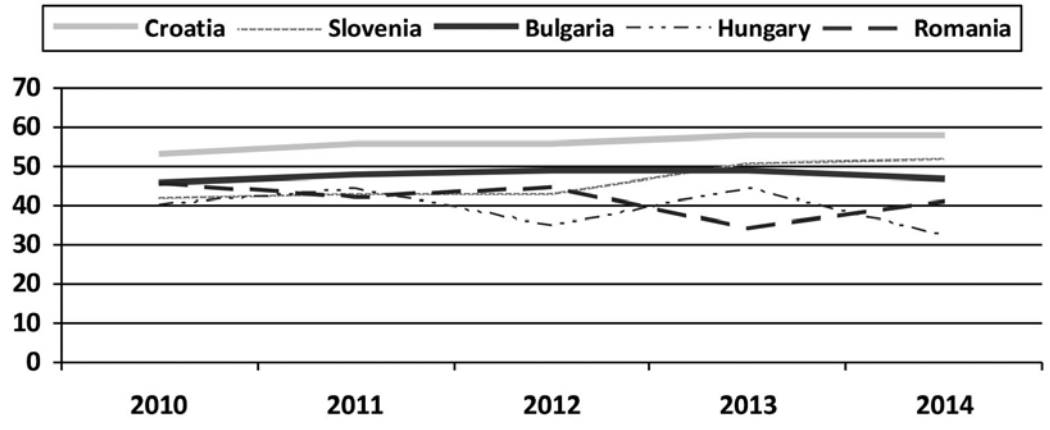
The analysis of the annual WEF report clearly indicates competitive advantages as well as disadvantages of Croatia that limit its further development. Unlike the "pillars of competitiveness" such as infrastructure, macroeconomic stability, health and primary education as well as technological readiness, in which we achieve the expected results that are "typical" for transition countries, we deviate from these images and lag behind in all other "pillars". This is particularly visible in "pillars" such as innovation, development, efficiency, market size (export) and higher education. It can be concluded that Croatia is losing its competitive advantage due to lags in those areas.

Figure 1 shows the competitiveness assessment of Croatia and the selected EU countries.

New EU members, such as Croatia and its peers, recorded some improvements of their positions (Romania, Poland) which indicate a slight level of recovery after a significant drop in the previous year (Slovakia, Slovenia), while Hungary and Bulgaria dropped on the scale in relation to 2010.

According to the Global Competitiveness Report, Croatia is ranked 77th of 144 countries in the world. The analysis presented in Global Competitiveness Reports of the WEF in the period from 2002, when Croatia was first included in the GCR, has shown that the competitive position of Croatia has been continuously weakening. Croatia's competitiveness declines linearly, so there is a steady downward trend from year to year (GCR, 2014-2015).

Figure 1 Competitiveness Assessment - Comparison between Croatia and the Selected EU Countries



Source: (IMD, 2014)

This decline is particularly pronounced in relation to the comparative group of countries from the 'transitional' stage of development, where Croatia currently has the lowest rank and is close to losing its transitional character (World Investment Report, 2014). Capital investment is an investment made in a higher long-term material object (property) which requires significant investment and the expected life that is longer than one year. The value and expected life are often specified by law. In this way, for instance, each local government defines what is considered capital investment on the basis of local needs and legal requirements. Hence, it can be concluded with respect to the previous analysis of the situation in Croatia, that the situation is far from good. In the budget for 2014, expenses were cut by half a billion on investments and subsidies (Večernji list newspaper, 30 October 2014). Planned investments in the budget projections for last year amounted to 1.9 billion, and out of 77 original projects that the Government sent to Brussels as eligible for funding under the new European investment plan, 25 of them were selected as final, worth EUR 9 billion. Although every investment is welcome because it corresponds to the revival of the economic activity and job creation, it can be concluded that the financial crisis in Croatia mostly affects investment. The difficulties faced by the Republic of Croatia and its economy, affected by the global economic crisis, such as low levels of total and per capita GDP, low level of purchasing power and spending as well as low levels of living standards and high poverty rates, arise from very small levels of employment, high government consumption, proportionately high number of pensioners, expensive production, low exports and high imports, high levels of external and internal debt which produces a chronic lack of liquidity in the economy and in state institutions. The inconsistent model of conversion of the manufacturing and service sector ownership has led to the multiplication of economic difficulties, with a tendency of further deterioration. After a pronounced decline of Croatia's global trade value in 2009, and its slight recovery and significant growth of exports in 2010, Croatian exports amounted to 78.9 billion last year, which is 6.3 billion more than in 2013. Industrial production is still about 20 per cent lower than that of twenty years ago. It is constantly on the decline, and there is even a dramatic drop in the industry turnover, about 9.2 per cent in 2009, while in 2013, it declined by 1.8 per cent compared to the previous year. In 2014, the situation started improving when an increase of 2.9 per cent was recorded in November in comparison to 2013. The value of merchandise exports fell from 67 to 62 billion, and there was a decrease of imports in 2014. Croatia has not benefited from joining the EU like other countries because it is an export-focused country such as Poland. Domestic exporters could not find their bearings on the big market and at the end of November 2014, exports to EU Member States decreased by two billion, and so did exports to non-EU countries (Večernji list newspaper, 2015).

