

# CROATIA

## EU-READY EXCELLENCE

Tourism, infrastructure and logistics have benefited greatly from FDI, allowing Croatia to shine

Croatia, a beautiful, thriving country with a stunning coast along the Adriatic Sea, is probably best remembered by many Europeans and Americans from headlines in the 1990s about independence and war.

The country has made great advances since the 1995 Dayton Agreement that brought peace to Croatia and its neighbors. The economy is expanding, unemployment is declining and every year more tourists are attracted to its beaches and historic towns such as Dubrovnik, also known as the Pearl of the Adriatic, along with Split and Zagreb.

Its favorable location, educated workforce and efforts to reduce red tape, build a modern transport system and promote economic growth have attracted the interest and investments of businesses.

"Croatia is a leader in the region in technology, economic stability and infrastructure," says Damir Polancec, Deputy Prime Minister and Minister for Economy, Labor

and Entrepreneurship. President Stjepan Mesic agrees. "Croatia is a zone of security with plenty of opportunities," he explains.

The country is currently in talks to join the European Union, and is expected to become a full member by 2011.

Croatia's EU membership will open up the world's biggest and richest economic area to Croatian companies, luring more capital to Croatia.

FDI from the EU rose to €1.5 billion in 2006, triple the amount Croatia received from those countries in 2004. Since its independence, the country has attracted about €17 billion in FDI from around the world, says Polancec.

The government is doing its best to attract even more investment, partly by starting a program that has slashed bureaucratic barriers to permit companies to be set up in

just one day in some areas. The program is being extended to other parts of the country and is part of the reason Croatia was recently named the best reformer in Europe and the second best in the world by the World Bank.

"Thanks to the program we are cutting a lot of unnecessary regulations in the government bodies," Polancec explains.

The past few years have seen improvements in the economy. Joblessness declined from 16% in 2000 to just below 10% at the end of 2008. Tourism has enjoyed non-stop growth in recent years, and exports have increased.

Croatia's government is also looking to the future, and is promoting a huge program of investment in energy, which is intended to eliminate the country's need to import electricity. As much as €10 billion will be invest-

ed over the next 10 years on classic, hydroelectric and thermopower plants.

The investment in energy will also help the government achieve its goal of building a more diversified economy that will be better able to withstand economic downturns. Tourism is currently the most important part of the economy, but more investment in industries including shipbuilding, chemicals, electronics and metals will help spread the wealth around.

As part of its plan to keep the economy healthy and spur growth, the government is planning a major modernization and expansion of Zagreb Airport, which will include a railway link to the city center, hotels and a business center.

A logistics hub called Cargo City will be linked to the airport, close enough to the coast for sea freight to pass through on its way to and from northern Europe, boosting business for Croatia's shipping industry. ■



Stjepan Mesic  
President

## MAJOR EXPANSION PLANNED FOR ZAGREB AIRPORT

New facilities, including a new Cargo City, will advance the airport's competitiveness as an international air cargo hub

Since the dawn of the low-cost airline revolution, airports in Europe's southeast have sought to enhance their positions as travel and trade hubs. Airport capacity constraints, however, are a major obstacle, preventing regional and international growth.

Bosko Matkovic, director general of Zagreb Airport, has unveiled an expansion plan to sustain the influx of passengers into Croatia's largest airport. A modern passenger terminal, railway links to the city center, hotels and a business center are slated for construction by 2016. European Bank for Reconstruction and Development loans will finance the expansion, with the rest of funding from partnerships with foreign investors and the Croatian government. National competition for civil works will begin as early as 2009.

Mr. Matkovic encourages collaboration with foreign investors—especially cargo companies—to help launch new initiatives. "Our strategic location is an advantage for the transport industry," says Mr. Matkovic. "We are

improving traffic infrastructure in Zagreb and its surroundings and have an optimistic strategy for the future."

The second phase of Zagreb Airport's transformation will focus on Cargo City, a logistics hub to be constructed only 100



Bosko Matkovic  
Director General of  
Zagreb Airport

miles from the Adriatic sea port of Rijeka. Given Croatia's proximity to global markets which regionally reach some 60 million inhabitants with attractive low supply chain costs, Cargo City intends to advance Zagreb Airport's competitiveness as a global air cargo hub.

"Shipping to and from Asia from Rijeka is five days shorter than from Rotterdam, and six days shorter than from

Hamburg," notes Mr. Matkovic. By constructing a railway between the capital and Croatia's largest sea port, the project will reduce transit times to less than an hour.

