Impact of Croatian EU accession on its foreign trade and customs system

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IMPACT OF CROATIAN EU ACCESSION ON ITS FOREIGN TRADE AND CUSTOMS SYSTEM

Abstract

The paper provides an overview of the effects of Croatian EU accession on its foreign trade and customs system, with special emphasis on bilateral trade with EU and CEFTA countries. With Croatia entering the EU, Croatian trade agreements with the South Eastern European countries no longer apply due to its simultaneous exit from CEFTA. These processes will certainly lead to certain changes in the Croatian foreign trade. The paper, therefore, analyses the current state and the dynamics of foreign trade with EU and CEFTA member countries in the period from 2007 to 2013. Moreover, we also offer an overview of possible changes in foreign trade and customs system, as well as the potential effects of these changes estimated within the previous theoretical and empirical research.

Keywords: trade liberalization, customs, foreign trade, Croatia, European Union

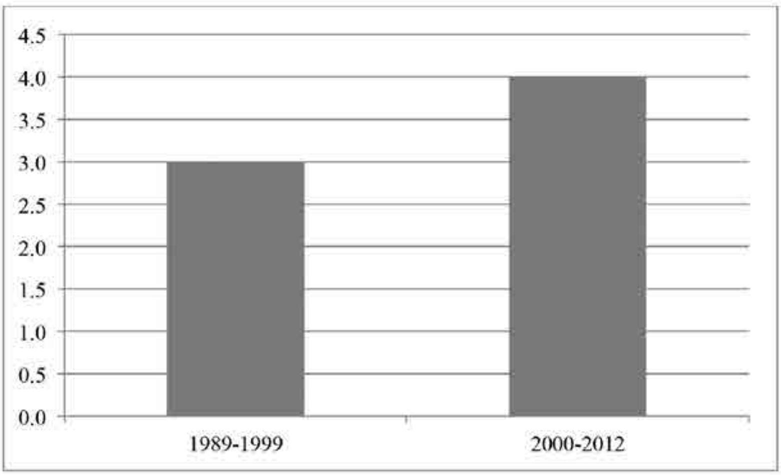
1. Introduction

On 1 July 2013 Croatia became the 28th member state of the European Union (EU). However, trade liberalization with regard to the EU has begun long before this date, which resulted with the EU being Croatian most important trading partner. At the same time, Croatia left CEFTA, the member of which it had been since 2003. This will have a significant impact on Croatian trade with countries in the region. The main objective of this paper is to contribute to the debates on the expected effects of Croatian EU membership on its foreign trade and customs system. The paper starts with an overview of the process of trade liberalization in Croatia, after which a more detailed analysis of both the state and the dynamics of foreign trade with the EU and CEFTA countries is presented. Furthermore, the paper offers an overview of potential changes in foreign trade and customs system following the Croatian accession to the EU as well as the review of selected results of existing empirical research in terms of predicting the effects of above mentioned changes on Croatian foreign trade. Finally, the last chapter presents some concluding remarks and recommendations for future research.

2. Trade liberalization in Croatia

Although there is almost universally accepted view in the literature that trade liberalization and the removal of trade restrictions result in positive impact on economic and social development of countries, results of various empirical studies point out to contradictory findings which resulted in the gap between the theoretical and empirical evidence[1]. However, in order for trade liberalization to result in better economic performance, a number of assumptions must be satisfied. For example, Rodrik (2007: 29-30) highlights that liberalization has to be complete and politically sustainable (i.e. credible), and there must be no microeconomic market imperfections as well as no adverse effects on the countries' fiscal balance. Thus, the net effect of trade liberalization depends on a number of economic, social and political factors in individual countries and therefore remains an open research question.

Figure 1 EBRD trade liberalization and exchange rate indicator in Croatia



Source: Authors' calculation based on EBRD data (2013)

Generally, it is considered that trade liberalization leads to economic growth through cheaper inputs and increase in competition which in turn results in higher productivity, lower prices and increase in market share in foreign countries. Moreover, it is held that countries which trade with each other also converge more than countries that have a lower volume of mutual trade (Bilas, 2007). Developed bilateral trade thus makes the economy more integrated and exogenous shocks more symmetrical. Furthermore, high shares of trade with the EU and real trade openness as well as similar GDP structure result in similar business cycles and exogenous shocks in the transition countries (Bilas, 2005). Finally, it has been also often considered that trade can foster growth in industrialized countries through increased competition, product differentiation, socialization and economies of scale.