4. The TTIP Partnership Agreement Between the USA and the EU

The Transatlantic Investment and Partnership Agreement (TTIP), between the USA and the EU, is a free trade agreement between the USA and the EU, which aims to bring down certain barriers, not customs-wise, but rather differences in systems that impede further development, reduction of business costs and prices of products and services. Officially, the TTIP was created in June 2013, when President Barack Obama and former President of the European Commission, José Manuel Barroso began the first round of negotiations after a complex preparation period of twelve years. This agreement also marks the set of acquired experiences in agreement defining: TISA (General Agreement on Trade in Services), the Free Trade Agreement between the European Union and countries of the Maghreb and ultimately the TPP, the Trans-Pacific trade agreement between the United States and Asian countries, but without China, North Korea, Vietnam and India. It is an economic agreement, frequently called the "economic NATO" because it could economically connect the US and the EU like NATO did with America and Western Europe during the Cold War, in the military, security and defence sense, thus connecting these two historically well-connected large markets worth EUR 3.8 trillion.

In 2011, the total trade amounted to EUR 455 billion with 720 million different products in the EU, and economic benefits of the TTIP for the rest of the world would amount to EUR 100 billion per year. The EU and the USA account for almost half of the world GDP and one third of the total world trade-exchange takes place between them. The

TTIP would create a single market covering this entire area and an additional 119 billion euros at the annual level of the entire EU economy, an average of EUR 500 per household (Krasnec, 2015).

US investments in Europe are three times higher than US investments in Asia, while European investments in the United States are eight times higher than all European investments in China and India together. The high standards of the EU are focused to protect health, safety, workers' rights and people's right to privacy, financial security and a clean environment. These are also the most important points of the TTIP agreement. These negotiations are aimed at achieving economic benefits for all members, through more investments that will boost job creation and create greater opportunities for small and medium-sized enterprises that have so far been faced with many regulatory barriers. The necessary procedures, registration and certification were usually too expensive for small exporters because it was difficult to cover the required costs with the amount of their production.

The TTIP could define that the necessary certificates in the EU also apply to the United States. This would facilitate business and exports, lower prices of certain products and introduce new innovative approaches related to pharmaceutical products. It is about the harmonization of chemical, medical, pharmaceutical and automotive industry and new hygiene standards from which the USA would have EURO 95 billion of economic benefits per year, and the EU, EURO 119 billion per year. The EU would save about EURO 12 billion, while the USA would save EURO 1.6 billion on certificates alone.

The responsible parties point out that the agreement is not going to reduce standards of certain groups, since the perception of each party is that standards are lower for the other side and that they would prevail. The TTIP is trying to make changes in three important areas (downloaded from *"Treća runda"* show):

- Further deregulation and "harmonization" of market space between the US and the European Union;
- Privatization of public services and endangering the welfare state that exists in the EU;
- Introduction of a legal mechanism called the ISDS (Investor to State Dispute Settlement) which operates one way (corporation against State) and allows foreign corporations to file lawsuits and to receive payment of damages from the state, if it enacts laws or regulatory standards that may affect the reduction of their profits.

This way of legal 'protection' of corporate interests bypasses the existing legal mechanisms and the courts of the EU, creating an unnecessary parallel legal system in the form of arbitration court whose transparency is questionable. A number of non-government organizations for the development of civil society in the EU are critical to some parts of the agreement and consider it the most vile trade agreement in the history of Europe.

