

**Does the new list contain all current import and export quotas in place, including the level of the quota? (Note: Croatia did not supply information on quota levels in Appendices 13 and 14. End note) Please specify by HS tariff line, level of nominal and applied import or export tariff, and what percentage of tariff positions and of trade are currently under the import and export quota regime.**

**Please clarify if these are strict quantitative quotas or tariff-rate quotas? How are these quotas administered? When does Croatia anticipate "complete elimination of quotas" from its economic system?**

**The response to question 43 states that the policy of using quotas will be completely abandoned when peaceful conditions prevail and economic activities are resumed throughout the who territory of the Republic of Croatia. (WT/ACC/HRV/3)**

**Does Croatia consider that these conditions now exist? Is Croatia prepared to bring its quantitative restrictions into conformity with WTO provisions prior to accession.**

**Article XI of the GATT 1994 and the WTO Agreement on Agriculture require that WTO members not use quotas as a form of trade regulation. We seek the elimination of the remaining quotas that cannot be explicitly justified, item by item, to the Working Party, prior to accession.**

**The draft Trade Bill in appendix 8 indicates that Croatia intends to retain authority for the application of quotas. (WT/ACC/HRV/4)**

**Please specifically define the "major imbalances" or "excessive imports" which would trigger the implementation of these quotas and explain in detail the situations in Articles 39-41 regarding their application and exemption.**

**In particular, please explain the provision for exemption from quotas for firms that export 50 percent or more of their output.**

**Croatia must confirm that any authority to apply quotas or other quantitative restrictions after its WTO accession will be applied in conformity with WTO provisions.**

**ANSWER:**

The Government of the Republic of Croatia passed at its July 12, 1996 session a Decision which abolished the Decision stating, among others, the kind of goods subject to import quotas.

At the same time, a Decision on export quotas was passed.

There is not a single product on which an import quota is imposed. This means, therefore, that the Government of the Republic of Croatia finalized the process of gradually decreasing the number of products subject to import quotas, which had started in 1994.

Export quotas are still imposed on crude oil, natural gas, crude timber, raw leather, glass and newspaper waste (0,5 % of the total number of tariff items) (Annex 1 list of export quotas).

Article 40 of the Law on Trade authorizes the Government of the Republic of Croatia, in cases of implementation of safeguard measures for the protection of local industry, to remove disturbances from the balance of payments and, for purposes of protecting infant industry, to impose import quotas.

Since Croatia abolished import quotas even before joining the World Trade Organization, the Government of the Republic of Croatia is undoubtedly determined to harmonize all future enforcement of quotas with WTO rules.

Quotas determine the volume of export of certain goods for a period of not more than one year. The Government of the Republic of Croatia is obliged to pass a regulation stipulating the volume of exported goods (quantity) for the subsequent year no later than 1 November of the current year. Besides, this regulation sets forth the criteria and conditions for quota allocation, as well as Ministry of Economic Affairs quota allocation procedures, predominantly public tendering.

The invitation to tender should be published in the newspapers at least 8 days prior to the quota allocation. In the allocation of quotas, a minimum of 10% should be set aside for additional allocations intended for new producers not anticipated in the regular allocation. Any legal or natural person that is duly registered in the Republic of Croatia, regardless of whether their founders are domestic or foreign persons, may apply for quotas. The allocation of quotas occurs semi-annually.

Please see Attachment "Extent of Export Quotas in 1996". (WT/ACC/HRV/23)

**QUESTION 61:**

**The quantitative restrictions still applied to some products (agricultural products, food, iron and steel products, machinery, textile fibres) will be progressively eliminated depending on the speed of recovery of the areas damaged by the war and the establishment of a market economy. The reply to question 10 mentions a decision to start a process gradually moving away from the system of quantitative restrictions. Does a precise programme of dismantling quantitative restrictions exist, or in other words, what are the terms of this decision? (WT/ACC/HRV/3, Question 10)**

**ANSWER:**

The Croatian Government has decided to gradually abolish the system of quantity restriction on imports. Since 1 April 1994 it has been systematically applying a plan in which the system of quotas is revised twice per year so that the number of products affected by the system is reduced. In 1995 revisions of the quota system were carried out in April and December. Thus, import quotas apply to 95 tariff positions or 0.7% of total imports.

