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## ACCESSION OF CROATIA

### Additional Questions and Replies to the Memorandum on the Foreign Trade Régime (L/7466)

#### Addendum

The following additional questions and replies to the Memorandum on the Foreign Trade Régime have been received from the Republic of Croatia.

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## **II. ECONOMY AND FOREIGN TRADE**

### **1 Economy**

#### **(b) Main directions of ongoing economic policies**

##### **Price Controls**

###### **Question 1.**

**We note that direct price controls can be imposed for up to six months, with the possibility of extension beyond six months (reply to question 3 of WT/ACC/HRV/30). Could Croatia provide more information on what is meant by "market" or "price" disturbances that would warrant the use of price controls? Are price benchmarks or price fluctuation benchmarks used?**

**In the case of an entity that is regarded as monopoly, are price controls used before the monopoly determines a price or afterwards. What criteria are used to determine the effect of a monopoly on a price? What level of impact would activate a price control measure?**

**What operational definition is given to the concept of "monopoly" for the purpose of implementing the Law on the System of Price Controls?**

**Under the Law on the System of Price Controls is there any limit on the range of goods and services that are deemed to be potentially subject to price control?**

**Do price controls apply to imports or exports?**

**We understand that "indirect" price controls can be imposed. We would appreciate clarification of what these measures are, which agency applies them and under what circumstances? What role, if any, do the reporting requirements play in direct price controls?**

**Does Croatia have any plans to remove price controls in the future?**

Answer:

In the Republic of Croatia, companies determine prices of goods and services freely, without any interference of government authorities into that process, i.e. in accordance with their own business policy. The only exceptions are some goods and services that have a direct impact on cost of living of Croatian population.

The Law on Exceptional Measures of Price Controls enacted by the Croatian Parliament on 27 June 1997, regulates the system of price controls as a mechanism which should be implemented only in exceptional cases. These are to prevent negative effects of price changes of certain goods and services or in order to prevent monopolistic pricing, provided that those objectives could not be achieved through other economic policy measures. The Law does not introduce any additional legal restrictions, but limits the possibility of the Government to intervene on the market thus strengthening the basic principles of the market economy.

The provisions of this Law point out the exceptional character of the direct price control measures, which could only be implemented for a limited period of time and in case the negative effects could not be removed by other economic policy measures.

In accordance with the Law, the Government can prescribe the following direct price controls measures:

- maximum price control;
- fixing of prices to a certain level;
- reporting changes in prices prior to the application.

Those price control measures could be applied until the reasons for their introduction are eliminated. But after the introduction of those measures the Government is obliged to take appropriate economic policy measures in order to eliminate the reasons for direct price controls.

The only price control measure that the Republic of Croatia applies at the moment is the reporting changes in prices prior to the application. In accordance with those measures, the legal entities owned by the Republic of Croatia, namely: INA-Industrija nafte d.d. (the national oil company), Hrvatska elektroprivreda d.d. (the national electricity industry), Hrvatska radio televizija (the national broadcasting company), HŽ – Hrvatske željeznice (the national railways), Hrvatske šume (the national forestry exploitation company), Jadrolinija (the national maritime carrier), Narodne novine d.d. (Official Gazette publisher), Hrvatske ceste (the national road construction and maintenance company) and HPT (the national postal system and telecommunications company) are obliged to report changes in prices of certain goods and services 15 days prior to the application (see attached Decision on the Compulsory Reporting of the Price Lists and Tariffs of Certain Legal Persons, Official Gazette no.77/96). Those companies are the only or main producer or service provider of some specific goods and services in the Republic of Croatia.

The products and services concerned include engine gasoline, diesel fuels, heating oil, primary gasoline, asphalt bitumen, jet fuel, liquid oil gas, natural gas, electricity, radio and television licence fee, domestic railway transportation of passengers and goods, maritime/coastal transportation of passengers and goods, standard letters and postcards, telephone charges for domestic calls, telephone charges, road tolls, bridge tolls and tunnel tolls, official forms, the use, content and form of which are regulated by laws and other regulations, logs for veneer and barking, logs for planks, roundwood for railroad sleepers, thin roundwood, other roundwood, panel wood, services for loading, unloading and transporting timber assortments (see the attached Order on Identifying the Products and Services Requiring Reporting of Price Lists or Tariffs; Official Gazette no. 78/96).

Besides the above mentioned companies and products, the producers of fresh milk, fertilizers, telephone calls, standardized letters and postcards in the domestic mail system, wheat flour and bread type 850 are also obliged to report changes in prices 15 days prior to the application (See attached Decision on Compulsory Reporting of Price Lists or Tariffs of Certain Products and Services; Official Gazette no. 45/93 – WT/ACC/HRV/36).

The obligatory price reporting prior to application does not apply to imported products and to products that will be exported according to the said Regulation. The obligatory price reporting prior to application applies only to the goods that are produced in the Republic of Croatia, or the services provided by the Croatian companies and intended for the consumption in the Republic of Croatia.

Price reporting prior to application and informing of the government authorities on the intended price changes enables certain public discussion and dialogue on the matter, includes consumers as well as the Agency for the Protection of Competition in the discussion with regard to the monopolistic character of those practices.