The liberalization of international trade was priority among market reforms in Croatia, which proceeded gradually through four stages: (1) membership in the World Trade Organization (WTO); (2) the Stabilization and Association Agreement (SAA) with the EU; (3) negotiation process on EU membership and (4) the full membership in the EU (Goldner Lang, Perišin, 2011). Advantages of such gradual trade liberalization are reflected in the fact that the country gets the opportunity to gradually and over a longer period of time to protect their own economic interests and to adapt to the new market system.

In Croatia, reforms aimed at increasing international economic performance began after the country's independence with the choice of the exchange rate regime (Bartlett, 2008). In the existing literature, as the most commonly used indicator of reforms in the area of trade liberalization (and foreign exchange system) is one of the transition indicators of European Bank for Reconstruction and Development (EBRD). Figure 1 shows the value of trade and foreign exchange system indicator for Croatia (calculated as average value for the periods of 1989-1999 and 2000-2012). The Figure shows that more intense reform activity in the Croatia began in year 2000 which is represented by an increase in the value of indicator for 2000-2012 period.

Specifically, the process of trade liberalization in Croatia officially began with Croatian accession to the WTO on November 30 2000, when Croatia became its 140th member (OG International Treaties 13/2000). As a WTO member, Croatia agreed to abolish non-tariff protectionist measures. However, since customs are considered to be the most transparent form of protectionism, they could remain but were gradually declining in each round of negotiations.

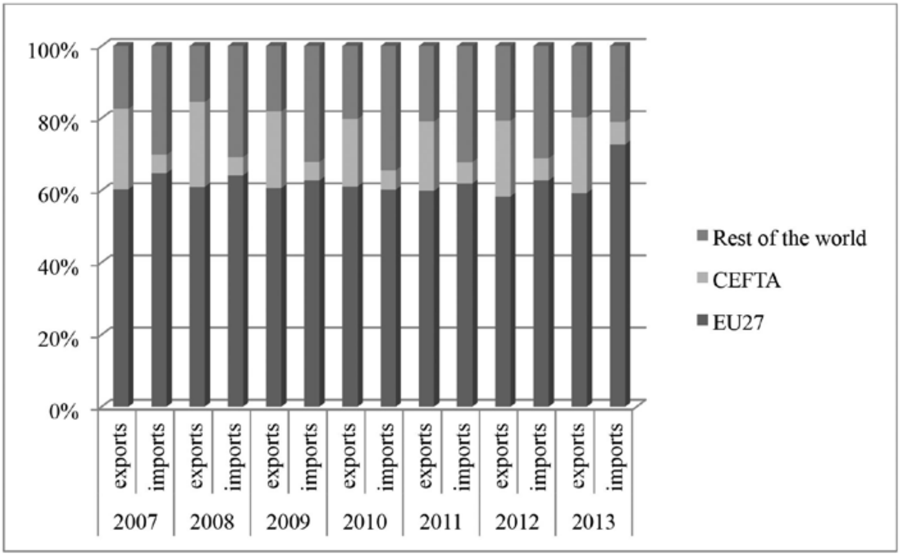
Signing the European Free Trade Agreement (EFTA) in 2001, the Central European Free Trade Agreement (CEFTA) and the Free Trade Agreement with Turkey in 2002 greatly contributed to liberalization of trade in Croatia. With CEFTA members, Croatia agreed on duty-free trade for most industrial products and fisheries. The exceptions were the most sensitive industrial products and fishery products for which gradual decrease in tariffs was agreed upon. Furthermore, trade in agricultural products was agreed upon on a bilateral basis with each of the EFTA member states (NN Međunarodni ugovori br. 12/2001). Moreover, with CEFTA member states Croatia agreed to abolish import duties for most of the industrial products (except the ones most sensitive), while agricultural trade was agreed upon at reduced or zero tariff rates (NN Međunarodni ugovori br. 4/2003, 6/2007). According to the Free Trade Agreement with Turkey Croatia agreed to abolish all import and export duties as well as quantitative restrictions on trade in industrial products, while regarding the agricultural products and fisheries, countries mutually agreed upon granting the trade concessions (NN Međunarodni ugovori br. 12/2002).

