

COUNTRY COMMERCIAL GUIDE for U.S. Companies

2014

Doing Business in CROATIA



U.S. Commercial Service

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Doing Business in Croatia: 2014 Country

Commercial Guide for U.S. Companies

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- [Chapter 1: Doing Business in Croatia](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations, Customs and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

[Return to table of contents](#)

Chapter 1: Doing Business in Croatia

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

Market Overview

[Return to top](#)

With Croatia's EU Accession on July 1, 2013, the need for product double-testing and customs clearances when distributing goods and services between EU countries and Croatia has been eliminated. U.S. companies already exporting to the EU now have an additional market opportunity, accessible without any further administrative burden.

EU accession negotiations provided an additional impetus for the Croatian Government to undertake measures in recent years to address corruption and bureaucratic and judicial inefficiency. The current Croatian Government (elected in December 2011) has demonstrated its determination to further strengthen these reforms as well as find new and more effective ways to consolidate public spending, improve the business climate, and foster economic growth. The government has established a formal Working Group for Business Climate and Private Investments that consists of high-level representatives of 23 ministries and institutions. The group meets regularly to discuss commercial and investment disputes. The government has also established an Agency for Investments and Competitiveness to serve as the operational institution for the Working Group, and to assist investors with their projects. The Law on Strategic Investments was also enacted to fast-track major projects, stipulating almost \$1,000 in fines to administrative institutions for every day of delay in the project approval process.

Croatia is a small but complex market. It is about the size of West Virginia, but its geography divides it into two distinct markets -- the more affluent and tourism-oriented Dalmatian coastal region along the Adriatic Sea, and the rural inland Slavonian region, dominated by agricultural and industrial activities. The country's population of roughly 4.5 million is largely homogenous in ethnicity, language and religion; but in the summer months its numbers double with tourists from throughout Europe and the world, making it a cosmopolitan market for products and services. Its ports and transportation infrastructure make Croatia a natural trade gateway into southeast Europe, but its largest trading partners are Italy, Germany, Slovenia and Austria. Croatia is a strong democracy with a market economy, but retains significant state control or involvement in a number of industries -- and has a considerable public financial burden from its social welfare policies. In brief, Croatia is a market of opportunity, but one that should be entered with due diligence. The U.S. Commercial Service is ready to help U.S. firms enter and succeed in this growing market.

Market Challenges

[Return to top](#)

Croatia is a developing economy and, despite progress in economic and administrative reforms, problems remain. These include a judiciary plagued by case backlogs and a lack of expertise in commercial affairs, an overly complex and sometimes non-transparent bureaucracy, the country's relatively high costs, and both real and perceived issues of corruption. Overall, the business and investment climate in Croatia is considered difficult, requiring caution and patience for success by foreign companies.

U.S. firms entering this market must contend with a typically mature market with well established, mainly European, competition. The Croatian consumer is discriminating and will consider many factors beyond brand loyalty in purchasing decisions.

Market Opportunities

[Return to top](#)

As Croatia fully integrates into the European Union, business opportunities will grow for U.S. companies positioned to assist in modernization of infrastructure, deployment of environmentally friendly energy technologies, and information and communication technology networking. New opportunities will emerge for franchisers, manufacturers of consumer goods, and for travel and tourism marketers. Croatia's physical beauty and natural resources also provide opportunity to firms capable of developing resort and spa destinations.

The new government has pledged to reduce barriers and foster development in Croatia's most promising industry sectors -- particularly information technology, electrical equipment, machinery, and pharmaceuticals. The government has also indicated woodworking and food-processing as strong sectors having significant development potential.

Croatia is committed to attracting investors to help upgrade and modernize public facilities and services. Lacking its own financial and technology resources, Croatia will depend heavily on foreign investors and equipment/services suppliers. The EU has allocated a budget of about eight billion Euros from its Structural and Cohesion Funds to help finance infrastructure development projects in Croatia for the period 2014-2020. Overall, Croatia is emerging as an important gateway to the southeast Europe region.

Market Entry Strategy

[Return to top](#)

Because the Croatian market is fairly sophisticated, businesses considering entry should plan well and consider:

- The price sensitive nature of consumer demand in Croatia;
- A judicious selection of one of three low-risk entry strategies: representation, agency or distributorship. (Note that a Croatian agent or distributor is preferable to a "European office" due to the difficulty of the language and other idiosyncratic market factors);
- After-sales service, follow-up and training are essential;
- The entrenched bias of a conservative market that sticks to known suppliers and therefore requires sustained market development; and
- Croatia's position as the pre-eminent stepping-stone for developing most sectors in southeast Europe.

In addition to this Country Commercial Guide, the U.S. Commercial Service office in Zagreb offers many services designed to assist you in developing your market entry strategy and to facilitate your export experience in Croatia. For a detailed description of these services please visit: <http://export.gov/croatia/ourservices/index.asp>.

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/3166.htm>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

Using an Agent or Distributor

[Return to top](#)

When appointing a Croatian distributor, U.S. exporters should take care to find out if the distributor handles a competing product. In Croatia's competitive marketplace, it is essential that the U.S. exporter provide adequate servicing, spare parts, and components, as well as qualified personnel capable of handling service inquiries. In most cases, after-sales service should be available locally since potential delays often lead purchasers to seek alternative suppliers. Often funds for product marketing need to be provided by the U.S. company in order to ensure wide promotion and distribution of goods.

The U.S. Commercial Service has found that the most successful ventures by U.S. companies in Croatia are those where there has been thorough market research prior to engaging in a search for agents or distributors. U.S. exporters should carefully investigate the reputation and financial references of a potential agent or distributor and establish a clear agreement delineating the responsibilities of both the exporter and the agent.

The U.S. Commercial Service in Croatia offers a number of business facilitation services, including market research, appointment setting and background checks on potential business partners. For a full list of the services offered please visit: <http://export.gov/croatia/>.

For additional information, please e-mail the U.S. Commercial Service office at: office.zagreb@trade.gov.

An excellent first stop for information on establishing a Croatian company is the “Hitro” office (www.hitro.hr), established by the Croatian government to assist citizens and businesses in communicating with government entities. The Croatian Companies Act regulates the establishment and organization of business entities in Croatia. All firms must register according to the Court Register Act and the Rules of Court Register Entry Procedures. The most common types of companies in Croatia include:

Private Limited Company (d.o.o.)

Private limited companies are the most common type of company in Croatia. It is one in which one or more legal entities or natural persons invest in initial authorized stakes, with which they participate in the total authorized capital as contractually set beforehand. Owners may be domestic or foreign legal entities and natural persons. Company assets are strictly separated from the property of owners. The company is liable for its debts with all its assets. The initial authorized capital of a private limited company must be shown in Croatian currency – Kuna (HRK). The minimum amount of initial authorized capital may not be below HRK 20,000.

Public Limited Company (d.d.)

A public limited company is based on capital, with owners (shareholders) investing in authorized capital divided into shares. The company is liable for its debts with all its assets. Shareholders are not liable for the debts of the company. The basic document for a public limited company is the articles of association, as it specifies the internal organization of the company. Authorized capital and shares must show par value in the currency of the Republic of Croatia. The minimum amount of authorized capital is HRK 200,000. The Companies Act provides for a simultaneous and a successive establishment of a public limited company. Company founders are the shareholders who have adopted the articles of association.

Branch Office

Under Croatian legislation, foreign companies and sole traders may conduct business in Croatia by setting up a branch office. The start-up and operation of branch offices owned by foreign companies are governed by the same regulations that apply to the establishment of branches by domestic companies.

A branch office is not a legal entity. The liabilities and rights stemming from its operation do not belong to the branch office but to the founder. The founder legally holds all rights and obligations of branch offices. In case of a dispute with third parties, the branch is not a party to it, but the company or sole trader that owns the branch. The branch office operates under its own name. The name should indicate both the branch's and the founder's registered office. If the same founder intends to establish several branch offices, the establishment procedure is carried out separately for each branch.

Franchising

[Return to top](#)

Franchising is a relatively new business concept in Croatia. There are between 120 and 150, mostly foreign, franchisors operating in the Croatian market. McDonald's has been present in Croatia since 1996 and has a total of 21 restaurants in 10 cities. The most recent U.S. franchises to enter the market include SIGNARAMA, RE/MAX, New Horizons Computer Learning Centers, and Kentucky Fried Chicken. Tourism and hospitality are considered to be the most promising sectors for franchise development. The typical prospective franchisee knows little about franchising and needs to be educated by the franchisor on how he/she could benefit from the concept. Numerous opportunities for advertising exist in the local daily press and specialized magazines, and expert assistance to franchisors looking for local partners is available from at least two franchise development centers.

Direct Marketing

[Return to top](#)

Although direct marketing is becoming more common in Croatia, it is still in its early stages compared with developed Western countries. An average potential customer is unlikely to get more than a few phone calls a year to his home number made by companies to market their services or products. Currently, local banks, insurance and telecommunication services companies make such solicitations. Direct marketing by mail is far more common, and households receive such mail on a daily basis, typically from local supermarket chains, restaurants and personal services providers. Credit card companies regularly include in their bills special offerings of various consumer goods in partnership with other companies. However, the sale of mailing lists is rather limited.

Joint Ventures/Licensing

[Return to top](#)

The Law on Companies regulates the establishment of joint-ventures, investment in companies with mixed ownership, as well as other types of foreign or domestic investment. This law, adopted in 1994, is very similar to the German Company Law. Establishment procedures require a Croatian lawyer, a notary public, and registration with the local Commercial Court.

There are no specific laws regulating licensing other than the Law on Obligations ("Commercial Code") which addresses contract law. The licensing contract should also cover intellectual property rights issues (trademark, model, patent or copyright), payments/royalties, the term of the contract, restrictions on using trademarks, etc. (See Chapter 7 for more information on intellectual property rights.) A Croatian lawyer should be consulted to ensure that provisions of the contract do not contravene Croatian law, making the agreement null and void.

Selling to the Government

[Return to top](#)

The [Public Procurement Law](#), which entered into force on January 1, 2012, is applied to all purchases made by government bodies including those of the local government and

majority state-owned companies and institutions (Official Gazette No. 90/2011; the last change was published in No. 143/13). These institutions (which include some of the key utility and transportation companies, most hospitals, schools, some banks and insurance companies) are obliged by law to perform most of their procurement by public tender.

Because these tenders are often written only in the Croatian language and are not automatically available on company websites, interested U.S. bidders are advised to engage a local Croatian-speaking representative to monitor the Official Gazette on a daily basis. The representative can purchase the tender documentation on behalf of the U.S. firm, discuss issues with the buyer, deliver the U.S. exporter's bid, etc. The U.S. Commercial Service is also available to assist with obtaining tender documentation.

Distribution and Sales Channels

[Return to top](#)

Croatia's distribution system is formalized by the Law on Trade which regulates the activities of wholesalers and retailers.

With over twenty percent of the nation's population and its central location, the capital city of Zagreb is the primary distribution center for the country. The port cities of Split and Rijeka are also important distribution points, and the eastern city of Osijek is the largest and most important distribution point in that region of the country. Croatia's geographic location, access to seaports, and well developed transportation system give the country distinct advantages as a regional distribution point, particularly to countries located within the geographic area of the former Yugoslavia.

There are an estimated 7,500 retail outlets in Croatia (including kiosks, small shops, and open markets). In recent years newly developed shopping centers (such as Importanne, King Cross, Kaptol Centar, Avenue Mall, City Centar One, West Gate, Garden Mall, and Arena Centar in Zagreb), modernized or newly-established domestic supermarket and retail chains (such as Getro, Konzum, Diona, Prehrana), and foreign chains (such as Billa, DM, Merkator, Mercatone, Metro, Bauhaus, Baumax, Kaufland, Lidl, and Interspar) have become dominant players in the marketplace.

Selling Factors/Techniques

[Return to top](#)

Factors/techniques critical to success in Croatia are not different from most other countries: a product/service that offers value for the money, close and frequent contact with buyers, motivated and trained middlemen, aggressive market promotion, and, for technical products, a professional and customer friendly after-sales service network in place. Often, the ability to provide financing is also important.

New products entering the market require extensive market research and mass advertising to identify potential customers' buying patterns and preferences. This applies particularly to unknown brand names, as Croatians are very brand conscious.

Due to the size of the Croatian and neighboring markets, highly specialized products might be best marketed through a regional representative.

While there are no exact figures on the value of e-commerce trade in Croatia, market research agencies estimate that the Croatian retail chains generate approximately \$25 million through online transactions per year. An estimated 55 percent of credit card owners and 39 percent of internet users in Croatia regularly shop online, of which 45 percent order from international online stores.

Croatia is the regional leader in terms of online banking penetration with approximately 900,000 internet banking users. Mobile commerce is also well developed – mobile phones can be used to pay for parking, public transportation, and perform mobile banking services.

Trade Promotion

Trade events and fairs continue to be popular in Croatia. The single largest event in Croatia is the annual Zagreb Fall Fair (September), which attracts nationwide attention and includes numerous foreign exhibitors. The Zagreb Fair Authority organizes a number of industry-focused or specialty exhibitions during the year in sectors such as consumer goods, food processing, environmental technology, medical equipment, pharmaceuticals, automobiles and automotive parts, information technology, textiles and apparel, wine, etc. For more information on these events, contact:

Zagreb Fair
Avenija Dubrovnik 15
10 020 Zagreb, Croatia
Tel: (385)(1) 650-3111
Fax: (385)(1) 652-0643
E-mail: zagvel@zv.hr
Internet: <http://www.zv.hr>

Several annual trade events organized by the Split Fair (www.sajamsplit.hr) and other private organizers throughout Croatia have become increasingly popular in recent years. The list of all trade events in Croatia is available online at www.sajmovi.eu.

Advertising

While the number of publications is growing, television (which reaches 90 percent of the market) is the most important media in Croatia for advertising. Outdoor advertising is also growing. By distribution, about 60 percent of advertising expenditure goes to TV, 15 percent to newspapers, 10 percent to magazines, and 5 percent to outdoor billboards. Radio is experiencing growing interest, currently receiving about 10 percent of advertising expenditures.

Croatia has four state-owned and five private TV channels as well as five regional and six local channels; satellite and cable TV bring dozens of other channels into the market. The most advertised products are telecommunications, vehicles, financial institutions, beverages and newspapers. Croatian regulations prohibit television advertisement of

tobacco, alcohol, and spirits.

The six national daily newspapers account for 60 percent of advertising expenditures for print periodicals.

More than 6,000 billboards populate Croatia. Prices range from \$150 per month to \$250 per month depending on frequency and category. It is recommended that 150-200 billboards be used for a nationwide launch campaign.

Key TV stations include state-owned Croatia Radio Television, and privately-owned RTL, Nova TV, Croatian Music Channel, and Sport Television. Key Internet service providers include [T-Com](#), [Iskon](#), [VipNet](#), [Amis](#), [Optima](#), and [Metronet](#). There are many international advertising firms with offices in Croatia and a substantial number of Croatian advertising agencies. Public relations agencies are also available. Contact details are available from the U.S. Commercial Service.

Pricing

[Return to top](#)

The level of prices in Croatia is generally high, even compared to prices of similar products/services in Western European countries and the United States, thus making imported products price competitive. The Croatian currency, the Kuna is tied to Euro and the Value Added Tax (VAT) in Croatia is 25 percent.

Sales Service/Customer Support

[Return to top](#)

In the Croatian consumer market, after-sales service is extremely important, especially in terms of providing technical and spare part services to prospective clients. Many Croatian consumers will base purchasing decisions on the prospective after-sales service for their products, especially in high-end luxury goods such as electronic equipment. Appointing a central distributor that stocks spare parts and provides maintenance and repair service is recommended for both existing brands and new brands breaking into the market. Foreign companies that bring strong customer support systems to the market will find themselves with a competitive edge.

Protecting Your Intellectual Property

[Return to top](#)

Introduction

Several general principles are important for effective management of intellectual property ("IP") rights in Croatia. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Croatia than in the United States. Third, rights must be registered and enforced in Croatia, under local laws. Your U.S. trademark and patent registrations will not protect you in Croatia. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do

offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Croatian market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Croatia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from [local attorneys](#) or IP consultants who are experts in Croatian law.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken the fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. Government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Croatia require constant attention. Work with legal counsel familiar with Croatian laws to create a solid contract that includes non-compete clauses and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Croatia or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, and Russia. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Croatia at: <http://export.gov/russia/contactus/index.asp>

IPR Climate in Croatia

In March 2004, the Croatian Parliament ratified a comprehensive bilateral Memorandum of Understanding between the United States and Croatia on the Protection of Intellectual Property Rights. In May 2007, the U.S. Trade Representative Office removed Croatia from all watch lists (see also CCG Chapter 6: Investment Climate Statement – Protection of Property Rights). The following is the contact information for the key Croatian IPR institution:

State Intellectual Property Office
 Ms. Ljiljana Kuterovac, Managing Director
 Ulica grada Vukovara 78, 10000 Zagreb, Croatia
 Phone: 385/1/6106-105; Fax: 385/1/6112-017
 E-mail: info@dziv.hr
www.dziv.hr

Due Diligence

[Return to top](#)

Detailed due diligence using utmost caution and assistance from experienced and well-connected local professionals is strongly recommended. One of the standard programs of the U.S. Commercial Service is the International Company Profile (ICP), designed to assist U.S. companies to enter international business relationships with greater confidence by providing background information on a prospective business partner.

Local Professional Services

[Return to top](#)

Croatia offers a wide variety of high-quality professional services.

