



Integrated Country Strategy

Croatia

FOR PUBLIC RELEASE

Approved: June 29, 2022

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1. Chief of Mission Priorities

Sustained U.S. engagement on a wide array of issues helped Croatia achieve its Euro-Atlantic integration and become a stable, modern, democratic state. Successive Croatian governments implemented the reforms necessary for Croatia to join NATO (in 2009) and the European Union (in 2013). With most longstanding bilateral priorities resolved during the last several years, such as Croatia's entry into the Visa Waiver Program and opening of negotiations on a treaty on double taxation, now is the time to deepen our strategic relationship to advance shared goals of promoting peace, security and energy security, and prosperity in Croatia, the region, and the world. Building on the successes of 30 years of close bilateral relations, in March 2022 the United States and Croatia held their first ever Strategic Dialogue to chart the path of our partnership with Croatia as it promotes democratic values and good governance domestically, embraces economic reforms, and enhances allied security in Southeast Europe and globally. This document is a results-oriented plan for U.S. engagement over the next four years to make progress in these key areas.

Prioritizing the development of a peaceful and democratic society for Croatia begins at home. As such, our first goal is to further bolster Croatia's adherence to democratic values and good governance, which it embraced when it joined the EU and NATO. This includes enabling Croatia's rule of law development by fighting corruption, supporting Croatia's efforts on judicial reform, and protecting the human rights of all its citizens. This also means protecting U.S. citizens and their interests in Croatia including by providing routine and emergency consular services for U.S. citizens. U.S. advocacy for market-oriented economic and governance reforms enables Croatia to increase transparency and ensure free and fair competition, finally overcoming a long legacy of state capture of the economy and supporting Croatia's full transition to a market-based, EU-integrated economy. U.S. encouragement of procurement reforms and increased transparency in budgeting and public administration will help make Croatia a more attractive destination for investment and a better partner for the United States. The U.S. and Croatia share the same goals to reduce carbon emissions in the long term and arrest the global challenge of climate change, and U.S. collaboration and technical assistance

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can assist Croatia in its efforts to achieve its near-term COP-26 climate change objectives on the path to a zero-emission future.

Helping Croatia be an active U.S. partner promoting peace, transatlantic integration, and energy security in its broader neighborhood is our second goal. In the Western Balkans, Croatia's experience provides useful lessons for its neighbors on their own NATO and EU accession paths. Croatia's continued progress on its democratic commitments is essential to maintain support for enlargement and to encourage Croatia's neighbors to realize their own Euro-Atlantic aspirations. In the near term, Croatia can demonstrate its leadership by resolving legacy disputes with its neighbors, supporting the EU and NATO aspirations of all its neighbors in Southeast Europe, and advocating needed reforms in Bosnia and Herzegovina. Croatia has rightly earned its reputation as a steadfast U.S. and NATO ally. One of our top objectives is to strengthen this security partnership through security cooperation and political engagement to meet near-term NATO capability targets and improve Croatia's ability to project allied strength in missions outside its borders. U.S. security assistance, joint training, and collaboration as allies will help Croatia continue as a regional role model that contributes to domestic, regional, and global security. With U.S. advice and encouragement, the United States also pledges to support Croatia's efforts towards economic reform and regional energy diversification, including seeing the Krk LNG terminal expand its capacity and sustain energy connectivity in the broader region. With Russia's further invasion of Ukraine in February 2022, the urgency of ensuring energy security in Central and Eastern Europe has increased dramatically and reinforces this goal as a top strategic priority.

Our third goal is to see Croatia become an ever more capable and confident ally that counters global threats and advocates transatlantic priorities at the international level. This includes providing U.S. assistance to enable Croatia to protect its critical infrastructure from malign influence, notably from the PRC and Russia; supporting Croatia's efforts to project allied strength globally in UN and NATO missions; and deepening bilateral trade and investment ties, with expanded business opportunities for U.S. companies.

