



H.E. James B. Foley , Photo by CDC

AMCHAM EVENT

"Croatia needs reforms "

Corps Diplomatique Croatia internet portal (<http://www.cd-croatia.eu>)

If the state has high foreign debt, the money for new employments can only come from direct foreign investment, and the investments will only be realized if the business environment can attract them - the U.S. Ambassador James B. Foley said.

"A Reform Agenda for the Global Economic Crisis" was a topic of a presentation given by the U.S. Ambassador James B. Foley, at a Luncheon organized by American Chamber of commerce on November 10, at hotel Westin in Zagreb.

Global crisis as an opportunity

- This is a difficult time for Croatia and Croatian people. Luckily Croatia has natural and human resources to cope with the crises. Croatia needs to find new ways to overcome obstacles and attract foreign investors. Global economic crisis can also be seen as an opportunity - H.E. James B. Foley said.

However, he emphasized that Croatia ranks in the bottom half on the Global Competitiveness Scale, and thus membership in the EU and NATO will not be enough to attract foreign investment and above all to encourage and stimulate the entrepreneurial skills of its people. Ambassador Foley emphasized that reforms are obligatory in areas of fight against corruption, in the legal system, taxation issues and permits that are needed to establish the business.

- What is needed is the creation of a business climate that is welcoming to new business, that is capable of quickly and equitably adjudicating commercial disputes, that ensures fair competition and transparent procurement practices, that protects intellectual and corporate property rights, and that provides the opportunity for maximum profit without burdensome tax rates. Certainly, some individuals can succeed in a business climate that does not provide these institutional capacities. But too often they are crony capitalists who have learned how to exploit unfair systems for personal gain. In his remarks, the U.S. ambassador also addressed the Croatian government, saying that it should be decisive in fighting against corruption in regard to recent indictments that have reached very prominent leaders in the Croatian economy, and that appropriate punishment will send a strong signal to others that corruption will no longer be tolerated.

Changing mentality

- Since it is known that the opportunities for corruption are mostly in public procurement and state-owned or managed firms, Croatia needs a new model of economic development, and in

order to achieve that, it needs a strong political guidance, and the public support. Changing the mentality of Croatian citizens is a long-term process in which people must understand that individual initiative, not a state, is a guarantee of their security and prosperity. The existing Croatian model of economic development - budget deficits and high foreign debt - has become unsustainable. Difficult decisions must be made in difficult times, so this crisis is a good opportunity for Croatian politicians to implement unpopular measures.

H.E. James B. Foley critically commented on the Croatian judiciary as inefficient, because creditors can not collect debts, and intellectual property and proprietary rights are not sufficiently protected. He believes that taxes should be reduced and simplified, clear rules for foreign direct investment should be established, the issuance of permits that are needed to establish a business should be accelerated and barriers to free and efficient trade for all businesses should be removed in order to create a positive entrepreneurial climate and increase the international competitiveness of Croatia.

- Who creates jobs in Croatia? If the state has high foreign debt, the money for new employments can only come from direct foreign investment, and the investments will only be realized if the business environment can attract them. Otherwise, the money will go elsewhere, to countries that welcome foreign investments - Ambassador Foley concluded. After the lecture he was introduced to attending international and Croatian entrepreneurs and answered their questions.

Written by Gordana Popović