Web Resources

[Return to top](#)

American Chamber of Commerce in Croatia - www.amcham.hr
Authorized Court Translators - www.sudski-tumac.com
Croatia National Bank - www.hnb.hr
Croatiabiz (business directory) - www.croatiabiz.com
Croatian Agency for Investments and Competitiveness - www.aik-invest.hr
Croatian Bar Association - www.hok-cba.hr
Croatian Chamber of Economy - www.hgk.hr
Croatian Radio-Television - www.hrt.hr
Croatian Telecom - www.t.ht.hr
Central Bureau of Statistics - www.dzs.hr
Deloitte & Touche (tax consultants/accountants) - www.deloitte.com
Embassy of the Republic of Croatia, Washington, DC - <http://www.croatiaemb.org/>
Embassy of the United States of America - <http://zagreb.usembassy.gov/>
Ernst & Young (tax consultants/accountants) - www.ey.com/hr
Globalnet (Internet provider) - <http://home.globalnet.hr/>
Hitro (one-stop-shop for dealing with state administration) - www.hitro.hr
Index (Internet portal) - www.index.hr
Iskon (Internet provider) - www.iskon.hr
Kapital Network TV – www.kapital.tv
Kompass (business directory) - www.kompass.com.hr
KPMG (tax consultants/accountants) - www.kpmg.hr
Legal 500 Recommended Law Firms - www.legal500.com/c/croatia
Ministry of Economy, Labour and Entrepreneurship - www.mingorp.hr
Ministry of Interior - www.mup.hr
Nova TV - www.novatv.hr
Office of the U.S. Trade Representative - www.ustr.gov
Official Gazette - www.nn.hr
Official Gazette (public procurement notices) - <http://ponuda-jn.nn.hr>
Poslovna Hrvatska (business directory) - www.poslovna.hr
PricewaterhouseCoopers: (tax consultants/accountants) - www.pwc.com/hr
Public Notaries - www.hjk.hr
Public Procurement Portal - www.javnanabava.hr

RTL TV - www.rtl.hr

Scientific and Technical Translators - <http://www.drustvoprevoditelja.htnet.hr/>

Split Fair - www.sajamsplit.hr

State Intellectual Property Office - www.dziv.hr

The Croatian Homepage (portal) - <http://www.hr/>

U.S. Commercial Service Zagreb - www.buyusa.gov/croatia

VIPnet (Internet provider) - www.vip.hr

Zagreb Fair - www.zv.hr

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- [Travel and Tourism \(to USA\)](#)
- [Tourism Infrastructure](#)
- [Telecommunications Equipment](#)
- [Medical Equipment and Pharmaceuticals](#)
- [Environmental Technologies](#)
- [Renewable Energy](#)
- [Recreational Boating and Equipment](#)
- [Energy](#)
- [Franchising](#)
- [Information Technology Equipment and Services](#)
- [Transportation](#)

Agricultural Sectors

- [Miscellaneous Consumer Foods](#)
- [Fish & Seafood](#)
- [Soybeans and Soybean Meal](#)

In his 2010 State of the Union address, President Obama announced the National Export Initiative (NEI) to renew and revitalize U.S. efforts to promote American exports abroad. The Obama Administration made it a top priority to improve the conditions that directly affect the private sector's ability to export – working to remove trade barriers abroad, helping firms to overcome hurdles in market entry and assisting with financing.

The Department of Commerce and the Commercial Service continue to be a major force in this effort. To contribute to NEI efforts within the European Union, Commercial Service EU has focused its work on: 1) avoiding the creation of unnecessary regulatory and standards barriers to transatlantic trade and investment in key emerging sectors; 2) working with the EU to remove common market access barriers in third countries and enforcing and protecting intellectual property rights; and 3) promoting entrepreneurship and innovation in support of SME development, job creation and economic growth.

U.S. Government engagement in such sectors as automotive (e-vehicles), chemicals, energy and environment (smart grids, renewables), health and medical technologies, and information and communications technology will continue to contribute towards meeting the goals of the NEI.

Overview

[Return to top](#)

	2012	2013
GDP (nominal)	16,573.0	17,285.9
Total EU Exports to the world	2,168.1	2,260.9
Total EU Imports from the world	2,304.1	2,280.1
Imports from the U.S.	265.1	284.77
Exports to the U.S.	380.8	422.8
2011 Exchange Rate (Euro Zone): 1 \$	0.7783	0.7623

Unit: \$ billions

Data Sources:

2012: DOC/MAC/Country Fact Sheet;

2013: Eurostat exchange rate

Web Resources

[Return to top](#)

European Commission, Directorate-General for Trade, EU-U.S. trade factsheet:
http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113465.pdf

Travel and Tourism (to USA)

Overview

[Return to top](#)

The number of Croatians travelling abroad is increasing by 10 percent annually. Europe is the primary destination for Croatian travelers, particularly top world destinations such as Paris, Rome, Venice, Milan, London, Vienna, and Berlin. Beyond Europe the most popular destination countries are the United States, United Arab Emirates, China, Jordan, Israel, and Thailand.

Travel to the United States

[Return to top](#)

	2012	2013 Jan-Nov	2014 (Est.)	2015 (Est.)
Total number of Croatian tourists travelling to U.S.	14,484	14,029	15,000	15,300

Preliminary data for 2013 show that in 2013 a total of 14,029 Croatians visited the United States from January to November, which indicates an increase of 8.3 percent in comparison with the same period in 2012.

Croatians travel to the United States for leisure/holidays, business, education, to visit friends/relatives, for shopping, to visit historical places, for sightseeing in cities and amusement. The majority of Croatian tourists choose travel agencies and tour operators to organize their trips to the United States. New York is by far the top destination for Croatian tourists primarily because of shopping, entertainment and cultural events. Croatians spend an average of five to seven days in the United States.

The number of individual trips and on-line reservations increased significantly in 2013. Some local travel agents have reported that more than 50 percent of their business stems from on-line tourism.

Croatia is not part of the U.S. visa waiver program. There are no direct flights between Croatia and the United States though major international carries offer connection flights through major European airports to the United States.

Travel Agencies

Out of more than 900 Croatian travel agencies, only a relative few offer U.S. destinations to local tourists and businessmen. Kompas and Ban Tours are the leading Croatian agencies offering U.S. travel packages. They focus on the major destinations on the East and West coasts. Representatives of these well-respected agencies in Croatia are regular visitors of the biggest annual international tourism shows: World Travel Market (WTM) in London, ITB in Berlin and International Pow Wow in the United States.

Promotion

Generally, the media in Croatia report on travel in niche travel magazines or in the travel supplements of daily newspapers once a week/month. However, U.S. destinations are rarely featured in Croatian media. Since 2008, the U.S. Commercial Service office in Zagreb has initiated an aggressive campaign to work with local tourist journals and magazines to promote U.S. tourist destinations and business events in the United States. For U.S. tourism promotion boards and other tourism promotion agencies interested in reaching the Croatian market, contacting the U.S. Commercial Service in Zagreb can be an effective first step.

Trade Promotion Events

CroTOUR, Zagreb – International Tourism Fair (annual event)
<http://www.zv.hr/default.aspx?id=1067>

Place2Go, Zagreb – International Tourism Fair (annual event)
<http://place2go.org/>

Resources

[Return to top](#)

Croatian Central Bureau of Statistics – www.dsz.hr
Croatian Association of Travel Agencies – www.uhpa.hr
Croatian Institute of Tourism – www.iztztg.hr
Croatian Ministry of Tourism – www.mint.hr
Croatia National Tourist Board – www.htz.hr

U.S. Embassy - U.S. Commercial Service
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Tourism Infrastructure

Overview

[Return to top](#)

Unit: \$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	700,000	1,000,000	1,000,000	1,250,000
Total Local Production	500,000	700,000	700,000	750,000
Total Exports	30,000	50,000	50,000	50,000
Total Imports	230,000	350,000	350,000	550,000
Imports from the U.S.	10,000	15,000	15,000	20,000
Exchange Rate: 1 \$	5.9	5.7	n/a	n/a

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: All Figures are Rough Estimates.

Croatia's key tourist attraction is its beautiful, thousand-mile Mediterranean coastline, with 1,185 islands (only 66 populated) that are ideal for nautical tourism. As only 15 percent of the Croatian coastline is urbanized (compared to 70 percent of the Spanish, French and Italian coastline from Barcelona to Naples), Croatia is advertised in the tourist market as "The Mediterranean as it once was."

Sub-Sector Best Prospects

[Return to top](#)

The strong current trends in development of Croatia's tourism infrastructure include intensive reconstruction and construction of four and five-star hotels and luxury golf resorts, construction of high-end congress/convention centers and family hotels, development of nautical and continental tourism facilities; construction of wellness centers, gaming, sporting, cultural and any other accompanying facilities that extend the tourist season into the non-summer months when weather conditions are less favorable and predictable. Planning, design, and management services for such facilities should present meaningful opportunities in Croatia for the next decade.

Opportunities

[Return to top](#)

Although the Law on Urban Development and the Law on Construction of December 18, 2013, (Official Gazette No. 153/13) have significantly simplified the process of urban planning and issuing of construction permits, in practice potential investors in major tourism infrastructure projects might still face uncertainties and delays, primarily when dealing with local administration. Recognizing the key role that foreign investment could play in revitalizing Croatian economy, the current government has committed to moving forward on several pending tourism infrastructure projects -- and to initiating new projects as well. The current list of investment projects in the tourism sector is available from the [Croatian Agency for Investments and Competiveness](#).

Web Resources

[Return to top](#)

Ministry of Tourism – www.mint.hr

Ministry of Environmental Protection, Physical Planning and Construction –
www.mzopu.hr

Croatian Agency for Investments and Competitiveness – www.aik-invest.hr

Croatia National Tourist Board – www.croatia.hr

U.S. Embassy - U.S. Commercial Service

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Telecommunications Equipment

Overview

[Return to top](#)

Unit: \$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	1,020,000	1,000,000	1,050,000	1,090,000
Total Local Production	920,000	900,000	960,000	990,000
Total Exports	350,000	330,000	340,000	350,000
Total Imports	450,000	430,000	430,000	450,000
Imports from the U.S.	n.a.	n.a.*	n.a.*	n.a.*
Exchange Rate: 1 \$	5.9	5.7	n/a	n/a

(All figures are estimates. * – figures for U.S. exports are unreliable, as most of U.S. telecommunications equipment reaches Croatia through third countries, where the equipment is being assembled.)

The Croatian telecommunication sector is one of the most developed sectors of the Croatian economy, still has a preference for U.S. equipment, regardless of the increasing presence of Asian manufacturers. The sector continues to enjoy hefty margins and creates a very competitive environment for the suppliers. Imports of U.S. telecommunications equipment to Croatia are substantial. Most of the equipment is shipped through Europe and assembled in other countries.

Largest Croatian telecommunications operators and their 2013 revenues in \$ million:

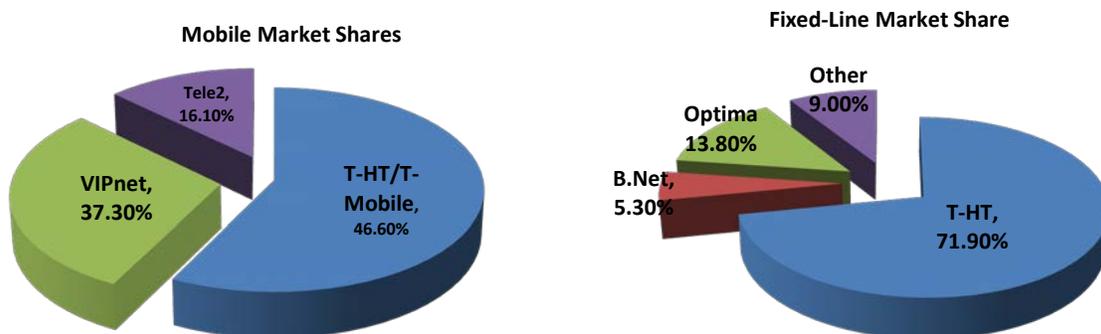
T-HT Inc. (incumbent, mobile and fixed phone and broadband operator)	1,260
VIPnet Ltd. (mobile and fixed phone and broadband operator)	539
Tele 2 Ltd. (mobile phone and mobile broadband operator)	214
Optima Telekom Inc. (fixed phone and broadband operator)	94
Metronet telekomunikacije Inc. (fixed operator)	45

The incumbent telecommunications operator, T-HT (Croatian Telecom Inc, a subsidiary of Deutsche Telekom) invested about \$245 million during 2013 which is about 21% increase from the previous year. Other operators continue to invest comparable percentage of their revenues in their infrastructure and/or acquisitions. The latest example of the latter is the acquisition of the cable operator B.net Hrvatska Ltd. by the mobile operator VIPnet Ltd. VIPnet also acquired four regional operators including OKI and KTS, satellite operator DigiTV and residential infrastructure assets from telecom operator Metronet Telekomunikacije. With these acquisitions, Vipnet represents a stronger challenge to the incumbent operator T-HT.

T-Mobile (part of the T-HT group) and VIPnet are still the two leading mobile operators. Together, they control approximately 84 percent of the market and continue to enjoy large margins. The third mobile operator Tele2 is struggling to reach the break-even point, with its market share of 16.1 percent.

Croatian Telecommunications Agency (www.hakom.hr) reported that there are 1.58 million fixed line connections (0,6% less than in previous year), 4.9 million mobile phones, 1.35 million broadband users (of which 423,272 through mobile networks (12%

increase from last year) and 923,885 internet connections (increase of 3.8% from last year) and 149,991 cable TV subscribers in Croatia. The shift from the fixed lines initially benefited cable TV (which includes Internet access) as well as broadband Internet access, but the number of cable TV connections in 2013 increased by 3.9 percent. According to Poslovni dnevnik, 60 percent of Croatian households use high speed internet (up to 20 Mbps). All of the operators offer mobile broadband through USB dongles and PC cards with access of up to 7.2Mbps over HSPA networks. Upgrades to HSPA+ are now beginning, potentially boosting access speeds to 21 Mbps. The growth of fixed broadband subscriptions remains strong despite competition from mobile broadband alternatives. In the fixed broadband T-HT controls 68% of the market, Optima 12.3%, BNet (VIPnet) 11.8% and 7.9% others. T-HT offers IPTV service under the name maxTV and Optima under the name OptiTV. Croatia also supports IPTV service from fixed-line and ISP operators Amis and Metronet.



Source: BMI and IDC

Sub-Sector Best Prospects

[Return to top](#)

High margins in the telecommunications sector will continue to justify large infrastructure investments. However, the telecommunications operators are not the only investors in this sector; the government, banks and utilities are also investing in maintenance and development of their own telecommunications infrastructure, especially fiber optic networks. This market segment is usually dominated by the domestic suppliers – local subsidiaries of Ericsson (www.ericsson.hr) and Siemens (www.siemens.hr), which cover most of the clients in the Croatian healthcare, utilities, and industry sectors.

Mobile broadband access continues to be one of the fastest growing market segments. The number of mobile broadband users increased 12% from the last year. This will support related infrastructure investments to enable further bandwidth increases and a migration towards the LTE standard and fiber optic infrastructure. Wimax networks are slowly entering the market as well, threatening to pull some of the mobile customers in urban areas towards a cheaper access to a fully IP-based wireless telecommunications. The number of local companies that are using websites for promotion and online sales is rapidly increasing.

Opportunities

[Return to top](#)

Relying heavily on EU funds, the Croatian government plans to invest \$1.37 billion in the construction of next generation broadband and in ICT development in rural areas. If this investment takes place, by the end of 2014 about one million fixed line connections and about half a million mobile internet connections will use speeds of 2 Mbps, and by the end of 2015 will use speeds higher than 30 Mbps.

Some alternative operators and smaller Internet Service Providers have begun to deploy their national Wimax networks to compete with the mobile operators. The full list of operators can be found at the website of the Croatian Telecommunications Agency (<http://www.hakom.hr/default.aspx?id=29>). Below is the list of websites for some major Croatian telecommunications equipment distributors and integrators:

www.king-ict.hr

www.computech.hr

www.cs.hr

www.combis.hr (owned by the incumbent operator, HT)

Resources

[Return to top](#)

Croatian Post and Electronic Communications Agency – <http://www.hakom.hr>

T-HT Inc. – www.t.ht.hr

Vipnet Ltd. – www.vipnet.hr

Tele 2 Ltd. – www.tele2.hr

Metronet Inc. – www.metronet.hr

Optima Telekom Inc. – www.optima.hr

B.Net Ltd. – www.bnet.hr (owned by VipNet)

Local branch of the market research agency IDC – www.idc-adriatics.com

Business Monitor International - <http://www.businessmonitor.com/>

U.S. Embassy - U.S. Commercial Service

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Medical Equipment and Pharmaceuticals

Overview

[Return to top](#)

Unit: \$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	1,300,000	1,100,000	1,023,000	1,003,000
Total Local Production	718,000	637,000	583,000	530,000
Total Exports	618,000	587,000	540,000	490,000
Total Imports	1,200,000	1,050,000	980,000	963,000
Imports from the U.S.	125,000	115,000	110,000	100,000
Exchange Rate: 1 \$	5.9	5.7	n/a	n/a

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: All Figures are Rough Estimates.

Croatia spent an estimated 8.2% of GDP on healthcare in 2013, equal to \$4.7 billion, or \$1,099 per capita. About 85% of this was in the public sector (\$4 billion) and 15% in the private sector (\$730 million). The Croatian Health Insurance Fund (HZZO) expects the public sector expenses to be significantly lower in the future -- about \$3.6 billion in 2014 and \$3.7 billion in 2015.

Funding for healthcare in Croatia is principally through the compulsory health insurance system which has been operated by the Croatian Health Insurance Fund (HZZO). The HZZO collects contributions from the working population and the government makes payments on behalf of those exempt, such as the elderly, the unemployed and dependents. The \$3.6 billion budget of the Croatian Institute for Health Insurance (HZZO, www.hzzo-net.hr) provides treatment for approximately 4.36 million insured persons annually in 49 public health centers, 22 general hospitals, 12 clinics, 40 special hospitals and 363 polyclinics.

Sub-Sector Best Prospects

[Return to top](#)

In 2013, the Croatian market for medical equipment and supplies is estimated at \$232.1 million, and is primarily government funded. This market size is comparable to Bulgaria. Approximately one fourth of this market is new medical equipment. It is expected that the market will expand at a rate of 5.0% per annum, reaching \$295.6 million by 2018. The National Healthcare Development Strategy 2012-2020 developed by the Croatian Ministry of Health will expand health-related IT systems in the country and restructure the hospital sector.

Around 93% of the medical device market is supplied by imports. Croatia imported medical devices valued at \$205.1 million in 2012; this represented a decrease of 13.8% compared with 2011. Imports have fluctuated in recent years, although the general trend has been upward, from \$109.2 million in 2002. Croatia has a small domestic production sector, supplying both the domestic market and other countries from the former Yugoslavia.

Total drug expenditures in Croatia in 2013 were around \$1.19 billion, which represents a significant increase compared to \$750 million in 2012. Croatia's pharmaceutical expenditure per capita is comparable to its neighbors, with the sixth highest per capita expenditure in the Central and Eastern Europe (CEE). Approximately 25 percent of all drug expenditures are attributable to various groups of cardiovascular drugs. The second highest ranked group is nervous system drugs, followed by immune system/cancer treatment drugs and gastro-intestinal drugs.

Opportunities

[Return to top](#)

Total spending on medical equipment, surgical instruments, accessories, laboratory equipment and various supplies in Croatian hospitals amounts to \$208 million, of which approximately \$45 million is spent on medical equipment. Clinical centers in Zagreb and Rijeka are the most active buyers.

