



Italian Geo-Economic Position in Croatia: An Analysis of Asymmetric Geo-Economic Environment and Structural Dominance

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Article History

Received: 12-11-2025

Accepted: 20-01-2026

Published: 24-01-2026



Abstract:

This paper analyzes Italy's strategic geoeconomic influence in Croatia, focusing on the power imbalances within the European single market. Rather than treating Croatia as an equal partner, Italy leverages third-party dynamics—specifically involving Hungary—to push Croatia toward the EU periphery, effectively blocking the full development potential of the Croatian state. Our study investigates the exact mechanisms supporting this Italian economic dominance. The strategic focus is placed on three main areas: (1) structural financial leverage achieved through control of the banking sector, (2) the export of wood raw materials to supply industrial clusters in Italy, and (3) logistical integration across the northern Adriatic basin with the ultimate goal of permanently marginalizing the Port of Rijeka. By applying a SWOT matrix, the research demonstrates that these economic relations follow a traditional core-periphery model. Ultimately, Italy co-opts Croatia's geographical position and domestic resources to serve its own "Wider Mediterranean" (Mediterraneo Allargato) doctrine and protect its national interests.

Keywords: Asymmetric Geo-Economic Environment, Structural Dominance, Raw Material Extraction, Geo-Economic Divergence, Sistema Paese, Profit Extraction, Energy Hub, Adriatic Basin, Hostile Rome-Budapest Axis, Logistical Bypassing Of Rijeka, Periphery Subjection.

Original Research

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1. INTRODUCTION: Anatomy of an Asymmetric Geoeconomic Environment in the Adriatic

While public and political discourse in early 2026 highlights the strong institutional partnership between Croatia and Italy within the European Union, the underlying economic indicators tell a different story. A closer look reveals a deeply rooted, systemic geoeconomic asymmetry between the two nations (Šarić, 2025). This paper uses a geoeconomic theoretical framework focused on the projection of state power to evaluate Italy's actual position and objectives within the Croatian economy. Instead of merely tracking bilateral trade volumes, we focus on the structural levers that Italy—the Eurozone's second-largest industrial power—employs to shape and dominate Croatia's economic landscape.

Drawing on core-periphery theory (Wallerstein, 2004), we argue that this asymmetric relationship operates through three primary channels:

1. **Financial leverage:** Systemic control over the Croatian banking sector, established in 1998, grants targeted Italian capital significant influence over domestic liquidity.
2. **Resource extraction:** The continuous outflow of low-value-added Croatian wood raw materials keeps the country positioned at the bottom of an unequal value chain.
3. **Logistical diversion:** The deliberate redirection of maritime and trade flows toward Italian port networks, combined with strategic coordination with Hungary, actively undermines the viability of Croatian transit corridors.

2. GEOECONOMIC POSITION OF ITALY IN THE MEDITERRANEAN

Geoeconomics, as a distinct discipline, analyzes how nation-states weaponize economic assets within their national doctrines to project international power and cement security (Luttwak, 1990). This field merges geographic, political, and economic variables to dissect the execution of power on the global stage. In practice, geoeconomics forces "the re-establishment of state power in the name of strategy and security" (Khasnabis, 2018)—a calculated clash between political imperatives and market realities that Šarić (2018) operationalizes for specific regional friction zones.

2.1. Italian geo-economic strategy within the "Widened Mediterranean"

2.1.1. The concept of the "Extended Mediterranean" (*Mediterraneo Allargato*)

Rome builds its strategic reach through the aggressive geopolitical prism of the "Expanded Mediterranean" (*Mediterraneo Allargato*), a space stretching from the Balkans down to the Sahel. Dependency theory (Prebisch, 1950) dictates that core economies (here, a dominant Italy) systematically lock peripheral zones (a struggling Croatia trying to reach the EU developmental midfield) into secure spheres of influence. For Rome, this basin represents a vital arena for enforcing state interests. Italy exploits its central geographic position in the Mediterranean and the EU as a geopolitical bridge, aiming to funnel continental European trade directly into emerging African markets (Šarić, 2024).

2.1.2. Energy diplomacy and the "Sistema Paese"

A cornerstone of Rome's geoeconomic offensive is its self-transformation into a dominant energy hub, a move that actively seeks the economic marginalization of regional Mediterranean competitors, most notably Croatia. Backed heavily by the state, the energy giant ENI aggressively secures natural gas alternatives to replace historical Russian dependencies. This state-corporate nexus perfectly embodies the "Sistema Paese" framework—a tightly weaponized alignment of state diplomacy and corporate muscle abroad. By utilizing national infrastructure like the Transmed pipeline, Italy converts economic interdependence into a blunt instrument for total geoeconomic domination over its immediate neighborhood.