The biggest problem is that the basic principle of the negotiations is not set or is not clearly communicated. Politicians and large companies negotiate in secrecy, and the public is afraid of bad news for consumers, workers and the environment. Leaked information is the only information released on this agreement. This has cast doubt and provoked fear. It is considered that if companies are given hands free in deciding, it will only be in favour of unilateral interests of the companies.

Regulatory co-operation is in the core of the TTIP agreement which means that corporations are allowed to do what they want. Corporations will be able to participate in drafting rules and to influence the adoption of negative legislation. Whenever the Commission in the EU gets an idea for new rules, they will have to be presented to the US government and business groups before residents and elected representatives see what has been proposed. If a certain group has an objection, the Commission will be forced to report that it has a detrimental effect on trade. Business groups will be able to give their own proposals and we already have examples in Brussels of private businessmen in the US Chamber of Commerce lobby and the business lobby called Business Europe, who have been doing the same thing for years.

Their plan is to establish a new body called the Council for Regulatory Co-operation, to ensure that everything will be in accordance with the corporations' requirements. A priority of the Council is to protect trade but it still puts profit before people undermines key democratic principles and encourages the power of companies.

There are many regulations and obligations in the EU and USA market, but they are implemented in different ways. The TTIP wants to "align regulations

and reduce non-tariff barriers that prevent" multinational and large US companies to literally flood the European markets with their products. In practice, the TTIP is a kind of leverage that Chevron and other large energy companies like Monsanto and Cargill, along with other industrial giants of agribusiness, pharmacology, chemistry, electricity, transportation and financial conglomerates in the United States use, in order to undermine the normative elements that have hindered US exports to the European Union so far.

Products offered by these large US corporations have no guarantees like those available to consumers of European products. The alignment of regulations is actually the alignment of European regulations with US multinational companies, where they managed to avoid the precautionary principle, which the European Union adopted in 1992, after the UN summit in Rio de Janeiro. The principle is based on the logic of priority of absolute rights of individuals in relation to the rights of legal entities.

For this reason, a product must not be sold in the European Union unless it has passed a series of mandatory testing and unless there is a confirmation of the agencies that it will not harm consumers. It is a principle that does not exist in the United States where control agencies, according to the logic of economic liberalism, allow direct product placement, which is discontinued only when thousands of consumers submit evidence of poisoning or other damages of physical nature.

In addition, American consumers must bear all legal costs in lawsuits against the company from which they seek compensation. With this agreement there is a legitimate fear of the public and of democratic institutions that the fact that a coordination of standards related to the industry, which will primarily be negotiated in the working stages after the agreement has been signed will be kept secret and many questions will remain open and many more will be decided at the levels unavailable to the public.

Some examples of standards are: chlorinated chicken, beef treated with hormones, genetically modified experimental vegetables, and generally better protection of consumers. The USA fear chlorine on salad that is used in the EU. The USA want the EU to loosen laws on GMOs, hormones, various additives and processing techniques that are not allowed in the EU and want to impose their own standard in the production of food and drinks. The standard is a lot stronger in the EU than it is in the United States.

The US is afraid of lowering standards in the automotive industry. Moreover, the United States has regulated financial markets after the global crisis in a better way, and it is afraid some banks could use these standards to sabotage standards in their own country to ensure better protection of workers.

Furthermore, France wants to completely exclude their cultural production from the agreement due to fear of Hollywood, the EU seeks liberalization of maritime transport between US ports because trade is only permitted when ships are at least 75 per cent owned by the US and where 3-4 crew members are Americans (Kozmas, 2015).

The application of TTIP will result in a potential average growth of EU GDP by only 1 per cent by 2027. However, according to a study conducted at the Tufts University in Massachusetts, which also emphasizes negative effects, including those on the internal European market, the growth will only be 0.1 per cent.

Most EU countries will experience a reduction in domestic demand and consequently a reduction of the GDP. It is estimated that there could be between 600 000 to 1 300 000 jobs lost, and Europe will lower wages and equalise them with those in the USA, therefore European citizens rightly ask whether such a small average of GDP growth justifies such great changes in almost all spheres of life of European residents (Gong, 2015).