Private clinics and medical practices account for approximately 7-9 percent of total services provided in the health sector. The largest private clinic in Croatia, the cardiology clinic "Magdalena", registered revenues of approximately \$21 million in 2012. Private polyclinic "Sunce" (\$16 million) and orthopedic clinic "Akromion" (\$5.45 million) are also among the better known private medical institutions in Croatia.

The Croatian pharmaceuticals market is dominated by generic products more than many other markets in the CEE region. However, spending on expensive, innovative drugs has begun growing rapidly. The inclusion of drugs for treatment of cancer and cardiovascular and neurological diseases on the HZZO reimbursement list has resulted in HZZO spending a total of \$98 million on these drugs in 2012, a 40% increase over 2011. Croatian pharmaceutical distributors are interested in the possibility of representing additional U.S. principals and/or use the manufacturing capacities of U.S. private label manufacturers. Food supplements and health-related IT systems represent another area where Croatian distributors are looking for new brands.

Resources

[Return to top](#)

Business Monitor International – www.businessmonitor.com

Croatian Agency for Medicinal Products and Medical Devices – www.almp.hr

Global Trade Atlas – www.gtis.com

Croatian Ministry of Health – www.zdravlje.hr

Croatian Institute for Health Insurance – www.hzzo-net.hr

Croatian State Bureau of Statistics – www.dzs.hr

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Environmental Technologies

Overview

[Return to top](#)

Unit: \$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	170,000	216,000	227,000	232,000
Total Local Production	52,000	50,000	51,000	51,000
Total Exports	3,000	4,000	4,000	4,000
Total Imports	121,000	170,000	180,000	185,000
Imports from the U.S.	5,000	5,000	6,000	6,000
Exchange Rate: 1 \$	5.9	5.7	n/a	n/a

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: All Figures are Rough Estimates.

While the Croatian environmental equipment and services market is relatively small, Croatia's EU accession in July 2013 has increased attention on the environmental sector. The sector is providing a unique window of opportunity for U.S. firms to offer specialized equipment and services and position themselves for a long-term access to the country's environmental market. According to some estimates, the total environmental investments aimed at reaching the average EU standards for water, air and waste sectors will amount to \$2.6 billion in the period 2014 – 2020. Most of the costs will be related to water supply and protection, wastewater management and waste disposal. In addition to funds provided by local counties, the Croatian Fund for Environmental Protection & Energy Efficiency (www.fzoeu.hr), World Bank, (www.worldbank.hr) and European Bank for Reconstruction & Development (www.ebrd.com), environmental sector projects have been significantly funded by the EU accession funds. In the period from July 2013 to the end of 2015, approximately \$200 million will be available from EU cohesion and structural funds for environmental sector infrastructure projects.

Best Prospects/Services

[Return to top](#)

- Public water supply projects
- Water quality maintenance and monitoring
- Upgrade of wastewater treatment facilities
- Waste Management Center Zagreb
- Development of regional and county waste management centers
- Treatment and disposal of hazardous waste
- Remediation and closing of existing landfills
- Remediation of "hot spots"

Opportunities

[Return to top](#)

- On-going Adriatic Project (Coastal Cities Pollution Control) - upgrading of municipal sewage systems and wastewater treatment facilities on the coast
Completion expected in 2020. Cost of the current 2nd stage (2010-2014) is \$163 million
- Osijek wastewater treatment plant, 170.000 ES capacity – \$99 million
- Porec project - 4 waste water treatment plants – \$91 million
- Waste management center Zagreb - \$580 million
- Hazardous waste center/incinerator - \$22 million
- Waste management centers on county and regional levels -\$4.5 billion
- Rehabilitation of old landfills – out of 136 officially active landfills, 22 have already been rehabilitated. The approximate cost for rehabilitation of the remaining 115 is \$200 million. According to EU Directive 1999/21/EZ, the deadline for rehabilitation or closure of the existing landfills is December 2018
- Rehabilitation of “black spots,” high risk hazardous waste locations, started in 2007. The estimated investments required for the overall rehabilitation project is \$140 million

Resources

[Return to top](#)

Ministry of Environmental Protection, Physical Planning and Construction; www.mzoip.hr

Ministry of Regional Development, Forestry and Water Management; www.mrrsv.gov.hr

Croatian Waters; www.voda.hr

Agency for Environmental Protection; www.azo.hr

Fund for Environmental Protection and Energy Efficiency; www.fzoeu.hr

Croatian Business Council for Sustainable Development; www.hrpsor.hr

U.S. Embassy - U.S. Commercial Service

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Renewable Energy

Overview

[Return to top](#)

Unit: \$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	20,000	60,000	80,000	100,000
Total Local Production	5,000	20,000	30,000	40,000
Total Exports	0	0	10,000	10,000
Total Imports	15,000	40,000	60,000	70,000
Imports from the U.S.	800	1,000	1,500	2,000
Exchange Rate: 1 \$	5.9	5.7	n/a	n/a

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: All Figures are Rough Estimates.

To meet the estimated needs for additional installed capacity in the power generation sector by 2020, the Croatian energy strategy from 2009 envisions that an additional 1,545 MW of electricity would become available from plants using renewable sources. However, only about 400 MW have been built so far, primarily because of complex administrative procedures and grid limitations. Given that the 80 million kunas (about \$14 million) collected annually in the renewable energy fund is barely enough to support feed-in tariffs for the existing plants, the Croatian government has revised the entire renewable energy strategy, and many projects have been put on hold. The Ministry has shifted its focus to supporting projects that involve significant local content, such as small hydro-power plants.

Sub-Sector Best Prospects

[Return to top](#)

According to the Ministry of Economy, the most competitive renewable energy plants in Croatia would be for:

- Electricity generation – wind farms and biomass cogeneration, small hydro plants (less than 10MW), geothermal cogeneration and solar photovoltaic plants
- Heat generation – biomass heat plants, solar thermal collectors and geothermal plants
- Transportation sector – liquid biofuel plants.

Opportunities

[Return to top](#)

With the regulations adopted in 2007, the Croatian government specified the types of power plants that will be supported, the feed-in tariffs, the sources of funding, the incentives, and the procedures for interested investors to obtain permissions for exploring sites, building plants and connecting them to the grid. The Ministry of Economy maintains the registry of renewable energy and cogeneration plant projects (the document is available in English at www.mingo.hr).

Ministry of Economy – www.mingo.hr
Croatian Electricity Company – www.hep.hr
Croatian Energy Regulatory Agency – www.hera.hr
Croatian Energy Market Operator – www.hrte.hr

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Recreational Boating and Equipment

Overview

[Return to top](#)

Unit: \$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	150,000	160,000	180,000	200,000
Total Local Production	40,000	55,000	60,000	70,000
Total Exports	20,000	30,000	40,000	50,000
Total Imports	130,000	135,000	160,000	180,000
Imports from the U.S.	15,000	20,000	25,000	30,000
Exchange Rate: 1 \$	5.9	5.7	n/a	n/a

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: (All figures are rough estimates.)

Notwithstanding the the global economic slowdown, demand for recreational boats and equipment has grown steadily in Croatia. Croatia has a huge potential in nautical tourism, and boat chartering has been among the fastest growing industry sectors. Most of the boats and equipment are imported from the European Union and the United States, but local production is becoming more competitive. The overall size of the market is estimated at \$150 million annually. With no major tariff or non-tariff market entry barriers, and sufficient numbers of capable local distributors specialized in recreational boats and/or equipment that would be effective partners, the opportunities for U.S. exporters are significant.

Sub-Sector Best Prospects

[Return to top](#)

- Motorboats of up to 20 feet and spareparts
- Luxury motorboats of 30 feet and up and spareparts
- Maintenance and repair of motorboats
- Marina services and equipment,
- Environmental protection equipment at marinas.

Opportunities

[Return to top](#)

As Croatia enforces the environmental protection standards required by the European Union, environmental protection equipment at marinas becomes increasingly important. Boat building has a long tradition in Croatia but repair and maintenance of modern luxury motorboats, which are increasingly the most common types of craft in Croatian marinas, is not a strength. Supply of modern tools and training for these types of services as well as general marina operations represent a key opportunity.

Web Resources

[Return to top](#)

Ministry of Maritime Affairs, Transport and Infrastructure - www.mppi.hr
Croatian Register of Shipping – www.crs.hr

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Energy

Overview

[Return to top](#)

Unit: \$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	360,000	370,000	400,000	500,000
Total Local Production	220,000	210,000	230,000	240,000
Total Exports	22,000	20,000	30,000	40,000
Total Imports	162,000	180,000	200,000	300,000
Imports from the U.S.	15,000	15,000	20,000	25,000
Exchange Rate: 1 \$	5.9	5.7	n/a	n/a

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: All Figures are Rough Estimates.

Croatia imports over 50 percent of the total of about 300 PJ (petajoules) of energy consumed annually. It imports 80 percent of its oil needs, 40 percent of gas, 20 percent of electricity, and 100 percent of coal needs. Due to the expected three percent annual increase of energy demand and the projected exhaustion of Croatia's own oil and gas resources during the next ten years, its dependence on imported energy will continue to grow.

As a member of the European Union (EU) since July 1, 2013, Croatia has adjusted its energy sector regulations and development plans to enable smooth integration into the European energy market. In line with the EU approach, on October 16, 2009, Croatia's parliament adopted a professionally-prepared and publicly-discussed Energy Strategy for the period until 2020. Adjusting Croatia's energy policy with EU goals for 2020, the strategy addresses Croatia's need for increased, diversified and sustainable supply of energy resources and improved energy efficiency.

In the electric power generation sector, the strategy has identified the need for construction of a total of about 3,500 MW of the installed capacity (the current total capacity is about 4,000 MW, of which about 1,100MW is in facilities at the end of their life-cycle). In the oil and gas sector, it has identified the need for construction of additional oil and gas pipelines, an LNG terminal and gas storages. Upgrades and modernization are also needed in the district heating sector. The estimated total investment in these projects exceeds \$20 billion (about \$2 billion annually). An estimated 60 percent of the investments would be needed in the electric energy sector, 30 percent in the oil and gas sector, and 10 percent in the district heating sector. Croatia does not have sufficient financial and technology resources for these investments and it will highly depend on foreign investors and equipment suppliers.

Sub-Sector Best Prospects

[Return to top](#)

- Key equipment for gas-fired (especially cogeneration) and coal-fired power plants
- Key equipment for LNG terminals (on shore)
- Key equipment for renewable energy plants (especially wind, solar and biomass)

- Oil-pipeline and gas-pipeline equipment
- Underground gas storage equipment
- Off-shore oil & gas exploration equipment and services

Opportunities

[Return to top](#)

Implementation of the Energy Strategy adopted in 2009 has not been as smooth as expected. The current government has set the following major projects as its top priority:

- Off-shore oil & gas exploration in the Adriatic Sea – a tender was published in April 2014 for 29 exploration blocks; the deadline for applications is Nov 3, 2014
- Coal-fired plant in Plomin (500 MW) – a strategic partner for the project should be selected by Fall 2014 from the pre-selected group of bidders
- Construction of LNG terminal at the Island of Krk – a strategic partner is being sought
- Construction of two gas-fired cogeneration plants in Sisak and Rijeka (probably 500 MW each) – both projects in early preparation stages
- Renovation of hydro-power plant in Senj (240 MW) and construction of hydro-power plant Kosinj (52 MW)
- Construction of several hydro-power plants on the Sava river (tentative)
- Construction of underground gas storage Benicanci (tentative)

Web Resources

[Return to top](#)

Ministry of Economy - www.mingo.hr
Croatian Electricity Company – www.hep.hr
Croatian Energy Regulatory Agency – www.hera.hr
Croatian Energy Market Operator – www.hrte.hr

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Franchising

Overview

[Return to top](#)

Unit: \$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	15,000	20,000	25,000	30,000
Total Local Production	3,000	5,000	7,000	9,000
Total Exports	0	0	1,000	1,000
Total Imports	12,000	15,000	19,000	22,000
Imports from the U.S.	5,000	7,000	8,000	9,000
Exchange Rate: 1 \$	5.9	5.7	n/a	n/a

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: All Figures are Rough Estimates.

Franchising in Croatia is still in its development stages as a business concept, but there is a strong ongoing effort to promote its advantages. There are between 120 and 150, mostly foreign, franchisors operating in the Croatian market. Besides McDonald's which has been present in Croatia since 1996, the most recent U.S. franchises that have entered the market include SIGNARAMA, RE/MAX, New Horizons Computer Learning Centers, and Kentucky Fried Chicken. Numerous opportunities for advertising exist in the local daily press and specialized magazines, and expert assistance to franchisors looking for local partners is available from at least two franchise development centers.

Sub-Sector Best Prospects

[Return to top](#)

Local experts agree that tourism and hospitality are by far the most promising sectors for franchising development in Croatia. Indeed, tourism already represents about 25 percent of Croatia's GDP and is considered the industry with the largest growth potential.

Opportunities

[Return to top](#)

The relative scarcity of franchised services and retail outlets combined with a high entrepreneurial spirit in Croatia's urban centers suggests a strong potential for franchising in general. At the same time, respect for and awareness of many U.S. brands is high.

Web Resources

[Return to top](#)

Franchise Center Osijek – www.fransiza.hr
Croatian Franchise Association – www.fip.com.hr
Robert Bilic (Signarama Franchisee) – <http://robertbilic.com/>

U.S. Embassy - U.S. Commercial Service
Damjan Bencic, Senior Commercial Specialist
Zagreb, Croatia
Tel: +385 (0)1 661 2186; Fax: +385 (0)1 661 2446

Email: Damjan.Bencic@trade.gov
Website: <http://export.gov/croatia/>

Information Technology Equipment and Services

Overview

[Return to top](#)

Unit: \$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	1,098,800	1,060,000	1,050,000	1,172,000
Total Local Production	530,800	520,800	460,000	527,000
Total Exports	90,000	100,000	110,000	115,000
Total Imports	658,000	640,000	700,000	760,000
Imports from the U.S.	33,000	34,000	35,000	40,000
Exchange Rate: 1 \$	5.9	5.7	n/a	n/a

(Source: figures for the total market size - IDC Adriatics; figures for exports are estimates based on the percentage of exports for the top 10 companies in the sector; figures for imports from the \$ – Croatian Customs Directorate)

While the negative performance of the IT sector in Croatia in the last five years presented a serious concern for the stakeholders, expectations regarding the future of the Croatian IT market are very high. The local branch of the market research agency IDC estimates that the market will grow by 2.14 percent for the next year, reaching \$1.12 billion. According to Business Monitor International (BMI), the Croatian IT market should grow as much as 7% in 2014. Croatian IT spending per capita was at \$235 in 2013, or 27 percent of the EU average of \$956. According to BMI, this should expand to \$318 in 2017.

Sub-Sector Best Prospects

The breakdown of the IT market in Croatia by categories is as follows:

IT services	<u>30 percent</u> - \$319 million in 2013 to \$312 million in 2014, -2%
Hardware sales	<u>51 percent</u> - \$560 million in 2013 to \$5558 million in 2014, -1% (Tablet sales have constrained sales of traditional notebooks.)
Software	<u>19 percent</u> - \$181million in 2013 to \$180 million in 2014, -0.6% (SME market for EAS software represents an opportunity)

Europe IT Risk/Reward Ratings: Croatia scored 47.3 out of 100 in IT rating. Average rate is 57.5 out of 100.

Following is the list of the top 5 IT services providers in Croatia and their 2013 revenues (not all of the revenues are related to the IT services):

Siemens SIS	\$196 million (25% of which derived from IT solutions and services)
King ICT Ltd.	\$59 million
Combis Ltd.	\$82 million
Apis IT Ltd.	\$436million
IBM Hrvatska Ltd.	\$40 million

The public sector is the largest user segment, representing 23 percent of the IT spending in Croatia. It is followed by the financial sector (21 percent) and

telecommunications sector (18 percent). Retail sales actually recorded a mild growth in 2013 thanks to the marketing activities and special offers, but they represent only 9 percent of the total IT spending in Croatia. In 2013, software export increased for 30 percent and it is 1.6 percent of the Croatian exports.

Opportunities

[Return to top](#)

The cloud computing sector is growing at 18-20 percent per year and is about 2 percent of the total IT market. It is the fastest growing segment of IT consumption in the country. The highest demand is on PaaS. It was estimated by the Association of Croatian Independent Software Exporters (CISEx) that during 2013-2015 there could be about 10,000 new jobs opened by IT startups in Croatia, primarily related to offering cloud solutions to the public sector as well as to small and medium businesses. According to IDC, the value of cloud services in 2013 was about \$10 million.

While IT spending in the financial and other sectors will probably remain at the same level, the largest opportunities lie in the public sector, which should apply EU funds to IT projects -- and contribute to the growth of the market. Government spending on ICT will focus on areas like e-Government, e-Taxation, e-Health and the justice system. Croatia's e-Government project will include the following three large infrastructure projects:

- **OIB** - the Croatian government will integrate all public databases in one, using OIB (personal identification number) as the key identifier. Every Croatian citizen will receive a government email address for improved communication with public institutions.
- **Croatian Cloud Datacenter** - the Croatian government will establish a secure backup center for all public datacenters. The suggested location for this center is a former military airport in Udbine.
Digital Case Tracking System for the Office of the Chief State Prosecutor – a replacement for its 130-year-old system of record keeping. The system has already been partially deployed in Zagreb, Zlatar, Karlovac and Pula.

Resources

[Return to top](#)

Local branch of the market research agency IDC – www.idc-adriatics.com
Croatian Independent Software Exporters CISEx -
www.exportboomers.com/CISEx/Udruga-CISEx
Business Monitor International - <http://www.businessmonitor.com/>

U.S. Embassy - U.S. Commercial Service
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Email: Suzana.Vezilic@trade.gov
Website: <http://export.gov/croatia/>

Transportation

Overview

[Return to top](#)

Type of transport	State of infrastructure	Structure of passenger transport	Structure of goods transport
Road	29,410 km	40%	59%
Railway	2,722 km	50%	9%
Air	7 airports	9%	0.1%
Maritime and river	804 km of river waterways	1%	25.9%
Pipeline	2,695 km	n/a	7%

Source: Croatian Chamber of Economy

Croatia's geographic position on the crossroads of the Southeast Europe, connecting the Pannonia plain and the Mediterranean coast, provides a strong basis for development of the transportation sector. Currently, this sector represents 5% of GDP and 5.5% of total employment in Croatia.

