

WORLD TRADE ORGANIZATION

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**Working Party on the
Accession of Croatia**

DRAFT REPORT OF THE WORKING PARTY ON THE ACCESSION OF CROATIA TO THE WORLD TRADE ORGANIZATION

Revision

INTRODUCTION

1. The Government of Croatia applied for accession to the General Agreement on Tariffs and Trade (GATT 1947) in September 1993. At its meeting on 27 October 1993, the GATT 1947 Council of Representatives established a Working Party to examine the application of the Government of Croatia to accede to the General Agreement under Article XXXIII of the General Agreement. Following the conclusion of the Uruguay Round, Croatia requested accession to the World Trade Organization (WTO) under Article XII of the Marrakesh Agreement establishing the World Trade Organization. Having regard to the decision adopted by the WTO General Council on 31 January 1995, the existing GATT 1947 Accession Working Party was transformed into a WTO Accession Working Party. The terms of reference and the membership of the Working Party are reproduced in document WT/ACC/HRV/8/Rev.6.

2. The Working Party met on 1 April 1996; 23-24 January 1997; 21 January and 16 October 1998; 27 September 1999; and [] 2000 under the Chairmanship of Ms. A.-M. Plate (the Netherlands).

DOCUMENTATION PROVIDED

3. The Working Party had before it, to serve as a basis for its discussions, a Memorandum on the Foreign Trade Regime of Croatia (L/7466) and the questions submitted by Members on the foreign trade regime of Croatia, together with the replies thereto (WT/ACC/HRV/3 and Corr.1, WT/ACC/HRV/4 and Addenda 1 and 2, WT/ACC/HRV/7 and Add.1, WT/ACC/HRV/11 and Add.1, WT/ACC/HRV/27 and Addendum 1, WT/ACC/HRV/30, WT/ACC/HRV/39 and Addenda 1 and 2, WT/ACC/HRV/45 and Corr.1 and 2, WT/ACC/HRV/48, WT/ACC/HRV/51, WT/ACC/HRV/54), and other information provided by the Croatian authorities (WT/ACC/HRV/5 and Corr.1, WT/ACC/HRV/6 and Rev.1 and Corr.1, WT/ACC/HRV/9 and Corr.1, WT/ACC/HRV/12 and Corr.1,

WT/ACC/HRV/13, WT/ACC/HRV/14, WT/ACC/HRV/15, WT/ACC/HRV/16 and Rev.1, WT/ACC/HRV/17, WT/ACC/HRV/18, WT/ACC/HRV/19, WT/ACC/HRV/20, WT/ACC/HRV/21, WT/ACC/HRV/22, WT/ACC/HRV/23, WT/ACC/HRV/24, WT/ACC/HRV/25, WT/ACC/HRV/37 and Rev.1, WT/ACC/HRV/40, WT/ACC/HRV/43, WT/ACC/HRV/49, WT/ACC/HRV/55 and WT/ACC/HRV/58 and Rev.1), including the legislative texts and other documentation listed in Annex I.

INTRODUCTORY STATEMENTS

4. In his introductory statement, the representative of Croatia stressed that accession to the World Trade Organization was among the main priorities of his Government. Croatia was pursuing a program of thorough economic adjustment and reform, transforming its economy into one based fully on market principles. The efforts of the Government were underpinned by credits from the IMF, the World Bank and the European Bank for Reconstruction and Development. Croatia was strengthening institutional relations with the European Union and free-trade ties with countries in central and eastern Europe.

5. The near-term goals of his Government were to accelerate economic growth, privatization, public enterprise restructuring and the rehabilitation of banks; comprehensive reconstruction of war-torn areas; fight unemployment while maintaining low inflation and a stable exchange rate; and to continue to develop the legal and institutional framework. An internationally compatible market framework had been established with the enactment of the Company Law and the Law on Trade, for the most part adjusted in accordance with the principles of the GATT and resulting in substantial liberalization of foreign trade. Croatia had also introduced a new Customs Tariff, incorporating the 1996 amendments to the International Convention on the Harmonized Commodity Description and the Recommendation of the World Customs Organization Regarding Ozone Layer Depleters and the Draft Recommendation on Drugs. Some financial incentives and subsidies were provided to agriculture in accordance with the Law on Financial Incentives and Subsidies in Agriculture and Fisheries (and its amendments). The Government intended to maintain guaranteed prices for a small group of agricultural products, while a system of variable levies had been abolished. The representative of Croatia assured members of the Working Party that Croatia would take all necessary steps to continue to improve its legal and institutional framework, so that the accession process could be accomplished as soon as reasonably possible.

6. In their opening remarks many members of the Working Party welcomed the request from Croatia to accede to the WTO. Membership in the WTO would assist Croatia in its efforts to repair the damage of war and underpin its continuous and systematic transformation towards a market

economy. Several members declared their interest in working constructively together with Croatia in establishing its terms of accession and ensuring that the mandate of the Working Party be concluded in a timely manner.

7. The Working Party then proceeded to review the economic policies and foreign trade regime of Croatia and the possible terms of a Draft Protocol of Accession to the WTO. The views expressed by members of the Working Party are summarized below in paragraphs 8 to 224.

ECONOMIC POLICIES

Monetary and Fiscal Policy

8. Some members of the Working Party requested information on taxation policies in Croatia, and confirmation that the tax system did not differentiate between foreign and domestic ownership. Noting certain problems regarding the collection of taxes, some members asked Croatia to elaborate on the informal sector of the economy and measures taken to reduce tax evasion.

9. The representative of Croatia provided an up-dated description of the internal taxation regime in July 1996 (document WT/ACC/HRV/20). The main elements of the tax system were the Law on Profit Tax, the Law on Income Tax and the Law on Value Added Tax, replacing the Law on the turnover tax of products and services on 1 January 1998. Revenues from the profit tax and the income tax were divided between the State, municipalities, townships and counties in fixed percentages in accordance with Article 45 of the Law on Financing Local Self-Government and Local Government. In addition, local self-government units and government units could also collect some local taxes in order to fill their budgets.

10. The representative of Croatia said that the size of the informal economy was unknown, but studies based on employment data suggested that the informal sector might add some 16 to 21 per cent to the official gross domestic product. Sectors with informal economic activity of some significance were trading, catering, construction, domestic appliance and car repair, commercial and residential property rental, business services and household personal services, while the processing industry and agriculture appeared to be less affected. Steps taken to contain the informal sector included the development of an effective tax system (in particular following the introduction of value-added tax), lower taxes and improved labour relations within a stronger regulatory framework and more effective labour inspection. The financial police was also stepping up operations to enforce the tax laws.

Foreign Exchange and Payments

11. The representative of Croatia noted that the legal basis for Croatia's foreign exchange regime was the Law on the Foundations on the Foreign Exchange System, effective since 19 October 1993. The Law regulated the foreign exchange market, in which all purchase and sale of foreign exchange took place. Croatia had opted for a floating exchange rate for its national currency - the Kuna, pegged to the Deutsche Mark, and as from 1 January 1999 to the Euro - to enable the economy to adjust to external shocks. The National Bank of Croatia was authorized to intervene in the foreign currency market to maintain a competitive exchange rate. Exchange rates were published daily by authorized banks and the National Bank of Croatia.

12. A member of the Working Party asked whether Croatia differentiated between exporters and other firms regarding the availability of foreign exchange or the rate of exchange and requested further information on Croatia's relationship with the IMF, in particular whether any reservations had been made under Article XIV (Transitional Arrangements). The representative of Croatia said that Croatia did not differentiate between exporters and other firms in currency exchange rates or in the availability of foreign exchange. Croatia had become member of the IMF in December 1992 following the model of partial succession. As a member of the IMF Croatia maintained no reservation under Article XIV. Croatia had accepted the obligations of Article VIII, Sections 2, 3 and 4 of the IMF Articles of Agreement with effect from 29 May 1995. Thus, Croatia did not maintain any restriction on payments and transfers for current international transactions.

13. A member of the Working Party inquired about the Law on Credit Relations with Foreign Countries. The representative of Croatia said that the Law regulated borrowing from international financial institutions and lending or borrowing arrangements with foreign partners by authorized banks, companies or other legal entities, and guarantees issued for the account of domestic and foreign entities. A copy of the Law was provided to the Working Party. Resident juridical persons, including commercial banks, were allowed to borrow abroad, but were required to register loans, including commercial credits, with the National Bank of Croatia. Resident legal or natural persons could only extend credits to non-residents from profits or credits obtained abroad. Natural persons could borrow from non-residents in domestic or foreign currency. On the issue of assets and liabilities of former Yugoslavia, the representative of Croatia said that negotiations were continuing. He added that Croatia had accepted calculations of the International Monetary Fund and had assumed 28.49 per cent of the non-allocated debt of former Yugoslavia.

Investment Regime

14. The representative of Croatia said that foreign investment was regulated under the Company Law, entering into force on 1 January 1995. The Law defined a foreign investor as any foreign national or legal person with a registered seat outside the Republic of Croatia. The new legal regime had nullified a number of restrictions on foreign investment maintained under previous legislation (the Law on Foreign Investments). No particular sector was closed to foreign investment. However, investments in the military industry and telecommunications were subject to a special procedure. According to the Law on Telecommunications, foreign investment in radio and television concessions was limited to 25 per cent of the capital of the concessionaire. Inward portfolio investment was not restricted, except for central bank short-term securities in the primary market.

15. The representative of Croatia noted that foreign direct investment by non-residents could take the form of joint venture or full ownership. Registration with the commercial courts was required. National treatment applied to foreign investment in principle, on condition of reciprocity. Amendments to the Company Law, abolishing the condition of reciprocity and thus providing full national treatment in respect of the establishment of commercial presence, had been adopted by Parliament in March 1999, and would be valid from the date of Croatia's accession to the WTO.

16. The representative of Croatia said that Croatian residents were required to report investments abroad to the Ministry of Economy ex post for statistical purposes. Acquisition of real estate in Croatia by non-residents was granted on the basis of reciprocity. However, foreign exchange restrictions in practice prevented Croatian residents from purchasing real estate abroad.

State Ownership and Privatization

17. Some members of the Working Party asked Croatia to provide information on its privatization programme and outline future plans in this area, noting that the present Law on Privatization did not concern public enterprises, banks, insurance companies, cooperatives, marinas, hospitals and schools. Croatia was requested to provide an update on the status of current privatization activities, and an overview of plans concerning (i) privatization of the Government's holdings in manufacturing and services enterprises, and (ii) ownership changes for firms and enterprises termed "socially owned", the form of ownership under the former Socialist Federal Republic of Yugoslavia. The information should indicate the type of firms privatized (e.g. retail services, manufacturing, agricultural processing), the nature of the firms remaining in State or other non-private form of ownership, and the portion of Croatia's trade and economic activity accounted for by these non-privatized holdings.

18. The representative of Croatia said that the overall privatization process had begun with the passage of the Law on Transformation of Socially-Owned Enterprises on 21 April 1991. Privatization involved the transformation of former "socially-owned" enterprises into joint-stock or limited liability companies with defined ownership structures. Following independence, ten large infrastructure and utilities companies had come under direct State ownership as "public enterprises" while the remaining socially-owned enterprises were to be privatized in a two-stage process. These enterprises submitted requests for commercialization to the Croatian Privatization Fund and could request "autonomous transformation", i.e. propose their own privatization plans, until 30 June 1992. First-stage privatization had been organized by the Croatian Privatization Fund, seeking wide participation by employees and the population at large by offering preferential rights for share subscription at substantial discount, and payment by instalments. A total of about 3,000 enterprises had begun the process of "autonomous transformation". By 30 June 1992, 2,444 enterprises had submitted proposals. From April 1991 to October 1995, some 2,200 socially-owned enterprises, i.e. 75 per cent of the initial number of enterprises subject to privatization, accounting for more than 30 per cent of employment had been fully or almost entirely privatized. A further 750 companies had been privatized in this manner between October 1995 and May 1999. Shares in enterprises not privatized during the first stage had subsequently been transferred to the Croatian Pension Funds (one third) and the Croatian Privatization Fund (two thirds). Under the responsibility of the latter, shareholdings had been reduced by various methods, including auctions at the Zagreb Stock Exchange, direct trade deals, tenders open to foreign investors, as well as free distribution of shares to war veterans, widows and their families. Shares in some specific enterprises had been earmarked to be sold against frozen foreign exchange deposits (FFED). Asked about the conditions for foreigners to participate in privatization tenders, the representative of Croatia said that the Company Law provided for national treatment of foreign investment, including participation in privatization.

19. Croatian citizens had participated actively in the privatization; some 600,000 small investors had acquired shares in a total of more than 2,500 enterprises. The Government also encouraged the establishment of Privatization Investment Funds (PIF's). These were specialized funds collecting vouchers and coupons in exchange for shares in companies put up for mass privatization. Contrary to other investment funds, the PIF's were not allowed to exchange shares against frozen foreign exchange deposits.

20. The second phase of the privatization process had been implemented through mass voucher privatization. This privatization had, in effect, been a distribution of shares not sold in the first phase of privatization. Vouchers had been distributed to individuals affected by the hostilities such as injured servicemen, war widows and their families, and other displaced persons and refugees. The shares to be represented by vouchers had been held in the portfolio of the CPF; shares held by the

State pension funds had not been included in the process. In total, more than 500 companies had their shares sold through voucher privatization. The first round of vouchers had been distributed in June 1998, and the process had been concluded by September 1998. Voucher privatization had ensured the privatization of 50 to 60 per cent of the residual portfolio of CPF, including shares in 30 to 50 top-quality companies reserved for strategic investors or public offerings, constituting the final step in the complete privatization of the residual portfolio. With voucher privatization completed, the privatization process had virtually reached the end, except for the small residual CPF portfolio and the large State-owned enterprises. The representative of Croatia provided detailed information on the privatization process in documents WT/ACC/HRV/40, WT/ACC/HRV/51 (pp.5-26) and WT/ACC/HRV/54 (pp.3-12). Further information on progress in privatization in Croatia is provided in Table 1(a)-(c).

Table 1(a): Information on the privatization process in Croatia (as per May 1999)

| | 100% State Owned | 50-99% State Owned | 25-50% State Owned | up to 25% State Owned | Fully Privatized | Total | Total (nc. included) | Total (bank- ruptcies included) |
|---|------------------------|--------------------------|--------------------------|--------------------------------|---------------------|----------|----------------------------|--|
| No of Companies | 44 | 53 | 146 | 502 | 1,856 | 2,601 | 2,726 | 2,950 |
| Per cent of total | 1.69 | 2.04 | 5.61 | 19.30 | 71.36 | 100 | | |
| Per cent of total (incl. non – commercialized) | 1.61 | 1.94 | 5.36 | 18.42 | 68.09 | | | |
| Per cent of total (incl. non – commercialized and bankruptcies) | 1.49 | 1.80 | 4.95 | 17.02 | 62.92 | | | |
| Total equity (HRK million) | 3,147.7 | 1,845.5 | 5,709.8 | 19,541.8 | 57,487.5 | 87,732.3 | | |
| Per cent of total equity | 3.9 | 2.10 | 6.51 | 22.27 | 65.53 | 100 | | |
| Average equity per company (HRK million) | 71.5 | 34.8 | 39.1 | 38.9 | 31.0 | | | |
| No of shareholders | not compar able | 5,269 | 22,560 | 222,851 | 227,011 | | | |
| Average No of Sh. (per Company) | not compar able | 99.42 | 154.52 | 443.93 | 122.31 | | | |

No. of Companies Covered by Transformation Law 2,950
 - of which commercialized 2,825
 - of which non commercialized 125
 Liquidations and Bankruptcies 224

Table 1(b): Information on the privatization process in Croatia (as per May 1999), by sector

| Sector | Enterprises in privatization | | | Privatized Enterprises | | | Non-privatized Enterprises | | | Enterprises in liquidation and bankruptcies | | |
|------------------------------------|------------------------------|----------------|---|------------------------|----------------|----------------------|----------------------------|---------------|----------------------|---|---------------|----------------------|
| | No. | Equity (DEM) | % of total equity included in privatization | No. | Equity (DEM) | % of sector's Equity | No. | Equity (DEM) | % of sector's Equity | No. | Equity (DEM) | % of sector's Equity |
| Industry and mining | 832 | 11,422,388,209 | 44.70 | 658 | 8,932,027,911 | 78.20 | 68 | 1,883,817,247 | 16.49 | 106 | 606,543,051 | 5.31 |
| Agriculture and fishing | 249 | 2,001,849,648 | 7.83 | 196 | 1,048,914,286 | 52.40 | 26 | 652,687,931 | 32.60 | 27 | 300,247,431 | 15.00 |
| Construction | 297 | 1,185,996,138 | 4.64 | 242 | 903,996,519 | 76.22 | 28 | 139,153,518 | 11.73 | 27 | 142,846,100 | 12.04 |
| Trade | 513 | 4,487,864,122 | 17.56 | 433 | 4,087,737,546 | 91.08 | 41 | 229,970,803 | 5.12 | 39 | 170,155,773 | 3.79 |
| Tourism and catering | 241 | 4,395,917,337 | 17.20 | 203 | 4,220,684,494 | 96.01 | 32 | 168,929,018 | 3.84 | 6 | 6,303,824 | 0.14 |
| Housing construction and utilities | 194 | 221,338,662 | 0.87 | 180 | 196,192,095 | 88.64 | 7 | 3,301,666 | 1.49 | 7 | 21,844,900 | 9.87 |
| Communal utilities | 36 | 34,612,220 | 0.14 | 33 | 32,882,020 | 95.00 | 3 | 1,730,200 | 5.00 | | | |
| Financial and other services | 359 | 1,577,084,863 | 6.17 | 325 | 1,232,295,514 | 78.14 | 25 | 305,378,451 | 19.36 | 9 | 39,410,898 | 2.50 |
| Education, culture and publishing | 89 | 210,391,650 | 0.82 | 75 | 178,265,028 | 84.73 | 11 | 28,889,422 | 13.73 | 3 | 3,237,200 | 1.54 |
| Health and social care | 15 | 17,762,015 | 0.07 | 13 | 16,367,300 | 92.15 | 2 | 1,394,715 | 7.85 | | | |
| Total | 2,825 | 25,555,204,865 | 100.00 | 2,358 | 20,849,362,714 | 81.59 | 243 | 3,415,252,973 | 13.36 | 224 | 1,290,589,177 | 5.05 |

Note: non-commercialized Enterprises are not included in table, No. of Enterprises covered by Transformation Law = 2,950

"Privatized enterprises" means companies in which State ownership does not exceed 50 per cent, The percentage refers to the share of private ownership, "Non-privatized" means still government controlled, and the percentage refers to the share of private ownership, Liquidations and bankruptcies are stated in percentages in relation to each total activity,

Table 1(c): Net proceeds from privatization

| | DM million | | | | | | | | |
|----------------------------|------------|-------|-------|-------|-------|-------|-------|-------|--------|
| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998* | Total |
| Cash | 4.2 | 86.6 | 123.4 | 208.3 | 177 | 269.4 | 154.7 | 170.7 | 1194.3 |
| Bonds for Reconstruction** | - | 48.3 | 28.1 | 41.9 | 1.4 | 0.5 | 0.8 | 0.1 | 121.1 |
| Swaps with FFCD's | - | 157.4 | 455.6 | 741.9 | 257.7 | 253.7 | 152.1 | 37.7 | 2056.1 |
| Total | 4.2 | 292.3 | 607.1 | 992.1 | 436.1 | 523.6 | 307.6 | 208.5 | 3371.5 |

* 1 January -31 July 1998, Cash proceeds include also earnings from the sale of PLIVA's shares on international market which were transferred through the CPF account

** High-yield bonds in hard currency issued by the Ministry of Finance, which can be swapped for shares at 30 per cent discount

21. The representative of Croatia added that the Law on Transformation and Privatization of Socially Owned Enterprises had also applied to agriculture. Former socially-owned farms which had not filed requests for "autonomous transformation" had been transferred to the Croatian Privatization Fund. These farms were currently organized as joint-stock or limited liability companies and managed by their respective Management Boards. Some 180 cooperative enterprises would also be privatized under the Law on Farm Cooperatives. In some cases agricultural enterprises had been divided into smaller independent units. All agricultural trading and processing enterprises had been privatized. Croatia intended to privatize the entire food procurement and processing system.

22. Sectors not covered under the Law on Privatization were privatized under other provisions. Shares in banks were sold by their founding institutions or, in case of financially troubled banks, with the assistance of the Agency for Bank Rehabilitation. The Law on Sea Ports provided for the privatization of port services and the award of concessions; the actual port was regulated by the port administration. Medical services and other activities within hospitals and clinics, but not the property or infrastructure, could be privatized in accordance with the Statute of Conditions for the Lease of Medical Facilities for Primary Medical Care and Hospitals. Public educational facilities would be privatized in the near future. The Law on Privatization included a provision on the privatization of public enterprises (Article 13, Paragraph 13). Decisions had been taken to proceed with step-by-step privatization of Croatian Railways (HZ), Hrvatske Sume (Croatian Forests), the Official Gazette, Croatian Petroleum Company (INA), Croatian Radio and Television Broadcasting (HRT), Croatian Electricity Company (HEP), Croatian Telecommunications (HT), the Coastal Shipping Company and Plovput (a lighthouse company). He indicated that the process of privatizing public utilities and large State-owned enterprises had begun in 1999. Each company would be privatized in accordance with a special law to be adopted by Parliament. The law would determine, for every enterprise, the share of the company to be privatized, i.e, offered to foreign and domestic investors. Investors would be chosen on the basis of public tender in a transparent and legally-based manner. Prior to the adoption of each law, and the initiation of the process of privatization, his Government would select a privatization consultant in an international tendering procedure. Consultants for Croatian Telecom

and banks (Privredna banka, Splitska banka and Riječka banka) had already been selected. He envisaged that CPF ownership over companies would evaporate within the next two years, and the privatization of large State-owned enterprises would be achieved over a period of some five years.

23. The representative of Croatia said that Croatia had also adopted a Law on Compensation for Expropriated Assets. The law foresaw the restitution of assets either in kind, through shares reserved in the Croatian Privatization Fund or by payment from the Croatian Compensation Fund.

24. A member held the view that information provided by the representative of Croatia, including the information contained in document WT/ACC/HRV/40, was useful but not sufficiently comprehensive to cover important aspects of State ownership and privatization in Croatia. The Working Party should have been informed that, while agriculture was almost exclusively in private hands, a significant number of industries and enterprises remained under State control or had been transferred to private ownership through a non-transparent and non-competitive privatization process. This member stated that Croatia maintained legislation which prevented the privatization of important assets in various forms to potential owners of non-Croatian origin. The same legislation did not recognize previously acquired property rights, and prevented the exercise of these rights.

25. In reply, the representative of Croatia said that Croatia had responded to questions and issues raised by members of the Working Party, and its privatization process had been described in detail in various accession documents. Croatia's privatization process had been assessed by independent sources to be one of the most successful among countries in transition. Concerning legislation regulating previously acquired property rights, the representative of Croatia said that Croatia did not discriminate between Croatian or non-Croatian owners of property rights on assets acquired legally in Croatia by legal persons. The only specific limitation was a temporary ban on the exercise of ownership rights on previously "socially-owned" assets located in Croatia by legal persons originating in the other successor countries of the former Socialist Federal Republic of Yugoslavia (SFRY). This measure had been introduced to prevent privatization of assets acquired under the vague concept of "social ownership" until the relevant legal ownership issues had been clarified in each particular case. According to former Yugoslav legislation, socially-owned assets could have been acquired without a payable legal transaction, for example, when assets were granted to a legal persons by decision of local or higher authorities, or the enterprises themselves. The key issue at hand was to determine which assets subject to former social ownership could now be considered in private ownership with clear title based upon adequate payment for their acquisition,. Croatia therefore suggested that strict distinction should be maintained between universal property rights, where Croatia maintained no restrictive or discriminatory practice which might divert from MFN practice, and property rights based on the concept of social ownership in former SFRY. The representative of Croatia called upon

the Member in question to accelerate ongoing bilateral negotiations outside the WTO to find a mutually acceptable solution that would address the interests and concerns of both parties.

26. The representative of Croatia confirmed his country's readiness to ensure the transparency of its ongoing privatization programme and to keep WTO Members informed of its progress in the reform of its transforming economic and trade regime. He stated that his Government would provide annual reports to WTO Members on developments in its programme of privatization as long as the privatization programme would be in existence along the lines of that provided to the Working Party. He also stated that his Government would provide annual reports on other issues related to its economic reforms as relevant to its obligations under the WTO. The Working Party took note of these commitments.

Pricing Policies

27. The representative of Croatia said that price controls had been liberalized in recent years. In general, companies determined prices freely without any government interference. Existing controls were applied in accordance with the Law on Exceptional Measures of Price Controls. Direct price controls could be prescribed to prevent negative effects of changes in prices for basic goods and services which had a direct impact on the cost of living, or to prevent monopoly pricing (Article 4). This provision underlined the exceptional character of direct price controls, which could only be implemented for a limited period of time and only if the negative effects could not be eliminated by other economic policy measures. Having introduced such controls, the Government was also obliged to take appropriate measures which would eventually allow the elimination of the price controls.

28. The Government, upon a proposal by the Ministry of Economy, could implement direct price controls either by fixing maximum prices; ordering price reductions to a certain level; or by requiring economic agents to report price changes in advance. In case of prior reporting of price changes, the Ministry of Economy could object to the new prices within 15 days from the date the prices were reported, and request a company to reconsider the proposed prices. The Law provided for penalties amounting to HRK 5,000-20,000 (US\$800-3,000) for companies changing prices against the objections of the Ministry, and the Government could order the prices be brought back to the original level. A company objecting to such administrative action could institute proceedings and request compensation for the damage incurred. All regulations regarding price control measures were published in the Official Gazette of the Republic of Croatia "Narodne Novine".

29. Government Regulations determined the goods and services subject to these measures. At present, the only direct price controls in force were obligatory prior reporting of price changes for

milk for daily consumption; fertilizers; wheat flour; bread type 850; petroleum products; natural gas; electric energy; radio and television subscriptions; transportation of passengers and freight by local rail or maritime line traffic; standard letters and postcards; telephone impulse and telephone subscription; road, bridge and tunnel tolls; official forms; roundwood logs; cubic wood; and the services of loading and transportation of wood sortings. The producers of goods and services subject to current controls were mainly public utilities or State-owned legal entities. Goods and services currently subject to price control in Croatia are listed in Table 2.

