

Explaining Croatia's Joining to WTO and Trade Disputes by Theories of International Relations

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Abstract. Croatia's economy has been highly promoted since the country declared independence in 1991. This paper discusses some specific trade disputes that produce crucial effect on the country's economy, speculates the country's needs and expectations for joining the World Trade Organization, combines basic international relations' theories with WTO Cardinal Principles, and makes an attempt in interpreting some case studies, in which Croatia and the other country reached a mutual agreement, from the perspective of three theories introduced in international relations: Neo-realism, Neo-liberalism, and Constructivism.

Keywords: Croatia, WTO, International relations.

1. Introduction

On May 19, 1991, Croatia held an independence referendum, and the independent side won by an absolute majority. On June 25, Croatia declared its independence from Yugoslavia. After this country has gained its independence from Yugoslavia, its relationships with nearby countries including Serbia, Bosnia and Herzegovina, Slovenia and other former Yugoslav countries are worth discussing and being analyzed. As tourism being the biggest composition of the domestic economy, the inter-state contacts between Croatia and other European Union members demand careful case studies as well.

The Republic of Croatia (the Republic of Croatia) is located in the south central part of Europe and enjoys a favorable geographical position. It became independent from Yugoslavia in 1991. Croatia is a relatively developed country in the former Yugoslavia, and its investment environment has been improving since it officially joined the EU in July 2013. In order to consolidate and develop the political and economic ties with the EU, it is essential to study the political risks of investment in Croatia.

Croatia is located in South Central Europe and northwest Balkan Peninsula. It is adjacent to Serbia, Bosnia and Herzegovina, Montenegro in the East, Hungary in the north, Slovenia in the northwest, and the Adriatic Sea in the South and southwest. It has many islands and is known as the "country of thousand islands". Zagreb is the capital of Croatia and the political, economic and cultural center of Croatia. Croatia has 20 provinces and 1 provincial municipality directly under the central government, with 127 cities and 429 districts. All provinces, cities and districts are Croatian local self-government institutions.

Croatia has a population of 4.285 million, with an average population of 77.8 people per square kilometer, of which urban population accounts for nearly 70% [1]. Due to the influence of politics, economy, war and other factors, Croatian immigrants have been in constant waves since the 15th century. At present, Croatia has 2.5 million overseas Chinese. 87.8% of the residents of Croatia believe in Roman Catholicism, and a small number of residents believe in orthodox religion, Islam, Protestantism, Greek Catholicism or Judaism.

Croatia is rich in forest and water resources, with a national forest area of 2.232 million hectares and a forest coverage rate of 40%. The main mineral resources are oil, natural gas, coal and bauxite. At the same time, Croatia also produces high-quality marl, and other minerals include iron, manganese and graphite. There are abundant oil reserves under the Adriatic Sea, and they are connected to refineries in Croatia, Bosnia and Herzegovina, Slovenia, Serbia, Hungary, the Czech Republic and Slovakia through oil pipelines. The vast area from Slavonia broad to mejumurye is

densely covered with oil fields and rich in oil and natural gas reserves. Croatia has large coal reserves, but low-quality coal reserves, deep burial and difficult mining.

Croatia is a parliamentary democracy. The parliament is the highest legislative organ of Croatia, which adopts a unicameral system. The main functions and powers of the Parliament are to review and pass laws, adopt the state budget, decide on war and peace issues, adopt the national security strategy and national defense strategy, decide on changes in national boundaries, decide on holding referendums, and supervise the work of the government. Members of Parliament are directly elected by the whole people for a term of four years. The president is the head of state and the supreme commander of the Croatian armed forces. He is directly elected by the whole people and serves a five-year term, with no more than two consecutive terms. The government is the highest administrative organ in Croatia and is accountable to the parliament. The prime minister is the head of government, nominated by the president and appointed by Parliament. Croatia has a constitutional court and a supreme court. The Supreme Court is the highest judicial organ. It has jurisdiction over the supreme commercial court, the provincial court, the high Criminal Court and the administrative court. Each high court has its own basic court. The president of the Supreme Court is nominated by the president and appointed by Parliament for a four-year term.