Croatian cooperation with the EU has been ongoing ever since Croatia was part of former Yugoslavia, when more than 60% of Croatian international trade was realized with member states of the European Economic Community (EEC), EFTA and other developed countries of the West (Vizjak, 2001). Since its independence in 1991, Croatia was trying to intensify political and economic cooperation with the EU through signing the SAA in 2001 (NN, Međunarodni ugovori br. 14/2001). Until the Croatian EU accession in 2013, the SAA has provided a framework for contractual relations between the EU and Croatia. Moreover, trade provisions of the SAA were asymmetrically in favour of Croatia which means that the EU has granted Croatia the unlimited duty-free access to markets of the enlarged EU for almost all products with only exceptions being veal meat, seafood products and wine. On the other side, by signing the SAA, Croatia has committed to completely eliminate its custom duties on imports of industrial products from the EU until 2007 and reduce tariffs on agricultural products and fisheries. Finally, the negotiations on EU membership started in 2005, followed by harmonization of Croatian with European law. Specific trade liberalization issues were part of Chapter 1 of the negotiations highlighting that EU membership assumes the establishment of the customs union and the adoption of trading system that already existing EU member states apply to third countries. The effects of Croatian accession to the EU are in more detail discussed in the fourth section of the paper.

3. Croatian foreign trade with EU and CEFTA countries

As already mentioned, with the EU accession, Croatia benefits from various exemptions but also will be faced with major challenges as a result of increased competition. Various researches, as the biggest challenge, highlight the deterioration in competitiveness of Croatian companies due to the simultaneous exit from CEFTA. However, it can be expected that this will be only a short-term decline since EU membership enables Croatian companies' access to larger and more competitive European market.

Figure 2 Croatian foreign trade (in % of total trade by trade partners)



Source: Croatian Bureau of Statistics (2009, 2011, 2013, 2014)

In the period from 2007 to 2013, foreign trade between Croatia and EU27 countries amounted, on average, to 60% of the total Croatian foreign trade thus making the EU its most important trading partner. On the other hand, on average 20% of exports went to the CEFTA countries (see Figure 2).

The largest EU Croatian trading partners are Italy, Germany, Austria and Slovenia (Table 1). Also, it is important to point out that with almost all Member States Croatia records trade deficit.

Furthermore, data on Croatian trade with the countries of CEFTA (Table 2) show that the Bosnia and Herzegovina and Serbia were its biggest trade partners in the analysed period. Such trends could encourage Croatian producers to develop strategies to move their facilities into these countries in order to sell their products at competitive prices at SEE markets even after the EU membership.

Table 1 Foreign trade between Croatia and EU, 2007-2013 (Total = 100)

Country	2007		2008		2009		2010		2011		2012		2013	
	EX	IM	EX	IM	EX	IM	EX	IM	EX	IM	EX	IM	EX	IM
EU27	60.3	64.8	60.9	64.1	60.6	62.7	61.1	60.2	59.8	61.8	58.3	62.7	59.2	72.7
Austria	6.1	8.2	9.5	7.7	8.9	8.0	8.7	7.9	9.5	7.2	11.2	7.2	6.2	9.0
Italy	19.2	24.8	31.5	26.6	31.4	24.5	30.5	25.4	26.3	26.6	26.3	27.0	14.0	12.6
Germany	10.0	22.2	17.6	20.9	18.1	21.6	17.0	20.8	16.9	20.4	17.5	20.3	10.9	13.8
Slovenia	8.3	9.2	12.7	8.7	12.2	9.1	12.8	9.7	13.8	10.1	14.8	9.4	10.1	11.3

Note: the table shows the share of trade with countries with which Croatia records the highest export and import. EX = exports; IM = imports.
Source: Croatian Bureau of Statistics (2009, 2011, 2013, 2014)

Table 2 Foreign trade between Croatia and CEFTA countries, 2007-2013 (Total = 100)

Country	2007		2008		2009		2010		2011		2012		2013	
	EX	IM	EX	IM	EX	IM	EX	IM	EX	IM	EX	IM	EX	IM
Albania	0.3	0.0	0.3	0.0	0.4	0.0	0.7	0.0	0.4	0.0	0.6	0.0	0.6	0.0
Bosnia and Herzegovina	14.4	2.8	15.3	2.7	12.8	2.7	11.6	3.1	12.3	3.3	12.8	3.5	13.1	3.7
Montenegro	1.2	0.0	1.3	0.0	1.6	0.2	0.9	0.0	0.9	0.0	1.5	0.3	1.2	0.0
Kosovo	-	-	-	-	-	-	0.6	0.0	0.7	0.0	0.7	0.0	0.8	0.0
FYR Macedonia	0.9	0.9	1.0	0.9	1.2	0.8	1.0	0.7	1.0	0.7	1.0	0.5	1.1	0.5
Moldova	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Serbia	5.4	1.3	5.5	1.4	5.3	1.3	3.9	1.5	3.9	1.8	4.3	1.7	4.2	1.9
Total CEFTA	22.3	5.0	23.5	5.0	21.3	5.1	18.7	5.4	19.2	5.9	21.0	6.1	21.0	6.2

