

# TVORNICA LAKIH METALA d.d.

Šibenik, Narodnog preporoda 12, HRVATSKA

telephone: +385-22-313-606 fax: +385 22-339-941

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Subject: GSP

Dear Sirs,

As the long-standing exporter of aluminium semi- finished products on the American market, herewith we are applying to you on the matter of the GSP - Generalized System of Preferences for Croatia which should expire by the end of 2006.

Please, be informed that TLM d.d. Šibenik is the only Croatian producer of aluminium extruded and rolled products.

Since 1955 TLM has constantly been exporting their products on American market. In order to foster and upgrade the business relations established between TLM and its American customers, TLM founded its American –based subsidiary, “COMAL”- office seat in New York. Despite the fact that the firm has ceased its business operation, TLM today still exports their products directly, yet in diminished scale in terms of volume and value in relation to the previous period, when American market was one of the major export markets for TLM..

The current sales turnover is valued to cca 700.000 US\$ on yearly basis and refers to the supply of aluminium bars.

We consider that a possible import duty to be imposed on aluminium bars from Croatia would cause TLM to stop their sales in U.S.A., as a result that the production, thus further encumbered by additional charges, would turn out not to be cost-effective for TLM.

Therefore we are appealing to the relevant competent authorities to take into consideration all the prevailing circumstances and grant Croatia the extension of the GSP programme.

To this effect, we can expect further enhancement of economic cooperation between TLM and American customers of aluminium products to be handled at reciprocal satisfaction and benefit.

Yours faithfully,

Željko Dulibić, Executive Sales Manager TLM d.d.

Milan Kovačić, Sales Manager TLM-TPP d.o.o.

Šibenik, September 1, 2006

**ALSTOM CROATIA Ltd.**

**ACTION:** COMMENT ON THE ELIGIBILITY OF THE REPUBLIC OF CROATIA AS THE GSP BENEFICIARY

**TO: OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE**

**September 5, 2006**

Referring to the Initiation of Reviews and Requests for Comments on Eligibility of Certain GSP Beneficiaries and Existing Need Limitation (CNL) Waivers we have checked available resources and haven't found any indicator exceeding or significantly exceeding stipulated limits.

Our company produces parts for steam, hydraulic and gas turbines out of special alloys mostly produced by manufacturers from USA like Haynes International, Inc. etc. However, we do not purchase them directly but through their subsidiaries or representatives in Europe or our mother company placed in Switzerland.

Although we seldom export directly to USA we kindly ask You to consider beneficiary status for further products according to the HTSUS:

- 7326.90.85 Other articles of iron and steel - Other
- 8406.90.20 Steam turbines and other vapor turbines, and parts thereof - Parts - Of steam turbines - Rotors finished for final assembly
- 8406.90.30 Steam turbines and other vapor turbines, and parts thereof - Parts - Of steam turbines - Rotors, not further advanced than cleaned or machined for removal of fins, gates, sprues, and risers, or to permit location in finishing machinery
- 8406.90.40 Steam turbines and other vapor turbines, and parts thereof - Parts - Of steam turbines - Blades rotating or stationary
- 8406.90.45 Steam turbines and other vapor turbines, and parts thereof - Parts - Of steam turbines - Other
- 8411.99.10 (10) Turbojets, turbopropellers and other gas turbines, and parts thereof - Parts - Other - Parts of nonaircraft gas turbines
- 8411.99.10 (80) Turbojets, turbopropellers and other gas turbines, and parts thereof - Parts - Other - Other
- 8411.99.90 (30) Turbojets, turbopropellers and other gas turbines, and parts thereof - Parts - Other - Rotors or spindles and rotor assemblies
- 8411.99.90 (60) Turbojets, turbopropellers and other gas turbines, and parts thereof - Parts - Other - Other

Extending beneficiary status of listed goods shall improve our chances to export to United States of America

With best regards.

Darko Rendulic  
Logistics & Procurement  
ALSTOM CROATIA Ltd.  
Mala Svarca 155  
47000 KARLOVAC

Croatia

tel. +38598246868

fax +38547665219

Supports Bosnia & Herce., Croatia,  
Czech Republic, Hungary, Serbia,  
and Slovenia  
Zlatarna Krizek Company

From: Zlatarna Krizek - Vlado [vlado@zlatarna-krizek.hr]  
Sent: Wednesday, August 30, 2006 3:40 AM  
To: FN-USTR-FR0052; FN-USTR-FR0052  
Subject: GSP program

Dear Sir,

here are our meanings and opinions about GSP program

Best regards

Vlado Križek

"Zlatarna Križek"  
Zagreb&#269;ka 64  
Velika Gorica  
Hrvatska

www.krizek.hr  
vlado@zlatarna-krizek.hr  
tel: +385 1 6226 140

Dear Sir,

“Zlatarna Krizek” is an old family jewelry business founded 1935. We are producers, whole and retail trade. “ZK” display theirs products on the most significant fairs of this type like Zagreb, Celje, Prague, Novi Sad, Budapest, Belgrade and so on.

We also export our products to USA, Netherland, Bosnia and Hercegovina, Germany, Austria, Australia. Export is a very important part of our business and we take a very much care on it. USA market is very interesting for us and we are expecting a lot of success on it.

In these sense, GPS program means for our plans on USA market.

