

14 MAY 1996

First of a two-part special report  
CROATIA OPENS ITS DOORS TO FOREIGN INVESTORS

By: Salbiah Said

KUALA LUMPUR, May 14 (Bernama) -- On April 3, foreign wires reported that the Boeing 737 aircraft carrying US Commerce Secretary Ron Brown had crashed in southern Croatia. All 32 passengers on board were killed.

The tragedy might have been taken by the superstitious as a bad omen but for Malaysians making their maiden investment mission to war-torn Croatia, this piece of news was taken in their stride.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who was paying an official visit to Croatia on April 18, did not change his schedule despite the bad news.

There is still a misconception among many people, including Malaysians, that Croatia was still at war although the former Yugoslavia state gained independence in 1991 and became a member of the United Nations in 1992.

Croatian Ministry of Economy foreign economic relations department counsellor Alem Pocrnja said although saddened by the tragic news, he was confident investments would pour in to kick-start the economy which was in dire need of foreign capital.

Like many economies in the former communist bloc, the Croatian economy is in a state of transformation. The government estimates that it will need at least US\$3 billion (about RM7.44 billion) from foreign sources in the next two years alone.

Its Minister of Economy Davor Stern said Croatia's plans focus on the development of an open market economy and its gradual integration into the European and global economic mechanisms.

And Croatia, he added, is ready for that. It has a modern business legislature, large industrial and natural resources and a stable currency, the kuna.

"It is also very conveniently located; that alone is enough reason for many renown international companies to invest in Croatian enterprises, knowing that among its assets are well trained, capable and creative staff, and all that contributes to a high quality of products made in Croatia," he said.

As a small country on the atlas, Croatia might have been bypassed by globetrotters if it was not famous for its beautiful scenery, well-indented coast and the hospitality of the Croatian people, he added.

Croatian Chamber of Economy president Nadan Vidosevic said that implementation of a regional peace agreement opened up new avenues for more efficient use of resources and faster growth.

"Unsealing of the borders in Eastern Europe, strengthening of common European mechanisms and integration of the global economy become new challenges they want and can deal with," he added.

Croatia, he said, has all the economic prerogatives for that - a convenient location both in terms of geopolitics and communications, a legislature which stimulates foreign investment and a tax system compatible with those in developed countries.

In its latest publication "Croatia Exclusive," the chamber outlines 10 reasons for doing business with Croatia.

Among other things, it said Croatia's economic policy paid special attention to the development of roads, port facilities, telecommunications and infrastructure.

At the same time, the privatisation of state firms and their restructuring on the principles of capitalist societies was in process. The

final phase of privatisation aims to completely restructure and financially rehabilitate firms and banks, achieve international business transactions and management, privatise pension funds, introduce different kinds of financial and investment funds and extend securities transactions.

The Croatian Constitution, it said, guaranteed unrestricted transfer of profit and repatriation of capital; no alteration of invested capital; private ownership of real estate and domestic and foreign investors are treated equally.

Other reasons include the absence of trade restrictions; well-educated and highly-skilled human resource geared for a market economy; tourism; agriculture; food processing and shipbuilding; no restrictions on real estate investment for companies; no limitation on establishment of banks and insurance companies for foreign investors and a profit tax rate of 25 percent.

Foreign entities can invest hard currency, rights and money. According to the country's company law, a foreign entity can invest in Croatian capital on contractual basis or in commercial companies, banks, savings banks or insurance companies.

The foreign investor can open a workshop or operate as a sole trader; obtain a concession for the exploitation of natural and other resources important for Croatia and take part in build operate transfer (B.O.T.) deals.

Alone or jointly with a domestic entity, a foreign entity can establish a public commercial company, a limited partnership, a shareholding company or a limited liability company.

A foreign entity can also acquire equity and shares in existing commercial companies. Under the condition of reciprocity, foreign physical entities can work as artisans in Croatia subject to obtaining a work permit.

They must also be issued a trade licence and be registered as artisans.

The Chamber noted that the most important characteristics of the Croatian legislature on foreign investment was that it did not discriminate between foreign and domestic investors.

Furthermore, foreign investors were entitled to special guarantees that were not extended to domestic investors.

Such an approach was made possible by a transformation of Croatia into a free market economy based on private property. These principles are enshrined in the Croatian Constitution which guarantees that rights derived from capital investment would not be curbed by law or any other legal act, and that investors can freely transfer their profits abroad.

"The new company law is a major breakthrough because it guarantees foreign investors equal legal status under the conditions of reciprocity," it said.

Croatia has joined the Convention on the founding of an agency for the multilateral guarantee of investments.

It also signed some bilateral conventions on protection of investments and has started negotiating similar arrangements with a number of countries. -- BERNAMA

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