Croatian road transport has developed more rapidly than other transport sectors. Two road corridors run through Croatia: the corridor X (10) from Western Europe to the Black Sea and the corridor V (5) from Eastern Europe and the Baltic Sea to the Mediterranean. Croatian Railways' long-term business projections envisage the construction of modern infrastructure on sections which belong to the V, B, C and X Pan-European transport corridors. The three key Croatian railway state-owned companies (HZ Infrastructure, HZ Passenger Transport, and HZ Cargo) are undergoing reorganization in order to cope with the railway market liberalization.

There are 350 Croatian ports and small harbors on the coast and islands, and seven of them can receive large ocean-going ships: Pula, Rijeka, Zadar, Šibenik, Split, Ploče and Dubrovnik. Croatia's major river ports are Vukovar on the Danube, Osijek on the Drava, and Sisak on the Sava. The Port of Rijeka accounts for the major portion of port business among Croatian seaports, generally generating more than 50% of total port traffic in Croatia.

There are seven international airports in the Republic of Croatia – Zagreb, Split, Dubrovnik, Zadar, Rijeka, Pula and Osijek. There are also three landing facilities – Brač, Lošinj and Vrsar – for the arrival and dispatch of smaller commercial aircraft. Croatian airports register 5.4 million passengers in 2012, which represents an 8.7% increase compared to 2011. Zagreb airport is the largest Croatian airport, with 2.3 million passengers in 2012.

Sub-Sector Best Prospects

[Return to top](#)

- Environmental friendly vehicles (trucks, personal vehicles)
- Key equipment for Intelligent Transportation Systems
- Cargo equipment, especially for railways
- Key equipment and services for airports

Opportunities

[Return to top](#)

The major projects include:

- Croatian government is preparing to offer a 30-50 year concession of Croatia's network of over 1,000 km of highways
- Rijeka Gateway Project, valued at approx. \$1.4 billion, which aims to transform the Port of Rijeka into a leading deep-sea port in the Northern Adriatic Sea
- Modernization of the railway line Rijeka-Zagreb worth \$1.4 billion, which will enable better cargo transportation from the Port of Rijeka to Europe
- Privatization of the state-owned airline company Croatia Airlines
- Construction of a new airport terminal in Zagreb (about \$150 million) with a French concessionaire as the project holder.
- Construction of a new terminal in Dubrovnik (about \$10 million) - works are in progress, the project holder is Dubrovnik Airport.
- The Peljesac Bridge project, which is instrumental in connecting Croatia's territory and ensuring the future EU Schengen security regime between the EU (i.e. Croatia) and non-EU countries. The project is still in early stages.

Web Resources

[Return to top](#)

Ministry of Maritime Affairs, Transport and Infrastructure - www.mppi.hr
Croatian Chamber of Commerce, Sector for Transportation and Communications
Department – www.hgk.hr

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Agricultural Sectors

[Return to top](#)

Miscellaneous Consumer Foods

Overview

[Return to top](#)

Unit: \$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	n/a	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a	n/a
Total Exports	706,685	729,890	730,000	735,000
Total Imports	1,514,036	1,715,959	1,720,000	1,750,000
Imports from the U.S.	21,445	17,330	20,000	25,000
Exchange Rate: 1 \$	5.9	5.7	n/a	n/a

Data Sources:

- Total Local Production: n/a
- Total Exports: Global Trade Atlas
- Total Imports: Global Trade Atlas
- Imports from the U.S.: Global Trade Atlas

Croatia's total imports in this category vary around \$1.7 billion. In the last few years flourishing tourism at the Dalmatian coast and rebounding consumer demand in urban areas are fueling demand for consumer foods which is underlined by the increasing number of supermarkets. However, a slight slowing down of the market for consumer foods is noticeable that can be associated with the global economic crisis. Trade statistics on American exports to Croatia in this category are severely understated due to transshipment via the EU.

Sub-Sector Best Prospects

[Return to top](#)

Imports of fresh fruit and vegetables together with processed fruit and vegetables were about \$355 million in 2013. However, US processed fruit and vegetable exports to Croatia were valued at only \$2.4 million. This sector has high prospects because Croatia is not self-sufficient in fruit production and will always import exotic fruits.

Another interesting sector is tree nuts. Croatia imported 3,144 metric tons (MT) of tree nuts in 2013, valued at \$23 million, of which more than \$7 million were almonds coming mostly from the United States. Furthermore, Croatia's almond production satisfies about half of domestic demand, thus there is good market potential for U.S. almond producers and exporters.

Furthermore, Croatia is a large pork importer. In 2013, pork imports reached \$200 million, mostly from the EU (Germany, Netherlands, Spain, Hungary, Italy and Austria). Currently, the U.S. is only a minor supplier to the Croatian market which used to be

constrained by trichina testing, but with the adoption of EU standards is no longer a problem.

In addition, Croatia does not have a domestic pet food manufacturing industry and imports all of its consumption. In 2013, imports of dog and cat food was over \$50 million. While direct exports from the United States account for only a small portion of the pet food market, U.S. exporters are advised to keep a keen eye on Croatia's economic growth as an indicator of potential sales for U.S. pet food products. One good prospect for U.S. dog and cat food exporters is the niche market for premium pet foods.

Moreover, Croatia provides a unique opportunity for U.S. wine exporters to position their product in the market that in 2013 imported over \$19 million in wine. U.S. wine exporters should focus their market entry efforts on Zagreb, the nation's capital, where niches exist for medium and higher quality wines.

Opportunities

[Return to top](#)

Demand for medium to high quality consumer foods will continue to rise along with Croatia's standard of living and the volume of US products currently being transshipped from EU ports is likely to increase now when there are no duty rates on commerce coming from other Member States.

Web Resources

[Return to top](#)

Foreign Agricultural Service Zagreb - <http://zagreb.usembassy.gov/business/doing-business-in-croatia-agro-food-products.html>

Agricultural Shows and Market Reports -

http://zagreb.usembassy.gov/agricultural/shows_reports.html

Foreign Agricultural Service – <http://www.fas.usda.gov>

Ministry of Agriculture – <http://www.mps.hr>

Ministry of Health – <http://www.zdravlje.hr>

International Hotel and Gastro Tech at Zagreb Fair – <http://www.zv.hr/>

Vinovita – International Fair of Wine and the Equipment for Viticulture and Viniculture at Zagreb Fair – <http://www.zv.hr>

U.S. Embassy - U.S. Foreign Agricultural Service
Andreja Misir, Agricultural Specialist Zagreb, Croatia

Fish & Seafood

Overview

[Return to top](#)

Unit: \$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	n/a	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a	n/a
Total Exports	152,995	151,815	155,000	160,000
Total Imports	107,930	96,603	100,000	105,000
Imports from the U.S.	2,089	1,528	2,000	2,500
Exchange Rate: 1 \$	5.9	5.7	n/a	n/a

Data Sources:

- Total Local Production: n/a
- Total Exports: Global Trade Atlas
- Total Imports: Global Trade Atlas
- Imports from the U.S.: Global Trade Atlas

Although Croatia is a net-exporter of fish and seafood products, it imports a significant quantity as well. Annually, Croatia imports about \$100 million in fish and seafood. In 2013, Croatia imported fish mostly from Spain, Italy and Argentina. The demand for fresh-water fish and seafood is expected to increase with modern changes in nutritional habits and increased demand from tourism.

Sub-Sector Best Prospects

[Return to top](#)

Promising areas for U.S. exporters include fish feed for tuna production, fish for the local fish processing industry, sardines, and mackerel. In addition the small blue fish is the most consumed fish on the national market, but due to changing nutritional habits and consumer demand, salted fish production has significantly increased, including anchovies, frozen fish, smoked fish (smoked sea bass, eel, and freshwater fish), fish pâté, marinated fish, and others.

Opportunities

[Return to top](#)

Croatia is an excellent market for U.S. fish and seafood exports. Croatia's faltering fishing industry cannot meet rising demand for seafood as the country becomes a more popular tourist destination. Croatia's fish processing industry and fish breeding is also expanding and consequently demands more feed for tuna breeding.

Web Resources

[Return to top](#)

Foreign Agricultural Service Zagreb - <http://zagreb.usembassy.gov/business/doing-business-in-croatia-agro-food-products.html>

Agricultural Shows and Market Reports -
http://zagreb.usembassy.gov/agricultural/shows_reports.html
Foreign Agricultural Service – <http://www.fas.usda.gov>
Ministry of Agriculture– <http://www.mps.hr>
Ministry of Health – <http://www.zdravlje.hr>
International Hotel and Gastro Tech at Zagreb Fair – <http://www.zv.hr/>

U.S. Embassy - U.S. Foreign Agricultural Service
Andreja Misir, Agricultural Specialist Zagreb, Croatia

Soybeans and Soybean Meal

Overview

[Return to top](#)

Unit: \$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	n/a	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a	n/a
Total Exports	37,875	31,772	35,000	40,000
Total Imports	81,619	85,987	90,000	90,000
Imports from the U.S.	45	18	20	25
Exchange Rate: 1 \$	5.9	5.7	n/a	n/a

Data Sources:

Total Local Production: n/a

Total Exports: Global Trade Atlas

Total Imports: Global Trade atlas

Imports from the U.S.: Global Trade Atlas

Croatian dairy, poultry and swine industries stimulate demand for soybeans and soybean meal. Soybeans are imported into the port of Zadar where the largest soybean crushing facility in Southern Europe is located and the port of Rijeka. After they are crushed, the soybeans are shipped throughout the western portion of the Balkans. Price and credit availability are the major determinants for sourcing. At the moment, for human consumption, only GMO-free soybeans are acceptable for the Croatian market.

Sub-Sector Best Prospects

[Return to top](#)

Soybean meal is an import sector with higher financial potential.

Opportunities

[Return to top](#)

Opportunities lay in feed segment and non GMO soy.

Web Resources

[Return to top](#)

Foreign Agricultural Service Zagreb - <http://zagreb.usembassy.gov/business/doing-business-in-croatia-agro-food-products.htm>

Agricultural Shows and Market Reports -

http://zagreb.usembassy.gov/agricultural/shows_reports.html

Foreign Agricultural Service – <http://www.fas.usda.gov>

Ministry of Agriculture – <http://www.mps.hr>

Ministry of Health – <http://www.zdravlje.hr>

U.S. Embassy - U.S. Foreign Agricultural Service
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[Return to table of contents](#)

[Return to table of contents](#)

Chapter 5: Trade Regulations, Customs and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

Import Tariffs

[Return to top](#)

On July 1, 2013, Croatia joined the EU customs union with common trade tariffs, policies and procedures. Once cleared by customs authorities at any EU member state, imported goods can be moved freely among EU member states without any additional customs procedure. The duties for importing a specific product into the EU, including Croatia, are found on the following websites:

<http://madb.europa.eu/madb/euTariffs.htm>

http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/

More detailed information on EU customs is available from the U.S. Commercial Service at the U.S. Mission to the EU in Brussels: <http://export.gov/europeanunion/>.

Trade Barriers

[Return to top](#)

While the Croatian market is relatively free of overt trade barriers, several realities of the market pose challenges for U.S. exporters to Croatia. Of primary concern is the lack of efficiency in the Croatian judicial system particularly as it relates to intellectual property right (IPR) protections and customs disputes. With a multi-year case backlog, the prosecution of IPR infringements and resolution of customs disputes is time-consuming and costly.

Import Requirements and Documentation

[Return to top](#)

A Croatian importer is responsible for providing the required import documentation, which consists of common trade, transport, and customs documents, as well as

certificates required for quality control and licenses where appropriate. The Single Administrative Document (SAD) that is used by European Union and most other countries is the key customs document in Croatia as well.

U.S. Export Controls

[Return to top](#)

The Bureau of Industry and Security (BIS) is responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of most U.S. commercial items. The items that BIS regulates are often referred to as "dual-use" items (i.e., items that have both commercial and military or proliferation applications) but purely commercial items without an obvious military use are also subject to the EAR.

The EAR does not control all goods, services, and technologies. Other U.S. government agencies regulate more specialized exports. For example, the U.S. Department of State has authority over defense articles and defense services. A list of other agencies involved in export controls can be found on the BIS website at: <http://www.bis.doc.gov/>.

Temporary Entry

[Return to top](#)

Temporary entry of products into Croatia is regulated in accordance with the EU Customs Code and international customs conventions. Croatia is a party to the Customs Convention on ATA Carnet for Temporary Import of Goods

Typically, the following goods are eligible to qualify for Carnet entry:

1. Commercial samples;
2. Goods for international fairs and exhibitions, and
3. Professional equipment (including tools and instruments, but not goods for processing or repair).

For information on obtaining an ATA export document, please visit the following website: <http://www.atacarnet.com/>

The carnet must be presented upon entry. Customs will stamp the carnet thereby validating it. Upon departure, the carnet must again be presented for validation, confirming that the product is being transported out of the country. Failure to re-export the goods results in application of the duties.

Labeling and Marking Requirements

[Return to top](#)

The following labeling information must be in Croatian on the original package of products subject to quality control: name of the product; full address of the producer or full address of the importer; net quantity, weight, or volume; ingredients; usage and storage particulars; and any important warnings about the product for the consumer. Technically complicated products must include instructions for use, the manufacturer's

specifications, a list of authorized maintenance offices, warranty, and other applicable data.

Every certified product must carry a CE certification mark indicating that the product has undergone appropriate testing and that it conforms to the provisions of the relevant regulations. Foreign labels, including the U.S. standard label, are not acceptable; stick-on labels that meet local requirements are allowed for products that contain a foreign label.

More detailed information on this topic is available from the U.S. Commercial Service at the U.S. Mission to the EU in Brussels: <http://export.gov/europeanunion/>.

Prohibited and Restricted Imports

[Return to top](#)

Information on this topic is available from the U.S. Commercial Service at the U.S. Mission to the EU in Brussels: <http://export.gov/europeanunion/>.

Customs Regulations and Contact Information

[Return to top](#)

The Croatian Customs Service, a division of the Ministry of Finance administers import duties and controls:

Croatian Customs Service
Carinska služba Republike Hrvatske
Alexandera von Humboldta 4
10000 Zagreb
Tel: +385 1 6211300; Fax +385 1 6211012
Website: <http://www.carina.hr/>
E-mail: ured-ravnatelj@carina.hr

Standards

[Return to top](#)

- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)
- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Labeling and Marking](#)
- [Contacts](#)

Overview

[Return to top](#)

Croatia's government has harmonized its technical standards legislation with the EU Directives, as this was an important requirement Croatia had to fulfill to conclude the EU accession negotiations. To create an internal market where

goods legally manufactured in one member state can be sold in the market of another member without any additional testing and certification, the EU is in a continuous process of harmonizing technical regulations, standards and conformity assessment procedures among the member states. Since the EU consists of independent states, the EU adopts Directives and publishes references to harmonized standards that each member state is required to transpose into its own legislation and national standards system. More detailed information on the EU standards and certification is available from the U.S. Commercial Service at the U.S. Mission to the EU in Brussels:

<http://export.gov/europeanunion/eustandardsandcertification/index.asp>

<http://export.gov/europeanunion/> (click on Doing Business in the EU).

Although the Croatian representative or importer is held directly responsible for product safety and for its conformity with Croatian technical regulations, the ultimate responsibility lies with the manufacturer.

Standards Organizations

[Return to top](#)

The [Croatian Standards Institute \(HZN\)](#) is the public institution responsible for preparation, adoption, editing, and publication of Croatian standards. Any legal entity or natural person with the seat or residence in Croatia may be a member of the HZN and participate in its work. The members include interested Croatian manufacturers, testing and measuring laboratories and certification bodies, educational and scientific institutions, chambers of commerce, industry associations, consumer associations, and government institutions. Only 0.2 percent of the Croatian standards are of purely Croatian origin; the rest of them are adopted European and/or international standards. HZN maintains an on-line catalog of Croatian and other standards that can be mailed to interested users for a fee. As per EU directives, the Croatian standards are voluntary.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at <http://www.nist.gov/notifyus/>

Conformity Assessment

[Return to top](#)

In Croatia, the Ministry (or other government institution) responsible for preparing and implementing technical regulations for specific products is also responsible for defining the related conformity assessment procedure (for example, the Ministry of Health is in charge for medicinal products, the Ministry of Construction for construction products, the Ministry of Interior for explosives, etc. and the Ministry of Economy is in charge of the products that are not under authority of

any other ministry). The basic elements of the conformity assessment procedure are defined by the Law on Technical Requirements for Products and Conformity Assessment adopted in 2003 and significantly modified in July 2007.

Product Certification

[Return to top](#)

Although the Croatian Law on General Products Safety states that all products must be safe, some products do not require certification, some can be self-certified by the manufacturer or importer, and some require a third party certification before they can be put on the market. For products that can be self-certified, a manufacturer's or importer's declaration of conformity is required and the accompanying technical documentation should be kept on file for ten years (all in Croatian language). When a third-party certification is required, the Ministry or other government institution in charge of that type of product designates appropriately equipped and trained private sector institutions to serve as conformity assessment bodies and authorizes them to issue certificates of conformity for that type of product.

Accreditation

[Return to top](#)

The [Croatian Accreditation Agency](#) is the public institution that confirms to Croatian private sector laboratories, companies and physical persons that they meet certain standards required to participate in the conformity assessment process, i.e. issues them a formal accreditation. These standards are also voluntary. They serve to facilitate the evaluation by Ministry or government institution in charge of the type of product, when deciding on the applicant's ability to be authorized as a conformity assessment body.

As a part of creating the internal market, the EU has developed harmonized standards to be used for accreditation of the third parties in the conformity assessment process in order to enable creation of an EU-wide network of equally technically capable laboratories and conformity assessment bodies whose certificates are valid throughout the EU. Each member state has designated conformity assessment bodies on its own territory that meet these standards and has notified them to the EU Commission that keeps the list of [Notified Bodies](#). Each member state is responsible for assuring the required standard quality of work of the Notified Bodies it had designated. To facilitate bilateral trade, this EU-wide network of Notified Bodies is being expanded to non-EU countries, such as EFTA countries (EEA members) and other countries (including the United States) with which the EU has concluded general Mutual Recognition Agreements (MRAs) or more detailed Agreements on Conformity Assessment and Acceptance of Industrial Products (ACAAs).

Publication of Technical Regulations

[Return to top](#)

Technical regulations are published in the Croatian [Official Gazette](#), along with all other laws and regulations. Some technical laws and regulations have been

translated into English, primarily for the needs of the EU accession process. The [U.S. Commercial Service](#) at the American Embassy Zagreb can assist U.S. exporters to find out about the legislation relevant to their type of product and can also arrange for translation services, if necessary.