Best regards

Krizek Vlado



**REPUBLIC OF CROATIA**

**MINISTRY OF ECONOMY, LABOUR AND ENTREPRENEURSHIP**

10000 ZAGREB - Ulica grada Vukovara 78

**ACTION: COMMENT ON THE ELIGIBILITY OF THE REPUBLIC OF CROATIA AS THE GSP BENEFICIARY**

**TO: OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE**

Zagreb, September 1, 2006

**1 Introduction:**

The Ministry of the Economy, Labour and Entrepreneurship as the entity of the Government of the Republic of Croatia in charge of the trade policy, international economic relations and consequently the bilateral economic relations with the USA is responding to the request of the Office of the United States Trade Representative (USTR) for comment with respect to eligibility of the Republic of Croatia for beneficiary of the Generalized System of Preferences – GSP), since the programme is to expire on December 31, 2006. The USTR is requesting comment whether the GSP Programme has to be amended, for the reason of not being focused on the small number of countries, most important GSP beneficiaries, which, pursuant to TPSC criteria, comprise the Republic of Croatia as well.

The Republic of Croatia has become independent in 1991 and has established diplomatic relations with the USA in 1992. Croatia is a young country on the political world map. The use of the GSP Programme considerably contributes to the overall process of transition and economic development and we consider that the Programme with respect to Croatia achieves the purpose provided by the legislation. Based on above Croatia express its strong interest in proceeding in the Programme.

**2. Criteria on account of which the eligibility of the GSP Programme for the Republic of Croatia is being considered:**

The TPSC (Trade Policy Staff Committee) criteria range Croatia among 13 countries for which limitation, suspension or withdrawal of the GSP programme is planned (Argentina, Brazil, Croatia, India, Indonesia, Kazakhstan, Philippines, Romania, Russia, South Africa, Thailand, Turkey and Venezuela).

- The criteria of the amount of GSP export to American market (above US\$ 100 million in 2005)

The overall amount of export of goods in USA within the GSP Programme exceeded US\$ 100 million in 2005 – the Republic of Croatia has exported 134 million USD of goods within the GSP Programme in 2005 (according to the certificate FORM A which is issued by the Croatian Chamber of Economy).

Economy development – The World Bank classification for 2005 (upper middle income economies: from US\$ 3,466 GNI per capita to US\$ 10,725 GNI per capita).

The Republic of Croatia has, according to the World Bank data, generated GNI per capita, Atlas method (current US\$) amounting to US\$ 6,820.0, what ranges the country within the group of 40 upper middle income economies. In accordance to the GDP growth (annual %) by 3,8% (World Bank data) Croatia shall reach the threshold of US\$ 10,726 in several years, ranging thus in the high income economies group (currently 56 countries).

- The share in overall world export (World Trade Organization data – above 0.25% of world export of goods in 2005)

According to the WTO the Republic of Croatia has exported in 2004 the goods amounting to US\$ 8,024 million, what is a 0.09% share in the overall world export of goods in 2004.

According to the Central Bureau of Statistics of the Republic of Croatia, Croatia has exported goods in 2005 amounting to US\$ 8,809 million, varying thus not significantly from its share in overall world commodity exchange comparing to 2004 (World Trade Organization's data on the world export in 2005 is not published yet).

#### CNL waivers

CNL waivers – the Republic of Croatia has in 2005 exported to American market according to the GSP Programme CNL waivers US\$ 9,984,493 products of HS code 293500 from the list of 83 waivers, being thus not on the list of products reaching or going to reach the amount of US\$ 120 million or above 50% of the overall American import of the same product.

### **3. Status of Croatian economy**

The industrial production in 2005 has, compared with 2004, increased by 5.1%. The greatest impact to the production growth in 2005 was achieved by the growth of the processing industry, in particularly the production of food and beverages and the publishing and printing industry. The inflation rate in 2005 amounted to 3.3%. In 2005

the overall GDP amounting to US\$ 38.5 billion was achieved. The greatest impact to the GDP was produced by export of goods and services, as well as the growth of personal consumption. The GDP structure is the reflection of services based economy. The services account for 68%, industry 24%, and agriculture for the remaining 8%.

The unemployment rate in 2005 amounted to 13.1% according to the computing method implemented by the International Labour Organization (ILO – population over the age of 15), and 308,000 unemployed persons have been registered. The average net wage per employee in 2005 amounted to US\$ 740.

The overall foreign debt in late 2005 amounted to US\$ 30.2 billion (82.4% of GDP), and the foreign currency reserves reached the level of US\$ 9.2 billion.

In 2005 the state budget deficit was estimated at 4.2% of GDP, and the state budget for 2005 amounts about US\$ 14 billion. The state budget deficit amounting to 3.3% of GDP is anticipated in 2006.

The total commodity exchange in 2005 amounted to US\$ 27.3 billion. Import amounted to US\$ 18.5 (increase by 11.8%) and the export to US\$ 8.8 billion (increase by 9.8%). The coverage of import by export amounted to 47.5%.

Croatia's main trade partners are: Italy, Germany, Slovenia, Russian Federation, Bosnia and Herzegovina and Austria. The Europe as the continent accounts for 84% of the overall commodity exchange between Croatia and the world, and the other continents, including the USA as well, account for only 16%.

Croatia is the WTO member since 2000 and in mid 2001 signed the FTA Agreement with the EFTA countries, and in 2003 became the CEFTA member county. The Stabilization and Association Agreement with the EU Croatia has signed in 2001. The several year's efforts of Croatia's accession to the EU have resulted in the Decision of the European Council to promote Croatia in the official candidate for EU membership, which Decision dates from June 2004. At the Intergovernmental Conference held on October 3, 2005 the decision was made to open accession negotiations with the EU. Croatia hopes to accomplish the negotiations and become the EU member by 2009.

In May 2002 Croatia became the member of "Membership Action Plan" (implementation plan for NATO membership), which provides the framework for implementation of political reforms in the defence area.

