



Integrated Country Strategy

Croatia

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Table of Contents

1. Chief of Mission Priorities 2

2. Mission Strategic Framework 4

3. Mission Goals and Objectives 5

4. Management Objectives..... 11

1. Chief of Mission Priorities

Thanks to long-term U.S. engagement and a sustained commitment to Euro-Atlantic integration, Croatia has made great strides in its efforts to transform into a modern, democratic state. Successive Croatian governments implemented the reforms necessary for Croatia to join NATO (in 2009) and the European Union (in 2013). However, much work still remains, and Croatia today faces the challenge of continuing needed reforms absent the momentum of its NATO and EU accession processes. We are committed to partnering with Croatia as it contributes to global security, embraces economic reforms, and promotes good governance. This document is a results-oriented “business plan” intended to map out U.S. engagement over the next four years in order to make progress in these three key areas.

Croatia has rightly earned its reputation as a steadfast U.S. and NATO ally. One of our top mission goals is to strengthen this security partnership. To do this, Embassy Zagreb will pair bilateral and multilateral engagement with limited assistance to increase Croatia’s interoperability with Western military platforms and its capacity to address shared security challenges. At the same time, we will press Croatia to do its part to meet its security obligations, including by increasing defense spending to NATO’s 2% of GDP threshold and building resilient, healthy relationships with its neighbors. A key element of this security partnership is safeguarding the welfare of U.S. citizens, including by enhancing border security and expanding information sharing. As a result, we aim to see Croatia serve as a regional role model that contributes to domestic and international security.

The Embassy supports Croatia’s efforts towards economic reform and regional energy diversification. This includes the high-priority construction of a \$250 million liquefied natural gas (LNG) terminal that would transform the energy supply picture in southeast Europe, providing a long-term and reliable alternative to Russian piped gas and offering an export opportunity for U.S. energy, services, and expertise. The Embassy recognizes that Croatia’s role as a regional energy hub must be built on a strong economic foundation. Reduced economic performance and opportunities endanger Croatia’s ability to achieve its own goals and serve as a full economic partner, leaving the country vulnerable to economic coercion and unfriendly strategic investments. Embassy Zagreb seeks to counter hybrid activities by malign actors including investments in strategically important companies. In addition, the Embassy seeks to increase economic cooperation and Western trade and investment ties, including expanded business opportunities for U.S. companies. The Embassy will continue to advocate for structural economic reforms including measures that increase competition, efficiency, and transparency, as part of Croatia’s full transition to a market-based, EU-integrated economy.

Our third main goal is to bolster Croatia’s adherence to the values of democracy and good governance, which it embraced when it joined the EU and NATO. This includes resolving legacy disputes with its neighbors, bolstering rule of law by fighting corruption, undertaking judicial reform, and protecting the rights of all citizens. In an era of enlargement fatigue, any perception that Croatia is backsliding on its democratic commitments could reduce support for Croatia’s neighbors to realize their own Euro-Atlantic aspirations. The Embassy will use

targeted diplomatic engagement and public outreach to nurture democratic values while countering the false narratives of Russian and other malign state and non-state actors. The Embassy will support the development of a more independent and professional Croatian media that can resist malign influence and counter disinformation.

This integrated country strategy provides a roadmap to progress on U.S. security, economic, and governance priorities. However, the Embassy must have efficient and effective internal processes, systems, and personnel in order to achieve these goals. As such, this document also contains management objectives to support our strategic goals. Specifically, the Embassy will continue to be a responsible steward of taxpayer dollars by pursuing cost containment and cost reduction, and aim to modernize diplomacy and leverage efficiencies through the adoption and application of new technologies.

2. Mission Strategic Framework

Mission Goal 1: Strengthen security partnerships and capabilities

Mission Objective 1.1: Croatia improves its defense capabilities, resistance to hybrid threats, and contributions to regional and international security arrangements and operations through heightened spending and prudent defense planning.

Mission Objective 1.2: Croatia serves as a regional role model for states seeking to join the EU and NATO.

Mission Objective 1.3: U.S. citizen residents and visitors are safe in Croatia.

Mission Goal 2: Increase economic cooperation and investment ties

Mission Objective 2.1: Croatia manages risk in strategically important companies, including the risk of malign foreign influence.

Mission Objective 2.2: Croatia contributes to regional energy security through completion of Krk LNG Terminal and promotion of diversified, distributed energy resources.

Mission Objective 2.3: Croatia implements market-oriented economic and governance reforms and increases Western trade and investment ties in targeted industry sectors.

Mission Goal 3: Promote democracy and good governance

Mission Objective 3.1: Croatia increases public and governmental support for democratic values and shared U.S.-Croatia interests.