The main political parties in Croatia include the Croatian Democratic Union, the Social Democratic Party, the Croatian peasant party, the Croatian Social Freedom Party, the Croatian people's party Liberal Democrats, the Istra Democratic Congress party, and the Serbian independent democratic party. On January 11, 2015, Grabar Kitarović, the presidential candidate of the Democratic League, won the second round of the presidential election and became the first female president in Croatia's history.

Croatia's tourism industry is an important competitive industry. After joining the EU, people of all EU countries can enter Croatia at will, enter Croatia and enjoy the beautiful scenery of Croatia. Croatia's tertiary industry has developed rapidly due to the booming tourism industry. Supporting the tourism industry, Croatia promotes public medical services. First of all, citizens can enjoy medical services at a low price. In addition, it also provides a forest oxygen bar, so that sick patients can recuperate here and combine medical care with nursing care. These high-quality medical conditions have attracted many Europeans to come here for the elderly.

After World War II, Croatia, known as the "Pearl of the Balkans", accurately grasped the three nodes and realized the country's prosperity and strength. At the beginning, Croatia joined Yugoslavia. Under Tito's administration, Croatia's economic development was the best among several Member States. However, unstable factors were quietly breeding in a prosperous interior. However, after Tito's death, Croatia was the first member state to announce its withdrawal from Yugoslavia. The leaders immediately announced that they would actively move closer to the EU, join NATO, and draw a line with the socialist camp.

The process of secession was extremely difficult, and the road of joining the EU was also full of twists and turns. After several twists and turns, Croatia's economic development was not greatly affected, and it still maintained a strong momentum of development, becoming a ballast for the Balkans. After joining the European Union, Croatia's tourism, medical care, culture and sports industries have also developed rapidly. The national football team has only won the world cup once in many years. Croatia has entered the world cup six times. The national cultural level is very high and the illiteracy rate is extremely low. It is the best developed country among the several Member States after the dissolution of Yugoslavia.

Croatia is lucky compared with other countries in Yugoslavia. When it was in Yugoslavia, it enjoyed the dividends of development and had enough capital to leave and join the EU. In the EU, Croatia has also found its own identity and made full use of the EU to achieve its second economic takeoff. The Croatian government also gave back these developments to the ordinary people and improved their lives.

Why did Croatia, which enjoyed the development dividend in Yugoslavia, withdraw from Yugoslavia? How did Croatia get out of the crisis and achieve economic takeoff?

This paper will be organized as mentioned below. It discusses some specific trade disputes that produce crucial effect on the country's economy, speculates the country's needs and expectations for joining the World Trade Organization, combines basic international relations' theories with WTO Cardinal Principles, and makes an attempt in interpreting some case studies, in which Croatia and the other country reached a mutual agreement, from the perspective of three theories introduced in international relations : Neo-realism, Neo-liberalism, and Constructivism.

2. Literature review and introduction of theories and principles

In this section, three theories substantial for better understanding of the overall analysis will be introduced, Neo-realism, Neo-liberalism and Constructivism. In addition, you will be introduced to nine WTO Cardinal Principles to help provide further theoretical approaches for analyzing the cases.

2.1 Neorealism

The theory of neo realism means that while recognizing "anarchy" and "the state as the basic actor", it emphasizes the order and limitations of international relations, attaches importance to the global system research including East West North South relations, and pays more attention to the economic factors in international relations. In terms of research methods, the school emphasizes comprehensive analysis, and believes that power politics and system model, structural analysis and feedback game, macro and micro analysis should be inclusive and complementary to each other.

The changes in the characteristics of government units from the ancient empire to the European Union, and everything in between, will not affect the fundamental logic. The theory aims to focus on the "international structure" - mainly refers to the distribution of capabilities, especially how the capabilities distribution among major powers affects the results. It sometimes regards weapons technology (i.e. who owns nuclear weapons) as another important "system" attribute. The difference between it and the so-called "classical" realism theory lies in its emphasis on several viewpoints: advocating complete and lasting anarchy; The government pursues (at least in some versions of the theory) relative benefits rather than total benefits; The natural choice of the so-called concern of the state or government (in other versions) for survival is the final arbiter of wise policy choices; Imitation as a complement to choice; Small countries do not matter; International law and institutions are appendages to the desires of great powers.