By now Croatia has liberalized its trade with 37 European countries, what means that over 80% of Croatian foreign exchange is based on free trade principles.

#### **4. RoC – USA bilateral relations, commodity exchange from 1994 to 2006, trends, coverage of import by export**

The observed period, observed analitically since 1994 up to now indicates the commodity exchange growth trend between RoC and the USA in both directions and confirms the positive impacts of GSP application as a significant instrument for development of both bilateral economic relations and more balanced commodity exchange in general and for the overal development of economy in our country

Since 1994 trade exchange between Croatia and the USA, remained at the value of some US\$ 300 million, in spite of favourable political relations between the two countries and the fact that numerous agreements have been signed between the RoC and the USA, such as the Agreement between the Government of the RoC and the Government of the USA on economic, technical and related assistance (signed in May 1994, being in force since May 1, 1995), providing economic and technical assistance to the RoC by the USA and on base of which agreement currently various programmes of assistance of the USA Government are being implemented in Croatia, and in spite of the fact that a considerable Croatian Diaspora is living in the USA. The overall Croatian export to American market has by 2000 not exceeded US\$ 100 million, amounting to US\$ 107 million in 2001 and US\$ 86 million in 2002. Only in 2003 the overall Croatian export exceeded US\$ 100 million, amounting to US\$ 164 million. This was an export increase by 90% and in 2004 the export increased by 29%, amounting to the total of US\$ 211 million, and in 2005 the export increased by 44.5%, amounting to US\$ 305 million.

In 2005 the goods amounting to US\$ 305.1 million were exported to the USA (what is by 44.5% more if compared with the same period in 2004), and goods amounting to US\$ 397.6 million were imported from the USA (what is by 11% more if compared with the same period in 2004). The total commodity exchange between the RoC and the USA, amounting to US\$ 702.7 million (increase by 23%), accounts for 2.6% share in the overall commodity exchange between the RoC and the world. The coverage of import by export amounts to 77%.

	Commodity exchange (US\$ thousand)			Indexes (compared with the same period of the previous year)			Share (%) in overall commodity exchange of RoC		
	Export	Import	Total	Export	Import	Total	Export	Import	Total
1995.	83 038,3	200 580,5	283 618,9	94,2	116,3	108,9	1,79	2,67	2,34
1996.	89 060,8	212 817,6	301 878,4	107,3	106,1	106,4	1,97	2,73	2,45
1997.	97 339,0	266 451,6	363 790,5	109,3	125,2	120,5	2,33	2,93	2,74
1998.	89 352,0	277 732,1	367 084,1	91,8	104,2	100,9	1,97	3,31	2,84
1999.	86 546,1	240 859,5	327 405,6	96,9	86,7	89,2	2,01	3,09	2,71
2000.	98 975,9	238 837,6	328 813,5	104,0	99,2	100,4	2,03	3,01	2,66
2001.	107 376,4	297 009,1	404 385,5	119,3	124,3	122,9	2,30	3,25	2,93
2002.	86 485,4	308 738,9	395 224,3	80,5	103,9	97,7	1,76	2,88	2,53
2003.	163 882,6	365 813,4	529 696,0	189,5	118,5	134,0	2,65	2,57	2,60
2004.	211 158,8	358 317,0	569 475,8	128,8	98,0	107,5	2,63	2,16	2,31
2005.	305 145,2	397 577,6	702 722,8	144,5	111,0	123,4	3,46	2,14	2,57
1-6, 2005.	124 208,3	206 112,4	330 320,7				2,92	2,25	2,46
1-6, 2006.	163 256,3	180 987,2	344 243,5	131,4	87,8	104,2	3,40	1,76	2,28

(Source: Central Bureau of Statistics of the Republic of Croatia, edit by the Croatian Trade and Investment Promotion Agency).

### Export structure:

Jewellery, medical and pharmaceutical products, medicines, arms and ammunition, measuring and control instruments and devices, organic-inorganic compounds, nuclein acids and their salts, machines for various industrial branches, fertilizers, lime, cement, construction material, driving machines and engines, non-electrical food products and processed products, constructions and parts made of iron, steel or aluminium, furniture, electrical driving machines.

## **Import structure:**

Medical and pharmaceutical products, automatic data processing machines and units, airplanes and equipment, pumps (except for the liquids), compressors, electric fans etc., telecommunication equipment, measuring and control instruments and devices, medicines, engines, ships, cars, musical instruments, sheets, construction machines and devices, medical instruments, various chemical products etc.

### **5.a) Considering of eligibility for pursuing with application of the GSP programme with respect to Croatia upon criterion of GSP export to American market (above US\$ 100 million in 2005)**

By the year 2003, the higher Croatian deficit was recorded, that is, the coverage of imports by the export remained between the lowest 28% (2002) though 30-40% in the nineties, raising to 77% in 2005. For the trade exchange between the two countries realized in 2005 we can say that it has achieved the level indicating the trend of high quality and balanced trade relations, accounting with its volume for the share of 2.5% of the overall commodity exchange of the RoC with the world, what ranges the USA among Croatia's top ten trade partners. Croatia indicates deficit in commodity exchange with the most countries in the world. The surplus is recorded only in the trade with a few countries, that is countries from the narrower region.

Since only 16% of the overall commodity exchange between Croatia and the world is being achieved in trade with the overseas countries, i.e. the countries from other continents (except of the Europe), we consider it important to mention the significance of the volume and balance, as well as the diversification of the commodity exchange with the USA. Apart of it 80% of commodity exchange between Croatia and the world is being carried out at the principles of free trade (agreements made with the European countries), whereas the commodity exchange with the other countries, except for those approved by the GSP regime (The Republic of Croatia is not the provider of preferences, but beneficiary of GSP preferences of the following countries: USA, Canada, Australia, Japan, New Zealand, Russia, Belarus, Kazakhstan, Ukraine), is being carried out in accordance with the WTO rules.

