

Addendum 5a

**Seminar on the Promotion of
Foreign Direct Investment to
Southeastern Europe**

Croatia

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ANSWERS TO THE JAPANESE QUESTIONNAIRE

1) TRANSITION TO MARKET ECONOMY

Overall evaluation on macro-economic situation and progress towards market economy

The economic growth that began in 2000 after the 1999 recession continued in 2001, reaching 4,1%. Services, i.e. trade, transport, communications and tourism had the highest average growth rates over the year, while the signs of a notable recovery were shown in construction and transport. Due to its large share in gross value added, the contribution of industry to its growth was the second largest, following that of trade. The main generator of GDP growth in 2000 and 2001 was domestic demand, while in 1998 and 1999 it was net foreign demand. The estimated growth rate for 2002 is 3,5%. That should be a very good result, regarding the international environment.

GDP per capita doubled from 2 349 USD in 1993 to 4 625 USD in 2001. Level of employment remained very sensitive to seasonal effects.

Inflation remained subdued, with retail prices growth of 1,7% showing substantial downward trend of inflation in 2001. The inflationary pressures in 2001 were eased by:

- the fall in crude oil and raw material prices on the world market;
- decrease in producer prices of industrial products in Croatia and its trading partners;
- stable exchange rate;
- moderate wage increase;
- gradual decrease in tariff rates and increased competition in domestic market with the arrival of new chain department stores.

Personal consumption rose by 4,5% in 2001. Therefore, the year 2001 was the second consecutive year of personal consumption growth as a result of an increase of the wages and salaries, and government transfers to households, but also of new household sector borrowing from banks.

Government consumption in 2001 followed a downward trend, which resulted in a decline of 3,9% of the annual consolidated central government budget. The purchase of other goods and services on a cash basis was reduced by 11,8%.

Investments in gross capital formation, with a 9,8% annual growth, contributed 2,2% to the GDP growth. Favorable developments in demand and financing conditions encouraged investments. Bank loans rose by approximately 12,7% in nominal terms in 2001.

External debt stood at USD 11 049 million, or 54,5% of GDP at the end of 2001, which is lower than at the end of 2000. The structure of external debt by debtor shows that the government retained the highest share in total debt (44,7%), remaining at the level recorded in the previous year.

The merchandizetrade balance was negative in all four quarters of 2001 and stood at USD 4bn, up 25,2% compared with 2000.

The annual growth rate of exports reached 5,1% in 2001 (the highest since 1998 and very high considering the international environment), while the annual growth rate of imports was 14,7%. The highest exports were recorded in the manufacture of other transport equipment (16% of total industrial exports). The competitiveness of exporters was improved by a moderate growth in domestic prices, but appreciation of domestic currency had negative effects.

Almost all activities recorded an increase in imports of goods in 2001 due to imports of machinery and transport equipment and imports of manufactures classified by material. Croatia's exports to developed countries accounted for 62,2% of total exports in 2001 (of which almost 55% relate to exports to the EU markets – Austria, Germany, Italy as main trading partners). The remaining 37,8% of exports relate mostly to to developing countries, most notably CEFTA countries and former SFRY states. Imports of goods from developed countries accounted for two thirds of total imports.

Industry

In 2001, the total volume of industrial production grew by 6.0% compared with the previous year. The positive growth rates were recorded in all three sections of the industrial production: mining and quarrying grew by 2.0%, manufacturing by 6.5% and electricity, gas and water supply by 5.0%. The labour productivity growth in industry, after a several-year decline, was primarily the result of positive developments in production and not just of reduced employment.

Construction

After two-years' decline and zero growth in 1998, gross value added in construction grew by 2,8% in 2001, as a result of a good performance in the first and last quarters. The upward trend in construction in 2001 is also reflected in a 22,7% increase in the value of net construction projects orders in Croatia, a 23,2% growth in the value of completed projects, a 19,2% growth in the number of completed dwellings and a 15,2% increase in the floor space of completed dwellings.

Tourism

The growth rate in 2001 was lower than in 2000 but it should be noted that the 2000 rate included the low-base effect. There were 7.9 million tourist arrivals and 43.4 million tourist nights in 2001, of which 88% were foreign tourist nights. Net income from tourism was USD 2.7 bn, up 24.6% compared with 2000.

Transport and Communication

In 2001, gross value added in transport, storage and communication grew by 7,5% what represents the highest growth rate in the last three years. The physical indicators in transport also grew (the number of transported passengers rose by 1,4%,

the quantity of transported goods rose by 2%). The three mobile networks recorded a 37,7% growth in the number of minutes spent compared with the previous year.

The effects of trade liberalization were not fully shown in 2001 because the implementation of free trade agreements with a number of countries and the temporary free trade agreement with the EU started during 2002.

The transition from a socialist to a market economy was not an easy task. The infrastructural and organizational structures take many years to develop, as do the training skills, ethics, standards and practices of the market place required for an economy's efficient operation. The strategies of transition to a market economy involved rapid development of these requirements. The path and pace of reform were influenced by a number of factors: strength of political support, legal and institutional infrastructure for a market economy, privatization of previously state-owned companies.

Monetary policy and banking sector

In the area of monetary regulation, several significant changes took place in 2001. The introduction of the National Clearing System marked the successful launching of the second phase of the payment system reform in the first quarter of the year. The beginning of the second quarter saw the enactment of the Amendments to the Law on the Foreign Exchange System, Foreign Exchange Operations and Gold Transactions. The main purpose of the changes was to liberalize foreign exchange operations for legal persons, facilitating their foreign exchange purchases and their use of foreign exchange. Soon after the amendments were enacted, the new Law on the Croatian National Bank (CNB) came into force. This Law defined price stability as the primary objective of the central bank, in accordance with best practice of the central bank legislation in developed countries. Compared with the previous law, the new law strengthened central bank independence and defined the central bank's functional, institutional, personal and financial independence.

In July 2002 a new Banking Law took effect, enabling a more efficient and more transparent supervision of banks in Croatia. According to the Banking Law, bank supervision comprises the following areas of activities and responsibilities:

- entry of banks into and exit from the market and bank business operations (granting operating licenses, supervisory measures, reporting, special administration, liquidation and bankruptcy of banks);
- the accountability of the bank's owner for the bank's operations (internal organization of a bank, audit);
- the methods for the bank's risk management (determining the capital and capital adequacy of a bank, risk management);
- consolidated supervision of banks (determining the scope and frequency of consolidation, as well as the content of consolidated financial statements);

- consumer protection (determining a uniform method for calculating and disclosing loan and deposit prices and other elements of the loan contract and cash deposit contract);
- protection of the CNB employees involved in bank supervision (liability for damage);
- cooperation with other supervisory bodies in the country and abroad (data processing and communication of information)

High liquidity of the banking system in 2001 did not require a large scale use of secondary sources of liquidity, but created a growing need for sterilization, which was mainly conducted by issuing kuna-denominated CNB treasury bills and by requiring the commercial banks to obligatory deposit reserves to the CNB.