The Ministry of Economy can object within the period of 15 days, i.e. from the date the prices were reported until their application. After the analysis of the reasons for price increase, including analysis and comparison with the prices on the world market or in the neighbouring countries, analyzing costs of production and after the discussion with the companies interested, the Ministry can request the company to reconsider the proposed prices. If the company changes the prices in spite of the objections of the ministry within the 15 days period, the Law provides for the penalties amounting

to HRK 5000-20000 (US\$800-3,000). It is possible also that the Government adopts a Decision prescribing that these prices should be lowered to the original level. If the company considers that it suffered damage due to the fact that it could not apply the prices at a moment when it considered it justifiable, it can institute a proceeding and request compensation for the damage incurred.

If the Ministry does not object within 15 days from the date of the reception of the information concerning the intended price changes, the changed prices can be applied without any written approval. Also this period for the application of new prices or rates can be shortened upon the request of the company concerned.

This Law also enables the monitoring of prices of goods and services as well as the providing of the statistic data.

All regulations regarding price control measures are published in the "Official Gazette" of the Republic of Croatia.

According to the Law on the Protection of Market Competition it is prohibited to take decisions with the aim of restricting or preventing free market competition and especially decisions resulting in the direct or indirect fixing of the prices of goods and services, or the fixing of the size and time of price reductions or increases which result in consumers being in an unequal position regarding prices. Also, according to the Law, intentional excessive direct or indirect high pricing with the aim of taking over or preserving a dominant or monopolistic market position is considered the abuse of a monopolistic and dominant position of the entrepreneur. The role of the Agency for the Protection of Market Competition is to perform the operations regarding issues to the protection of competition including starting the proceedings in order to establish the facts concerning violations of the Law and monopolistic behaviour. The proceeding carried out by the Agency requires certain procedure and time before the final decision is made. If the Decision by the Agency is to stop the monopolistic practice, the administrative proceeding can be instituted against the measures and the decision passed by the Director of the Agency. With regard to the complexity and time required for the whole procedure, on the one side and the current situation in the Croatian economy on the other side (certain number of companies still have a large share of production and distribution of some products and services), the Croatian Government has decided to keep price control of a certain level for those companies and products, as a transitional measure, which the Law on Exceptional Measures of Price control made possible. The goal of the Government of Croatia is, to gradually abolish the above mentioned measures, along with the process of privatization and the development of competition. The Law on Exceptional Measures of Price Control will be adjusted to that principle.

The only price control measure that the Croatian Government has applied since 1993 is the already mentioned reporting of changes in prices prior to the application and the prices' follow-up. The above-mentioned measures applied to the already mentioned products and services. We attach to this answer the translated regulations concerning goods and services, companies and procedures obliged to report prices, which are in force from 1993 to 1998, as well as the translated Law on Exceptional Measures of Price Control.

**(d) Division of authority between central and local governments**

**Question 2.**

**We seek details of any goods or services on which local authorities levy taxes. What control does the central government have which will enable it to ensure that the taxation practices of local authorities are consistent with WTO obligations.**

Answer:

Only the central authorities (the Government and the Parliament) can propose and adopt any kind of legislation, including in the area of taxation. Croatia has repeatedly stated in the Working Party examination of its terms of accession to the WTO that its taxation policy would be in full compliance with WTO rules. Therefore, having in mind that local authorities have only the right to collect taxes whose level and procedure for collection have been established by law, their practices will be in compliance with WTO obligations.

In addition to the portion of the income tax (10 per cent for the county and 20 per cent for the city or municipality) and profit tax (5 per cent to the county and 25 per cent to the city or municipality) to which they are entitled, based on the Law on Funding Units of Local Government and Administration, local units have the right to levy some other kinds of tax to fill their budgets. These are:

On the county level:

- death duties and gift tax paid on movable and immovable property received as a gift or inherited if its turnover value exceeds DM2,000 in kuna equivalent;
- road motor vehicle tax, as a property tax paid by owners (legal or natural persons) of cars and motorcycles registered in Croatia. This annual tax is prescribed according to the age and power, ranging from DM30 –200 for cars and DM20-100 for motorcycles in Kuna equivalent;
- boat tax, similarly to the previous one, is a property tax paid by a boat owner. Depending on the length, equipment and the year of production, the tax ranges from DM40-550 in Kuna equivalent;
- entertainment and sports events tax paid by organisers of such events amounting to 5 per cent of the value of tickets sold. This tax is not paid on tickets sold by museums, for theatre performances, commercial exhibitions and shows;

On the city or municipality level:

- consumption or consumer tax, paid on the consumption of alcoholic beverages, beer and soft drinks sold in catering establishments. The tax rate is assessed by the city or municipality and may not exceed 3 per cent of the consumption tax base, which is the retail price of the beverage;
- holiday house tax, as a property tax on holiday houses or rest centres and the tax base is the useful area in square metres. Tax per square metre may not exceed 3 DM a year in Kuna equivalent;
- advertisement tax, on advertisements in public places, except for ads in the press and media. The tax is paid annually and may not exceed 200 DM in Kuna equivalent;
- tax on brand or company name, paid for public display of the company name and logo. The tax may not exceed 500 DM annually in Kuna equivalent;
- tax on the use of public areas, paid in fixed amounts prescribed by city or municipality authorities;
- in addition, any city of over 40,000 inhabitants may prescribe surtax at a rate of 5-18 per cent. The tax base for surtax is income tax.

