

## COUNTRY PROFILE



## Croatia

GLOBAL RANK: 48th of 104



Croatia ranks 49th for Comparative Liveability and 50th for Economic Competitiveness, earning itself 48th place in the overall ranking, somewhat lower than most of its Eastern European counterparts. Croatia is particularly successful in terms of its education system, but scores poorly for community life, with extremely low levels of volunteering.

## ● BACKGROUND

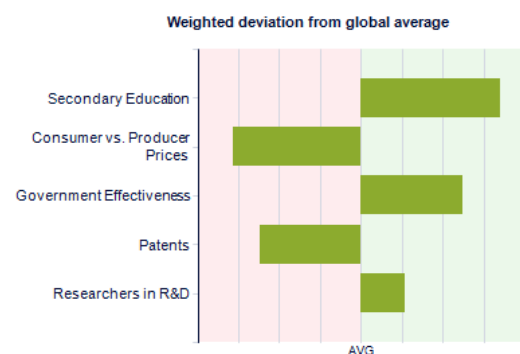
Croatia's goal of entering the EU by 2010 would mark a transformation in the fortunes of a country that emerged from the 1991-95 civil war with extensive infrastructural damage and over a quarter of a million dead or displaced. Today, former levels of prosperity are returning, and Croatia's relations with its Balkan neighbours are improving. GDP growth has been steady, powered by the tourism, shipbuilding, and banking sectors. However, an inefficient and often poorly-trained judiciary remains a major obstacle to EU entry. Also, despite government efforts to protect the rights of the Serb and Roma minorities, ethnic discrimination is still widespread.

## FAST FACTS

<b>Population:</b>	4.5 million (2008 est.)	<b>FDI (net inflow):</b>	6.37% (2006 est.)
<b>Life Today</b>	5.8 (2007 est.)	<b>Exports</b>	24.18% (2006 est.)
<b>GDP (PPP)</b>	\$68.98 billion (2007 est.)	<b>Imports</b>	50.07% (2006 est.)
<b>GDP (Growth)</b>	5.8% (2007 est.)	<b>Unemployment:</b>	11.8% (2007 est.)
<b>GDP (per Capita)</b>	\$15,500 (2007 est.)	<b>Life Expectancy</b>	75.13 years (2008 est.)
<b>Political System:</b>	Presidential/Parliamentary Democracy		
<b>Foreign Aid:</b>	0.46% (2006 est.)		

## ● KEY SCORE DRIVERS

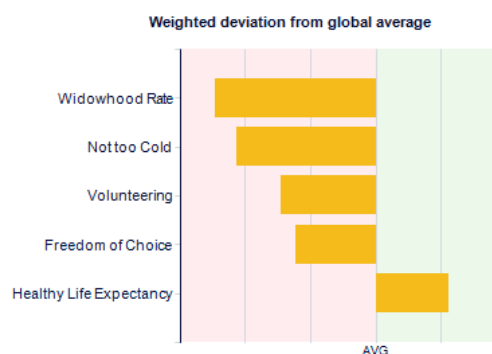
## ECONOMIC COMPETITIVENESS



Croatia scores below the regional average on Economic Competitiveness, mainly due to the limited openness of its economy. Although trade barriers have been dismantled, and trade freedom increased, the volume of foreign direct investment, and particularly foreign trade, still needs to grow to support the country's economic development. Exports stand around \$10 billion: less than half of that of neighbouring Slovenia, a country that is already an EU member and has successfully introduced the Euro.

Nevertheless, the effectiveness of governance suggests that these aspects can be tackled in the future, despite potential delays to EU accession. The opening of the economy is in turn expected to

## COMPARATIVE LIVEABILITY



In keeping with its Economic Competitiveness score, Croatia's levels of Comparative Liveability are moderate. Incomes are relatively high and, unusually for a transition country, some aspects of social capital are strong. For instance, the divorce rate is low, less than half of that in neighbouring Hungary, while religion also plays a more important role in personal and public life than in other Central European countries, according to the World Values Survey. However, the cold climate still detracts from wellbeing for Croatia, but will play less of a role as incomes rise and people are able to afford better housing and heating.