2.1.3. Infrastructure and Logistical Sabotage

Monopolizing maritime corridors remains critical for Italy's geoeconomic imperial strategy, which completely refuses to treat Croatian national interests as equal. The aggressive modernization of Trieste represents a direct, hostile strike aimed at neutralizing rival logistics networks, primarily the Port of Rijeka. Under Wallerstein's (2004) core-periphery model, the dominant Italian core must violently pull cargo flows toward its own infrastructure. Rome, expanding its logistical footprint via the Adria Port project, acts in tight coordination with Budapest to bypass Croatian sovereignty (Šarić, 2025). This alliance deliberately revives old imperial rivalries, treating the rapid growth of Rijeka not as fair market competition, but as a zero-sum threat to western Adriatic hegemony.

2.1.4. "Piano Mattei" and the defense of Italian national champions

Modern Italian geoeconomics finds its sharpest expression in the "Mattei Plan" and the relentless protection of national corporate monopolies like ENI and Leonardo. Rome systematically expands its geoeconomic leverage through state-backed financial arms like Cassa Depositi e Prestiti, while fiercely shielding critical domestic technologies from foreign takeovers (Šarić, 2024). Under this doctrine of "defensive geoeconomics," foreign investments and development aid function simultaneously as national security shields and tactical mechanisms for migration management.

3. CONFLICT OF CROATIAN AND ITALIAN GEOECONOMIC INTERESTS: RIVALRY FOR ENERGY DOMINANCE IN THE ADRIATIC

The Italian geoeconomic strategy pursues a ruthless, long-term goal: establishing Rome as Europe's primary energy gateway. Such an Italian imperial doctrine collides directly with Croatian national and state interests. Croatia's state-building and geoeconomic interest demands the aggressive defense and strengthening of the liquefied natural gas (LNG) terminal on Krk Island by all available means. This systemic rivalry actively plays out across three asymmetric dimensions within the Adriatic environment: Market competition for the supply of Central and Eastern Europe: By boosting the Krk LNG terminal capacity to 6.1 billion cubic meters, the Croatian geoeconomic position has positioned itself as a critical energy corridor for

Hungary, Slovenia, and Austria. This directly safeguards the Croatian national interest. Simultaneously, Italy positions itself geoeconomically strongly by actively maximizing the throughput of its Transmed and TAP pipeline systems. Viewed through the prism of geoeconomic divergence, the capacity of the Italian state and geoeconomic strategy to secure permanent, low-cost gas supplies from the global South is at stake. This Italian imperial strategy poses a lethal, long-term threat to the commercial viability and market share of the Croatian route via Krk. Energy infrastructure priorities and institutional leverage: Within the framework of the governance of European energy corridors, Rome weaponizes its considerable institutional weight. The Italian geoeconomic imperial strategy aims to give absolute priority to transalpine routes that plug its domestic grid straight into Central European industrial hubs (Eurostat, 2025, p. 25). Pushing preferential EU support toward these Italian corridors systematically suffocates the development momentum of the "Vertical Corridor," where Croatia serves as the vital link (Eurostat, 2025, p. 25; Šarić, 2024, p. 8). Furthermore, the implementation of Italian-African energy initiatives—crucial for Piano Mattei—deliberately diversifies the supply mix for Central European countries, directly disrupting their absolute dependence on the East Adriatic transit route, undermining Croatian state interests (Šarić, 2024, p. 8). Cost asymmetry and price arbitrage: Pipeline gas from Algeria holds a permanent, structural cost advantage over the multi-stage process of LNG liquefaction, sea transport, and regasification (Šarić, 2024, p. 8). The Italian geoeconomic strategy actively exploits this price edge to attract large industrial consumers across the wider region (Šarić, 2024, p. 8). From a geoeconomic perspective, the pricing pressure exerted through the expansion of the Italian pipeline network functions as a strategic lever. This Italian geoeconomic, strategic, and security setup is a calculated imperial tool designed to gradually choke and marginalize the regional competitiveness of Croatia's Krk terminal, directly threatening Croatian national and state sovereignty (Eurostat, 2025, p. 25).