In 2001, the monetary policy instruments of the CNB underwent certain changes. Further unification of the reserve requirements provided for a certain percentage of the calculated part of the reserve requirements to be allocated in kuna. In addition, a reduction in the reserve requirement rate was introduced, and the accounting base for foreign exchange and kuna reserve requirements was widened. Furthermore, the maturities of kuna CNB treasury bills were changed and the frequency of auctions was reduced. To bring it in line with the Law on the CNB, the instrument of short-term liquidity loan also had to undergo certain changes; these related to a more precise definition of assets acceptable as a collateral for loans. With regard to repurchase auctions, the banks entered into a Master Repurchase Agreement with the CNB at the end of 2001. Further changes involved the deposit and credit interest rates of the CNB. The lombard rate was changed several times, and the remuneration rate, including remuneration charged for reserve requirements that are not maintained and not allocated, was also reduced.

At the end of 2001, the banking system comprised 62 licensed banking institutions of which 43 were banks, 15 savings banks and 4 housing savings banks. The total assets of the banking sector amounted to HRK 151bn at end-2001, a rise of 37.6bn compared to end-2000. The relatively large assets growth of the banking system was partly caused by the growth of received deposits in euro-currencies for euro conversion and partly by the large asset growth of individual banks in majority foreign ownership. During 2001, one bank was forced to exit the banking system, and one savings bank was granted a bank operating license. The number of savings banks fell from 22 at the end of 2000 to 15 at the end of 2001. The savings banks were obliged to adjust their operation to the provisions of the Banking Law by the end of 2001, i.e. to increase the amount of paid-in equity capital to a minimum of HRK 20m. During 2001, two savings banks met the conditions for registering as banks.

In 2001, foreign investors interest in the Croatian banking market continued. The share of banks in direct or indirect ownership of foreign shareholders in total bank assets grew from 86,7% in late 2000 up to 94% as of October 2002. At this moment, only one bank remain in majority state ownership (Croatian Postal Bank).

2) INDUSTRIAL STRUCTURE

Croatian manufacturing industries are undergoing deep changes, and their transition and restructuring to an important sector of a modern, market-oriented national economy, ready to compete in a globalized world, is nearing its end. Changes are evident in many areas, such are: privatization, growth of exports to industrially developed countries, development of new products and technologies, as well as the innovations to the existing ones, increase in quality control and standardization (including the widespread use of ISO standards), enhancement of cost effectiveness and environment protection, etc.

The annual growth of industrial output in 2001 was 6%, and same is expected for 2002. In 2001 manufacturing industries employed more than 250 thousand workers – 25% of the overall workforce. Industrial goods account for 95% of Croatia's total exports and have the highest share in the country's GDP. Manufacturing industries remain the most important sector of the Croatian economy.

The largest total income is derived from the production of food, beverages and tobacco; oil (petroleum), chemicals, and electrical products manufacturing, followed by paper, printing and publishing industry and shipbuilding. Regarding exports, the biggest earners are: shipbuilding; food, beverages and tobacco production; metal and electrical industry.

MAIN BRANCHES OF CROATIAN INDUSTRIAL EXPORT IN 2001

BRANCH OF INDUSTRY	EXPORT (MIL. USD)	% OF TOTAL EXPORT
Transport equipment (shipbuilding)	730,4	15,7
Chemicals and chemical products	452,5	9,7
Wearing apparel	440,1	9,4
Oil (petroleum) derivatives	431,5	9,3
Food, beverages and tobacco	248,9	5,3
Electrical machinery and apparatus	207,2	4,4
Non-metallic products	193,9	4,2
Leather and footwear	172,8	3,7
Communication equipment and apparatus	150,6	3,2
Fabricated metal products	116,0	2,5
Total exports shown	3 144,0	67,5
Total exports of Croatia	4 659,3	100,0

The data shown above indicate quite clearly which Croatian industries are the most competitive at the world market. All of the sectors mentioned are attractive and promising for Japanese companies.

However, given the structure and expertise of both the Croatian and Japanese companies, and of the European markets accessible from Croatia, regarding the manufacturing industries, the most promising would be Japanese investments in Croatian automotive parts production (clutches, brakes and gearboxes; cables and other electric parts; windows; rubber and plastic parts etc.), electric and electronic industry. These can be supporting industries for the Japanese-owned automobile and

electronic equipment factories located throughout Central, Eastern and Western Europe (present and future EU members), whose markets are easily accessible from Croatia (free trade agreements with almost all of them – see 4).

3) SOCIO-ECONOMIC INFRASTRUCTURE

Transport

Due to Croatia's favorable geographic and transport position, the transport infrastructure and activities are very important factors of the country's economic and social development. The share of combined transport in the overall transport is still very small. A disproportion between the transport capacities and transport needs can be noted, especially regarding the road transport. Road and railway infrastructure is not equally developed in all the parts of Croatia. There is a need of considerable investments both into the existing infrastructure and the new one, as well as in the connection of the coastal and inland parts of Croatia. The share of transport in GDP is eight per cent and in the overall number of employees seven per cent.

<u>Roads:</u>	total of 28 009 km (expressways, regional and local roads) 382 km of the total length are motorways and 150 are fast roads
<u>Railway:</u>	2726 km of railway lines
<u>Pipelines:</u>	601 km of oil lines and 1769 km of gas lines
<u>Sources:</u>	Croatian Bureau of Statistics, Statistical Yearbook 2000

Road transport

The road transport of Croatia has been developing faster than the other branches of transport. It covers all parts of the country, and for many parts it is the only available connection. At the same time, in recent years road means of transport has been developing faster than the road network. The discrepancy between the needs and capacities has led to disloyal competition for the market, especially in the passenger transport. The growth in the number of vehicles increasingly poses a problem to the environment protection.

In 1999, 109 387 freight vehicles (trucks and trailer trucks) and 9 317 combined vehicles were registered in Croatia. According to the official data, on February 1st, 2001 there were 2 434 licensed carriers for international road transport of goods, who owned the total of 12 069 licensed vehicles. The share of the licensed freight vehicles for international transport in the total number of registered vehicles in Croatia is 10,5 %.

Railway transport

Until the beginning of the Homeland War, the transit transport east/west and the transport on the transport line of the major Croatian seaport of Rijeka made the majority of railway transport. Unfortunately, due to the problems created by the war, today more than a half of the total income of Croatian Railways is provided from the government budget. Therefore it is necessary to start restructuring and to establish

companies which would operate on market principles. Croatian Railways is the only transport system in which one company includes both the infrastructure and carrier, so business operations of one element influence the outcome of the complete business activity. Other European railways are also mostly national companies and have negative results in business operations.

Croatian Railways, the Government and World Bank are all included into restructuring of Croatian Railways. The project includes, among other elements, cuts in the number of employees, coordination of organizational structure and legislative framework with the directions of EU, privatization of some parts of Croatian Railways, commercial use of real estate assets not necessary for transport operations, and in a later stage modernization of the system, and development of greater adaptability to the conditions of business operation on the market.

Marine transport

During the last decade there has been a reduction of the Croatian merchant navy and a drop in harbor transport and transport of passengers, due to the War, transit period, situation on the world market and subjective problems of ship operators and harbors.

Great efforts and funds should be invested in the following period in order to give the due significance to harbors and ship operators. Coastal harbors should be modernized, mainly through giving concessions to domestic and foreign investors. The following harbors have investment priority: Rijeka, which has an excellent geographical position (close to the Central and Eastern European hinterland) and prerequisites for reloading cargoes (general, bulk, container, RO-RO and liquid cargoes, live stock, etc.) and Ploce, followed by harbors of Split, Zadar, Dubrovnik, Sibenik and Pula.