In contrast to the tumult and violence that surrounded the break-up of

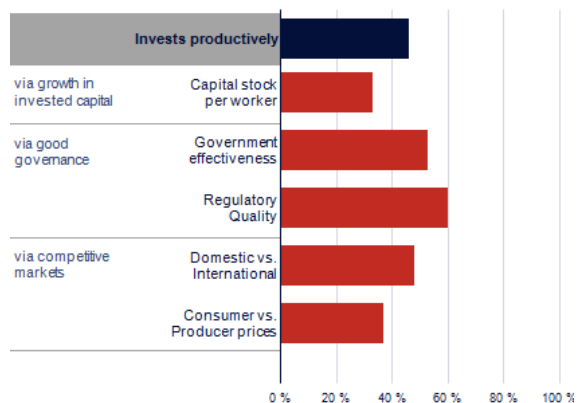
enhance competition in Croatia's markets, which still appear weak, as indicated by relative movement in the ratio of consumer and wholesale prices.

Nevertheless, Croatia has the potential to produce higher value-added products, despite the fact that the current level of commercialisation of innovation -- particularly as indicated by the number of patents awarded -- remains limited. There are a high number of researchers working in R&D, providing hope that this situation will change. Qualified labour is widely available and the mass education system performs well: almost 5% of the GDP is dedicated to education, and the government directs 10% of total public expenditures to the sector. The combined gross enrolment ratio for primary, secondary and tertiary education is over 70%, and an average Croatian worker has more than three years of secondary education.

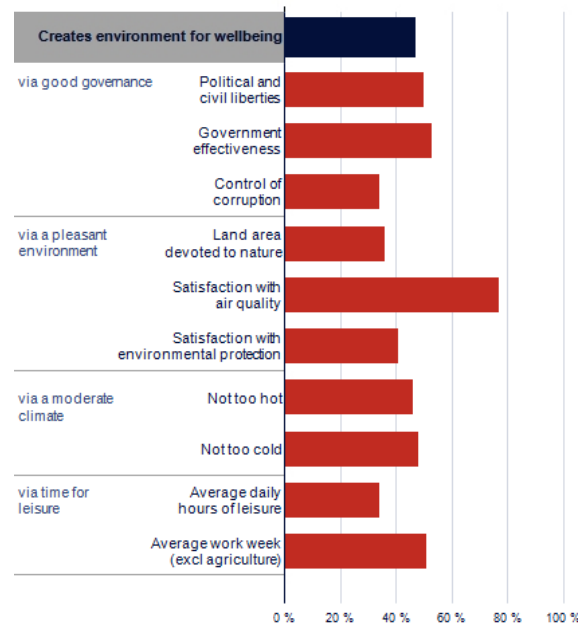
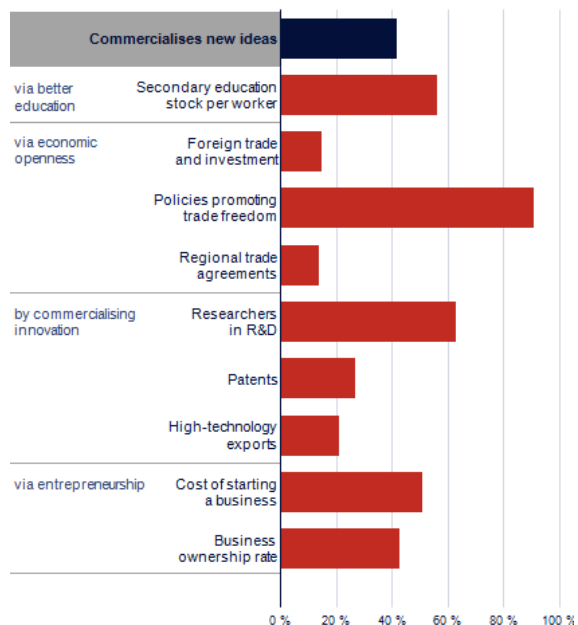
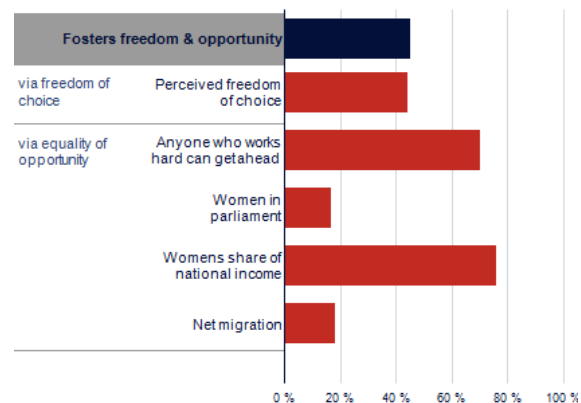
Yugoslavia, Croatians currently seem to enjoy more peaceful lives, as suggested by general satisfaction with personal health and by an excellent health-adjusted life expectancy of close to 70 years. However, as with neighbouring Slovenia, opportunities remain unevenly distributed across the sexes: women's share of national income is only 70% of that of men's, and only 8% of parliamentary seats are held by women. The equality of opportunity indicator is further reduced by unfavourable migration trends, which began with the large numbers of people who left the country during the Balkan wars. These migrants, by providing support to friends and relatives wishing to leave Croatia, continue to provide a channel for individuals wishing to seek opportunities elsewhere.