There is a contradictory attitude toward the entire purpose and intent of the agreement and towards the fact that, so far, the cooperation between the EU and the USA has been successfully regulated by customs barriers of only 3 per cent, except for certain textile products and parts of motor vehicles, where customs reached 8 per cent, which is little and burdens the trade exchange. The Transatlantic Trade Council continuously negotiates these issues.

What this contract wants to impose is true transnationality of corporations that is dictated by a variety of other interests, rather than trade. Today, EU countries have more than 1400 bilateral and multilateral agreements relating to the provision of certain guarantees and the resolution of disputes with individual investors, which is nowadays an accepted economic standard.

Thanks to this agreement and with the introduction

of a legal mechanism by the ISDS, which Hungary and France oppose, an additional guarantee should be gained. In fact, there are examples in which companies sued a particular country in which they had investments by changing their strategy. It resulted in disturbance of further investment development and it disrupted the flow of return of capital, i.e. profit. Companies in litigation demand review of decisions, review of application of the law and the possible discriminatory application that occurred in practice. It is possible that "breakers" that prevent companies from abusing the mechanism of unreasonable lawsuits against sovereign states at non-transparent arbitration courts, will be agreed on during the negotiations.

It is visible in the presented analysis that democratic standards are in this way indirectly lowered as it was the case with transition countries where many governments favoured the entry of certain companies and their corrupt actions. The companies were often stronger than the economy of the countries themselves and later it was impossible to stop the harmful, and unsustainable actions. The fact is that only 2 per cent of trade and investment agreements end in a courtroom, mainly in the domain of small and medium-sized enterprises. This is another argument against the purposes of the TTIP.

There is a strong need for increasing competitiveness and economic growth in the world. The TTIP has an important economic and geo-strategic interest, since its role is to connect two powerful economies and their common position on the global market as well as long-term pace-setting in regions on other regions in the world, which refers to the standard and the way of doing business.

Therefore, we can conclude that the long-term strategic goal is market integration and establishing of grid plans which, once established, will not be able to undergo significant changes.

Why is it fictitiously democratic? Negotiations were conducted in a non-transparent and undemocratic way from the beginning. Its far-reaching consequences will be felt by 500 million citizens of the EU, while the negotiations are held behind 'closed doors', which is unacceptable to public interest. The full text of the negotiations led by two main negotiators, the Spanish Ignacio Garcia Bercero for the EU and Dan Mulley for the USA, is still top-secret and only eight officials of the European Commission know its contents.

Even the members of the European Parliament, who are supposed to ratify the text of the agreement this year, are noncognizant of all secret negotiations. Only several chapters are known: chapters on trade in public services and electronic communications. Moreover, the Huffington Post described three more chapters on energy, and the US Center of International Environmental Law published small extracts and standards in determining tariffs in the chemical sector (Babić, 2015). Negotiations are led by some members of the EU Commission, the administration of the United States and about 600 lobbyists (from financial and industrial companies, mostly multinationals). The EU Parliament is almost completely excluded from the negotiations. Only six former EU parliamentarians are familiar with the actual flow and content of the negotiations. It is undemocratic that the trade agreement bypasses almost all previous EU legislation (EU standards), which took years to make in a transparent and democratic procedure by making long-term strategic policies for individual sectors by the democratically elected representatives of the citizens of the EU. However, under heavy pressure of the EU Parliament, the Public Advocate and the civil society, there was a change brought about by the new Juncker Commission.

Namely, in the first two years of all consultative meetings, 92 per cent of the meetings were held with representatives of corporations who have access to the process as experts. In negotiations it is common practice that a part of the document remains confidential. The largest part was made available to the public in October 2014, when the European Commission published the negotiating mandate and opened a public consultation on solving disputes between investors and the state, where 97 per cent of all comments were published. Likewise, the media reported briefly on the progress of the negotiations. Currently, the agreement has been submitted for review to the European Parliament and the European Council, and 2000 pages of the text are made available to the representatives of the European Parliament to be read in a limited time of 2 hours per official in a separate room in the presence of guards as a precaution, so that data would not leak. Active documents are made available to officials in a very limited way and the disparity in availability between those who have expertise in this field and those who are elected representatives is obvious. It should be noted that by the end of 2014, only 13 of 751 MPs

had access to the so-called reading room. The Confederation of Trade Unions advocates the so-called "Golden Rule", that is, to choose the one standard that will guarantee a higher level of quality, protection and opportunities for sustainable development.