The commodity exchange between Croatia and the USA is not being carried out in accordance to special agreements (free trade agreements), but the only privilege approved to Croatia by the USA is the General Scheme of Preferences.

Exactly the GSP Programme has contributed to the increase of the commodity exchange volume between the two countries in 2003, 2004 and 2005, when the Croatian export to this market recorded better results. The products under the GSP regime account for the most of Croatian export on American market. It could be said that above 50% of Croatia export is being realized under the GSP programme.

According to the GSP Programme the increase by 265% (US\$ 28 million) of jewellery exports on American market was recorded in 2003. In the same year the companies

were established for production and export of golden jewellery on American market, since this product is on the GSP product list. The export of measuring and control instruments also increased by 55% ( US\$ 11 million), as well as the export of organic – inorganic compounds by 59% (US\$ 8.4 million), machines for certain industrial branches by 61% (US\$ 5 million) and food products and processed food by 28% (US\$ 4.1 million).

Considering the GSP export in 2004, the increased export of jewellery by 221% (export value US\$ 89.6 million-which is partially exported based on the Certificate on Croatian non-preferred origin and which is not comprised by the system of privileges) was repeatedly recorded, the export of measuring and control instruments and devices increased by 31% (US\$ 14.6 million), export of arms and ammunition increased by 80% (US\$ 12 million-which is exported based on the Certificate on Croatian non-preferred origin and which is not comprised by the system of privileges), food products and processed food by 50% (US\$ 6.2 million), driving machines and engines by 130% (US\$ 3.8 million) and tools by 108% (US\$ 2.7 million).

In 2005, which was the reason for considering the limitation, suspension or withdrawal of the the GSP Programme, the export growth trend was continued, mostly of the medicine and pharmaceutical products and medicines from the list of GSP products (total of US\$ 61 million), the export of jewellery further increased by 28% (total of US\$ 115 million--which is partially exported based on the Certificate on Croatian non-preferred origin and which is not comprised by the system of privileges), measuring and control instruments by 11% (US\$ 16.2 million), driving machines by 25% (US\$ 8.7 million) etc.

The observed three years period is a too short period for assessment of the impact of the GSP regime to Croatian economy, however it is evident that the golden jewellery producers (mostly the small companies comprising some 10 employees and craftsmen) have recognized the opportunity of duty free export on American market and have focused on production, strengthening and development aimed at export on this demanding market.

Apart of it the exporters of measuring instruments, food products and machines for various purposes, chemical products, have started exporting to the USA exactly as a result of the GSP treatment. This distant market, comprising all the world products, the access to which was enabled exactly due to various preferential schemes, free trade contracts and other contractual relations, imposes the rules of quality and prices which can hardly be met. The imposing of duty (although low) would hamper the marketing of these products on American market, due to the not competitive price and would consequently result in transfer to other nearer markets on which Croatian products are traditionally recognized and high rated.

At this point it is important to emphasize that by increase of export to American market and due to the high standards of the said market, the level of products'

quality was consequently raised, what has influenced the growth of competitiveness of Croatian products both on national and other markets.

At the time the Croatian importers were requested to give their opinion on the possible suspension of the GSP treatment, this Ministry was contacted by the companies such as Laurum from Rijeka, producing golden jewellery, employing 12 persons, which was established and export oriented exactly towards the American market. The suspension of the GSP treatment would force this company to close and to transfer the production in some other country of the region, which is beneficiary of the GSP treatment.

For Kraš, the main Croatian producer of confectionery, rewarded on several occasions for quality, holder of the mark originally Croatian and Croatian quality, the suspension of the GSP Programme would result in price increase and consequently disputable competitiveness on American market.

Podravka, the producer having its representative office in the USA, considers that in that case its price would hardly be competitive and that it would result in export decline.

Apart of it some small companies, craftsmen and companies from the areas of special state concern, affected by the homeland war, have started their export in the USA. It was our pleasure to note that the pickled cabbage from Ogulin is also being exported to American market (company Madig, Mrežnice), and that the company is planning to make a contract on increased export on American market.

Some 300 companies are on the list of the exporters to American market, whereof some 40 craftsmen, and the beneficiaries of the GSP Programme mentioned (quotation of the letter of Mikuš Toolwork):

“We are running crafts for 16 years and in 2005 we have started cooperation with the American company APLIX INC. The cooperation has developed well, although we are currently engaged in final processing, i.e. grinding of the ceramics cutting plate. In 2005 the export in USA amounted to some € 6000.

In 2006 the export amounted to some € 5000 and we are expecting even better future cooperation with America. The duty free export has significantly contributed to the cooperation, what had a positive impact on our overall operations.

America is a huge market and I consider that by introducing the duty free export we, small producer, have been given better opportunity of access to this market.

For this reason we assess the GSP Programme as favourable. “

By the GSP Programme the small companies and craftsmen have been provided with the opportunity of access to other markets and of starting the export production, what is one of the priorities of Croatia's Government.

The export boost, initiated by this Ministry is aimed at transforming Croatia in an export oriented economy, that is, the export of goods and services should be doubled in the following five years. The aim is to achieve the approximate export value amounting to US\$ 30 billion. The export boost has four basic directions. The first is establishing of new exporters in order to increase the total number of exporting companies. In the previous year 10,951 companies were engaged in export. However only 7,916 of them were exporting above US\$ 13,000 per year; among them only 7,497 were predominantly engaged in exports if compared with the imports. The export boost is aimed at increasing the number of exporters by 25% in 3 years, that is, to establish 13,800 exporting companies. In the previous year 768 companies predominantly engaged in export have appeared, but the goal of the Ministry of the Economy is to create not less than 1,152 companies predominantly engaged in exports.