As one of five international airports in Croatia, Zagreb Airport serves as the main hub for Croatia's burgeoning tourism industry. Surpassing average growth among small-



A new expansion plan has been unveiled for Zagreb Airport that includes a new modern passenger terminal, railway links to the city center, hotels and a business center

and medium-sized European airports, it welcomed some 2.2 million passengers in 2008, marking an increase of 12% over 2007.

Croatia's scenic Mediterranean coast and architectural gems are no secret to the 180,000 U.S. travelers arriving in Zagreb each year. Zagreb Airport has forged a solid relationship with national flagship carrier Croatia Airlines, and officials are working to establish direct flights from U.S. cities. "Although American carriers are naturally cautious about expansion in the current economic climate, they recognize Zagreb's potential and are investigating the merits of entering southeast European markets within the next two years," says Mr. Matkovic. ■

## CROATIA

## TANKERSKA PLOVIDBA LEADS NATIONAL SHIPPING FLEET

The shipping giant boasts a fleet of nearly two dozen ships and hopes to increase national ship production in coming years



**T**ankerska Plovidba, a leading Croatian shipping company, will weather the global economic slowdown despite a "crisis" in the shipbuilding industry, company officials say.

Based in the port city of Zadar, Tankerska Plovidba has felt the slowing in global economic activity firsthand.

"Our dry market—goods like grains, raw materials or any other form of physical product—has decreased a bit," says Ive Mustac, president of the Board of Tankerska Plovidba. "However, we are still satisfied with the liquid (oil) market, with our tanker vessels market."

Mr. Mustac says he is confident his company will withstand the tough economic weather. He cited Tankerska Plovidba's 50 years of shipping experience, prudent financial growth strategy and outstanding crew as key elements in developing the company's fortune.



**Captain Ive Mustac**  
President of  
Tankerska Plovidba

"We built our company over the last 50 years and now make up more than 50 percent of the national fleet," says Mr. Mustac. "We are the biggest shipping company in Croatia, with seven vessels under construction, and in the first quarter of 2011 we will have 22 vessels total."

Tankerska Plovidba, which has close economic and commercial ties with Croatian shipbuilders, has witnessed firsthand the effects

of a perfect storm brewing on distant shores. The American economic meltdown accompanied with a rise in shipbuilding in China—currently threatening to overtake South Korea as the world's largest shipbuilders—has been felt across the industry, especially in Croatia, where the local economy is intimately branded with the shipping industry.

"The shipbuilding industry in Croatia is currently in crisis," says Mr. Mustac. "We must find a way to make our shipbuilding profitable—otherwise there will be a major economic problem in Croatia because the shipyard



Tankerska Plovidba is a big part of Croatia's shipping industry, with 50 years of experience

is linked with the entire economy."

Part of the strategy to combat the economic downturn must include an increase in the production of ships Croatsians build, believes Mustac. The shipbuilding industry of Croatia builds various vessels, from passenger ships to chemical carriers to tankers to bulk carriers.

What is working in Croatia's favor, Mustac

believes, is the country's human capital.

"Here in Croatia we have a long history in the maritime industry," he says. "From the Second World War, we became very strong in this industry. We have lots of people who spend their entire lives working for Tankerska Plovidba and this is very rare in today's world where people like to change companies every few years." ■

## SCIENCE EDUCATION LEADS TO MARKET SUCCESS

Biotechnology is just one way Croatia is boosting its brainpower

**C**roatia has rapidly become a center for cutting-edge biotech research and medicine. U.S.-based Barr Pharmaceuticals recently expanded its operations into Croatia—a clear sign of the country's status as a leading generic and specialty drug manufacturer. As the country opens up new international markets for pharmaceutical exports, Croatia is earning a strong reputation as a world-class center for biotechnology innovation.

"There can be no good biotech industry without a proper education," acknowledges Dragan Primorac, Croatia's Minister of Science, Education and Sports. "The investments in education show that biotech advancement is sustainable."

The Minister cites the recent acquisition of Barr Pharmaceuticals as evidence of the €1 billion invested in education pushing the biotech industry forward. "Croatia's Pliva Pharmaceuticals is one of the best generic drug makers. With the purchase of Barr Pharmaceuticals, there are other drugs in the pipeline."

In addition to expanding the country's scientific capabilities, the next step in building up Croatia's budding knowledge-based economy is to explore new fields such as nanotechnology.