All Member States will have to agree unanimously, ratify and accept the TTIP by consensus in order to get it approved by the European Parliament. The TTIP has to be accepted by the European Parliament. Then it has to be unanimously adopted by the Council of Europe and eventually pass the national parliaments of all EU Member States. The Member States should be positioned unambiguously in relation to this decision in order to become actively involved in the process.

Each country should make an analysis of the economic impacts and see what the new agreement will bring. Decisions directly related to all of us should not be made in a hurry, and should not be made solely by politicians.

Furthermore, decisions should be made in cooperation with professionals and experts in the field, in cooperation with the interested public.

5. Conclusion

Membership in the WTO is particularly important for Croatia, because it was one of the requirements for entering the European integration. Currently, Croatia is a full member of the EU. Croatia must also economically connect with countries of similar economic circumstances since this is the only opportunity to enter the market. Regional connectivity with traditional markets, where our products are already known, is also necessary. Markets of countries at a similar level of development should be used for the realization of scale economies and acceleration of exports. For six years, there have been continuous negative trends in the Croatian economy, while a slight growth in the GDP has been predicted for this year. Unemployment is of a structural nature and does not fit the classical theoretical presentation of a seasonal technological or cyclical type. The sudden increase in unemployment in the past twenty years is the result of radical social and political changes, which, along with the consequences of war, defined the past period as a period of crisis. When examining the Global Competitiveness Reports of the WEF in the period from 2002, it is evident that the competitive position of Croatia has been weakening. Thus, its importance as a member of the WTO is reduced, and investment climate, which is a key lever for economic recovery, has been declining.

It is difficult to find a development strategy in as deep a crisis as the one in Croatia. The first step of getting out of the crisis focuses on introducing new investments and creating jobs. Therefore, it can be concluded that the general bad situation in the economy makes us less desirable for commercial, or any other cooperation within the WTO, although the primary purpose of the WTO is to improve the welfare of the people of the Member States.

The measure of success of the WTO activity is not the volume of world trade and level of tariff reductions, but rather the improvement of living conditions of all nations, especially that of developing countries like Croatia.

In 2014, the value of trade between the US and Croatia was relatively low and amounted to USD 496 million. NATO membership has not helped in strengthening economic ties, either. The total of exports amounted to USD 293 million, which is a decline of 11.6 per cent, and imports amounted to USD 203 million, which is lower by 9.5 per cent lower. The largest exporters to the United States in 2013 were: Pliva, HS Produkt, Uljanik, Ina and Dok-Ing. Investments have almost been neglected since 1993. Americans invested only EUR 59.3 million. Production volume and organizational forms can only be planned when the market is open.

Since our country cannot realistically compete with the Western market, the question is whether it will ever get out of this deadlock, seeing that our products cannot possibly compete with the imported ones. The TTIP agreement will push our country deeper into economic dependence, and we will become hostages in the battle for the interests of the powerful.

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(Endnotes)

1 Greater stability in trade derives from the process of resolving disputes within the WTO, which cannot guarantee that Member States will literally and strictly abide by their obligations, but it ensures that state violators must pay a high price.

2 Transparency (such as disclosure of all information related to trade regulations), other aspects of "trade facilitation", clearer criteria for regulations relating to safety and product standards, as well as non-discrimination, reduce the possibility of fraud and arbitrary decision-making.

3 Membership in the GATT was not, nor is today in the WTO, reserved only for sovereign states. It is sufficient that a potential member is a separate customs territory with full autonomy in economic relations with foreign countries.

4 The special position of the Republic of Croatia within the RAM initiatives (Recently Acceded Members), which refers to a group of countries admitted to the WTO just before the Ministerial Conference in Doha. At that time the position of these countries, the Republic of Croatia as well, emphasized in Art. 9 in the Doha Declaration include longer transition periods and a grace period due to concessions which Croatia provided when entering the WTO.

5 A grace period (German Gnadefrist) is usually a term that denotes the period of time after a payment becomes due. A grace period is a time of "mercy" from creditors toward the debtor, approved in general so that the debtor makes preconditions for the orderly repayment of the credit (construction of a factory, starting a business, achieving a stable income, etc.). It is contracted when larger sums are concerned, usually long-term loans, but more often with most loans. The delay of the payment is contracted for several years, and this convenience, is to some extent compensated by a higher interest rate on the loan and commissions. In our country, we sometimes use the term "moratorium", although it marks a break in the payment of the loan for a specific time period, in order to provide a break to debtors so that they could solve problems with the payment. Interest can flow, but its payment can also be postponed (Grace period, March 1st, 2014.).