Note: EX = exports; IM = imports.
Source: Croatian Bureau of Statistics (2009, 2011, 2013)

Thus, it is obvious that there were no significant changes in the pattern of Croatian trade with EU and CEFTA countries in the observed period (expressed as a share of total exports or imports). However, it is interesting to analyse the latest recorded trends according to which in 2013 (relative to previous year) Croatian foreign trade with CEFTA countries decreased, with a fall in exports (in 000 HRK) by 5.8% and a decrease in imports (in 000 HRK) by 4.8% (according to CBS data published in June 2014). Thus, we can conclude that the effects of the Croatian exit from CEFTA began to emerge already in the year 2013. Therefore, in the following section we explore potential changes in trade and customs system due to the Croatian accession to the EU, which would have a significant impact on foreign trade in future periods.

4. Changes in trade and customs system after Croatia's accession to the European Union

Joining the EU, Croatia has become a part of the EU single market within which all customs and non-tariff barriers are being eliminated, and Croatia has free access to markets of all EU member states as well as to markets of countries with which the EU has signed trade agreements. This eliminates the EU border control and helps to save time and costs of control, freight, customs clearance and administration in general as well as accelerates and reduces costs of the transport of goods between Croatia and EU. However, it is worth to mention that free trade area and duty-free bilateral trade between Croatia and EU member states were realized even before Croatia's full membership in EU, after signing the SAA while full membership removed remaining non-tariff barriers to foreign trade. As for commodities, the basic provisions on the removal of trade barriers are articulated within Articles 34, 35 and 36 of the Treaty on the Functioning of the European Union (TFEU), which prohibits quantitative restrictions on imports and exports of goods between Member States (MFA, 2013).

Furthermore, by joining the EU, Croatia also took over the common EU trade policy towards third countries. The implementation of a Common Customs Tariff towards third countries will result in changes in tariff rates for imports of certain categories of products. Given that the average weighted tariff rate (obtained as the average tariff rate weighted with the share of each product in total imports) in 2010 amounted to 4.5% for Croatia and 2.8% for the EU, it can be concluded that the adoption of Common Custom Tariff will result in the reduction of the weighted average tariff rate with keeping the existing import structure of products.

It can be expected that the weighted average tariff rate for agricultural products will decrease from 13.3% to 9.9%, and for non-agricultural products from 3.5% to 2.4% (WTO, ITC & UNCTAD, 2011).

Differences in average tariff rates between Croatia and EU for certain product categories are shown in Table 3.

Table 3 Average tariff rates (%) in Croatia and the EU-27 in 2011 according to product groups

Product group	Croatia	EU-27	Product group	Croatia	EU-27
Animal products	20.7	24.3	Minerals and metals	4.8	2.0
Dairy products	22.2	57.6	Petroleum	10.6	2.0
Fruit, vegetables. plants	12.3	10.4	Chemicals	4.5	4.6
Coffee, tea	9.3	6.2	Wood. paper. etc.	1.5	0.9
Cereals and preparations	13.7	20.3	Textiles	7.1	6.5
Oilseeds, fats and oils	4.7	6.6	Clothing	13.7	11.5
Sugars and confectionery	19.6	28.3	Leather. footwear. etc.	7.1	4.2
Beverages and tobacco	15.8	21.8	Non-electrical machinery	3.8	1.7
Cotton	0.0	0.0	Electrical machinery	4.7	2.4
Fish and fish products	7.1	10.9	Transport equipment	6.7	4.1

Source: WTO, ITC, UNCTAD (2011: 67-77)

The data show that the average tariff rate in the EU is generally higher than in Croatia for agricultural products and slightly less for industrial products. Accordingly, the Croatian accession to the EU intensifies the protection of domestic agricultural production, which will bring benefits to Croatian producers. At the same time, the new trading system represents a challenge for Croatian manufacturers since, joining the customs union, domestic production will also include agricultural production of the remaining 27 EU member states.