This integrated country strategy provides a roadmap to build U.S.-Croatia relations on these priorities. The Embassy must have efficient and effective internal processes, systems, and personnel to achieve these goals. To ensure the most effective management, the Embassy will continue to be a responsible steward of taxpayer dollars by sustaining a modern, efficient, and inclusive platform that supports an engaged diplomatic presence. This will be accomplished through keen attention to recruitment and training of a workforce to meet these needs, and a data-driven decision-making process to meet the challenges of both today and the future.

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2. Mission Strategic Framework

Mission Goal 1: Croatia at Home: A stable and democratic ally with a liberalized market economy.

- **Mission Objective 1.1:** Increased law enforcement, prosecutorial, and judicial assistance help Croatia fight corruption and improve judicial efficiency.
- **Mission Objective 1.2:** U.S. advocacy for market-oriented economic and governance reforms enables Croatia to increase transparency and ensure free and fair competition.
- **Mission Objective 1.3:** U.S. collaboration and technical assistance helps Croatia achieve its near-term COP-26 climate change objectives on the path to a zero-emission future.

Mission Goal 2: Croatia in the Region: An active U.S. partner promoting peace, transatlantic integration, and energy security in the Western Balkans.

- **Mission Objective 2.1:** U.S. security cooperation and political engagement help Croatia meet near-term NATO capability and readiness targets.
- **Mission Objective 2.2:** Closer collaboration with the United States helps Croatia advance the European and Euro-Atlantic integration process of Southeast Europe.
- **Mission Objective 2.3:** U.S. technical assistance and advocacy enable Croatia to increase regional energy security and meet energy-related climate goals.

Mission Goal 3: Croatia in the World: A strong and capable ally that counters global threats and advocates transatlantic priorities at the international level.

- **Mission Objective 3.1:** Enhanced U.S. collaboration and information sharing equips Croatia to establish clear boundaries to protect technology and critical infrastructure from malign actors.
- **Mission Objective 3.2:** U.S. advocacy and security cooperation enables Croatia to project Allied strength in UN and NATO missions.

- **Mission Objective 3.3:** U.S. economic and commercial advocacy broadens and deepens bilateral trade and investment.

Management Goal: The Embassy in Croatia: A modern, efficient, and inclusive platform that supports an engaged diplomatic presence.

- **Management Objective 1:** Expand and redefine recruitment to develop and empower an agile, resilient, and inclusive workforce capable of succeeding in a modern workplace and advancing U.S. policy goals.
- **Management Objective 2:** Through the use of robust and focused training, develop a culture of subject matter expertise and service to provide financial, human, and intellectual resources in an efficient and customer-focused manner.
- **Management Objective 3:** Increase data accessibility and usage to drive data-informed decision-making to advance American diplomacy and mission operational goals.

3. Mission Goals and Objectives

Mission Goal 1 | Croatia at Home: A stable and democratic ally with a fully liberalized market economy.

Description | The United States offered significant support on Croatia's path to become a member of NATO and the EU. We have also supported Croatia's efforts to liberalize its economy. Our first mission goal is to build Croatia's institutional capacity to support human rights and the rule of law, create an investment climate that serves its citizens, and help Croatia achieve its near-term climate change objectives. Doing so not only guarantees long-term stability but will serve as a positive model for its neighbors and Brussels, creating momentum for the further European integration of Southeast Europe. The Embassy will advocate for market-oriented economic and political reforms and an enduring fight against corruption to create inclusive economic development and restore Croatians' faith in their institutions. Arrested development on needed reforms could leave Croatia vulnerable to malign influence, increase instability, and hinder the ability of Croatia and the United States to pursue bilateral strategic goals, including those to protect the environment, prevent climate change, and support democratic values. Croatia's entry into the Visa Waiver Program in 2021 and Global Entry program in 2022 gives us the opportunity to expand business and people-to-people ties, by facilitating legitimate travel from Croatia to the United States, allowing us to promote U.S. and transatlantic values. Relatedly, the protection and welfare of U.S. citizens is one of the highest priorities for the Department of State, and the continued popularity of Croatia as a tourist destination, especially following the pandemic, will also support positive exchanges of ideas and values.