Table 2: Goods and Services Subject to State price control

| Classification (Harmonized System or Common Product Classification) | Product or Sector |
|--|--|
| HS 0401 | Milk and cream, not concentrated nor containing added sugar or other sweetening matter, |
| HS 1101.00 | Wheat or meslin flour, |
| HS 2710.0012 | ---- lead-free motor petrol |
| HS 2710.0013 | ---- other motor petrol |
| HS 2710.0016 | ---- petrol for processing or mixing (primary or base) |
| HS 2710.0022 | ---- kerosene type jet fuel |
| HS 2710.0031 | ---- gas oils |
| HS 2710.0032 | ---- extra light and light special fuel oil |
| HS 2710.0033 | ---- fuel oils with low sulphur content |
| HS 2710.0034 | ---- other fuel oils |
| HS 2711.11 | --Natural gas |
| HS 2713.20 | - Petroleum bitumen |
| HS 2716.00 | Electrical energy |
| HS 3102 | Mineral or chemical fertilisers, nitrogenous, |
| HS 3105 | Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus and potassium; other fertilisers; goods of this Chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg, |
| HS 4401 | Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms, |
| HS 4403 | Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, |
| CPC 9613 | Radio and TV services |
| CPC 7111; 7112 | Transportation of cargo and passengers by domestic railway |
| CPC 7442 | Highway, bridge and tunnel operation services |
| CPC 7211; 7212 | Domestic passenger transportation by coastal water ferries; domestic freight transportation by coastal water ferries |
| CPC 7511 | Postal services: standardized letters and postcards in the domestic mail system |
| CPC 7521 | Public local telephone services |
| CPC 7123 | Transportation of timber assortments |
| Local self-government bodies can prescribe price control (Article 11 of the Law on Exceptional Measures of Price Controls) for : | |
| HS 2716.00 | Heating energy |

| Classification (Harmonized System or Common Product Classification) | Product or Sector |
|---|--|
| CPC 82101; 82102 | Housing rents and residential services |
| CPC 71211 | Urban and suburban regular transportation |
| CPC ex 18000 | drinking water supply |
| CPC ex 94010 | Waste water drainage and purification |
| CPC ex 887 | Gas supply |
| CPC ex 94030 | Public cleaning |
| CPC 94020 | Municipal solid waste disposal |
| CPC 97090 | Maintenance of public grounds |
| CPC 97090 | Maintenance of not classified roads |
| CPC 97090 | Management and maintenance of retail sale market places |
| CPC 97030 | Maintenance of cemeteries and crematories and undertakers services |
| CPC 87409 | Provision of chimney services |

30. Local administrative bodies were responsible for direct and indirect price controls of public utilities, i.e. central heating, water supply, sewage and other sanitary services, distribution of gas, public transport, etc. However, the Government could prescribe such measures to prevent market disturbance or monopoly behaviour if local administrative bodies did not take action.

31. Asked whether the Law on Exceptional Measures of Price Controls could authorize the application of price controls and reporting requirements on prices of imports and exports, the representative of Croatia said that the Law itself did not include any specific article or provision regarding price controls on imports or exports, but the Government had adopted a by-law regulation which excluded imports and exports from price control measures. Thus, the current requirement of prior reporting of price changes for certain goods and services was not applied to imports or exports.

32. The representative of Croatia stated that the prices of goods and services in every sector of Croatia were determined freely by market forces with the exception of those noted in Table 2.

33. The representative of Croatia stated that in the application of price controls or State guidance now or in the future, Croatia would apply such measures in a WTO-consistent fashion, and take account of the interests of exporting WTO members as provided for in Article III:9 of the GATT 1994. Croatia would publish the list of goods and services subject to State controls any that are introduced or re-introduced in the future in its Official Journal, including any changes in the list provided of current requirements in place. The Working Party took note of this commitment.

Competition Policy

34. The representative of Croatia said that the Law on the Protection of Market Competition had been adopted by Parliament on 27 June 1995. Certain practices, including price fixing, market sharing and tying-in arrangements, were generally or specifically prohibited, but the rule of reason applied and group exemptions could be granted, for example for contracts related to specialization, exclusive or selective distribution, exclusive purchasing, franchising and research and development. The Law applied to all firms operating in Croatia regardless of the form of incorporation or ownership. An indicative list of State-owned or public enterprises which could qualify for exemption was found in an Annex to the Law on Public Purchasing. However, until now no entities or legal persons owned, managed or under the authority of the State had been specifically or explicitly exempted from the Law on the Protection of Market Competition. In response to specific questions on the regulation of export cartels, he confirmed that Article 4 (2) of the Law limited its scope to anti-competitive practices affecting the home market provided international agreements signed by Croatia did not stipulate otherwise. Croatia had established a Competition Protection Agency to enforce legislation. Cases would be decided by its Council.

FRAMEWORK FOR MAKING AND ENFORCING POLICIES

35. The representative of Croatia said that the central Government was responsible for a number of functions including international relations, economic policy and customs matters. Each Ministry was responsible for proposing new or amended legislation within its area of competence. Following approval by the Government draft legislation would be forwarded to Parliament for adoption. Most international agreements were subject to ratification by Parliament. International agreements, including the Protocol of Accession of Croatia to the WTO once ratified by the Croatian Parliament, would become an integral part of the internal legislation and would have precedence over domestic laws and other acts. Although the possibility of direct application of international agreements in Croatia's legal system existed, the WTO provisions were contained in specific laws covering particular areas stipulated in the WTO Agreements.

36. Concerning the right of appeal of administrative decisions, in particular in relation to the "independent tribunal" provision of Article X of the GATT 1994, the representative of Croatia said that the right of appeal was stipulated in the Law on Trade, the Customs Law, the Company Law and other laws related to issues addressed in WTO Agreements. He confirmed that Croatian legislation provided an automatic right of appeal by traders and other natural and legal persons in all WTO related matters. An appeal by a trader could be lodged with the High Administrative Court (HAC), which was an independent tribunal in accordance with Article X of the GATT 94. The High

Administrative Court was part of Croatia's regular judicial system. Being part of the judicial branch, the HAC was independent from State administrative bodies and the executive branch in general. The role of the HAC was to ensure legal protection of traders and other legal and natural persons in matters related to rulings made by administrative bodies and agencies. In doing so, the HAC, following an appeal by the plaintiff party, ruled on whether a decision or act issued by the administrative body had been made in accordance with the law and procedures set therein. Rulings of the HAC were final. Appeals against decisions or acts of administrative bodies could be lodged automatically with the HAC for all WTO issues, except customs and tax related matters. In such cases, the first complaint (or appeal) against an act or decision issued by the lower administrative body (customs office or local tax authority) should be lodged with the central customs or tax authorities (the Customs Directorate and the Tax Directorate of the Ministry of Finance). If the trader was not satisfied with the ruling made by the central authorities, he could file an automatic appeal with the HAC. This system provided traders a procedure of direct appeal of administrative rulings to authorities not bureaucratically affiliated with the agency that had issued the ruling.

37. The representative of Croatia confirmed that from the date of accession Croatia's laws would provide for the right to appeal administrative rulings on matters subject to WTO provisions to an independent tribunal in conformity with WTO obligations, including Article X:3(b) of the GATT 1994. The Working Party took note of this commitment.

38. The representative of Croatia said that Croatia had established a system of local self-government and administration based on the European Charter on Local Self-government. Within this system, Croatia was divided into 21 counties (including the City of Zagreb), subdivided into 421 municipalities, 50 townships and two special self-governing districts. The activities of local government units were financed in part from local dues and fees and income from own assets, in part from fixed percentage shares of revenue from the income tax, the profit tax, a tax on real estate transactions and a tax on gambling. Property taxes collected by the counties included taxes on motor vehicles and vessels, raised in fixed kuna amounts ranging from the equivalent of DM 30 to 200 per year for cars, DM 20 to 100 for motorcycles, and DM 40 to 550 for vessels.

39. Some members noted that local authorities could levy taxes on certain goods and services and asked what control the central government could exercise to ensure that the taxation practices of local authorities would be consistent with WTO obligations. The representative of Croatia replied that only the central authorities (the Government and Parliament) could propose and adopt legislation of any kind, including in the area of taxation. According to the Law on Funding Units of Local Government and Administration, local units had the right to collect taxes, but not to prescribe or levy them. Thus, as local authorities could only collect taxes established by law, their practices would be in compliance

with WTO obligations. Legal or natural persons providing catering services paid local and municipal consumption tax in accordance with Article 32 of the Law on Funding Units of Local Government and Administration. The tax amounted to maximum 3 per cent of the retail price of beverages sold in restaurants, bars, etc.

40. Decisions on concessional rights were subject to shared responsibility between central and local governments. Concessions were regulated by the Law on Concessions, unless special statutes provided otherwise, and could be granted for up to 99 years to a domestic or foreign person. Decisions on the granting of concessions were taken by the House of Representatives (Parliament) on the proposal of the Government, and upon the opinion of the local administrative body where the concession would be exploited. Parliament could delegate the authority to grant concessions to the Government. The decision to grant a concession was required to be based on public bidding or soliciting of tenders to select the successful candidate. Following the decision to grant a concession by Parliament or the Government, the executive branch of the administrative body concluded a contract with the concessionaire, regulating the conditions under which a concession could be exploited or terminated. Special laws could provide different conditions, as an exemption to this general law, to obtain or exploit a concession. For example, local road concessions were granted by local authorities, and the Law on Sea Ports provided for concessions to be granted by the port authority.

41. The representative of Croatia confirmed that sub-central administrative authorities and entities, e.g. local administrative bodies, have no jurisdiction or authority to establish regulations over issues of subsidies, taxation, trade policy or any other measures covered by WTO provisions in Croatia independent of the central authorities and that application of these measures are exclusively the responsibilities of the executive and legislative branches of the central government. He confirmed that the provisions of the WTO Agreement, including Croatia's Protocol, shall be applied uniformly throughout its territory, including in regions engaging in border trade or frontier traffic, special economic zones, and other areas where special regimes for tariffs, taxes and regulations are established. He added that when apprised of a situation where WTO provisions were not being applied or were applied in a non-uniform manner, central authorities would act to enforce WTO provisions without requiring affected parties to petition through the courts, and will eliminate or nullify measures taken by sub-central authorities in Croatia that are inconsistent with WTO provisions from the date of accession. The Working Party took note of these commitments.

POLICIES AFFECTING TRADE IN GOODS

Trading Rights

42. The representative of Croatia said that Croatia had applied temporarily the Law on Foreign Trade Operations of the former Yugoslavia since October 1991. The Law laid down a number of conditions regarding registration of companies, reporting requirements, restrictions on the right to engage in foreign trade, and rules for special trade operations. The Law on Foreign Trade Operations had been superseded by the Company Law, entering into force on 1 January 1995, and the Law on Trade, in effect since February 1996. The Company Law contained exhaustive and precise provisions concerning the establishment, incorporation and registration of stock corporations, limited liability companies, general or limited partnerships, and sole proprietorships. The restrictions or special conditions governing foreign trade operations under the former Law on Foreign Trade Operations had been abolished with the new Law on Trade and the Company Law; for example, companies engaging in foreign trade were no longer required to register separately with the Commercial Court, and companies were now free to re-export, import or invest abroad without approval of the Ministry of Economy.

43. The representative of Croatia added that although the former Law on Foreign Trade Operations had limited or conditioned the freedom of trade, foreign trade had never been subject to State monopoly. The State did not restrict the right of persons or entities to import or export under present legislation. The registration criteria to be met by domestic or foreign enterprises and individuals wishing to engage in foreign trade were set out in Article 4 of the Law on Trade, providing for free trade and equal market conditions.

44. All natural and legal persons wishing to engage in business activities were required to establish a company and register it with a Commercial Court before the commencement of their business activity. Once incorporated and entered in the Commercial Court registry, a company could perform all business activity it had chosen to list in its application for a Commercial Court registration. Any company wishing to perform a trade activity, including importation and exportation, was free to enter this activity in its incorporation act. A company seeking incorporation to trade in certain sensitive goods for reasons of health, safety or security - such as arms, explosives, medicines, drugs, narcotics, and toxins - was required to submit to the Commercial Court an activity licence issued by a competent authority before incorporation of the company. Following the incorporation with a commercial court, such a company would be eligible to apply for import and export licenses for these products. Thus, Croatia did not maintain any special registry of authorized trading companies nor any special registry of authorized importers or exporters of goods subject to licensing.

In general, all companies incorporated for trade activities were eligible to apply for an import license each time they would wish to import goods subject to licensing. First time applicants for import licenses were required to submit a copy of their Commercial Court incorporation act to allow the competent authority to ascertain, before issuing an import license, that the company actually existed. The company would not need to include the copy of the incorporation act in case of any subsequent application.

45. A member asked whether Croatia had an activity licensing regime and, if so, Croatia was requested to describe the criteria applied to receive such a licence, and the procedures used to grant it, with particular reference to (i) activities involving importation; and (ii) the WTO Agreement on Import Licensing Procedures. In reply, the representative of Croatia said that Croatia maintained an activity licensing regime of limited scope for products affecting public health and safety, covering activities relating to arms and ammunition, explosive substances, medicines and pharmaceutical products, toxins, and narcotics. Companies wishing to do business in these areas should obtain an activity licence prior to registration at the commercial court for such business. Conditions and requirements to be fulfilled by enterprises dealing in such products were stipulated in the Law on Arms, the Law on Explosive Substances, the Law on Medicines and Pharmaceutical Products, the Law on Toxins, and the Law on Production and Activities with Narcotics. Detailed information on the activity licensing regime, including its scope, procedures, requirements and criteria applied was provided in document WT/ACC/HRV/51, pp. 30-33. He added that Croatia did not charge licensing fees for any business activity. Information provided by Croatia on import licensing procedures (document WT/ACC/HRV/25) indicated, in his view, that Croatia's regime was in full compliance with the WTO Agreement on Import Licensing Procedures.

46. The representative of Croatia confirmed that no restrictions existed on the right of foreign and domestic individuals and enterprises to import and export goods and services into Croatia's customs territory, except as provided for in WTO Agreements. He confirmed that individuals and firms were not restricted in their ability to import or export based on their registered scope of business and the criteria for registration of companies in Croatia were generally applicable and published in the official journal of Croatia.

47. The representative of Croatia confirmed that from the date of accession Croatia would ensure that its laws and regulations relating to the right to trade in goods and all fees, charges or taxes levied on such rights would be in full conformity with its WTO obligations, including Articles VIII:1(a), XI:1 and III:2 and 4 of the GATT 1994 and that it would also implement such laws and regulations in full conformity with these obligations. The Working Party took note of this commitment.

A. IMPORT REGULATION

Customs Tariff

48. The representative of Croatia said that Croatia had been an active member of the World Customs Organization since gaining full membership on 1 July 1993. Croatia had joined the International Convention on the Harmonized Commodity Description and Coding System on 26 September 1994. The Customs Law, the Customs Tariff Law and the Law on Customs Administration constituted the legal framework for the customs regime of Croatia. The right of appeal against decisions of Customs was ensured in Articles 242 to 244 of the Customs Law, and its Articles 249 to 253 regulated the subsequent settlement of accounts, payment and refund of customs duties. The Customs Law had been applied with minor changes since 1991. Parliament had passed a new Customs Law on 30 June 1999. The Law contained provisions on customs valuation and customs procedures in full conformity with the relevant WTO Agreements.

Ordinary Customs Duties

49. A member asked Croatia to provide a description on how the current tariff had been formed by incorporating miscellaneous border charges and import taxes in the original customs tariff, a chart on the current structure of the tariff in terms of tariff lines and duty levels, information on the number of lines subject to *ad valorem*, specific or mixed tariffs, as well as information on the weighted and simple average of the current applied rates.

50. The representative of Croatia replied that the present Customs Tariff Law had been adopted by Parliament in June 1996 and had entered into force on 1 July 1996. According to the Law, the nomenclature of the customs tariff was based on the International Convention on Harmonised Commodity Description and Coding System. The customs tariff consisted of 7,059 tariff lines. All tariff items were subject to *ad valorem* tariffs, and 590 tariff items were subject to compound rates (*ad valorem* and specific duty). The *ad valorem* rates range from 0 to 25 per cent according to the structure described in Table 3. The simple average tariff rate was 12.1 per cent, and the weighted average tariff amounted to 9 per cent based on 1998 import data.

Table 3: Tariff structure

| Tariff rate (per cent) | Number of tariff items |
|------------------------|------------------------|
| 0 | 505 |
| 0 – 5 | 3,038 |
| 5 – 10 | 828 |
| 10 – 15 | 883 |
| 15 – 20 | 1,260 |
| 20 and above | 545 |

51. The Customs Tariff Law had abolished the application of non tariff measures, terminating the Law on Special Levies on Import of Agriculture and Food Products, and Article 35 of the Customs Law (prescribing a 1 per cent customs registration fee on imported goods), as well as a special import levy of 10 per cent. The tariff rates determined by the current Law were governed by the basic criteria that (i) tariffs were the only trade policy measure applied to protect domestic industrial and agriculture production; (ii) tariffs were considered measures of trade policy, not fiscal measures; (iii) tariffs were a function of economic development, in particular, the technological rehabilitation of the economy; (iv) the average tariff should be at the level applied in other countries in transition; (v) rates exceeding 15 per cent were applied only to protect industries and activities seriously damaged by war; (vi) minimum tariff rates were applied to imported raw materials; and (vii) all non-tariff measures applied to imports were no longer implemented with the entry into force of the Customs Tariff Law.

Other Duties and Charges Levied on Imports but not on Domestic Production

52. The representative of Croatia said that all duties and charges other than ordinary customs duties had been abolished with the introduction of the new customs tariff on 1 July 1996. Among the abolished duties and charges were a 10 per cent charge on imports, a 1 per cent customs registration fee, and import levies affecting various agricultural and food products (a list was provided in document WT/ACC/HRV/7/Add.1). For the time being, imported cement was subject to an administrative stamp tax of HRK 60 per customs declaration, a HRK 170 quality control fee, and a weight-based fee for sampling and testing of imported cement. With the implementation of the new Law on State Inspectorate (early October 1999) and the associated implementing regulations (end October 1999), he confirmed that Croatia would remove the weight-based fee, and fees for quality control would be based on the cost of the service rendered. The representative of Croatia confirmed that the authorities of Croatia and the Former Yugoslav Republic of Macedonia had agreed that Croatia would eliminate its 1 per cent customs duty at the latest by the date of accession, and the Former Yugoslav Republic of Macedonia would eliminate its 1 per cent customs evidence fee as from 1 January 2000. He further confirmed that a 1 per cent customs evidence fee on imports from the

Federation of Bosnia and Herzegovina had been abolished on 15 May 1999 when MFN trade had been reintroduced between Croatia and Bosnia and Herzegovina.

53. The representative of Croatia confirmed that Croatia levied no duties and charges on imports other than ordinary customs duties. Any such charges applied to imports after accession would be in accordance with WTO provisions. He confirmed that Croatia would not list in its schedules of commitments for goods any other duties and charges within the meaning of Article II:1(b) of the GATT 1994, binding all such duties and charges at "zero".

Tariff Rate Quotas, Tariff Exemptions

54. The representative of Croatia said that the Customs Law provided the legal framework for the establishment of tariff rate quotas, on an MFN basis, in exceptional cases. Tariff rate quotas were introduced by special regulation adopted by the Government. Croatia had implemented tariff rate quotas as part of its free trade agreements with Slovenia and the Former Yugoslav Republic of Macedonia. These tariff rate quotas were applied for agricultural and food products. Administration and allocation of the tariff rate quotas were based on three criteria which were always combined; (i) allocation to traditional traders, with at least 10 per cent reserved for new entrants, (ii) regional criteria (equal treatment of importers from all Croatia's regions), and (iii) the needs of the domestic processing industry. In the future, the main criteria would be first come/first served. On a further point, the representative of Croatia confirmed that all MFN tariff rate quota access provided for under Section I, Part I-B of Croatia's Schedule of Concessions and Commitments on Goods will be strictly in addition to any preferential tariff quota access that may be provided, where such MFN and preferential access affect the same products.

55. The representative of Croatia said that exemptions from payment of customs duty could be granted in accordance with the provisions and procedures of the Customs Law. Article 18 of the Customs Law established regulations for goods not subject to customs payment such as goods in transit, international tender documents and other printed or recorded material related to culture, science, education, etc. Further exemptions were outlined in Articles 24 to 33 for items imported by foreign diplomatic and consular offices in Croatia in accordance with their needs and requirements for official purposes; articles for personal use when travelling abroad; goods received for free from abroad by legal or natural persons; goods destined for disaster relief and humanitarian purposes; and importation of industrial and other equipment related to foreign investment (Article 29). Exemptions could also be granted under Article 54 - imports on the basis of tariff quotas - and Article 59 (commitments under international agreements). He added that the tariff exemptions were non-discriminatory and of a general nature.

Fees and Charges for Services Rendered

56. The representative of Croatia said that Croatia charged a stamp tax at a flat rate of HRK 60 per customs declaration (HRK 50 for the declaration, and HRK 10 for the registration document) in accordance with the Law on Administrative Fees. The stamp tax covered registration of the consignment, documentation control, registration and certification of documents, inspection of the vehicle and goods, data entry, calculation of duties and taxes, and issuance of the receipt. In addition, a 1 per cent ad valorem fee had been levied on the basis of Article 35 of the Customs Law. The fee represented the cost of record-keeping at customs. The ad valorem customs registration fee had been abolished in the new Customs Tariff Law on 1 July 1996. He confirmed that Croatia did not require consular authentication or registration of customs documents in the country of origin.

57. Asked to list by HS tariff line numbers products subject to taxes and administrative charges for environmental purposes, the representative of Croatia said that imported waste was subject to an administrative tax of HRK 20,000. This tax was not levied on each consignment, but charged when a licence, valid for one year or more, was issued by the State Directorate for Environment. Domestic enterprises dealing with waste and hazardous waste were subject to a stamp tax of HRK 1,000. Imports classified as waste were determined in accordance with the Law on Waste and relevant international conventions such as the Basle Convention. Having considered comments by members, his Government had issued a new Decision on 24 June 1999, reducing the stamp tax for importation and exportation of waste to HRK 2,000. The representative of Croatia confirmed that all imported industrial goods not classified as waste in regular customs clearance procedure were not, and would not be, subject to administrative fees and additional taxes for environmental purposes.

58. The representative of Croatia confirmed that, from the date of accession, Croatia would impose any fees or charges for services rendered related to importation or exportation only in conformity with Article VIII of the GATT 1994. Information regarding the application and level of any such fees, revenues collected and their use, would be provided to WTO Members upon request. The Working Party took note of these commitments.

Application of Internal Taxes to Imports

59. The representative of Croatia said that certain products - coffee, coffee husks and skins, coffee substitutes containing coffee, alcoholic and non-alcoholic beverages, tobacco and tobacco products, motor vehicles, motorcycles, vessels, aircraft for private use and petroleum products - were subject to excise tax in accordance with the provisions of the Law on Special Taxes on Products and

the Law on Excise Duties on Automobiles and other Motor Vehicles, Vessels and Aircraft. He acknowledged that excise taxes on beer, non-alcoholic and alcoholic beverages, tobacco and tobacco products had differentiated between imported and domestically-produced goods until January 1998. Parliament had adopted the Law Amending the Law on Excise Taxes on Alcoholic Beverages in October 1998, and the Law Amending the Law on Excise Taxes on Tobacco and Tobacco Products on 18 June 1999. The amended Law had been applied since 1 July 1999, thus bringing all excise taxes into conformity with Article III of the GATT. The products subject to excise taxes and the respective tax rates per July 1999 are enumerated in Table 4.

Table 4: Excise Taxes in Croatia (rates applied in July 1999)

| Product description | Tax rate (in kuna) |
|---|-----------------------|
| Coffee, per kg: | |
| Non-roasted coffee | 3.60 |
| Roasted coffee | 9.00 |
| Coffee husks and skins | 12.00 |
| Coffee substitutes containing coffee | 15.00 |
| Non-alcoholic beverages, per hl: | 40.00 |
| Beer (alcoholic), per hl: | 80.00 |
| Beer (non-alcohol – max 0,5 per cent vol), per hl: | 40.00 |
| Alcohol and alcoholic beverages, per litre absolute alcohol | 40.00 |
| Tobacco and tobacco products: | |
| Tobacco, per kg | 35.00 |
| Cigarettes: | |
| Group A* - Popular group | 3.90 |
| Group B* - Standard group | 4.30 |
| Group C* - Extra group | 7.00 |
| Cigars, per piece | 1.00 |
| Cigarillos, 20 pieces | 4.00 |
| Petroleum products: | |
| Petrol, types such as MB-98, MB-86 | 2.10 |
| Petrol, types such as BMB-98, BMB-95, BMB-91 | 1.80 |
| Diesel, such as D-i, D-2, D-3 | 1.60 |
| Heating oil - extra light and special light | 0.30 |
| Automobiles: | |
| Power 55-75 kW - new | 3,000.00 |
| " - used | 2,000.00 |
| Power 75-90 kW - new | 7,000.00 |
| " - used | 5,000.00 |

* The characteristics of classification into the groups A, B and C are set according to the Law on Tobacco

| Product description | | Tax rate (in kuna) |
|--------------------------|---------------|-----------------------|
| Power 90-110 kW | - new | 15,000.00 |
| " | - used | 11,000.00 |
| Power more than 110kW | - new | 30,000.00 |
| " | - used | 22,000.00 |
| Motorcycles | | |
| engine power in kW | | |
| more than | not exceeding | |
| 6 | 20 | 2,000.00 |
| 20 | 55 | 4,000.00 |
| 55 | 75 | 7,000.00 |
| 75 | | 10,000.00 |
| Vessel without cabin | | |
| length in meters | | |
| more than | not exceeding | |
| 8 | 12 | 6,000.00 |
| 12 | 15 | 12,000.00 |
| 15 | | 24,000.00 |
| Vessel with cabin | | |
| length in meters | | |
| more than | not exceeding | |
| 8 | 12 | 15,000.00 |
| 12 | 15 | 45,000.00 |
| 15 | | 90,000.00 |
| Aircraft for private use | | |
| number of seats | | |
| more than | not exceeding | |
| 1 | 4 | 7,000.00 |
| 5 | 12 | 35,000.00 |
| 13 | 50 | 75,000.00 |
| 50 | | 150,000.00 |

60. Asked about the taxation of used automobiles, the representative of Croatia said that excise duty on all products liable to such duty was paid when the product was distributed for the first time in the Croatian market, any further resale was charged VAT only.