For the first time Croatia is planning to access the target markets. In this respect the export boost plans to retain the share on traditional markets of Italy, Austria, Germany, Slovenia and Bosnia and Herzegovina. A more significant breakthrough is planned on the market of the South-East Europe (export increase by US\$ 2 billion), South Europe (additional US\$ 2 billion) and the North America (further US\$ 1 billion).

The USAID Croatia also participates in export, i.e. entrepreneurship promotion, which supports the activities in the area of foreign direct investments under the project "Enterprising Croatia", in order to increase the total value of foreign investments in Croatia, create new jobs and increase the export value. The USAID has in 2005 provided technical assistance for implementation of two greenfield investments, amounting to US\$ 51.6 million. These investments have provided for creation of 582 new jobs, and 98% of production is intended for export. The implementation of nine further projects, amounting to US\$ 32 million, is in the course, which will support the creation of 530 new jobs in export oriented economic branches. The USA have since 1992 by now provided over US\$ 407 million assistance, whereof the major part under the programmes implemented by USAID. This assistance is aimed at strengthening of democratic institutions, post-war reconstruction and return of refugees, support to projects of mine clearance and economic development, as well as education programmes. USAID intends to complete its program of assistance for Croatia by 2008 (Source: USAID Croatia).

Due to above the export boost of Croatia to USA will in case of suspension of the GSP Programme not achieve the expected outcomes.

On the other hand, the share of Croatian export in overall American import is very modest. According to the WTO data the Croatian export of goods on American market, amounting to US\$ 211 million in 2004 accounts, if compared with the overall American import of goods, amounting to US\$ 1,525,516 million, for only 0.013%. The Croatian export of goods under the GSP Programme in 2005, amounting to some US\$ 134 million, if compared with the overall American GSP import, amounting to US\$ 26.7 billion, accounts for only 0.5.

Such low values of the share of import of goods from Croatia to American market have no negative impact to commodity exchange of USA, neither are considerable for American budget (US\$ 8,2 million-data provided by the American Embassy in) with respect to revenues.

We also consider that the Croatian products of high quality and competitive price, such as gold chains, additives, soups, biscuits, chocolates and other industrial products contribute to diversification of supply on American market, as well as competitiveness of American economy and the wider range of end users, which are provided with high quality products at reasonable prices.

**Considering of eligibility for pursuing with application of the GSP programme with respect to Croatia upon criterion of economy development - The World Bank classification for 2005**

The average Croatian GDP per capita is higher from the average GDP per capita in developing countries, what is upon WB classification for 2005 ranging Croatia of 40 upper middle income economies. However it should be emphasized that particular Croatian regions - area effected by the war destruction, rural areas - have a considerably lower GDP per capita, record significantly slower growth of GDP and have a higher unemployment rate from the rate applied at the national level. The GSP promotes export from this areas, what is in particularly significant for their economic prospect and positivly impacts to establishing of trust and stabilizing the situation in these, mostly multiethnical areas.

**Considering of eligibility for pursuing with application of the GSP programme with respect to Croatia upon criterion of the share in overall world export (World Trade Organization data - above 0.25% of world export of goods in 2005)**

Croatia doesn't fulfill this criteria.

## **6. Conclusion**

As a result of above data and assessments the Ministry of the Economy, Labour and Entrepreneurship of the Republic of Croatia, as the competent body of the Government of the Republic of Croatia assesses that the limitation, suspension or withdrawal of the GSP Programme would have negative impact to further development of trade relations between the Republic of Croatia and the USA, and would consequently result in disruption and reducing of Croatian export to this market and thus to higher deficit in commodity exchange. Further, the withdrawal of the GSP Programme would result in closing of a number of newly established export companies (production of gold jewellery) and consequently closing of newly created jobs. The small Croatian companies and craftsmen, who have started to establish new business relations with American partners would be endangered with respect to proceeding with the development of these business programmes and export to USA.

Since the effects of implementation of this Programme have become evident in the last three years, that is in 2003, 2004 and 2005, when the Croatian export to the USA was increased, we consider that the GSP Programme for Croatia should be

proceeded by the date of its accession to the European Union, as it was the case with the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and the Slovak Republic on the date of their accession to the EU on May 1, 2004.

Croatia will cease to be beneficiary of the GSP Programme in due time, however the extension of the GSP Programme would contribute to its further development, mostly in export promotion and implementation of "export boost", started in 2006.

From the perspective of pending decisions which will contribute to further stabilization of economic development in the region (CEFTA enlargement) all aspects of support to economic systems in the Region, and consequently in the RoC are extremely important for the forthcoming period

MINISTER

Branko Vukelić

Supports Croatia  
Re radiant heating elements for  
ranges - which not have CNLW  
E.G.O. North America, Inc.

MessageFrom: Frank Jensen [FJensen@egonorthamerica.com]  
Sent: Thursday, August 31, 2006 7:35 AM  
To: FN-USTR-FR0052  
Subject: General System of Preferences (GSP) program

Ladies and gentlemen:

representing E.G.O. North America, Inc., a domestic manufacturer of radiant heating elements for ranges and cooktops in Newnan, GA. I would like to encourage you to renew the General System of Preferences (GSP) program as it pertains to imports from Croatia.