**Question 3.**

**We seek more information on concessional rights, which we understand are subject to shared responsibility between central and local governments. How is responsibility shared in making decisions on concessional rights? Where there are conflicts between levels of government how is a decision reached.**

Answer:

Unless otherwise provided for by special statutes, concessions are regulated by the Law on Concessions. Concessions can be granted for up to 90 years. Decisions on concession are made by the House of Representatives of the Parliament on the proposal of the Government and upon the opinion of the local unit on whose territory concession is given. The Parliament may convey the authority to grant concessions to the Government. The decision on granting a concession must be made on a basis of a public bidding or soliciting for tenders. The Government must in any case evaluate the business reputation of bidders, capability for realisation of the concession, whether a bid is technically and financially favourable, and the impact on the protection and preservation of the environment. The Law differentiates between "granting of a concession" and "Concession contract". The decision to grant a concession is made by the Parliament or the Government. Concession may be granted to a domestic or foreign person. Concession contract is the contract between the concessionaire and the executive branch of the administrative body regulating the conditions under which a concession may be exploited or terminated.

As an exemption to this general law, special laws contain provisions on concessions for areas covered by them, and may provide different conditions for concessions given (e.g. the Law on Public Roads provides that the concession with the duration of up to 33 years may be granted by the Government, while for longer periods, the decision of the Parliament is necessary. For local roads concessions are granted by local authorities. The Law on Seaports provides that concession is being given by the port authority.

**III. INSTRUMENTS AND MEASURES OF THE FOREIGN TRADE REGIME OF THE REPUBLIC OF CROATIA**

**2(b) Customs Tariff Nomenclature**

**Seasonal duties**

**Question 4.**

**We would appreciate details of all products to which seasonal duties are applied, and also the levels of duty.**

Answer:

Croatia submits the list of products to which specific duties currently apply according to its Customs Tariff together with the current ad valorem level of these duties. The seasons in which these duties apply are not established in current Tariff, but are clearly established in Croatian Initial Offer to WTO. As a result of the bilateral negotiations on market access, Croatia will bind all its seasonal duties within clearly established periods. Attached is the list of products to which seasonal duties currently apply.

**2(c) Import Charges and Fees****Quality control fees and charges****Question 5.**

**On what products are quality control fees and charges levied, and what are the amounts?**

Answer:

The costs of quality control are regulated by the Decision of the Government of the Republic of Croatia on the Amounts to be Paid for Covering the Costs of Quality Control of Imported and Exported Products (Official Gazette, no. 42/96), while administration taxes are regulated by the Law on Administration Taxes (Official Gazette, no 8/96). The Decision of the Government of the Republic of Croatia on the Amounts to be Paid for Covering the Costs of Quality Control of Imported and Exported Products is attached to this document.

**2(d) Taxation Regime****Question 6.**

**Croatia has foreshadowed that it will eliminate all differences in domestic taxes on domestic and imported goods. Could Croatia provide details of the steps that it has taken to eliminate these differences?**

Answer:

The Croatian Parliament has adopted a new legislation concerning taxation policy, namely excise taxes (previously translated as "special taxes"). The following laws have been passed and came into force in January 1998:

The Law on Excise Taxes on Automobiles and other Motor Vehicles, Vessels and Aircraft's; the Law on Excise Tax on Coffee; the Law Amending the Law on Excise Taxes on Soft Drinks; the Law amending the Law on Excise Tax on Beer.

The main characteristic of this legislation is that it abolishes the difference between the excise taxes for imported and domestically produced goods and thus brings it into conformity with Article III of the GATT. The products concerned and the respective tax rates are enumerated in the following table:

Product description	Excise tax
<i>Coffee:</i>	
Non-roasted coffee	3,60 HRK/kg
Roasted coffee	9,00 HRK/kg
Coffee husks and skins	12,00 HRK/kg
Coffee substitutes containing coffee	15,00 HRK/kg
<i>Non-alcoholic beverages:</i>	
Domestic	40,00 HRK/HL
Imported	40,00 HRK/HL
<i>Beer: alcoholic</i>	
Domestic	80,00/HRK/HL
Imported	80,00/HRK/HL
Non-alcoholic (max 0,5 per cent vol/vol)	
Domestic	40,00/HRK/HL



Product description	Excise tax
Imported	40,00 HRK/HL
<i>Automobiles:*</i>	
Power 55 – 75 kW - new	3000,00 HRK
- used	2000,00 HRK
75 – 90 kW - new	7000,00 HRK
- used	5000,00 HRK
90 – 110 kW - new	15.000,00 HRK
- used	11.000,00 HRK
more than 110 kW - new	30.000,00 HRK
- used	22.000,00 HRK

\* The new legislation introduces the excise taxes for new and used automobiles, motorcycles, vessels (exceeding 8 meters in length) and aircraft's for private usage, which are imported or produced and sold in the Republic of Croatia.

As mentioned in previous documentation, excise tax (special tax) on oil derivatives from its introduction on 1 July 1994 is paid per liter i.e. kilo of derivatives in equal amount for derivatives produced in Croatia and imported.

With regard to the legislation on the system of excise taxation on alcoholic beverages, tobacco and tobacco products the legislation is in preparation. Changes of the Law on special tax (excise tax) on alcohol are already in the parliamentary procedure and have passed the first reading. The draft proposal of the changes of the Law on special taxes on tobacco products is expected to be adopted by the Government before August 1998, and will consequently be sent to the Parliament. This new legislation shall be in conformity with Article 3 of GATT.

The Government of the Republic of Croatia shall inform the WTO Secretariat, as well as the countries members, on the amended legislation, and shall submit the translations of the laws concerning excise taxation to WTO Secretariat as soon as possible.