Labeling and Marking

[Return to top](#)

Since Croatia entered the EU on July 1, 2013, the CE (Conformité Européenne) marking indicating compliance with EU safety standards has become automatically recognized in Croatia. More detailed information on this topic is available from the U.S. Commercial Service at the U.S. Mission to the EU in Brussels:

<http://export.gov/europeanunion/eustandardsandcertification/index.asp>

<http://export.gov/europeanunion/>

Contacts

[Return to top](#)

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Fax: +385-1-610- 9321
Website: <http://www.hzn.hr/>

Trade Agreements

[Return to top](#)

Croatia entered the EU on July 1, 2013, and is now subject to EU trade agreements:

http://ec.europa.eu/enterprise/policies/international/facilitating-trade/free-trade/index_en.htm

Web Resources

[Return to top](#)

American Chamber of Commerce in Croatia - www.amcham.hr
ATA Carnet - <http://www.atacarnet.com/>
BDVAM-K, d.o.o. (technical regulations consultant) - miroslav.matasovic1@zg.t-com.hr
Bureau of Industry and Security - <http://www.bis.doc.gov/>
Croatian Accreditation Agency - <http://www.akreditacija.hr/>
Croatian Chamber of Commerce - www.hgk.hr
Croatian Customs - <http://www.carina.hr/>
Croatian Government - <http://www.vlada.hr>
Croatian Official Gazette - <http://www.nn.hr/>
Croatian Standards Institute - <http://www.hzn.hr>

European Commission Representation to the Republic of Croatia - http://ec.europa.eu/croatia/index_hr.htm
European Commission – Standards and Single Market for Goods and Services - http://ec.europa.eu/enterprise/index_en.htm
Ministry of Foreign and European Affairs - <http://www.mvpei.hr>
Ministry of Economy - <http://www.mingo.hr/>
Ministry of Agriculture - <http://www.mps.hr/>
Ministry of Health - <http://www.zdravlje.hr/>
National Institute of Standards and Technology - <http://www.nist.gov/index.html>
NIST Notify U.S. Service - <http://www.nist.gov/notifyus/>
Quality Superintending Company, Ltd. - <http://www.zik.hr/>
State Office for Metrology - <http://www.dzm.hr/>
State Inspectorate - <http://www.inspektorat.hr>
U.S. Mission to the European Union - <http://export.gov/europeanunion/eustandardsandcertification/index.asp>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Competition from State Owned Enterprises](#)
- [Corporate Social Responsibility](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)
- [Web Resources](#)

Summary

For more than a decade after the end of the war in 1995, Croatia enjoyed steady growth in foreign investment, buoyed by a growing economy, low inflation, a stable exchange rate and developed infrastructure. However, investment activity slowed substantially in 2008 and has not regained momentum, due mostly to structural problems that continue to plague the economy, now in its sixth year of recession. The banking system weathered the financial crisis well, but a bloated and complex bureaucracy, underperforming state enterprises, low transparency, and an inefficient judicial system have all contributed to poor economic performance over the past five years.

The present Government of Croatia (GOC) came into power in December 2011, and has pledged to take urgent legislative and administrative steps to reduce barriers to investment and foster development in key sectors—particularly tourism, energy, infrastructure, and irrigation/environment. In one of the most important reforms, the GOC established a special investment regime with accelerated permitting and other benefits for projects that are considered of strategic importance, such as infrastructure or larger manufacturing investments. Another recent milestone was the announcement in April 2014 of new opportunities for investment in the exploration and production of oil and natural gas, with the first international tender in Croatia's history for offshore exploration licenses in the Adriatic Sea. This represents a significant investment opportunity for U.S. oil and gas companies. In general, however, the new measures have not attracted significant new investments.

Croatia became a member of the European Union (EU) on July 1, 2013. Entry into the EU should enhance stability and provide new opportunities for trade and investment. The GOC is currently working on establishing conditions and improving its administrative capacity to make accessible approximately \$15 billion in EU funds through 2020. Despite some recent progress, however, additional legal and administrative reforms are crucial for Croatia to attract a broader spectrum of investment. Investors still complain about high para-fiscal fees, rigid labor laws, and slow and complex permitting procedures, and a slow, sometimes unpredictable legal system.

Although it is now a member of the EU, Croatia still lags behind many other EU members in certain areas that are important to investors, such as registering property, investor protection, cross-border trade and bankruptcy procedures. It does better, somewhere closer to average among the EU 28, in terms of availability of loans, starting a business, connecting to the power grid and enforcing contracts. The GOC readily admits the country's investment climate needs improvement, but insists it is committed to attracting foreign investment and to making Croatia an attractive destination for all interested investors, foreign or domestic.

Openness to Foreign Investment

[Return to top](#)

Croatia is open to foreign investment, and the Croatian government continues to prioritize attracting foreign investment. All investors, both foreign and domestic, are guaranteed equal treatment by law. However, bureaucratic and political barriers remain. The greatest of these continues to be the country's inefficient and sometimes unpredictable legal system. The backlog of unresolved judicial cases peaked at 1.6 million in 2004 and has slowly been reduced to 773,349 pending cases. Because of the large number of pending cases, even the simplest matters can take years to resolve. Investors agree that an unpredictable regulatory framework, lack of transparency in administrative procedures and lack of structural reforms weigh heavily upon the investment climate. New corporate income tax legislation and a Strategic Investment Act, which came into force recently, are intended to help investors streamline large projects.

Corruption remains an issue, although there have been strong anti-corruption efforts in recent years, particularly high-profile prosecutions of senior members of prior governments, including a former Prime Minister sentenced to a ten-year prison term in 2012 for taking bribes. The business community believes that in some cases, bureaucratic and permitting procedures suffer delay as officials anticipate extra-legal payments.

The Company Act defines the forms of legal organization for domestic and foreign investors. The following entity types are permitted for foreigners: general partnerships; limited partnerships; branch offices; limited liability companies; and joint stock companies. The Obligatory Relations Act regulates commercial contracts. Croatia published a draft Industrial Strategy in January 2014, which identified key economic sectors including pharmaceutical production, metallurgy, ICT services and electronic equipment. As part of the Strategy, the GOC also listed priorities including strategic cooperation between industry and education, restructuring public administration, stabilizing the investment climate and developing the capital market by creating alternative sources of financing. The Ministry of Economy has the lead on industrial

policy, and is open to answering inquiries regarding the application of the strategy. Relevant contact information can be found at www.mingo.hr/default.aspx?id=3398.

The country continues to pursue privatizations through the Office for State Asset Management (DUUDI), formerly known as the Agency for Public Asset Management (AUDIO). Information regarding state-owned assets can be found at www.duudi.hr, currently available only in Croatian. Information on selected assets for privatization can also be found at the website of the Agency for Investments and Competitiveness (www.aik-invest.hr/en). While foreign investors generally do not face direct discrimination in privatization processes, problems with bureaucracy and timely judicial remedies can significantly slow progress for projects. In addition, state involvement in the economy remains strong, resulting in inefficiency, overstaffing in both state-owned companies and public administration, and heavy resistance to needed structural reforms. The GOC, however, does view privatization as a means to reduce the budget deficit and increase output, and is working to privatize or seek partners in a number of state-owned assets.

There are no reviewing or screening mechanisms to exclude foreign investment, nor are there any restrictions on foreign investment. The website of the Croatian Chamber of Economy (www.hgk.hr) provides a useful English-language guide, “How to Start Up an Enterprise in Croatia,” as well as sector-specific and general reports.

The Competition Act defines the rules and methods for promoting and protecting competition. In theory, competitive equality is the standard applied with respect to market access, credit and other business operations, such as licenses and supplies. In practice, however, state-owned enterprises and “strategic” firms may still be perceived to receive preferential treatment. The Croatian Competition Agency is the country’s competition watchdog, determining whether anti-competitive practices exist and issuing sanctions on infringements. It has determined in the past that some subsidies to state-owned firms constituted unlawful state aid. Information on authorities of the Agency and past rulings can be found at www.aztn.hr.

TABLE 1: The following chart summarizes several well-regarded indices and rankings for Croatia.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	(57 of 177)	cpi.transparency.org/cpi2013/results/
Heritage Foundation’s Economic Freedom index	2013	(87 of 177)	www.heritage.org/index/ranking
World Bank’s Doing Business Report “Ease of Doing Business”	2013	(89 of 189)	doingbusiness.org/rankings

Global Innovation Index	2013	(37 of 142)	www.globalinnovationindex.org
World Bank GNI per capita	2012	\$13,490	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Conversion and Transfer Policies

[Return to top](#)

The Croatian constitution guarantees the free transfer and repatriation of profits and invested capital for foreign investments. Article VI of the U.S.-Croatia Bilateral Investment Treaty (BIT) establishes protection for American investors from government exchange controls that limit current and capital account transfers, and limits on inward transfers made by screening authorities. The BIT obliges both countries to permit all transfers relating to a covered investment to be made freely and without delay into and out of each other's territory. The Croatian Foreign Exchange Act permits foreigners to maintain foreign currency accounts and to make external payments.

The Foreign Exchange Act also defines foreign direct investment (FDI). For example, use of retained earnings for new investments/acquisitions is considered FDI, whereas financial investments made by institutional investors such as insurance, pension and investment funds are not. The law also liberalizes foreign exchange transactions for Croatian entities and individuals, allowing them to invest abroad. Generally, this law liberalized foreign exchange transactions, but it also introduced criteria for the possible imposition of capital controls.

The U.S. Embassy in Zagreb has not received any complaints from American companies regarding transfers and remittances. The risk of currency devaluation or significant depreciation is low. However, the exchange rate of the Croatian kuna is more tightly linked to the euro than the U.S. dollar.

Expropriation and Compensation

[Return to top](#)

There have been no cases of expropriation of foreign investments by the government since Croatia's independence in 1991. Article III of the BIT covers both direct and indirect expropriations. The BIT bars all expropriations or nationalizations except those that are for a public purpose, carried out in a non-discriminatory manner, are in accordance with due process of law, and are subject to prompt, adequate and effective compensation.

Croatian law gives the government broad authority to expropriate real property under various economic and security-related circumstances, including eminent domain. However, it includes provisions that guarantee adequate compensation, in either the form of monetary compensation or real estate of equal value to the expropriated property in the same town or city. The law includes an appeals mechanism to challenge expropriation decisions by means of a complaint to the Ministry of Justice within 15 days of the expropriation order. The law, however, does not describe the Ministry's

adjudication process, and the fact that the Ministry of Justice represents the government, which initiates expropriations, could be an area of potential concern.

Dispute Settlement

[Return to top](#)

The Croatian constitution provides for an independent judiciary. The judicial system consists of courts of general and specialized jurisdictions, and its core structures are the Supreme Court, County Courts, Municipal Courts, and Magistrate/Petty Crimes Courts. Specialized courts include the Administrative Court and High Commercial and Lower Commercial Courts. A Constitutional Court determines the constitutionality of laws and government actions and protects and enforces constitutional rights. Municipal courts are courts of first instance for civil and juvenile/criminal cases. The High Commercial Court is located in Zagreb and has appellate review of lower commercial court decisions. The Administrative Court has jurisdiction over the decisions of administrative bodies of all levels of government. The Supreme Court is the highest court in the country and, as such, enjoys jurisdiction over all civil and criminal cases. It hears appeals from the County, High Commercial, and Administrative Courts. The government continues efforts to reform the judiciary, including reducing the backlog of cases, reforming the land registry, training court officers and reducing the backlog and length of bankruptcy procedures.

Alternative dispute resolution has been implemented at the High Commercial Court, the Zagreb Commercial Court and six municipal courts around the country. An important move to reduce the case backlog is the ongoing redistribution of non-disputed decisions to public notaries. As of last year, there were an estimated 773,349 pending cases in the judicial system. There has been a reduction in the backlog of enforcement cases and the enforcement of judgments, which make up over 10 percent of all pending cases. The Act on Enforcement serves to decrease the burden on the courts by passing responsibility for the collection of financial claims and seizures to the Financial Agency (FINA), which is responsible for paying claimants once the court has rendered a decision ordering enforcement. FINA also has the authority to seize assets or directly settle the claim from the bank account of the person or legal entity that owes the claim. More information can be found at www.fina.hr. The Ministry of Justice is also pursuing a court reorganization plan that is intended to increase efficiency, and reduce the backlog of cases.

Article 19 of the Act on Enforcement states that judgments of foreign courts may be executed only if they “fulfill the conditions for recognition and execution as prescribed by an international agreement or the law.”

The Bankruptcy Act is internationally harmonized and corresponds to the EU regulation on insolvency proceedings and United Nations Commission on International Trade Law (UNCITRAL) Model Law on Cross-Border Insolvency. The World Bank has estimated that the recovery rate for liabilities of firms in bankruptcy in Croatia is approximately 42.9 percent of the Organization for Economic Cooperation and Development (OECD) average. The Commercial Court of the county in which a bankrupt company is headquartered has exclusive jurisdiction over bankruptcy matters. A bankruptcy tribunal decides on initiating formal bankruptcy proceedings, appoints a trustee, reviews creditor complaints, approves the settlement for creditors, and decides on the closing of proceedings. A bankruptcy judge supervises the trustee (who represents the debtor) and the operations of the creditors’ committee, which is convened to protect the interests of all creditors, oversee the trustee’s work and report back to creditors. The Act establishes

the priority of creditor claims, assigning higher priority to those related to taxes and revenues of state, local and administration budgets. It also allows for a debtor or the trustee to petition to reorganize the firm, an alternative aimed at maximizing asset recovery and providing fair and equitable distribution among all creditors.

The Financial Operations and Pre-Bankruptcy Settlement Act, in force since late 2012, introduced a new “pre-bankruptcy” procedure designed to expedite proceedings that have traditionally been slow and inefficient in Croatia, and establishes timeframes for the initiation of bankruptcy proceedings. One of the most important provisions of pre-bankruptcy is that it allows a firm that has been unable to pay all its bills to remain open during the proceedings, thereby allowing it to continue operations and generate cash under financial supervision in hopes that it can recover financial health and avoid closure.

There have been instances of investment disputes involving U.S. companies in Croatia. As a result of the very long timeframes involved in obtaining judgments in court, in addition to questionable transparency in some cases, companies often try to resolve disputes without seeking a judicial remedy. The Embassy encourages out of court dispute resolution when possible. The GOC has generally been unresponsive to requests from U.S. companies to assist in resolution of long-standing disputes. According to the latest available analysis by the European Council for Efficiency of the Judicial System, civil litigation in Croatia lasts an average of 462 days, compared to the European average of 235 days.

Although underutilized, both mediation and arbitration services are available through the Croatian Chamber of Economy. The Chamber’s permanent arbitration court has been in operation since 1965 (<http://en.hgk.hr/about/permanent-arbitration-court/>). Arbitration is voluntary and conforms to UNCITRAL model procedures. The court received 34 new cases in 2013. There are currently no arbitration matters involving U.S. companies, though one U.S.-affiliated institution has been involved in an arbitration process for over two years. The Chamber’s Mediation Center has been operating since 2002; see <http://en.hgk.hr/about/mediation-centre>. The Arbitration Act covers domestic arbitration, recognition and enforcement of arbitration rulings, jurisdictional matters and procedures. Once an arbitration decision has been reached, the judgment is executed by court order. If no payment is made by the established deadline, the party benefiting from the decision notifies the Commercial Court, which becomes responsible for enforcing compliance. Arbitration rulings have the force of a final judgment, but can be appealed within three months.

Article X of the BIT sets forth several mechanisms for the resolution of investment disputes, defined as any dispute arising out of or relating to an investment authorization, an investment agreement, or an alleged breach of rights conferred, created, or recognized by the BIT with respect to a covered investment. Croatia recognizes binding international arbitration, which may be defined in investment agreements as a means of dispute resolution. For example, the GOC currently has two open arbitration cases with a private investor in the national oil company.

Croatia is a signatory to the following international conventions regulating the mutual acceptance and enforcement of foreign arbitration: the 1923 Geneva Protocol on Arbitration Clauses; the 1927 Geneva Convention on the Execution of Foreign Arbitration Decisions; the 1958 New York Convention on the Acceptance and Execution

of Foreign Arbitration Decisions; and the 1961 European Convention on International Business Arbitration. In 1998 Croatia ratified the Convention that established the International Center for the Settlement of Investment Disputes (ICSID).

Performance Requirements and Incentives

[Return to top](#)

Croatia's Trade Related Investment Measures (TRIMs) agreement under the World Trade Organization (WTO) went into effect in 2000. Croatia has no trade-related investment measures in place at the present time, nor does the government intend to introduce any such measures in the future. Accordingly, Croatia did not seek to list any measures for elimination under the provisions of the WTO Agreement on TRIMs. Croatia is committed to maintaining measures consistent with the TRIMs agreement, which it has applied from its date of accession.

The Investment Promotion Act (IPA), amended in 2013, offers incentives for micro-enterprises, tax incentives including lower taxes on profits, as well as financial incentives for investments that create new jobs and for training associated with an investment project. These incentives are available for projects valued from \$68,000 to \$4 million. Of particular interest are substantial available reductions in the tax rate on profits depending on the size of the investment. A reduction of 50 percent applies for a maximum of ten years for companies that invest up to \$1.4 million and create at least five new jobs. This reduction rises to 75 percent for companies investing \$1.4-\$4.1 million and creating at least 10 new jobs, and to 100 percent for companies that invest over \$4.1 million and create at least 15 new jobs. Incentives for new job creation range from \$4,500 to \$12,000, depending on the investment.

Incentives are also available for development and innovation activities that improve or modernize products, production series, processes and technologies; business support activities such as customer support or logistics and distribution centers; programming and ICT centers; and activities that create tourism services with high value added, such as accommodations, health tourism, conference tourism, nautical tourism, cultural tourism, as well as entertainment and recreation centers.

Amendments to the IPA have created two new categories. First, incentives now apply for the capital costs of an investment project, such as an investment in long-term assets with a value of at least \$7 million. Second, new incentives apply to labor-intensive investments creating 100, 300 or 500 new jobs within three years from the start of the investment. The full IPA can be found at www.minpo.hr/UserDocsImages/Investment%20Promotion%20and%20Development%20of%20Investment%20Climate%20Act.pdf.

A Strategic Investments Act went into effect in November 2013. This Act is intended to facilitate and accelerate procedures for projects deemed to be of strategic interest for Croatia based on 12 conditions listed in the Act. Strategic projects can include private or public investments in energy, tourism, infrastructure, transport, electronic communications, the environment, municipal economy, agriculture, forestry, water management, fisheries, health, or culture. A project may be considered strategic if it contributes to the employment of a large number of people, improves manufacturing or service standards, implements or develops new technologies, offers sustainable growth, or helps advance the competitiveness of the economy.