On 1 July further liberalisation of imports and removal of quotas are to be carried out. At the same time, the new Customs Tariff Law entered into force, in which the entire protection system will be revised to make customs duties the single of trade policy instrument on imports.

**QUESTION 62:**

**In early 1994, it was decided to abandon import quotas in the agricultural sector and to replace them over a certain period with special charges for certain products. What are these charges and products? Have the import quotas already been eliminated? (WT/ACC/HRV/3, Question 42)**

**In the response to question 42 of WT/ACC/HRV/3, Croatia notes that many quotas have been replaced with special charges. Explain how these special charges are levied and whether they are levied in addition to tariffs. If levied in addition to tariffs, what plans does the Government of Croatia have to eliminate the existing import quotas on the 49 agricultural and food tariff positions?**

**ANSWER:**

The Republic of Croatia abolished the import quotas of certain agricultural and food products at the same time the new Customs tariff becomes effective, i.e. quotas will be expressed as a part of

the custom duty. The Customs Tariff was recently approved by Parliament and entered into force on 1 July 1996.

**QUESTION 63:**

**We welcome Croatia's commitment to abandon import and export quotas when peaceful conditions prevail in its territory. Will the complete withdrawal of import quotas in the agricultural sector be part of this process? Can Croatia provide an assurance that it will not be seeking increases in tariffs to compensate for removal of import restrictions? Can Croatia provide a timetable item-by-item when restrictions will be eliminated, and GATT justification by article for restrictions that Croatia proposes to retain? (WT/ACC/HRV/3, question 43)**

**ANSWER:**

The removal of quotas in the agricultural and food processing sector is the part of the overall process of removing quotas as an instrument of trade policy.

By passing the new Law on Customs Tariff which entered into effect on July 1, 1996, the conditions have been provided for the removal of quotas. Therefore, in the course of July, The Government of the Republic of Croatia will, according to the previously determined policy give a ruling whereby all quotas on agricultural and food products will be abolished.

**III.2(f).2 Licences**

**QUESTION 64:**

**Please confirm that no agricultural commodities are subject to import licenses (L/7466, page 35)**

**ANSWER:**

We confirm that agricultural commodities are not subject to import licences. Exemptions are the commodities that are classified as drugs, i.e. poppy, chrysalis, leaves of plant coca, cannabis, opium.

**QUESTION 65:**

**We commend Croatia for providing detailed information on the products covered by import licensing (Appendix 15-List of Goods Imported and Exported on the Basis of 1995. Licenses). We look forward to receiving Croatia's response to the questionnaire on import licensing.**

**ANSWER:**

The questionnaire on import licensing has been submitted to the WTO Secretariat in July of 1996.

**QUESTION 66:**

**Per the response to question 45, are all applications for licenses processed through the Ministry of Economic Affairs in Zagreb, or are they processed through regional offices as well?**

**If other offices are involved, is there any difference in the speed of the issuing of licenses depending upon the region in which the application is made? (WT/ACC/HRV/3)**

**ANSWER:**

The Croatian Government passed a new Decision on goods subject to import and export licenses on July 12, 1996, which we will soon forward to the WTO Secretariat. Export and import licenses are issued in Zagreb - not at the regional offices - by the relevant ministries and other relevant bodies of state administration listed in the Decision.

### **III.2(g) Customs Valuation**

#### **QUESTION 67:**

**Please prepare a response to the questionnaire on implementation of the WTO Agreement on Customs Valuation and submit it to the Working Party for review.**

**ANSWER:**

See document WT/ACC/HRV/19.