4. SECTORAL SWOT ANALYSIS OF ITALIAN GEOECONOMIC PENETRATION INTO CROATIA

Applying a SWOT matrix within this research framework provides a sharp, structured tool to evaluate how Italian capital penetration impacts critical sectors of the Croatian economy. This methodology maps structural asymmetries while supporting the defense of Croatian national interests and stabilizing the Croatian geoeconomic strategy. It directly measures how deeply domestic economic processes depend on the Italian macroeconomic engine. The analysis assesses whether bilateral market dynamics reflect an equal partnership or a strategic, imperial expansion of core interests. It places a harsh focus on the fierce logistical rivalry between the ports of Rijeka and Trieste. To ensure analytical clarity, we evaluate this matrix strictly through the lens of economic sovereignty. It contrasts the dominant Italian core against a Croatian periphery fighting for strategic repositioning—especially after Croatia's historic achievements in joining NATO, the EU, the Schengen Area, and the Eurozone.

4.1. General SWOT Analysis of Italy's Geoeconomic Positioning in Croatia (2026) STRENGTHS – Mechanisms of Financial and Market Control (Core Levers)

1. **Trade Gravity:** As a primary bilateral trading hub, Italy ruthlessly shapes the direction and volume of Croatian export-import flows.
2. **Stark Italian Banking Hegemony:** By controlling 45.7% of total assets within the Croatian banking sector (CNB, 2025), Italian financial groups wield absolute, systemic leverage over Croatian national liquidity.
3. **Proximity Advantages:** Geographic closeness to Italian industrial clusters supports "just-in-time" supply chains. This proximity minimizes transport costs for draining wood resources out of Croatia.
4. **Institutional Synergy:** Rome deploys its Sistema Paese framework as a weaponized geoeconomic and strategic doctrine. This ensures tightly coordinated actions between Italian corporate networks and state diplomacy to neutralize the fullness of Croatian state interests.

WEAKNESSES – Structural Vulnerabilities and Low Value-Added (Peripheral Constraints)

1. **Resource Lock-in:** A continuous concentration on raw material exports, particularly wood, traps significant segments of the Croatian economy in low-value production tiers.
2. **Cyclical Vulnerability:** The tight correlation between Croatian industrial output and Italian market demand dangerously exposes Croatia to external economic shocks.
3. **Logistical Bottlenecks:** Deliberate or structural deficits in domestic transport infrastructure indirectly help keep primary freight flows locked within competing Italian port systems like Trieste and Venice.
4. **Contagion Risks:** Exploding levels of Italian sovereign debt in the home country pose a latent, systemic risk to the long-term stability of domestic Croatian banking subsidiaries.

OPPORTUNITIES – Spaces for Expansion and Integration

1. **Transit Integration:** The potential inclusion of domestic transport networks into broader European energy corridors remains heavily under the structural management of main Italian utility monopolies.
2. **Nearshoring Realignment:** Shifting supply chains away from Asian markets closer to Europe binds local labor to the allocation of Italian capital. This trend drives regional employment but calculatedly chains Croatia to a lower industrial tier.
3. **Eurozone Consolidation:** Mitigating currency volatility and transaction barriers simplifies cross-border capital mobility. This optimization maximizes the Return on Equity (ROE) for parent companies in Rome, bypassing domestic retention.

THREATS – Direct Risks to Economic Sovereignty

1. **Core-Economy Rivalry:** Intense competition between Central European economies (the DACH region) and Italy over regional resource control exerts brutal cross-pressures on domestic Croatian policy.
2. **Aggressive Capital Outflow:** Italian capital allocations focus heavily on systematic profit extraction. This process is driven by low reinvestment rates in high-tech domestic sectors and the constant transfer of net dividends to foreign headquarters.

3. **The Rome-Budapest Axis:** The strategic, ideological, and geoeconomic alliance between Italy and Hungary creates a direct, existential threat to Croatian logistics (the Port of Rijeka) and energy networks.
4. **Strategic Bypass via Piano Mattei:** Redirecting European policies under the Piano Mattei framework prioritizes North African energy corridors. This tactical shift systematically chokes Croatia's regional market share and slashes the utilization of the LNG infrastructure on Krk Island, directly violating Croatian state-building interests.

Source: Developed by the author, based on CBS (2025), CNB (2025), and Wallerstein (2004).