The minimum amount for an investment to be considered strategic is approximately \$27 million. All investments over this amount are considered strategic, and will be entitled to accelerated permitting and registration procedures. Investments will also be treated as strategic if they are valued at \$3.6 million or more, and are either implemented in geographic areas of special state concern (e.g. underdeveloped or war-affected regions/islands), or are in the agriculture and fisheries sector. A guide for investors interested in applying for status under the Strategic Investments Act can be found at www.mingo.hr/userdocsimages/Vodici/Zakon%20o%20strate%C5%A1kim_vodi%C4%8D_eng_12.pdf. A provisional translation of the Act is available at www.mingo.hr/default.aspx?id=3221.

The Act on Spatial Planning and Construction allows investors to secure permits through an e-licensing system, which is a novelty in otherwise cumbersome permit acquisition procedures. The investor may obtain a license valid for three years, which will allow for a three percent change in the dimensions of the project from start to finish. The e-licensing system can be accessed at <http://dozvola.mgipu.hr>.

Croatian law does not impose performance requirements on foreign or domestic investors. Article VII of the BIT prohibits mandating or enforcing specified performance requirements as a condition for a covered investment. The list of prohibited requirements is exhaustive and covers domestic content requirements and domestic purchase preferences, the “balancing” of imports or sales in relation to exports or foreign exchange earnings, requirements to export products or services, technology transfer requirements and requirements relating to the conduct of research and development in the host country. Article VII of the BIT makes clear, however, that a party may impose conditions for the receipt or continued receipt of benefits and incentives.

The Ministries of Economy and Defense operate an offset program for defense procurements worth over EUR 2 million, requiring local sourcing of a portion of the contract. More information on the application and regulation of the offset program can be found at www.hgk.hr/djelatnost/gosp_industrija/offset-program.

Although procedures for obtaining business visas are generally clear, they can be cumbersome and time-consuming. Foreign investors should familiarize themselves with the provisions of the Act on Foreigners. Questions relating to visas and work permits should be directed to the Croatian embassy or a Croatian consulate in the United States. The U.S. Embassy in Zagreb maintains a website with information on this subject at <http://zagreb.usembassy.gov/service/other/entry.html>.

Right to Private Ownership and Establishment

[Return to top](#)

Both foreign and domestic legal entities have the right to establish and own businesses and engage in remunerative activity. Foreign investors can acquire ownership and shares of joint stock companies. The lowest amount of initial capital for establishing a joint stock company is HRK 200,000 (\$35,000) and the nominal value per share cannot be less than HRK 10 (\$1.75). The minimum initial capital for establishment of a limited liability company is HRK 20,000 (\$3,500), while individual representation per investor cannot be less than HRK 200 (\$35). The Company Act was amended in 2012 to make it easier and less costly to establish a small business. Article 49 of the Constitution provides that all entrepreneurs have equal legal status, and that monopolies are forbidden.

The government's e-government initiative "Hitro.hr" (www.hitro.hr) provides an on-line business registration component that reduces the time it takes to register a company to four days. Hitro.hr offices are located in more than 60 Croatian cities and towns. Business registration is the first step in a plan to make more government services available on line in the coming years.

Protection of Property Rights

[Return to top](#)

The right to ownership of private property is established in the Croatian Constitution and in numerous acts and regulations. A foreign physical or legal person incorporated under Croatian law is considered to be a Croatian legal person. The Ownership and Property Rights Act establishes procedures for foreigners to acquire property by inheritance as well as legal transactions such as purchases, deeds, and trusts. In order to acquire property by means other than inheritance or as an incorporated Croatian legal entity, foreign citizens require the approval of the Ministry of Justice. Approval often takes months or longer, owing to a lengthy interagency clearance process. While citizens of EU member states are afforded the same rights as Croatian citizens in terms of purchasing property, the right of all other foreigners to acquire property in Croatia is based on reciprocity. Reciprocity exists on a state-by-state basis with the United States. Croatia's Ministry of Foreign and European Affairs has confirmed the existence of reciprocity for real estate purchases for residents of the following states: Alabama, Arizona, Alaska, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Louisiana, Maine, Massachusetts, Michigan, Montana, Nevada, New Jersey, New York, North Carolina, North Dakota, Rhode Island, Tennessee, Texas, Virginia, Washington, West Virginia, as well as Iowa and Oklahoma (with a condition of permanent residence). Residents of other states could face longer waiting periods while the Ministry confirms that Croatian nationals can purchase real estate in those states without restrictions.

However, a foreign investor, incorporated as a Croatian legal entity, may acquire and own property without ministry approval. The purchase by any private party of certain types of land (principally land directly adjacent to the sea or in certain geographically designated areas) can be restricted. Both Croatian and foreign citizens may mortgage property and pledge real and tangible property.

When purchasing land for construction purposes, potential buyers should determine whether the property is classified as agricultural or construction land. The Agricultural Land Act allows for additional fees of up to 50 percent of the value of the land to be diverted from agriculture due to construction; as such, this law should be considered when purchasing land. The Agricultural Land Agency works with local governments to review potential agricultural land purchases. However, the Agricultural Land Act no longer covers the sale of privately owned farmland, which is now treated solely as the subject of a sales agreement between the parties. Buyers of this type of land should be aware of potential unresolved issues with land ownership.

Clarifying Croatia's land registry system is an ongoing process. Although Croatia continues to process a backlog of cases, potential investors should seek a full explanation of land ownership rights before purchasing property. Note that Croatia's land records are available on line (see www.pravosudje.hr and www.katastar.hr). There can be ambiguous and conflicting claims to property, making it necessary to verify that the seller possesses clear title to both land and buildings (which can be titled and owned

separately). Inheritance laws have led to situations in which some properties can have dozens of legal owners, some of whom are deceased and others of whom emigrated and cannot be found. It is also important to verify the existence of necessary building permits, as some newer structures in coastal areas have been subject to destruction at the owner's expense and without compensation for not conforming to local zoning regulations. Investors should be particularly wary of promises that structures built without permits will be regularized retroactively. The Act on Legalization of Buildings and Illegal Construction came into effect in August 2012 and should help to resolve ambiguities regarding ownership of real estate. For all these reasons, it is highly advisable to seek competent, independent legal advice in this area. The U.S. Embassy maintains a list of English-speaking attorneys (<http://zagreb.usembassy.gov/service/special-consular-services.html>).

Land ownership is distinct from ownership of buildings or facilities on the land. Investors interested in acquiring companies from the Office for State Asset Management (DUUDI) should seek legal advice to determine whether any deal also includes the right to ownership of the land on which a business is located, or merely the right to lease the land through a concession.

Inconsistent regulations and restrictions on coastal property ownership and construction have also provided challenges for foreign investors in the past. Legislation restricts coastal construction and commercial use within 70 meters of the coastline.

Croatian intellectual property rights (IPR) legislation includes the Patent Act, Trademark Act, Industrial Design Act, Act on the Geographical Indications of Products and Services, Act on the Protection of Layout Design of Integrated Circuits, and the Act on Copyrights and Related Rights. Texts of these laws are available on the website of the State Intellectual Property Office (www.dziv.hr). Although some areas of IPR protection remain problematic, Croatia is currently not on the U.S. Special 301 Watch List. Problem areas continue to be concentrated in piracy of digital media and counterfeiting. Due to its geographical position, Croatia is also one of the transit routes for various contraband products bound for other countries in the region. There have been no problems reported with regard to registration of intellectual property in Croatia by American companies.

As a WTO member, Croatia is a party to the Uruguay Round Agreement on Trade-Related Intellectual Property Rights (TRIPS). A WTO/TRIPS Working Group in June 2001 accepted Croatia's IPR legislation. Croatia is also a member of the World Intellectual Property Organization (WIPO). For a list of international conventions to which Croatia is a signatory, consult the State Intellectual Property Office's website at www.dziv.hr.

The person at U.S. Embassy Zagreb responsible for handling IPR related issues is Theodore Fisher, tel. (+385 1) 661-2200. The U.S. Embassy maintains a list of English-speaking attorneys (<http://zagreb.usembassy.gov/service/special-consular-services.html>).

Contact information for the American Chamber of Commerce in Croatia can be found at www.amcham.hr.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Croatia's adoption of EU laws, norms, and practices has provided pressure for reform in recent years. Nevertheless, bureaucracy and regulation remain overly complex and time consuming.

The Procurement Act makes public procurement more transparent, as it entails strict obligations for disclosure of public procurement on the internet. The law is intended to make the procurement process easier for businesses bidding on public tenders by cutting bureaucratic procedures. The law requires the publication of all procurement procedures valued at more than HRK 70,000 (\$12,200). A website detailing all published public procurement transactions can be found at nabava.vjetrenjaca.org, a website created to draw attention to the procurement procedure and possible controversies surrounding it.

The tax on corporate profit is a flat 20 percent. A 12 percent tax is charged on dividends and capital gains that exceed HRK 12,000 (\$2,100). For a detailed description of existing tax legislation, please consult the Tax Administration's website at www.porezna-uprava.hr/en_propisi/_layouts/in2.vuk.sp.propisi.intranet/propisi.aspx. The Institute of Public Finance maintains a useful table of Croatian taxes at www.ijf.hr/upload/files/file/ENG/taxtable.pdf. Croatia also maintains a 25 percent value-added tax (VAT). Some companies have had difficulty with the tax authorities due to different understandings of how certain goods and services are affected by VAT. Detailed information about customs can be found at www.carina.hr.

Investors have complained that the tax code is not applied equally, nor are tax opinions of a binding nature, which makes it difficult to plan for future costs of investment. There are also a number of so-called "para-fiscal" fees, which are an extra burden to business. The business community is currently working with the government to try to identify which of these fees will be eliminated.

New legislation and changes to existing legislation which could have a significant impact on citizens are made available for public debate. Although Croatia's regulatory system does not specifically discriminate against foreign investors, transparency in developing legislation and regulation is often hampered by an inefficient public administration, lack of intra-governmental coordination, and reliance on expert advice from "national champions," sometimes giving the latter a privileged position in influencing new regulations.

Croatia's securities markets are equally open to domestic and foreign investment. There are no restrictions that disrupt foreign investment in the securities market and financial markets in Croatia. Foreign residents may open non-resident accounts and may do business both domestically and abroad. Article 24 of the Foreign Currency Act states that non-residents may subscribe, pay in, purchase, or sell securities in the Republic of Croatia in accordance with regulations governing securities transactions. Non-residents and residents are afforded the same treatment in spending and borrowing. These and other non-resident financial activities regarding securities are covered by the Foreign Currency Act, available on the central bank website (www.hnb.hr).

The Capital Markets Act regulates all aspects of securities and investment services, and defines the responsibilities of the Croatian Financial Services Supervisory Agency (HANFA). The Act also specifies who is responsible for information listed in a prospectus, and obligates the issuer to publish periodic financial reports as well as information about changes in corporate structure and voting rights. The Act was amended in 2013 to fully harmonize with EU directives on capital markets. The full text of the Act and amendments are found at the HANFA website (www.hanfa.hr/EN/nav/189/capital-market-act-.html), in Croatian language. In 2013, transactions on the Zagreb Stock Exchange totaled HRK 3.8 billion (approximately \$680 million) with an additional HRK 18.24 billion (\$3 billion) in registered OTC transactions. According to the Central Depository and Clearing Company, 857,742 Croatian citizens own stocks.

Only authorized companies (brokerage houses and banks) may deal in securities in Croatia. Such activities must be licensed by HANFA and entered in a court register. A brokerage may only be a private or public limited company based in the Republic of Croatia, and its only permitted activity is transactions in securities. The type of permitted activity depends on the amount of share capital. A brokerage company may establish a branch abroad in order to deal in securities in the respective country. Foreign brokerage companies authorized for transactions in securities may establish a branch in Croatia, provided they obtain a license from HANFA. The Investment Fund Act provides for the establishment of derivative funds, index funds and other funds in accordance with EU legislation.

The private sector, both domestic and foreign owned, enjoys open access to credit on market terms. The banking sector, now overwhelmingly privatized and consolidated, is highly developed and becoming more competitive. More than 90 percent of total banking sector assets are foreign-owned. As of February 2014 there were 29 commercial banks and five savings banks, with assets totaling HRK 411 billion (\$74 billion). The largest bank in Croatia is Zagrebacka Banka, with assets of HRK 106.5 billion (\$19 billion), for a market share of 25.9 percent of total banking assets in Croatia. Second-largest is Privredna Banka, with HRK 66.8 billion (\$12 billion), or 16.2 percent of total banking assets. The third largest is the Erste Bank, with assets of HRK 61 billion (\$11 billion), for a 14.8 percent market share in Croatia.

The government uses the market to finance government expenditure. Government debt instruments must be bought through an intermediary such as a commercial bank, and are tradable on exchanges. Nearly all Croatian workers under age 40 are required to pay five percent of their gross salary into a pension fund of their choice. Additional voluntary savings with government matching of 25 percent has also been introduced.

Securities are traded on the Zagreb Stock Exchange (ZSE), established in 1991. There are three tiers of securities traded on the ZSE. The Securities Act requires that all companies with more than 100 shareholders and share capital of at least HRK 30 million (\$5.5 million) be listed as public stock companies. The intention of this law was to increase transparency and encourage companies to obtain low-cost equity financing, which would result in higher turnover and trading volumes. Companies must meet high disclosure and operating requirements to be fully listed. A detailed explanation of all requirements is provided at www.zse.hr in English.

Measures governing takeovers are prescribed by the Act on Takeovers of Joint Stock Companies, which has been harmonized with EU requirements. The Act was amended in order to improve shareholders' protection in the takeover process, and to unambiguously spell out the rights and obligations of acquirers. To date, there has only been one attempted hostile takeover on the ZSE, which failed.

Competition from State Owned Enterprises

[Return to top](#)

Legislation provides that private enterprises are allowed to compete with state-owned enterprises (SOEs) under the same conditions with respect to access to markets, credit and other business operations. In practice, however, there are often accusations that political influence in the SOEs has a negative effect on competition and tenders. The State Property Management Act regulates the Office for State Asset Management (DUUDI), which is responsible for all SOEs and their activities in sectors as diverse as railways, electricity, shipbuilding and tourism. The supervisory boards of SOEs are currently structured to include government figures, most often ministers, and the boards often report directly to the government.

SOEs are currently not in a position to invest in R&D at the same rate as their private sector competitors, and the GOC is hoping to privatize shares of SOEs to raise funds for R&D. It should be noted that companies the GOC deems to be of strategic importance will not be privatized.

SOEs are subject to the same taxation policies as private sector competitors. They are required to submit annual reports and to undergo independent audits.

Corporate Social Responsibility

[Return to top](#)

The Croatian Business Council for Sustainable Development (www.hrpsor.hr) promotes corporate social responsibility (CSR), and is a member of CSR Europe's Network of National Partner Organizations, Global Compact and the Global Reporting Initiative. The Croatian Chamber of Economy adopted a Code of Business Ethics in 2005 and founded the Community for Corporate Social Responsibility. The Chamber also grants an annual award to companies considered leaders in CSR. Their website includes annual reports by leading companies that detail activities related to corporate social responsibility as well as a list of companies with best practices.

Corporate governance is regulated by law, and a Corporate Governance Code of Ethics was established by the HANFA for the ZSE. Publicly listed companies are required to upload their annual corporate governance reports on the ZSE website. The latest copy of the Corporate Governance annual report can be found at www.hanfa.hr/EN/nav/111/giku---englsih.html.

In addition, the Accounting Act requires large companies to apply International Financial Reporting Standards (IFRS). Small and medium-sized businesses may apply Croatian Financial Reporting Standards.

Political Violence

[Return to top](#)

The risk of political violence in Croatia is low. Following the breakup of Yugoslavia and the subsequent wars in the region, Croatia has emerged as a stable, democratic country

and is a member of NATO and the EU. Relations with neighboring countries are generally good and improving, although some disagreements regarding border demarcation and residual war-related issues persist.

There is little domestic anti-American sentiment. There have been no reported incidents involving politically motivated damage to American projects or installations in Croatia.

Corruption

[Return to top](#)

Corruption – General Information

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to

which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>)

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.)

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the

anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Corruption in Croatia

The business community and others perceive corruption to be prevalent in Croatia, including major public companies, the health sector, universities, public procurement systems, the construction sector, and land registry offices. Though corruption remains a concern, there have been strong efforts at stamping it out. The scope of prosecutions indicates that the GOC remains serious in its efforts to fight corruption. Investigations have targeted senior members of prior governments, including a former Prime Minister who was convicted in 2012 of taking bribes and sentenced to a ten-year prison term. Significantly, prosecutors have also indicted the chairman and CEO of a foreign company charged with providing these bribes. In addition, the long-time head of the Croatian Chamber of Economy was recently arrested for corrupt behavior, including abuse of position and embezzlement. Croatian prosecutors have secured corruption convictions of a number of high-level GOC officials, including ministers, high-ranking officials, and senior managers from state-owned companies.

The Law on Criminal Procedure grants prosecutors the authority to investigate crimes, including organized crime and corruption. Prosecutors continue to pursue additional corruption-related investigations against former senior government officials.

The State Prosecutor's Office for the Suppression of Corruption and Organized Crime (USKOK) is tasked with directing police investigations and prosecuting these cases. USKOK is headquartered in Zagreb, with offices in Split, Rijeka and Osijek. In addition, the National Police Office for Suppression of Corruption and Organized Crime (PN-USKOK) conducts corruption-related investigations and is based in the same cities. Specialized criminal judges are situated at the four largest county courts in Croatia, again in Zagreb, Rijeka, Split, and Osijek, and are responsible for adjudicating corruption and organized crime cases. The cases receive high priority in the justice system. The Ministry of Interior, the Office for Suppression of Money Laundering, the Tax Administration, the Anti-Corruption Sector of the Ministry of Justice, and the National Council for Monitoring the Implementation of the National Strategy for Suppression of Corruption all have a proactive role in combating and preventing corruption.

Croatia has laws, regulations and penalties to effectively combat corruption. The Criminal Code and the Criminal Procedure Act define the roles of USKOK and PN-USKOK and define the tools available to authorities to fight corruption. The criminal code also provides for asset forfeiture. If a case falls under USKOK's jurisdiction, it is assumed that all of a defendant's property was acquired through criminal offences unless the defendant can prove the legal origin of the assets in question. Pecuniary gain in such cases is also confiscated if it is in possession of a third party (e.g. spouse, relatives, or family members) and was not acquired in good faith.

The Croatian Criminal Code covers such acts as trading in influence, abuse of official functions, bribery in the private sector, embezzlement of private property, money laundering, concealment and obstruction of justice. In 2010, the legal framework to combat corruption was further improved. The Act on the Office for the Suppression of Corruption and Organized crime provides broad authority to prosecute tax fraud linked to organized crime and corruption cases.