#### **QUESTION 68:**

**The responses to questions 47 and 48 (WT/ACC/HRV/3) refer to Croatia's legislation on customs valuation, as set forth in Articles 36-48 of the Customs Act of the Republic of Croatia (the "Act"). It appears that this legislation is not fully consistent with the WTO Agreement governing customs valuation policy. There are at least three significant departures from the Code in this legislation:**

- (i) The Act has no counterpart to Article 2 of the Code, which provides that customs value is to be based on the transaction value of identical merchandise in the event it cannot be determined under Article 1.**

**Does the Government of Croatia have a provision corresponding to Article 2 of the WTO Valuation Agreement?**

- (ii) Article 40 of the Act, the counterpart to Article 7 of the Code, does not contain the Code's prohibitions on determining customs value under: (1) a system which provides for the acceptance of the higher of two alternative values; and (2) minimum customs values.**

**How does the Customs Act comply with Article 7 of the WTO Valuation Agreement, which contains prohibitions on determining customs value under: (1) a system which provides for the acceptance of the higher of two alternative values; and (2) minimum customs values?**

- (iii) Article 44 of the Act affirmatively establishes a system of reference pricing. How does Article 44 comply with the WTO Valuation Agreement?**

**ANSWER:**

- (i) Article 38 paragraph 1, second line should read "...the contracted price of identical goods..." (translation error). Paragraph 2 of the same Article deals with "similar goods".**

Since paragraph 1 refers to "identical goods" and paragraph 2 to "similar goods", the provisions of the Croatian Customs Act fully respect the order of application of Articles 2 and 3 of the Agreement.

- (ii) Article 40 of the Act in fact does not contain the Agreement's prohibitions on determining customs value under (1) a system which provides for the acceptance of the higher of two alternative values and (2) the minimum customs values.**

Although the Act doesn't contain the first prohibition mentioned above, in practise we have accepted as a principle the solution from paragraph 4 of Article 38 of the Act providing that if more than one transaction value of goods is found, the lowest such value shall be used to determine the customs value of the imported goods. In other words it means that in a case of existing alternative values, we do not accept the highest or higher one.

Regarding the second prohibition (the minimum customs values), this remind us (if we have understood well) of a Brussels definition of the customs value which we abolished in 1973 when we

became, as the part of the part of the former Yugoslavia, member to the Agreement on the Implementation of Article VII of GATT. During the next revision of the Croatian Customs Act, which we plan to do, we will make the necessary amendments.

(iii) We do not think that Article 44 of the Act establishes a system of reference pricing, because the purpose of the value list was only to inform and facilitate the work of the Customs authorities, who accept as the customs base a transaction value of the good. In fact, the objective of establishing such a value list had been to combat fraudulent practices (under or over invoicing). Anyway we did not manage to issue such a list because of the lack of technical possibilities.

**QUESTION 69:**

**The language of Article 41 covering additions to the customs valuation base in several places appears to diverge from the customary terminology of the WTO Agreement. While it is possible that these and other departures from the language of the Agreement on the Implementation of Article VII of the GATT 1994 may be attributable to translation or other technical, rather than policy, issues, we would urge that Croatia take steps to ensure that its legislation or regulations that address the deficiencies.**

**Finally, we draw your attention to Article 52(1) of the Act which provides that "(i)f the price of goods imported is lower than the contracted price (Article 36 of the Act), and if imports of such goods may be harmful to the Croatian economy, additional customs duty may be charged to the amount of the difference between the price contracted and the price of the goods imported".**

**We would welcome Croatia's explanation of what is intended by the Article, whether it is related to Croatia's reference pricing system, and how the additional issue of "harmful" is addressed in operation, e.g., who decides.**

**We urge Croatia to separate issues of valuation from injury and to develop a further legal basis for the implementation of the WTO in Croatia's trade regime.**

**ANSWER:**

Article 52 of the Act refers to anti-dumping measures. The reason for this is that the former Yugoslav Law on Foreign Trade Operations, which Croatia took over in 1991, did not contain such provisions, so there were a part of the Act.

At any rate, the new Law on Trade which was entered into force on 17 February 1996, contains provisions on anti-dumping measures (Article 48 and 49) and as "*lex specialis* and *lex priori*", derogated Article 52 of the Act which became inactive.

**III.2(j) Standards and Certification**

**QUESTION 70:**

**The new Law on Standardization is expected to pass Parliament in June 1996. Croatian Standards will be prepared mostly by adoption of international standards (ISO, IEC). Which Croatian Standards are applied currently that are not international standards? (WT/ACC/HRV/7, Question 28)**

**ANSWER:**

Croatian standards that are currently applied are actually JUS standards of the former Yugoslavia. These standards were prepared by adopting international standards (about 30%). The other part was prepared on the basis of national standards of other countries. Strong efforts are being made in order