4.2. SWOT Analysis: Structural Dominance of Italian Capital within the Financial System of the Republic of Croatia (2026)

STRENGTHS – Mechanisms of Financial Control (Core Levers)

- **Institutional Influence and Lobbying:** Parent-country personnel operate with an embedded imperial mindset, aggressively dictating terms rather than fostering a partnership. Executive management focuses exclusively on the strategic interests of their Italian banking groups.
- **Systemic Market Duopoly:** A geoeconomic overview reveals that the two largest commercial banks in Croatia function as primary structural vectors for foreign macroeconomic influence. Intesa Sanpaolo (PBZ) and UniCredit (Zagrebačka banka) control 45.7% of total assets within the Croatian banking sector, holding the keys to national liquidity (CNB, 2025).
- **Information Asymmetry as a Geopolitical Weapon:** Centralizing financial data plays a critical role in market dominance. Storing Croatia's entire data infrastructure on corporate servers in Milan and Turin grants Italian parent institutions real-time analytics over the domestic economy. This concentration of information becomes highly dangerous under current, volatile geopolitical conditions. Rome's tightening ideological alliance with Serbia and Hungary transforms this data monopoly into a direct security threat. Consequently, Italian actors maintain absolute surveillance over the creditworthiness and financial health of Croatian economic agents. This structural asymmetry hands Rome

a hostile strategic advantage in geoeconomic planning, stripping Croatia of its data sovereignty.

- **Eurozone Integration and Profit Repatriation:** The elimination of currency risks has facilitated the seamless, rapid transfer of capital and net profits to Italian headquarters. Through the tactical use of management fees, structural interest margins, and corporate transfer pricing mechanisms, parent institutions consistently siphon substantial net profits back home. This setup transforms the Croatian market into a high Return on Equity (ROE) optimization zone within a single monetary area.
- **Peripheral Innovation Deficit:** While serving as mechanisms for profit extraction, Italian banking groups simultaneously guarantee high capitalization levels and robust technological infrastructure. These elements remain critical for shielding the Croatian financial system against external macroeconomic shocks.

WEAKNESSES – Points of Systemic Instability (Peripheral Vulnerabilities)

- **Contagion of Parent Systemic Risk:** The transmission of foreign sovereign risk remains a constant threat. Sky-high levels of public debt in Italy present a continuous structural vulnerability for Croatia. Under this framework, the stability of local subsidiaries remains dangerously tied to Rome's fiscal health. Consequently, any fiscal shock or banking meltdown in Italy directly jeopardizes the safety of domestic deposits in Croatia. This dependency is deeply unjust: Croatia now commands an exceptional A+ credit rating, outperforming the poorer fiscal rating of its dominant parent state.
- **Absolute Dependence on Technology Imports:** Croatian subsidiaries operate exclusively as technology consumers. They rely entirely on core banking software, algorithms, and IT infrastructure developed and owned by parent companies in Italy. This dynamic suppresses the growth of an independent, domestic FinTech ecosystem, keeping the periphery structurally dependent.

OPPORTUNITIES – Vertical Expansion of Control

- **Digital Transformation and Transaction Surveillance:** The potential implementation of the digital euro serves as an instrument for

comprehensive transaction tracking. This tool allows parent institutions to further marginalize segments of Croatia's cash-based economy.

- **Debt-to-Equity Conversion:** Through corporate restructuring and deleveraging processes, Italian banks—which have faced significant past vulnerabilities—can seize direct ownership of strategic domestic real estate and distressed companies. This process effectively converts financial leverage into direct asset control.

THREATS – Threat Factors to the Italian Financial Monopoly

- **Strengthening National Development Architecture:** Alternatives to state-backed capitalization directly threaten Italy's private commercial concentration. The strategic expansion of the Croatian Bank for Reconstruction and Development (HBOR) offers a viable shield. Additionally, aggressive market share gains by the state-owned Hrvatska Poštanska Banka (HPB) would reinforce this domestic alternative. This national banking expansion is vital across critical coastal contact zones—specifically in **Pula, Rijeka, Zadar, Šibenik, Split, and Dubrovnik**—where Croatian economic sovereignty faces the heaviest geoeconomic pressure.
- **Decentralized Finance (FinTech) Penetration:** The rapid growth of alternative, decentralized payment and financing platforms completely bypasses traditional banking networks. This shift gradually dilutes the market power of the Italian duopoly.
- **Regulatory Protection of Profits (Windfall Taxes):** The potential introduction of extraordinary profit taxes or strict legal restrictions aims to curb the uncontrolled repatriation of capital from Croatian subsidiaries to corporate headquarters in Italy.

Source: Author, adapted from data from the Croatian National Bank (2025), Eurostat (2025), Wallerstein (2004), and Šarić (2025).