61. The representative of Croatia said that goods and services had been subject to turnover tax pursuant to the provisions of the Law on the Turnover Tax of Products and Services until the end of 1997. The turnover tax had been replaced by value added tax, levied at a single rate of 22 per cent, with the entry into force of the Law on Value Added Tax on 1 January 1998. The Law on Value Added Tax provided full national treatment. Businesses, whose turnover did not exceed HRK 85,000 (in the previous year, after certain deductions), could opt to be exempt from paying VAT.

62. Exempt from payment of VAT in domestic trade (Article 11) were house rents (residential); banks, saving banks, credit and saving institutions as well as insurance and reinsurance companies; medical services, dentist and similar services provided as private practice; medical services in health institutions; services and goods delivered by pre-school, elementary school, secondary and high school and similar institutions and social care institutions; and services provided and goods delivered by religious communities and institutions, and cultural and similar institutions. He confirmed that VAT exemptions for services such as medical and educational services were applied equally to domestic and foreign service suppliers in all four modes of delivery.

63. Real estate transactions, except new construction; company shares; land; and money and securities transactions and deliveries were exempt from the value added tax. Also exempt from VAT were certain imported goods and goods in transit, namely temporary imports of goods exempt from customs duty; imports of humanitarian aid, except petroleum and petroleum products, tobacco, tobacco products, alcohol and alcoholic beverages; imports of bullion by the Croatian National Bank; imports of foreign legal means of payment, securities and company shares; and transit of goods through the customs territory of the Republic of Croatia. All exported goods were exempt from value added tax. The representative of Croatia confirmed that Croatia levied only customs tariffs, VAT and excise taxes on imports.

64. The representative of Croatia stated that, from the date of accession, Croatia will apply its domestic taxes, including those on products listed in Table 4, in compliance with Articles I and III of the GATT 1994. The Working Party took note of this commitment.

Quantitative Import Restrictions, including Prohibitions, Quotas and Licensing Systems.

65. The representative of Croatia said that the Law on Trade contained provisions in Articles 40 to 43 regarding the imposition of import quotas, including for the purpose of protecting infant industries. In view of Croatia's situation in the post-war period, and the level of economic development, the Croatian Government had considered itself entitled to recourse to GATT Article XVIII, but as the economic situation had improved the Government had decided not to invoke GATT Article XVIII, and the provisions of the Law on Trade had been changed accordingly. The provisions in Article 40, which had authorized the Government to introduce quantitative import restrictions for the protection of infant industries, had been abolished through the Law Amending the Law on Trade (Article 15), adopted on 30 June 1999.

66. A number of members agreed that it would be both appropriate and useful for Croatia to consider its industry development needs in the process of negotiating its accession to the WTO.

Planned policies to develop industries through trade measures should be made known prior to accession, and industry protection needs should be taken into account during the market access/tariff negotiation phase of an accession. However, it would be neither appropriate nor useful for an applicant for WTO accession to seek accession on the basis that it expected to have recourse to import quotas under the infant industry provisions under the GATT 1994. The Multilateral Trading System allows for industry protection through tariffs rather than through quantitative restrictions, and this should be reflected in Croatia's accession commitments.

67. The representative of Croatia added that his Government had adopted a Decree on 12 July 1996, abolishing all import quotas with immediate effect. The abolition completed a process, begun in 1994, of reducing the number of products subject to import quotas. Quantitative restrictions had been imposed on certain agricultural products, some foodstuffs, textile fibres, cement, iron and steel products, and machinery to facilitate the establishment of a market economy and assist areas damaged by war. Asked about a temporary limitation/ban on sugar imports, the representative of Croatia said that the import ban on sugar was lifted on 2 May 1998 (Official Gazette No. 60/1998).

68. The representative of Croatia provided information on import licensing procedures in document WT/ACC/HRV/25. The most recent decision on goods subject to import licences had been passed by the Government on 12 July 1996 in accordance with Article 46 of the Law on Trade (Table 5 - see Annex). The licensing system could not be abolished without legislative approval under Croatia's legal system. He added that import licences 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 were 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, mint postage stamps, gold, coins, iron tubes and bars, and tractors (more than five years of age). The licences were issued by the Ministry of Economy, which was 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 were subject to licences issued by the Ministry of Health; imports of veterinary drugs and vaccines were licensed by the Ministry of Agriculture and Forestry; and the State Office for Standardization and Metrology issued import licences for certain scales and measuring instruments. The Ministry of Maritime Affairs, Transport and Telecommunications was the licensing authority for imports of telecommunications instruments and appliances such as transmitters, radars, radio remote controls and radio navigation equipment. Licences for imports of

armaments and military equipment for the Croatian Army and Croatian Police were issued by the Ministry of Defence and the Ministry of Internal Affairs. The licensing regime applied equally to imports from all countries.

69. The purpose of the licensing regime was to monitor and control import and export of goods which for various reasons were classified as sensitive, and Croatia had no intention to limit the quantity and value of imports, except as provided for in international conventions such as the Montreal and Basel Conventions. The Decision on goods subject to the import and export licence regime had been amended on several occasions over the past three years (Official Gazette Nos. 58/96, 67/96, 15/97, 95/97, 132/98, 8/99, 15/99 and 79/99) with a view to minimizing the volume of goods subject to licensing and to ensure that licences were issued on an automatic basis. Import licences for combine harvesters had been abolished in 1997. The Government had reviewed the import situation for other products in 1998, and had decided to abolish import licences for iron tubes and bars as from 1 January 1999. He added that the import licences for iron tubes and bars had been temporary surveillance licences, issued to gather trade data. Import licences for precious metals and coins were granted automatically and immediately upon request. The most recent Decision, adopted on 22 July 1999, had removed import licences for dishwashers and machinery for cleaning and drying bottles.

70. Licence applications were 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 was charged for each import licence. Licences were not transferable between 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.

71. A member was concerned about reports that Croatia had banned importation of certain products (pork, wheat, flour, sugar, etc.), and imposed additional restrictions on steel, particularly as these appeared to be recent measures. Acceding countries were expected to observe WTO provisions from the time of application, and Croatia would need to demonstrate tangibly that previous measures for trade regulation had been permanently discarded. The representative of Croatia replied that temporary import bans on pork, wheat, flour and sugar had been abolished. He confirmed that all previous restrictive measures for import regulation had been permanently discarded, and that there

were no bans, quantitative restrictions, or restrictive licensing requirements on imports at present. Licences were still applied on iron tubes and bars imported from non-WTO members.

72. The representative of Croatia confirmed that, after accession, Croatia would take recourse to quantitative import restrictions only in situations envisaged in WTO Agreements, including Article XII of the GATT and according to the WTO Agreement on Safeguards.

73. The representative of Croatia confirmed that Croatia would, from the date of accession, eliminate and shall not introduce, re-introduce or apply quantitative restrictions on imports, or other non-tariff measures such as licensing, quotas, bans, permits, prior authorization requirements, licensing requirements and other restrictions having equivalent effect that cannot be justified under the provisions of the WTO Agreement. He further confirmed that the legal authority of the Government of Croatia to suspend imports and exports or to apply licensing requirements that could be used to suspend, ban, or otherwise restrict the quantity of trade will be applied from the date of accession in conformity with the requirements of the WTO, in particular Articles XI, XII, XIII, XVIII, XIX, XX and XXI of the GATT 1994, and the Multilateral Trade Agreements on Agriculture, Application of Sanitary and Phytosanitary Measures, Import Licensing Procedures, Safeguards and Technical Barriers to Trade. The Working Party took note of these commitments.

Customs Valuation

74. The representative of Croatia provided information on the implementation and administration of the customs valuation agreement in document WT/ACC/HRV/19. Rules on customs valuation were laid down in Articles 36 to 48 of the Customs Law of the Republic of Croatia and implemented through the Statute on the Conditions and Method of Determining Tariff Bases (the Statute). Both regulations had been assumed from the former Yugoslavia (which had joined the GATT in 1973). Article 36 (1) of the Customs Law stipulated customs valuation based on transaction values.

75. A member stated that Croatia's legislation was not fully consistent with the Agreement on the Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (the Customs Valuation Agreement), in particular with respect to (i) Article 2 - the use of transaction value of identical merchandise when customs value could not be determined under the provisions of Article 1 of the Agreement; (ii) the prohibitions in the Agreement regarding the determination of customs value based on the acceptance of the higher of two alternative values or minimum customs values; and (iii) a system of reference prices established under Article 44 of the Customs Law. The representative of Croatia replied that the first point of apparent non-conformity with WTO rules was due to a translation error. He acknowledged that the Customs Act did not explicitly prohibit the

acceptance of the higher of two alternative values, however, in practice the lowest value was chosen. The Customs Law would be amended to include all prohibitions contained in Article 7.2 of the Agreement, including a ban on minimum customs values. In his view, Article 44 of the Customs Law did not provide for a reference price system. A valuation list had been intended for information purposes and to facilitate the work of Customs in its fight against fraud, however, no such list had been established.

76. On a further point of clarification he stated that according to Article 10 of the Customs Law, test values would only be used in transactions between related parties at the request of the importer, as provided for in Article 2.1(b) of the Customs Valuation Agreement and the corresponding Interpretative Note of the Customs Valuation Agreement. He therefore considered Croatian legislation to be in full conformity with the WTO. His authorities were not familiar with the 1984 Decision on the Treatment of Interest Charges in the Customs Value of Imported Goods. The Customs Law would be revised to include the operative Interpretative Notes to the Customs Valuation Agreement and to align its Article 36 (5) and 41 more closely with Article 8 of the Agreement.

77. Some members sought a commitment from Croatia to apply fully Article VII and the WTO Agreement on the Implementation of the Article VII, including the Interpretive Notes, from the time of its accession to the WTO. In their view, 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. Croatia was also asked to provide specific information on the procedures invoked to ensure full compliance with Article 13 of the Agreement on Customs Valuation pertaining to the ability of importers to withdraw goods from customs even though the final valuation determination had not been made.

78. The representative of Croatia confirmed that Croatia would be implementing fully the WTO Agreement on the Implementation of Article VII of the GATT 1994 from the date of accession. Croatia would appreciate technical assistance from WTO members in changing its legislation related to customs valuation.

79. A member commended Croatia for its efforts to implement fully the WTO Customs Valuation Agreement upon accession, and looked forward to reviewing draft legislation at the earliest opportunity. Croatia was specifically requested to incorporate in its new legislation the provisions of Decision 4.1, of the Committee on Customs Valuation concerning the "Valuation of Carrier Media Bearing Software for Data Processing Equipment" and the "Decision on the Treatment of Interest Charges in the Customs Value of Imported Goods"; provisions covering currency conversion, confidentiality, the right of appeal and transparency (Articles 9-12 of the Agreement); the text of the

"Interpretative Notes to the Valuation Agreement"; and to ensure that all the prohibited forms of valuation were explicitly listed in the text of the new law.

80. In reply, the representative of Croatia said that the customs valuation provisions in the new Customs Law were in conformity with Article VII of the GATT and the Agreement on Implementation of the Article VII of the GATT 1994. Although the new Customs Law, passed by Parliament on 30 June 1999, was set to enter into force on 1 January 2000, its provisions relating to customs valuation would be applied as of 24 September 1999. The Law incorporated provisions covering currency conversion, confidentiality, the right of appeal and transparency, as well as the Decision of the Committee on Customs Valuation concerning the treatment of interest charges in the customs value of imported goods (in Article 39, paragraph 1(c)), and the Decision concerning valuation of carrier media bearing software for data processing equipment (in Article 43). The "sale for exportation value" for cinematographic films did not include royalties or licensing fees for the right to reproduce or distribute the films, as provided for in Croatia's relevant legislation amending Article 38 and 43 of the Customs Law. Articles 9 and 10 of the Agreement had been incorporated in Articles 47 and 45, respectively, of the new Law. Article 44, paragraph 4 of the Law incorporated Article 11 of the Valuation Agreement, and Article 12 of the Valuation Agreement was incorporated in Article 44, paragraph 5 of the Law. The prohibited forms of valuation were explicitly listed in Article 37 of the new Customs Law. The text of the "Interpretative Notes to the Valuation Agreement" would be incorporated in a Regulation, which would be adopted following the entry into force of the customs valuation part of new Customs Law (in October 1999). This regulation would stipulate further detailed conditions and procedures for determining customs valuation.

81. Having examined the draft Customs Law in view of the requirements of the Customs Valuation Agreement, a member pointed out that provisions providing for the right of appeal without penalty to a judicial authority were unclear, and that the draft Law did not indicate how Croatia would implement its transparency obligations. Croatia had also failed to implement fully the Interpretative Notes set forth in Annex 1 of the Agreement. Article 46 of the draft Law - which allowed the establishment of "special rules for determining the customs value of goods" - was unacceptable, and Article 41.1 of the draft Law, in particular the term "counter-value", needed further clarification. A statement in Article 44.1 regarding transaction value was not technically accurate, and should be deleted.

82. The representative of Croatia replied that Article 44 of the draft Customs Law had been revised to provide for the right of appeal in accordance with Article 11 of the Customs Valuation Agreement. Article 12 of the Agreement (transparency) was included in Article 44.5 of the new Customs Law. Articles 44.1 and 46 of the draft Law had been deleted, and the language in

Article 41.1 had been revised. He confirmed that currency rates used in determining customs value were duly published as provided for in Article 46 of the Customs Law. Currency rates were fixed in accordance with the provisions of the Law on Foreign Exchange Operations, and set and published by the Croatian National Bank (the central bank). The currency rates were published in the daily newspapers, the Croatian National Bank official newsletter, and were available on the Internet. On a further point raised by a member, he confirmed that the Regulations had been amended to comply with Article 38 of the Customs Law, which stated clearly that royalties and license fees related to the goods being valued were added to the price actually paid or payable in determining the transaction value. Such charges for the right to reproduce or distribute cinematographic films were not included, however, when determining the "sale for exportation value" for cinematographic films, nor added toward the dutiable value as provided for in Croatia's relevant legislation amending Article 38 and 43 of the Customs Law. He also confirmed that Article 37 of the Customs Law stipulated that no customs value would be determined on the basis of minimum customs values, and that Croatia would not use any form of price lists to value imports after accession. With regard to the use of a Declaration on the customs value (DCV) or declaration on the customs value, he said that the DCV was fully in compliance with the WTO Valuation Agreement and was similar to the one used in the European Union and other WCO members. The DCV had been communicated to the Technical Committee for the evaluation of the customs value of the WCO, and had been published and transmitted to other WCO members. He also confirmed that, if and when the Technical Committee might decide that the DCV would cease to be used, Croatia would accordingly accept such a decision. Croatia would include the Interpretative Notes set forth in Annex 1 of the Customs Valuation Agreement in its implementing regulations, to be enforced as from October 1999.

83. The representative of Croatia confirmed that Croatia would fully apply the WTO provisions concerning customs valuation from the date of accession without recourse to a transition period, including the Agreement on the Implementation of Article VII of the GATT 1994. In this regard, minimum import valuation provisions had been eliminated and the new Law and its implementing regulations incorporated Annex I (Interpretative Notes) and provisions for the Valuation of Carrier Media Bearing Software for Data Processing Equipment (Decision 4.1). He further confirmed that the Customs Law had been amended so that the "sale for exportation value" of cinematographic films imported in Croatia would not include royalties and licence fees for the right to reproduce or distribute them, nor would such charges be added toward their dutiable value. The Working Party took note of these commitments.

Rules of Origin

84. A member noted that Croatia was developing rules of origin to ensure conformity with the WTO Agreement on Rules of Origin and requested a description of the rules to be used for non-preferential and preferential trade. Croatia was also asked to describe how it would meet the obligations under the WTO Agreement on Rules of Origin for issuing binding assessments of origin, both for non-preferential and for preferential regimes, within 150 days of requests by exporters and importers, as provided under Article 2 (d) of the Agreement and Annex II, and outline the process of appeal against determinations of origin.

85. The representative of Croatia said that the basic principles of rules of origin were regulated under Articles 25 and 26 of the Law on Trade. The Government had adopted a new Regulation on Rules of Origin on 24 June 1999. The new regulation, taking into account achievements within the World Customs Organization on harmonization as well as the regulations and experience of WTO Members, complied fully with the relevant WTO provisions. The rules of origin were described and explained in detail in the new regulations, notably the criteria for determining "essential change". The last essential changes conferring origin according to the present regulation involved either a change of tariff heading in relation to the non-originating materials used in the production of finished products, or non-originating materials not exceeding 50 per cent of the total value of the finished product. Fulfilment of one or the other criterion was sufficient in conferring origin. A regulation including company headquarters location among the requirements in determining product origin was valid only in the context of preferential duty treatment, and had not been applied since 1993.

86. Asked to provide further details on Croatia's preferential and non-preferential rules of origin contained in new regulations in preparation, the representative of Croatia said that his Government was waiting for harmonized rules of origin to be worked out in the WTO and WCO so that arrangements worked out at the international level could be included in Croatia's regulations. Croatia submitted a translated copy of its regulations concerning rules of origin to the Working Party.

87. The representative of Croatia confirmed that Croatia would remedy any departures from full conformity with the WTO Agreement on Rules of Origin prior to its accession, and that by that time, Croatia's application of rules of origin for both MFN and preferential trade would be administered in conformity with the provisions of the Agreement. Croatia would adopt the Harmonized Rules of Origin once finalized by the WTO in co-operation with the World Customs Organization.

88. The representative of Croatia confirmed that from the date of accession its laws and regulations on rules of origin would be in conformity with the provisions of the Agreement. In this

regard, the requirements of Article 2(h) and Annex II, paragraph 3(d), i.e., that for non-preferential and preferential rules of origin, respectively, its customs authority or preshipment inspection authority acting on its behalf will provide upon request an assessment of the origin of the import and outline the terms under which it will be provided. The Working Party took note of this commitment.

Other Customs Formalities

89. The representative of Croatia said that goods submitted for customs clearance were at the disposal of the importer upon payment of customs duty. An importer could be allowed a five-day period to pay the duty provided a Customs Guarantee was submitted to the customs office.

90. A member, referring to press reports indicating that a considerable quantity of goods had been arriving in Croatia without payment of customs duties through the border with the Bosnian Federation, stated that it was critical for the accession process that Croatia address the issue of uniform application of its customs regime vis-à-vis other countries. This member requested a report from Croatia on how it planned to implement strict customs enforcement at its borders prior to WTO accession. In reply, the representative of Croatia said that his Government had taken concrete steps directed towards enforcing strict implementation of rules of origin in trade with Bosnia and Herzegovina under the bilateral Free Trade Agreement, in spite of protests and border crossing blockades on the Bosnian side of the border by farmers from Bosnia and Herzegovina. Furthermore, steps had been taken to improve co-operation and the exchange of electronic information between the customs offices of Croatia and Bosnia and Herzegovina. Together with Bosnia and Herzegovina, and with World Bank Funding, Croatia was preparing measures aimed at improving border-crossing infrastructure, decreasing the number of border crossings and bringing the bilateral free trade legislation in line with WTO standards and national legislation. He therefore concluded that the Croatian authorities had regained full customs and security control of the border with Bosnia and Herzegovina. The border and customs regime with Bosnia and Herzegovina now resembled closely the regime prevailing at Croatia's borders with other countries.

91. A member commended Croatia for recognizing that its current customs control with the Federation of Bosnia and Herzegovina was inadequate and inconsistent with WTO provisions, and Croatia's intention to enforce WTO provisions and the terms of its accession package within its customs territory. This member requested Croatia to report on specific steps taken to regularize the current WTO-inconsistent customs regime in place. Croatia was urged to strictly define its customs territory vis-à-vis the Federation of Bosnia and Herzegovina and reminded that Croatia's inability to do so would bring into question its ability to enforce WTO Agreements in area such as taxes, charges, non-tariff requirements, intellectual property protection and MFN application of standards and

sanitary requirements, and would also put into question the value of MFN commitments undertaken in market access negotiations.

92. Another member drew the attention of the Working Party to the question of current practices in the application of rules of origin in customs procedures on the border between Croatia and Bosnia and Herzegovina. Preferential rules of origin applied to goods originating in one part of the territory of Bosnia and Herzegovina, and to goods regarded as originating in Croatia and exported to that part of the territory of Bosnia and Herzegovina. In the view of this member, this practice resulted in different customs treatment of goods in trade between Croatia and Bosnia and Herzegovina.

93. The representative of Croatia acknowledged that the Free Trade Agreement and the accompanying preferential rules of origin covering trade with one part of Bosnia and Herzegovina did not meet the requirements of Article XXIV of GATT 1994. The 1995 Agreement on Economic Cooperation had been abolished on 15 May 1999, thereby reintroducing MFN-based trade until a new Free Trade Agreement would be concluded with Bosnia and Herzegovina as a whole. His Government had proposed to the Council of Ministers of Bosnia and Herzegovina to negotiate a Free Trade Agreement covering substantially all trade between Croatia and the whole territory of Bosnia and Herzegovina. His Government expected the new FTA to be signed and implemented prior to Croatia's accession to the WTO. He confirmed that, irrespective of whether or not Croatia and Bosnia conclude an FTA, Croatia's treatment of imports from all parts of Bosnia and Herzegovina would correspond to its WTO obligations, and that imports would receive equal treatment as provided for in Article I of the GATT.

94. The representative of Croatia confirmed that Croatia was in a position to implement strict customs enforcement on all its borders, including the border with Bosnia and Herzegovina. The customs territory of the Republic of Croatia, within which the customs regulations and controls were enforced, corresponded exactly to the territorial boundaries of the Republic of Croatia. He confirmed Croatia's determination to enforce WTO provisions, rules and disciplines and the terms of Croatia's WTO accession package within these boundaries to ensure proper implementation of all WTO principles, in particular the principle of uniform application of Croatia's customs regime towards all countries according to the MFN clause, prior to the accession to the WTO.

Anti-Dumping, Countervailing Duties, Safeguard Regimes

95. The representative of Croatia said that the new Law on Trade contained provisions on anti-dumping measures (Articles 48 and 49), countervailing duties (Article 50) and safeguard measures (Articles 38 and 39). Moreover, Article 40 of the Law on Trade authorized the Government to

introduce import quotas inter alia as safeguard measures. Article 55 of the Customs Law, intended as a safeguard clause allowing the imposition of a 15 per cent special customs protection duty, had never been applied, and had been deleted in the new Customs Law. He confirmed that no other provisions in existing or draft legislation dealt with trade remedy measures.

96. A member noted that Croatia's legislation in the anti-dumping area was not fully consistent with WTO requirements, notably regarding the determination of dumping. The representative of Croatia acknowledged that Article 48 of the Law on Trade was not compatible with Article 2 of the Agreement on the Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (the Anti-Dumping Agreement) with respect to the definition of the substantive criteria for assessing dumping. Article 48 would accordingly be revised to ensure WTO conformity. He added that Article 49 would also be amended to bring it into conformity with the "standing requirement" of Articles 4 and 5 of the Anti-dumping Agreement. He stressed that the anti-dumping provisions in the Law on Trade could not be applied in the absence of a special implementing regulation. This regulation, covering the anti-dumping procedure and the conditions for the application of the additional duty, would be in compliance with the Anti-Dumping Agreement.

97. Regarding the imposition of countervailing measures, a member noted that the Law on Trade did not provide for an injury requirement, nor did it appear to differentiate between so-called actionable and non-actionable subsidies within the meaning of Article 8 of the Agreement on Subsidies and Countervailing Measures. The representative of Croatia replied that an injury criterion and a provision relating to the treatment of non-actionable subsidies had been inserted in the Law Amending the Law on Trade, adopted by Parliament on 30 June 1999.

98. Noting that Croatia planned to introduce detailed regulations for the application of safeguard, anti-dumping and countervailing measures, a member asked that legislation authorizing Croatia's use of trade remedies be submitted to the Working Party for review and comment. This review should take place prior to the completion of Croatia's accession to ensure the conformity of the legislation with WTO provisions. In reply, the representative of Croatia said that the Law Amending the Law on Trade would harmonize provisions regarding the application of safeguard, anti-dumping and countervailing measures to incorporate fully the basic and key provisions of the WTO Agreements to ensure the conformity of Croatian legislation with these Agreements. After adoption of this Law by Parliament, his Government would issue regulations laying down detailed rules of procedure and determining other technical issues related to the application of such measures.

99. The representative of Croatia said that Croatia would not apply any anti-dumping, countervailing or safeguard measure until it had notified and implemented appropriate laws in

conformity with the provisions of the WTO Agreements on the Implementation of Article VI, on Subsidies and Countervailing Measures, and on Safeguards. In the elaboration of any legislation concerning anti-dumping duties, countervailing duties and safeguards, Croatia would ensure their full conformity with the relevant WTO provisions, including Article VI and XIX of the GATT 1994 and the Agreement on the Implementation of Article VI, the Agreement on Subsidies and Countervailing Measures and the Agreement on Safeguards. After such legislation was implemented, Croatia would only apply any anti-dumping duties, countervailing duties and safeguard measures in full conformity with the relevant WTO provisions. The Working Party took note of these commitments.

B. EXPORT REGULATIONS

Customs Tariffs, Fees and Charges for Services Rendered, Application of Internal Taxes to Exports

100. The representative of Croatia said that Croatia had eliminated export duties, which had been levied temporarily on certain items (metal scrap and wood timber). The Government Regulation stipulating export duties for these items had been abolished in 1996. However, by abolishing that particular Regulation, Croatia had not eliminated the authority to apply export tariffs as stipulated in Article 34 (2) of the Customs Law, enabling his Government to impose export tariffs in exceptional cases for the protection of exhaustible natural resources, or to ensure essential materials to the domestic industry and to prevent shortages in domestic supply. He added that, at the moment, Croatia did not apply any export tariffs or taxes.