As a domestic manufacturer E.G.O. competes with, among others, international manufacturers from Mexico and China. Of course, maintaining a competitive cost structure is the foundation to secure our location in the United States. Should the duty-free import of items from Croatia not be possible anymore in the future, E.G.O. North America's cost would significantly increase, potentially jeopardizing our competitiveness as a domestic manufacturer.

In the interest of our approximately 300 employees at this location I hope that you will make a decision that does not weaken our ability to maintain competitive.

Sincerely,

Frank Jensen  
Director, Materials & Logistics  
E.G.O. North America, Inc.  
Phone (770) 502 7634  
Fax (770) 251 2020  
fjensen@egonorthamerica.com



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From: albert@indo-euro.com  
Sent: Saturday, September 02, 2006 5:43 PM  
To: FN-USTR-FR0052  
Subject: Croatia and GSP

Please see the attached letter regarding the expiration of GSP status for Croatia.

Albert Bezjian

September 2, 2006

**OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE  
GSP Subcommittee**

Re: **GSP program for Croatia**

We understand the GSP program that includes Croatia is due to expires on December 31, 2006.

I am writing to you on behalf of Indo-European Foods, Inc., based in Glendale, California. We import and distribute products from the Middle East and Eastern European countries. Croatia is a major source for our imports

We have helped feed the ethnic groups that have migrated into the United States with food products from their homeland, helping the farmers and producers of those countries and the ethnic groups that have chosen the United States as their new home.

If the GSP program is terminated for Croatia, competitors from neighboring countries will have a big advantage. Due to higher costs, Croatian products will not be able to compete, and the ethnic groups will have a hardship having to pay higher costs for the foods that they know and love.

The GSP program has helped the countries that need our help, and also the people that have chosen the United States as their new home. The GSP program is a lot better than giving aid to foreign countries where we have no control on how our aid is being distributed.

Respectfully yours,

Albert Bezjian  
CEO  
Indo-European Foods, Inc.

Supports Croatia  
Re stamping tools

From: Durdica Gorscak [d.gorscak@koncar-alati.hr]  
Sent: Monday, September 04, 2006 12:16 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Dear Sirs,

hereby we would like to refer to the consideration of limitation, suspension or withdrawal of the Generalized System of Preferences for the Republic of Croatia.

Our company is a manufacturer of stamping tools (including cutting tools) and die casting moulds, which have been exported to the United States of America. The GSP program provided sound advantages for our company, but anyhow our export to the United States of America is still limited due to the factors we are currently trying to overcome (in terms of distance which affects delivery terms, specific requirements which are present at the American market, differences in manufacturing principles, etc.). Our company is manufacturer of tools.

The GSP program has helped us in starting the cooperation with American companies, but anyhow our standpoint is that further support in these terms is still required. There are many opportunities to boost cooperation, which are supported by this program.

Therefore we hope our country will continue within this program, in order to boost cooperation between our countries.

If any further explanation required, please do not hesitate to ask us.

With best regards,

Koncar-Alati d.d.  
22 Fallerovo setaliste, Zagreb, Croatia

Phone +385 1 3670 921  
Fax. +385 1 3667 257  
Cell +385 98 251 918  
e-mail: d.gorscak@koncar-alati.hr  
www.koncar-alati.hr

Supports Croatia  
Re turbine parts

From: darko.rendulic@power.alstom.com  
Sent: Monday, September 04, 2006 12:03 PM  
To: FN-USTR-FR0052  
Cc: renata.dracic@migorp.hr; damir.vranic@power.alstom.com  
Subject: COMMENTS ON THE ELIGIBILITY STATUS OF CROATIA AS GSP BENEFICIARY  
DEVELOPING COUNTRY

Dear Ms. Sandler,

Referring to the Initiation of Reviews and Requests for Comments on Eligibility of Certain GSP Beneficiaries and Existing Need Limitation (CNL) Waivers we have checked available resources and haven't found any indicator exceeding or significantly exceeding stipulated limits.

Our company produces parts for steam, hydraulic and gas turbines out of special alloys mostly produced by manufacturers from USA like Haynes International, Inc. etc. However, we do not purchase them directly but through their subsidiaries or representatives in Europe or our mother company placed in Switzerland.

Although we seldom export directly to USA we kindly ask You to consider beneficiary status for further products according to the HTSUS:

- a.. 7326.90.85 Other articles of iron and steel - Other
- b.. 8406.90.20 Steam turbines and other vapor turbines, and parts thereof - Parts - Of steam turbines - Rotors finished for final assembly
- c.. 8406.90.30 Steam turbines and other vapor turbines, and parts thereof - Parts - Of steam turbines - Rotors, not further advanced than cleaned or machined for removal of fins, gates, sprues, and risers, or to permit location in finishing machinery
- d.. 8406.90.40 Steam turbines and other vapor turbines, and parts thereof - Parts - Of steam turbines - Blades rotating or stationary
- e.. 8406.90.45 Steam turbines and other vapor turbines, and parts thereof - Parts - Of steam turbines - Other
- f.. 8411.99.10 (10) Turbojets, turbopropellers and other gas turbines, and parts thereof - Parts - Other - Parts of nonaircraft gas turbines
- g.. 8411.99.10 (80) Turbojets, turbopropellers and other gas turbines, and parts thereof - Parts - Other - Other
- h.. 8411.99.90 (30) Turbojets, turbopropellers and other gas turbines, and parts thereof - Parts - Other - Rotors or spindles and rotor assemblies
- i.. 8411.99.90 (60) Turbojets, turbopropellers and other gas turbines, and parts thereof - Parts - Other - Other

Extending beneficiary status of listed goods shall improve our chances to export to United States of America

With best regards.