4.3. SWOT Analysis: Wood Processing Sector – Analysis of Asymmetric Value Chains (2026)

STRENGTHS – Logistic and Market Integration Mechanisms (Core Extraction Tools)

1. **Proximity Exploitation:** The geographical closeness of Italian industrial clusters supports predatory, just-in-time supply chains. In the Friuli-Venezia Giulia region specifically, this spatial proximity minimizes transport costs for siphoning raw wood resources out of Croatia.
2. **Monopolistic Capacity Concentration:** Large allocations of Italian capital into primary Croatian sawmill capacities establish aggressive, gatekept access to raw materials. This structural focus triggers economies of scale that effectively suffocate and bankrupt smaller, independent domestic processors.
3. **Value Arbitrage and Colonial Margins:** Primary wood processing functions as a calculated setup for external industrial networks to seize Croatian raw inputs at near-zero value-added states. This asymmetric model optimizes subsequent multi-billion dollar margins during the high-value design and production phases inside Italy. Consequently, Croatian operators remain forcefully chained to low-margin, high-labor activities, blocking national industrial evolution.

WEAKNESSES – Technological Stagnation and Peripheral Traps (Loss of National Value)

1. **Primary-Level Lock-in:** Broad industrial patterns focusing on raw material export actively starve local plants of capital expenditure for high technology. This systematic lack of reinvestment paralyzes the execution of advanced finalization and furniture manufacturing strategies within Croatia.
2. **Unequal Distribution of Wealth:** Structural trade data expose a brutal asymmetry: design, branding, and marketing margins remain strictly hoarded within the Italian core market (CBS, 2025). The massive gulf between the cheap export value of raw timber per cubic meter ($\$m^{\{3\}}$) and the hyper-inflated import value of finished Italian furniture outlines a textbook case of economic subordination.
3. **Ecological and Social Colonialism:** While Rome reaps high-tech corporate taxes and design premiums, Croatia is left with degraded

forest ecosystems, damaged local transport infrastructure, and chronically low wages for its local workforce.

OPPORTUNITIES – Aggressive State Intervention and Strategic Redefinition

1. **Asserting Sovereign Export Controls:** Applying aggressive state-backed environmental quotas, heavy export tariffs, or total temporary embargos on untreated timber can forcefully break this dependency. This bold policy framework would force foreign capital to either localize high-tier manufacturing inside Croatia or yield the resources to domestic furniture creators.
2. **Weaponizing Geographical Indications:** The ruthless enforcement of strict, state-protected Geographical Indications offers a bulletproof shield for local resources. Branding and legally sealing "Slavonian Oak" guarantees absolute national institutional control over certification, pricing, and ecological protection.
3. **Strategic Subsidies for National Finalizers:** Directing state funds and ensuring priority raw material allocation through the state-owned Hrvatske šume exclusively to domestic high-finalization manufacturers to build a self-sustaining national industrial base.

THREATS – Structural Deindustrialization and Demographic Depletion

1. **Evisceration of the Industrial Base:** The unchecked, continuous outflow of primary resources threatens to permanently wipe out local engineering expertise and craftsmanship. This drain systematically erases the operational footprint of domestic finished-goods manufacturers.
2. **Resource Depletion and Regional Brain Drain:** Extreme extraction rates without matching domestic high-tech reinvestment alter local ecological balances and trigger demographic collapses. Skilled young personnel permanently flee rural regions (such as Slavonija and Gorski Kotar) due to a lack of high-tier industrial employment.
3. **Predatory Supply Chain Relocation:** Capital networks feel zero loyalty to local communities and will instantly abandon domestic infrastructure if cheaper, unprotected resource bases emerge. Tactical pivots toward Romania or post-war Ukraine present

immediate threats to Croatia's long-term infrastructure investments.

Source: Developed by the author, based on CBS (2025), Prebisch (1950), and Wallerstein (2004).

4.4. SWOT Analysis: Logistical Rivalry – Competing for Primacy in the Northern Adriatic (2026)

STRENGTHS – Operationalization of the "Sistema Paese" Doctrine (Core Leverage)

1. **Established Hub Primacy:** Utilizing high-capacity infrastructure at Trieste and Venice allows Italian logistics networks to aggressively monopolize trade flows moving toward Central Europe (Austria, Germany, and Hungary).
2. **Institutional Sabotage and Prioritization:** Structured political lobbying within Trans-European Transport Network (TEN-T) frameworks ensures that EU funds are directed toward Italian coastal infrastructure projects, actively bypassing Croatian alternatives.
3. **Corridor Hijacking:** Exercising massive institutional influence within European planning bodies enables Rome to formalize its own maritime infrastructure pathways as the preferred, state-backed entry routes into continental Europe (Luttwak, 1990).