Objective 1.1 | Increased judicial efficiency, anti-corruption, and law enforcement capacity bolsters the rule of law and democratic institutions in Croatia.

- **Justification |** Croatia made significant strides to develop its rule of law institutions as it worked toward EU accession, which it achieved in 2013. Any backsliding on rule of law

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in Croatia has negative domestic political and economic implications, and within the region it limits Croatia's ability to serve as a model for other regional EU and NATO aspirants. Croatia still struggles to fully combat corruption. Efforts to investigate and prosecute corruption and complex crimes are sometimes 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. The Embassy will encourage and assist Croatia in its efforts to bolster rule of law and fight corruption through enforcement and prevention.

- **Linkages** | This objective supports the JSP Goals 2 and 3 to Promote Global Prosperity and Strengthen Democratic Institutions and President Biden's December 2021 Strategy on Countering Corruption.
- **Risks** | Risks for not achieving this objective include a lack of sufficient political will and attention from current and future Croatian governments to sustain progress on reforms. The U.S. can counter such risks with increased engagement through public diplomacy and high-level attention from Washington, and the offer of targeted technical assistance opportunities through bilateral programs such as the INL-funded bilateral judicial efficiency project, multilateral ICITAP and OPDAT programs focused on police and prosecutor training, and OPDAT's ongoing judicial efficiency dialogues with regional judges.

Objective 1.2 | Market-oriented economic and governance reforms enable Croatia to increase transparency and ensure free and fair competition.

- **Justification** | Despite significant progress since independence in 1991, Croatia's government retains a large role in the economy, and the size and scope of the state administration prevents market-oriented economic and governance reforms. 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. There also

remain challenges in public procurement transparency. If the Croatian government does not pursue structural economic reforms, the economy will not grow at its full potential. Economic stagnation, in turn, 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. U.S. support for reforms can help Croatia increase transparency and ensure free and fair competition. 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 greater economic growth, Eurozone accession in 2023, and OECD membership, 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, promote reforms to increase investment, and collaborate with government and 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 by shaping the public discourse.

- **Linkages** | This objective supports the JSP Objective 3.2.
- **Risks** | Risks for not achieving this objective include economic crises that contribute to further state capture of the economy and continued pressure from investors from countries such as the PRC which stands to benefit from the existing system. The U.S. can counter such risks with increased engagement and possible assistance opportunities.

Objective 1.3 | U.S. technical support helps Croatia achieve its near-term COP-26 climate change objectives on the path to a zero-emission future.

- **Justification** | Croatia made commitments at the Glasgow, Scotland COP-26 conference to fight climate change. In March 2022 during the U.S.-Croatia Strategic Dialogue,

Croatia reiterated its commitment to phase out lignite by 2033, its goal to achieve net zero emissions by 2050, and to join the Global Methane Pledge. The United States can support Croatia in bilateral and regional cooperation on energy and climate through the Partnership for Transatlantic Energy and Climate Cooperation (P-TECC) to amplify the administration's objectives to support global adherence to objectives and pledges made at COP-26. The EU has an ambitious agenda in this regard, and this also remains a top priority of the Biden administration.

- **Linkages** | This objective supports the JSP Objective 1.2.
- **Risks** | Risks for not achieving this objective include a de-prioritization of these efforts considering more acute near-term challenges, such as security or economic challenges. This can be countered with strong U.S. messaging that fighting climate change remains a strategic priority of the United States, and by our offering best practices to overcome technical roadblocks.

Mission Goal 2 | Croatia in the Region: An active U.S. partner promoting peace, transatlantic integration, and energy security in the Western Balkans.