101. The representative of Croatia confirmed that after accession to the WTO, Croatia would apply export duties only in accordance with the provisions of the WTO Agreement and published in the Official Gazette "Narodne Novine". Changes in the application of such measures, their level and scope would also be published in the Official Gazette "Narodne Novine". The Working Party took note of this commitment.

Export Restrictions

102. The representative of Croatia said that the Law on Trade allowed the imposition of export quotas in exceptional cases for the purpose of protecting non-renewable natural resources. Accordingly, the main products subject to export quotas in accordance with Government Decision of 12 July 1996 had been corn, crude oil, natural gas, wood, raw leather, glass, and newspaper waste. Quotas had been set for a maximum period of one year, and by 1 November each year, the Government had been obliged to pass a regulation stipulating the quantity allowed to be exported in the following year. The criteria and conditions applied in the allocation of the quotas - predominantly

public tendering - had been laid down by the Government. The invitation to tender had been published in newspapers at least eight days prior to the auction. Minimum 10 per cent of the quota had been set aside for new producers, the remaining 90 per cent were allocated on the basis of best offer. Quotas had been allocated twice a year, in principle, and any domestic or foreign natural or legal person duly registered in the Republic of Croatia could apply for the quotas. Those not registered with the Commercial Court needed to apply for a quota through a registered exporter.

103. A member reminded Croatia that all quantitative restrictions not justified under specific WTO provisions had to be eliminated or otherwise brought into conformity with WTO rules upon accession. The representative of Croatia replied that his Government, continuing the policy of bringing Croatia's trade policy measures into conformity with the principles of the GATT 1994, had adopted decisions abolishing the export quotas for crude oil, gas, corn and semi-processed leather at the end of 1997 and in mid-1998. A Government Decision to abolish all remaining export quotas, effective 1 January 1999, had been passed on 8 October 1998. After accession Croatia would, if necessary, consider the use of other, WTO-consistent trade policy measures (such as export duties) to ensure supplies of essential raw materials for the domestic market.

104. The representative of Croatia said that Croatia licensed exports of certain items (96 tariff positions) for statistical and monitoring purposes. The products concerned are listed in Table 6 (see Annex). The Ministry of Economic Affairs issued licences automatically within 14 days upon receipt of the application. He confirmed that Croatia had eliminated all export quotas, bans and other forms of export restrictions as of 1 January 1999.

105. The representative of Croatia confirmed that Croatia had eliminated all export quotas, bans and other forms of export restrictions as of 1 January 1999, and said that from the date of accession export restrictions would only be imposed in conformity with relevant provisions of WTO Agreements, including Article XI of the GATT. The Working party took note of this commitment.

Export Subsidies

106. The representative of Croatia said export incentives had been allowed under the old Foreign Trade Operations Act, but no support had been provided for the export of goods. Croatia thus did not apply any export subsidies. He added that the new Law on Trade contained no provisions on export subsidies. The Croatian Bank for Reconstruction and Development (HBOR) – a State-owned investment bank – had been established and an export financing and guarantee system had come into operation in late 1998. The system was based on the Berne Union and OECD consensus criteria. The

bank was funded through the Government budget, bond issues and external sources (World Bank, EBRD, KfW, etc.).

107. Import duty was not charged on imports used in the production of goods to be exported and which remained under customs control, provided such importation was reported in advance. Re-export transactions were also not subject to payment of duties, provided the imported goods would be declared in accordance with the principles of temporary admission, and the customs authorities were satisfied that the goods imported in this manner would leave Croatia. Exported goods and re-export transactions were also exempt from VAT.

108. The representative of Croatia confirmed that Croatia did not maintain subsidies including export subsidies which met the definition of a prohibited subsidy, within the meaning of Article 3 of the Agreement on Subsidies and Countervailing Measures and that it would not introduce such prohibited subsidies in the future. The Working Party took note of this commitment.

C. INTERNAL POLICIES AFFECTING FOREIGN TRADE IN GOODS

Industrial Policy, including Subsidies

109. The representative of Croatia provided information on subsidy programmes in relation to Article 25 of the Agreement on Subsidies and Countervailing Measures (circulated in document WT/ACC/HRV/12). Croatia did not have a subsidy programme per se, but rather an industry rehabilitation and reorganization programme. The Government had assisted an area heavily devastated during the war by financing the payroll of seven enterprises located there and involved in the production of steel (Sisak Steel and TPK-EPO Zagreb), steel refining (Valjaonica Kumrovec), and textiles (Dalmatinca, Diokom, Pazinka and Velebit) at an accumulated cost of approximately US\$3.2 million by mid-1996. Croatian Railways had also been subsidized in the post-war period to the level of some US\$400 million by the end of 1996. The Government also subsidized sea transport of tourists by paying the difference between revenues and expenditure on popular tourist lines and connections (about US\$31 million in 1995 and US\$35 million in 1996).

110. Requesting specific information on subsidies to shipbuilding, a member stated that Croatia had generally not provided sufficiently detailed information on its subsidization policies, in particular with regard to policy objectives, levels of subsidization, effects, and the duration of such policies. In reply, the representative of Croatia said that the shipbuilding industry had not been subsidized since 1991 to date. A restructuring programme for shipyards was under way, but the form and scope of subsidization had not yet been determined. Asked about plans to harmonize subsidies to fisheries and

the canning industry to WTO requirements, he said that Croatia had provided data on subsidies which were in accordance with WTO rules. Information on subsidies and other forms of government support to industry and agriculture for 1997 and 1998 had been submitted to the Working Party in December 1998. The representative of Croatia provided detailed information on non-agricultural subsidies in 1998 and 1999 in document WT/ACC/HRV/49. He confirmed that Croatia maintained no subsidies which met the definition of a prohibited subsidy within the meaning of Article 3 of the Agreement on Subsidies and Countervailing Measures.

111. The representative of Croatia confirmed that Croatia would not maintain, and from the date of accession would not introduce, subsidies including export subsidies which met the definition of a prohibited subsidy, within the meaning of Article 3 of the Agreement on Subsidies and Countervailing Measures and would therefore not seek a transitional period for the elimination of such measures. In addition, he confirmed that all subsidy programmes would be administered in line with the Agreement on Subsidies and Countervailing Measures and that all necessary information on programmes to be notified, if such exist, would be provided to the Committee on Subsidies and Countervailing Measures in accordance with Article 25 of the Agreement upon entry into force of Croatia's Protocol of Accession. The Working Party took note of these commitments.

Technical Barriers to Trade, Standards and Certification

112. The representative of Croatia said that Croatia was implementing the requirements of the TBT and SPS Agreements in laws and regulations which would be in force prior to accession to the WTO. Among the laws and regulations already in force were the Law on Standardisation; the Law on Health Safety and Health Control of Foodstuffs and Goods of Personal Usage; the Veterinary Law; the Law on Plant Protection; the Law on Pharmaceuticals and Medical Products; the Regulation on Phytosanitary Inspection of Plants and Control of Plant Protection Products in the National Cross-Boundary Transportation; and technical regulations on quality and health requirements for each product subject to quality and SPS control. By end July 1999, Croatia planned to adopt a Law on State Inspectorates (adopted on 30 June 1999) and issue Regulations related to the implementation of the TBT and SPS Agreements, i.e. on the Procedure for the Adoption of regulations on Basic Requirements for Goods, Processes and Services (adopted on 27 May 1999); on Methods and Procedures of Quality Control; on the List of Items Subject to Quality Control; and on the Bearing of Costs of Quality Control. His Government was examining all existing regulations and, where necessary, completing them with new provisions to ensure full conformity with the procedures for preparing, adopting and applying new technical regulations and standards established in the TBT and SPS Agreements. Croatia's implementing regulations would include a checklist of points addressing

the issues regulated in the TBT and SPS Agreements, including the Code of Good Practice for the Preparation, Adoption and Application of Standards.

113. The representative of Croatia said Croatian state bodies were members of international and European standardization organizations, including the ISO, IEC, ITU, EOQ, ETSI, CEN and CENELEC. The Law on Standardization (Standardization Act) had entered into force on 10 July 1996, and the application of Croatian standards was no longer obligatory as from 1 January 1997. The new Law mandated new Croatian standards to be based also on international (ISO, IEC) or regional/European standards, or where these did not exist, on the standards of other countries. A large number of Croatian standards would be prepared by accepting international and European standards. A TBT enquiry point had been established in the State Office for Standardization and Metrology and had been fully functional since 1 March 1999. Draft standards were published in the State Office Journal, allowing at least 30 days for comments and remarks from the public. New technical regulation or national standards would be prepared only when the regulatory authorities considered international standards to be ineffective or inappropriate in Croatia due to climatic, geographical, or technological factors. In such cases, the regulatory authority would publish a notice in the Official Gazette of the State Office for Standardisation and Metrology about the draft technical regulation or standard, and supply a copy of the draft to the WTO Secretariat. Copies of draft technical regulations or standards would be provided to other WTO Members upon request. The regulatory authority would allow all interested parties 90 days to comment on draft technical regulations or standards. Any comments would be duly considered and parties making comments would be informed, and an explanation would be provided, if their comments could not be accepted. The final technical regulation or standard would be published in the Official Gazette of the Republic of Croatia, with copies submitted to the WTO Secretariat, and become applicable three months after publication in the Official Gazette. The State Office for Standardization and Metrology had informed the International Organization for Standardization (ISO) about the acceptance of the Code of Good Practice for Standardization in October 1998.

114. A number of products were subject to quality control, based on 55 regulations on mandatory testing and certification. The rules on quality control applied equally to domestically-produced and imported goods. Border controls were carried out by market inspectors, who were officials of the State Inspection, in accordance with Article 6 of the Law on Import and Export Quality Control of Goods. Croatian goods were controlled during the production process and when leaving the factory. In addition, spot-checks took place at the retail level. The list of affected products had been reduced gradually to 29 items. The products concerned and the relevant regulations are listed in Table 7 (see Annex).

115. A list of legal persons authorized to perform mandatory product attestation was provided to the Working Party in document WT/ACC/HRV/22. Prior examination of expert institutions, as opposed to sensor (visual) inspection, was required for agricultural products, alcoholic beverages, oil derivatives and textiles. Following a sensor inspection, an inspector could issue certificates without preliminary tests for repeat shipments. Manufacturers' self-declarations were not accepted under the present system. The fees associated with quality control were enumerated in the Decision on Amounts to be Paid for Covering the Costs of Quality Control of Products Upon Export and Import (Official Gazette No. 42/96), which was provided to the Working Party.

116. Croatia was asked to justify the mandatory quality inspections at the border, particularly on furniture and textiles, and a member reminded the representative of Croatia that Article 2.2 of the TBT Agreement stipulated that technical regulations should not be more trade-restrictive than necessary to fulfil a legitimate objective, and that international standards should be used where these existed (Article 2.4). Croatia's "quality control" certification process was covered by the requirements of inter alia the WTO Agreements on Import Licensing Procedures, Technical Barriers to Trade and Sanitary and Phytosanitary Measures. Croatia's system did not seem consistent with these requirements, in particular with the requirements for transparency, enquiry point information, prior publication, MFN or national treatment. The system was burdensome to imports and was not applied in a similar fashion to domestic goods. Croatia should review and revise the system.

117. In response, the representative of Croatia said that quality controls were required to prevent deceptive practices or to protect human health and safety, animal or plant life and health, or the environment. The only products controlled were those imported by a large number of importers and those widely dispersed in the Croatian market. The respective government regulations were mostly former Yugoslav standards, based on international standards or national standards of other countries, or more recently adopted regulations based on international or regional (European) standards. The Law on Standardization envisaged acceptance of international standards, European standards, or standards of other countries, including recognition of foreign laboratory tests and documents issued abroad. Croatian standards had been voluntary since 1 January 1997.

118. Various technical regulations had been adopted, and others would be prepared, to determine the essential requirements for products (safety, health, environmental protection, user protection) by harmonizing them with international rules and European directives. It was also foreseen to regulate the acceptance of suppliers' declaration of conformity. Conformity assessment procedures would be performed by testing laboratories and certification bodies accredited according to the new Croatian accreditation scheme, which was in compliance with international guides and recommendations. The new accreditation system had been established by the State Office for Standardization and Metrology

(DZNM) in September 1997. DZNM was affiliate to EAL (European Co-operation for Accreditation of Laboratories). A Regulation on recognition of foreign test reports issued by internationally-recognized testing organizations had been published in July 1997, and had been in force since 1 September 1997.

119. A member stated that Croatia's efforts to unify its legislation on quality control were encouraging, but Croatia's responses did not address the fundamental issue of application of the requirements to imports in a manner no less favorable than to similar domestic goods. This member considered the current system demonstrably burdensome to imports and noted that it was applied, if at all, in manner more convenient for domestic goods than for imports. Croatia was requested to provide additional detail on how "quality control" operated vis-à-vis the requirements of the TBT and SPS Agreements, indicating whether the controls were standards or sanitary requirements, and to (i) clarify whether any domestic regulations stipulated the collection of specific fees for quality control inspection of domestic goods; (ii) list the fees charged for quality control inspection for imports and exports, indicating how these fees were consistent with the national treatment provisions of Article III of the GATT and the provisions on fees applied to imports of Article VIII of the GATT; (iii) describe how the import quality control process worked in practice for goods such as petrol, liquefied gas, paraffin, diesel fuels, jet fuels, antifreeze and oils, in particular, whether certificates were issued on repeat shipments without repeating preliminary tests; (iv) identify laws or regulations applying quality requirements to domestic goods and provide the text of provisions stating such requirements to the Working Party; and (v) provide further information on how new legislation would eliminate discrimination, for example at what point of sale such requirements would be applied to imports and domestic goods. This member also noted that pharmaceuticals were not included in the quality control list, but understood that the Croatian Ministry of Health required repeated batch testing of pharmaceuticals, but not for domestic producers. This procedural discrimination thus added costs to imports. Croatia was asked to describe the current approval process for pharmaceuticals.

120. The representative of Croatia admitted that certain inconsistencies existed in currently applied quality and SPS control. Croatia was therefore focusing on steps to address the issue of non-discrimination under Article III of the GATT, and meeting the requirements of the TBT and SPS Agreements. Concerning quality controls, standardised products such as fuels would continue to receive certificates issued on repeat shipments of the same producer without repeating preliminary tests. Quality controls on pharmaceuticals were performed by the Pharmaceutical Inspection of the Ministry of Health in accordance with the special Law on Pharmaceuticals and Medical Products and therefore not listed in the general quality control list. Each consignment of domestically-produced and imported pharmaceuticals was subject to repeated batch testing by the Pharmaceutical Inspection.

The fees charged for quality control and SPS control inspections were equal for domestic products and imported products.

121. The representative of Croatia added that having reviewed all comments, remarks and requests of Working Party members, Croatia had concluded that the main outstanding problem had been related to the mandatory quality control system applied to imported products. His Government had accordingly decided to change legislation and practice in this area. Parliament had passed new legislation on 30 June 1999, to be enforced as from early October 1999. The new Law on State Inspectorate would incorporate the following changes in relation to present practice.

- (a) Quality control would be based on ensuring consumer protection. Quality controls on imported items prior to customs clearance would be abolished. The State Inspectorate would perform quality controls on designated imported and domestic products at the wholesale and retail level. The State Inspectorate would check whether products were covered by proper quality conformity documentation issued by authorised institutions in Croatia or abroad, and whether labelling and packaging requirements had been met. The State Inspectorate would also be entitled to check product content against declared values by analyzing samples;
- (b) Controls of domestic products would be conducted either at the production site or at the wholesale and retail level;
- (c) A Government Regulation could be issued, defining a list of items subject to control of documentation relevant to conformity with quality requirements. The list would be shorter than the list applied at present; and
- (d) A Government Regulation could be issued defining the structure of inspection fees, equalizing fees for the inspection of imported and domestically produced items, and abolishing present practice of charging fees in proportion to the inspected quantity,

Having passed the new Law on State Inspectorate and a Government Regulation on methods and procedures for issuing technical regulations prescribing quality and health requirements, Croatia considered its legal framework on TBT and SPS issues to have been completed, thus ensuring consistency with national treatment, MFN treatment, transparency requirements and other provisions of the GATT and the Agreements on TBT and SPS.

122. The representative of Croatia confirmed that Croatia would apply all obligations under the WTO Agreement on Technical Barriers to Trade from the date of accession without recourse to any transition period. The Working Party took note of this commitment.

Sanitary and Phytosanitary Measures

123. The representative of Croatia said that Croatia's sanitary regime was based on the Law on Animal Health Protection and Veterinary Medicine (Official Gazette NN 52/91). A large number of other legal provisions (rules, decrees, instructions) had been adopted in accordance with this Law, in particular concerning the prevention and eradication of contagious diseases, the control of animal breeding and trade in animals and products of animal origin. Recent examples included regulations relating to proteins in the feed of ruminants, and imports of pigs and wild boars from certain countries (Official Gazette 28/1997). Sanitary measures were implemented on the basis of the Veterinary Law, the Law on Veterinary Drugs and Veterinary-Medical Products and the Act on the Safety and Sanitary Inspection of Foodstuffs and Articles for General Use. Imported products were subject to sanitary controls at the customs clearance houses, prior to customs clearance, as well as at the point of sale at the retail level. Sanitary controls of domestic products took place at the production site and at the point of (retail) sale. Croatia was harmonizing its veterinary legislation with European Community requirements.

124. Croatia participated in the activities of the FAO/WHO Codex Alimentarius Commission (FAO/WHO - CAC) and the International Office of Epizootics (IOE). Croatia's sanitary measures were based on the standards, guidelines or recommendations of these two organizations, as well as on the regulations, decisions or directives in force in the European Union. According to the general or specific requirements of the FAO/WHO - CAC and IOE, Croatia reported to these organizations on a monthly or annual basis, or as appropriate. As from 10 October 1998, the State Office for Standardization and Metrology served as the enquiry point responsible for the provisions of responses or relevant documentation regarding the SPS Agreement. All adopted regulations related to sanitary measures were published in the Official Gazette of the Republic of Croatia (Narodne Novine), and submitted for comment and discussion to professional and scientific bodies and involved institutions prior to adoption. Concerning risk assessment, the methods used to analyze the risks associated with importation of animals, animal products, animal genetic material and foodstuffs were in accordance with the relevant models developed by the IOE. Where such models did not exist, the Ministry of Agriculture and Forestry would determine the measures to be applied in cooperation with the Croatian Veterinary Institute and the Veterinary Faculty. In such instances, the Croatian authorities took into account available scientific evidence as well as other relevant data in accordance with the provisions of the SPS Agreement.

125. Veterinary legislation was continuously adjusted to international standards, particularly to those established by the International Agency for Epizootic Diseases (Paris) and Codex Alimentarius, Croatian requirements, i.e. veterinary and sanitary conditions for importation of live animals and animal products, were in accordance with IOE recommendations. Imported products were accompanied by certificates issued by the veterinary authorities of the exporting country as part of the import licenses issued by the Ministry of Agriculture and Forestry – Veterinary Directorate. Import certificates were issued centrally by the State Veterinary Agency. The border veterinary inspection controlled and inspected animals and animal products, animal offal substances, semen, embryo, and other goods that could transmit contagious diseases or affect human or animal life when imported, exported or in transit. The product coverage of Croatia's sanitary measures is outlined in Table 8. The veterinary inspection at the border was based on the Codex of the International Agency for Epizootic Diseases (Paris); international bilateral agreements on veterinary co-operation; the Veterinary Law ("Official Gazette" No. 70/97); and International Conventions on the Harmonisation of Border Inspection of Products. Croatia's veterinary inspection at the border was organised within the Department for Border Veterinary Inspection of the Ministry of Agriculture and Forestry - Veterinary Directorate. Five border veterinary stations - in Zagreb, Gorican, Osijek, Rijeka and Split – had been established by the Government Decision of 7 January 1991 ("Official Gazette" No. 58/91). The borders where veterinary inspection was carried out were determined by the Decree of the Minister of Agriculture and Forestry on Borders of 6 January 1995. The veterinary and sanitary inspection requirements were identical for shipments by domestic producers and producers from exporting countries. Croatia had harmonized its border veterinary inspection system completely with the requirements of the European Union. Veterinary inspectors were trained on a regular basis to improve the standards of control, inspection and approval procedures in accordance with the SPS Agreement.

126. Concerning phytosanitary regulations, the representative of Croatia said that the basic law in this area was the Law on Plant Protection ("Official Gazette" No. 10/94 and 19/94), drafted in compliance with the basic principles and requirements of international standards, instructions and recommendations (the International Plant Protection Convention and European and Mediterranean Organisations for Plant Protection). Based on this Law, Croatia had issued the Regulation on Phytosanitary Inspection of Plants and Control of Plant Protection Products in the National Cross-Boundary Transportation ("Official Gazette" 12/95 and 96/95). This regulation was under revision (to be completed in Spring 1999) to harmonize it with international standards, measures, and procedures and to meet the requirements of SPS Agreement. He expected Croatia would be able to apply fully the Agreement on Sanitary and Phytosanitary Measures with regard to phytosanitary measures by the end of 1999. Croatia had been member of the European and Mediterranean Plant Protection

Organization since 1994, and had joined the International Plant Protection Convention on 12 May 1999. Croatia reported regularly to EPPO on all issues concerning plant protection. Products subject to phytosanitary measures are listed in Table 9.

127. The Regulation on the Sanitary Inspection of Plants and Plant Protection Chemicals in the Traffic Across the State Border ("Official Gazette" No. 12/95) applied, as far as possible, measures and recommendations equivalent to measures applied by other members trading in similar products (plants and plant products). Trade bans could be imposed on seeds and planting materials to prevent the spreading of pests, but Croatian measures were not stricter than those internationally recommended and did not make any distinction between imported and domestic products. The Government had provided funds for the introduction of information systems in 1998, and would seek funds necessary for the purchase of technical equipment (laboratory equipment and other facilities needed for the proper functioning of the phytosanitary inspection) in 1999. He added that Croatia accepted that the establishment and effective functioning of such facilities were an essential basis for ensuring that border inspections and import approvals were soundly based on scientific evidence, as required under the SPS Agreement. Any trade bans, including those on seeds and planting materials, needed to be based on scientific evidence. Concerning risk assessment, among its many activities in the plant protection field (systematic survey and monitoring of harmful organisms, phytosanitary supervision of seed and propagating material, diagnostics, testing, information and advisory activities, etc.) the National Institute for Plant Protection in Agriculture and Forestry was responsible for activities in assessment of risk of plant pests (both quarantine and non-quarantine).

128. The plant protection administration within the Ministry of Agriculture and Forestry was in the process of reorganization. Plant protection inspection services at the border were organized within a special section of the Ministry of Agriculture and Forestry (the Department for Agriculture, Food and Tobacco Industries). Operating in five units, the inspection services controlled a total of 19 plant border crossings where plants imported or transported through Croatia were subject to mandatory examination. The Institute for Plant Protection in Agriculture and Forestry examined plants for export. The border inspection service cooperated with the Institute in organizing quarantine-related activities and maintaining quarantine facilities.

129. Food products were subject to various laws and regulations, notably the Law on Food Quality and Food Quality Control, regulations on additives, admissible levels of pesticides, toxins, mycotoxin, metals and like substances, and regulations concerning microbiotic quality control. The Law on Health Safety and Controls of Foodstuffs and Goods of General Usage ("Official Gazette" No. 1/97) stipulated the health and safety conditions for imported or domestically-produced foodstuffs and goods of general usage. In addition, the Law provided for health control of the production and

distribution of foodstuffs and goods of general usage. The provisions of the Law also applied to raw materials, spices, additives and substances used for enriching foodstuffs. Regulations adopted on the basis of Article 50 of the Law on Health Safety and Health Control of Foodstuffs and Goods had been published in the "Official Gazette" No. 46/94 and included Rules on Health Safety of the Drinking Water; Micro-biological Standards of Foodstuffs; 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; Conditions of Preserving Food and other Goods by Ionising Radiation; Health Safety of Dietetic Food; Conditions related to the Health Safety that the Goods of General Usage have to Comply with in Order to be Distributed on the Market; Preparation and Sale of Foodstuffs Outdoors; Micro-biological Cleanness Norms and Methods of their Defining; and 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. Croatia was also preparing and adopting other implementation rules and regulations based on Article 50 of the Law.

130. Foodstuffs were defined as all products used as food or drink, processed or non-processed, including drinking water. Goods of general usage included tableware, accessories, equipment and apparatus for 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 coming into close contact with skin or mucous membrane when used. The list of imported products subject to quality control and the relevant regulations (Table 7 - see Annex) included 27 categories of food products. Prior examination was required for Croatian exports of canned meat, wine and plum brandy.

131. According to Article 5, paragraph 1, point 3 of the Law, foodstuffs or goods were considered unsafe for human health if their sensory characteristics had changed or if they contained pathogenic micro-organism or pathogenic parasite; bacteria toxin, micro toxin, histamine, and similar substances in quantities exceeding those determined by the regulations; natural toxin or other natural toxic substances in quantities noxious for human health; pesticides, metals, non-metals, veterinary medicaments residue and other noxious substances in quantities harmful to human health; additives not allowed for the production of foodstuffs and other goods of general usage or additives in quantities determined inadmissible by special regulations; radio nuclides in quantities exceeding the limit regulated by the Law; mechanically damaged admixtures noxious for human health or causing aversion; materials originating from dead animals or animals suffering from disease noxious to human health; or if they contained other micro-organisms, parasites or substances in quantities harmful to human health.

132. Five inspectorates were in charge of quality and SPS control in Croatia; the State Inspectorate (quality control), the Sanitary Inspectorate (health control of goods of general use), the Veterinary Inspectorate (health control of foodstuffs of animal origin), the Phytosanitary Inspectorate (plant health control), and the Pharmaceutical inspectorate (quality control of pharmaceuticals). The competent authority had the right to take samples to be tested by authorised laboratories. Health control of imported foodstuffs and other goods were effected by the border sanitary inspector and by the border veterinary inspector (products of animal origin) in accordance with Article 32 of the Law. The costs of controls and health safety inspections were borne by the importer (Article 35). The importer was not allowed to distribute or process the imported goods until he received the official decision that the goods were safe.

