

#### IV.2(b) System of Guaranteed Prices

##### QUESTION 129:

**One of the forms of market intervention is the buying of basic agricultural products at protective prices. What are Croatia's plans for withdrawal of these interventions? (WT/ACC/HRV/3, Question 2)**

##### ANSWER:

Croatia has since its independence largely diminished the number of products on which guaranteed prices are applied. It is our long term goal of agricultural policy to abolish the mechanism of guaranteed prices, but this kind of support will be in place for the next 2-4 years for existing minimal number of products. Trends of prices on world market will be respected and it is intended that the mechanism of guaranteed (intervention) prices should be applied in cases of short term falls of prices on the world market.

##### QUESTION 130:

**How are the guaranteed prices for agricultural products determined? Please provide a list of these guaranteed prices (L/7466, page 47)?**

##### ANSWER:

Guaranteed prices of agricultural products in the Republic of Croatia are established primarily on the basis of production costs of large-scale enterprises enlarged by 5 to 10%; into account are taken also the changes in prices on both domestic and world market. Guaranteed (intervention) prices undoubtedly affect market prices. However, market prices depend on the supply and demand, and market conditions and can be higher or lower than the guaranteed prices. In this respect it is necessary to point out that the system of guaranteed prices only applies to products bought through activities of the State Directorate for Commodity Reserves. It is estimated that about 8% of the total value of agricultural output in 1995 was marketed at guaranteed prices. List of guaranteed prices for the year 1996 as well as their level remained the same as in 1995:

1. Wheat	0.90 kuna/kg
2. Sugar beet	0.22 kuna/kg
3. Sunflower	1.80 kuna/kg
4. Soybeans	1.80 kuna/kg
5. Oil rape	1.70 kuna/kg
6. Tobacco leaves	7.44 kuna/kg.

##### QUESTION 131:

**Questions 109-110 of WT/ACC/HRV/3 address State prices for agricultural products. Please explain how the bonus to certain agricultural produce is administered and whether it is a direct cash outlay. Does Croatia plan to eliminate this?**

##### ANSWER:

Bonus for certain agricultural products which is mentioned in the question represents producer incentive for production of small number of products and for quantities which have to be sold on the market. It is a direct cash outlay and the right for it have all registered producers (large-scale firms or small farmers) who have the proof that they have sold their product on the market. Republic of Croatia intends to change this system of incentives in the future in the way that it secures the same level of budgetary means implementing some of the green box measures.

**QUESTION 132:**

**Croatia notes that protective prices are applied in the event of state intervention. If there is no state intervention, how is the price determined? (WT/ACC/HRV/3)**

**ANSWER:**

In the absence of State intervention, prices on the Croatian market are determined by market laws.

**QUESTION 133:**

**Croatia states that 501,729,000 HRK was allocated from the Budget in 1994. for incentives and compensation. As noted in our comment on Question 108 above, this needs to be included in Croatia's agricultural country schedule. (WT/ACC/HRV/3)**

**ANSWER:**

All paid incentives and compensations will be included in Croatia's agricultural country schedule.

**QUESTION 134:**

**In 1996, the Government of the Republic of Croatia was expected to establish protective prices for the same products as in 1995. Have those prices definitively been established so far? (WT/ACC/HRV/5, page 5)**

**ANSWER:**

Guaranteed prices for 1996 were set at the same level and for the same products as in 1995.

**IV.2(c) Special Fees on Imports of Agricultural and Food Produce (Surtax)**

**QUESTION 135:**

**In response 24, Croatia indicates that it applies various fees to agricultural commodities. What entity decides and how is it decided that a "foreign good is liable to cause significant disturbance on the domestic market or if a company or some other entity would be in monopoly position or impose a monopolistic price on the good in question"? (WT/ACC/HRV/3)**

**ANSWER:**

According to Article 55 of the Customs Law the Government of the Republic of Croatia is authorised to introduce the mentioned decision, following the proposal of the Minister of Finance and after it has obtained the opinion of the Croatian Chamber of Commerce.

