

Croatia to Open EU Talks Before Year-End, Vujcic Says

May 24 (Bloomberg) -- Croatia, a former Yugoslav republic across the Adriatic Sea from Italy, may resume talks to join the European Union this year and will seek to adopt the euro three years after entry, said central bank Deputy Governor Boris Vujcic.

Negotiations will start no later than the end of this year, Vujcic, 40, said in an interview yesterday in Belgrade. The opening of talks was delayed on March 16 over the Balkan nation's failure to extradite a fugitive war crimes suspect.

``The goal for the Croatian government is to complete the negotiations by 2007," Vujcic said. ``It is up to the European Union to determine the accession date."

Croatia, a nation of 4.5 million people, is seeking to join the European Union as early as 2008, a year after Bulgaria and Romania. The government expects accession will boost trade, maintain growth in the \$29 billion economy, which expanded 3.8 percent last year, and bring down a jobless rate of 19.3 percent.

``The economy is very well advanced and there are no reasons to wait" for membership talks to begin, Vujcic said.

Plagued by civil war during the breakup of Yugoslavia in the 1990s, Croatia tried to start EU talks this year. They stalled because the government failed to find General Ante Gotovina, a Croat accused of war crimes against ethnic Serbs during the war.

Target Date

The EU has set a 2009 target date for Croatia's accession. It agreed on March 23 to set up a task force to examine Croatia's cooperation with the United Nations tribunal in The Hague.

``I don't know what this has to do with reality," said Vladimir Gligorov, a researcher at the Vienna Institute for International Economic Studies, in a phone interview. ``As far I can see from the European side, there are no new indications that they would take into account anything else other than the extradition of Gotovina."

Investor expectations that Croatia will join the trading region and rising exports helped increase interest in the local currency, Vujcic said. The kuna has been kept within a trading band of 15 percent against the euro for the past 14 years.

``Recently we have seen increased appreciation pressures on the domestic currency," Vujcic said. ``We now have to deal with it in the usual way and intervene in the market and keep the exchange rate fluctuations within the normal corridor."

Euro Plan

Croatia will seek to adopt the euro within three years after accession, Vujcic said. The earliest date may be 2011 if the country joins in 2008, or 2012 if it joins a year later, he said.

Croatia has kept the currency in a trading band since declaring independence from the former Yugoslavia in 1991 to revive confidence in the banking system and help spur growth. The policy will be continued until a switch to the euro, Vujcic said.

``This is the usual fluctuation margin we intend to keep in the future, all the way up to euro adoption," Vujcic said.

Economic growth probably will slow to 3.6 percent this year as investment growth wanes and consumption weakens, the central banker said. Foreign direct investment may total about 4.5 percent to 5 percent of GDP this year, he said.

The country also is affected by slower economic growth in the euro region, its main export market, he said.

``Our main trading partners are Germany and Italy, which make up almost 50 percent of our merchandise trade so it always has an impact on the Croatian economy," Vujcic said. ``We can only hope these economies will recover as fast as possible so that we can see a positive spillover effect on our economy."

Croatia also expects to earn about 4 billion euros (\$5 billion) from tourism this year, Vujcic said.

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