133. A member noted that various agricultural products were subject to quality control standards, and requested Croatia to clarify whether these quality standards were actual SPS regulations or just consumer preferences. This member could not understand why processed products such as mustard, biscuits, pasta, soup, baking powder, condiments, margarine, and mayonnaise required SPS testing and asked Croatia to explain the public policy objective of each of these measures and whether they were intended to address known risks to public health or safety. Information such as a step-by-step account of the entire testing process and an assessment of the time-frame involved would also be welcomed.

134. In reply, the representative of Croatia said that quality controls had been established for the protection of consumers' rights, and the public policy objective of SPS controls was to address risks to public health. For example, a processed product subject to control - such as fruit juice - was examined by a Sanitary Inspector assessing the impact of its ingredients on public health (applying regulations prescribed in accordance with the SPS Agreement), and by a State Inspector assessing the conformity of the declared ingredients with the actual content, as well as the conformity with prescribed quality, packaging and labeling requirements (applying regulations prescribed in accordance with the TBT Agreement). When needed, inspectors would take samples which were sent to authorised laboratories. The shipment was released to the warehouse of the importer or producer when the analyses had been completed, which would normally take no more than 3 to 4 days. Technical products such as electrical or mechanical appliances were not subject to sampling, as the inspectors recognised tests and certificates issued by authorised domestic or foreign institutions. Quality controls on imported products were performed at the customs clearance houses prior to customs clearance, and at the retail sale outlet. Domestic products were subject to quality control at the production site and at the retail sale outlet. His Government was considering the possibility of rationalizing the operational structure of its inspectorates. Quality controls on imported items prior to customs clearance would cease with the implementation of the new Law on State Inspectorate in

October 1999. As from that time, the State Inspectorate would be performing quality controls on designated imported and domestic products at the wholesale and retail level.

135. The representative of Croatia confirmed that Croatia's sanitary and phytosanitary standards system would be in compliance with WTO provisions under the Agreement on the Application of Sanitary and Phytosanitary Measures as of the date of accession to the WTO, and that Croatia would apply the Agreement on the Application of Sanitary and Phytosanitary Measures from the date of accession without recourse to any transition period. The Working Party took note of this commitment.

Trade-Related Investment Measures

136. The representative of Croatia said that Croatia had no trade-related investment measures in place at the present time, nor did it intend to introduce any such measures in the future. Croatia accordingly did not seek to notify any measures for elimination under the provisions of the WTO Agreement on TRIMs.

137. The representative of Croatia said that Croatia would not maintain any measures inconsistent with the TRIMs Agreement and would apply the TRIMs Agreement from the date of accession without recourse to any transition period. The Working Party took note of this commitment.

State Trading Entities

138. Referring to the definition of State trading enterprises contained in paragraph 1 of the Understanding on the Interpretation of Article XVII of the General Agreement on Tariffs and Trade 1994, the representative of Croatia stated that Croatia did not have or maintained any enterprise covered by the provisions of Article XVII. Ten large enterprises were under direct State ownership, but none of these public enterprises were granted exclusive or special rights or privileges which could influence, through their purchases or sales, the level and direction of imports and exports. Upon accession to the WTO, his Government would notify any State-trading enterprise, monopoly or exclusive service supplier, existing at the time, in accordance with Article XVII of the GATT and Article VIII of the GATS.

139. A member pointed out that the representative of Croatia interpreted Article XVII of the GATT 1994 narrowly. For transparency purposes, it would be useful to inform the Working Party about a number of private monopolies supported and influenced by State and local authorities. These

existed in various sectors such as transport services, distribution services, tourism, financial services, procurement, etc.

140. In reply, the representative of Croatia said that this member's statement was not supported by facts. The Law on the Protection of Market Competition regulated the activities of monopolies in Croatia, and the Agency on the Protection of Market Competition had been established in 1995. The Agency was entrusted with the task of detecting monopolistic practices. In its three years of existence, the Agency had examined the market conditions in all sectors, and not found any private monopolistic behaviour allowing monopolies or oligopolies to exploit their market share to the detriment of competitors or consumers. Moreover, in his view, the State trading issue did not arise unless direct ownership relations, accompanied by granted trading preferences, existed between the State and a private sector monopoly, and this was not the case in Croatia. He confirmed that his Government did not grant monopolistic trading rights in goods and services to any firm other than those mentioned in paragraph 145, which would be notified to the WTO upon accession.

141. Responding to specific questions from members, he said that a State-owned company (Astra International) engaged in foreign trade with the same rights and obligation as any other Croatian foreign trade company. Most petroleum and petrochemical products were produced and distributed by the State-owned enterprise INA, which competed with more than 20 smaller companies in the distribution and trade in crude oil and oil products. He stated that Hrvatske šume (Croatian Forests) was a public utility company operating in full conformity with Article XVII of the GATT. Other public enterprises included Hrvatske ceste (Croatian Roads), Hrvatska vodoprivreda (Croatian Water Utilities), Hrvatska pošta i telekomunikacija (Croatian Post and Telecommunications, from 1 January 1999 divided into two companies - Hrvatska pošta (Croatian Post) and Hrvatske telekomunikacije (Croatian Telecommunications)), Hrvatska elektroprivreda (Croatian Electricity), Hrvatske željeznice (Croatian Railways), Hrvatska radio televizija (Croatian Radio and Television), Jadrolinija (Adriatic Line), and Narodne novine (Official Gazette). Alcohol and tobacco products were produced and distributed by a large number of companies, none of which were State-owned or State-mandated. Former socially-owned farms had been transformed into joint-stock companies, and most of them had been privatized.

142. The Law on 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 was ensured by determining the goods needed for those situations. The main function of commodity reserves would be ensured within the framework and appropriate manner for the set objectives. The Directorate for Commodity Reserves (formerly the State

Directorate for Commodity Reserves) - a non-profit governmental body within the Ministry of Economy - intervened in the market only upon order by the Government. In certain circumstances the Directorate could intervene to prevent domestic price increases on agricultural and food products, but only upon a decision of the Government. 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, in which case goods were exported through a commercial company chosen on the basis of public tender.

143. Some members noted that the Law on Commodity Reserves appeared to provide for both public stockholding and commodity intervention functions. Although the Directorate for Commodity Reserves appeared to make purchases on a commercial basis through a tender system, it was also noted that the Directorate could export products, purchased through intervention in the domestic market, by government decision. Croatia was therefore requested to explain under what circumstances the Government could decide to instruct the Directorate to export products, the system for exporting products, and whether the Directorate used established guaranteed prices when purchasing commodities from domestic producers. This information was necessary to determine whether the Directorate for Commodity Reserves was a State trading enterprise in the context of GATT Article XVII.

144. The representative of Croatia replied that his Government could adopt a Decision to export products purchased through intervention in the domestic market at guaranteed prices and held at the Directorate for Commodity Reserves only when estimates indicated that these were surplus products exceeding the needs of the domestic market. The Directorate for Commodity Reserves was obliged to sell such products through a tender system where all interested exporters were subject to equal conditions. Tenders and selection procedures were carried out in accordance with the Law on Procurement of Goods and Services and Sub-contracting. The Directorate for Commodity Reserves used guaranteed prices for purchases of products when such prices had been prescribed (i.e. for wheat, sugar beet, soyabeans, sunflower, rapeseed oil and tobacco); the strategic commodity reserves of other products were purchased at market prices.

145. The representative of Croatia agreed that Hrvatske šume (Croatian Forests) and the Directorate for State Commodity Reserves were State-trading entities within the meaning of Article XVII of the GATT. He confirmed that Croatia would notify these entities to the WTO upon accession.

146. The representative of Croatia confirmed that his Government would apply its laws and regulations governing the trading activities of State-owned enterprises and other enterprises with special or exclusive privileges and would act in full conformity with the provisions of the WTO Agreement, in particular Article XVII of the GATT 1994 and the Understanding on that Article and Article VIII of the GATS. He further confirmed that Croatia would notify any enterprise falling within the scope of Article XVII. The Working Party took note of these commitments.

Free Zones, Special Economic Areas

147. The representative of Croatia said that nine customs zones were operating in Croatia following the entry into force of the new Law on Free Zones (13 June 1996). These were situated in Zagreb, Krapina, Kukuljanovo, the port of Rijeka, Šibenik and Osijek. A free zone could be established by one or more domestic legal person. The user of the zone could be its founder, or any other foreign or domestic legal or natural person. Activities carried out in a free zone included goods production and processing, goods assembly, wholesale trade warehousing, and repackaging. Banking and other payment transaction activities such as insurance and reinsurance could take place in a free zone subject to approval by the Ministry of Finance. Operators paid no customs duties or other taxes on imported goods intended for production and consumption in the customs zone. Companies located in the zones were not obliged to export any minimum portion of their output. Goods processed in the zone for the domestic market would be subject to customs and other duties on the raw materials and other imported inputs used in the production process. Users engaged in or participating in infrastructure construction within the zone, in projects with a value exceeding HRK 1 million, were exempt from paying profit tax during the first five years of business activities. Other users paid profit tax equal to 50 per cent of the standard rate.

148. The representative of Croatia stated that the free zones authorized by the legislation described in paragraph 147 would be fully subject to the coverage of Croatia's commitments taken in its Protocol of Accession to the WTO Agreement, and that Croatia would ensure enforcement of its WTO obligations in those zones. In addition, goods produced in these areas under tax and tariff provisions that exempt imports and imported inputs from tariffs and certain taxes will be subject to normal customs formalities when entering the rest of Croatia, including the application of tariffs and taxes. The Working Party took note of these commitments.

Government-mandated Countertrade and Barter

149. The representative of Croatia said that the State did not conclude compensation deals in its own name and did not in any way participate in the conclusion of compensation deals. All laws and

trade policy measures, including customs duties, licences, etc, applied to goods exchanged in compensation deals. Such deals were concluded by natural or legal persons, and the contracts were registered with the Ministry of Economy for statistical purposes. In 1995, the Ministry had recorded 930 compensation contracts, accounting for around 5 per cent of Croatia's foreign trade. In 1996, the number of contracts registered in the Ministry of Economy fell to around 600, and the decline had continued in 1997. The number of such contracts was expected to fall as the economy was consolidating and stabilizing in Croatia and in neighbouring countries.

150. The previous Law on Foreign Trade Operations had also regulated a system of long-term production cooperation. Long-term production cooperation referred to a continuous exchange of goods in so called tie-in trade for a period of not less than three years (the legal minimum). The parties to such arrangements could agree that no payment would be exchanged for each transaction, but the balance might be paid to a bank account. In 1995, 90 contracts were in force on long-term manufacturing cooperation between Croatian firms and their partners, mostly from Germany, Italy and the Russian Federation. Goods exchanged in long-term production transactions were subject to the normal trade policy instruments, including customs duties and licensing requirements. The new Law on Trade, which had entered into force in February 1996, did not specifically regulate these types of contracts. Companies were free to enter into such arrangements if they found it in their own interest.

Government Procurement

151. The representative of Croatia said that Parliament had passed the Law on Procurement of Goods and Services and Sub-contracting in mid-December 1997. The Law replaced the Government's Regulation on the Procedure for Procurement of Goods and Services and Sub-contracting. The Law had entered in force in March 1998.

152. Entities under obligation to apply the Law on Procurement of Goods and Services and Sub-contracting were Government authorities and other State authority bodies; bodies of the local government and self-government units; legal persons owned by the State or legal persons using funds from the State budget for their regular activities and capital investments; legal persons using budget guarantees or other insurance concerning the procurement contract or other support related to commitments assumed under that contract; and legal persons using financing from extrabudgetary funds (Pension Fund, Croatian Health Insurance Fund, Employment Fund and other extrabudgetary funds established by the Government).

153. The Law applied to all public procurements with the total value of goods, services and works exceeding HRK 200,000 (US\$32,000) in a fiscal year. Bidders, regardless of their residence and headquarters, except when the purchaser would limit the participation in tenders to domestic suppliers (i.e. apply national preference), were allowed to participate in tenders. The Law stipulated conditions and liabilities of the purchaser with regard to application of national preference, as well as other conditions concerning government procurement including procurement implementation, pre-procurement, international tendering (obligatory for works and goods with total invoice value exceeding HRK 12 million (US\$2 million), or HRK 6 million (US\$1 million) for services), the procurement procedure, conditions for tendering, evaluation and comparison of offers, and implementation and monitoring of the implementation of the Law.

154. A member expected Croatia to become member of the Agreement on Government Procurement by tabling a schedule of commitments to the GPA Committee no later than three months after the date of accession to the WTO. In reply, the representative of Croatia stated that, mindful of the rather limited and selective present membership of the Agreement on Government Procurement and that no major obstacles for international bidders were experienced in enforcement of the national law on government procurements, his Government would apply officially for observer status to the Agreement on Government Procurement. This would enable Croatia to get more acquainted with the practical aspects of the Agreement's disciplines and determine an adequate coverage and staging, in order for Croatia to start negotiations on accession to the Agreement at an appropriate stage.

155. The representative of Croatia confirmed that his Government had applied officially for observer status in the Committee on Government Procurement on 14 June 1999. This step would enable Croatia to get more acquainted with the practical aspects of the disciplines of the Agreement and determine the adequate coverage and staging of Croatia's commitments.

156. The representative of Croatia confirmed that Croatia will initiate negotiations for membership in the Agreement on Government Procurement upon accession by tabling an entity offer at that time. He also confirmed that, if the results of the negotiations are satisfactory to Croatia and the other members of the Agreement, Croatia will complete negotiations for membership in the Agreement by 31 December 2001. The Working Party took note of this commitment.

Transit

157. The representative of Croatia said that transit of goods through the customs territory of the Republic of Croatia was regulated by Articles 275 to 283 of the Customs Law. In addition, provisions concerning transit transport were included in the Articles dealing specifically with rail, road, sea,

waterways and air transport, as well as in the Articles concerning despatch of goods to another customs office for customs clearance. The carrier submitted transit documents to the customs office at the point of entry. Customs charged a stamp tax at a flat rate of HRK 10 per customs declaration for the services rendered. The customs office would inspect the goods and transit vehicles, and provide an escort to the customs office at the point of exit. The carrier was responsible for the carriage of goods and the transit documents within the customs territory. The customs office of exit would check the transit documents and customs marks and, if necessary, inspect the goods and vehicles. Goods prohibited to import into Croatia could not be carried in transit through the customs territory.

158. Croatia made no distinction on the basis of the flag of the carrier, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of the goods or the means of transportation. Based on a Decision on special measures of customs surveillance on import, export and transit of certain goods (petroleum, petroleum derivatives, tobacco and tobacco products, coffee, alcohol, alcohol drinks, beer, movable cultural artifacts - archeological and ethnological artifacts, old furniture, old paintings and sculptures, old musical instruments, etc.), such goods were only allowed to enter or exit Croatia at designated border crossing points, determined in coordination with Slovenia (5), Bosnia and Herzegovina (7), and the former Republic of Yugoslavia (1), or through 4 marine ports. The Decision was not applicable to air and rail transport.

159. A member noted reports that Croatia was blocking transit trade from the Bosnian Serb Republic, and would appreciate Croatia's views and assurances on this point. The representative of Croatia replied that Croatia had not blocked transit trade from the Bosnian Serb Republic. The reconstruction of bridges across the river Sava (border crossings Slavonski Brod - Bosanski Brod, Gradiška - Bosanska Gradiška, Hrvatska Dubica - Bosanska Dubica) had caused difficulties and the closing of some border crossings. At the same time, other temporary border crossings had been established to enable transit. Freedom of transit was assured by Croatia's Customs Law and International Agreements. Croatia was obliged to ensure freedom of transit according to several international conventions, including the Convention on the contract for the international road transport (CMR), the Customs convention on international transport of goods based on the TIR carnet, the ATA Convention, and the Convention on temporary admission. He assured the Working Party that Croatia provided, and would continue to provide, freedom of transit to the Bosnian Serb Republic as well as to all other countries in accordance with Article V of the GATT 1994.

160. The representative of Croatia confirmed that his Government would apply its laws and regulations governing transit operations and would act in full conformity with the provisions of the WTO Agreement, in particular Article V of the GATT 1994. In this regard, he stated that Croatia

would not deny right of transit to exports from any country. The Working Party took note of this commitment.

Agricultural Policies

161. The representative of Croatia said that all quantitative restrictions and supplementary fees and charges for imported agricultural products, including special compensatory fees and variable levies, had been abolished with the introduction of the new customs tariff on 1 July 1996. The new tariffs were compound rates, consisting of an *ad valorem* and a specific duty element, for several products.

162. The Government guaranteed prices for the following commodities: wheat, sugar beet, sunflower, soybeans, rapeseed and tobacco. The guaranteed prices applicable in 1998 are listed in document WT/ACC/HRV/39/Add.2, reply 22. The system of guaranteed prices was implemented through the Directorate for Commodity Reserves. The price for milk was also guaranteed, but the guarantee had not been enforced recently as the domestic price had exceeded the intervention level. The abolition of the system of guaranteed prices was a long-term policy objective. A recent step towards this objective had been a significant decrease of guaranteed prices for the year 1999, especially for wheat (down 32 per cent).

163. The budget expenditures for production and input subsidies to the agricultural sector amounted to HRK 599.3 million (average 1996-1998), representing 4.2 per cent of the value of total agricultural output in the period 1996-1998. Production subsidies had been provided for milk, sugar beet, sunflower, soybeans, rapeseed, tobacco, original-breed livestock, meat and bone flour, milk, semen, grape on island vineyards, honey and olives. Major input subsidy items were mineral fertilizers and certified agricultural seeds. Croatia did not provide export subsidies for agricultural and food products, as reflected in its schedule of commitments annexed to Croatia's Protocol of Accession.

164. Croatia was reforming its system of agricultural subsidies. This was a lengthy process as it required the establishment of a land registry to allow the Government and the Ministry of Agriculture and Forestry to define "less favoured areas" and other factors determining subsidy payments. The new system, which would be implemented following Parliament's approval of the State budget for 1999, would correspond to the requirements of the Agreement on Agriculture. This budget increased allocations for measures in line with Annex 2 of Agreement on Agriculture, while reducing the budget share of price support measures. Croatia was also introducing area payments in crop production, selective payments (per head) in livestock production and investment aids for vineyards and orchards within the framework of the new system, approved by Parliament in March 1999. Input subsidies for

mineral fertilizers and fuel, as well as production subsidies for sugar beet, soybean, sunflower seed and rapeseed had been abolished. He confirmed that Croatia would not apply any kind of subsidy to agro-processing industries.

165. The representative of Croatia said that Croatia takes a commitment to decrease the AMS ceiling relating to the 1996-1998 base period by 20 per cent in equal annual instalments within a period of five years from the date of accession. The AMS calculations are presented in the revised consolidated technical document on domestic support and export subsidies in agriculture (document WT/ACC/SPEC/HRV/1/Rev.2).

166. Croatia's commitments on agricultural tariffs, on domestic support and export subsidies for agricultural products are in the Schedule of Concessions and Commitments on Goods annexed to Croatia's Protocol of Accession to the WTO.

Trade in Civil Aircraft

167. A member sought a commitment from Croatia to adhere to the WTO Agreement on Trade in Civil Aircraft from the date of accession. The representative of Croatia confirmed that Croatia would become a party to the Agreement on Trade in Civil Aircraft.

168. The representative of Croatia confirmed that Croatia would implement the Agreement on Trade in Civil Aircraft without exceptions or transitional period from the date of accession. The representative of Croatia confirmed that Croatia would become a signatory to the Agreement on Trade in Civil Aircraft upon accession to the WTO. The Working Party took note of this commitment.

Trade-Related Intellectual Property Regime

1. General

(a) Intellectual property policy

169. The representative of Croatia said that Croatia had adopted the former Federal (Yugoslav) Law on the Protection of Inventions, Technical Improvements and Distinctive signs (NN 53/91). The Law had been changed and amended in April 1992, and the title changed to Industrial Property Law, governing patents, trade and service marks, and industrial designs. The system of industrial property protection was under revision, and as part of the reforms each area of industrial property would be

governed by a separate law. Current legislation included a technical advance criterion which would not be included in future legislation.

170. A member was concerned about the pace of drafting and ratification of intellectual property laws in Croatia, and encouraged the Government to strengthen its efforts to enact legislation and establish the necessary administrative framework for effective implementation prior to WTO accession. Asked whether Croatia would seek transitional arrangements, the representative of Croatia replied that Croatia would respect the provisions of Article 65.3 of the TRIPS Agreement. A member stated its policy that acceding countries be in full conformity with the TRIPS Agreement on the date of accession, with no transition permitted. Article 65.2, 3 and 4 were included to provide a period of transition for those countries that were already members of the GATT and were entitled to be Members of the WTO without additional accession negotiations. The transition provisions in Article 65.2, 3 and 4 were part of the balance achieved between developed and developing countries regarding intellectual property, recognizing that most developing and non-market economy countries had further to go than did developed countries to bring their laws and practices into conformity with TRIPS. Newly acceding countries should have no such need since they could make the necessary changes during the course of accession negotiations, to become effective on the date of accession, if not before. Croatia should report to the Working Party on its specific plans to alter its current legislation to be in a position to fully implement the TRIPS Agreement by the date of accession.

171. The representative of Croatia said that harmonization of Croatia's legislation with the requirements of the TRIPS Agreement had been accomplished with the introduction a new Trademark Law, a new Law on Geographical Indications, a new Patent Law, a new Law on Industrial Design, and a Law on the Topographies of Integrated Circuits. In the area of copyright, Croatia intended to introduce a new Law on Copyright and Neighbouring Rights, but would in the interim ensure compliance with the TRIPS Agreement by amending the existing Copyright Law. Parliament had passed the new laws on 30 June 1999. In addition, Croatia would apply the provisions relating to the enforcement of intellectual property rights in the new Customs Law, also passed by Parliament on 30 June 1999. An overview of Croatia's intellectual property legislation is provided in Table 10.

(b) Responsible agencies for policy formulation and implementation

172. The representative of Croatia said that the State Intellectual Property Office of the Republic of Croatia had been the competent authority for industrial property since its establishment, and for copyright and neighbouring rights since November 1996. The Ministry of Agriculture and Forestry was the competent authority for the protection of new plant varieties.

(c) Participation in international intellectual property agreements

173. The representative of Croatia said that Croatia was a party to the Convention Establishing the World Intellectual Property Organization; the Paris Convention for the Protection of Industrial Property; the Madrid Agreement Concerning the International Registration of Marks; the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks; the Locarno Agreement Establishing an International Classification for Industrial Designs; the Berne Convention for the Protection of Literary and Artistic Works, Paris Act 1971; the Brussels Convention Relating to the Distribution of Programme - Carrying Signals Transmitted by Satellite; and the Universal Copyright Convention, 1952 and 1971. Croatia intended to seek membership of the Rome Convention upon enactment of legal provisions granting protection for phonogram producers and broadcasting organizations in compliance with the Convention. This was likely to happen in 1998. Croatia had deposited the instrument of accession to the Patent Cooperation Treaty with the Director-General of the World Intellectual Property Organization on 30 April 1997. As stated in the instrument of accession, the Patent Cooperation Treaty entered into force in Croatia on 1 July 1998. Croatia also intended to accede to the Hague Agreement Concerning Deposit of Industrial Designs in the near future.

(d) Application of national and MFN treatment to foreign nationals

174. The representative of Croatia said that Croatian legislation granted national treatment to foreign nationals, while MFN treatment was not applied for the time being. Foreigners and nationals enjoyed equal treatment in civil and criminal procedures.

2. Substantive standards of protection, including procedures for the acquisition and maintenance of intellectual property rights

175. Regarding acquisition of intellectual property right and know-how, the representative of Croatia said that the Law on Foreign Trade Operations, Chapter VIII, had contained certain restrictive clauses on acquisition of know-how from foreigners, but this legislation had been abolished (January 1996).

(a) Copyright protection

176. The representative of Croatia said that the basic provisions on copyright and neighbouring rights were contained in the Chapter on basic freedom and rights of men and citizens in the 1990 Constitution. In accordance with a 1991 Law on adoption of Yugoslav federal laws in the areas of

education and culture, Croatia had adopted the Copyright Law of 1978 as amended in 1986 and 1990, with further changes and amendments under Croatian Law of 1993. Croatian legislation protected performers only, but also regarding the fixation of a picture or pictures in combination with sound. An Amended Copyright Law, ensuring protection for phonogram producers and broadcasting organizations in accordance with the requirements of the TRIPS Agreement, had been submitted to the legislative procedure. According to Article 39 of the Modified and Amended Copyright Law, the Law was applicable to phonograms and performances lawfully fixed up to fifty years prior to the year of entry into force of the amended Law (July 1999). Croatia intended to introduce a new Law on Copyrights and Neighbouring Rights to harmonize its legislation with all aspects of existing international standards. This Law would be drafted after the entry into force of the amended Copyright Law. The Modified and Amended Copyright Law, passed by Parliament on 30 June 1999, had been in force and implemented since mid-July 1999.

177. Copyright covered economic rights and moral rights. Economic rights were transferable *inter vivos* and *mortis causa*; moral rights were only transferable *mortis causa*. The general term of duration of economic rights was the life of the author and 50 years after his/her death. Special terms of protection of anonymous and pseudonymous works were 50 years from the day the work had become available to the public, and 25 years for photographic films, photographic works and works of applied art. The duration of moral rights was not limited. Computer programmes were protected as literary, scientific and artistic works, and databases could be protected as collections of works. Persons could become owners of copyright by virtue of law in the course of employment or organization of collective works such as the creation of databases or encyclopaedias. Copyright legislation provided for exclusive distribution rights, including rental and lending rights, for artists and performers. Croatia had adopted the Berne Convention, ratified by the former Yugoslavia, with a reservation relating to the right of translation. However, the Copyright Law granted the author of a work published in a foreign language and enjoying protection under the provisions of the Berne Convention, the right to remuneration for the translation. The said reservation on the Berne Convention had been removed in the Amended Copyright Law submitted to the legislative procedure on 24 March 1998.

178. Limitations to the exclusive right were regulated under the Law. Free use (exploitation) of works was allowed for personal use, public information or for educational or scientific purposes.