The new Law on Customs Tariff will cancel Article 55 which already has been derogated by Articles 38 and 39 of the Trade Law. These articles contain export and import protection measures, and the implementing regulations for specific procedure, will be introduced later. The new provisions are in compliance with the Agreement on Safeguards.

**QUESTION 136:**

**In L/7466 and in WT/ACC/HRV/3, Croatia indicates that it levies a number of charges on agricultural products and describes these various charges. Please provide more information on how seasonal tariffs would be implemented if they were ever to be applied, e.g., how would the charge be calculated and how much prior notice would be provided to exporters?**

**ANSWER:**

As soon as the new Customs Tariff enters into force we will abolish completely seasonal tariffs. They have never been applied in the Republic of Croatia.

**QUESTION 137:**

**Which imported commodities are currently subject to the additional tax and the supplementary tax? (WT/ACC/HRV/3)**

**ANSWER:**

Agricultural and food products are not subject to additional or supplementary taxes, except for excise taxes on coffee, tobacco, beer, non alcoholic, and alcoholic products.

**QUESTION 138:**

**Please explain how the "special tax" referred to in the response to question 29 on imported agricultural and food products is consistent with the WTO. (WT/ACC/HRV/3)**

**ANSWER:**

This excise tax is levied equally on domestic and imported products. With regard to the higher level of certain imported products (coffee, tobacco, beer, non alcoholic, and alcoholic products), the respective law will be adopted to the requirements of the WTO prior to Croatia's accession.

**QUESTION 139:**

**The "special fee" on agricultural and food products described in this section of WT/ACC/HRV/3 sounds like a minimum import price and appears to be calculated like a variable levy. This type of measure lacks transparency and is not consistent with GATT Article VII. Does Croatia intend to eliminate its special compensatory fee on imported agricultural and food products upon WTO accession? If not, how does Croatia intend to bring this into conformity with WTO regulations?**

**ANSWER:**

The special compensatory fee for imported agricultural and food products has been abolished in the new Croatian Customs Tariff.

**QUESTION 140:**

**We note that Croatia introduced a special fee on agriculture and food products in July 1993. What are Croatia's plans for withdrawal of this tax? (WT/ACC/HRV/3, Question 31)**

**ANSWER:**

The Republic of Croatia will abolish the variable protective fees on imports of certain agricultural and food products at the same time the new Customs tariff becomes effective, i.e. protective fees will be expressed as a part of the custom duty (per quantity unit). The Customs Tariff was recently approved by Parliament and is entering into force July 1, 1996.

**QUESTION 141:**

**A special fee is levied on imports of agricultural and food products as a temporary measure to prevent deterioration of the domestic agricultural sector. May it be hoped that this fee will shortly be eliminated? (WT/ACC/HRV/3, Question 32)**

**ANSWER:**

Variable levies have been abolished in the new Customs Tariff. The new Customs tariff is entering into force on 1 July 1996.

**QUESTION 142:**

**The abundance of charges that may be applied to agricultural products and the ambiguity of whether such charges actually are applied blocks the transparency required by WTO provisions and makes it difficult for traders to understand in advance of export the effective final tariff to which their goods will be subject. (WT/ACC/HRV/3)**

**We fully support Croatia's intent to eliminate these charges in favour of a single tariff system. Croatia must also ensure that measures taken for ad hoc protection of domestic firms against imports are applied and administered consistent with the safeguard provisions of the WTO.**

**ANSWER:**

All additional charges or fees on the importation of agricultural products have been abolished with the adoption of the new Customs Tariff Law.