Additional laws for the suppression of corruption include: the State Attorney's Office Act; the Public Procurement Act; the Act on Procedure for Forfeiture of Assets Attained Through Criminal Acts and Misdemeanors; the Budget Act; the Courts Act; the Conflict of Interest Prevention Act; the Corporate Criminal Liability Act; the Money Laundering

Prevention Act; the Witness Protection Act; the Personal Data Protection Act; the Right to Access Information Act; the Act on Public Services; the Code of Conduct for Public Officials; and the Code of Conduct for Judges. The Labor Act contains whistleblower protections, but their effectiveness has yet to be proven. Croatian laws and provisions regarding corruption apply equally to domestic and foreign investors.

Croatia has not ratified the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, but it is a member of the Group of States Against Corruption (GRECO), a peer monitoring organization that allows members to assess anticorruption efforts on a continuing basis. Croatia has been a member of INTERPOL since 1992. Croatia cooperates regionally through the Southeast European Co-operative Initiative (SECI), the Southeast Europe Police Chiefs Association (SEPCA), and the Regional Anti-Corruption Initiative (RAI). Croatia is a member of Eurojust, the EU's Judicial Cooperation Unit, and is a signatory to the UN Convention Against Corruption.

The Croatian Criminal Code includes penalties for both giving and accepting bribes (at Articles 253, 293 and 294), which range from six months to ten years imprisonment. Trading in influence (Article 295) is punishable by six months to five years imprisonment, and engaging in bribery related to trade in influence (Article 296) by one to eight years. Bribes by a local company to a foreign official are also punishable under Croatian law. If it is established that a local company is engaged in criminal behavior, the company may also be banned from conducting operations, depending on the gravity of the crime.

Transparency International Croatia is the main non-governmental watchdog involved in anti-corruption efforts. In addition, GONG, a non-partisan citizens' organization founded in 1997, monitors election processes, educates citizens about their rights and duties, encourages communication between citizens and their elected representatives, promotes transparency within public services, manages public advocacy campaigns, and assists citizens in self-organizing initiatives. The Partnership for Social Development is another nongovernmental organization active in Croatia dealing with the suppression of corruption.

Contact information for Transparency International can be found at www.transparency.hr/en/contact. Contact information for GONG can be found at <http://gong.hr/hr/o-gong-u/kontakt>.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

[Return to top](#)

Croatia does not have a foreign investment law; foreigners receive national treatment under existing legislation. Investments by American citizens are covered by the U.S.-Croatian Bilateral Investment Treaty (BIT), which entered into force in June 2001. The treaty fulfills the principal U.S. objectives for agreements of this type. Notably:

All forms of U.S. investment in Croatia are covered

Covered investments receive the more favorable option of national treatment or most-favored-nation (MFN) treatment, both while being established and thereafter, subject to certain specified exceptions

Specified performance requirements may not be imposed upon or enforced against covered investments

Expropriation is permitted only in accordance with customary standards of international law

Parties are obligated to permit the transfer, in a freely usable currency, of all funds related to a covered investment, subject to exceptions for specified purposes

Investment disputes with the host government may be brought by investors, or by their covered investments, to binding international arbitration as an alternative to domestic courts

For further information about BITs and for the text of the U.S.-Croatian BIT please see www.state.gov/e/eb/afd/bit/117402.htm%20 (under "Croatia").

Croatia and the United States do not share a bilateral taxation treaty or a free trade agreement.

Croatia has signed investment protection treaties/agreements with the following countries, but not all of the agreements have entered into force:

Albania, Argentina, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Cambodia, Canada, Chile, China, Cuba*, Czech Republic, Denmark, Egypt, Finland, France, Greece, Germany, Hungary, India, Indonesia*, Iran, Israel, Italy, Jordan, Kuwait, Latvia, Libya, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Moldova, Mongolia*, Morocco*, Netherlands, Oman**, Poland, Portugal, Qatar**, Romania, Russia**, San Marino, Serbia, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, United Kingdom, United States, Zimbabwe**.

* neither ratified nor in force

** ratified, but not in force

The Ministry of Foreign and European Affairs offers a country by country overview of bilateral treaties that Croatia has signed with each country: www.mvep.hr/en/foreign-politics/bilateral-relations/overview-by-country.

OPIC and Other Investment Insurance Programs

[Return to top](#)

Croatia is eligible for financing and political risk insurance coverage from the U.S. Overseas Private Investment Corporation (OPIC). In 2004, OPIC provided \$250 million in political risk insurance to support financing for the construction of a major motorway. For more information about OPIC, see www.opic.gov.

Croatia is a member country of the Multilateral Investment Guarantee Agency (MIGA). For more information see www.miga.org.

The estimated annual U.S. dollar value of local currency used by the U.S. Embassy in Croatia was approximately \$11.3 million for 2013. The Embassy currently purchases local currency from a local commercial bank at the market rate. A major devaluation is considered unlikely.

Labor

[Return to top](#)

Croatia has an educated, highly skilled, and relatively high cost labor force compared other countries in the region. The estimated average cost to employers in Croatia was HRK 7,939 (approximately \$1,433) per month as of December 2013, and the average net wage was HRK 5,515 (\$995). The minimum wage is regulated by the Minimum Wage Act, which ensures a continuous minimum wage increase over longer periods of time. Minimum wage increases are calculated from the minimum-to-average wage ratio from the previous year, increased by the percentage of real GDP growth in the previous year.

Amendments to Croatia's labor laws have been aimed at increasing labor market flexibility by shortening the mandatory notification period before employee dismissal, and reducing generous severance package requirements. However, due to strong collective agreements, it is often difficult to dismiss employees who are covered by such agreements, especially in state-owned enterprises. The Act on Representation, which deals separately with collective bargaining, limits the period that collective agreements remain in force once they have expired. Further liberalization of labor legislation has been controversial in Croatia, and labor unions come out strongly against any changes perceived to be detrimental to job security. Unions have a strong role independent of political parties and they have so far been successful in blocking further meaningful reform of labor laws. However, unions mainly represent workers whose salaries are linked to the State budget. Croatia still fares poorly in terms of both the time and expense involved in hiring and firing employees.

The Labor Act regulates employee and employer relations through employment contracts. Full-time employment must not amount to more than 40 hours per week, plus a maximum of eight hours paid overtime, and employees are entitled to at least four weeks of paid annual leave and seven days of personal leave. The Labor Act also provides special protections for workers in dangerous occupations, for those who work at night, and for minors aged 15 to 18.

Workers are entitled by law to form or join unions of their own choosing, and workers exercise this right in practice. In general, unions are independent of the government and political parties. The Labor Act prohibits anti-union discrimination and expressly allows unions to challenge firings in court; however, in general, attempts to seek redress through the legal system are seriously hampered by the inefficiency of the court system.

Articles 73-85 of the Act on Foreigners covers the issuance of work permits for foreigners. While there are quotas (determined annually) for work permits for foreigners, there are no quotas for foreigners who execute key positions in companies or representative offices. Likewise, there are no quotas for business visas.

Croatia has several Free Trade Zones (FTZs), some of which are in areas affected by war in the 1990s. Special incentives are offered to users of FTZs, although these zones have lost some of their meaning since Croatia joined the EU and its customs area as of July 1, 2013.

The Act on Free Trade Zones allows foreign-owned or domestic companies in FTZs to engage in manufacturing, wholesale (but not retail) trade, foreign trade, banking and other financial activities. The Act also defines the payment structure for profit taxes through 2017. The Act on Profit Tax covers business in FTZs, but users are eligible for tariff waivers on imported products. FTZs are exempted from any Croatian emergency measures or other restrictions pertaining to foreign trade or currency transactions. Users of the zones may freely store their goods and production equipment in the zones, and enjoy simpler customs procedures. Tax and customs exemptions ceased to be valid once Croatia joined the EU on July 1, 2013.

The Ministry of Entrepreneurship is responsible for overseeing the operation of FTZs. The following locations currently have FTZs: Kukuljanovo, Osijek, Rijeka, Slavonski Brod, Split, Splitsko-Dalmatinska, Ploce, Pula, Varazdin, Zagreb. Detailed information regarding the laws and procedures that cover the use of FTZs can be found at www.croatianfreezones.org.

Privatization has been the main source of FDI since Croatian independence. Large state assets such as utilities and banks were sold by the government, usually through international tenders, and in some cases through initial public offerings (IPOs). New or greenfield investments have lagged in recent years. In April 2014, the GOC opened hydrocarbon exploration and production in the Croatian part of the Adriatic Sea, and it hopes this will generate more foreign investment. The Office for State Asset Management, the agency responsible for state asset sales, has shares in 651 companies. The value of the state's holdings in these companies is estimated at HRK 144 billion (\$26 billion). Information regarding the Office for State Asset Management can be found at www.duudi.hr.

According to the Croatian National Bank, total FDI stock in Croatia at the end of 2013 was EUR 26.8 billion (\$37 billion), with investments in the financial, wholesale/retail and real estate sectors accounting for half the total. Croatian FDI stock abroad amounted to just EUR 93 million (\$128 million) at the end of 2013. Net FDI inflows to Croatia in 2013 were EUR 437 million (\$604 million), one of only three years since 1999 in which FDI totaled less than EUR 1 billion.

Austria is the largest source of foreign investment in Croatia, accounting for 26.5 percent of total FDI since 1993. Germany is second with 12.4 percent, followed by the Netherlands with 11.9 percent and Hungary with 8.5 percent. The United States is ranked no. 30, with total FDI in Croatia of just EUR 19 million (\$26 million). However, this figure nets out repatriated profits; American firms have invested billions of dollars in Croatia since 1993. In addition, because transactions are often executed through third countries, and because the Croatian National Bank records country of origin of the final transaction leading to the investment, statistics on the origin of FDI can underestimate

U.S. investment in the country. For example, many U.S. corporations have investments in Croatia through West European subsidiaries.

The leading destinations for Croatian outward investment were the Netherlands, Serbia, and Bosnia and Herzegovina. In 2013, Croatian companies invested approximately EUR 33 million (\$46 million) abroad.

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Croatian Bureau of Statistics		World Bank		
Economic Data	Year	Amount	Year	Amount	Source of data
Croatian Gross Domestic Product (GDP) (Millions U.S. Dollars)	2013	\$57.5			www.dzs.hr
	2012	\$56.2	2012	\$59.2	www.worldbank.org/en/country
Foreign Direct Investment	National Bank of Croatia		U.S. Bureau of Economic Analysis		Source of data
U.S. FDI in Croatia (Millions U.S. Dollars, stock positions)	2013	\$18.7			www.bea.gov
	2012	-\$5	2012	\$150	www.hnb.hr
Croatian FDI in the United States (Millions U.S. Dollars, stock positions)	2013	\$22.4			www.bea.gov
	2012	\$28.9	2012	\$10	www.hnb.hr
Total inbound stock of FDI as % host GDP	2013	2.4%			
	2012	1.0%	2012		

TABLE 3: Sources and Destination of FDI

Croatia, 2012

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	31,038	100%	Total Outward	4,429	100%
Austria	10,803	35%	Bosnia and Herzegovina	787	18%
Hungary	4,323	14%	Syrian Arab Republic	762	17%
Germany	3,510	11%	Slovenia	660	15%
Netherlands	2,916	9%	Serbia, Republic of	654	15%
Luxembourg	1,873	6%	Liberia	389	9%

"0" reflects amounts rounded to +/- USD 500,000.

Source: <http://cds.imf.org/>

For more information on the investment climate in Croatia, you may contact:

Economic Section
 U.S. Embassy Zagreb
 Ulica Tomasa Jeffersona 2, 10010 Zagreb
 Tel (+385 1) 661-2200
 E-mail: InvestmentClimateCroatia@state.gov

Web Resources

[Return to top](#)

Croatian Chamber of Commerce – www.hgk.hr
 Croatian National Bank – www.hnb.hr
 Zagreb Stock Exchange – www.zse.hr
 Croatian Business Council for Sustainable Development - www.hrpsor.hr
 Croatian office of the World Bank - www.worldbank.hr
 Croatian Government – www.vlada.hr

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

How Do I Get Paid (Methods of Payment)

[Return to top](#)

Croatian importers utilize most of the standard payment methods available in international commerce.

American exporters should offer quotations based on the f.o.b. value at the port of export. As a general rule, such quotations should also include a statement of the actual charges for freight and insurance plus any additional charges to the port of delivery. Quotations are usually in terms of the currency of the country of origin. The terms of payment for imported goods vary according to the type of buyer and the buyer's access to capital. Large organizations such as the government or mining companies tend to transact business on a sight-draft basis, while small companies tend to operate on documents against acceptable terms. Payment between 80 and 120 days after acceptance is most common, but terms may vary between 30 and 180 days. For larger orders of capital equipment, longer terms are often required. It is advisable to ship on a letter of credit, sight letter of credit, or 30-day letter of credit basis that the importer can use as a negotiating instrument to expedite the payment transfer. The payment transfer can be affected within 24 to 48 hours after the importer presents a valid import permit and proper documents to his or her bank.

How Does the Banking System Operate

[Return to top](#)

Notwithstanding unfavorable economic developments in the period from 2009 to 2012, banking is still considered to be one of the strongest sectors of Croatian economy. This is primarily thanks to efficient regulation and relatively disciplined borrowers.

The Croatian National Bank (CNB, www.hnb.hr) is the independent regulator for 32 banks and 5 housing savings banks. Established in 1990, the CNB is tasked with monetary and exchange rate policies, issuing money and maintaining national monetary reserves. The CNB also regulates and supervises credit institutions, issues and revokes their licenses, and manages the interbank Real Time Gross Settlement System. The instruments of the monetary policy at the CNB's disposal are market operations (repo and reverse repo auctions), intra-day and overnight Lombard loans, mandatory reserve requirement (currently at 13.5 percent of total liabilities), CNB bills auctions and short-term liquidity loans. In order to manage the exchange rate, the CNB uses daily auctions

and the minimum mandatory FX requirement (currently at 17 percent of total foreign currency liabilities). The CNB publishes decisions related to banking regulations on its official web pages (<http://www.hnb.hr/propisi/epropisi.htm>).

	Dec. 2009		Dec. 2010		Dec. 2011		June 2012	
	Number of banks	Share						
Domestic ownership	19	9.1	18	9.7	15	9.4	15	9.4
Domestic private ownership	17	4.9	16	5.4	13	4.9	13	4.9
Domestic state ownership	2	4.2	2	4.3	2	4.5	2	4.5
Foreign ownership	15	90.9	15	90.3	17	90.6	17	90.6
Total	34	100.0	33	100.0	32	100.0	32	100.0

Percentage of domestic and foreign-owned banks in Croatia, source: the Croatian National Bank

More than 90 percent of all bank assets (\$72 billion in June 2012) in Croatia are foreign-owned, and the top five banks account for 75.9 percent of total bank assets in the country. Loans represented approximately 70 percent of total bank assets; 43.7 percent of the loans went to households, while corporate loans accounted for 40.4 percent of total lending. The share of partly recoverable and non-recoverable loans (B and C loans) in total bank loans at the end of June 2012 was 13.3 percent, with the largest increase registered in the real estate sector, construction sector and hospitality industry. The average lending rates for short-term euro-indexed local currency loans were at 8.2 percent for corporations and 7.84 percent for households.

	Dec. 2009	Dec. 2010		Dec. 2011		June 2012.	
	Number	Number	Change	Number	Change	Number	Change
Employees	21,730	21,770	0.2	21,865	0.4	21,836	-0.1
Operating units	1,297	1,274	-1.8	1,266	-0.6	1,254	-0.9
ATMs	3,601	3,794	5.3	3,975	4.8	4,051	1.9

Some basic operational indicators for Croatian banks, 2009-2012; source: the Croatian National Bank

More information on the Croatian banking sector and individual banks can be found at <http://www.hnb.hr/publikac/bilten-o-bankama/hbilten-o-bankama-26.pdf>.

In addition to the banks, the banking sector in Croatia includes five housing savings banks and the Croatian Bank for Reconstruction and Development (HBOR). The interests of the banking sector are represented by the Croatian Banking Association (HUB) and the Banking Association within the Croatian Chamber of Economy (HGK).

Foreign-Exchange Controls

[Return to top](#)

The Croatian National Bank intervenes in the market from time-to-time to ensure stability of the currency and maintain a crawling peg to the Euro. There are no administrative foreign exchange controls.

U.S. Banks and Local Correspondent Banks

[Return to top](#)

There are currently no U.S. banks operating in Croatia. A list of all licensed banks and representative offices is available at: <http://www.hnb.hr/supervizija/index.html>

Project Financing

[Return to top](#)

Sources of Project Financing in Croatia

Croatian Bank for Reconstruction and Development (HBOR)

The HBOR is the development and export bank of the Croatian government. It was established with the objective of financing reconstruction and development of the Croatian Economy.

HBOR
Strossmayerov trg 9
10000 Zagreb, Croatia
Tel: +385 1 4591666
Fax: +385 1 459 721
www.hbor.hr

European Bank for Reconstruction and Development (EBRD)

The EBRD is the largest single investor in the region and mobilizes significant foreign direct investment beyond its own financing. It is owned by 61 countries and two intergovernmental institutions. But despite its public sector shareholders, it invests mainly in private enterprises, usually together with commercial partners.

It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatization, restructuring state-owned firms and improvement of municipal services. The Bank uses its close relationship with governments in the region to promote policies that will bolster the business environment.

EBRD
Miramarska 23, 3rd Floor
10000 Zagreb, Croatia
Tel: +385 1 6000310
Fax: +385 1 6197218
Head of Office: Mrs. Zsuzsanna Hargitai
<http://www.ebrd.com/pages/country/croatia.shtml>

European Investment Bank (EIB)

The EIB is the European Union's bank owned by European Union Member States. As the largest multilateral borrower and lender by volume, EIB provides finance and expertise for sound and sustainable investment projects which contribute to furthering EU policy objectives. The bank generally finances one-third of each project, but it can be as much as 50%. More than 90% of EIB's activity is focused on Europe but the bank also implements the financial aspects of the [EU's external and development policies](#).

The EIB Group consists of the European Investment Bank and the [European Investment Fund \(EIF\)](#). The EIF focuses on innovative financing for SMEs. The EIB is the majority shareholder with the remaining equity held by the European Union and other European private and public bodies.

The EIB is based in Luxembourg, with closest local offices in Wien and Belgrade. For more information, please visit www.eib.org.