(b) Trademarks, including service marks

179. The representative of Croatia said that the protection of trade and service marks was regulated on the basis of the Industrial Property Law, Regulations for the Procedure for the Grant of Trademark

Rights, and the Law Governing Administrative Fees for the Establishment of Rights of Industrial Property. The acquisition of trademark rights was based on registration; the procedure was instituted by filing an application with the State Intellectual Property Office of the Republic of Croatia. A granted right was entered in the trademark register and published in the official gazette. A mark was valid for a period of ten years from the day the trademark application was filed. The validity could be extended an unlimited number of times provided the trademark was used and maintained through payment of the prescribed administrative fees. The State Intellectual Property Office could decide to terminate a trademark not used by the owner for any unjustified reason for more than five years.

180. The representative of Croatia said that Parliament had passed a new Trademark Law on 30 June 1999. The Law had entered into force in mid-July 1999, however, due to the time need for all preparations required under the new system established by the Law, the Law would be implemented from 30 November 1999.

(c) Geographical indications, including appellations of origin

181. The representative of Croatia said that the present system of protection was based on Articles 37 to 43 of the Industrial Property Law. The area was also regulated under the Law on Wine and Regulations on the Quality of Wine and the Quality of Spirits. An appellation of origin was established by entering the geographical name and its related product in a register kept by the State Intellectual Property Office. Entries into the register were made ex officio upon proposals from the Croatian Chamber of Commerce. According to Article 40 of the Industrial Property Law, the Croatian Chamber of Commerce determined the geographical names to be protected by an appellation of origin; the products which could be put in circulation with the specified appellation of origin; the place or territory a product was originating from; how products should be marked; and detailed requirements on the granting of rights to use certain marks. For wines, these matters were regulated by the Law on Wines and the Regulations Concerning Wines (NN 34/95 and 96/96). Wines meeting the requirements of controlled origin could be entered in the register of protected appellations of origin by the State Office upon a proposal by from the Croatian Chamber of Commerce and prior examination of the request by the Ministry of Agriculture and Forestry. The appellation of origin of a product could be established in favour of a foreign person on the basis of reciprocity under international agreements concluded or acceded to by the Republic of Croatia.

182. Croatia had introduced a new separate Law on Geographical Indications based on Articles 22 to 24 of the TRIPS Agreement. Parliament had passed the Law on 30 June 1999 and it had entered into force in mid-July 1999. However, due to the time needed for all preparations required under the new system established by the new Law, the Law would be implemented from 30 November 1999. A

provision to refuse or invalidate the registration of a trademark containing or consisting of a geographical indication for wines and spirits not having this origin would be included in the new (draft) Trademark Law (Article 5).

(d) Industrial designs

183. The representative of Croatia said that industrial designs were regulated under the Industrial Property Law and Regulations on the Procedure for the Grant of Rights to Models or Designs. Parliament had passed a new Law on Industrial Design in conformity with the TRIPS Agreement, in particular its Articles 25 and 26, on 30 June 1999 and it had entered into force in mid-July 1999. However, due to the time needed for all preparations required under the new system established by the new Law, the Law would be implemented from 30 November 1999.

184. A right to a model or a design was granted for a period of ten years as from the date of filing the application with the State Intellectual Property Office. The right was non-renewable. Textile designs were protected cumulatively by the Copyright Act, as a work of applied art and industrial design, and by the Industrial Property Law as a model or design. In the latter case, the applicant would need to indicate whether protection was sought for three-dimensional (model) or two-dimensional design (design).

(e) Patents

185. The representative of Croatia said that a first draft of a new Patent Law, based on the WIPO model law and Austrian legislation, remained under discussion within his Government. Parliament had passed the new Patent Law on 30 June 1999 and it had entered into force in mid-July 1999. However, due to the time needed for all preparations required under the new system established by the new Law, the Law would be implemented from 30 November 1999. Other legislation relevant to the Law would also be adopted, including the Law on Agents, the Law on Fees, the Regulation on Expenses, the Law on Inventions by Employees, and the Law on Confidential Inventions.

186. A patent was valid for a period of 20 years counting from the date of filing the application. Microorganisms and microbiological processes were patentable under the Rules on Procedure for Patent Grant.

187. Provisions on compulsory licensing could be found in the Industrial Property Law (Article 139). A request for the grant of a compulsory licence could not be submitted earlier than four years after the filing date of the patent application, or three years after the date of the patent grant if

this term expired earlier. According to the Law, the patent owner would be considered not using or insufficiently using the patent if, inter alia, domestic demand was satisfied by importation to a great extent, or the importation of the products manufactured according to the protected invention hampered or obstructed the industrial application in the country. No compulsory licence had been issued thus far. Croatian legislation on compulsory licensing would be harmonized with Article 31 of the TRIPS Agreement in the new Law on Patents.

188. The fees and charges involved in granting a patent were established in accordance with the Law on Administrative Fees in the Field of Industrial Property and the Decision on the Procedure Special Charges and Information Service Charges of the State Intellectual Property Office.

(f) Plant variety protection

189. The representative of Croatia said that this area was regulated by the Law on the Protection of Agricultural Plants. The Law, which regulated the protection of new plant varieties, had been enacted in November 1997 and became effective on 13 December 1997. The Law was in compliance with the UPOV Convention, which Croatia intended to join. National treatment was accorded on the condition of reciprocity, as provided by the UPOV Convention.

(g) Layout designs of integrated circuits

190. The representative of Croatia said that Croatia had introduced a Law on the Topographies of Integrated Circuits in compliance with the provisions of Articles 35 to 38 of the TRIPS Agreement. Parliament had passed the Law on 30 June 1999 and it had entered into force in mid-July 1999. However, due to the time needed for all preparations required under the new system established by the new Law, the Law would be implemented from 30 November 1999.

(h) Requirements on undisclosed information, including trade secrets and test data.

191. The representative of Croatia said that a Law on the Protection of Data Secrecy had entered into force at the end of 1996. Clauses regulating the protection of information within government administration or by enterprises themselves could be found in the Law on General Administrative Procedure (Article 150), the Law on Government Officials and Employees (Article 32), the Penal Law (Article 295), the Labour Law (Articles 89, 92 (paragraph 4), 93 and 155), the Trade Law (Article 58) and the Company Law (Articles 248, 273 and 629). Test data and other information supplied in the context of approving the marketing of pharmaceutical and of agricultural chemical products were protected by special regulations (by-laws) applied by the Ministry of Health and the

Ministry of Agriculture and Forestry. The rules did not differ from the normal provisions applied in other countries. Article 16 of the Law on Medicines and Medical Products stipulated that documents received on pharmaceuticals or medical products should be treated as trade secrets.

3. Measures to control abuse of intellectual property rights

192. The representative of Croatia said that mechanisms for the protection of intellectual property rights existed in administrative, civil and penal law. Abuse of copyright and the right of performers was controlled by agents of the organization of authors or the organization for performers' rights. Representatives registered with the State Intellectual Property Office could act on behalf of foreign and domestic legal and natural persons in the procedure for protection of industrial property rights. A new Law on Enforcement included compulsory measures (fines, arrest and imprisonment) which could be applied in an expedite procedure.

193. Punishment - fines or imprisonment - for the infringement of copyright was set out in the Penal Law as well as in the Amended Copyright Law. Fines for infringement of the rights of authors or performers could amount to (maximum) HRK 60,000.

4. Enforcement

194. The representative of Croatia said that the Law on Enforcement, relating to the enforcement of court decisions, had entered into force on 12 August 1996. Articles 298 and 299 of the Law contained provisions on provisional measures. A court could also order provisional measures at the request of the infringed party in accordance with Article 442 of the Law on Legal Proceedings. In his view, Croatian legislation fulfilled the requirement of Article 44 of the TRIPS Agreement regarding the right of a party to ask for injunctions. He also noted that the Law on the Protection of Market Competition could be invoked in disputes over the infringement of intellectual property before a commercial court in Croatia.

195. In the combat against illegally produced phonograms, the authorities in Croatia had seized 12,899 video tapes, 9,646 audio tapes and 4,873 compact discs in 1996. During 1997, 14,405 video tapes, 11,986 audio tapes and 2,920 compact discs had been seized. During 1998 and the first quarter of 1999, the Department for Economic Crime Prevention of Ministry of Interiors (police) had brought 149 criminal charges for video piracy, 138 criminal charges for audio piracy and 47 criminal charges for trademark counterfeiting. In the same period, the Department had seized temporarily 16,051 video tapes, 34,442 audio tapes, 6,618 CDs and 6,390 products bearing counterfeited trademark. Criminal proceedings relating to these charges were under way.

(a) Civil judicial procedures and remedies

196. The Commercial Courts seated in Zagreb, Osijek, Rijeka and Split had initial jurisdiction over intellectual property matters. The High Commercial Court (in Zagreb) was the competent second-instance body for the protection of intellectual property. Decisions of the High Commercial Court could be appealed to the Supreme Court of the Republic of Croatia, which could also decide on the infringement of procedural rights. The procedures in a case of infringement before a court were laid down in the Law on Civil Procedure, which also contained provisions on the right to obtain information to develop the case of a right holder. Depending on the complexities of the case, the time between the initiation of the case before the court, and the court's decision, could take from two to three months to more than one year. Court decisions were set out in writing and substantiated in accordance with Article 338 of the Law on Legal Proceedings.

197. The dissatisfied party to a dispute could invoke regular legal remedies (appeal and objection) or extraordinary legal remedies (request for the protection of legality, review or repetition of the procedure). For example, a request for review of a decision of the High Commercial Court should be filed with the Supreme Court within 30 days of receipt of the decision of the appellate court. A request for the protection of legality should be filed with the Supreme Court by the Croatian State Attorney if the law or a treaty had been violated by a final decision.

(b) Provisional measures

198. The representative of Croatia said that the Law on Enforcement contained provisions on provisional measures. In respect of infringement of copyright, a court could order provisional seizure or prohibit the continued use of the disputed objects or works. The competent police administration could prohibit cultural or artistic performances at the request of the author or a professional association. The financial police could temporarily seize objects, documentation or financial means utilized in a criminal or economic offence or infringement. As a general rule, courts did not have the authority to introduce provisional measures *inaudita altera parte*, but could do so if the rights of the infringed party were seriously threatened, and against security for any damage inflicted on the other party as a result of the provisional measure. In addition, Article 442 of the Law on Civil Procedure stipulated that judicial authorities could introduce provisional measures *inaudita altera parte* for the purpose of eliminating an immediate threat of unlawful damage, removing irreparable damage, or to prevent violence.

(c) Administrative procedures and remedies

199. Administrative procedures in the area of industrial property were carried out by the State Intellectual Property Office. An administrative lawsuit against an act of the Office could be initiated before the Administrative Court. The administrative procedure itself was governed by the Law on Industrial Property, the Law on General Administrative Procedure and the Law on Administrative Lawsuits.

(d) Special border measures

200. The representative of Croatia said that Croatia had recently adopted the Law on the Ratification of International Convention on the Harmonization of Border Controls of Goods. Croatia planned to introduce a border control system concerning the infringement of intellectual property rights, with due consideration to Articles 51 to 60 of the TRIPS Agreement, through the new Customs Law which Parliament had passed on 30 June 1999.

(e) Criminal procedures

201. The representative of Croatia said that action in cases of copyright piracy and trademark counterfeiting could be instituted ex officio by the State attorney on the basis of criminal charges brought by the author or other copyright holder, the trademark holder, the police or any other government body (financial police, market inspectorate) which, in the course of its activity, had detected a committed criminal act. Remedies - including seizure, forfeiture and destruction of the infringing goods - were available in the Penal Law, notably in Chapters XVII and XXI, as well as in the Amended Copyright Law. The procedural criminal provisions were contained in the new Law on Criminal Procedure in force since January 1998.

202. The representative of Croatia that his Government would apply fully the provisions of the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) by the date of its accession to the WTO without recourse to a transitional period. The Working Party took note of this commitment.

Policies Affecting Trade in Services

203. The representative of Croatia said that, as a market-oriented country in transition, Croatia was adjusting its legislation according to the principles of liberalization advocated by the WTO. Accepting fully the rules and principles of the General Agreement on Trade in Services, Croatia was

strongly committed to the rules preventing discriminatory measures and restrictions related to market access and national treatment in all modes of supply. He noted that Croatia would seek MFN exemptions in the road transport area, audiovisual services and concerning acquisition of real estate (reciprocity requirement). These exemptions would apply to all countries.

204. On a further point raised by a member, the representative of Croatia confirmed that Croatia would accord national treatment to foreign persons who have acquired assets on whatever legal basis in respect of their ownership rights and obligations, in accordance with GATS Article XVII. The Working Party took note of this commitment.

205. Regulation of services activities was within the competence of various institutions, including the Ministries of Science and Technology; Finance, Economy, Maritime Affairs, Transport and Communications; Health; Education and Sports; Urban Planning, Construction and Housing; Labour and Social Welfare; and the Croatian Securities Commission, etc. Several new laws and amendments were in preparation (listed in document WT/ACC/HRV/30, reply 163). Work permits were issued in accordance with the Law on Employment of Foreign Persons. The Law did not make any distinction between short-term or long-term employment, and stipulated that work permits were issued in concordance with the length of employment contracts, with validity up to two years (renewable).

206. The Company Law, the basic act for commencing business activity in Croatia, stipulated the conditions for establishing commercial presence in Croatia. He confirmed that commercial presence could take the form of a fully new company, subsidiary, branch and/or any kind of joint-venture, and that commercial presence with respect to the degree of foreign ownership was not limited. In response to a specific question, he replied that the Law defined a branch office as serving the purpose of carrying out business activities of a company or an individual merchant outside the place of the registered office. A branch office was not a separate legal entity; its rights and obligations were vested in the parent company. Branch offices were registered with the appropriate registration court. Applications should be accompanied by (i) an excerpt from the home court register of the founder or a valid document indicating the legal form of the founder and the date of establishment; (ii) the decision of the founder to set up a branch office; (iii) a certified copy of the foundation statement, articles of association or memorandum of association of the founder; and (iv) a certified abbreviated (most recent) annual balance sheet of the founder. A foreign person could have several branch offices in Croatia. The founder was required to designate a person (or persons), residing in Croatia, authorized to represent the branch office in Croatia. The scope of activities allowed to be carried out by a representative office was regulated by the Law on Trade. A representative office could not be used to carry out regular business activities. Before opening a representative office foreign persons

were required to register it in the Register of Representative Offices, kept by the Ministry of the Economy. The procedure for opening and registration of representative offices was regulated by the Decree on conditions for Establishment and Operation of Foreign Representative Offices in the Republic of Croatia (published in the Official Gazette on 24 January 1997).

207. The representative of Croatia provided information on the establishment of a bank, branch and representative office (circulated in document WT/ACC/HRV/17 of 29 July 1996). Foreign banks were admitted in Croatia on the basis of reciprocity. The reciprocity requirement had been removed through Amendments on the Banking Law, which had entered into force on 29 June 1998. The appropriate bank licence was issued by the National Bank of Croatia. The minimum capital requirement for the establishment of a bank amounted to DM 5 million in local currency, or DM 15 million for banks registered for transactions with foreign countries. Savings banks could be established with a minimum capital equivalent to DM 1 million, but these banks were not allowed to accept deposits from, or extend credits to, legal persons or make transactions with foreign countries. A representative office of a foreign bank could only engage in market research, promotion or representational activities. Parliament had adopted a new Banking Law on 18 December 1998 (Official Gazette No. 161/98). Its main features related to the provisions reinforcing the competence and the supervisory rôle of the Croatian National Bank (Central Bank) in securing the stability of the banking system in Croatia. The reciprocity requirement for establishment had been abolished definitely in the new Law. According to the new Law, the minimum capital requirement for the establishment of a bank amounted to HRK 20 million, or HRK 60 million for banks registered for transactions with foreign countries. Regarding brokerages and securities houses, foreign operators would need a local intermediary. Foreign companies with operating presence in Croatia could manage and underwrite share issues, otherwise a local partner would be required. Non-residents were not allowed portfolio investment in short-term securities.

208. The insurance sector was governed by the Law on Insurance. Foreign insurance companies were not permitted to operate through branch offices in Croatia, but would need to establish either a wholly-owned or a joint-stock company, only as a subsidiary. This limitation would be abolished and branching in the insurance industry allowed for non-residents upon accession to the WTO. Croatia had introduced certain restrictions on cross-border provision of insurance and re-insurance to reduce capital outflows and encourage the development of a domestic insurance market. Restrictions on modes 1 and 2 in reinsurance and retrocession would be removed upon accession to the WTO. Companies not headquartered in Croatia were, for example, only allowed to provide life and non-life insurance against risks not covered by Croatian companies. From the date of accession, cross-border provision of MAT insurance services and a number of other insurance services would be allowed. However, full opening of Croatia's insurance sector to direct foreign competition, particularly in all

aspects of direct life and non-life insurance on a cross-border basis, would put the domestic sector in unequal position with insurance industries in neighbouring countries whose national markets were not yet fully liberalised.

209. The telecommunications sector was currently regulated by the Ministry of Maritime Affairs, Transport and Communications. Competition was allowed in all telecommunication services sectors except basic services in fixed networks (voice telephony and telex) and leased lines. Foreign companies could only provide basic telecommunication services through, and in agreement with, Croatian Post and Telecommunications (HPT). Other services, such as mobile telecommunication networks, electronic mail, on-line information, electronic data interchange and value-added services could be provided by a Croatian subsidiary operating with a concession from the Telecommunications Council. The "Law on the separation of the Croatian Post and Telecommunications into the Croatian Post and the Croatian Telecommunications" had been adopted on 10 July 1998. The Law stipulated the actual separation into two joint-stock companies - one for postal services, the other for telecommunications - to take effect as from 1 January 1999. According to the Law on Telecommunication, foreign entities could hold up to 25 per cent of the capital of the radio and television concessionaire in radio, television and cable television concessions. Until 1 January 2003, HT (Croatian Telecommunication) would be the sole supplier of fixed network infrastructure and provider of basic telecommunication services. From that date, the market would be opened to other providers. The situation was similar for enhanced telecom services and other telecom services, where the market would be opened for other providers as of 1 January 2001.

210. The State-owned Croatian Railways (HZ) held a monopoly on transportation of passengers and goods by rail, but was exposed to heavy competition from other modes of carriage, in particular road transport. Foreign companies could provide public transportation through a registered Croatian subsidiary licensed by the authorities concerned. The Maritime Code required foreign-flag carriers transporting passengers and goods between Croatian ports to hold a licence for cabotage. Croatia was requesting an MFN exemption on road passenger and freight transportation because of the commercial characteristics of road transport services in the region. These services were regulated through bilateral or plurilateral agreements on road transport, which reserved or limited the supply of road transport services and specified operating conditions, including transit permits quotas and/or preferential road taxes of transport services into, in, across and out of the territories of the parties concerned. The MFN exemption was therefore essentially of commercial nature, and was related to the issue of competitiveness on the European road passenger and freight transport market.

211. Concerning professional services, he said that legal services and legal assistance could only be provided by lawyers and lawyers' associations registered with the Bar Council of the Republic of

Croatia. Registration in the Bar Council required Croatian citizenship, a degree from the Faculty of Law, passing of the bar examination in Croatia, and high proficiency in the Croatian language. The citizenship requirement applied only for legal procedures relating to Croatian Law, and not for legal consultancy on foreign and international law (through consultancy firms). Parties could be represented by lawyers registered in other countries in disputes before selected (arbitration) courts in matters involving international issues. Foreign auditing companies - not established in Croatia - could access the Croatian market only in joint operation with a local partner.

212. A new Law on the Tourist Industry had entered into force at the end of 1996, harmonizing Croatian legislation with regulations applicable in European Communities' countries. The new legislation provided a framework for upgrading catering and tourism services in Croatia. The war had affected the tourist industry significantly, and the Croatian Tourism Association was implementing a promotion programme to regain lost markets. The Government had assisted the revival of the industry by allocating about HRK 30 million (US\$4.6 million) in its 1997 budget and HRK 30 million in the 1998 budget for the promotion of tourism (studies of markets overseas, participation in international fairs, printing of catalogues, etc.), and HRK 45 million (US\$6.9 million) in 1997 and HRK 43 million in 1998 in subsidies to air, road and sea transport to promote tourist visits, tour operators, travel and tourist agencies. A budget allocation of HRK 70 million for the tourism industry was foreseen for 1999.

213. Croatia's Schedule of Specific Commitments on Services is annexed to its draft Protocol of Accession reproduced in the Appendix to this Report (see paragraph 226 below). This Schedule of Specific Commitments on Services contains the legally binding market access commitments of Croatia in respect of services.

Transparency

Publication of Information on Trade

214. The representative of Croatia stated that the transparency of Croatia's laws and other regulations was ensured through obligatory publication of all laws and regulations in Croatia's Official Gazette "Narodne Novine". A Law granted that no measure could be applied before being published. A Law entered into force eight days after its publication in the Official Gazette. All amendments and changes in laws and regulations were also published in Official Gazette to enable all interested persons (companies) to get acquainted with them. Furthermore, TBT measures including draft standards were published in the Official Journal of the State Office for Standardisation and Metrology allowing the public 30 days to provide comments and remarks. The competent authorities in Croatia

were drafting a Regulation on methods and procedures for issuing technical regulations prescribing quality and health requirements as a referral point for SPS controls on these item. He added that the Official Gazette "Narodne novine" was available on the internet (www.nn.hr).

215. The representative of Croatia said that, at the latest from the date of accession, all laws and regulations related to trade would be published in the Official Gazette "Narodne novine" promptly and that no law or regulation related to international trade would become effective prior to such publication. He further stated that Croatia would implement fully Article X of the GATT 1994 and the other transparency requirements in WTO Agreements requiring notification and publication.

Notification

216. The representative of Croatia said that, at the latest upon entry into force of the Protocol of Accession, Croatia would submit all initial notifications required by any Agreement constituting part of the WTO Agreement. Any regulations subsequently enacted by Croatia which gave effect to the laws enacted to implement any Agreement constituting part of the WTO Agreement would also conform to the requirements of that Agreement. The Working Party took note of this commitment.

Trade Agreements

217. The representative of Croatia submitted an updated list of bilateral trade and economic agreements, and international organizations in which Croatia was participating (circulated in document WT/ACC/HRV/6/Rev.1 on 9 October 1996). The trade and economic cooperation agreements were based on the principle of most favoured nation treatment. He added that Croatia was fully committed to the MFN principle in market access and in other areas covered by the WTO. His Government intended to conclude free-trade agreements with CEFTA countries and in due course join the European Communities, and would ensure that any such agreements would meet the requirements of GATT Article XXIV.

218. Trade preferences for goods originating in Tunisia, Turkey, Uruguay, Spain, Former Yugoslav Republic of Macedonia and Slovenia had been abolished at the end of 1993. At present, the only preferential trading agreements in force were a Free Trade Agreement with the Former Yugoslav Republic of Macedonia, and an FTA with the Republic of Slovenia concluded in 1997. These FTA's were based on the CEFTA model and covered substantially all trade between Croatia, Slovenia and the Former Yugoslav Republic of Macedonia. Preferential market access on agricultural products was granted through tariff rate quotas. None of these Agreements covered trade in services. Copies of the trade agreements were provided to the Working Party.

219. The Trieste and Gorizia Agreement of 1955 included provisions regulating border trade between the municipalities of Buje, Novigrad and Umag in Croatia and border areas in Slovenia. The exchange of trade was based on indication lists "A" (exports) and "B" (imports), and duty-free lists "C" (exports) and "D" (imports). Products imported under list "D" (reproduced in document WT/ACC/HRV/30, pp,78-80) were duty-free provided they were designated for usage in the border area determined by the Trieste Agreement. Local export-import trade could be carried out by a company located in the border area and registered with the Court register for such activities.

220. In response to a request by a member, the representative of Croatia confirmed that Croatia would notify the Free Trade Agreement between the Republic of Croatia and the Former Yugoslav Republic of Macedonia to the Committee on Regional Trade Agreements no later than upon Croatia's accession to the WTO.

221. A member noted provisions regarding a 1 per cent customs evidence fee in Croatia's Free Trade Agreement with the Former Yugoslav Republic of Macedonia, and questioned the consistency of such a fee with Articles XXIV and VIII of the GATT. The representative of Croatia replied that Croatia applied 1 per cent customs duty on imports from the Former Yugoslav Republic of Macedonia, while the latter applied a 1 per cent customs evidence fee on Croatian exports. Croatia recognized that such provisions in its Free Trade Agreement with the Former Yugoslav Republic of Macedonia were not in compliance with Article XXIV of the GATT. The authorities of Croatia and the Former Yugoslav Republic of Macedonia had accordingly agreed that Croatia would eliminate the 1 per cent customs duty, thereby applying zero duty in accordance with the Free Trade Agreement, at the latest by the date of accession, and the Former Yugoslav Republic of Macedonia would eliminate the 1 per cent customs evidence fee as from 1 January 2000.

222. A member requested Croatia to report on the specific steps taken to date to pursue a WTO-consistent FTA with Bosnia and Herzegovina. In reply, the representative of Croatia said that the Agreement on Economic Cooperation between the Government of the Republic of Croatia and the Governments of the Republic and Federation of Bosnia and Herzegovina had been negotiated and signed in 1995. At that time, Bosnia and Herzegovina was not organized under the Dayton Peace Agreement provisions, thus there were two customs territories in Bosnia and Herzegovina (Federation and Republic Srpska). Having in mind the special relations envisaged between the Republic of Croatia and the Federation of Bosnia and Herzegovina in the Washington Agreement, Croatia's Government had opted for a Free Trade Agreement with the federal customs territory in Bosnia and Herzegovina. New political developments arising from the Dayton Peace Agreement signed in December 1995, which also introduced a single customs territory of Bosnia and Herzegovina with two

customs administrations, had underscored the necessity of changing the scope of the Agreement on Economic Cooperation. Therefore, Croatia's Government had passed a decision in May 1998 to negotiate a draft Trade Agreement with the Council of Ministers of Bosnia and Herzegovina, introducing a free trade arrangement with the whole territory of Bosnia and Herzegovina. The negotiations had been delayed due to the preparation of elections in Bosnia and Herzegovina in September 1998. The draft new Free Trade Agreement proposed by Croatia envisaged completely free trade in industrial goods (without a 1 per cent customs fee) and exchange of concessions in trade in agricultural goods, thus bringing the provisions of that Agreement in line with WTO rules and disciplines.