Shipping industry is an important branch of maritime and general economy. There is a need not only for independent raising of funds to modernize the fleet, but also for governmental co-financing of shipbuilding in domestic shipyards, stimulation of the return of ships under the Croatian flag and help in maintaining the current ship lines and establishing new ones. All of these steps should be done in order to promote Croatian foreign trade and to attract transit cargo from Central Europe and neighbouring countries to Croatian harbors and ship operators.

River transport

The present conditions of river navigation and inland waterways (The Danube, Sava, Drava and Kupa) are not satisfactory. The current waterways need to be renovated and maybe lengthened. It is supposed that the planned construction of the Danube-Sava canal from Vukovar to Samac would contribute to the development of Croatian river transport, as well as other transport branches, through the use of modern transport technologies.

The total length of inland waterways for ships up to the tonnage of 150 tons is 922 kilometres, out of which 502 kilometres are usable for ships up to the tonnage of 1.500 tons. There is a need to reconstruct and modernize river harbors and piers,

especially Sisak, Slavonski Brod, Osijek and Vukovar, as well as obsolete river ships.. Due to its position on the Danube, Croatia is included in the European navigable network of the Danube and Rhine and their navigable tributaries. It is also connected with the harbors of the Black Sea and North Sea, which gives the possibility to join European and world waterway network. These are the reasons why this transport branch should be promoted, especially if we take into consideration that it is the least expensive and ecologically most acceptable transport branch.

Air transport

Before the aggression on the Republic of Croatia, transport on the Croatian Airports was four to five million passengers per year, more than half of which were tourists. In 1991 the number of passengers was 1.16 million and in 1992 it dropped to 0.45 million. In 1996 the transport of passengers rose to 1.71 million and is still rising. In the following three to five years it could reach the intensity of pre-war years, after which it could continue to grow slowly.

Croatia has seven airports that can accommodate aircraft of any size (Zagreb, Split, Dubrovnik, Pula, Zadar, Rijeka and Osijek), four airports which can accommodate smaller commercial aeroplanes (Brac, Losinj, Osijek-Cepin and Vrsar), and several sport airports. In order to meet the growing demands of increasing number of passengers and ease the transport of goods (according to some estimates in 2010 it would reach 7,5 million), there is a need to modernize the airports, and to construct new ones.

Pipelines

Pipeline transport is an important way to transport oil and gas. Pipeline transport is the cheapest way to transport energy products, and it is also environment-friendly. Beside the transport of energy products for domestic needs, the possibility to rize transit across Croatia, especially from Russia to the harbor of Omisalj (Rijeka) has a great significance for a faster development of pipeline transport in Croatia.

Energy production and consumption

The total energy needs of Croatia are met by a combination of domestic sources and imports. Although in 2000 the domestic share of primary energy production slightly increased in comparison with the previous year and amounted to 51%, the decrease in domestic production in relation to imported energy is a trend that is expected to continue. That trend is only partially slowed down by the introduction of natural gas production in the Northern Adriatic.

The Croatian energy sector, aside from exploration and production of crude oil and natural gas, is comprised of the following activities:

- ◆ Transport and storage of crude oil;
- ◆ Production, transport, storage and trade of petroleum products;
- ◆ Supply, transport, storage, distribution and trade of gas;
- ◆ Generation, transmission, distribution and supply of electricity; power system operation and control; electricity market organization;
- ◆ Production, distribution and supply of heat;

- ◆ Trading, mediation and representation in the energy market.

Additionally, the activities include utilization of renewable energy sources and improvement of energy efficiency.

Oil and Natural Gas System

The exploration, production and storage of natural gas, as well as exploration, production and refining of crude oil and most of oil products trade activities, is organised by INA Group. INA is government-owned, but privatization plan is under way. Transport of natural gas, as well as related trade activities, is organised by PLINACRO d.o.o., a state owned company.

- ◆ Production of natural gas at 17 natural gas fields, transportation via 2178 km of high pressure gas pipelines and storage at an underground facility with a 550 million m³ capacity.
- ◆ Production of crude oil at 31 oil fields, processing of crude oil at refineries in Rijeka, Sisak and Zagreb with a total capacity of 8.5 million tons annually and sale of petroleum products at more than 620 petrol stations (400 if INA and more than 220 private stations).

With the JANAF d.d. (Adriatic Oil Pipeline Corporation), a partly state owned company, there is an international oil transport system which delivers crude oil for domestic and foreign refineries in Central Europe, which gives it strategic importance in the energy supply of Central and Eastern European countries with the possibility of the development of connections to other European oil pipelines and Asian sources. The installed capacity of the Adriatic Oil Pipeline is 20 million tons annually, while the length of the pipeline is 759 km and storage facilities in Omisalj, Sisak and Virje hold a total of 820,000 m³. The length of the distribution network for natural gas is approximately 14,366 km. Domestic production of liquid fuels meets about 30% of the total requirement, while domestic production of natural gas covers 60% of the present domestic market.

Although Croatia has certain exploitable sources of coal, the costs associated with mining and processing are so high that domestic production is not planned in the future. The necessary quantity of coal is expected to be imported.

The total energy consumption in Croatia from 1993 to 1999 shows a modest increase.

Power System

POWER PLANTS

Installed capacities share

Hydro power plants	2 076 MW	46%
Thermal power plants	1 525 MW	33%
Krsko nuclear PP	332 MW	7%
TPP outside Croatia	650 MW	14%
Total	4 583 MW	100%

Source: Croatian Power Company (HEP)

The generation, transmission and distribution of electricity, and generation and distribution of heat is organised by a state-owned HEP Group.

Electricity is generated by hydro power, thermal power and public heating plants, with a small amount produced in industrial energy plants. Krsko nuclear power plant located in Slovenia, is in the joint ownership of Slovenia and Croatia with each owning exactly 50%. HEP holds ownership and other rights in certain thermal power plants in Serbia and Bosnia and Herzegovina.

Transmission network - Electricity transmission is carried out at three voltage levels - 400, 220 and 110 kV - through a total of 7000 km of lines. The network includes 5 substations of 400/ 220 (110)kV, 15 substations of 220/ 110 kV and 140 substations of 110/35 (10.20) kV.

Distribution network - the distribution network is comprised of the following substations: 110/35(20) kV, 110/10(20) kV, 35/10 and 10/0.4 kV, as well as lines (overhead and cables) up to 110kV.

4) GOODS MARKET

Croatia is a Mediterranean and Central European country at the same time, with a long coastline, and very easy access to the biggest single consumer market in the world – market of the European Union (375 million people; 75 million more are to come in 2004 with envisaged accession of additional ten member states).

Two major sea harbors, Rijeka and Ploce, are starting points of Pan-European transport corridors for road and railway transport V b (Rijeka – Budapest, Hungary) and V c (Ploce – Budapest). The capital city of Zagreb lies on the main European East – West corridor X (Nuremberg, Germany – Thessaloniki, Greece). There are several international airports, the most important among them being Zagreb, Split and Dubrovnik, connected with numerous direct international flights with whole Europe.