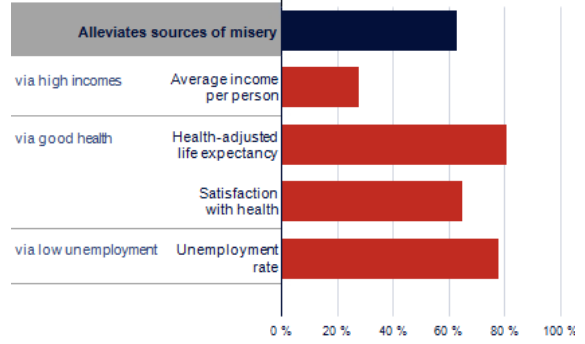
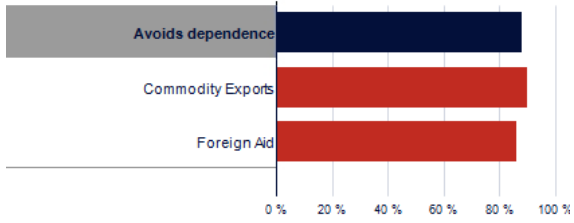
The community life indicator is also weak, despite some social strengths as noted above. Levels of volunteering are very low at a mere 6%<sup>9</sup>, as are social trust and involvement in community organisations. The high levels of widowhood may well be a result of the war rather than necessarily a reflection of poor family lives, but will nonetheless tend to detract from Comparative Liveability averages.

## ECONOMIC COMPETITIVENESS: SCORECARD

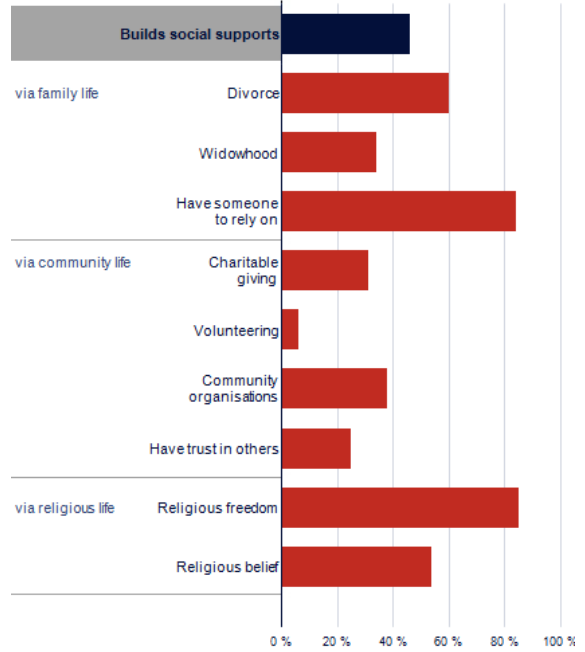


## COMPARATIVE LIVEABILITY: SCORECARD





All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



**References:**

<sup>9, w</sup> See [www.prosperity.com/references.aspx](http://www.prosperity.com/references.aspx) for further details including date of survey, sample size, and margin of error.