"Open education is critical because without it, it is impossible to recognize how competitive you are in the marketplace," says Mr. Primorac.

Croatia has already been recognized as a leader both regionally and in the EU. There have been over 65 top Croatian scientists that have gone on to do research in the U.S., Canada and Australia. "We have opened up to educate Croatian physicians. They spend a year or two in the United States, Israel or India working in biotechnology or biomedicine."

This kind of knowledgeable, progressive society is the polar opposite of the academic, scientific and business environment that existed in the ex-Yugoslavia communist era. "In the last 20 years," says Mr. Primorac, "Croatia has achieved incredible know-how." It only stands to grow. ■

## DIVERSITY KEEPS CONSTRUCTION ALIVE

Range of projects maintains sector during reconstruction

Zagreb-based Tehnika, a commercial and residential construction company, remained intact and profitable throughout the turbulent years surrounding Croatia's succession thanks to its diverse range of business activities and its privatization in the 1990s. The company has played an important role in the post-war reconstruction.

Besalet Mulovic, Tehnika's production and technical manager, says his company was proud to be a key player in Croatia's construction industry and in its economic reconstitution. "The construction sector is very important for our country's economy and represents a significant portion of GDP," he says. "We employ people directly involved in the construction industry as well as those working in associated fields of business."

Founded in 1947, Tehnika has earned praise from the Croatian public not only for helping battle unemployment but also for keeping the construction sector active through a variety of different projects.



Tehnika leads the construction sector

"Our interest is not limited to one area of business," Mr. Mulovic says. "We try to diversify ourselves and cover many different types of projects."

One of Tehnika's most memorable projects, Mr. Mulovic said, was participating in the construction of the American embassy in Zagreb. "We worked with the J.A. Jones Company from the U.S. as their partners and it was a very nice and successful experience for us."

**TEHNIKA**

**Ulica Grada Vukovara 274**  
**Zagreb**  
**www.tehnika.hr**

## CROATIA

## LINK TO CROATIAN BUSINESS:

- Croatian companies listings  
www.acba.ues
- Trade & Investment Promotion  
www.apiu.hr
- Croatian Investment  
www.croatiainvest.net
- Croatian Chamber of Economy  
www.hgk.hr
- Court Registry of Companies  
sudreg.pravosudje.hr

For further information contact:

## SUMMIT COMMUNICATIONS

1040 First Avenue,  
Suite 395, New York, NY 10022-2902,  
Tel: 1 (212) 286-0034,  
Fax: 1 (212) 286-8376, E-mail:  
info@summitreports.com

Project Director: Coen van der Voort  
Project Coordinator: Maria Castillo  
Project Assistant: Nicole Goergen

An online version is available at  
[www.summitreports.com](http://www.summitreports.com)

## THE CLEAN PAPER PRODUCER

Over 800 tons of production a day, all from recycled paper

In 1983, Marinko Mikulic founded his first company in Donji Andrijevi. A paper and packaging manufacturing company in Zagreb soon followed. The first company of its type in former Yugoslavia, PAN Papirna Industrija (PPI) distinguished itself from the outset, choosing to base all of its production on recycled paper.



"We use technology that is 100% our own," says Mr. Mikulic, "and although our production is based on recycling, the quality is the same as a product made of primary pulp."

Today, PPI is Croatia's only pro-

ducer of white paper. Collecting over 100,000 tons per year, it is also the country's largest collector of waste paper. Finally, production methods are also ecologically friendly, says Mr. Mikulic. "We do not pollute the environment. We have no materials that could be troublesome to the environment. And we use 20% less energy than our competitors." ■



**Marinko Mikulic**  
General Manager  
of Pan Papirna

## PREPARING FOR 2010 SUGAR MARKET

Coca-Cola approves Viro as company expands its business

Thanks to more than €60 million in investments and a strategic partnership with German company Pfeifer & Langen, Viro Tvrnica Secera (Viro), a Croatia-based sugar producer, was able to bring its average crop yield from 4.2 tons per year to 8.8 tons in little over six years and take the leading position on the Croatian sugar market.

The only food processing company listed on the Croatian Stock Market, Viro has pushed hard to ensure its sugar products, which include white, brown and cube sugar for household use and pasteurized liquid sugar primarily for the non-alcoholic drinks industry, reach EU standards to compete with other countries in 2010 when the EU

reopens raw sugar imports.