However, the difference between new realism and realism, and even between new realism and liberalism and constructivism, is difficult to be clear. For example, trying to teach undergraduates the difference between realism and new realism requires serious simplification, thus risking satirizing their respective positions.

New realists believe that there are basically three possible systems. The unipolar system contains only one big country, the bipolar system contains two big countries, and the multipolar system contains more than two big countries. New realists believe that the bipolar system is more stable than the multipolar system (less prone to major power wars and systemic changes), because only through internal balance can balance be achieved, because no additional major powers can align with it. Since there's only internal balance, not external balance, in the bipolar system, less chance of miscalculation, and therefore less chance of war between great powers lies there. This is a simplification and theoretical ideal.

Neo realists believe that the process of imitation and competition leads the state to act in the above manner. Simulation leads countries to adopt the behavior of successful countries (for example, countries that win wars), while competition leads countries through the best possible means to vigilantly ensure their security and survival. Due to the anarchic nature of the international system and the inability of countries to rely on other countries or organizations, countries must "help themselves".

For the new realists, social norms are largely considered irrelevant. This contrasts with some classical realists who do believe that norms are potentially important. New realists also doubt the

ability of international organizations to act independently in the international system and promote cooperation among countries.

2.2 Neoliberalism

Robert Keohane and Joseph Nye are regarded as the founders of Neo liberalism; Keohane's *After Hegemony* is a classic of this school. Other major influences include Stephen Krasner's hegemonic stability theory and the work of Charles P. Goldberg and others. Like Neo realism, it is also one of influential methods in contemporary international relations.

Neo liberalism and Neo realism share many of the same assumptions (the state is the main actor, and the state rationally pursues its own interests), but different conclusions are drawn from these assumptions. Contrary to Neo realist scholars who are skeptical about the prospects of sustainable cooperation [2], Neo liberalism believes that cooperation is feasible and sustainable. Neoliberalism is an economic and political trend of thought. It opposes the unnecessary intervention of the state and government in the economy and emphasizes the importance of free market. But different from classical liberalism, it advocates social market economy, that is, the government only regulates the economy and stipulates the framework conditions of market activities. In terms of international policy, it emphasizes the opening of international markets and supports global free trade and international division of labor. Neoliberals oppose socialism, trade protectionism, environmental protectionism and populism, believing that it will hinder individual freedom.

Although neoliberals do not deny the anarchic nature of the international system, they think its importance and influence have been exaggerated. The debate of neoliberalism focuses on the so-called underestimation of "various cooperative behaviors that may exist in the decentralized system" by neorealists. However, both of these theories regard the state and its interests as the central theme of analysis; Neo liberalism may have a broader concept of these interests.

Neo liberalism believes that even in the anarchic system of autonomous rational countries, cooperation can emerge through fostering mutual trust and establishing norms, systems and institutions.

As far as the scope of international relations theory and foreign interventionism is concerned, the debate between Neo liberalism and Neo realism is a debate within a paradigm, because these two theories are both positivist and mainly focus on the state system as the main analysis unit.

2.3 Constructivism

Nicholas Onuf coined the term "constructivism" to describe the theory that emphasizes the social construction characteristics of international relations [3].

The earliest Constructivism focused on norms established in international politics. The culture of national security edited by Peter J. Katzenstein has compiled the works of many outstanding and emerging constructivists, indicating constructivism's importance in the field of security research; Realism has always been the dominant field of international relations.

After establishing the importance of norms in international politics, later constructivism tends to explain the situation where some norms are important and others are not. A large number of constructivist studies have focused on regulating Entrepreneurs: international organizations and laws: cognitive communities; Speech, debate and persuasion; Structure allocation is the mechanism and process of social construction.

Different from structural realism and Neo liberalism, constructivism holds that the behavior of people, organizations or countries is socially constructed and does not follow an unchanging order or principle. Alexander Winter put forward two core concepts of Constructivism: first, the social structure of human beings is shaped by the mainstream view of human society, not driven by material forces; 2、 The influence of the characters on the social stage comes from their identity and interests, not their nature [4-7].

The core of constructivism is that the concept is important, and the subject is socially constructed (not given).