Darko Rendulic  
Logistics & Procurement

ALSTOM CROATIA Ltd.  
Mala Svarca 155  
47000 KARLOVAC

Croatia

tel. +38598246868

fax +38547665219

Supports Croatia & Turkey - Jewelry  
This is a Survey of AAEI members  
by Aldoro Inc.

From: Aldoro Inc. [info@aldoro.com]  
Sent: Wednesday, August 23, 2006 9:02 AM  
To: hq@aaei.org; FN-USTR-FR0052  
Subject: survey gsp

8/11/06 DRAFT

**Input Needed From Members on GSP Renewal**

The Generalized System of Preferences (GSP) will expire on December 31, 2006 unless Congress authorizes renewal before it recesses for the year. The GSP is a tariff preference program created in 1974, that provides temporary duty-free treatment for imports of eligible products from designated beneficiary developing countries (as long as 35% local value has been added) to help promote their economic growth and development. New products can be added, old products graduated, and when imports of individual articles exceed certain value or percentage limits, the benefits may lapse for that product.

**The USTR has invited public comments by September 5, 2006**, on whether certain countries and products should be graduated from the program, and under what circumstances. This is expected to be used in crafting legislative proposals which will be taken up by congress in as soon as they return from the August recess, so your input now is vital. Specifically, they have asked for comment on whether to to limit, suspend, or withdraw the eligibility of GSP beneficiaries which meet certain economic criteria, that would result in termination of the program for 13 top beneficiary countries: Argentina, Brazil, Croatia, India, Indonsia, Kazakhstan, the Philippines, Romania, Russia, South Africa, Thailand, Turkey and Venezuela. USTR is also seeking comments on the current 83 product waivers from the GSP program's competitive need limitations, under which imports which exceed \$125 million or 50% of all US imports of the product would normally be excluded from coverage.

There are 136 countries that receive duty-free treatn-ment under GSP for approximately 5,000 different products exported to the United States, but the top ten beneficiary country exporters receive nearly 70 percent of all GSP benefits. Consequently, USTR has been studying ways to more evenly distribute the benefits of GSP, and whether some more advanced countries should no longer receive the benefit (such as India and Brazil).

There is currently a bill in Congress which would renew GSP for a single year, although it is not clear that congress will act befor GSP expires. Should the program lapse, Congress may renew it retroactively, in which case duties deposited on eligible products will likely be refunded. In the meantime, however, uncertainties about its renewal and coverage are causing serious concern among US importers and producers who rely on GSP in their operations. One reason for the delay by congress is that certain GSP beneficiary countries are believed not to be supporting the US objectives in the ongoing WTO Doha negotiations. GSP renewal is considered leverage in obtaining further concessions from those countries. (Thailand, Indonesia, Turkey, Philippines, South Africa, Venezuela, Argentina and Russia are among top ten beneficiaries.)

AAEI's Trade Policy Committee is compiling the views of AAEI members on the GSP issue. Please take a minute to respond to the following questions. The results of the poll and follow-up action will be reported in a future International Trade Alert.

**GSP Renewal Survey**

1. Does your company take advantage of the GSP program?  Yes  No
  
2. What is the principal industrial sector or product in which GSP helps your business?  
JEWELRY\_\_\_\_\_
  
3. Do you support renewal of GSP?  Yes  No
  
4. For what period should congress renew GSP?  
 1 year  
 5 years  
 Other  
 Permanently, unless Congress affirmatively determines to terminate.
  
5. Should the United States use GSP as leverage in the Doha Round?  Yes  No
  
6. Should the dominant GSP beneficiary countries be further restricted in their access to GSP benefits if such restrictions result in more developmental support for smaller beneficiary countries?  
 Yes  No
  
7. What GSP beneficiary countries do you import from? CROATIA ,  
TURKEY\_\_\_\_\_
  
8. Do you have any specific suggestions for modifications in the program, such as new product graduation criteria, new value added qualifications, etc.?  
\_\_\_\_\_

Thank you for participating in this survey. The committee will use the results to recommend any action to the AAEI Board in support of its members.



**KRAŠ**, Food industry, d.d., Ravnice 48, 10000 Zagreb, Croatia

---

**EXPORT DEPARTMENT**, Tel. 2396-111, 2396-213, 2396-524,  
Fax: 2322-084

**Subject : 2006 GSP Eligibility and CNL Waiver Review**

**HTSUS : 1704.9075**

**1704.9071**

**1806.3100**

**1806.3210**

**1905.3199**

**1905.3299**

**Dear Sirs,**

**Allow us to introduce ourselves :**

**KRAŠ d.d. Food Industry, Zagreb, Croatia was founded in 1911. We produce and offer to the market a wide range of high-quality products, which includes all three basic groups of confectionery products: cocoa products, flour products and candy/gum products.**

**The marketing strategy is oriented towards spreading and conquering of new export markets. KRAŠ exports to the markets of former Yugoslavia, of Central and Eastern Europe, the U.S.A., Canada, Australia, New Zealand and the Near East.**

**Our Company exports to the U.S. for over 30 years. During these years our export increased from year to years an average 2-5% annually and we know that the GSP made it possible, among other facts.**

**Last year, the 2005., we have exported to the U.S. 743 tons of chocolates, candies, wafers and biscuits in total value US\$ 2.214.283. We know that these are small numbers if we compare it to total U.S. imports, but are significant to our Company. Our products have still not reached the competitive level that would satisfy our export policy, in comparison to other confectionery manufacturers and importers in the U.S., ( even though we are under the GSP program ). Without this benefit we may be no longer in position to proceed with our struggle for survival on your market.**