223. Negotiations between the Government of Croatia and the Council of Ministers of Bosnia and Herzegovina on concluding a Free Trade Agreement, covering substantially all trade in products originating in the Republic of Croatia and the whole territory of Bosnia and Herzegovina, had begun in March 1999. The Agreement on Economic Cooperation between the Republic of Croatia and the Federation of Bosnia and Herzegovina had been abolished on 15 May 1999, thus reintroducing MFN based trade between Croatia and the whole territory of Bosnia and Herzegovina. This regime would remain in place until the conclusion of a Free Trade Agreement between Croatia and Bosnia and Herzegovina as a whole. The Government of Croatia expected the new FTA to be signed and implemented prior to Croatia's accession to the WTO.

224. The representative of Croatia stated that his Government would observe the provisions of the WTO including Article XXIV of the GATT 1994 and Article V of the GATS in its trade agreements, and would ensure that the provisions of these WTO Agreements for notification, consultation and other requirements concerning free trade areas and customs unions of which Croatia was a member were met from the date of accession. The Working Party took note of these commitments.

Conclusions

225. The Working Party took note of the explanations and statements of Croatia concerning its foreign trade regime, as reflected in this report. The Working Party took note of the commitments given by Croatia in relation to certain specific matters which are reproduced in paragraphs 26, 33, 37, 41, 47, 58, 64, 73, 83, 88, 99, 101, 105, 108, 111, 122, 135, 137, 146, 148, 156, 160, 168, 202, 204, 216 and 224 in this Report. The Working Party took note that these commitments had been incorporated in paragraph 2 of the Protocol of Accession of Croatia to the WTO.

226. Having carried out the examination of the foreign trade regime of Croatia and in the light of the explanations, commitments and concessions made by the representative of Croatia, the Working

Party reached the conclusion that Croatia should be invited to accede to the Marrakesh Agreement Establishing the WTO pursuant to the provisions of Article XII. For this purpose the Working Party has prepared the Draft Decision and Protocol of Accession reproduced in the Appendix to this report, and takes note of Croatia's Schedule of Specific Commitments on Services (document WT/ACC/HRV/...) and its Schedules of Concessions and Commitments on Agriculture and Goods (document WT/ACC/HRV/...) that are attached to the Protocol of Accession. It is proposed that these texts be approved by the General Council when it adopts the Report. When the Decision is adopted, the Protocol of Accession would be open for acceptance by Croatia which would become a Member thirty days after it accepts the said Protocol. The Working Party agreed, therefore, that it had completed its work concerning the negotiations for the accession of Croatia to the Marrakesh Agreement Establishing the WTO.

APPENDIX

ACCESSION OF CROATIA

Draft Decision

The General Council,

Having regard to the results of the negotiations directed towards the establishment of the terms of accession of the Republic of Croatia to the Marrakesh Agreement Establishing the World Trade Organization and having prepared a Protocol for the Accession of Croatia,

Decides, in accordance with Article XII of the Marrakesh Agreement Establishing the World Trade Organization, that the Republic of Croatia may accede to the Marrakesh Agreement Establishing the World Trade Organization on the terms set out in the said Protocol.

PROTOCOL OF ACCESSION OF CROATIA
TO THE MARRAKESH AGREEMENT ESTABLISHING
THE WORLD TRADE ORGANIZATION

DRAFT

The World Trade Organization (hereinafter referred to as the "WTO"), pursuant to the approval of the General Council of the WTO accorded under Article XII of the Marrakesh Agreement Establishing the World Trade Organization (hereinafter referred to as "WTO Agreement"), and the Republic of Croatia (hereinafter referred to as "Croatia"),

Taking note of the Report of the Working Party on the Accession of Croatia to the WTO in document WT/ACC/HRV/.... (hereinafter referred to as the "Working Party Report"),

Having regard to the results of the negotiations on the accession of Croatia to the WTO,

Agree as follows:

Part I – General

1. Upon entry into force of this Protocol, Croatia accedes to the WTO Agreement pursuant to Article XII of that Agreement and thereby becomes a Member of the WTO.
2. The WTO Agreement to which Croatia accedes shall be the WTO Agreement as rectified, amended or otherwise modified by such legal instruments as may have entered into force before the date of entry into force of this Protocol. This Protocol, which shall include the commitments referred to in paragraph 225 of the Working Party Report, shall be an integral part of the WTO Agreement.
3. Except as otherwise provided for in the paragraphs referred to in paragraph 225 of the Working Party Report, those obligations in the Multilateral Trade Agreements annexed to the WTO Agreement that are to be implemented over a period of time starting with the entry into force of that Agreement shall be implemented by Croatia as if it had accepted that Agreement on the date of its entry into force.
4. Croatia may maintain a measure inconsistent with paragraph 1 of Article II of the GATS provided that such a measure is recorded in the list of Article II Exemptions annexed to this Protocol and meets the conditions of the Annex to the GATS on Article II Exemptions.

Part II – Schedules.

5. The Schedules annexed to this Protocol shall become the schedule of Concessions and Commitments annexed to the General Agreement on Tariffs and Trade 1994 (hereinafter referred to as the "GATT 1994") and the Schedule of Specific Commitments annexed to the General Agreement on Trade in Services (hereinafter referred to as "GATS") relating to Croatia. The staging of concessions and commitments listed in the Schedules shall be implemented as specified in the relevant parts of the respective Schedules.

6. For the purpose of the reference in paragraph 6(a) of Article II of the GATT 1994 to the date of that Agreement, the applicable date in respect of the Schedules of Concessions and Commitments annexed to this Protocol shall be the date of entry into force of this Protocol.

Part III - Final Provisions

7. This Protocol shall be open for acceptance, by signature or otherwise, by Croatia until [31 October 2000].

8. This Protocol shall enter into force on the thirtieth day following the day of its acceptance.

9. This Protocol shall be deposited with the Director-General of the WTO. The Director-General of the WTO shall promptly furnish a certified copy of this Protocol and a notification of acceptance thereto pursuant to paragraph 7 to each member of the WTO and Croatia.

10. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

11. Done at Geneva this ... day of ... two thousand ... in a single copy in the English, French and Spanish languages each text being authentic, except that a Schedule annexed hereto may specify that it is authentic in only one or more of these languages.

ANNEX 1

Laws, regulations and other information provided to the Working Party by Croatia

- The Law on the Foreign Exchange System, Foreign Exchange Operations and Gold Transactions;
- Transformation of Socially-Owned Enterprises Act;
- The Privatization Act of 1 March 1996;
- Annual Report of the Croatian Privatization Fund for 1994;
- Financial Statements of the Croatian Privatization Fund for 1993 and 1994;
- Privatization in the Republic of Croatia;
- Results of Voucher Privatization in Croatia;
- List of Public Enterprises;
- Electric Power Supply Act with Explanations and Restructuring Programme;
- Restructuring Programme and the new Croatian Railways Act;
- Law on Exceptional Measures of Price Control;
- Decision Promulgating the Law on Exceptional Measures of Price Controls of 8 July 1997;
- Decision on the Compulsory Reporting of Price Lists and Tariffs of Certain Legal Persons;
- Order on Identifying Products Requiring Reporting of Prices and Margins for the Purpose of Control;
- Decision on Compulsory Reporting of the Price Lists or Tariffs of Certain Products and Services;
- Order on Identifying the Products and Services Requiring the Reporting of Price Lists of Tariffs;
- List of Products and Services which are subject to the Obligated Notification of Prices;
- The Croatian Competition Protection Act;
- The Croatian Company Law;
- Law on Trade;
- Law Amending the Law on Trade (adopted on 30 June 1999);
- The Croatian Customs Law;
- Customs Law (adopted on 30 June 1999);
- The Croatian Customs Service Act;
- Diskette containing the new customs tariff (in force as from 1 July 1996);
- Decree on the Criteria for Tariff Quota;
- Decree Amending the Law on Administrative Taxes;
- Decree of 24 June 1999 Amending the Administrative Taxes Amounts of the Law on Administrative Taxes (equalizing administrative fees on import and export of waste);
- Tax System of the Republic of Croatia: Profit Tax Act, Income Tax Act and VAT Act;
- Law on Excise Tax on Oil Derivatives;
- Law on Excise Tax on Beer;
- Law on Excise Taxes on Automobiles, Other Motor Vehicles, Vessels and Aircraft;
- Law on Excise Tax on Non Alcoholic Beverages;
- Law on Excise Tax on Coffee;
- Law on Excise Taxes on Spirits;
- Law on Excise Tax on Spirits;
- Law amending the Law on Special Taxes on Tobacco Products (adopted on 18 June 1999);
- Export/Import Quotas for the Years 1991, 1992 and 1993;
- Export/Import Quotas for the Year 1995;
- Export/Import Quotas for 1996;
- List of Goods Imported and Exported on the Basis of 1995 Licences;
- Export/Import Licences in 1996;
- Decision Amending the Decision Determining the Goods Imported and Exported on Basis of Licences;

- Decision Amending the Decision Determining the Goods Imported and Exported on the Basis of Licences;
- Extract of the Draft Customs Law related to the issue of Customs Valuation;
- Statute of the Republic of Croatia on the Conditions and Method of Determining Tariff Bases;
- Customs Regulations for Determining the Customs Value According to the Customs Law of the Republic of Croatia (Articles 29 to 48);
- Law on Waste;
- Law on Environmental Protection;
- Decree on Rules of Origin and Procedure for Issue of Certificate of Origin (as of 24 June 1999);
- Attachment to the Decree on Rules of Origin;
- Certificate of Origin;
- Decision on Determining the Goods Exported on Basis of Quota of 12 July 1996;
- Decision on Termination of the Decision on Determining the Goods Exported on Basis of Quota;
- Decision on Termination of the Decision on Determining the Goods Exported on the Basis of Quota;
- Subsidies and Supports from State Budget Granted in the Republic of Croatia in 1997 and 1998;
- War Damage to the Agricultural Sector of the Republic of Croatia;
- Basic Data on the Fishing Sector of the Republic of Croatia;
- Government Decision on Establishing the TBT and SPS Enquiry Point;
- The Standardization Act of 2 July 1996;
- Standardization Act;
- State Office for Standardization and Metrology: Rules for Preparation, Adopting and Issuing of Croatian Standards;
- List of Croatian Standards;
- Law on State Inspectorate (adopted on 30 June 1999);
- Extract of the draft Law on State Inspectorates in Economy and Labour Area Related to the Quality Control System;
- Products Subject to Quality Control on Imports (HS Numbers);
- Decision on Amounts to be Paid for Covering the Costs of Quality Control of Products Upon Export and Import;
- Decision on Amounts to be Paid for Covering the Costs of Quality Control of Products Upon Export and Import of 23 May 1995;
- Regulation on the Procedure for the Adoption of Regulations on Basic Requirements for Goods, Processes and Services;
- Regulation Amending the Regulation on Standard Quality of Liquid Fuels (as of 24 June 1999);
- Law Concerning the Healthiness and Health Control of Foodstuffs and General Use Articles;
- Law concerning the Healthiness and Health Control of Foodstuffs and General Use Articles (1996);
- Drugs and Medical Products Law;
- Plant Protection Act;
- Phytosanitary Certificate;
- Regulation on Phytosanitary Inspection of Plants and Control of Plant Protection Products in the National Cross-Boundary Transportation;
- Regulation on Phytosanitary Inspection of Plants and Control of Plant Protection Products in National Cross-Boundary Transportation (to be revised by 1 June);
- Draft Regulation on the Amendments of the Regulation on Phytosanitary Inspection of Plants and Control of Plant – Protection Products in the National Cross – Boundary Transportation;
- List of Quarantine Plant Pests;
- Norms for the Establishment of Health Conditions of Crops, Nurseries, Seed and Planting Material;
- Law on State Commodity Reserves;
- The Croatian Free Zones Act;

- Decree on Procurement of Goods, Works and Services;
- Law on Procurement of Goods, Services and Works;
- Agricultural Strategy of the Republic of Croatia;
- List of Protection Measures on Agricultural and Food Products;
- Import Prices for Agricultural Products in 1997;
- The Tobacco Law of 5 July 1999;
- Agreement on Trade-related Aspects of Intellectual Property Rights;
- Copyright Law (unofficial consolidated integral version);
- Law on the Amendments of the Copyright Law (adopted on 30 June 1999);
- Trademark Law (adopted on 30 June 1999);
- Patent Law (adopted on 30 June 1999);
- Industrial Design Law (adopted on 30 June 1999);
- Law on the Protection of Layout-Designs on Integrated Circuits (adopted on 30 June 1999);
- Law on the Protection of Geographical Indications of Products and Services (adopted on 30 June 1999);
- The Croatian Banking Act;
- Law Amending the Law on Banks and Savings Banks (Official Gazette No.89 of 30 June 1998);
- Credit Relations with Foreign Countries Act;
- Insurance Law;
- Law on Insurance and Sale of Securities of 1 January 1996;
- Decision Promulgating the Law on Investment Funds of 14 December 1995;
- Law on Telecommunications;
- The Agreement on the Economic Co-operation between the Government of the Republic of Croatia and the Government of the Republic and Federation of Bosnia and Herzegovina;
- Free Trade Agreement between the Republic of Croatia and the Former Yugoslav Republic of Macedonia;
- Free Trade Agreement between the Republic of Croatia and the Republic of Slovenia;
- Reasons for requesting developing country treatment for the Republic of Croatia within the WTO;
- Tender Documentation for the Purchase of Joint Stock Companies;
- World Bank Project Portfolio in Croatia;
- List of IBRD, EBRD and CEF Project Loans; and
- Imports to Croatia 1998.

Table 5

Products Subject to Import Licensing¹

| HS code | Produce description | Licensing authority |
|----------|---|---------------------|
| 26.12 | Uranium or thorium ores and concentrates | Ministry of Economy |
| 2612.10 | Uranium ores and concentrates | |
| 2612.20 | Thorium ores and concentrates | |
| 28.44 | Radioactive chemical elements and radioactive isotopes (including the fissile or fertile chemical elements and isotopes) and their compounds; mixture and residues containing those products: | |
| 2844.10 | - Natural uranium and its compounds: alloys, dispersions (including cermets), ceramic products and mixtures containing these products | |
| 2844.20 | - Uranium enriched in U 235 and its compounds; plutonium and its compounds; alloys, dispersions (including cermets), ceramic products and mixtures containing uranium enriched U 235, plutonium or compounds of these products | |
| 2844.30 | - Uranium depleted in U 235 and its compounds; alloys, dispersions (including cermets), ceramic products and mixtures containing uranium depleted in U 235, thorium or compounds of these products | |
| 2844.40 | Radioactive elements and isotopes and compounds other than those of subheading No. 2844.10, 2844.20 or 2844.30; alloys, dispersions (including cermets), ceramic products and mixtures containing these elements, isotopes or compounds; radioactive residues | |
| 2844.50 | - Spent (irradiated) fuel elements (cartridges) of nuclear reactors | |
| 28.45 | Isotopes other than those of heading No.2844; compounds, inorganic or organic, of such isotopes, whether or not chemically defined | |
| 2845.10 | - Heavy water (deuterium oxide) | |
| 2845.90 | - Other | |
| 2845.901 | - Deuterium | |
| 29.04 | Sulphonated, nitrated or nitrated derivatives of hydrocarbons, whether or not halogenated | |
| 2904.201 | - Nitrobenzene | |
| 2904.202 | - Dinitrobenzene | |
| 2904.203 | - Di and trinitrotoluene | |
| 29.20 | Esters of other inorganic acids (excluding esters of hydrogen halide) and their salts; their halogenated, sulphonated, nitrated or nitrosalted derivatives: | |

¹ In addition, Croatia applies licensing to narcotics and substances damaging the ozone layer

| HS code | Produce description | Licensing authority |
|-----------|--|--|
| 2920.90 | - Other: | |
| 2920.9003 | - Nitroglycerin | |
| 2920.9004 | - Other esters of nitrate acid | |
| 2920.9006 | - Salts from other acids | |
| 30.01 | Glands and other organs for organo-therapeutic uses, dried, whether or not powdered; extracts of glands or other organs or of their secretions for organo-therapeutic uses; heparin and its salts; other human or animal substances prepared for therapeutic or prophylactic uses, not elsewhere specified or included | |
| 3001.10 | - Glands and other organs, dried, whether or not powdered | |
| 3001.90 | - Other | |
| 3001.909 | - Other | |
| 30.02 | Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses; antisera and other blood fractions and modified immunological products, whether or not obtained by means of biotechnological processes; vaccines, toxins, cultures of micro-organisms (excluding yeasts) and similar products | |
| 3002.10 | - Antisera and other blood fractions and modified immunological products, whether or not obtained by means of biotechnological processes | Ministry of Health or Ministry of Agriculture and Forestry |
| 3002.20 | - Vaccines for human medicine | |
| 3002.30 | - Vaccines for veterinary medicine | |
| 3002.90 | - Other | |
| 3002.909 | - Other | |
| 30.03 | Medicaments (excluding goods of heading No.3002, 3005 or 3006) consisting of two or more constituents which have been mixed together for therapeutic or prophylactic uses, not put up in measured doses or in forms or packings for retail sale: | |
| 3003.10 | - Containing penicillin or derivatives thereof, with a penicillanic acid structure, or streptomycin or their derivatives | |
| 3003.20 | - Containing other antibiotics | |
| 3003.201 | - Containing rolitetracyclin | |
| 3003.209 | - Other | |
| 3003.30 | - Containing hormones or other products of heading No.2937 but not containing antibiotics | |
| 3003.31 | - Containing insulin | |
| 3003.39 | - Other | |
| 3003.40 | - Containing alkaloids or derivatives thereof but not containing hormones or other products of heading No.2937 or antibiotics | |
| 3003.90 | - Other | |
| 3003.901 | Polimaltic complex with iron (III) hydroxide | |

| HS code | Produce description | Licensing authority | |
|----------|--|--|--------------------|
| 3003.902 | - Saccharine complex with iron (III) hydroxide | Ministry of Health or Ministry of Agriculture and Forestry | |
| 3003.909 | - Other | | |
| 30.04 | Medicaments (excluding goods of heading No.3002, 3005 or 3006) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms or packings for retail sale: | | |
| 3004.10 | - Containing penicillin or derivatives thereof, with a penicillanic acid structure, or streptomycin or their derivatives: | | |
| 3004.101 | - Ready made medicaments for retail sale | | |
| 3004.109 | - Medicaments in doses in bulk | | |
| 3004.20 | - Containing other antibiotics | | |
| 3004.201 | - Ready made medicaments for retail sale | | |
| 3004.209 | - Medicaments in doses in bulk | | |
| 3004.3 | - Containing hormones or other products of heading No.2937 but not containing antibiotics | | |
| 3004.31 | - Containing insulin | | |
| 3004.301 | - Ready made medicaments for retail sale | | |
| 3004.319 | - Medicaments in doses in bulk | | |
| 3004.32 | - Containing adrenal cortical hormones | | |
| 3004.321 | - Ready made medicaments for retail sale | | |
| 3004.329 | - Medicaments in doses in bulk | | |
| 3004.39 | - Other | | |
| 3004.391 | - Ready made medicaments for retail sale | | |
| 3004.399 | - Medicaments in doses in bulk | | |
| 3004.40 | - Containing alkaloids or derivatives thereof but not containing hormones, other products of heading No.2937 or antibiotics | | |
| 3004.401 | - Ready made medicaments for retail use | | |
| 3004.402 | - Oncovin doses in bulk | | |
| 3004.409 | - Other medicaments in doses in bulk | | |
| 3004.50 | - Other medicaments containing vitamins or other products of heading No.2936 | | |
| 3004.501 | - Ready made medicaments for retail sale | | |
| 3004.509 | - medicaments in doses in bulk | | |
| 3004.90 | - Other | | |
| 3004.902 | - Other medicaments for retail sale | | |
| 3004.903 | - Medicaments in doses in bulk | | |
| 3004.909 | - Other | | |
| 30.06 | Pharmaceutical goods specified in note 4 to this chapter | | |
| 3006.20 | - Blood grouping reagents | | |
| 3006.30 | - Opacifying preparations for x-ray examinations; diagnostic reagents designed to be administered to the patient | | |
| 3006.60 | - Chemical contraceptive preparations based on hormones or spermicides | | |
| 36.01 | 3601.00 | | Propellant powders |

| HS code | Produce description | Licensing authority | |
|----------|---------------------------------------|---------------------|---|
| 3601.001 | - Propellant powders with no smoke | Ministry of Economy | |
| 3601.002 | - Black propellant powder for hunters | | |
| 3601.003 | - Black propellant powder for miners | | |
| 3601.009 | - Other Black propellant powder | | |
| 36.02 | 3602.00 | | Prepared explosive, other than propellant powders |
| | 3602.001 | | - On the basis of ammonium nitrate |
| | 3602.002 | | - On the basis of chlorate and perchlorate |
| | 3602.003 | | - On the basis of nitroglycerine |
| | 3602.004 | | - On the basis of nitrate esters |
| | 3602.009 | | - Others |
| 36.03 | 3603.00 | | Safety fuses; detonating fuses; percussion or detonating caps; igniters; electric detonators: |
| | 3603.001 | | - Detonating fuses |
| | 3603.002 | | - Safety fuses |
| | 3603.003 | | - Caps |
| | 3603.004 | | - Igniters |
| | 3603.009 | | -Detonators |
| 36.04 | | | Fireworks, signalling flares, rain rockets, fog signals and other pyrotechnic articles |
| | 3604.90 | | - Other |
| | 3604.901 | | - Rain rockets |
| 38.01 | | | Artificial graphite; colloidal or semi-colloidal graphite; preparations based on graphite or other carbon in the form of pastes, plates or other semi-manufactures |
| | 3801.10 | | - Artificial graphite |
| | 3801.101 | | -Of nuclear grade |
| 48.08 | | | Paper and paperboard, corrugated (with or without glued flat surface sheets), creped, crinkled, embossed or perforated, in rolls or sheets, other than paper of the kind described in heading No.48,03 |
| | 4808.10 | | - Corrugated paper and paperboard, whether or not perforated |
| 48.19 | | | Cartons, boxes, cases, bags and other packing containers, of paper, paperboard, cellulose wadding or webs of cellulose fibres; box files, letter trays, and similar articles, of paper or paperboard of a kind used in offices, shops or the like |
| | 4819.10 | | - Cartons, boxes and cases, of corrugated paper or paperboard |
| 49.07 | 4907.00 | | Unused postage, revenue or similar stamps of current or new issue in the country to which they are destined; stamp-impressed paper; banknotes; cheque forms; stock; share or bond certificates and similar documents of title: |
| | 4907.002 | | - Securities (stocks, cheque forms, etc.) |
| | 4907.003 | | - Banknotes which are not legal tender in any country |

| HS code | Produce description | Licensing authority |
|----------|---|--|
| 4907.009 | - Other | |
| 68.15 | Articles of stone or of other mineral substances (including carbon fibres, articles of carbon fibres and articles of peat) not elsewhere specified or included. | |
| 6815.10 | - Non –electrical articles of graphite or other carbon | |
| 6815.101 | - Of nuclear grade graphite | |
| 70.17 | Laboratory, hygienic or pharmaceutical glassware, whether or not graduated or calibrated | |
| 7017.10 | - Of fused quartz or other fused silica | State Bureau of Standards and Measurements |
| 7017.20 | - Of other glass having a linear coefficient of expansion not exceeding 5×10^{-6} per Kelvin within a temperature range of 0 c to 300 c | |
| 7017.90 | - Other | |
| 71.08 | Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form: | Ministry of Economy |
| 7108.1 | - Non-monetary | |
| 7108.11 | --- Powder | |
| 7108.12 | --- Unwrought | |
| 7108.13 | -- Semi-manufactured | |
| 7108.20 | - Monetary | |
| 71.18 | Coin | |
| 7118.10 | - Coins (other than gold coin), not being legal tender | |
| 7118.90 | - Other | |
| 73.10 | Tanks, casks, drums, cans, boxes and similar containers, for any material (other than compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment. | State Bureau of Standards and Measurements |
| 7310.10 | - Of a capacity of 50 l or more | |
| 7310.2 | - Of a capacity of less than 50 l : | |
| 7310.29 | - Other | |
| 84.01 | Nuclear reactors; fuel elements (cartridges), non-irradiated, for nuclear reactors, machinery and apparatus for isotopic separation: | Ministry of Economy |
| 8401.10 | - Nuclear reactors | |
| 8401.20 | Machinery and apparatus for isotopic separation, and their parts | |
| 8401.30 | - Fuel elements (cartridges), non-irradiated | |
| 8401.40 | - Parts of nuclear reactor | |
| 84.13 | Pumps for liquids, whether or not fitted with a measuring device; liquid elevators | |
| 8413.1 | - Pumps fitted or designed to be fitted with a measuring device | |
| 8413.11 | -- Pumps for dispersing fuel or lubricants, of the type used in filling-stations or in garages | |

| HS code | Produce description | Licensing authority |
|-----------|---|--|
| 84.23 | Weighing machinery (excluding balances of a sensitivity of 5cg or better) including weight operated counting or checking machines; weighing machine weights of all kinds | State Bureau of Standards and Measurements |
| 8423.10 | - Personal weighing machines, including baby scales; household scales | |
| 8423.20 | - Scales for continuous weighing of goods on conveyors | |
| 8423.30 | - Constant weight scales and scales for discharging a predetermined weight of material into a bag or container, including hopper scale | |
| 8423.8 | - Other | |
| 8423.81 | -- Having a maximum weighing capacity not exceeding 30kg, | |
| 8423.82 | -- Having a maximum weighing capacity exceeding 30kg but not exceeding 5,000kg | |
| 8423.89 | -- Other | |
| 8423.891 | --- Weighbridge (railway and road) | |
| 8423.899 | --- Other | |
| 8423.90 | - Weighing machine weights of all kinds; parts of weighing machinery | |
| 8423.901 | --- Weight | |
| 85.25 | Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras; still image video cameras and other video camera recorders: | |
| 8525.10 | - Transmission apparatus | |
| 8525.101 | - Radio transmission | |
| 8525.109 | -- Other | |
| 8525.20 | - Transmission apparatus incorporating reception apparatus | |
| 8525.201 | - Repeater for radio | |
| 8525.209 | -- Other | |
| 85.26 | Radio apparatus, radio navigational aid apparatus and radio remote control apparatus | |
| 8526.10 | - Radar apparatus | Ministry of Economy, Ministry of Defence or Ministry of Interior |
| 8526.91 | - Radio navigational apparatus | |
| 8526.92 | - Radio remote control apparatus | |
| 87.01 | Tractors (other than tractors of heading No.8709) | |
| 8701.90 | - Other | |
| 8701.9021 | ---- Over 5 years old | Ministry of Economy, Ministry of Defence or Ministry of Interior |
| 87.10 | 8710.00 Tanks and other armoured fighting vehicles, motorised, whether or not fitted with weapons and parts of such vehicles | |
| 89.06 | 8906.00 Other vessels, including warships and lifeboats other than rowing boats: | |
| 8906.001 | --- Warships of all sorts | |