Constructivism studies not only focus on the causal explanation of phenomena, but also on the analysis of how things are formed.

In terms of ontology, Neo realism and Neo liberal institutionalism belong to rationalism. Neo realism defines a country as a self interested and unitary rational actor in international relations by defining individuals / companies in microeconomics. The interests and identity of a country are determined entirely by internal factors and have nothing to do with its activities in the international community. Keohan also retreated from his position of affirming pluralistic international actors and acknowledged the rationalistic assumption of state actors. Constructivism is anti rationalism. The social structure of international politics not only affects the behavior of actors, but also constructs the identity and interests of actors.

From the perspective of world outlook, both Neo realism and Neo liberal institutionalism accept the theory of materialism and do not recognize the substantive significance of ideas. The most basic concept of new realism - international system structure - refers to the distribution of national material power in the international system. Although the system of neoliberal institutionalism is immaterial to a great extent, its function depends on the material return that the system can provide. Constructivism does not deny the objective existence of matter, but opposes the pure materialistic view that takes the objective existence of matter as the only and most important reason to explain the behavior of actors. Constructivism is an idealistic point of view, which holds that power is mainly constructed by ideas and cultural situations. The meaning of power distribution is constructed by the distribution of interests to a great extent, and the content of interests is constructed by ideas to a great extent. In other words, the reason why power and interests have the role they actually have is that the concept of power and interests plays a role. International relations are not only influenced by power politics, but also by ideology. This view has been recognized by writers who call themselves constructivist theorists. According to this view, the basic structure of international politics is the social structure, not the strict material structure.

3. WTO Cardinal Principles

The WTO Cardinal Principles consists nine basic rules, which can also be summarized as "non discriminatory principle", "fair trade principle" and "transparency principle"[8].

Croatia's industrial structure is dominated by the tertiary industry, supplemented by the secondary and primary industries. In 2013, Croatia's agriculture, industry and service industry accounted for 5%, 25.8% and 69.2% of GDP respectively.

Tourism is the pillar industry of Croatia. As a Mediterranean tourist resort, Croatia has a long history of tourism and rich tourism resources. The Adriatic coast and its more than 1000 islands, eight national parks and historical and cultural heritage protected by UNESCO attract a large number of tourists every year. According to the statistics of the Central Bank of Croatia, the tourism revenue of Croatia in 2013 was about 7.2 billion euros, an increase of 5% over 2012 and accounting for 16.5% of the total GDP.

Croatia's infrastructure is weak. In 2013, in order to further integrate with the European Union, the Croatian government invested 1.512 billion euros to improve the country's infrastructure, an increase of 325% over the same period in 2012. Nevertheless, Croatia's infrastructure still has a lot of room for development.

Thus the World Trade Organization has established a multilateral trading system, realized the economic development of its members, worked hard to protect the interests of vulnerable members, and ensured that the least developed countries can obtain a share and benefits commensurate with their economic development level in the growth of international trade.

3.1 Most Favoured Nation Treatment

It is to point to in the goods and services trade, a member gives any other member of the preferential benefit, and shall immediately and unconditionally to give all members

3.2 Doctrine of national treatment

It is to point to in the domestic tax collection and implement domestic regulations, members of imported products, foreign enterprises and service and its products, enterprise, service to alike, shall not be discriminated against. Strictly speaking should be foreign goods or services and importing countries domestic goods or services in the principle of equal treatment.

3.3 Mutual reciprocity and mutual benefit principle

The management of the WTO agreement is based on the overall balance of the rights and obligations for the principle, this balance is through the members mutually beneficial open market promises and get, you gave me is how many interests, I also calculate how much benefit to you. To provide each other preferential treatment way of keeping the balance of trade, and seek for the realization of the trade liberalization. Mutual including bilateral mutually beneficial and multilateral mutual.

3.4 Principle of expanding market access

The World Trade Organization (WTO) is an international institution created in 1995 that oversees the trade rules among nations for the global good. The WTO affects market access by providing a platform on which member governments can negotiate and resolve trade issues with other members. For example, the WTO has lowered trade barriers to improve market access among member countries and has also maintained trade barriers when it made sense to do so in the global context.

