

# CRS Report for Congress

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## Croatia: 2003 Elections and New Government

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### Summary

In parliamentary elections held on November 23, 2003, the Croatian Democratic Union (HDZ), a right-wing party of the late former wartime President Franjo Tudjman, won a plurality of the vote. The HDZ had dominated Croatia's political scene from 1990 until its defeat in the 2000 elections. Ivo Sanader, who succeeded Tudjman as HDZ party leader and refashioned the party along more moderate, less nationalistic lines, became Prime Minister of a minority government in December 2003. The Sanader government will likely face significant domestic challenges as well as close international scrutiny over its performance in a number of issue areas. This report analyzes the elections and key issues facing the new government. It will not be updated. For additional information, see also CRS Report RL32136, *Future of the Balkans and U.S. Policy Concerns*.

### Introduction

The November 2003 elections were Croatia's fourth parliamentary contest since the country became independent in 1991. In the last vote of January 2000, a coalition of center-left parties soundly defeated the incumbent Croatian Democratic Union (HDZ) government, weeks after the death of Franjo Tudjman, the longstanding leader of the HDZ and President of the country.

To supporters, Tudjman represented the father of Croatian independence. To critics, however, Tudjman closely resembled nationalist Serb leader Slobodan Milosevic and demonstrated similar territorial designs on neighboring Bosnia. In 1995, Croatia launched two military operations, "Flash" and "Storm," to regain control over the Krajina, Croat territory held by rebel Serbs after 1991. The attacks drove out much of the local Serb population from Croatia and tipped the balance of forces in Bosnia against Milosevic and the Bosnian Serbs. Tudjman was a signatory to and guarantor of the 1995 Dayton peace agreement that ended the war in Bosnia. However, he and other HDZ leaders came under frequent international criticism for nationalist policies, authoritarian leadership, and overt support for ethnic Croat separatists in Bosnia. Domestically, the HDZ's popularity eventually declined as the economy deteriorated and as HDZ officials became tainted by corruption scandals. The 2000 parliamentary and presidential votes brought in a new set

of leaders. Ivica Racan of the Social Democratic Party (SDP) became Prime Minister and Stipe Mesic of the Croatian People's Party (HNS) became President that year.

The Racan government swiftly took measures to reform the economy and repair Croatia's damaged relations with its neighbors and with the international community. Above all, improving the country's international standing and prospects for EU and NATO integration became a focal point for the Racan government. Since 2000, Croatia has joined NATO's Partnership for Peace (PFP) program and Membership Action Plan (MAP). It has concluded a Stabilization and Association Agreement with the European Union (EU) and formally applied for EU membership. It also joined the World Trade Organization (WTO) in 2003. The Racan government sought a second mandate in the 2003 elections that would enable it to fulfill these goals, possibly in its next term. Economic reforms as well as international support yielded steady growth and other positive indicators in 2001 and 2002; however, Croatia's external debt and unemployment levels remained high. Corruption scandals also plagued the government, though not at the level of the Tudjman era, and it failed to deliver major prosecution victories from its anti-crime rhetoric.<sup>1</sup>

## Election Preview

The official 2003 campaign period ran for three weeks, from November 5 until the 23<sup>rd</sup>. Pre-election polls predicted a close race between the SDP-led coalition parties and the HDZ. Since its fall from power in 2000, the HDZ has attempted a radical overhaul and re-invention of its image and platform. HDZ leader Ivo Sanader emphasized the party's new moderate, pro-European outlook, economic reform and tax cutting plans, and support from prominent and mainstream European conservatives. During the campaign, Sanader reversed the party's longstanding opposition to the International Criminal Tribunal for the former Yugoslavia (ICTY) and pledged full cooperation with the court in principle. Sanader also called for the return to Croatia of ethnic Serb refugees uprooted since the 1995 conflict.

On behalf of the government, Prime Minister Racan presented his cabinet as the best means to guarantee the country's path toward EU membership, a goal shared by a large majority of the population. However, the coalition parties opted to compete separately and in an uncoordinated fashion, thus dividing allegiances of the center-left electorate. The large number of small center-left parties also diluted support for the larger parties.

A prominent campaign issue was the case of former Croat General Ante Gotovina, who has been indicted by the ICTY for war crimes related to the 1995 offensive against formerly Serb-held areas in Croatia. The Racan government pledged to hand him over to The Hague, but claimed not to be able to locate him after he went into hiding in mid-2001. Despite mounting international pressure, the former Croat general remains a popular figure in Croatia, especially among the population's right-wing, who view him as a national hero and a symbol of Croatia's right to self-defense. Strong support for Gotovina among HDZ followers and local politicians was evident at some HDZ rallies.<sup>2</sup>

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<sup>1</sup> "Slouching toward respectability," *Transitions Online* journal (Prague), November 18-24, 2003.

<sup>2</sup> Anna McTaggart, "'Reformed' HDZ set to retake power," Institute for War and Peace (continued...)