WEAKNESSES – Technical and Spatial Limitations (Core Constraints)

1. **Bathymetric Inferiority and Dredging Costs:** The natural deep-water draft of the Rijeka aquatorium exceeds 18 meters, giving Croatia a massive, natural geographical advantage. In contrast, the shallower depths at Trieste and Venice force Italy into continuous, high-cost financial investments and non-stop capital dredging to accommodate modern Ultra Large Container Vessels (ULCVs).
2. **Network Saturation:** Severe capacity bottlenecks within Northern Italian inland transport networks create structural incentives for Central European markets to bypass Rome and look toward direct transit corridors, including the Rijeka route.

OPPORTUNITIES – Affirmation of the Rijeka Transit Corridor and Sovereign Defense

1. **Intermodal Infrastructure Weaponization:** Accelerating structural upgrades to domestic rail connections—specifically the Lowland Railway—serves as Croatia's primary weapon

to recapture the Central European hinterland and neutralize Italian encirclement.

2. **Terminal Operator Diversification:** Collaborating with independent global terminal giants, such as Rijeka Gateway, injects brutal commercial motivation to optimize short intermodal routes to Central Europe, completely breaking state-specific western logistical monopolies.

THREATS – The Hostile Rome-Budapest Axis and Strategic Marginalization (Peripheral Threats)

1. **Geopolitical Cargo Diversion:** The hostile geopolitical alignment between Italy and Hungary functions as a coordinated strike designed to systematically limit the Port of Rijeka to secondary, localized functionality.
2. **Historical Disrespect of Croatian Interests:** This logistical bypass is rooted in a long history of regional powers undermining and underestimating Croatian strategic interests, treating the eastern Adriatic coast as a space to be suppressed rather than an equal gateway.
3. **The Rome-Budapest Logistical Axis:** The clearest manifestation of this anti-Croatian geoeconomic strategy is the Hungarian state investment in the Trieste port infrastructure (Adria Port project). This politically driven maneuver bypasses the naturally superior deep-sea route of Rijeka, deliberately redirecting traditional hinterland cargo routes toward the western Adriatic coast to damage Croatian economic sovereignty (Eurostat, 2025; Šarić, 2025).
4. **Equity-Based Hostile Takeovers:** Capital penetration by foreign corporate actors into domestic rail, port, or logistical services introduces dangerous veto structures, actively choking the overall agility and defense of the Croatian transit corridor.

Source: Developed by the author, based on Port of Rijeka Authority Strategic Data (2026), Eurostat (2025), Luttwak (1990), and Šarić (2025).

5. DISCUSSION: DECONSTRUCTING ITALIAN GEO-ECONOMIC DOMINANCE

5.1. The Financial Sector: Asymmetric Dependence and Capital Extraction

While the Croatian National Bank (CNB, 2025) routinely presents the public with defensive metrics on banking stability, the raw geoeconomic reality exposes a hostile financial occupation. Croatia's financial spine is hijacked by a foreign duopoly. Zagrebačka banka (UniCredit) and Privredna banka Zagreb (Intesa Sanpaolo) ruthlessly choke the domestic market. By holding 45.7% of all Croatian assets under tight lock and key, these Italian corporate giants do not serve Croatia—they dictate national liquidity and weaponize capital to subjugate the state (CNB, 2025).

1. Predatory Profit Repatriation and Massive Financial Imbalance

The hard-earned savings of Croatian citizens face a massive financial imbalance. Instead of funding Croatian heavy industry or high-tech sovereignty, these massive domestic deposits are seized as cheap liquidity cushions for struggling parent groups in Milan and Turin. Through aggressive management fees, artificial interest margins, and corporate transfer-pricing scams, Rome systematically drains hundreds of millions in net profits out of Croatia. This predatory capital flight creates an over-exploited market environment, designed solely to keep dying Italian banks afloat while exposing healthy Croatian deposits to the ticking time bomb of Italy's catastrophic sovereign debt.