Description | Our second mission goal is to enable Croatia to become a more active and confident U.S. partner to promote peace, transatlantic integration, and energy security in the Western Balkans. As such, Croatia, as a NATO and EU member state in the Western Balkans will encourage and support its neighbors to follow the same path. 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. U.S. security cooperation will help Croatia meet its NATO capability targets to help protect NATO's southeastern flank. Use of the new 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 expand its role as a regional energy hub while promoting the participation of U.S. firms. This mission goal is aligned with Goals 2 and 3 of the State-USAID Joint Strategic Plan to promote global prosperity and strengthen democratic institutions.

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Objective 2.1 | U.S. security cooperation helps Croatia meet NATO capability targets by 2026.

- **Justification** | As NATO Allies and strategic partners, the United States and Croatia are committed to promoting peace and stability in Southeast Europe and Europe as a whole. The continued importance of bilateral exercises and training activities to improve interoperability and readiness, and the importance of meeting NATO commitments in support of our collective security will contribute to a more stable Southeast Europe. Croatia has provided numerous contributions to NATO operations and activities in Afghanistan, Kosovo, Enhanced Forward Presence, and more. We will work closely on the future Strategic Concept of NATO, with a view to strengthening the Alliance in fulfilling its mission as the guarantor of peace and security in Europe. Croatia will remain an important advocate of EU-NATO cooperation, ensuring complementarity and strengthening interoperability, while recognizing NATO as the foundation of Euro-Atlantic security and the essential forum for collective defense of the transatlantic community. We will place greater emphasis on strengthening cooperation on cybersecurity. A more capable ally is a stronger security partner for the United States, and we will help Croatia improve its defense capabilities and develop future competencies. Croatia committed to increase defense spending by 2024 to 2 percent of GDP and to sustain its defense spending at a minimum of 2 percent, but we will continue to encourage Croatia to plan and spend these funds prudently in support of NATO capability goals and ensure its recent commitments to purchase French Rafale fighter aircraft, Bradley Fighting Vehicles, and Blackhawk helicopters continue to support long-term, NATO interoperable objectives. Croatia's commitment to NATO deployments, its influence within the Adriatic Charter and other regional for a, and its ability to detect and negate disinformation are key components of its security leadership.
- **Linkages** | This objective directly supports JSP strategic objective 1.4 to lead allies and partners to address shared challenges and competitors.

- **Risks** | Risks include the diversion of funds from defense and security related purchases toward other economic and social priorities, especially in a constrained budgetary environment.

Objective 2.2 | The United States partners with Croatia to advance the European and Euro-Atlantic integration process of Southeast Europe.

- **Justification** | The United States and Croatia have worked on our joint commitment to advancing the Euro-Atlantic perspective of the Western Balkans countries, and to see Croatia's neighbors firmly anchored in a Europe free, whole, and at peace. We are at an inflection point in U.S.-Croatia relations in the wake of the first ever strategic dialogue in March 2022 and the resolution of bilateral challenges. The time is now for Croatia to broaden and deepen its engagement with its Western Balkans neighbors. We recognize that countries of the Western Balkans must meet the strict criteria to join the EU and NATO but underscore that the door to these two institutions must remain open and viable for Croatia's neighbors to incentivize necessary reforms to promote lasting stability and security. During its EU Council Presidency in early 2020, Croatia supported discussions within the EU to open accession negotiations with Albania and North Macedonia. However, these have not yet come to fruition. The United States must continue to encourage Croatia to press the issue in the European Union to open these negotiations. Furthermore, U.S. regional technical support and engagement will also enable Croatia to help its other Western Balkans neighbors to follow their EU and NATO paths through closing EU accession clusters in the case of Serbia and Montenegro and promoting reforms that support a Euro-Atlantic orientation in the case of in BiH and Kosovo.
- **Linkages** | This objective directly supports JSP strategic objective 3.1 to promote good governance and defend strong, accountable, and resilient democracies that deliver for their citizens and objective 1.4 to lead allies and partners to address shared challenges and competitors.