Mission Objective 3.2: Croatia's increasingly independent and professional media and civil society strengthens its ability to resist malign influence and counter disinformation.

Mission Objective 3.3: Croatia bolsters rule of law by fighting corruption, undertaking judicial reform, and facilitating extraditions.

Mission Objective 3.4: Croatia resolves legacy disputes with neighbors and addresses Holocaust restitution.

Management Objective 1: Adopt and apply new technologies to modernize diplomacy and enhance service delivery.

Management Objective 2: Review and streamline processes to contain administrative costs, align human resources with mission goals, and increase customer satisfaction.

3. Mission Goals and Objectives

Mission Goal 1: Strengthen security partnerships and capabilities

Description and Linkages: We have built a multi-faceted security relationship with Croatia over the last 27 years. As a result, Croatia is a committed NATO ally, a regional leader, and a leading contributor in Southeast Europe to U.S.-led global security missions. Our first mission goal is to bolster this security partnership while enhancing Croatia's capacity to respond to global security challenges. A stronger security partnership will also protect the welfare of U.S. citizens at home and abroad. This goal is aligned with the President's objectives in the National Security Strategy to enhance border security and pursue threats to their source; Goal 1 of the State-USAID Joint Strategic Goal Framework to protect America's security at home and abroad; and Goals 1 and 3 of the EUR Joint Regional Strategy Framework to strengthen the Western alliance and secure and stabilize the eastern and southern frontiers.

Mission Objective 1.1: Croatia improves its defense capabilities, resistance to hybrid threats, and contributions to regional and international security arrangements and operations through heightened spending and prudent defense planning.

Justification: A more capable ally is a stronger security partner for the United States. Therefore, we aim to help Croatia improve its defense capabilities and develop future competencies. Croatia has committed to increase defense spending by 2024 to 2% of GDP, but we must press for a concrete strategy to accomplish this and encourage Croatia to plan and spend these funds prudently in support of NATO capability goals. This includes continuing Croatia's efforts to transition its military aviation and ground assets from Russian to Western military platforms, which increases the interoperability of our forces. Globally, we will encourage Croatia's continued deployment to UN-led peacekeeping missions and involvement in international efforts against terrorism and organized crime, including actions to fortify its borders. Regionally, Croatia can assist and mentor its neighbors to enact security sector reforms required by NATO and to contribute operationally to NATO missions. With sustained U.S. support and engagement, combined with limited assistance, Croatia can improve its defense capabilities and combat hybrid threats and malign influence. On the other hand, a weakening security partnership or continued reliance on Russian military assets could threaten the integrity of the Western alliance, and failure to ensure that Croatia balances its defense spending with sound budget planning could ultimately limit Croatia's ability to deploy and maintain its forces.

Mission Objective 1.2: Croatia serves as a regional role model for states seeking to join the EU and NATO.

Justification: Croatia wields significant influence in the region and can play an important role in achieving lasting peace and stability in the Western Balkans. As a role model and provider of technical assistance, often in partnership with the United States, Croatia's support for its neighbors' Euro-Atlantic integration provides the countries of the region a crucial boost. At the same time, particularly in an era of enlargement fatigue, shortcomings in Croatia or a breakdown of regional relationships could reduce support for Croatia's neighbors to realize their own Euro-Atlantic aspirations. Specifically, Croatia could do more to help advance reform efforts in Bosnia and Herzegovina (BiH), including the short- to medium-term goal of electoral reform, and place its relationship with Serbia on sounder footing. U.S. bilateral and regional engagement will focus on encouraging Croatia's willingness and capacity to address regional challenges, while leveraging opportunities for Croatia to serve as a regional role model and mentor.

Mission Objective 1.3: U.S. citizen residents and visitors are safe in Croatia.

Justification: The protection and welfare of U.S. citizens is one of the highest priorities for the Department of State, and the rising popularity of Croatia as a tourist destination necessitates a renewed focus on this priority. Croatia welcomed 450,000 U.S. citizen tourists in 2017, a 35% increase over the previous year. Resident and visiting U.S. citizens are requiring an increasing number of both emergency and routine services, including resolving difficulties encountered at ports of entry. As the number of U.S. citizens visiting Croatia grows, the Mission must provide efficient, timely, courteous consular services while ensuring effective crisis preparedness and response during emergencies. However, because the majority of U.S. citizen tourists visit coastal areas that are removed from the Embassy, we must strengthen our contacts with local and national authorities throughout the country to improve capacity to perform consular services and respond to potential crises in these areas.