6 Similarly the structural crisis of agricultural production should be emphasized. The beginning of this crisis started already in the 1980s and many events that intensified the crisis in the course of thirty years have been added to it. Furthermore, residential construction has been halved; the fleet has partly been sold out; rail, river and port transport achieved only half of the turnover they used to achieve.

7 The neutrality of the debt shows that real variations in tax revenue (current and anticipated), balanced by equal variations of real amount of net public borrowing in the opposite direction, do not have real effects. It should be noted that the theory of debt neutrality, is Barr's version of Ricardo's thought about the economic equivalence of tax financing and debt financing. Although today Barr's theorem about debt neutrality is called Ricardo's equivalence, the difference between Ricardo's and Barr's conclusion still exists, and it is in the fact that Ricardo did not persist in his belief about the identity of financing taxes and debt financing, noting that taxpayers suffer from what is today called a "fiscal illusion".

8 Statistical errors are especially common when tracking the moving ratio of state variables and flow, which are due to changes in the assessment of the value. These changes in the assessment of the value can be caused, for instance, by changing the value of fixed assets (due to depreciation, revaluation, etc.) Moreover, they can be caused by the influence of the structure of the currency of individual components and by the influence of changes in the exchange rate between these currencies, on the value of state variables reported in one currency.

9 The World Economic Forum is a non-profit organization founded in 1971, based in Geneva, Switzerland. In 2006, the Forum opened branches in New York and Beijing. The annual meeting is held in Davos, where leading businessman, politicians, intellectuals and journalists gather in order to discuss current world problems. In addition to meetings, the Forum conducts numerous researches. It has the status of an observer in the Economic and Social Council of the United Nations. The supreme body of the Forum is the Founding Board, which consists of 22 members including the former British Prime Minister Tony Blair.

UDK: 339.5(497.5) / *Review article*

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Utjecaj WTO-a i ugovora TTIP na hrvatsko gospodarstvo

Sadržaj

Republika Hrvatska postala je članicom MMF-a, odmah nakon osamostaljenja 15. siječnja 1991. Iako joj je kao slijednici bivše Jugoslavije pripadalo članstvo u GATT-u, a samim time i u WTO-u, vodstvo Hrvatske nije znalo ishoditi svoja prava, već je moralo proći cijeli postupak za pristup toj organizaciji 2000. godine. Danas je Hrvatska 28. sastavnica EU-a, a u novije vrijeme dolaze šture informacije o TTIP-u čije će se posljedice izravno odnositi na sve članice, tako i na Hrvatsku. Svrha ovoga rada je realno sagledati moguće posljedice na naše gospodarstvo u odnosu na ovakve globalno važne ugovore. TTIP je sporazum o trgovini između EU-a i SAD-a koji ima, osim gospodarskog, i važan geostrateški interes jer se radi o povezivanju dviju moćnih ekonomija i njihovoga zajedničkog pozicioniranja na globalnom tržištu te dugoročnom diktiranju tempa drugim regijama u svijetu, što se odnosi na standard i način poslovanja. Iz svega se može zaključiti da je dugoročan strateški cilj integracija tržišta te utvrđivanje trasa koje jednom, kada se uspostave, više neće moći bitno mijenjati. Cilj je ovoga rada istražiti zadane hipoteze i time utvrditi činjenično stanje u odnosu trendova u međunarodnoj trgovini te njihove prilagodbe globalizacijskim i ekonomskim promjenama u svijetu, te kako će se sve to odraziti na Hrvatsku. Znanstvene metode korištene u ovome radu su: metode sustavne analize, dijalektičke i logičke metode, i to ponajviše u kombinaciji induktivna-deduktivna te obrnuto deduktivna-induktivna. Znanstveni se doprinos očituje u razvoju znanstvene misli o važnost globalizacijskih učinaka na trgovinu i opću ekonomiju u svijetu i Hrvatskoj.

Ključne riječi: WTO, TTIP, trgovina, utjecaj na ekonomiju, suradnja s Hrvatskom