- **Risks** | The risks include a continued enlargement fatigue from the EU toward the Western Balkans, competing priorities for Croatia on support for its neighbors, and bilateral challenges between Croatia and Western Balkans neighbors such as Serbia that discourage cooperation.

Objective 2.3 | U.S. technical assistance and regional advocacy enable Croatia to increase regional energy security and meet energy-related climate goals.

- **Justification** | With the opening of the Krk LNG Terminal in 2021, Croatia has been moving towards greater energy independence. However, supportive projects to enhance regional connectivity would help project that to Croatia's neighbors in the Western Balkans and other countries in Central and Eastern Europe and reduce the region's reliance on Russian energy sources, especially considering Russia's war in Ukraine.
- **Linkages** | This objective supports JSP strategic objective 2.4 to strengthen U.S. and global resilience to economic, technological, environmental, and other systemic shocks.
- **Risks** | The potential risks of not meeting this objective include a lack of funding for support infrastructure such as pipelines both domestically and in the Western Balkans region.

Mission Goal 3 | Croatia in the World: A strong and capable ally that counters global threats and advocates transatlantic priorities at the international level.

Description | Croatia embraced Euro-Atlantic values as part of its accession to NATO and the European Union. At this inflection point in our relationship, 30 years since the establishment of diplomatic relations, the embassy is focused on supporting Croatia in becoming a more confident and effective advocate for transatlantic priorities globally, including countering authoritarian states, PRC efforts to expand its economic foothold in Europe, sometimes counter to Euro-Atlantic values, and transnational threats. This goal is aligned with the President's objectives in the March 2021 Interim National Security Guidance to defending the democratic values at the heart of the American way of life and reinvigorate and modernize our alliances

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and partnerships around the world; and Goal 1 of the State-USAID Joint Strategic Plan to renew U.S. leadership and mobilize coalitions to address global challenges.

Objective 3.1 | Enhanced U.S. collaboration and information sharing equips Croatia to establish clear boundaries to protect technology and critical infrastructure from malign actors.

- **Justification** | As the PRC continues to expand its relationships in Europe through the 16+1 format, Croatia should seek to establish clear boundaries on investment to protect its infrastructure. Croatia is waiting for updated EU directives to finalize the draft Critical Infrastructure Law required to prevent state-sponsored third country vendors from winning public procurement contracts in strategic sectors.
- **Linkages** | This objective supports JSP strategic objective 2.4 to strengthen U.S. and global resilience to economic, technological, environmental, and other systemic shocks. This objective directly supports JSP strategic objective 1.4 to lead allies and partners to address shared challenges and competitors.
- **Risks** | The risks include increased attention from the PRC toward Croatia, EU and domestic regulations that overly favor low bids in public procurement, including those from PRC state-owned enterprises that may be artificially deflating costs to win strategic projects. High-level U.S. engagement to help Croatia better understand our concerns can counter these risks.

Objective 3.2 | U.S. advocacy and security cooperation enables Croatia to project Allied strength in UN and NATO missions.

- **Justification** | With growing global risks exemplified by Russia's invasion of Ukraine, allied unity, and ability to project strength, is more important than ever. U.S. encouragement and support has helped Croatia become a more capable ally and partner. Croatia must demonstrate the confidence and willingness to project its strength in UN and NATO missions and 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.

- **Linkages** | This supports the JSP strategic objective 1.4 to lead allies and partners to address shared challenges and competitors.
- **Risks** | The risks include economic hardships or a political class that leans away from use of military force abroad. This can be mitigated with high-level engagement and a clear demonstration by the U.S. of the value of partners, including keeping them well-informed and able to provide input to important missions.