## **2(f) Non-tariff Measures Applied to Imports and Exports of Goods**

### **(i) Quotas**

#### **Question 7.**

**Are there any remaining quantitative restrictions on imports in Croatia. If so, we would appreciate details of the products and the measures applied.**

Answer:

Croatia has abolished all quantitative restrictions on imports.

#### **Question 8.**

**We note that Croatia has a temporary limitation/ban on the imports of sugar. We seek details as to when this ban will be removed.**

Answer:

The Decision on import ban of sugar has been lifted on 2 May 1998 (Official Gazette no. 60/1998).

**(ii) Licences****Question 9.**

**We note that Croatia applies automatic import licences for a number of products for statistical purpose. We would be grateful for details of the products to which they are applied and the reasons why they are applied? Are there any plans to remove this requirement in the future?**

Answer:

The most recent decision on goods subject to import licences was passed by the Government on 12 June 1996 in accordance with Article 46 of the Law on Trade (Table 2 - see Annex) and amendments (1996, 1997). Import licences are applied to the usual products allowed by Articles XX and XXI of the GATT 1994. In accordance with the Law on Trade, licences could be prescribed for the purpose of fulfilling international agreements, ensuring State security, the protection of human, animal and plant health and protection of the environment, maintenance of public morals, and to control trade in works of art and precious metals. Import licences are compulsory for tanks, war vessels, military arms, revolvers, pistols, guns, parts and equipment for arms, ammunition, swords and sabres, nuclear reactors, radioactive materials, isotopes, derivatives, hydrocarbons, unused postage stamps, gold, coins, iron tubes and bars, and tractors (more than five years of age). The licences for mentioned are issued by the Ministry of Economy, which is also the licensing authority for imports of substances affecting the ozone layer (Montreal Convention). In addition, drugs and medical products, glands and other organs, vaccines, drugs, pharmaceutical goods, dialysis appliances, and narcotics are subject to licences issued by the Ministry of Health; imports of veterinary drugs and vaccines are licensed by the Ministry of Agriculture and Forestry; and the State Office for Standardisation and Metrology issues import licences for certain scales and measuring instruments. The Ministry of Maritime Affairs, Transport and Telecommunications is the licensing authority for imports of telecommunications instruments and appliances such as transmitters, radars, radio remote controls and radio navigation equipment. The Ministry of Defence and the Ministry of Internal Affairs issue licences for imports of armaments and military equipment for the Croatian Army and Croatian Police. The licensing regime applies equally to imports from all countries.

The purpose of the licensing regime is to monitor and control the traffic of goods which for various reasons were classified as sensitive, and Croatia has no intention to limit the quantity and value of imports, except as provided for in international conventions such as the Montreal and Basel Conventions, etc. Import licences for iron tubes and bars were temporary surveillance licences, issued to gather trade data. Imports licences for combine harvesters were abolished in 1997. The Government would review the import situation for these products in 1998 and would consider abolition of the surveillance licences. Import licences for precious metals and coins were granted immediately upon request.

Licence applications are submitted to no more than one administrative body. The amount and type of information to be submitted was stipulated in the Decision on goods subject to import and export licences. As the licences carried no limitation on the quantity or value of imports, applications could be submitted until the very moment of importation. The validity of a licence could be extended upon request of the licence holder. An administrative fee of HRK 125.00 is charged for each import licence. Licences are not transferable among importers. Applications could only be rejected if the importer did not fulfil the conditions stipulated in international conventions for specific goods or did not meet standard criteria for the transportation of certain goods. An importer denied an import licence could file an administrative lawsuit with the Administrative Court of the Republic of Croatia.

## **Balance of payments**

### **Question 10.**

**We note the reply to question 49 of WT/ACC/HRV/30 where Croatia refers to recourse to balance of payments safeguards under either GATT Article XII or GATT Article XVIII. Croatia should only have recourse under GATT Article XII and should make a commitment to this effect.**

Answer:

Croatia confirms that it would only resort to Article XII of the GATT 1994 if balance of payments problems arise and is ready to undertake such a commitment in its Protocol of accession.

## **Safeguards**

### **Question 11.**

**Does Croatia plan to develop legislation on safeguards that will meet the requirements of GATT Article XIX and the Agreement on Safeguards? Will Croatia undertake a commitment that it will not introduce safeguard measures until it has implemented safeguards legislation in conformity with WTO requirements?**

Answer:

Croatia will introduce detailed regulation on safeguard measures by the end of 1998. The regulation will be in conformity with WTO regulations and will be presented to the Working Party once adopted by the Government.

## **Subsidies and countervailing measures**

### **Question 12.**

**Has Croatia amended its legislation on subsidies and countervailing measures incorporated in the Law on Trade to include provisions for injury criterion and relating to the treatment of non-actionable subsidies?**

Answer:

Croatia will introduce detailed regulation on subsidies and countervailing measures by the end of 1998. The regulation will be in conformity with WTO regulations and will be presented to the Working Party once adopted by the Government.