It can, therefore, be concluded that by joining the EU Croatian producers of agricultural products will have greater protection against competing products from third countries, but at the same time the intensity of competition in the domestic market will increase due to the duty-free access to competing products from the remaining EU member states. Accordingly, we can expect the effect of an increase in intra-EU trade. With Croatian accession to the EU, the largest increase in average tariff rates will be experienced in dairy products (for more than 150%) and in fish, grains and sugar (from 44% to 53%). The largest decrease in the average tariff rate will be experienced in oil (for more than 80%) and in minerals and metals and non-electrical machinery (58% and 55%, respectively). Finally, it can be expected that the increase in tariff rates towards third countries will lead to trade diversion effect, i.e. the replacement of imports of cheaper products from third countries by importing more expensive products from EU countries[2].

The exceptions to the Common External Tariff rates are the countries with which the EU has concluded preferential trade arrangements. Therefore, with EU accession, Croatia gained access to third countries with which the EU has concluded Free Trade Agreements. Moreover, Croatia joined the European Economic Area (EEA), which established the single market in the EU member states, Norway, Liechtenstein and Iceland. Also, it took over duty-free trade regime with the Switzerland and customs union with Turkey, which actually is not a big change considering that Croatia had already established preferential trade area with these countries (Tišma et al., 2012: 53). Joining the EU, Croatia has taken upon EU preferential trade arrangements with the Mediterranean countries (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestine, Syria, Tunisia), Peru, Chile, Mexico, South Africa, South Korea, Singapore and most of the African, Caribbean and Pacific countries (ACP) as well as customs union with Andorra, Monaco and San Marino (EC, 2013). Above mentioned preferential trade regimes represent new potential export markets and offer new opportunities for Croatian entrepreneurs.

At the same time, Croatian trade agreements with Albania, Bosnia and Herzegovina, Montenegro, Macedonia, Moldova, Serbia and Kosovo (CEFTA 2006), Norway, Liechtenstein, Switzerland and Iceland (EFTA) as well as with Turkey no longer apply.

As during the previous two enlargements, the EU has launched consultations with CEFTA countries with which it has signed SAA (Albania, Bosnia and Herzegovina, Montenegro, Macedonia and Serbia) for the negotiations regarding the mitigation of changes in terms of exports for Croatia. From the day of accession to the EU, Croatia will apply SAA with Albania, Bosnia and Herzegovina, Montenegro, Macedonia and Serbia, which includes a duty-free bilateral trade in industrial products without a period of adjustment and trade in agro-food products at basic, reduced and zero customs rates. Exception being the trade in most sensitive industrial products with Serbia, for imports of which in Croatia/EU a zero rate of duty is applied while for exports from Croatia/EU a zero tariff rate on all industrial products is applied (after January 1 of 2014) (DUTP, 2013). In trade with Kosovo and Moldova Croatia applies duties under the Most Favoured Nation (MFN) status since EU did not signed SAA with the above-mentioned countries.

Benefits of EU membership, except for the indirect benefits of the customs union, are also reflected in the fact that Croatian trade interests become European trade interests and will be represented by the European Commission both in the region and in the world. In this way, Croatia achieves a better bargaining position. Also, the products that are completely manufactured or sufficiently processed in Croatia receive the label of products manufactured in the EU, which has a positive effect on the image and marketing of products in domestic and foreign markets. On the other side, the main disadvantage of EU membership is the reduction in customs revenue due to the elimination of tariff rates to other EU member states and a decrease of tariffs towards third countries. Reduction in customs revenue is mostly driven by obligation to pay certain share (75%) of the customs revenue in the common EU budget (Cuculić et al., 2004)[3]. Moreover, as one of the disadvantages of EU membership, various authors often stress the decrease in trade with CEFTA countries, given that the SEE countries are important Croatian trading partners, especially Bosnia and Herzegovina. Thus, there are indications that the Croatian accession to the EU will lead to increase in prices of agricultural products of Croatian origin in the Bosnia and Herzegovina market which will distort existing favourable trends in trade. Therefore, in the following lines of the paper we offer an overview of selected empirical research dealing with predictions of Croatian accession to the EU on various economic variables, such as real output, exports, imports etc..