Objective 3.3 | U.S. economic and commercial advocacy helps broaden and deepen bilateral trade and investment.

- **Justification** | Croatia is a trusted U.S. partner and NATO ally that plays an important role in the economic and political framework of Southeast Europe. As it endeavors to fully integrate into NATO and the European Union structures, Croatia primarily needs technologically advanced, cost-effective U.S. goods and services that will help modernize its defense capabilities, increase energy independence, and improve governance and production. After an 8.4 percent decline in 2020, the Croatian economy has recorded a strong recovery in 2021. According to the World Bank's forecasts, the GDP growth in 2021 will be 7.6 percent, and if the epidemiological situation remains broadly favorable, strong, and broad-based growth is expected to continue in 2022 and 2023. Countering Russian and PRC economic influence in Croatia and Southeast Europe is a priority and Croatia is a vital market to develop and implement "Compete in Europe" programs. There are several forums and mechanisms for cooperation between Croatia and the United States such as the U.S.-EU Trade and Technology Council. Furthermore, the Croatian government's aim to join the Organization for Economic Cooperation and Development will give the U.S. an opportunity to advocate for reforms that will increase Croatia's desirability as an investment destination. In 2021, the European Commission approved for Croatia over 25 billion euros of EU development funds for this decade. This includes 6.3 billion euros in grants, 40 percent of which will be spent during the next three to five years on green transition and 20 percent on digital transformation projects. U.S. companies will be welcome to participate in the projects'

implementation. With the implementation of the U.S. Visa Waiver Program for Croatia in November 2021, travel for Croats to the United States will become easier and their U.S. investments more profitable.

- **Linkages** | This objective supports the JSP strategic objective 2.2 to support inclusive and sustainable economic growth for communities around the globe and 2.3 to support U.S. technological leadership and strategic competitiveness.
- **Risks** | Risks for meeting this objective include a constrained economic environment where the attractiveness of low-cost solutions to problems prompts the choosing of non-U.S. commercial products. Increased commercial advocacy in key sectors and expanded diplomatic engagement, both public and private could counter this risk.

4. Management Objectives

Management Objective 1 | Expand and redefine recruitment to develop and empower an agile, resilient, and inclusive workforce capable of succeeding in a modern workplace and advancing U.S. policy goals.

- **Justification** | The Embassy will respond to the Secretary's challenge to win the competition for talent. The Embassy will modernize how it recruits with a multi-pronged approach that augments traditional recruitment tools with the use of social media, targeted recruitment, and a presence at job fairs.
- **Linkages** | This objective supports the JSP strategic objective 4.1 to build and equip a diverse, inclusive, resilient, and dynamic workforce.
- **Risks** | Risks include difficulty identifying qualified candidates that meet the more inclusive criteria.

Management Objective 2 | Through the use of robust and focused training develop a culture of subject matter expertise and service to provide financial, human, and intellectual resources in an efficient and customer-focused manner.

- **Justification** | Recruiting talent is not enough. We must recognize that continuous training is critical. It helps answer the Secretary's call to developing employees that take initiative, are experts in their field, and have a meaningful impact.
- **Linkages** | This objective supports the JSP strategic objective 4.1 to build and equip a diverse, inclusive, resilient, and dynamic workforce.
- **Risks** | Risks include a lack of available funding to develop relevant training that will meet this objective long-term.

Management Objective 3 | Increase data accessibility and usage to drive data-informed decision-making to advance American diplomacy and mission operational goals.

- **Justification** | The modern workplace (and world at-large) is information-driven. The Embassy must better organize and store the information and data that it develops so that staff can access and make use of it. Furthermore, post must better collate and interpret the management-related data the Department provides via multiple portals.
- **Linkages** | This supports the JSP strategic objective 4.2 to elevate the use of data to promote American diplomacy, development, and humanitarian efforts.
- **Risks** | Risks include staffing, training, or funding shortfalls to institute the necessary improvements.