"With our investments and strategy we will be able to ensure long-term sustainable and profitable sugar production in Croatia," says Zeljko Zadro, president of Viro, adding that the investment cycle ending in 2009 will enable more than doubled capacity for sugar production. ■



**Zeljko Zadro**  
President  
of Viro

## BICRO, HELPING INNOVATION PAY OFF

This government organization is making it worth scientists' while to innovate and develop their innovative ideas

In today's world, a good idea could make you a millionaire. But the platform for patenting and proper R&D must be in place for this to happen. The Business Innovation Center of Croatia (BICRO), established in 1998 under the auspices of the Ministry of Science, Education and Sports, has been working to create this platform to encourage scientists to follow up on their ideas and make them marketable. BICRO provides financial, advisory, infrastructure and business tools so that the researchers can concentrate on developing their product rather than worrying about administrative aspects.

Whereas patents and intellectual property rights have always been the norm in pharmaceutical companies, little was being done for university-level scientists. Now, they are encouraged to first apply for the patent and

license to protect their idea, and, during the long paperwork process, they are provided with the means and facilities with which to work. In 2011, a new bio-sector facility, BIOCenter, will open up, thanks to an €8 million contract BICRO signed with the EU last year. It will act as an incubator for ideas, concepts and prototypes.

Dalibor Marijanovic, BICRO's CEO, is optimistic about the opportunities opening up to young innovators and the potential profits this new ambitious approach to innovation will create. "We've had great innovations but the commercialization and the generated revenues for those inventions have not been great," he says. The idea behind BICRO, he claims, is that it is "creating the tools and a platform where people can get the optimal results of their innovations."



**Dalibor Marijanovic**  
CEO of BICRO

"Knowledge is the window to the world. Innovation is the path to the future".  
Dalibor Jadar - Ruzica, PhD

**BICRO**  
Business Innovation Center of Croatia

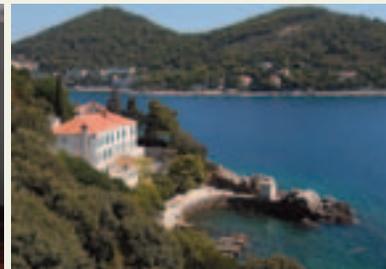
BICRO is responsible for implementing "The support for entrepreneurship based on innovation and new technologies program", which comprises of five complementary sub-programs:

- RAZUM
- TEHCRO
- VENCRO
- IRCRO
- EGNCRO

## CROATIA

## PROVIDING THE BEST IN RETAIL AND REAL ESTATE

Importanne Group continues to expand Croatia's retail experience, just as it has been doing for a decade and a half. Now it is looking to expand its experience abroad, with further projects in Canada and a view to partnering in other countries



Importanne works with international companies to create resorts, shopping complexes, hotels and government buildings

Few companies can be credited with single-handedly bringing retail culture to its home country. Importanne Group did just that. In 1994, the company opened its 31,000-square meter commercial Mecca in Zagreb, the Importanne Centar.

"It was the initiator of retail and real estate projects at a time when neither local nor foreign investors were willing to risk capital projects," recalls Importanne Group founder and President Dr. Ciril Zovko. "Our projects confirmed to potential investors that Croatia is indeed a stable country in which to invest."

Investors have certainly reaped benefits as Importanne Group has continued

to grow over the past 15 years. In addition to the company's popular shopping centers, Importanne Group currently owns four luxury hotels in Dubrovnik, with several other tourism-related projects planned for the future.

"We are interested in further large-scale development projects along the Adriatic Sea that will encompass hotel facilities, restaurants, conference and wellness facilities, golf courses and more," says Dr. Zovko. "Our development strategy in the coming years is market share growth in existing markets as well as entering new and revisited geographical markets."