Mission Goal 2: Increase economic cooperation and investment ties

Description and Linkages: Our second mission goal is to increase economic cooperation and expand trade and investment ties in targeted industry sectors. Croatia must manage risk in strategically important companies and sectors in order to prevent malign influence in its economy. The first among these strategic sectors is energy, as Croatia emerges as an important player in addressing Europe's energy security challenges. Construction of an LNG terminal on Krk Island and promotion of diversified, regionally distributed energy resources could transform the energy landscape of Southeast Europe while providing new opportunities for U.S. companies. The United States will encourage Croatia to take on this role as a regional energy hub while promoting the participation of

U.S. firms. More broadly, Croatia has been laying the groundwork over time to transition to a market-based economy. The Embassy will continue to advocate for market-oriented economic reforms that help ensure a level playing field for U.S. companies and create inclusive growth. Absent such growth, weak economic performance could leave Croatia vulnerable to unfriendly strategic investments and economic coercion, and hinder the ability of Croatia and the United States to pursue other strategic goals. This mission goal is aligned with the President's objective in the National Security Strategy to promote American prosperity; Goal 2 of the State-USAID Joint Strategic Goal Framework to renew America's competitive advantage for sustained economic growth and job creation; and Goal 2 of the EUR Joint Regional Strategy Framework to strengthen and balance the Transatlantic trade and investment relationship.

Mission Objective 2.1: Croatia manages risk in strategically important companies, including the risk of malign foreign influence.

Justification: The Croatian government must address the ongoing and future risk of malign foreign influence in strategically important Croatian companies. The Embassy will engage the government on the dangers of foreign actors controlling significant Croatian companies, advocate for the implementation of an investment screening mechanism, and encourage legislation to limit concentrated ownership in strategically important companies. A lack of such protections could leave the Croatian economy less stable and more vulnerable to malign foreign influence.

Mission Objective 2.2: Croatia contributes to regional energy security through completion of Krk LNG Terminal and promotion of diversified, distributed energy resources.

Justification: The United States and the EU have identified Croatia's potential as a regional energy hub with the ability to increase energy security and diversity of supply for Southeast Europe. As part of the State Department's broader push to engage host countries on energy supply, consumption, and security issues, the Embassy will urge the Croatian government and private sector to advance energy security priorities for the region, develop onshore and offshore resources, and utilize EU funds available for energy projects in a timely and efficient manner. We will also work with U.S. companies to involve them in all parts of the process and to advocate on their behalf when they compete for government project tenders, directly advancing American commercial interests and supporting American prosperity. If the Croatian government does not pursue a strategy of energy diversification, Croatia and the region will be increasingly vulnerable to influence by outside interests, including Russia.

Mission Objective 2.3: Croatia implements market-oriented economic and governance reforms and increases Western trade and investment ties in targeted industry sectors.

Justification: The Croatian economy is continuing the slow-growth trend it started in 2015. Foreign investment remains low in the face of a challenging business climate, relatively high unemployment persists, and the government is grappling with increasing levels of brain drain. Structural legacies of an incomplete transition to a market-based economy and persistent corruption hamper sustained economic growth, discourage entrepreneurial risk, and present challenges to American companies pursuing business in Croatia. If the Croatian government does not pursue structural economic reforms, the economy will not grow at its full potential. Economic stagnation could leave the country vulnerable to economic coercion, reduce Croatia's ability to pursue other policy goals, and exacerbate the ongoing exodus of qualified labor to other EU countries. To improve Croatia's economic performance and expand opportunities for U.S. trade and investment, the Embassy will intensify efforts to advocate for and support structural economic reforms including measures creating a more competitive, efficient, and transparent business and investment climate. As Croatia pursues economic growth and Eurozone accession, it must strengthen economic ties with reliable partners who are committed to its stability and success and address investor issues. We will continue to help individual and corporate American investors resolve issues with government entities, build new and deeper relationships with local and regional governments in targeted industry sectors, and collaborate with non-government entities to develop innovative information resources for American businesses interested in the Croatian market. We will also continue to promote entrepreneurship and innovation, including by shaping the public discourse.

Mission Goal 3: Promote democracy and good governance

Description and Linkages: Croatia has embraced Euro-Atlantic values as part of its accession to NATO and the European Union, but Russian malign influence, increased nationalism, and growing skepticism among youth toward transatlantic institutions could lead to democratic backsliding. In addition to hampering Croatia's development, falling short on its democratic commitments could have ripple effects throughout the region. Therefore, our third mission goal is to ensure Croatia's adherence to these values by promoting democracy and good governance. This includes bolstering the rule of law by fighting corruption and transnational organized crime; undertaking judicial reform; and facilitating extraditions. The Embassy will support the development of a more independent and professional Croatian media that can resist malign influence and counter disinformation. This goal is aligned with the President's objectives in the National Security Strategy to advance American influence; Goal 3 of the State-USAID Joint Strategic Goal Framework to promote American leadership through balanced engagement; and Goal 4 of the EUR Joint Regional Strategy Framework to strengthen the Western alliance and secure and stabilize the eastern and southern frontiers.