The foreign trade with the European Union is from the beginning of this year under the regime of so-called “asymmetrical free trade”, meaning that the access of all **Croatian industrial and most agricultural products export to the EU single market is completely free, without any customs or non-tariff restrictions.** This is the result of the application of the protocol on interim application of the stipulations of the Stabilization and Association Agreement between the EU and Croatia.

Croatia's free trade agreements with numerous other European countries (EFTA and CEFTA members and others) entered into force. These countries are: Iceland, Liechtenstein, Norway, Switzerland, Hungary, Macedonia, Poland, and Slovenia. Free trade agreements with other trade areas or countries are to be signed or to enter into force soon: CEFTA, Albania, Bosnia-Herzegovina, Lithuania, Moldova, Turkey, Yugoslavia. About 80% of Croatia's foreign trade is under free trade regime.

5) LABOR MARKET

Registered unemployment reached 395 141 on December 12, 2001, or 22.2%, caused by the economic recovery that started in 2000 with a rigid wage policy of the government that inhibited the growth of labor costs. The strong inflow of war veterans rose by almost 12 000, which accounts for more than one third of the total growth in registered unemployment in 2001.

According to the final Croatian Bureau of Statistics (CBS) data, total employment stood at 1 231 000 in late 2001, which is 1,4% more than in the previous year.

Structure of workforce

One third of total unemployment in Croatia are highly skilled workers. A typical Croatian unemployed person is a thirty-year-old woman looking who has been looking for a job for a year. Half of total unemployed workforce is waiting for a job longer than one year, which according to world standards is a sign of a chronic unemployment. The part of population over the age of 50 (40 000) is looking for a job much longer. Most of the university educated workers are employed in health and education, manufacturing industries, trade, public services and real-estate services.

Industry

The total number of workers in legal entities in industry amounted to 251.857 or 23.6% of total employment (food and beverage industry 17.44%, clothing industry – 11.4%, production of other transporting machinery 7.15%, metal and machinery industry - 6.74% etc.)

Labor costs

According to the CBS data, the average net wage in Croatia in 2001 was HRK 3.534 which is 2.1% more in real terms than in the previous year. In early 2002 legislative changes were introduced, aimed at greater flexibility in the labor market, reducing the gap between registered unemployment and ILO survey unemployment.

Skills and qualifications

The Croatian Government has placed a strong emphasis on investing in education. The development in this field has been determined by the former system, in which natural and technical sciences were more developed than other research fields. The result of this situation is that natural and technical sciences match the European standards. Quality, relevance and international cooperation are among priorities of the Croatian higher education policy. Currently, university courses of study are carried out by 4 universities (Zagreb, Rijeka, Split and Osijek), which include 55 faculties, 4 academies of arts, 3 university departments and 1 course of study operated by a university. A total number of students enrolled into higher

education institutions in Croatia is 84 088 of which 59 230 will be awarded a Bachelor degree, while 24 858 students are enrolled into the professional courses of study and will be awarded an Associate degree. There are also several recently established polytechnical institutions (institutes of technology) for the education of engineers and other highly educated practical/technical profiles.

Croatian higher education policy endorses academic mobility of students according to the principles of European and international conventions on recognition of equivalence of education credentials (e.g. the Lisbon Convention). The internal mobility of students and researchers is aimed at the improvement of cooperation among institutions located in Zagreb and those in other Croatian regions.

6) INDUSTRIAL POLICY

Direct Foreign Investments in Croatia are regulated by the Company Act, which accords to the foreign investor so called "national - equal treatment". Therefore, foreign investors have the same rights, obligations and legal status within an enterprise as domestic investors, provided the condition of reciprocity is met. Even the Croatian Constitution guarantees that the rights acquired through capital investments cannot be withdrawn by law or any other legal act. It also insures free repatriation of profits and free repatriation of capital on disinvestment. Based on the principle of equal treatment, if the foreign or domestic investor establishes the company in Croatia, the company is considered to be domestic legal entity and it may acquire real estate ownership rights irrespective of whether the real estate is acquired for business operations or for another purpose. Foreign persons are also allowed to acquire mortgage rights on real estate. Provided the condition of reciprocity is met, foreign citizens or legal entities are free to acquire real estate in Croatia. The acquisition must be approved by the Ministry of Foreign Affairs. As foreign persons cannot be owners of certain types of the real estate (natural resources and other wealth that is of interest to Croatia), rights to concessions could be acquired. A concession may be granted to a domestic or foreign legal entity or natural person on the basis of public tenders or bid invitations for period of 99 years (40 years for agricultural land). Since Company Act treats all companies equally (whether established with foreign or domestic investments), there is no restrictions on foreign management participation. Croatian taxation system also gives equal status to all taxpayers, i.e. domestic and foreign natural persons and legal entities. Profit tax (Corporate tax) is levied on companies or other legal entities engaged in an economic activity for the purpose of making profit. Tax base is calculated as the difference between income and expenditure and the tax rate is 20% - one of the lowest in the region.

Privatization

Transition process in general and privatization process in particular, not an easy task for anybody in post-communist Central and Eastern Europe, due to the aggression against Croatia, was even harder. That is the reason why the process is still not finished and the results achieved are in some respects behind the expectations. The privatization model in Croatia was primarily based on case-by-case method of sale, and partially served as social program, i.e. free allocation of shares to the social classes that were most affected by the war.

The privatization itself was conducted in accordance with the Law on Transformation of Enterprises in Social Ownership (1991) and the Privatization Law (1993). The first essential step was the transformation of previously socially-owned enterprises into state owned enterprises ("no one's to someone's") followed by privatization. From 1991 to the end of 1999 the privatization process included totally 2 650 previously socially owned enterprises, 667 from industry, from the total of 3 000 intended to be transformed and privatized at the beginning of the process.

Detailed statistics on actual portfolio of Croatian Privatization Fund could be found on the sites: www.mfin.hr and www.hfp.hr.

It is important to note that during the period that a comprehensive privatization process commenced, the considerable participation of foreign firms was involved, and this confirmed the justification for privatization. The legislative framework was also adapted to this goal, so that no distinction is made between foreign and domestic investors, meaning that the position of all taxpayers - foreign and domestic, individuals and legal entities - is now the same. A series of incentives and exemptions for investment has been foreseen, such as free trade zones in regions under special state care (particularly Vukovar) for larger investments and the creation of new jobs.

Preferential treatment of foreign investments

The preferential treatment of foreign investments is regulated by the Investment Promotion Act (in force from 2000). The Investment Promotion Act regulates the promotion of investments of domestic and foreign legal or physical persons, which comprises incentive measures, tax and customs benefits. Benefits may be given only to newly established companies which are registered exclusively for the activities that they may be granted tax and customs benefits for. Specifically, if an investment in tourism is concerned, the already existing company may be the beneficiary of incentive measures or benefits.

Incentives

Incentive measures are divided into three groups. The first group includes: leasing, granting of construction rights and sale or usage of real estate or other infrastructure facilities owned by the Republic of Croatia, local government or self-government units under commercial or favourable conditions, including or without a fee.

The second group of incentive measures refers to assistance granted for the creation of new jobs. The beneficiary of incentive measures may be granted an amount of up to 15,000 HRK (1 USD = 7,5 HRK) per employee for covering the cost of job creation and re-training on a one-time basis. The incentive can be used only for new job creation, provided that the number of new employees is not reduced during a period of at least three years.