## **2(g) Customs valuation**

### **Question 13.**

**Croatia has indicated that it is seeking an extended implementation period for the Customs Valuation Agreement because of the need to revise its legislation in this area.**

**Croatia should commit itself to applying the Article VII and the Agreement on the Implementation of the Article VII from the time of its accession to the WTO. We believe that Croatia should accede to the WTO without recourse to any special and differential treatment provisions of Article 20 and Annex III of the Customs valuation Agreement.**

Answer:

After careful examination of the legislation on customs valuation and consultation with the experts from the Customs Directorate of Croatia, we can undertake a commitment to fully apply the WTO agreement on customs valuation, as of the date of Croatia's accession to the WTO. The new legislation which will be in conformity with the Agreement on implementation of Article VII of the GATT 1994, is currently being prepared, and will be forwarded to the Parliament for adoption in early fall 1998. The legislation is expected to enter into force in the beginning of 1999, and after that period, further four months are necessary in order to train the customs officers for implementing the new procedures.

## **2(h) Rules of origin**

### **Question 14.**

**Croatia had previously indicated that it would adopt new rules of origin legislation. Could Croatia advise whether it has adopted the new legislation.**

Answer:

The new legislation on rules of origin is currently under preparation and will be submitted for adoption to the Government by the end of July 1998. It is expected to enter into force in September this year.

## **2(j) Standards and Certification**

### **Question 15.**

**We are interested in further details of mandatory quality inspections at the border, and the reasons why these are carried out?**

Answer:

Quality control of imported and domestic products is carried out by the State Inspectorate (ex Market Inspectorate) prior to entering of those products to the market: Quality control of domestic products is performed at the production sites and quality control of imported goods is carried out at the place of customs clearance and prior to customs clearance.

The quality control is necessary in order to prevent deceptive practices or to protect human health and safety, animal and plant life and health, or the environment. Domestic producers and importers are required to provide the same documentation as importers.

In the internal market, market inspection controls the quality of all products to which the regulations governing basic requirements refer to and, as regards imported products, the only products that are controlled are those that are imported by a large number of importers and those that are widely dispersed in the Croatian market. The quality control of imported products does not apply to products which are imported by legal and physical persons and which they subsequently use in their registered activities (reproduction materials, spare parts, and raw materials).

### **Question 16.**

**We would be interested in details of the steps that Croatia is taking to bring its system into line with obligations under the TBT Agreement. Croatia should commit itself to applying the TBT Agreement at the time of accession to the WTO.**

Answer:

After careful examination of the legislation on technical barriers to trade and consultations with the experts, Croatia can undertake a commitment to fully apply the WTO Agreement on TBT, as of the date of its accession to the WTO. A Statement by the Croatian delegation confirming such a commitment is attached to this document.

**Question 17.**

**We are interested in further details of the ground on which quality controls are based on the ensure that they are based on scientific grounds, and are not applied in a way that would amount to an unjustifiable trade restriction.**

**We would be grateful for information on the way quality controls, regulations and inspections are administered, in order to ensure that they comply with WTO requirements.**

Answer:

The quality control of products implies control through the application of the provisions of the old Law on Standardization (Official Gazette, No. 53/91) which was subsequently replaced, as of July 1996, by the new Law on Standardization.

In the internal market, market inspection controls the quality of all products to which the regulations governing basic requirements refer to and, as regards imported products, the only products that are controlled are those that are imported by a large number of importers and those that are widely dispersed in the Croatian market. The quality control of imported products does not apply to products which are imported by legal and physical persons and which they subsequently use in their registered activities (reproduction materials, spare parts, and raw materials).

Although the control is applied in a same way to imported and domestic products, the fact that legislation on quality control is divided in several laws and regulations (one of them being exclusively valid for the control of imported products) might cause misunderstanding as to the way of application of national treatment.

Therefore, the Government of Croatia will propose to the Parliament to regulate all quality control issues in one comprehensive law to be valid for the quality control of all products from the list of goods subject to quality control, regardless of their origin. This confirms Croatia's readiness to perform quality control measures in full conformity with the rules and disciplines of the WTO. The new Law and regulations would also ensure that quality control is based on scientific grounds and not amounting to an unjustifiable trade restriction.

**Question 18.**

**We recognise that foodstuffs are subject to comprehensive regulations in WTO member countries, there is a need for Croatia to provide an outline of the various regulations that have been listed.**

**We would be interested in information as to the processes by which Croatia establishes that need for quality controls intended for the protection of human health and safety, animal or plant life and health, or environment, including whether any form of risk assessment is carried out.**

**It would be useful to have an indication of the outstanding areas that are not yet in compliance with SPS Agreement and the measures to be taken to achieve this, along with a timetable for the completion of the process. Croatia should commit itself to applying the SPS Agreement upon accession to the WTO.**

Answer:

Phytosanitary regulations:

In the previous answers provided by Croatia, it has been stated that the basic law in this field is the Law on Plant Protection (published in the "Official Gazette" No. 10/94). This Law is in compliance with the basic principles and requirements of international standards, instructions and recommendations (International Plant Protection Convention, European and Mediterranean Organisations for Plant Protection).

Also, the Regulation on the Sanitary Inspection of Plants and Plant Protection Chemicals in the Traffic Across the State Border (published in the "Official Gazette", No. 12/95) applies, as far as possible, the measures and recommendations which are equivalent to the measures applied by the other members trading in similar products (plants and plant products). The Croatian measures are not stricter than those internationally recommended and they do not make any discrimination between imported and domestic products.

As already stated before, the Republic of Croatia demanded technical assistance in order to organise the plant protection in the most appropriate way and to get acquainted with the procedures in adopting European Union regulations and standards.

In parallel, we take measures and other activities in order to adjust the organisation and structure of plant protection with the existing international standards.