Matić et al. (2010) predict the impact of Croatian accession to the EU on trade with Bosnia and Herzegovina, on the basis of changes in trade between Slovenia and Bosnia and Herzegovina after Slovenia joined the EU. The authors point out that due to the price increase of Slovenian products on the market of Bosnia and Herzegovina after Slovenia joined the EU, Slovenian exports immediately declined, with the value of exports reaching the pre-accession level only after four years. Moreover, at the same time, there was an increase in Croatian exports to Bosnia and Herzegovina, a trend which authors explain by the effect of trade diversion to other countries with which Bosnia and Herzegovina had concluded preferential trade arrangements. Accordingly, the authors expect diversion of Bosnia and Herzegovina trade to the remaining CEFTA countries. In order to maintain the gained position in the market of Bosnia and Herzegovina as well as in other countries in Eastern Europe, some Croatian food companies have already announced relocation of production facilities in the CEFTA countries. However, it can be expected that EU membership will bring only minor changes in trade in industrial products between Croatia and CEFTA members. The first reason is that most of the CEFTA members signed the SAA with the EU, whose trade provisions include trade in industrial products without, or with reduced customs. Another reason is that most of the member countries of CEFTA as a full-fledged WTO members or observer countries, obliged to gradually reduce their tariffs.

In addition, Croatia will experience changes in both the Generalized System of Privileges (GSP), i.e. a system through which developed countries unilaterally grant tariff preferences to developing and least developed countries. Today, eleven developed countries provide GSP. These are Australia, Belarus, the EU, Japan, Canada, New Zealand, Norway, Russian Federation, United States, Switzerland and Turkey. Before joining the EU, Croatia has been the beneficiary of the GSP of the Russian Federation, Canada, New Zealand, Japan and Australia. However, with EU membership, Croatia now belongs to the group of developed countries and its status is changed from the beneficiary to provider of these privileges. Under the GSP EU enables beneficiary countries to export non-sensitive industrial products without any customs levies, while sensitive industrial products can be imported at reduced tariffs. In addition, on the import of all products (agricultural and industrial) from the least developed countries a zero rate of duty is applied (the exception is the trade in arms which requires a special import license). Since the beginning of year 2014 the new GSP of EU is applied, regulated by the directive No. 978/2012, with the number of beneficiaries of benefits being reduced to approximately 84 countries (from 176 countries encompassed by previous EU GSP No. 732/2008 which was applied until 2013).

Vizjak (2001), using the gravity model for determining the potential Croatian exports to EU countries, estimated that the Croatian accession to the EU will result in an increase in imports by 7.4% and exports by 2.1%, resulting in a trade deficit of 5.3% with the EU. Gravity model represents econometric model of trade flows based on the analogy of gravity law from physics. As the base year, the author used the year 1995. According to obtained results, potential exports to EU, if Croatia would not become EU member, would be 76.3% larger than the level recorded in 1995. On the other side, taking into consideration Croatian EU accession, the exports in EU would increase by 2.4 times relative to 1995. Therefore, in the first period after the Croatian accession to the EU, there would be a widening of the Croatian trade deficit. However, Vizjak (2001) also estimated that over a longer period of time trade balance would rebalance and the share of Croatian exports to EU member countries would amount to about 3/4 of the Croatian exports.

Bilas (2007) also used the gravity model in examining the determinants of Croatian bilateral trade with the EU-25 countries. In this model is assumed that the trade between the two countries is positively correlated with their size and negatively with the distance between the two. The obtained results show that the number of inhabitants in the importing country has positive and the distance between the capitals the negative impact on Croatian exports. Similarly, GDP per capita and population in the exporting country show positive and the distance between the capitals the expected negative impact on the Croatian import. Accordingly, the author concluded that it can be expected that by joining the EU, Croatia will mainly trade with the member countries with large population (consumers) and less distant member countries.

Holzner (2013), using the global simulation model, analysed the impact of Croatian accession to the EU and its simultaneous exit from CEFTA. Simulation results show that consumer prices in Croatia could fall by around 0.39% and real output by 0.41% (in the short term). Also, the author expects an increase in Croatian exports to the EU by 2.2 percentage points, while it is expected that the exports to CEFTA member countries will reduce by 0.7 percentage points. In terms of average tariff rates, it is estimated that they will be reduced in Albania and Montenegro (0.3 and 0.4 percentage points, respectively), while for other countries they are expected to increase, with largest increase in Kosovo (by 8.1 percentage points). Furthermore, analysing the level of individual CEFTA member countries, the author expects an increase in exports to Albania (2.8%) and Montenegro (3.1%) and a decrease in exports to Kosovo (-38.5%), Moldova (-19.1%), Serbia (-14.3%), Macedonia (-1%) and Bosnia and Herzegovina (-0.9%). The author concludes that the Croatian accession to the EU presents special challenge in terms of the short-term fall in output since the devaluation of the nominal exchange rate is unlikely instrument for the annulment of the short-term effects (due to the Croatian efforts to enter the euro area as soon as possible).