Mission Objective 3.1: Croatia increases public and governmental support for democratic values and shared U.S.-Croatia interests.

Justification: Croatians across the political spectrum view the United States as one of the country's closest strategic partners, and we share many of the same core values. However, this support for U.S. policies and values cannot be taken for granted. In an era of increasing disinformation spread by malign actors, the United States needs to utilize all forms of outreach to explain U.S. policy, society, and values, and to amplify the work of the Embassy and the U.S. government. This effort requires engagement with the public, the private sector, and both government and non-government organizations. A significant Mission-wide push to increase public diplomacy engagement will strengthen our positive and long-standing influence in Croatia.

Mission Objective 3.2: Croatia's increasingly independent and professional media and civil society strengthens its ability to resist malign influence and counter disinformation.

Justification: An independent and professional media and vibrant civil society plays a vital role in a healthy democratic society. However, malign influence in Croatian media is a real and growing threat. The speed at which hostile disinformation techniques are evolving demands Croatia be informed and agile in its response. The Embassy will focus on efforts to build capacity, increase independence, and raise journalistic standards in the Croatian media. We will engage journalists, NGOs, government spokespeople, and the general public to increase awareness about disinformation and malign influence. Capacity building and professionalization of the media will not only help protect against foreign actors hijacking the narrative and spreading disinformation, but will enhance the accountability and transparency of the society in line with U.S. values and interests.

Mission Objective 3.3: Croatia bolsters rule of law by fighting corruption, undertaking judicial reform, and facilitating extraditions.

Justification: Croatia made significant strides in support of rule of law as it worked toward EU accession. However, progress has not continued at the same pace since Croatia joined the EU. Any backsliding on rule of law in Croatia, particularly on anti-corruption efforts, has negative regional implications since Croatia serves as a model for other regional EU and NATO aspirants. Croatia still struggles to combat corruption. Efforts to investigate and prosecute corruption and complex crimes are limited by domestic capacity, a backlogged judicial system in need of reform, and outdated laws and agreements. Weak rule of law weighs heavily on economic development and investment, including by discouraging or hindering U.S. companies interested in operating in Croatia. These trends also negatively affect domestic politics, threatening the political stability that is desirable in a reliable strategic partner. Therefore, the Embassy will encourage and assist Croatia in its efforts to bolster rule of law both domestically and in cooperation with its neighbors.

Mission Objective 3.4: Croatia resolves legacy disputes with neighbors and addresses Holocaust restitution.

Justification: Croatia's persistent border disputes with its neighbors and slow progress on resolving war legacy issues distracts from other policy priorities and could hinder the integration of the region into a strong and free Europe. Croatia must resolve the long-standing issue of Holocaust-era property restitution by instituting a process to allow for full resumption of claims, including for foreign claimants and for properties seized from 1941-1945. Croatia must also continue to carry out its commitment to provide housing and compensation for residents of Croatia displaced during the 1990s war.

4. Management Objectives

Management Objective 1: Adopt and apply new technologies to modernize diplomacy and enhance service delivery.

Justification: The rapid advancement of technology presents an opportunity for Embassy Zagreb to achieve its mission goals by operating more efficiently, effectively, and securely. The Embassy will respond to the President's challenge in his National Security Strategy to upgrade, tailor, and innovate by continuing to deploy approved technological solutions to maximize outreach and efficiency. The Embassy must use social media and other modern communication and collaboration tools in order to achieve our mission goals and reach audiences beyond standard government and media interlocutors. A comprehensive communications infrastructure including mobile work solutions is a key component of supporting this need and providing improved workplace flexibility. Shifting paper processes to electronic platforms will enhance transparency, accountability, and efficiency.

Management Objective 2: Review and streamline processes to contain administrative costs, align human resources with mission goals, and increase customer satisfaction.

Justification: The Embassy should regularly review its internal processes and allocation of resources to streamline operations and ensure that human capital and other resources are aligned with Embassy priorities. A key element is capturing accurate data, so the Embassy can base its process improvement goals on data-driven analysis. At the same time, the Embassy will improve its efficiency, morale, workload distribution, and customer service, as informed by data that evaluates both performance and customer satisfaction. Efficient systems and proper allocation of resources will better enable the Embassy to meet its mission goals and objectives.