For instance, the proposal for the reorganisation of some parts of the existing plant protection department including the proposal for the personnel in need within this department and the defining of their internal organisation in order to accomplish the duties of plant protection (within the Ministry of Agriculture and Forestry and the Institute for the Protection of Plants in Agriculture and Forestry) is being drafted.

In addition, the proposal to the Government of the Republic of Croatia has been prepared for providing additional funds for the introduction of information system in the course of this year. The next step (in 1999) shall be the request for the funds necessary for the purchase of technical equipment (laboratory equipment and other facilities needed for the proper functioning of the phytosanitary inspection).

Immediately after the plant protection department is reorganised and the necessary financial funds acquired (in our opinion until the end of the current year), the amending of those regulations and rules which have to be in compliance with international standards and requirements will begin. Those standards have not been applied due to the lack of technical equipment.

Attached to this document is the Regulation on Phytosanitary Inspection of Plants and Control of Plant Protection Products in the National Cross-Boundary Transportation, published in Official Gazette nos. 12/1995 and 96/1995 which clearly states the procedures in this area. (WT/ACC/HRV/36)

Sanitary regulations:

The health control of foodstuffs and goods of general usage as well as providing of the sanitary, technical and hygienic conditions for their production and distribution is the measures whose aim is to prevent and fight against contagious diseases according to Article 11 of the Law of Protection of Citizens from Contagious Diseases ("Official Gazette", No. 60/92, 26/93, 29/94).

The Law on Health Safety and Controls of Foodstuffs and Goods of General Usage ("Official Gazette" No. 1/97 - final draft) stipulates the conditions related to the health safety that foodstuffs and goods of general usage, imported or produced, have to comply with in order to be distributed on the domestic market. In addition to this, the Law provides for the health control of the production and distribution of foodstuffs and goods of general usage in order to ensure their health and safety. The provisions of this Law also apply to raw materials for the production of foodstuffs and goods of general usage, spices, additives and substances used for enriching foodstuffs.

The foodstuffs include all that is used as food or drink, in processed or non-processed, including drinking water.

The goods of general usage include tableware, accessories, equipment and apparatus for the production of foodstuffs and goods of general usage and containers, toys, perfumery, cosmetic and toilet preparations for body and face, washing preparations, tobacco, tobacco products and smoking accessories as well as certain goods and instruments that come into close contact with skin or mucous membrane while they are used.

According to the provisions of Article 5, paragraph 1, point 3 of the Law on Health Safety and Controls of Foodstuffs and Goods of General Usage ("Official Gazette" No. 1/97 - final draft) the foodstuffs or goods are considered as unsafe for human health:

- if their sensory characteristics have changed;
- if they contain pathogenic micro-organism or pathogenic parasite;
- if they contain bacteria toxin, micro toxin, histamine, and similar substances in such quantities which exceed those determined by the regulations;
- if they contain natural toxin or other natural toxic substances in the quantities which are noxious for human health;
- if they contain pesticides, metals, non-metals, veterinary medicaments residue and other noxious substances in quantities which are harmful for human health;
- if they contain additives which are not allowed for the production of foodstuffs and other goods of general usage or if they contain additives in such quantities which special regulations stipulate as inadmissible;
- if they contain radio nuclides in quantities exceeding those regulated or if radiated over the limit regulated by the law;
- mechanically damaged admixtures which can be noxious for human health or cause aversion;
- originating from dead animals or animals suffering from disease which are noxious for human health;

- if they contain other microorganism, parasites or substances in quantities, which are harmful for human health.

The health control of production and distribution of foodstuffs and other goods is performed by the government authority in charge of sanitary inspection and the health control of foodstuffs of animal origin is also done by the government authority in charge of veterinary inspection according to Article 26 of the Law. In order to control the health safety, the competent authority has a right to take samples in the course of production and distribution. Authorised laboratories test those samples, which have to be properly sealed up and labelled. The samples for analyses and super analyses are taken at the same time.

The health control of imported foodstuffs and other goods is done by the border sanitary inspector and if the foodstuffs are of animal origin also by border veterinary inspector in accordance with Article 32 of the Law. The costs of controls and health safety inspection of foodstuffs and other goods of general usage are borne by the importer according to the provisions of Article 35 of the Law. The importer is not allowed to distribute or process the imported goods before he receives the official decision that the goods are health safe in accordance with Article 34 of the Law.

The regulations adopted on the basis of Article 50 of the Law on Health Safety and Health Control of Foodstuffs and Goods, were published in the "Official Gazette", No. 46/94:

- The Rule of Health Safety of the Drinking Water;
- The Rule on Micro-biological Standards of Foodstuffs;
- The Rule on Quantities of Pesticides, Toxins, Micro-toxins, Metals and Histamine and Similar Substances that Foodstuffs May Contain and Other Conditions in Relation to Health Safety or Foodstuffs and Other Goods;
- The Rule on the Conditions of Preserving Food and other Goods by Ionising Radiation;
- The Rule on Health Safety of Dietetic Food;
- The Rule on Conditions related to the Health Safety that the Goods of General Usage have to Comply with in Order to be Distributed on the Market;
- The Rule on Preparation and Sale of Foodstuffs Outdoors;
- The Rule on Micro-biological Cleanness Norms and Methods of their Defining;
- The Rule on Special Working Cloths and Shoes for Workers who in Production and Distribution Come into Close Contact with Foodstuffs, Cosmetic and Toilet Preparations for Body and Face.

