

Oxford Analytica

Border dispute will go to Hague, Monday, August 27 2007

The Slovene and Croatian prime ministers, Janez Jansa and Ivo Sanader, agreed in principle on Sunday to refer their dispute over their common sea and land border to the International Court of Justice at The Hague. They met on the sidelines of a conference in Bled on the main strategic issues facing the EU until 2020. Intergovernmental commissions and both countries' parliaments are to formulate an arbitration framework for referral to The Hague. The court will not consider other unresolved bilateral issues, which are to be settled on a case-by-case basis: these include Croatia's claim to an exclusive economic zone in the Adriatic (which is to be negotiated with Italy and Slovenia), the jointly owned Krsko nuclear power plant and moneys owed to Croat depositors from a failed Slovene bank. **The border dispute is crucial for Slovenia's access to the high seas. Ljubljana wants to be seen to resolve its disputes with Croatia in a statesmanlike way, ahead of its assumption of the EU presidency next January.**

H1 central budget records first surplus, Thursday, August 2 2007

The central government budget was in surplus for January-June for the first time. Finance Minister Ivan Suker said yesterday. Revenues exceeded expenditure by 725 million kuna (136 million dollars), or 0.3% of forecast GDP, owing to a 14.1% rise in revenues year-on-year, compared with a 6.9% rise in expenditure. This time last year, the central budget was in deficit by 2.27 billion kuna -- 0.9% of GDP. Increased economic activity is part of the reason -- GDP expanded by 7.0% in the first quarter, with first-half growth expected to reach 6.4% -- but another part is more efficient tax collection and greater control of financial flows, with a central treasury account for the first time controlling all government payments. The general government deficit is projected at 2.6% of GDP this year. **The 2007 budget has cautious targets (despite elections this autumn), economic growth is accelerating and confidence is building, but this is against a background of institutional inefficiency and the lack of any visible political will for substantial reform.**

Case opens against privatisation officials, Thursday, June 21 2007

Zagreb County Court yesterday opened an investigation into eight bribery suspects in the Croatian Privatisation Fund (HFP) case. On Saturday, the arrest was announced of three HFP vice-presidents, after a year-long undercover probe, Operation Maestro. Prime Minister Ivo Sanader said that the HFP might be shut down and replaced by another body; a task force is being set up to revise the relevant legislation. On Wednesday, the National Security Council reviewed progress in its campaign against corruption, initiated last September. The opposition is preparing a no-confidence vote in parliament, seeking to clarify the political responsibility of ministers on the HFP supervisory board. On Tuesday, a Puls opinion survey revealed public scepticism: 75% believe that ministers knew about the affair all along, 52% that the arrests are a pre-election stunt, 29% that EU pressure is behind it and 21% that no political party is capable of fighting corruption. **Relative inactivity before Operation Maestro has damaged the credibility of the government's anti-corruption drive, making success more difficult**

Five states ink Black Sea-Adriatic oil plan

Wednesday, April 4 2007

Romania, Serbia, Croatia, Slovenia and Italy agreed yesterday to build the 1,400-kilometre Pan-European Oil Pipeline (PEOP) from Constanta to Trieste. Costing 2.0-3.5 billion dollars and ready in 2012, the pipeline would take 1.2-1.8 million barrels per day of Caspian crude to northern Italy, reducing reliance on Russia and the Middle East, through existing pipelines, with new stretches between Romania and Serbia, and from Croatia through Slovenia to Trieste. The route might also be used for natural gas. However, International Energy Agency head Claude Mandil said in Budapest that a liquefied natural gas (LNG) terminal in Croatia suited diversification better than gas pipelines. Russia wants to extend its Blue Stream pipeline, the EU backs the Nabucco project from the Middle East and Central Asia via Turkey, but an LNG terminal may take gas from anywhere in the world. **The PEOP offers fewer tankers coming through the Turkish Straits and polluting tourist beaches. The transit fees would be welcome. However, it is only**

Economic growth is fastest in three years

Monday, April 2 2007

Real GDP grew in the fourth quarter of 2006 by 4.8% year-on-year, the Central Bureau of Statistics announced on Friday. Growth was highest for exports of goods and services (11.2%), followed by gross fixed capital formation (9.2%), imports of goods and services (5.0%), government expenditure (4.4%) and household consumption (4.1%). Strong investment growth and an acceleration in exports in the last quarter are positive signs, although government expenditure is also picking up, ahead of elections this year. The annual growth rate -- also 4.8% -- compares with 4.3% in 2005 and is the fastest in three years. In 2006 as a whole, gross fixed capital formation rose by 10.9% (4.8% in 2005), household consumption by 3.5% (3.4%), government expenditure by 2.2% (0.8%) and exports of goods and services by 6.9%, although imports grew faster (7.3%). **Economic growth is accelerating and confidence is building. However, this is against a background of institutional inefficiency and is accompanied by the lack of any visible political will for substantial reform.**