**QUESTION 143:**

**We commend Croatia for submitting such extensive material on its agricultural sector. The tariff schedule and lists of products subject to quotas and licenses are particularly helpful. However, we would like clarify a few points in the List of Protection Measures on Agricultural and Food Products. (WT/ACC/HRV/4, Appendix 20)**

- i. Under the heading "Rate of Duty", are the tariff rates listed as ad-valorem duties?**
- ii. What is the nominal amount of the special duty? Although it is helpful to indicate which products are charged the special duty, it would be more transparent if the actual duty levied was listed as well.**
- iii. If column 6 is blank, what does that mean? If 0.00B is listed under column 6, what does that mean? Tariff lines 1211.909, other plants used in perfumery and 1302.19, other vegetable extract are listed as being both free and requiring licenses. Please clarify. Tariff lines 1509.90 other, excluding olive oil packing 50 to 25; 1510 other oils, excluding olive packing.50 to 25; and 1602.39 other prepared/preserved meat excluding poultry of limited shelf life each have a nominal amount listed in column six. Please explain.**

**ANSWER:**

- i. Yes, under the heading "Rate of Duty", the tariff listed in respective table are ad-valorem duties.**
- ii. Actual nominal values of variable protective fees on import of agricultural and food products which are implemented in the Republic of Croatia according to existing regulation are listed in attachment "Foreign trade regime of agricultural and food products" under the heading "Levy" (column 5). (WT/ACC/HRV/**
- iii. The Republic of Croatia apologizes for typing mistakes which are present in the document "List of protection measures on agricultural and food products". We attach a new list based on which it is possible to get a precise answer on the question stated above, which were mainly caused by typing errors. Concerning tariff lines 1211.909 and 1302.19 we point out that just for some precisely defined products (poppy cocoon, opium, its extracts and similar) the import license is required. For the possible import of other products within the stated tariff lines the import license is not required.**

#### **IV.3 Financial, Budgetary and Fiscal Policy**

**QUESTION 144:**

**Has the law on the allocation of public revenues between the Republic of Croatia and the local units of administration and self-government been adopted? (L/7466, page 48)**

**ANSWER:**

The Law on Financing local self-government and local government (Official Gazette of the Republic of Croatia, No. 117/93) governs the income of local self-government and local government

units as well as the allocation of joint revenues. According to the provision of Article 45 of the Law revenues from profit tax and income tax are allocated between the State, county, the municipality, and town.

The municipality share and the town share of the profit tax amounts to 20% , whereas the country share totals 10% .

The municipality and town share of the income tax totals 20% , the county share is 5% and the share of the town of Zagreb is 45% .

The local self-government units and government units are allocated joint taxes at fixed percentages which have been realized on their territory.

#### **IV.5 System of Foreign Investments in the Republic of Croatia**

##### **QUESTION 145:**

**Are the specific provisions listed in the reply to question 123 retained in the new law on trade mentioned in the reply to question 118? (WT/ACC/HRV/3)**

##### **ANSWER:**

In contrast to the former Foreign Trade Law, the new Law on Trade does not provide for special controls on the use of profits gained by Croatian companies operating abroad. Under Article 52 of the Law on Trade, investments abroad (whether effected by establishing a subsidiary or branch or by some other mean) must be reported *ex post* to the Ministry of Economy, only for the purposes of maintaining records and statistics.

##### **QUESTION 146:**

**The reply by the Croatian delegation concerning the legal framework for foreign branches and subsidiaries refers only to the conditions for branches. What about the specific conditions imposed on foreign subsidiaries? (WT/ACC/HRV/3, Question 126)**

##### **ANSWER:**

The specific conditions to establish a subsidiary (filiales, Tochtergesellschaft) are the different legal regimes which apply on setting up, incorporation and registration of different types of companies regulated in Croatian Company Law. They differ in various details regarding limited liability company, general partnership, limited partnership, joint stock corporation or sole proprietorship. Since these issues are regulated very extensively there are pointed out some main and specific features in the Answer on Question 122, WT/ACC/HRV/3.

##### **QUESTION 147:**

**With regard to foreign investment in radio and telecommunications at the central and local level, foreign investors may participate in the capital of a concessionaire up to a ceiling of 25 per cent. Will this limit be maintained in the medium term? (WT/ACC/HRV/3, Question 127)**

##### **ANSWER:**

According to the Law on Telecommunications, foreign entities participating in radio and television concessions may invest up to 25 percent in capital concessions. This Law is not foreseen for alteration in the near future.