We would like to stress that the other implementation rules and regulations based on Article 50 of the Law on Health Safety of Foodstuffs and Goods of General Usage ("Official Gazette", No. 1/97 - final draft) are being adopted.

After careful examination of the legislation on sanitary and phytosanitary measures and consultations with the experts, Croatia can undertake a commitment to fully apply the WTO Agreement on SPS, as of the date of its accession to the WTO. A Statement by the Croatian delegation confirming such a commitment is attached to this document.



Veterinary and sanitary inspection and control of animals and animal products, animal offal substances, semen, embryo, and other goods that may transmit contagious diseases or affect human or animal life when imported, exported or in transit are done by border veterinary inspection.

The veterinary inspection means the control of animals and products of animal origin in order to protect animals as well as animal and human life, the control of vehicles, buildings and goods that may transmit contagious diseases.

The obligation of the Republic of Croatia to organise the border veterinary inspection is based on:

- Codex of the International Office for Contagious Diseases with its headquarters in Paris, whose member is the Republic of Croatia;
- International bilateral agreements on veterinary co-operation;
- Veterinary Law ("Official Gazette", No. 70/97);
- International Conventions on the Harmonisation of Border Inspection of Products;

#### Organisation Of The Border Veterinary Inspection

Border veterinary inspection is organised within the Department for Border Veterinary Inspection of the Ministry of Agriculture and Forestry - Veterinary Directorate. The organisational units of the Department are veterinary stations that are organised for few borders covering a certain territory.

The border veterinary stations are established, unified or closed down by the Government of the Republic of Croatia, while the minister of forestry and agriculture determines the borders where the veterinary inspection is carried out.

Five border veterinary stations, in Zagreb, Goričan, Osijek, Rijeka and Split were established by the Decision of the Government of the Republic of Croatia of 7 January 1991 ("Official Gazette", No. 58/91). The borders where the veterinary inspection is carried out are determined by the Decree of the Minister of Agriculture and Forestry on Borders of 6 January 1995.

Border veterinary inspectors are independent in carrying out their duties and as far as the veterinary control is concerned they have special permissions.

The work of veterinary inspectors, especially its volume, depends on how frequent the transit route is. The number of shipments controlled at different borders varies significantly.

The organisation, scope of activities and conditions related to the work of border veterinary inspections are regulated by the following:

- (i) Veterinary Law ("Official Gazette", No. 70/97) - regulates the organisation, rights and obligations of the border inspectors. With regard to the inspection, the Decisions are issued in accordance with the Law on General Administrative Procedure;
- (ii) The Regulation on the handling operations of animals, animal products, raw materials and animal origin offal shipments, on the conditions that vehicles have to comply with, hygiene and technical conditions of the shipments, and health report form of the imported, exported or shipment in transit and the way the border inspection is done;

- (iii) The Decision on the establishment of border veterinary inspections ("Official gazette", No. 58/91);
- (iv) Decree on borders where the border veterinary stations are established ("Official Gazette", No. 3/95);
- (v) Regulation on Border Veterinary Inspector Identification and Sign ("Official Gazette", No. 69/91, 60/93);
- (vi) Decision on Prices Charged for Veterinary and Sanitary Inspection at the Republic of Croatia Border ("Official Gazette", No. 63/94);
- (vii) Regulation on Conditions that the Buildings for Animals and Warehouses for Products of Animal Origin and Offal Animal Substances on State Borders have to Comply With ("Official Gazette", No. 52/93);
- (viii) Regulation on Conditions that Railroad Stations and Harbours for Handling Operations of Animals have to Comply With ("Official Gazette", No. 52/93);
- (ix) Regulation on Shipments of Products of Animal Origin that are not Subject to Veterinary and Sanitary Inspection When Imported or in Transit ("Official Gazette", No. 86/93);
- (x) There are also other regulations concerning the border veterinary inspection, notably the Law on Health Safety and Controls of Foodstuffs and Goods of General Usage ("Official Gazette", No. 69/92), the Decree on Ban of Imports and Transit, various Recommendations, Decisions, and Directives by the European Union, etc.

The border veterinary inspection has totally 60 employees. Those are: one head of department, five deputies - the chiefs of border veterinary stations, 52 border veterinary inspectors, two other employees.

The number of employees really needed for different borders is not determined as yet. It depends on the working hours of the neighbouring countries' veterinary stations as well as the frequency of shipments subject to veterinary inspection.

The borders with regard to location, professional skills of inspectors, equipment, sorts, scope and sequence of controls have to comply with adopted standards and are subject to international inspection.

The work and procedure of the border veterinary inspector is determined by the Veterinary Law and other regulations and it also complies with the Codex of the International Office for Contagious Diseases and International Bilateral Agreements

The border veterinary inspection means the veterinary and sanitary control of animal and products of animal origin when imported, exported or in transit, that is the control of health state and health safety, control of accompanying documentation (certificates - attested by veterinary authorities of the exporting countries).

The veterinary and sanitary inspection of the mentioned shipments is the same for the shipments by domestic producers and the producers from the other exporting countries.

The border veterinary inspection of the Republic of Croatia has harmonised its work completely with the requirements of the European Union.

### **3. Export Regulations**

#### **Export duties**

##### **Question 19.**

**We refer Article 34(2) of the Customs Law, which authorises Croatia to impose customs duties on exports in extraordinary circumstances and for reasons of protection. Does Croatia intend to maintain this provision? Are there any export duties still levied, and if so on what products? Does Croatia plan to remove export duties in the future?**

Answer:

Regulations concerning export duties were abolished by the governmental decision in 1996.