The third group comprises incentive measures related to assistance granted for vocational training or re-training. If the investor invests in vocational training or re-training of his/her employees, he/she may be granted an amount covering up to 50% of related costs.

TAX BENEFITS

Investment amount	Tax benefit	Period	Minimum # of employees
At least 10 million. HRK	rate of 7%	10 years	30
More than 20 million HRK	rate of 3%	10 years	50
More than 60 million HRK	rate of 0%	10 years	75

Custom benefits

When equipment which is part of the investment is imported, the customs duty does not apply to goods under Chapters 84, 85, 86, 87 (except motor vehicles with a cylinder displacement exceeding 1500 cm³), 88, 89, 90 of the Customs Tariff.

A company that intends to utilize an incentive measure or benefit submits a request on the prescribed form to the Investment Promotion Directorate of the Ministry of Economy. Based on this request, the Ministry issues a certificate on compliance with the conditions stipulated by the Investment Promotion Act, and the applicant obtains status as a beneficiary of investment measures, tax and customs benefits.

Anti-monopoly policy measures

The Croatian competition legislation was introduced in 1995. The Law on the Protection of Competition was adopted in July 1995 and the Agency for Protection of Market Competition, which is the authority in charge of its implementation, started to operate in full capacity in February 1997. The contents of the Law do not encompass anything that has not already been dealt with in comparable law and legal practice as well as recent legal literature.

Policy measures to develop natural resources

The main mechanism for the development of natural resources as well as other types of national wealth that are of interest to Croatia, and which could not be owned by domestic or foreign persons, is right to concession. These rights are regulated by the Concession Rights Act according to which the right to exploit natural resources may be granted to a domestic or foreign legal entity or natural person on the basis of public tenders or bid invitations for period of 99 years. Croatian legal system does not forbid and other schemes, if applicable in given circumstances, such as product sharing or B.O.T. (build, operate, transfer).

Science and technology policy and support for R&D

The Croatian Government encourages the introduction and development of new technologies, it provides support to research and higher education, and it promotes the use of information technologies at all levels.

At present the system of science and technology has been financed through three basic modalities:

- ◆ direct (targeted) financing of agreed programs implemented by public institutes and projects implemented by faculties and other legal entities with a mechanism of annual monitoring of results
- ◆ financing of young researchers engaged on a specific program or project, with long-term monitoring of their progress (attaining a Master's degree/Ph.D. and publication of papers)
- ◆ stimulation of publishing activities through financing (and co-financing) of scientific and professional journals as well as other publications, the acquisition of international journals and sponsoring scientific conferences.

7) TRADE AND INVESTMENT SYSTEM

Due to the Homeland (independence) War and its aftermath, the level of foreign direct investment in Croatia is still below levels recorded in the most advanced transitional countries of Central Europe. The government is fully aware of the importance of the foreign direct investments (FDIs) for the future development of the country. Understanding that FDIs can strongly contribute to restructuring efforts, improvement of competitiveness and job creation, the Government is determined to increase FDI level and undertakes concrete steps to improve Croatia's attractiveness to foreign investors.

To improve the investment environment the Government is firmly committed to reforms based primarily on the Working Program of the Government of the Republic of Croatia, but also realised through the several international frameworks, most important among them being the Stabilization and Association Agreement with the EU that has entered into force from January 1st, 2002 (according to the Protocol on Interim Implementation).

The overall goals of the reforms in Croatia are:

- creation of favorable business environment similar to the one in the EU;
- further development of the market economy institutions;
- promotion of the international competitiveness;
- mobilization of the private investment and
- increase in employment.

To attract more direct investment:

- a new investment incentives legislation has been introduced;
- a legal regime on intellectual property rights has been adjusted to the WTO standards;
- significant measures are to be taken to eliminate the administrative barriers;
- Investment infocenter has been established.

Special attention of the Croatian government is given to **trade liberalization**, based primarily on the reciprocal bilateral free trade agreements in line with EU/WTO standards. **About 80% of Croatia's foreign trade is done under free trade conditions. Croatian industrial and most agricultural products export to the EU single market is completely free, without any customs or non-tariff restrictions.**

Croatia's free trade agreements with numerous other European countries entered into force: Iceland, Liechtenstein, Norway, Switzerland, Hungary, Macedonia, Poland, and Slovenia. Free trade agreements with other trade areas or countries are to be signed or to enter into force soon: CEFTA, Albania, Bosnia-Herzegovina, Lithuania, Moldova, Turkey, Yugoslavia.

A. The legal framework for investment

Foreign investments in Croatia are protected by the provisions established by the Croatian Constitution. They are regulated by the Company Act and other domestic laws.

The basic principles of the legal framework for investments are:

- *national treatment of the foreign investors*, meaning that foreign investors in their operations on the territory of the Republic of Croatia have the treatment equal to that of domestic investors. They have same rights, obligations and legal status within an enterprise as domestic investors, provided the condition of reciprocity is met.
- *rights acquired through capital investments are guaranteed by the Croatian Constitution* and cannot be diminished or withdrawn by law or by any other legal act.
- *free repatriation of profits and free repatriation of capital on disinvestment is also guaranteed by the Constitution*. The transfer of profits is unrestricted and may be affected after all legal obligations in Croatia have been met.

The foreign investor is free to establish a new company, subsidiary, branch and/or any kind of joint venture and it is not limited with respect to the degree of foreign ownership.

Ownership right over real estate

If a foreign person establishes a company in Croatia, the company is considered to be a domestic legal entity and it may acquire real estate ownership rights irrespective of whether the real estate is acquired for business operations or for another purpose. Foreign persons are also allowed to acquire mortgage rights on real estate.

Provided the condition of reciprocity is met, foreign natural persons or legal entities are free to acquire real estate in Croatia. The acquisition of real estate ownership rights is regulated by the Property and Other Proprietary Rights Act, and has to be approved by the Ministry of Foreign Affairs.

Concessions

According to The Concessions Act, a concession may be granted to a domestic or a foreign legal entity or natural person on the basis of the results of public tenders or bid invitations for a period of up to 99 years (40 years for agricultural land).

Investment policy and incentives

In order to create a comprehensive and favourable framework and to improve the business environment for foreign investors, the government took some important steps. The measures taken in 2000, were:

- introduction of investment incentive legislation
- reduction of payroll and corporate taxes
- adjustment of legal regime on intellectual property rights to WTO standards,
- drafting of plans for the liberalization of energy sector and telecommunications

New investment incentive legislation was approved by adoption of the new ***Law on Investment*** in July 2000. The new law provides new incentive measures and tax and tariff benefits.

To get the incentives and use the benefits, the investment must be minimum 4 million kunas or about 512.000 EUR, and it must either introduce new processing industry or create new jobs

The incentive measures include:

- granting of construction rights,
- sale, leasing or usage of real estate under more favourable conditions,
- job creation will be rewarded by one-off payment of 15.000 kunas for each new job, on condition that the number of newly employed people does not fall for three years,
- up to 50 per cent of vocational or re-training costs may be refunded

The tax privileges are:

- 7 per cent profit tax rate for 10 years - for investments exceeding the amount of 10 million kunas (1,3 EUR) and create 30 new jobs
- 3 per cent profit tax rate for 10 years - for investments exceeding the amount of 20 million kunas (2,6 EUR) and create 50 new jobs;
- 0% profit tax rate for 10 years - for investments exceeding the amount of 60 million kunas (7,8 EUR) and create 75 new jobs.