Croatia's electoral system is based on proportional representation. The country is divided into ten electoral districts, plus one constituency each for ethnic minorities and the expatriate community (mainly in neighboring Bosnia).

## Election Results

The Organization for Security and Cooperation in Europe (OSCE) assessed that the November 23 elections were conducted "generally in line" with international standards for democratic elections. The organization said that improvements were needed in election legislation and voting access for refugees.<sup>3</sup> Turnout was 69% for the 10 electoral districts in Croatia. The total turnout dropped to 60% because of lower turnout among the expatriate community and ethnic minorities (each counting as separate districts).

<b>November 2003 Elections Results</b>		
<b>Party</b>	<b>% of vote</b>	<b>Seats in parliament</b>
Croatian Democratic Community (HDZ)	43.42	66
*Social Democratic Party (SDP)-led coalition, incl. *Libra and *Liberals	28.29	43
*Croatian People's Party (HNS)-led coalition	07.24	11
*Croatian Peasant Party (HSS)	05.29	9
Croatian Party of Rights (HSP)/Zagorje Democratic Party	05.26	8
Croatian Social Liberal Party (HSLs)/Democratic Center (DC)	01.97	3
Croatian Pensioners Party (HSU)	01.97	3
Croatian Democratic Peasant Party (HDSS)	00.66	1
National Minorities	05.26	8 (3 Serb)
* members of former governing coalition		total: 152

The HDZ ended up with a plurality of the vote and 66 seats in parliament – still several votes short of a majority. All four diaspora seats went to the HDZ. The Social Democrats came in second, but combined with their four previous coalition partners also came up short of a majority.

Initial analyses of the election results proclaimed Croatia's shift to the right, and the dramatic gain in support for the HDZ alone appears to support this claim. However, many

<sup>2</sup> (...continued)

Reporting, *Balkan Crisis Report* No. 469, November 20, 2003.

<sup>3</sup> OSCE press release, November 24, 2003.

observers believe that the rightward shift resulted more from the electorate's generic desire for change and a sense of frustration with the disparate incumbent leaders than from nostalgia for the problematic Tudjman era. The Racan government's strategic goals for Croatia – including full integration into Euro-Atlantic institutions – continue to be highly popular in Croatia, and Sanader closely echoed these goals in the HDZ platform. Moreover, the margin of difference in voter support between the right and left remains small, with the left hurt considerably by its own infighting and fragmentation.

## **New Government**

After the vote, the HDZ reached out to other parties to try to form a majority coalition. Top partner prospects appeared to be the Peasant Party (HSS), part of the outgoing coalition, and the right-wing Party of Rights (HSP). Some Peasant Party leaders appeared to favor a coalition, but the party as a whole did not approve such a move. European Union representatives expressed strong opposition to the possible inclusion of the HSP in Croatia's government because of the party's extreme nationalistic reputation. HSP leaders, who insist that their party has reformed, have said they would remain in opposition. Instead the HDZ resorted to soliciting support from various small parties including the Social Liberal/Democratic Center (HSLs/DC) coalition and the Pensioners party. The HDZ also gained support from a handful of national minority deputies, including the Serb Democratic Independent Party (SDSS).

In December, Prime Minister-designate Sanader announced that he had secured enough votes to support a minority government. On December 23, he presented to parliament his cabinet and outlined the government's policy priorities, mainly relating to economic reforms. Sanader's lack of sufficient coalition partners to secure a stable parliamentary majority will leave the HDZ-led government dependent on its cooperation agreements with parties outside of government.

## **Key Issues**

The return of the HDZ to power after the 2003 elections has prompted some speculation about the Sanader government's possible areas of continuity or change from the last government. HDZ leaders wish to distinguish the party from, rather than harken, its legacy in government in the 1990s. Prime Minister Sanader has repeatedly tried to convey the party's transformation into a moderate conservative movement that is pro-European and rejects "radicalism, extremism, xenophobia, and nationalism." The extent of the HDZ's transformation may become evident in the government's approach to numerous key issues.

- **Government Stability**

The HDZ's inability to forge a majority coalition will make for an inherently unstable government. The Sanader government may have to grant concessions on a regular basis in exchange for parliamentary support from small parties and individual deputies. Even minor setbacks in parliament could lead to the government's fall. Maintaining unity within the HDZ could represent another challenge, especially if some party members do not approve of their leadership's outlook and direction.

The HDZ's weak standing may negatively affect the government's ability to pursue its policy agenda. Croatia's overarching goals of NATO and especially EU membership will require adherence to reform policies consistent with European standards. Observers believe that an HDZ-led government can only reach its strategic objectives by continuing the path-breaking work of the previous government. However, the HDZ's dependence on a variety of small parties could lead to unpredictable policies. A first test for the Sanader government is likely to be the budget, since planned spending and tax cuts may have to be sacrificed for concessions to other parties on costly items such as pensions.