The World Bank

The World Bank is a vital source of financial and technical assistance to developing countries around the world. It is not a bank in the common sense. It is made up of two unique development institutions owned by 185 member countries—the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

Each institution plays a different but collaborative role to advance the vision of an inclusive and sustainable globalization. The IBRD focuses on middle income and creditworthy poor countries, while IDA focuses on the poorest countries in the world. Together the Bank provides low-interest loans, interest-free credits and grants to developing countries for a wide array of purposes that include investments in education, health, public administration, infrastructure, financial and private sector development, agriculture, and environmental and natural resource management.

World Bank Office - Croatia
Radnicka cesta 80/IX
10 000 Zagreb, Croatia
Tel: +385 1 2357222
Fax: +385 1 2357200
Website: www.worldbank.org

U.S. Commercial Service Liaison Office at the World Bank
Director/Business Liaison: Mr. David Fulton
1818 H. St., NW, Washington, DC 20433
Tel: 202 4580120
Fax: 202 4772967
Email: dfulton@worldbank.org or david.fulton@mail.doc.gov
Website: www.worldbank.org

Export-Import Bank

This is an independent U.S. Government agency that helps finance the overseas sales of U.S. goods and services. In almost 70 years, Ex-Im Bank has supported more than \$400 billion in U.S. exports.

Ex-Im Bank's mission is to create jobs through exports. It provides guarantees of working capital loans for U.S. exporters, guarantees the repayment of loans or makes loans to foreign purchasers of U.S. goods and services. Ex-Im Bank also provides credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons. Ex-Im Bank does not compete with commercial lenders, but assumes the risks they cannot accept. It must always conclude that there is reasonable assurance of repayment on every transaction financed.

To qualify for Ex-Im Bank support, the product or service must have significant U.S. content and must not affect the U.S. economy adversely. Ex-Im Bank supports the sale of U.S. exports worldwide, and will support the financing of the export of any type of goods or services, including commodities, as long as they are not military-related. For more information, please visit www.exim.gov.

Web Resources

[Return to top](#)

Croatian National Bank - www.hnb.hr

Foreign Exchange Market - <http://www.hnb.hr/monet/emonet.htm>

Licensed Banks and Savings Banks- <http://www.hnb.hr/supervizija/eindex.html>

Monetary Policy - <http://www.hnb.hr/monet/emonet.htm>

Croatian Bank for Reconstruction and Development - www.hbor.hr

Croatian Banking Association - www.hub.hr

Croatian Chamber of Economy - www.hgk.hr

Croatian Financial Services Supervisory Agency - www.hanfa.hr

European Bank for Reconstruction and Development - www.ebrd.com

The World Bank Group - www.worldbank.org

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/ccc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

Business Customs

[Return to top](#)

Business customs in Croatia are generally similar to those in the United States. Business people tend to dress conservatively, particularly in the banking sector. Appointments should be made in advance of a business visit.

Business cards are usually simple, including only the basics such as company logo, name, business title, address, telephone number, fax number, e-mail, and web-address.

Most Croatian executives know English and many young managers are fluent in it. Computer usage among Croatian companies is extensive and most of them utilize e-mail and Internet and have their own websites.

As is true in other European countries, summer holidays stretch throughout July and August and it is frequently difficult to reach company management during this period.

Travel Advisory

[Return to top](#)

For the latest Consular Information Sheet and travel advisory on Croatia, please click on the following link: http://travel.state.gov/travel/travel_1744.html

For general information on international travel, please visit the main website at: <http://travel.state.gov>

Visa Requirements

[Return to top](#)

ENTRY / EXIT REQUIREMENTS: A passport is required for travel to Croatia. A visa is not required for U.S. passport holders for tourist or business trips of fewer than 90 days within a six-month period. All foreign citizens must register with the local police within 24 hours of arrival as well as inform them of any change in their address. Registration of foreign visitors staying in hotels or accommodations rented through an accommodation company is done automatically by

the hotelier or accommodation company. Failure to register is a misdemeanor offense; some Americans have been fined for failing to register.

U.S. citizens already in Croatia who wish to remain in Croatia for more than 90 days must obtain a temporary residence permit. Please note that the first temporary stay permit must be obtained from the Croatian Embassy or Consulate in the United States.

For further information on entry requirements for Croatia, including information regarding requirements for residency and work permits, travelers may also contact the Embassy of Croatia at 2343 Massachusetts Avenue NW, Washington, DC 20008, tel. (202) 588-5899, the Croatian Consulates in New York City, Chicago, and Los Angeles or the Croatian Ministry of Internal Affairs' Office for Foreigners, tel. +385 (1) 456-3111. Further information is available at the [Ministry of the Interior](#) and the [Ministry of Foreign Affairs](#):

- <http://www.mvep.hr/en/consular-information/visas/visa-requirements-overview/>
- <http://www.mvep.hr/en/consular-information/stay-of-aliens/granting-stay-in-croatia/>

In support of a residency application, applicants will need to provide a copy of their birth and, if applicable, marriage and divorce certificates, obtained no more than 90 days before application, as well as an FBI Identification Record Request authenticated for use abroad. All documents should be translated into Croatian and have an "apostille" stamp certifying their authenticity. Information on apostilles and authentication of documents is available at <http://travel.state.gov/content/travel/english/legal-considerations/judicial/authentication-of-documents.html>

Information on obtaining [FBI Identification Record Requests](#) or <http://www.fbi.gov/about-us/cjis/criminal-history-summary-checks> is also available.

If an extension of an approved temporary stay is needed, U.S. citizens should submit a request to the local police having jurisdiction over their place of residence in Croatia no later than 30 days in advance of the last day of authorized stay.

Note: *Although Croatia became a member of the European Union (EU) on July 1, 2013, note that it is not yet a member of the Schengen area, and a passport is required for travel between Croatia and other European Union member states. For further details about travel into and within Schengen countries, please see the State Department's Schengen Fact Sheet.*

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: http://www.travel.state.gov/visa/visa_1750.html

Consular information can be found on the U.S. Embassy's Zagreb website: <http://zagreb.usembassy.gov>

Croatia has a developed telecommunications network (including fixed line, wireless, satellite and cellular technology). Fixed-line operators include T-Com, Optima Telecom, Iskon internet, Vipnet, and Metronet.

Cellular services are provided by licensed cellular operators: T-Mobile, Vipnet, Tomato and Tele2. Croatia operates 3G, 4G and GSM networks.

To telephone internationally from Croatia, local direct access numbers of major telephone calling services are:

AT&T 0-800-220-111

MCI 0-800-220-112

SPRINT 0-800-220-113

Transportation

[Return to top](#)

There are five major airports in Croatia. The country's largest, Zagreb International Airport, has service to most European capitals. Besides the national carrier, Croatia Airlines, Zagreb is serviced by Aeroflot, Air Bosna, Air France, Alitalia, Austrian Airlines, Avioimpex, Czech Airlines, Dubrovnik Airline, Germanwings, LOT, Lufthansa CityLine, Malev, Nouvel Air Tunisie, SAS-Scandinavian, Sky Service, THY-Turkish, Trade Air and Tyrolean.

International flights also service Dubrovnik and Split airports. Croatia Airlines operates internal flights -- Zagreb-Split, Zagreb-Zadar, Zagreb-Pula and Zagreb-Dubrovnik, Zagreb-Rijeka, Zagreb-Osijek, and Osijek-Dubrovnik. One can also travel within Croatia by rental car, railway or bus.

In Zagreb, there is a comprehensive tram/bus transport system which makes all parts of the city accessible. There is also Croatia Airlines bus driving from the airport to the Zagreb's main bus station (with approx. ten stops in between) at a cost of 30,00 Kn (approx. \$5.17) and it is gratis for children under 6 years. Taxis are more expensive and can be obtained at a taxi stand or by calling to a four different taxi companies:

Zagreb Taxi

Phone: +385-1-1777 or 060-800-800

Price for start: 9.90 Kn (approx. \$1.7)

Price per kilometer: 4.90 Kn (approx. \$0.84)

Price from the center to the airport (approx. 15 km): 85,00 Kn (approx. \$14.7)

Cameo taxi

Phone: +385-1-1212

Price for start: 15.00 Kn (approx. \$2.6) – note: in this price 2 km of drive is included

Price per kilometer: 5.00 Kn (approx. \$0.86)

Price from the center to the airport (approx. 15 km): 80,00 Kn (approx. \$13.8)

Oryx taxi

Phone: +385-1-1888

Price for start: 14.00 Kn (approx. \$2.4)

Price per kilometer: 4.80 Kn (approx. \$0.83)

Price from the city center to the airport (approx. 15 km): 86,00 Kn (approx. \$14.8)

Eko taxi (cars emitting more than 50 percent less CO2 than other conventional cars)

Phone: +385-1-1414

Price for start: 14.00 Kn (approx. \$2.4)

Price per kilometer: 5.80 Kn (approx. \$1)

Price from the city center to the airport (approx. 15 km): 101,00 Kn (approx. \$17.4)

Language

[Return to top](#)

Many business people in Croatia speak foreign languages, mostly English, German, and Italian (along the coast). When necessary, a translator can be hired at the Croatian Translators Society – tel/fax: (385)(1) 484 7565.

Health

[Return to top](#)

Health facilities in Croatia, although generally of Western caliber, are under severe budgetary strains. Some medicines are in short supply in public hospitals and clinics. The number of private medical and dental practitioners is substantial, and private pharmacies stock a variety of medicines not readily available through public health facilities. Croatian health care facilities, doctors and hospitals usually expect immediate cash payment for health services and generally will not accept credit cards. Tick-borne encephalitis, a disease preventable with a three-shot vaccination series, is found throughout inland Croatia but is not prevalent along the coast. Travelers to Croatia may obtain a list of English-speaking physicians and dentists at the Embassy's web site at <http://zagreb.usembassy.gov/medical-information.html> or by calling: + 385 (1) 661-2376 during working hours. The single European emergency phone number 112 is also active in Croatia for all kinds of emergencies. Ambulance service is effective; however, response times may be longer to more isolated areas.

Local Time, Business Hours, and Holidays

[Return to top](#)

Croatia time is Greenwich Mean Time plus one hour. Said differently, if it is 8 a.m. in New York, it is 2 p.m. in Zagreb, Croatia.

Working hours start at 8 am and end at 4:30 or 5 pm. Most shops open at 8 a.m. and close at 8 p.m. On Saturdays, most stores close at 2:30 p.m. in the center of the city, and with few exceptions, stores are closed on Sundays and holidays. Outside of the city there are several shopping malls/centers open every day from Monday to Sunday from 08:00 a.m. to 09:00 p.m.

January 1 -- New Year's Day

January 6 -- Epiphany

April 21 -- Easter Monday

May 1 -- Labor Day

June 19 -- Corpus Christi Day

June 22 -- Croatian Anti-Fascism Day

June 25 -- Croatian Statehood Day

August 5 -- Victory & Homeland Gratitude Day

August 15 -- Assumption Day

October 8 -- Croatian Independence Day

November 1 -- All Saints Day

December 25 -- Christmas Day

December 26 -- St. Stephen's Day

The following holidays may be observed by Croatian citizens of a particular religion: Orthodox Christmas (Orthodox), Ramadan Bairam (Muslim), Yom Kippur and Rosh Hashanah (Jewish).

Temporary Entry of Materials and Personal Belongings

[Return to top](#)

Croatian accepts the ATA carnet, which covers virtually all goods. Please see:
<http://www.atacarnet.com/>.

Web Resources

[Return to top](#)

ATA Carnet - <http://www.atacarnet.com/>

Embassy of the Republic of Croatia - <http://www.croatiaemb.org/>

Ministry of Interior, Republic of Croatia - <http://www.mup.hr/>

U.S. Department of State, Bureau of Consular Affairs - <http://travel.state.gov/>

U.S. Department of State, Bureau of Consular Affairs - Visas -

<http://travel.state.gov/content/visas/english.html>

U.S. Embassy Zagreb - <http://zagreb.usembassy.gov/>

U.S. Embassy Zagreb, Consular Section - <http://zagreb.usembassy.gov/consular.html>

U.S. Embassy Zagreb, Medical Information - <http://zagreb.usembassy.gov/medical-information.html>

U.S. Embassy Zagreb, U.S. Commercial Service - <http://export.gov/croatia/>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 9: Contacts, Market Research and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

Contacts

[Return to top](#)

U.S. Government: Embassy of the United States of America

Address:

Thomasa Jeffersona 2
10010 Zagreb, Croatia
Phone: 385/1/661-2200

Agencies:

U.S. Department of Commerce – U.S. Commercial Service
Mr. Dale Wright, Regional Senior Commercial Officer (Resident in Budapest)
E-mail: dale.wright@trade.gov
Phone: 36/1/475-4522
Mr. Damjan Bencic, Senior Commercial Specialist (Commercial Section Chief in Zagreb)
E-mail: damjan.bencic@trade.gov
Phone: 385/1/661-2224
Website: <http://export.gov/croatia/>

U.S. Department of State – Economic Section
Mr. Thomas Johnston, Economic Officer
E-mail: johnstontl@state.gov
Phone: 385/1/661-2229
Website: <http://zagreb.usembassy.gov/>

U.S. Department of Agriculture – Foreign Agriculture Service
Ms. Andreja Misir, Agricultural Specialist
Phone: 385/1/661-2467; Fax: 385/1/665-8950
E-mail: andreja.misir@usda.gov
Website www.fas.usda.gov

Office of Defense Cooperation
LTC Troy Eggum
Phone: 385/1/661-2223
E-mail: eggumtd@state.gov

Business Associations

American Chamber of Commerce in Croatia – www.amcham.hr

Croatian Chamber of Economy – www.hgk.hr

Croatian Employers Association – www.hup.hr

Croatian Government

Embassy of the Republic of Croatia – www.croatiaemb.org

Government of the Republic of Croatia – www.vlada.hr

Ministry of Economy – www.mingo.hr

Ministry of Regional Development and EU Funds – www.mrrfeu.hr

Ministry of Foreign and European Affairs – www.mvep.hr

Ministry of the Interior – www.mup.hr

Ministry of Justice - <http://www.mprh.hr>

Ministry of Administration – www.uprava.hr

Ministry of Defense – www.morh.hr

Ministry of Finance – www.mfin.hr

Ministry of Entrepreneurship and Crafts – www.minpo.hr

Ministry of Labor and Pension System – www.mrms.hr

Ministry of Maritime Affairs, Transport and Infrastructure – www.mppi.hr

Ministry of Environment and Nature Protection – www.mzoip.hr

Ministry of Agriculture – www.mps.hr

Ministry of Tourism – www.mint.hr

Ministry of Construction and Physical Planning – www.mgipu.hr

Ministry of Veterans' Affairs – www.branitelji.hr

Ministry of Social Welfare Policy and Youth – www.mspm.hr

Ministry of Health – www.zdravlje.hr

Ministry of Science, Education and Sports - www.mzos.hr

Ministry of Culture - www.min-kulture.hr

Government of the Republic of Croatia – Legislation Office – www.vlada.hr/zakonodavstvo

Croatian Agency for Investments and Competitiveness – www.aik-invest.hr

State Office for Trade Policy – www.dutp.hr

Central Procurement Office – www.sredisnjanabava.hr

Government Asset Management Office – www.duudi.hr

State Intellectual Property Office – www.dziv.hr

Meteorological and Hydrological Service - www.meteo.hr

State Office for Metrology - www.dzm.hr

Croatian Bureau of Statistics – www.dzs.hr

National Bank of Croatia – www.hnb.hr

Croatian Information Documentation Referral Agency - www.hidra.hr

Market Research

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

[Return to top](#)

U.S. Trade Events

The International Buyer Program recruits more than 125,000 qualified foreign buyers, sales representatives, and business partners to U.S. trade shows each year.

Please click on the link below for information on upcoming trade events.

<http://export.gov/tradeevents/index.asp>

Croatian Trade Events

The single largest event in Croatia is the annual Zagreb Fall Fair which attracts attention countrywide and includes numerous foreign exhibitors.

Contact info:

Zagreb Fair
Ms. Marina Pavkovic, Director
Avenija Dubrovnik 15, 10020 Zagreb
Tel: +385/1/650-3222; Fax: +385 1 6528-433
E-mail: mpavkovic@zv.hr Website: www.zv.hr

Zagreb Fair is the key trade event organizer in Croatia. Following is the list of their 2014 events. For more detailed information, please visit their web site www.zv.hr

Date TBD	INTERGRAFIKA, International Printing and Paper Industry Fair MODERNPAK, International Packing Materials & Technologies Fair
September 17-20	FAIR OF CROATIAN COUNTIES, Fair of Croatian Counties - Economy and Cultural Heritage
September 17–20	ENERGETICS, International Fair of Energetics
Date TBD	INTERPROTEX, International Fair for the Protection of People and Assets
October 15-19	MYSTIC, International Fair of Alternatives, Healthy Lifestyle and the Border Areas of Science
October 15-19	AMBIENTA, International Fair of Furniture, Interior Decoration and Supporting Industries
November 11-16	INTERLIBER, International Book and Teaching Appliances Fair MUSIC, DANCE AND MULTIMEDIA FAIR, International Fair of Music, Dance and Multimedia
Date TBD	INOVA, National Exhibition of Inventions
November 13-16	WINTER SHOW, International Skiing, Winter Sports, and Supporting Industries
November 14-16	VINOVITA, International Fair of Wine and Equipment for Viticulture and Viniculture

In the past few years, the following trade event organized by the Split Fair (www.sajamsplit.hr) has become increasingly important:

Oct 22-26	SASO – International Fair of Construction, Wood and Timber Industry, Metalworking, Tools, Machinery, Crafts, Small Business, Electronics, Energy, Telecommunications, Finance, Ecology
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www.sasofair.com

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 10: Guide to Our Services

The President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.**

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

For information on other markets in Southeast Europe, contact:

Jim Cunningham
Regional Senior Commercial Officer
U.S. Embassy Bucharest ROMANIA
Also covers Moldova
+40 21 200 3372
office.bucharest@trade.gov

Dale Wright
Senior Commercial Officer
U.S. Embassy Budapest HUNGARY
Also covers Slovenia
+36 1 475 4090
office.budapest@trade.gov

Thomas Bruns
Senior Commercial Officer
U.S. Embassy Sofia BULGARIA
Also covers Macedonia
+90 312 457 7188
office.sofia@trade.gov

Jane Kitson
Senior Commercial Officer
U.S. Embassy Belgrade SERBIA
Also covers Montenegro and Bosnia
+381 11 706 4072
office.belgrade@trade.gov

Damjan Bencic
Head of Section

U.S. Embassy Zagreb CROATIA
+385 1 661 2224
office.zagreb@trade.gov

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

[Return to table of contents](#)