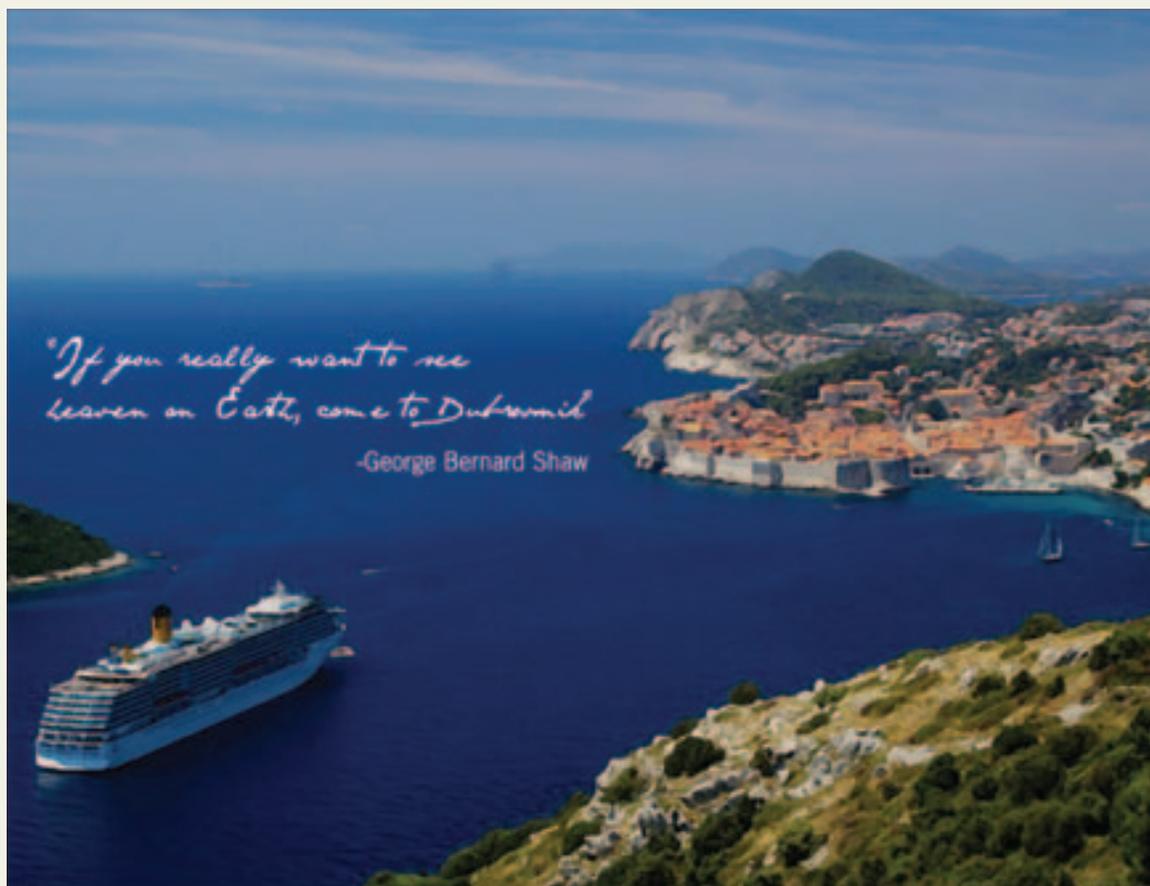
Importanne Group has taken educat-

ed risks in changing Croatia's retail landscape, and Dr. Zovko feels a deep sense of pride in providing the best in retail and real estate to his homeland. "I decided to focus on Croatia for patriotic and sentimental reasons by developing projects that add value to the Croatian economy. We all had a duty to help Croatia succeed in establishing itself, and I did so by creating business opportunities that have had many socio-economic benefits." Thanks in part to Zovko's ideas, Croatia's tourism industry has seen tremendous growth in recent years.

Importanne Group is currently planning two new buildings – one to house Congress facilities and accompanying

underground parking and another hotel – to complement the existing hotels and resort. Domestic success means that the Importanne Group name can begin to look beyond its borders to other fruitful markets. Outside Croatia, the company has joined forces with Canada to create the Importanne Senior Residences and Hotel in Toronto. The property boasts 150 rooms, recreational facilities and two residential towers with retail facilities, joining Dr. Zovko's expertise in real estate, retail and tourism in one state-of-the-art complex.

"We are always open to potential projects beyond Croatia and Canada," Dr. Zovko concludes.



### Now you can stop dreaming

about heaven on Earth and actually stay in it. And what better place than Importanne Resort Hotels & Suites. Here, you will be embraced by the elegant and relaxing ambience we have created between the crystal blue waters of the Mediterranean and the hypnotic scent of pine forests. Just four kilometers from the historic center of Dubrovnik, you can choose among the 4 star Neptun Hotel, the 5 star Ariston Hotel, the 5 star Importanne Suites and one of Croatia's most luxurious monuments, Villa Elita.

**IMPORTANNE RESORT**  
Dubrovnik Hotels & Suites

www.importanneresort.com  
Reservations: +385 20 440 105