5. Conclusion

Croatian accession to the European Union brings with it a number of both advantages and disadvantages, and will not only affect trade with EU member states but also with the countries of South Eastern Europe due to its simultaneous exit from CEFTA. Specifically, we can consider the short-term and long-term effects, with short-term effects resulting from the elimination of tariff and non-tariff barriers, and long-term effects resulting from access to the larger and more competitive European market as well as the market of the countries with which the EU has negotiated trade agreements. Based on the presented results of empirical research conducted so far in the literature, we can summarize the following effects that can be expected after Croatia joined the EU on 1 July 2013: (1) an increase in exports to the EU; (2) an increase in imports; (3) an increase in the deficit of foreign trade with Member States in the short term; (4) re-balancing of trade balance in the long term; (5) a decline in exports to CEFTA countries; (6) a decline in consumer prices and output in Croatia and (7) the effects of trade diversion. The net effect will, however, depend on a number of economic, social and political factors in individual countries. All of the described results will certainly be interesting to test over some longer period of time after the year 2013.

Thus, based on the review of existing literature, it can be concluded that the EU membership will change trends in foreign trade, with some sectors being confronted with significant changes in comparison to some other sectors. One example is agriculture which was the subject of much research in previous periods. Since the average tariff rate for agricultural products is generally higher in the EU than in Croatia and lower for industrial products, an increase in protection of domestic agricultural production is expected. This will in turn result in increased benefits for Croatian producers. Furthermore, it has been shown that the new agricultural trading system represents a major challenge for Croatian producers since joining the customs union includes both domestic production and agricultural production of all other EU member states. On the other hand, it is expected that the entry into the EU will lead to an increase in prices of agricultural and food products of Croatian origin in the market of Bosnia and Herzegovina, undermining the existing trade which is currently at about 13% of the total foreign trade. Therefore, as one avenue for the future research we see more sophisticated empirical analysis of the impact of Croatian accession to the EU as well as of changes in tariff rates for imports of certain categories of products on the competitiveness of specific industries or product categories.

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(Endnotes)

1 For a more detailed (and critical) overview of the literature dealing with the trade liberalization effects see Rodriguez and Rodrik (2001), Winters (2004); Tussie and Aggio (2006).

2 More on the effects of creation and diversion of trade see in Grgic and Bilas (2008).

3 To illustrate, the customs revenues in Croatia, expressed as a percentage of total imports, were on average around 1.5% for the period from 2007 to 2011 (authors' calculations based on data from the Ministry of Finance and the Central Bureau of Statistics)

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Utjecaj ulaska Republike Hrvatske u Europsku uniju na njezin vanjskotrgovinski i carinski sustav

Sažetak

Rad analizira učinke ulaska Republike Hrvatske u Europsku uniju na vanjskotrgovinski i carinski sustav Hrvatske, s posebnim naglaskom na bilateralnu trgovinsku razmjenu sa zemljama članicama Europske unije i CEFTA-e. Naime, danom pristupanja Europskoj uniji, prestali su vrijediti trgovinski sporazumi koje je Hrvatska sklopila sa zemljama jugoistočne Europe uslijed simultanog izlaska iz CEFTA-e. Navedeni procesi zasigurno će dovesti do određenih promjena u dosadašnjem uzorku vanjskotrgovinske razmjene. Rad stoga prvo donosi pregled stanja i dinamike vanjskotrgovinske razmjene Hrvatske sa zemljama članicama EU-a i CEFTA-e u razdoblju od 2007. do 2013. godine. Nakon toga, daje se pregled mogućih promjena u trgovinskom i carinskom sustavu, kao i pregled njihovih potencijalnih učinaka procijenjenih u okviru dosadašnjih teorijskih i empirijskih istraživanja.

Ključne riječi: liberalizacija trgovine, carine, vanjska trgovina, Hrvatska, Europska unija