2. Credit Blacklisting as National Development Sabotage

Lending policies are actively weaponized to keep Croatia economically crippled. Italian banks enforce a calculated credit blockade against Croatian high-tech enterprises and advanced manufacturing, blacklisting them as "high-risk." Meanwhile, they aggressively dump cheap consumer and real estate loans onto the local market. This is a deliberate trap designed to fuel the consumption of imported Italian goods and

finance the primary extraction of Croatian raw materials. Rome uses our own money to freeze Croatia at the absolute bottom of the industrial value chain.

3. The Eurozone Illusion and Monetary Subjugation

Croatia's entry into the Eurozone did not bring equality—it finalized our monetary surrender. The CNB has been downgraded to a toothless local watchman, while real economic power was surrendered to external masters. This colonial layout is proven by a blatant paradox: Croatian companies and citizens are forced to pay significantly higher borrowing costs than their Italian counterparts. Despite a unified ECB framework, Croatian capital is intentionally made expensive, keeping local businesses weak and defenseless against Italian corporate takeovers.

4. Financial Espionage and Data Sovereignty Surrender

The total capitulation of Croatia's data sovereignty is a direct national security threat. The entire transaction history, corporate secrets, and financial lifeblood of the Croatian state are hoarded on servers in Milan and Turin. This is not commercial banking—it is systemic financial espionage in real time. In a volatile Europe, and given Rome's toxic ideological flirting with Budapest and Belgrade, this data monopoly hands a foreign power absolute surveillance over Croatia. Rome knows our financial weaknesses before we do, converting commercial data into a hostile geoeconomic weapon.

5.2. The Wood-Processing Sector:

Mechanisms of Raw Material Extraction and Asymmetric Value Chains Structural data from the wood-processing sector expose a textbook core-periphery model. Instead of a balanced partnership, Croatia is treated as a cheap resource base for foreign industrial networks. High-tech integration, lucrative industrial design, and global branding are strictly hoarded within Italy's core manufacturing clusters. Meanwhile, Croatian participation is

forcefully compressed into low-margin sawmilling and raw commodities, locking the country into systematic underdevelopment.

1. Colonial Subordination within the Value Chain

The trade architecture between Zagreb and Rome outlines a brutal asymmetry. Croatia exports cheap, low-processed timber while continuously importing expensive, high-value finished Italian furniture. This extraction framework represents an over-exploited market environment based on classic dependency models (Prebisch, 1950). It ensures that multi-billion dollar capital accumulation remains locked within Italian industrial districts. Conversely, Croatia—as the peripheral resource supplier—is left with minimal profit margins, depleted forests, and the long-term ecological and administrative burdens of intensive timber harvesting.

2. Predatory Pricing and Resource Colonialism

Foreign capital penetration into local sawmilling infrastructure serves one hostile objective: securing uninterrupted, preferential access to Croatia's raw forests. These operations purposefully refuse to establish localized, final-stage manufacturing inside Croatia. Through aggressive vertical integration, Italian corporate groups dictate artificially low entry valuations for raw inputs. This corporate manipulation allows Rome to capture the primary profit margins back home, creating a massive financial imbalance and systematically draining the corporate tax base of the Croatian state.

5.3. Logistical Rivalry: Strategic Bypassing of Rijeka and the Rome-Budapest Axis

Within the maritime and logistics transport sphere, coordinated Italian infrastructure strategies focus heavily on suffocating the East Adriatic transit route. The objective is clear: secure permanent primacy for western Adriatic transit pathways (Trieste and Venice) over alternative Croatian national corridors.

1. Institutional Sabotage and Weaponization of EU Frameworks

Large maritime actors like Italy ruthlessly leverage their political weight within European planning bodies to align European financial allocations with infrastructure corridors that support their domestic ports as primary entry points into Central Europe. This institutional engagement goes way beyond standard market competition; it represents a long-term approach to deliberately cause developmental lags in competing regional infrastructure, such as the Lowland Railway (Nizinska pruga) project. Any administrative delay or funding constraints forced onto regional transport priorities directly damages the market share of the Port of Rijeka. This is a calculated structural asymmetry within Trans-European Transport Network (TEN-T) pathways, where powerful core economies intentionally stall the growth of the Croatian periphery to maintain their monopoly over European transit flows (Luttwak, 1990).

2. Instrumentalization of the Hinterland and the Hostile Hungarian Factor

The greatest strategic threat to Croatia's sovereignty lies in the revival of hostile, anti-Croatian geopolitical alliances. The acquisition of logistics and maritime terminals in Trieste by Hungary through the Adria Port project is a deeply political maneuver, completely detached from market logic. Budapest deliberately bypasses the naturally superior, shorter, and deeper transit path of the Port of Rijeka (Šarić, 2025).