| HS code | Produce description | Licensing authority |
|----------|--|--|
| 90.15 | Surveying (including photogrammetrical surveying), hydrographic, oceanographic, hydrological, meteorological or geophysical instruments and appliances, excluding compasses; rangefinders | |
| 9015.10 | - Rangefinders | |
| 9015.20 | - Theodolites and tacheometers | |
| 9015.30 | - Levels | |
| 90.16 | Balances of a sensitivity of 5 cg or better, with or without weights | State Bureau of Standards and Measurements |
| 90.18 | Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other electromedical apparatus and sight testing instruments | |
| 9018.3 | - Syringes, needles, catheters, cannulae and the like | |
| 9018.31 | - Syringes, with or without needles | |
| 9018.90 | - Other apparatus and instruments | |
| 9018.901 | --- Apparatus for dialysis | |
| 90.25 | Hydrometers, and similar floating instruments, thermometers, pyrometers, barometers, hygrometers and psychrometers, recording or not, and any combination of these instruments | |
| 9025.1 | - Thermometers and pyrometers, not combined with other instruments | |
| 9025.11 | -- Liquid-filled or direct reading | |
| 9025.19 | -- Other | |
| 90.26 | Instruments and apparatus for measuring or checking the flow, level, pressure or other variables of liquids or gases (for example, flow meters, level gauges, manometers, heat meters), excluding instruments and apparatus of heading Nos,9014, 9015, 9028 or 9032: | |
| 9026.10 | - For measuring or checking the flow or level of liquids: | |
| 9026.101 | --- Electronic | |
| 9026.102 | --- Electric | |
| 9026.109 | --- Other | |
| 9026.20 | - For measuring or checking pressure: | |
| 9026.201 | --- Electronic | |
| 9026.202 | --- Electric | |
| 9026.203 | --- Manometers (non-electronic, non-electric) | |
| 9026.209 | --- Other | |
| 9026.80 | - Other instruments or apparatus: | |
| 9026.801 | --- Electronic | |
| 9026.802 | --- Electric | |
| 9026.803 | --- Flow meters of gases (non-electronic and non-electric) | |
| 9026.809 | -- Other | |

| HS code | Produce description | Licensing authority |
|----------|---|--|
| 90.27 | Instruments and apparatus for physical or chemical analysis (for example, polarimeters, refractometers, spectrometers, gas or smoke analysis apparatus); instruments and apparatus for measuring or checking viscosity, porosity, expansion, surface tension or the like; instruments and apparatus for measuring or checking quantities of heat, sound or light (including exposure meters); microtomes: | State Bureau of Standards and Measurements |
| 9027.10 | - Gas and smoke analysis apparatus: | |
| 9027.101 | --- Electronic | |
| 9027.102 | --- Electrical | |
| 9027.109 | --- Other | |
| 9027.80 | --- Other instruments and apparatus: | |
| 9027.801 | ---Electronic | |
| 9027.802 | ---Electrical | |
| 9027.809 | --- Other | |
| 90.28 | Gas, liquid or electricity supply or production meters, including calibrating meters therefore: | |
| 9028.10 | - Gas meters | |
| 9028.20 | - Liquid meters | |
| 9028.201 | --- For fuel | |
| 9028.202 | --- Water meters | |
| 9028.209 | --- Other | |
| 9028.30 | - Electricity meters | |
| 90.29 | Revolution counters, production counters, taximeters, mileometers, pedometers and the like; speed indicators and tachometers, other than those of heading Nos, 9014 or 9015; stroboscopes | |
| 9029.10 | - Revolution counters, production counters, taximeters, mileometers, pedometers and the like: | |
| 9029.101 | --- Electronic | |
| 9029.102 | --- Electric | |
| 9029.109 | --- Other | |
| 9029.20 | Speed indicators and tachometers; stroboscopes | |
| 9029.201 | --- Electronic | |
| 9029.202 | --- Electric | |
| 9029.209 | --- Other | |
| 90.30 | Oscilloscopes, spectrum analyzers and other instruments and apparatus for measuring or checking electrical quantities, excluding meters of heading No.9028; instruments and apparatus for measuring or detecting alpha, beta gamma, x-ray, cosmic or other ionising radiations: | |
| 9030.10 | - Instruments and apparatus for measuring or detecting ionising radiations; | |

| HS code | Produce description | Licensing authority |
|---------|--|--|
| 91.06 | Time of day recording apparatus and apparatus for measuring, recording or otherwise indicating intervals of time, with clock or watches movement or with synchronous motor (for example, time-registers, time-recorders): | |
| | 9106.20 - Parking meters | |
| 93.01 | 9301.00 Military weapons, other than revolvers, pistols and the arms of heading No.9307 | |
| 93.02 | 9302.00 Revolvers and pistols, other than those of heading No.9303 or 9304 | |
| 93.03 | Other firearms and similar devices which operate by firing of an explosive charge (for example, sporting shotguns and rifles, muzzle-loading firearms, very pistols and other devices designed to project only signal flares, pistols and revolvers for firing blank ammunition, captive-bolt humane killers, line-throwing guns): | |
| | 9303.10 - Muzzle-loading firearms | |
| | 9303.20 - Other sporting, hunting or target-shooting shotguns, including combination shotgun-rifles: | |
| | 9303.30 - Other sporting hunting or target-shooting rifles | |
| | 9303.90 - Other | |
| | 9303.901 --- Starting rifles | |
| | 9303.909 --- Other | |
| 93.04 | 9304.00 Other arms (for example, spring, air or gas guns and pistols, truncheons), excluding those of heading No.9307 | Ministry of Economy, Ministry of Defence or Ministry of Interior |
| | 9304.001 --- Shotguns for spear-fishing | |
| | 9304.009 --- Other | |
| 93.05 | Parts and accessories of articles of heading Nos,9302 to 9304 | |
| | 9305.10 -- Of revolvers or pistols | |
| | 9305.101 --- Shotguns for spear-fishing | |
| | 9305.109 --- Other | |
| | 9305.2 - For rifled barrels, hunting and sporting rifles from heading No.9303 | |
| | 9305.21 --- Tubes for rifle barrels | |
| | 9305.29 -- Other | |
| | 9305.90 - Other | |
| | 9305.901 --- Products from heading No. 9301 | |
| | 9305.909 --- Other | |
| 93.06 | Bombs, grenades, torpedoes, mines, missiles and similar munitions of war and parts thereof; cartridges and other ammunition and projectiles and parts thereof, including shot and cartridge wads: | |
| | 9306.10 - Cartridges for riveting or similar tools or for captive-bolt humane killers and parts thereof | |
| | 9306.2 - Cartridges for rifled barrels and their parts; cartridges for air guns | |
| | 9306.21 --- Patrons | |
| | 9306.29 -- Other | |

| HS code | | Produce description | Licensing authority |
|---------|---------|--|---------------------|
| | 9306.30 | - Other cartridges and parts thereof | |
| | 9306.90 | - Other | |
| 93.07 | 9307.00 | Swords, cutlasses, bayonets, lances and similar arms and parts thereof and scabbards and sheaths thereof | |

Table 6

Products Subject to Export Licences²

| HS code | | Product description | Licensing authority |
|---------|-----------|--|---------------------|
| 28.44 | | Radioactive chemical element and radioactive isotopes (including the fissile or fertile chemical elements and isotopes) and other compounds; mixtures and residues containing those products: | Ministry of Economy |
| | 2844.10 | - Natural uranium and its compounds: alloys, dispersions (including cermets), ceramic products and mixture containing natural uranium or natural uranium compounds; | |
| | 2844.20 | - Uranium enriched in U 235 and its compound; plutonium and its compounds; alloys, dispersions (including cermets), ceramic products and mixtures containing uranium enriched U 235, plutonium or compounds of these products; | |
| | 2844.30 | - Uranium depleted in U 235 and its compounds, thorium and its compounds; alloys, dispersions (including cermets) ceramic products and mixtures containing uranium depleted in U 235, thorium or compounds of these products | |
| | 2844.50 | - Spent (irradiated) fuel elements (cartridges) of nuclear reactor | |
| 28.45 | | Isotopes other than those of heading No.2844; compounds, inorganic or organic, of such isotopes, whether or not chemically defined | |
| | 2845.10 | - Heavy water (deuterium oxide) | |
| 29.04 | | Sulphonated, nitrated or nitrated derivatives of hydrocarbons, whether or not halogenated | |
| | 2904.201 | --- Nitrobenzene | |
| | 2904.202 | --- Dinitrobenzene | |
| | 2904.203 | --- Di and trinitrotoluene | |
| 2920 | | Esters of other inorganic acids (excluding esters of hydrogen halide) and their salts; their halogenated, sulphonated, nitrated or nitrosalted derivatives: | |
| | 2920.90 | Other: | |
| | 2920.9003 | Nitroglycerin | |
| | 2920.9004 | Other esters of ,,,, acids | |
| 49.07 | 4907.00 | Unused postage, revenue or similar stamps of current or new issue in the country to which they are destined; stamp-impressed paper; banknotes; cheque forms; stock; share or bond certificates and similar documents of title: | |
| | 4907.002 | --- Securities (actions, cheque books, etc.) | |
| | 4907.003 | --- Banknotes which are not legal means of payment in any of the countries | |

² In addition, Croatia applies licensing to narcotics and substances damaging the ozone layer

| HS code | | Product description | Licensing authority | |
|---------|----------|--|---------------------|--|
| | 4907.009 | --- Other | Ministry of Economy | |
| 71.08 | | Gold including gold plated with platinum unwrought semi-manufactured forms, or in powder form: | | |
| | 7108.1 | - Non-monetary | | |
| | 7108.11 | --- Powder | | |
| | 7108.12 | --- Other unwrought forms | | |
| | 7108.13 | -- Other semi-manufactured forms: | | |
| | 7108.20 | - Monetary | | |
| 71.09 | 7109.00 | Base metals or silver, clad with gold, not further worked than semi-manufactured | | |
| 71.10 | | Platinum, unwrought or in semi-manufactured forms, or in powder form | | |
| | 7110.1 | Platinum | | |
| | 7120.11 | Unwrought or in powder form | | |
| | 7110.19 | -- Other | | |
| | 7110.2 | Palladium | | |
| | 7110.21 | -- Unwrought or in powder form | | |
| | 7110.29 | -- Other | | |
| | 7110.3 | Rhodium | | |
| | 7110.31 | - Unwrought or in powder form | | |
| | 7110.39 | -- Other | | |
| | 7110.4 | Iridium, osmium and ruthenium | | |
| | 7110.41 | -- Unwrought or in powder form | | |
| | 7110.49 | -- Other | | |
| 71.11 | 7111.00 | Base metals, silver or gold, clad with platinum, not further worked than semi-manufactured | | |
| 71.18 | | Coin | | |
| | 7118.10 | - Coin (other than gold coin), not being legal tender | | |
| | 7118.90 | - Other | | |
| 84.01 | | Nuclear reactors; fuel elements (cartridges), non-irradiated, for nuclear reactors, machinery and apparatus for isotopic separation: | | Ministry of Economy, Ministry of Defence or Ministry of Interior |
| | 8401.10 | - Nuclear reactors | | |
| | 8401.20 | Machinery and apparatus for isotopic separation, and parts thereof | | |
| | 8401.30- | Fuel elements (cartridges), non-irradiated | | |
| | 8401.40 | Parts of nuclear reactor | | |
| 87.10 | 8710.00 | Tanks and other armoured fighting vehicles, motorised, whether or not fitted with weapons and parts of such vehicles | | |
| 89.06 | 8906.00 | Other vessels, including warships and lifeboats other than rowing boats: | | |
| | 8906.001 | --- Warships of all sorts | | |
| 93.01 | 9301.00 | Military weapons, other than revolvers, pistols and the arms of heading No.9307 | | |
| 93.02 | 9302.00 | Revolvers and pistols, other than those of heading No.9303 or 9304 | | |

| HS code | | Product description | Licensing authority |
|---------|----------|--|--|
| 93.03 | | Other firearms and similar devices which operate by firing of an explosive charge (for example, sporting shotguns and rifles, muzzle-loading firearms, very pistols and other devices designed to project only signal flares, pistols and revolvers for firing blank ammunition, captive-bolt humane killers, line-throwing guns): | Ministry of Economy, Ministry of Defence or Ministry of Interior |
| | 9303.10 | - Muzzle-loading firearms | |
| 93.05 | | Parts and accessories of articles of heading Nos,9301 to 9394 | |
| | 9305.10 | -- Of revolvers or pistols | |
| | 9305.101 | --- Shotguns for spear-fishing | |
| | 9305-109 | --- Other | |
| | 9305.90 | - Other | |
| | 9305.901 | --- Products falling within heading No. 9301 | |
| | 9305.909 | --- Other | |
| 93.06 | | Bombs, grenades, torpedoes, mines, missiles and similar munitions of war and parts thereof; cartridges and other ammunition and projectiles and parts thereof, including shot and cartridge wads: | |
| | 9306.10 | - Cartridges for riveting or similar tools or for captive-bolt humane killers and parts thereof | |
| | 9306.2 | Cartridges for shotguns and parts thereof; air gun pellets | |
| | 9306.21 | --- Cartridges | |
| | 9306.29 | -- Other | |
| | 9306.30 | - Other cartridges and parts thereof | |
| | 9306.90 | - Other | |
| 93.07 | 9307.00 | Swords, cutlasses, bayonets, lances and similar arms and parts thereof and scabbards and sheaths thereof | |
| 97.01 | | Paintings, drawings and pastels, executed entirely by hand, other than drawings on heading No. 4906 and other than hand-painted or hand-decorated manufactured articles; collages and similar decorative plaques | Ministry of Culture |
| | 9701.10 | - Paintings (for example, oils, aquarelles and pastels) and drawings | |
| | 9701.90 | - Other | |
| 97.02 | 9702.00 | Other engravings, prints and lithographs | |
| 97.03 | 9703.00 | Original sculptures and statuary, in any material | |
| 97.05 | 9705.00 | Collections and collector's pieces of zoological botanical, mineralogical, anatomical, historical, archaeological, palaeontological, ethnographic or numismatic interest | |
| 97.06 | 9706.00 | Antiques of an age exceeding 100 years | |

Table 7
Products Subject to Quality Control and
Regulations for the Control of These Products (applicable from October 1999)

| | Product Description |
|-----|---|
| 1. | <u>Meat and Meat Products</u> The regulation on the quality of meat of beef cattle and venison (Narodne Novine, No. 53/91); The regulation on the quality of meat products (Official Gazette, No. 53/91); The regulation on the quality of pork and its categorization (Official Gazette No. 53/91). |
| 2. | <u>Fish, Cray-Fish, Mussels, Sea-Urchins, Frogs, Turtles, Snails, and Related Products</u> The regulation on the quality of fish, cray-fish, mussels, sea-urchins, frogs, turtles, snail, and related products (Official Gazette, No. 53/91). |
| 3. | <u>Milk, Dairy Products, and Pure Cultures</u> The regulation on the quality of milk, dairy products, and pure cultures (Official Gazette, No. 53/91). |
| 4. | <u>Ice-Cream, Ice-Cream Products, and Frozen Desserts</u> The regulation on the quality of milk, dairy products, and pure cultures (Official Gazette, No. 53/91). |
| 5. | <u>Fruit, Vegetables, Mushrooms and Related Products</u> The regulation of the quality of fruit, vegetables, mushrooms and related products (Official Gazette, No. 53/91). |
| 6. | <u>Coffee, Coffee Products, and Products Made of Coffee Substitutes</u> The regulation of the quality of coffee, coffee products, and products made of coffee substitutes (Official Gazette, No. 53/91). |
| 7. | <u>Teas</u> The regulation of the quality of coffee, coffee products, and products made of coffee substitutes, tea, condiments, leaven, baking powder, pudding powder and low-caloric products (Official Gazette, No. 53/91). |
| 8. | <u>Common Salt and Brining Salt</u> The regulation of the quality of salt used as food (Official Gazette, No. 53/91). |
| 9. | <u>Soups, Soup Concentrates, Sauce Concentrates and Food Supplements</u> The regulation of the quality of soups, soup concentrates, sauce concentrates and food supplements (Official Gazette, No. 53/91). |
| 10. | <u>Grain, Baking Products, Pasta, and Deep Frozen Pasta</u> The regulation of the quality of grain, baking products, pasta, and deep frozen pasta (Official Gazette, No. 53/91). |
| 11. | <u>Biscuits and Biscuit-Related Products</u> The regulation of the quality of biscuits and biscuit-related products (Official Gazette, No. 53/91). |
| 12. | <u>Food Oils and Vegetable Fats, Margarine, Mayonnaise and Other Related Products</u> The regulation of the quality of oils and vegetable fats, margarine, mayonnaise and other related products (Official Gazette, No. 53/91); The regulation of the quality of olive oil and blended olive oil (Official Gazette, No. 53/91). |
| 13. | <u>Sugar and Related Products</u> The regulation of the quality of oils and vegetable fats, margarine, mayonnaise, sugar, honey and sugar-related products (Official Gazette, No. 53/91). |
| 14. | <u>Honey and Other Apiary Products</u> The regulation of the quality of honey and other apiary products and regulations on methods of quality control of honey and other apiary products (Official Gazette, No. 53/91). |
| 15. | <u>Cacao Products, Creams, Candies and Related Products</u> The regulation of the quality of cacao products, chocolate-related products, candies (Official Gazette, No. 53/91). |
| 16. | <u>Alcoholic Beverages</u> The regulation of the quality of alcoholic beverages (Official Gazette, No. 53/91). |
| 17. | <u>Non-Alcoholic Beverages</u> The regulation of the quality of non-alcoholic beverages and soda-water (Official Gazette, No. 23/97). |
| 18. | <u>Fodder and Pet-Food</u> The regulation of the quality of fodder (Official Gazette, No 53/91). |

| Product Description | |
|---------------------|---|
| 19. | <u>Fuel Oils</u> The rules regulating the quality of fuel oils (Official Gazette No. 53/91). |
| 20. | <u>Jet Engine Fuels</u> The rules regulating the quality of jet engine fuels (Official Gazette No. 79/95); |

Table 8

Products subject to sanitary measures

| Tariff No. | Product description | Measure |
|------------|--|---|
| 01 | Live animals; animal products | Veterinary regulations Health regulations |
| 02 | Meat and edible meat offal | Veterinary regulations Health regulations |
| 03 | Fish, crustaceans, molluscs and other aquatic invertebrates | Veterinary regulations Health regulations |
| 04 | Dairy products, honey, eggs | Veterinary regulations Health regulations |
| 05 | Products of animal origin | Veterinary regulations Health regulations |
| 15 | Animal fats, prepared edible fats, animal waxes | Veterinary regulations Health regulations |
| 16 | Preparations of meat, fish, crustaceans, molluscs or other aquatic invertebrates | Veterinary regulations Health regulations |
| 21 | Miscellaneous edible preparations | Veterinary regulations Health regulations |
| 23 | Chemical Residues | Veterinary regulations Health regulations |
| | Animal feed | Veterinary regulations Livestock regulations |

Table 9

Products subject to phytosanitary measures

| Tariff Number | Plants and Plant Product Description |
|---------------|---|
| 06.01 - 06.04 | Living trees and other plants, bulbs, roots and similar, cut flowers and ornamental leaves |
| 07.01 - 07.14 | Edible vegetables and certain root and tubers fresh or dried (excluded frozen and conserved) |
| 08.01 - 08.14 | Edible fruits and nuts, peel of citrus fruit or melons fresh or dried (excluded frozen, conserved, boiled) |
| 09.01 - 09.10 | Coffee unroasted, tea, mate and spices - unpacked and unprocessed |
| 10.01 - 10.08 | Cereals |
| 11.01 - 11.06 | Products of milling industry – excluded malt, starch, inulin and gluten |
| 12.01 - 12.14 | Oil seeds and fruits, miscellaneous grains, seeds and fruits, industrial and medicinal plants, straw and fodder |
| 14.01 - 14.04 | Vegetable planting materials, vegetable products not elsewhere specified or included |
| 18.01 - 18.02 | Cocoa beans, whole or broken, unroasted |
| 23.00 - 23.09 | Residues and waste from the food industries, prepared animal fodder |
| 24.01 | Unmanufactured tobacco, tobacco refuse |
| 27.03 | Peat (including peat litter) |
| 31.01 | Vegetable fertilizers, fertilizer produced by the mixing of animal and vegetable products |
| 38.08 | Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packing for retail sale |
| 44.01- 44.18 | Wood and wood products – excluded wood chemically or heat treated |
| 45.01 | Natural cork, raw or simply prepared, waste cork, crushed, granulated or ground cork |
| 50.01 | Silk - worm cocoons suitable for reeling |
| 50.03 | Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock) |
| 52.01 - 52.02 | Cotton, not carded or combed, cotton waste |
| 53.01 | Flax raw or processed but not spun, tow and waste (including yarn waste and garnetted stock) |
| 53.02 | True hemp, raw or processed but not spun, tow and waste of true hemp |
| 53.03 | Jute and other bast, raw or processed but not spun, tow and waste of these fibres |
| 53.04 | Sisal and other textile fibres of the genus Agave raw or processed but not spun |

Table 10: Status of Legislation on Intellectual Property Rights in Croatia (July 1999)

| Parts | Sections | Articles | Full compliance already existing pursuant to the laws being previously in force | Full compliance achieved pursuant to: | |
|---|---|----------------|---|---------------------------------------|----------------------------|
| | | | | laws adopted on 30 June 1999 | the pertaining Regulations |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Agreement on Trade-Related Aspects of Intellectual Property Rights | | | | | |
| Part I General Provisions and Basic Principles | | Articles 1-8 | | MACL, PL,TL,IDL, LGI, LPLDIC | |
| Part II Standards Concerning the Availability, Scope and Use of Intellectual Property Rights | Section 1: Copyright And Related Rights | Articles 9-14 | | CL & MACL | |
| | Section 2: Trademarks | Articles 15-21 | | TL | RuTL |
| | Section 3: Geographical Indications | Articles 22-24 | | LGI | RuLGI |
| | Section 4: Industrial Designs | Articles 25-26 | | IDL | RuIDL |
| | Section 5: Patents | Articles 27-34 | LPPV | PL | RuPL |
| | Section 6: Layout-Designs (Topographies) | Articles 35-38 | | LPLDIC | RuLPLDIC |

| | | | | | |
|--|---|----------------|---------------------------------------|--------------------------------|------|
| | Section 7: Protection of Undisclosed Information | Article 39 | LT, LPDS, LPP, LMMP | | |
| | Section 8: Control of Anti-Competitive Practices in Contractual Licences | Article 40 | LOR | | |
| Part III Enforcement of Intellectual Property Rights | Section 1: General Obligations | Article 41 | LCP | | |
| | Section 2: Civil and Administrative Procedures and Remedies | Articles 42-49 | LCP, LO, LE, PL, TL, IDL, LGI, LPLDIC | | |
| | Section 3: Provisional Measures | Article 50 | LE, PL, TL, IDL, LGI, LPLDIC | | |
| | Section 4: Special Requirements Related to Border Measures | Articles 51-60 | | CL | RuCL |
| | Section 5: Criminal Procedures | Article 61 | PL, LPP | | |
| Part IV Acquisition and Maintenance of Intellectual Property Rights | | Article 62 | LGAP, LAD | PL, LPPV, TL, IDL, LIG, LPLDIC | |

LEGEND (KEY)

| | | | | |
|-------------|--|--|-----------------|--|
| CL | Copyright Law | <i>NN 9/99</i> | MACL | Modified and Amended Copyright Law |
| LPPV | Law on the Protection of Plant Varieties | <i>NN 131/97</i> | TL | Trademark Law |
| LT | Law on Trade | <i>NN 11/96, 75/99</i> | LGI | Law on Geographical Indications |
| LPDS | Law on the Protection of Data Secrecy | <i>NN 108/96</i> | IDL | Industrial Design Law |
| LPP | Law on the Protection of Plants | <i>NN 10/94</i> | PL | Patent Law |
| LMMP | Law on Medicines and Medical Products | <i>NN 124/97</i> | LPLDIC | Law on the Protection of Layout-Designs of Integrated Circuits |
| LOR | Law on Obligatory Relations | <i>NN 53/91; 73/91; 111/93; 3/94; 107/95; 7/96</i> | CL | Customs Law |
| LCP | Law on Civil Procedure | <i>NN 53/91; 91/92</i> | RuTL | Regulations under the Trademark Law |
| LE | Law on Enforcement | <i>NN 57/96</i> | RuGI | Regulations under the Law on Geographical Indications |
| LPP | Law on Penal Procedure | <i>NN 110/97</i> | RuIDL | Regulations under the Industrial Design Law |
| PL | Penal Law | <i>NN 110/97</i> | RuPL | Regulations under the Patent Law |
| LAP | Law on General Administrative Procedure | <i>NN 53/91</i> | RuLPLDIC | Regulations under the Law on the Protection of Layout. |
| LAD | Law on Administrative Disputes | <i>NN 53/91; 9/92; 77/92</i> | RuCL | Regulations under the Customs Law |
| NN | <i>Official Gazette of the Republic of Croatia</i> | | | |

ANNEX

SCHEDULE - CROATIA

Part I - Goods

[document WT/ACC/SPEC/HRV/10 and Corr.1]

Part II - Services

[document WT/ACC/SPEC/HRV/11]