- **Progress Toward EU Integration (including ICTY and refugee return issues)**

Foremost among the government's priorities is securing Croatia's path toward EU membership. Croatia has set 2007 as a target date for EU entry, modeled after the date set by the EU for the accession of Romania and Bulgaria (both of which have held longer association relations with the EU). Croatia signed a Stabilization and Association Agreement (SAA) with the European Union in July 2001 (the SAA has yet to be ratified by all EU member states). Croatia formally applied for EU membership in February 2003 and submitted its responses to a lengthy European Commission questionnaire in October. The Commission is expected to give its "Opinion" on Croatia's candidacy by mid-2004, which may open the door for the Council to start accession negotiations. At a meeting of EU Foreign Ministers with their western Balkan counterparts in December 2003, EU ministers urged the incoming Croatian government to make all efforts toward compliance with EU political and economic conditions for membership. In particular, the EU ministers cited full cooperation with the ICTY, the return of refugees to Croatia, and minority rights as key performance benchmarks.

Cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) remains a difficult issue for the HDZ. Despite Sanader's pledges to uphold Croatia's international commitments, the war crimes tribunal remains unpopular in Croatia, especially among HDZ supporters. The specific case of former General Gotovina is yet to be resolved. Moreover, new indictments are expected to be delivered to Zagreb in early 2004, likely against current or former HDZ members. The situation regarding refugee returns is also problematic. According to the U.N. High Commissioner for Refugees, about 100,000 of 280,000 ethnic Serbs who fled during the 1995 Croatian offensive have returned to Croatia. During the election campaign, Sanader said that he favored refugee returns, without outlining any specific plans. The refugee issue is complicated by property rights issues, the status of Bosnian Croat tenants in former Serb homes, and implementation of minority rights. In return for Serb party support in parliament, Sanader pledged to accelerate property restitution and housing construction for returning refugees.

- **Regional Relations**

The new Croatian government will face many challenges relating to regional affairs, especially given the HDZ's legacy in neighborly relations. The Racan government and President Mesic had made a concerted effort to end direct Croatian involvement in Bosnia's internal affairs and improve bilateral relations. During the 1990s, the late former President Tudjman had maintained political and financial ties to the separatist Bosnian Croat community, which hindered the development of an integrated Bosnian state. The

current HDZ's relationship with its sister party in Bosnia (HDZ-BiH) – still the strongest party among the Bosnian Croat electorate – may have more complicated facets. On the one hand, HDZ leaders have repeatedly pledged to respect Bosnia's sovereignty and independence, and the Croat electorate generally favors this policy. On the other hand, all of the diaspora votes from Bosnia went to the HDZ, demonstrating the Bosnian Croat community's strong political support for the HDZ, which the HDZ may not wish to risk weakening. Meanwhile, the HDZ in Bosnia may itself be ripe for a transformation and image makeover similar to Sanader's efforts with the HDZ in Croatia.

Political relations with Serbia appeared to improve in 2003. Making his first official visit to Serbia in September, President Mesic received a public apology from Serbia and Montenegro President Svetovar Marovic for "all evils" committed against Croatia in the past. Mesic reciprocated with an apology for past "pain or damage" committed by Croatia. To some observers, the symbolic gestures marked the possibility for greater reconciliation between the two countries, including closer economic ties and cooperation on refugee returns.

In 2003, the Racan government sparked a dispute with neighboring Slovenia by declaring an exclusive economic zone in the Adriatic Sea. Slovenia has strongly objected to Croatia's claim and its potential impact on Slovenia's access to the open seas. Some Slovene leaders have threatened to block Croatia's EU aspirations if this issue is not resolved, once Slovenia joins the EU in 2004.

The previous Croatian government promoted closer regional ties in the security arena. At the Prague NATO summit in November 2002, the Presidents of Albania, Croatia, and Macedonia proposed to President Bush the creation of a U.S. - Adriatic Charter, modeled after the U.S. - Baltic Charter (established in 1998). The Adriatic Charter initiative aims to deepen regional cooperation, promote reforms, and improve the collective integration prospects of the three countries. Secretary of State Powell and the foreign ministers of the three countries signed the Charter on May 2, 2003, in Albania.

## **U.S. Relations**

In 2000, the Clinton Administration warmly welcomed the electoral victory of the center-left coalition and subsequently praised the reform efforts of the Racan government. The United States continues to support Croatia's transition from communism and the effects of ethnic war, as well as its goals for full integration into Euro-Atlantic institutions. At the same time, the United States supports NATO and EU conditionality policies on meeting membership standards, including building democracy, implementing human rights policies, respecting the Dayton agreement, and cooperating with the war crimes tribunal. The Bush Administration has designated over \$30 million in SEED Act and security assistance to Croatia for FY2004. However, bilateral security assistance to Croatia has been suspended since July 2003, when U.S. sanctions came into force against certain countries which had not agreed to exempt U.S. personnel from possible extradition to the International Criminal Court (ICC). The Bush Administration continues to seek to conclude bilateral agreements with all ICC party countries, including Croatia, that would provide for such an exemption.

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