3.5 To promote fair competition and trade principle

The WTO banned by dumping or subsidies members not to disrupt normal trade fair trade means the behavior, and allow take anti-dumping and countervailing trade remedy measures, and ensure that international trade in fair basis.

3.6 Encourage development and economic reform principles

The world trade organization said, developed member is necessary to know to promote the development of export trade and the member economic development, thus promote the whole world trade and economic health development. Therefore, in the agreement is allowed in the developing member in the relevant trade field, in the obligations on the basis of equality.

3.7 Trade policy transparency principle

The principle of transparency stipulates that all members shall implement the above-mentioned relevant laws, regulations, judgments and decisions in a fair, reasonable and uniform manner. Uniformity requires that there should be no differential treatment in the relevant regulations governing trade within the territory of the Member States, that is, the central government should uniformly issue relevant policies and regulations, and the regulations issued by local governments on the above matters should not conflict with the central government in any way. Except for the special administrative regions and local governments authorized by the central government. Fairness and rationality require members to implement the principle of non discrimination in the implementation of laws and regulations.

The principle of transparency also stipulates that in view of the necessity of checking and correcting customs administrative acts, members are required to retain or establish as soon as possible judicial, arbitral or administrative institutions and procedures. Such courts or procedures are independent of the bodies responsible for administrative enforcement. Except that the importer can appeal to a higher court or institution within the stipulated and allowed appeal period, the decisions are all implemented by these institutions.

3.8 Principle of preferential treatment for developing and least developed countries

If developing countries need some time and material preparation when implementing the WTO agreement, they can enjoy preferential treatment for a period of time during the transition period.

3.9 Principle of fair and equal treatment of trade disputes

When mediating disputes, it should be a prerequisite for members to reach an agreement on the basis of equal status. The mediator is usually the director general of the WTO.

4. Croatian foreign relations from the perspective of three theories

4.1 Croatia-France relations in a Neo-realism perspective

Because of different religious beliefs, the former Yugoslavia has been in constant war. Croatian defense minister Panožić and French defense minister Parly signed a contract for Croatia to buy fighter aircraft. This is the largest arms purchase since Croatia became independent in 1991.

The day before Croatia's independence, the civil war broke out. At that time, their main battlefield was in the Dalmatia region in what is now the coastal area of Croatia. After nearly a decade of civil war, Croatia has gradually occupied almost all the coastline of the former Yugoslavia. These ideas show the absolute enhancement of military strength of Croatian trade policy.

4.2 Croatia-Hungary relations in a Neo-liberalism perspective

Important tasks include restoring railway links between the two countries, the construction of the Sarajevo-Osijek-Budapest motorway, the Croatian LNG terminal and the MOL-INA issue are previously prepared to be resolved.

Since bilateral trade between Croatia and Hungary grew 22% in year-on-year terms from January to November in 2014, reaching a record high in 2015, Hungarian Eximbank is going to open a €185 million credit line to support cooperation between Hungarian and Croatian companies. In addition, Croatia called for the continuation of the work of the three Hungarian-Croatian mixed committees and suggested that a Hungarian-Croatian joint government meeting should be organized.

These ideas show how the realism of Croatian foreign policy promote positive trade-offs and create win-win opportunities .

4.3 Croatia-Slovenia relations in a constructivism perspective

In international relations, constructivism is a social theory that asserts that significant aspects of international relations are shaped by ideational factors (which are historically and socially constructed), not simply material factors.

Slovenia and Croatia are both former Yugoslav republics. Since their independence in 1991, the two countries have not demarcated their land and sea borders. The reason why the two Slovenian political organizations proposed the referendum was precisely because they were dissatisfied with the territorial dispute between Croatia and Slovenia.

Due to territorial disputes, Slovenia blocked the accession negotiations between the EU and Croatia in some policy areas in December 2008. Despite this, Croatia remains major trade partner of Slovenia as the close-related tourism and culture make the trade between two countries much easier in a constructivist's view[9].

5. Conclusion

By and large, Croatia's political situation has tended to be stable and its economy has gradually recovered in recent years, and its accession to the WTO has provided a good opportunity for Croatia to develop its economy, improve its legal system and improve its infrastructure[10].

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