Other incentives and benefits

Besides the incentives ensured by the Investment Promotion Act, additional benefits are endorsed by the new Profit Tax Act, the Law on Free Trade Zones, the Law on Properties, the Foreign Exchange Law, and by the new Custom Law.

The new ***Profit Tax Act*** gave additional incentives to potential domestic and foreign investors. It was also an additional justification of the Croatian taxation system to that of the other western European countries. The introduced profit tax rate has been reduced to 20%. At the same time, the definition of taxpayers is given more precisely and the definition of the base for profit tax is simplified.

Customs benefits - The equipment that is the part of the investment is custom exempted, except for some kinds of motor vehicles.

B. Foreign Direct Investments in Croatia

Foreign direct investments (FDIs) in Croatia have been gradually increasing since 1995. In 1998 FDIs were about US\$ 1 billion, while they in 1999 reached US\$ 1.64 billion, mainly due to the sale of 35% of Croatian Telecom to Deutsche Telekom. Investments were again significant in 2000 when Croatia attracted US\$ 1.13 billion of FDIs. The main portion of that amount goes on privatization of three state-owned banks; Splitska banka, Rijecka banka and Istarska banka. The most significant investment in 2001 was further sale of the next 16% of Croatian Telecom, again to Deutsche Telekom for the amount of 500 million EUR. According to the preliminary data of the Croatian National Bank, investments in 2001 reached the amount of 1,4 billion US\$.

FDIs from 1993 to 2001 has reached the total amount of about US\$ 6,6 billion. For that period FDIs in Croatia reached almost US\$ 1500 per capita what, in spite of unfavourable circumstances in the last decade, puts Croatia among mid-successful countries in transition.

FDIs came into a wide range of sectors of the Croatian economy, but only three of them account nearly 63% of total foreign investments; the telecommunications, banking and pharmaceuticals.

Over 68% of investments from 1993 to 2001 originates from the countries of the European Union. The three largest single investors, in terms of total investments, are *Austria* (27% of the total), *Germany* (26%) and the *USA* (18%). The three are followed by Luxembourg, Netherlands, UK, Slovenia, Italy, Liechtenstein, Sweden, etc.

Major investments in Croatia include some leading world companies, such as: Deutsche Telekom, American Bankers Trust, Bechtel, Walter Bau, AGIP, Coca Cola, ABB, Siemens, Ericson, Hedelberg Zement, Societe Suisse de Cement Portland, Interbrew, Allianz, etc. Many European banks operate in Croatia, such as: Bank Austria-Creditanstalt (today Hypo-Verein Bank), Bayerische Hypo-und Vereinsbank, Erste und Steiermaerkische Sparkasse-Bank, Raiffeisenbank Austria, Cassa di Risparmio di Trieste-Banca, BNP-Dresdner Bank, Volksbank, etc.

C. Privatization

The most of the foreign direct investments into Croatia came, and still are coming, through the process of privatization. The biggest privatization projects were in three sectors;

- pharmaceuticals - "Pliva" was privatized mainly on London and Zagreb Stock Exchange, being the first Central and Eastern European company listed on the London Stock Exchange since 1996;
- banking - "Zagrebacka banka" was also listed on London and Zagreb Stock Exchange, Italian Banco Commerciale purchased a 66,6% share of "Privredna banka"; and the most of the other banks are owned by the foreigner. Banking sector in Croatia is nearly 90% privatised. The privatization of the remaining bank (Croatia banka) is expected to be completed by the end of the year.

- telecommunications - through the first phase of Croatian Telecoms privatization the Deutsche Telekom gained a 35% share, 7% is reserved for war veterans, 7% for HT employees, 30% of the company's stock remained under state ownership, while the remaining 21 % was planned to be offered during the year 2001. The first 16 % of that portion have been realised recently by signing contract, again with Deutsche Telekom.

Croatian Parliament has approved strategy for the restructuring and privatization of the energy sector. This sector is regulated by a package of laws: Energy Law, Law on Electricity, Law on Gas Market, Law on Oil and Derivatives Market and Law on Regulation of Energy Activities. According to the strategy and adopted laws on privatization of INA and HEP, the state electricity company (HEP) is to be divided into three separate units, for generation, transmission and distribution, while INA's oil and gas division will be transformed into two separate companies. In the first phase the core business is going to be divided from the non-core businesses and the process will start by the privatization of the non-core activities. The ownership structure of these companies will be gradually changing over the next years.

Privatization of "Croatia" Insurance Company and JANAF (the oil pipeline), and the sale of tourist capacities – all planned for completion in the current year – will significantly change the general picture and structure of FDI in Croatia.

D. Croatia - Investment Opportunities by Sectors

Croatia has a relatively modern diversified economy with services accounting for almost 70% of value-added. Agriculture accounts less than 10% of output and industry accounts for the remainder. The country is not overly dependent on any economic activity. However, some sectors are more prospective, more propulsive and with the bigger potential than the others.

It can be expected that the sector of services is going to be more attractive to the future investments, particularly *tourism* and *financial sector*. That of course doesn't mean that the other sectors don't have the potential of their own.

Major sectors of Croatian economy, that can be considered as *the most attractive investment opportunities*, among the others, are tourism, industry, agriculture and food industry, financial sector (banking, insurance), infrastructure (roads, railway, telecommunications, electricity), ports, shipbuilding and environment.

Tourism:

Croatia offers diverse forms of tourism, holidays on the Adriatic coast, including scuba-diving and fishing, hunting, health tourism with 19 continental and sea resorts, nautical tourism with 44 marinas and about 15 000 pleasure boats berths.

A long tradition in tourism is one of the reasons why Croatia's service sector is larger as a percentage of GDP than in most other transition economies. It generated revenues of 12.4% of GDP in 1999. With 43,4 million overnight stays and expected revenue of over 3,5 billion USD, tourism in 2001 accounted for about 17% of GDP. (This proportion is in effect much higher since a large part of tourism revenue is unrecorded.)

Because of the shortage of investment in the industry, Croatian tourism does not as yet have the capacity to attract high spending, sophisticated tourists. Recently, however, foreign investors have entered into partnerships or bought hotels in Istria, Dubrovnik and along the Dalmatian Coast.

Government is trying to accelerate the privatization of hotels and other tourist capacities.

Industry:

Industry in Croatia generally accounts for approximately one-fifth of GDP and employs around one-quarter of the labour force.

The largest sectors within industry in terms of production are: food processing, chemicals, pharmaceuticals, textiles, wood processing, machinery and communications equipment and shipbuilding.

Croatia's industrial sector produces both finished goods as well as intermediate goods (i.e. raw materials and semi-finished products). Industrial exports make up about 95% of total Croatian commodity export.

The main investment opportunities lays in buying shares of existing companies that have the knowledge and well-trained workers, but due to the lack of investments in the equipment, have comparatively low productivity and are sometimes not competitive enough for the European market.