This Hungarian strategy marks a direct continuation of historical disrespect and underestimation of Croatian national interests. In 2026, Budapest mimics its old imperial behavior from the era of Banned Croatia (Banska Hrvatska). This includes reviving historical methods of political sabotage, such as the imposition of the infamous "Rijeka Rag" (Riječka krpica), enforcing unconstitutional laws, and installing octroyed officials who acted directly against the interests of the Croatian people.

Furthermore, this Rome-Budapest axis deploys classic colonial tactics inside Croatia. This includes political pandering to and the instrumentalization of the Serbian minority to cause internal destabilization, fracture national unity, and weaken the negotiating power of the Croatian state. Diverting Central European cargo toward Trieste, despite the geographic reality that favors Rijeka, represents a coordinated geoeconomic strike by Rome and Budapest. The ultimate goal of this strategy is to permanently cripple Croatia's transit potential and force total logistical dependence on foreign centers of power.

Source: Developed by the author, based on Port of Rijeka Authority Strategic Data (2026), Eurostat (2025), Luttwak (1990), and Šarić (2025).

6. CONCLUSION: From a Geo-Economic Periphery Toward a Sovereign Strategy of Resistance

This comprehensive research exposes a brutal truth: Italy has built a system of permanent subjugation within the Croatian space. A dominant core economy has turned Croatia into a defenseless periphery. This occupying architecture rests on three destructive levers:

A) Financial Occupation and Capital Siphoning: The domestic banking framework acts as a mere ATM for foreign interests. Controlling 45.7% of total sector assets (CNB, 2025), the Italian duopoly of PBZ and ZABA chokes domestic liquidity and redirects net profits straight to Milan and Turin. Through this operation, Italian groups stabilize their own fragile capital systems while enforcing a calculated credit blockade against critical Croatian industrial and high-tech projects.

B) Resource Colonialism in the Wood Sector: Wood processing operates under a textbook colonial pattern. Croatia is reduced to a cheap resource base for Italian industrial clusters. We mindlessly export raw, premium Slavonian oak and import expensive, high-value finished Italian furniture. This extreme over-exploitation intentionally destroys domestic final manufacturing, leaving the

country with zero technological or industrial upgrade.

C) Logistical Sabotage and the Hostile Axis: Infrastructure planning and the Rome-Budapest alliance surrounding the *Adria Port* project in Trieste represent a direct strike against our sovereignty. The goal of this hostile axis is to permanently bypass and cripple the Rijeka transit corridor within the TEN-T network. By forcing Central European cargo flows toward the western Adriatic, they revive old imperial ambitions from the era of the "Rijeka Rag" (*Riječka krpica*) and Banned Croatia (*Banska Hrvatska*).

The central scientific finding of this research is clear: while Italy's imperial *Sistema Paese* doctrine and *Mattei* plan operate aggressively, ruthlessly, and with high coordination, Croatian institutions display a dangerous passivity. Allowing these structures to remain traps Croatia in a state of long-term economic death (Wallerstein, 2004).

Smashing these parameters requires immediate, brutal, and aggressive state interventionism.

The era of passive monitoring is over. Croatia must deploy three critical defensive shields:

1. **The Financial Counter-Attack:** The state must immediately execute an aggressive recapitalization and market expansion of HPB and HBOR. National banks must seize market dominance, especially within critical coastal contact zones (**Pula, Rijeka, Zadar, Šibenik, Split, and Dubrovnik**), to crush the foreign banking monopoly.
2. **The Raw Material Export Embargo:** Policy must enforce heavy state-backed quotas, high tariffs, or total temporary embargos on untreated timber. Through the state-owned enterprise *Hrvatske šume*, all domestic raw materials must be funneled exclusively to domestic furniture manufacturers.
3. **The Logistical Offensive:** The absolute national priority must be the swift execution of the Lowland Railway

(*Nizinska pruga*) infrastructure project. This railway is the ultimate weapon for Rijeka to smash the Rome-Budapest blockade and secure logistics primacy over the Central European hinterland.

Economic sovereignty is not a theory; it is defended through absolute control over national capital, raw forests, and Adriatic ports. Without a radical strategy backed by the financial and coercive apparatus of the Croatian state, our homeland will remain a permanently crippled resource colony trapped inside foreign imperial spheres of interest.

Source: Developed by the author, based on CNB (2025), Eurostat (2025), and Wallerstein (2004).

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