#### **Export quotas**

##### **Question 20.**

**Can Croatia confirm that all remaining export quotas (apart from those with a valid justification under GATT Article XX) will be removed prior to Croatia's accession to the WTO?**

**Were export quotas for crude oil and gas abolished as Croatia had foreshadowed in the reply to question 53 of WT/ACC/HRV/30?**

**What was outcome of the review of export quotas on leather, paper waste and glass that was foreshadowed in Croatia's reply to question 53 of WT/ACC/HRV/30?**

**When will export quotas on crude timber be removed?**

Answer:

Continuing the policy of bringing the trade policy measures in conformity with the principles of GATT 1994, the Government of the Republic of Croatia, following the previously adopted programme, has adopted at the end of 1997, a Decision according to which the export quotas regime has been abolished for crude oil and gas (CN code 27.09 and 27.11) and in June 1998, a Decision according to which the export quotas were abolished for corn and semi processed leather. The aim of the Government is to bring the export quota regime in line with Articles XX and XXI of the GATT 1994. The next revision of export quotas regime will take place by the end of 1998.

### **IV. OTHER POLICIES AFFECTING FOREIGN TRADE**

#### **2. Agricultural Policy**

##### **Question 21.**

**We note that a new Law on State Commodity reserves is being considered by the Parliament. We would be grateful for details on the new law and the proposed functions of the Commodity Reserves. How will the new law differ from the current situation?**

Answer:

The Law on State Commodity Reserves (Official Gazette 68/1997) stipulated public stockholding of some agricultural and non-agricultural products. Commodity reserves had been established to ensure essential supplies in case of war, threat of war or natural disaster. This function of commodity reserves as permanent reserves is ensured by determining the goods, which are needed for those situations. The main function of commodity reserves shall be ensured within the frames and in the way it is appropriate for the goals determined. The Directorate for Commodity Reserves (formerly the State Directorate for Commodity Reserves) – a Division of the Ministry of Economy - intervened in the market only upon Government order. In certain circumstances the Directorate could intervene in order to prevent domestic price increases on agricultural and food products. Purchases would be made by tender, and the Directorate would select the most favourable bid on the basis of purely commercial considerations in line with the non-discrimination principle of Article XVII of the GATT. The Directorate could export goods bought through intervention in the domestic market by government decision only.

#### **Question 22.**

**We note that the Croatian Government can prescribe guaranteed prices for some agricultural products as a voluntary measure. Could Croatia provide details on the agricultural products subject to guaranteed prices?**

Answer:

The Government of Croatia has established the Guaranteed prices for commodities of 1998 harvest by its Decision published in Official Gazette no. 95/1997. These prices for commodities of standard quality as defined in the said regulation are:

Wheat	1,10 Kuna/kg
Sunflower	2,06 Kuna/kg
Soybeans	1,90 Kuna/kg
Oilrape	1,90 Kuna/kg
Tobacco leaves	8,00 Kuna/kg

No other commodity enjoys the guaranteed price.

#### **Question 23.**

**In 1997, Croatia passed the Decision on Imports of Sugar, temporarily limiting the imports of sugar in Croatia, and has said that this decision would be terminated after the domestic sugar market was organised. We seek details as to when this limitation on the imports of sugar will be removed.**

Answer:

The Decision on import ban of sugar has been lifted on 2 May 1988 (Official Gazette no. 60/1998).

**V. INSTITUTIONAL BASE FOR TRADE AND ECONOMIC RELATIONS WITH THIRD COUNTRIES**

**1. Brief Description of Bilateral Trade and Economic Agreements and Integration Agreements**

**Question 24.**

**Croatia has indicated that it has free trade agreements with Bosnia-Herzegovina, Slovenia and Former Yugoslav Republic of Macedonia. Do the FTAs cover all products? Are there any exempt products or sectors? Does free trade (in other words, zero rates of import duty) apply to all products, if not, what rates of import duty apply? Are services covered, and if so, what conditions apply?**

Answer:

With regard to the FTAs concluded with the mentioned countries, the situation is as follows:

1. The Agreement on Economic Co-operation with Bosnia and Herzegovina covers all products in HS chapters 1-97, only a 1 per cent (customs evidence) duty is paid on imports.
2. The Free Trade Agreement with the Former Yugoslav Republic of Macedonia covers substantially all trade between two countries. For all products falling within HS chapters 25-97 (industrial goods) only a 1 per cent (customs evidence) duty is paid for the import of these goods. For products falling within chapters 1-24 (agricultural products) concessions are exchanged for a list of selected products, for which a 1 per cent (customs evidence) duty is paid within the quantities established within tariff quota ceilings. All imports beyond the tariff quota level are subject to MFN customs duties.
3. The Free Trade Agreement with Slovenia covers substantially all trade between two countries. The majority of industrial products (HS 25-97) have a duty free treatment as of 1 January 1998. After the transitional period ending on 1 January 2001, tariffs for all remaining industrial products will be abolished. For products falling within chapters 1-24 (agricultural products) concessions are exchanged for a list of selected products, for which different tariffs lower than MFN rates are applied within the quantities established within tariff quota ceilings. All imports beyond the tariff quota level are subject to MFN customs duties.

None of this Agreements cover trade in services.

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