Agriculture and food industry:

Agriculture plays an important role in Croatian economy. Together with forestry and fishing it currently generates approximately 7% of GDP and employs approximately 6% of the Croatian workforce. Approximately 40 % of Croatian population live in the countryside and over 80% of all agricultural land is privately owned, with the balance owned by the state.

Croatia is generally self-sufficient in agricultural products. Croatia had been a net exporter of food products prior to 1991. Croatian food industry (food, beverages and tobacco) includes some of the most successful Croatian companies (Podravka-Koprivnica, Kras-Zagreb, Tvornica duhana Rovinj).

Financial sector (banking, insurance):

The banking sector is among the sectors that attracted the biggest portion of the total foreign investments in Croatia. It is nearly 90% privatised. The privatization of the remaining bank (Croatia banka), as well as the biggest state owned insurance company (Croatia osiguranje) is expected to be completed by the end of the year.

Infrastructure (roads, railway, telecommunications, energy):

Croatia has 29 000 km of roads and 2 762 km of railways (983 km electrified). The main seaports are Rijeka, Ploce and Split and the biggest airports are located in Zagreb, Split, Pula, Dubrovnik and Zadar.

The development of **roads** is a high priority for the Government in order to realize Croatia's potential as a transportation hub. The participation of foreign investors is most welcomed in the development of Pan-European Corridors No. V and X cross the country. Priorities have been given to the following road routes: Gorican-Zagreb-Rijeka, linking Central Europe with the Adriatic (Corridor Vb), Macelj-Zagreb-Belgrade, linking Western Europe with the Balkans (Corridor Xa)

and Zagreb-Dubrovnik, via Zadar, Sibenik-Split, which is important for the development of tourism and might be a part of the Adriatic-Ionian highway.

In respect of the railway transport, the following projects are the most important: modernization of the railway line Ostarije-Knin-Split (connection between coastal area and close inland area) and modernization of the railway line Botovo-Zagreb-Rijeka, linking the northern Adriatic with Central Europe (Corridor V b).

The telecommunications network in Croatia is operated by Croatian Telecom, 51% owned by Deutsche Telekom. In addition, there are 2 mobile phone licences in Croatia owned by "Cronet" and "VIPnet" companies. The coming years are expected to further accelerate privatization of this sector in order to bring a new capital and know-how into the country.

The strategy for the restructuring of the energy sector has been approved by the Croatian Parliament and the laws on privatization of INA and HEP has been adopted. The state electricity company, HEP, is to be divided into three separate units, for generation, transmission and distribution, while the oil and gas concern, INA, will be transformed into two separate companies. In the first phase the core business is going to be divided from the non-core businesses and the process will start by the privatization of the non-core activities, as soon as possible. Privatization of JANAF (Adriatic oil pipeline) is expected to be concluded soon.

This sector is regulated by a package of recently adopted laws (Energy Law, Law on Electricity, Law on Gas Market, Law on Oil and Derivatives Market and Law on Regulation of Energy Activities) that aim to liberalize market in the energy sector.

Environment:

The Government has introduced policies designed to create or improve incentives to industry to become more efficient, reduce costs and direct the attention of industry towards environmental issues.

8) DISPUTE RESOLUTION SYSTEM

Important component of the favorable "investment climate" in one country is the efficient dispute resolution system. From the historical perspective, the Croatian legal system belongs to the system of the so-called "continental law" (as opposed to the Anglo-Saxon "common law" system). Croatia has fairly developed judicial system with specialized court system (commercial courts), as well as well educated legal professionals (lawyers, judges, arbiters). Arbitration, as alternative method of dispute resolution, is very well developed. This legal field is regulated with new Arbitration law, which came into a force in 2001. and is modeled on the modern theory and practice of international arbitration (UNCITRAL Rules, etc). The Permanent Court of Arbitration, under the auspice of the Croatian Chamber of Economy, is offering arbitration and conciliation services for domestic as well as international disputes. The award of the tribunal is final and enforceable. Croatia is a member state of the

award of the tribunal is final and enforceable. Croatia is a member state of the important New York Convention on Recognition and Enforcement of Foreign Arbitral Awards.

9) INSTITUTIONS TO PROMOTE FOREIGN INVESTMENT

Ministry of Economy
Directorate for the Encouragement of Investments
contact person: Ms. Zdenka Mesić, Acting Assistant Minister
phone: (+ 385 1) 610-6835
fax: (+ 385 1) 610-9118
zdenka.mesic@mingo.hr
<http://www.investment.hr>

Croatian Privatization Fund
contact person: Mr. Kresimir Starcević, Acting President
phone: (+ 385 1) 456-9119
fax: (+ 385 1) 456-9140
kresimir.starcevic@hfp.hr
<http://marvin.globalnet.hr/www.hfp2.hr/>

Some other useful web sites:

Ministry of Foreign Affairs <http://www.mvp.hr>, Ministry of Economy <http://www.mingo.hr>, Ministry of Finance <http://www.mfin.hr>, Ministry of Agriculture & Forestry <http://www.mps.hr>, Ministry for European Integration <http://www.mei.hr>, Croatian National Bank <http://www.hnb.hr>, Zagreb Stock Exchange <http://www.zse.hr>, Croatian Privatization Fund <http://www.hfp.hr>, Croatian Chamber of Economy <http://www.hgk.hr>, Croatian National Tourist Board <http://www.htz.hr>, Zagreb Trade Fair <http://www.zv.hr>, Generally on Croatia <http://www.croatia.hr>, <http://www.hr/>, Croatian news agency HINA <http://hina.hr>, Croatian Information Center <http://www.hic.hr>, Croatia Airlines <http://www.ctn.tel.hr/ctn>

NEW PROJECTS FOR CROATIAN-JAPANESE ECONOMIC COOPERATION

PROJECT NAME	DESCRIPTION	TYPE OF COOPERATION SOUGHT	COST	CONTACT DATA
INFRASTRUCTURE PROJECTS				
1. CITY HOSPITAL ZAGREB	Infrastructural changes in the city hospital.	DIRECT INVESTMENT	265 M €	City Office for Economy, Ms. Ružica Širić, Ms. Nela Jurić, Tel: ++385 1 610 1538 Fax: ++385 1 610 1194 E-mail: gospodarstvo@zagreb.hr
2. CABLE CAR	Construction of the lower-end station and gondolas.	DIRECT INVESTMENT	43 M €	SAME AS ABOVE
3. UNDERGROUND GARAGES	Building of 5 new underground garages in the centre of Zagreb.	DIRECT INVESTMENT	NA	SAME AS ABOVE
4. URIHO	New working facilities for the handicaped people.	DIRECT INVESTMENT	40 M €	SAME AS ABOVE
5. VELIKA GORICA COMBINED COGENERATION POWER PLANT	To cope with increasing the electric power and heating demand in the city of Velika Gorica HEP intends to replace from existing boiler plants to the combined cycle co-generation plants.	JOINT VENTURE, EXPERTISE ONLY	17 M US\$	Mr. Ivo Čović, Tel: ++385 1 63 22 111 Fax: ++385 1 61 70 430 http://www.hep.hr
6. HE PODSUSED	Construction of a new hydro power plant on the river Sava near the city of Zagreb. Ready made feasibility study.	DIRECT INVESTMENT	142 M €	SAME AS ABOVE
7. CITY RAILWAY	Building and reconstruction of Zagreb's suburban railway.	DIRECT INVESTMENT	NA	SAME AS ABOVE
8. PORT OF VUKOVAR	Construction of the river harbour (Danube).	DIRECT INVESTMENT	0.8 M US\$	Mr. Nikola Šafer, Fax: ++385 32 334 209
9. VUKOVAR FREE ZONE	This free zone has strategic geotransport position and quality infrastructure.	DIRECT INVESTMENT	NA	SAME AS ABOVE
10. DUBROVAČKO PRIMORJE Inc. DUBROVNIK	Rehabilitation of war damages, reconstruction, modernization, comercialization. Ready made feasibility study.	DIRECT INVESTMENT	15 M US\$	Ms. Zorana Petrušić, Tel: ++385 20 356 160 Fax: ++385 20 356 161

PROJECT NAME	DESCRIPTION	TYPE OF COOPERATION SOUGHT	COST	CONTACT DATA
HEALTH & TOURISM PROJECTS				
11. CENTRE FOR SPORT RECREATION AND HEALTH "EQUUS CABALLUS" VARAŽDIN	The project consists of building a sport recreation health centre, which would be situated on 25 hectares of land (riding-ground, tennis-courts, swimming-pools).	DIRECT INVESTMENT	10.5 M €	Ms. Dubravka Ostoić, Tel: ++385 42 320 469 Fax: ++385 42 213 627 E-mail: hgkvz@hgk.hr
12. TOURIST COMPLEX "KUPARI"	Selling of real estate (Kupari, a village on the Dubrovnik Riviera 11 km away from the Old City of Dubrovnik, 16 km from the International airport).	DIRECT INVESTMENT	57 M US\$	Croatian Privatisation Fund, Zagreb Tel: ++385 1 4596 336
13. DEVELOPMENT OF TOURISM BASED ON THERMAL WATER SPRINGS IN THE COUNTY KRAPINSKO-ZAGORSKA	Reconstruction and modernization of existing facilities, increasing capacities in the existing touristic destination.	JOINT VENTURE, MARKET ACCESS ONLY	65 M US\$	Mr. Đovani Broz, Tel: ++385 49 329 201 Fax: ++385 49 329 211 E-mail: djovani.broz@kr-zag-zupanija.hr
14. ZAGREB SPA	Building a new spa in Zagreb near the city hospital.	DIRECT INVESTMENT	30 M €	SAME AS NO. 1
FOOD, BEVERAGES AND TOBACCO				
15. FERA VINO	Wine producer. Capable of producing cca 30 000 × 0.75 L (2 containers) and more per month. FeraVino owns 165 ha of vineyard in Feričanci-Našice region.	EXPORT TO JAPAN	-	Mr. Jadranko Bilandžić, Tel: ++385 31 603 213 Fax: ++385 31 603 013 E-mail: feravino@os.hinet.hr
16. DUHANPRODUKT Inc.	Tea producer.	EXPORT TO JAPAN	-	Mr. Vlado Drvenkar, Tel: ++385 33 782 248 Fax: ++385 33 782 288
17. JAN-SPIDER Ltd.	Tea producer.	EXPORT TO JAPAN	-	Mr. Nikola Nemčević, Tel: ++385 33 783 879 Fax: ++385 33 783 767
18. MARINADA Ltd.	Production of canned vegetables and fish.	EXPORT TO JAPAN	-	Mr. Matija Perkovac, Tel: ++385 33 551 318 Fax: ++385 33 551 458
19. MARIMIRNA JSC	Production of fish and Shellfish in deep water cage culture and "ON SHORE".	EXPORT TO JAPAN	-	Mr. Želimir Filić, Tel: ++385 52 44 82 08

PROJECT NAME	DESCRIPTION	TYPE OF COOPERATION SOUGHT	COST	CONTACT DATA
20. "MD" VIROVITICA	Producer of wine of sour cherry and honeyspirit.	EXPORT OF JAPAN	-	Mr. Dubravko Milanović, Tel: ++385 33 726 222 Fax: ++385 33 726 222
21. PP "ORAHOVICA" Inc.	Wine producer.	EXPORT TO JAPAN	-	Mr. Dušan Alebić, Tel: ++385 33 673 322 Fax: ++385 33 673 903
22. "VIAGRO" Inc. SLATINA	Wine producer.	EXPORT TO JAPAN	-	Mr. Krešimir Fučkar, Tel: ++385 33 551 145 Fax: ++385 33 551 361

23. ECOLOGICALY FOOD PRODUCTION	Food production.	EXPORT TO JAPAN	-	Mr. Nikola Šafer, Fax: ++385 32334 209
WOOD INDUSTRY				
24. "GAJ" Inc. SLATINA	Producing of wood products.	EXPORT TO JAPAN	-	Mr. Antun Štefanović, Tel: ++385 33 551 228 Fax: ++385 33 551 905
25. "SLAVONIJAHRAS" Inc. ORAHOVICA	Production of panel woodflooring.	EXPORT TO JAPAN	-	Mr. Damir Kelava, Tel: ++385 33 675 219 Fax: ++385 33 675 219
26. "TVIN" Inc. VIROVITICA	Production of wood products.	EXPORT TO JAPAN	-	Mr. Ivan Slamić, Tel: ++385 33 742 200 Fax: ++385 33 742 205
27. FIRST ECOLOGICAL COOPERATIVE	Ecological production and canning of fruits and vegetables.	EXPORT TO JAPAN	-	Mr. Ratko Kovačić, Tel: ++385 43 242 794 E-mail: ratko.kovac2@bj.tel.hr
BUILDING MATERIALS INDUSTRY				
28. "KIO" Inc. ORAHOVICA	Production of ceramic tiles.	EXPORT TO JAPAN	-	Mr. Darko Krmpotić, Tel: ++385 33 675 179 Fax: ++385 33 675 720
AUTOMOBILE INDUSTRY				
29. COOPERATION IN THE AUTOMOBILE INDUSTRY – CLUSTER IN COUNTY KRAPINSKO- ZAGORSKA	Development of automotive industry cluster in County Krapinsko-Zagorska. Producing the parts and accessories for the automotive industry.	JOINT VENTURE, COOPERATIVE PRODUCTION, SUB- CONTRACTING	-	Mr. Đovani Broz, Tel: ++385 49 329 201 Fax: ++385 49 329 211 E-mail: djovani.broz@kr-zag-zupa.nija.hr

Remark: There are numerous other projects, which are to be found in the book "Business proposals of Croatian companies with Foreign Partners", published by Croatian Chamber of Economy, Industry and Technology Department.

For further inquiries please be advised to contact the Embassy of the Republic of Croatia in Japan, or Croatian Chamber of Economy, International Relations Department Ms. Dunja Konjevod or Mr. Miroslav Karamarković Tel: ++385 1 48 28 382, Fax: ++385 1 48 28 379, E-mail: coi@hgk.hr or Industry and Technology Department: Mr. Miljenko Babić, Tel: ++385 1 4606 736, Fax: ++385 1 4606 737, E-Mail: industrija@hgk.hr and Ms. Zoja Crnečki, Tel: ++385 1 4606 705, Fax: ++385 1 4606 737, E-mail: industrija@hgk.hr