**While it is traditional to view GSP as a program designed to benefit primarily less-developed countries, over the years it has become just as important to Croatian people that are U.S. citizens. With our chocolates and wafers they are closer to their home country; our products are one of greater reminders to their roots, and that could be lost whether waivers would be terminated.**

**It is certainly true that GSP was born of a desire to provide a temporary way to assist developing countries to become competitive producers and exporters. A long-term renewal of the program is also important in encouraging us for taking further steps in**

**investments in our production capability to become competitive supplier of GSP- eligible products.**

**On the other hand, duty free benefits enable American retailers to supply their customers with lower-cost goods, and over time the GSP has evolved into an important contributor to American competitiveness, too.**

**Therefore, we urge the Administration to support a long-term rollover of the existing program.**

**Sincerely,**

**Gordana Brkljačić, Assistant  
Darko Đeneš, Area Manager  
Nenad Perić, Export manager**

Supports Croatia  
Importer of Croat  
products

From: Grand Prix Trading Corp [gptrading@aol.com]  
Sent: Friday, September 01, 2006 5:25 PM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

August 31, 2006

**OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE  
GSP Subcommittee**

**Re: GSP program for Croatia**

We have received information regarding reviewing process of eligibility for GSP program for thirteen countries including Croatia that expires on December 31, 2006.

I am writing to you on behalf of company Grand Prix Trading Corp. based in Ridgewood, New York. We import and distribute products from Croatia from various companies such as Podravka d.d., Kras .d.d, Frank d.d, Sloboda d.d. etc. for more than 12 years.

Competitive products comes form neighboring countries such as Former Yugoslav Republic of Macedonia, Serbia, Montenegro, Bulgaria and Bosnia and Herzegovina that enjoy GSP program as well as Croatia.

We invested a lot of money, effort and time to develop market with very high quality products from Croatia and GSP program contributed to this very much.

If the GSP program would be removed for Croatia, competition from above mentioned countries will have a big advantage. Our business will be affected and we will not be able to achieve growth rate anymore. More than 70% of our business comes from Croatia so we will be faced with huge difficulties to continue to operate.

We believe that our investment was not waste of money and we want to develop it further. We would like to ask you to renew GSP program for Croatia in order to be able to develop our businesses in coming years instead of loosing it.

Sincerely

Sime Simunovic  
President  
Grand Prix Trading Corp.  
75 A Onderdnok Ave, Ridgewood  
New York, NY 11385  
E-mail: gptrading@aol.com

From: Željko Dulibić, Executive Sales Manager TLM d.d.  
Milan Kovačić, Sales Manager TLM-TPP d.o.o.  
TLM Šibenik  
Date: September 1, 2006  
Re: GSP Review

Dear Sirs,  
Please find in the attachment of this mail the reply of TLM, Šibenik, regarding the GSP programme. If you need any additional request on this matter please contact me any time.  
Thank you for your attention and best regards,

TLM Šibenik Croatia  
Milan Kovacic  
e-mail: milan.kovacic@tln.hr

# TVORNICA LAKIH METALA d.d.

Šibenik, Narodnog preporoda 12, HRVATSKA

telephone: +385-22-313-606 fax: +385 22-339-941

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Subject: GSP

Dear Sirs,

As the long-standing exporter of aluminium semi- finished products on the American market, herewith we are applying to you on the matter of the GSP - Generalized System of Preferences for Croatia which should expire by the end of 2006.

Please, be informed that TLM d.d. Šibenik is the only Croatian producer of aluminium extruded and rolled products.

Since 1955 TLM has constantly been exporting their products on American market. In order to foster and upgrade the business relations established between TLM and its American customers, TLM founded its American –based subsidiary, “COMAL”- office seat in New York. Despite the fact that the firm has ceased its business operation, TLM today still exports their products directly, yet in diminished scale in terms of volume and value in relation to the previous period, when American market was one of the major export markets for TLM..

The current sales turnover is valued to cca 700.000 US\$ on yearly basis and refers to the supply of aluminium bars.

We consider that a possible import duty to be imposed on aluminium bars from Croatia would cause TLM to stop their sales in U.S.A., as a result that the production, thus further encumbered by additional charges, would turn out not to be cost-effective for TLM.

Therefore we are appealing to the relevant competent authorities to take into consideration all the prevailing circumstances and grant Croatia the extension of the GSP programme.

To this effect, we can expect further enhancement of economic cooperation between TLM and American customers of aluminium products to be handled at reciprocal satisfaction and benefit.

Yours faithfully,

Željko Dulibić, Executive Sales Manager TLM d.d.  
Milan Kovačić, Sales Manager TLM-TPP d.o.o.

Šibenik, September 1, 2006

Supports Croatia, Serbia, Jordan,  
Romania, Thailand & Turkey  
Supports CNLWs gold jewelry  
7113.19.29 & 7113.19.50  
Fremada Gold Inc  
Part of AAEI Survey

From: gabriel [gabriel@fremada.com]  
Sent: Monday, August 28, 2006 10:20 AM  
To: FN-USTR-FR0052  
Subject: 2006 GSP Eligibility and CNL Waiver Review

Please accept this filled out survey from my company... thanks... Gabriel

Gabriel Khezrie, Pres  
Fremada Gold Inc  
2 West 45th ST - Suite 1605  
New York, NY 10036  
Tel: (212) 921-8829 Ext.107  
Fax: (212) 764-4101

Visit our opportunity buys at: [www.fremadaspecials.com](http://www.fremadaspecials.com)

Visit our website at: [www.fremada.com](http://www.fremada.com)

**GSP Renewal Survey**

1. Does your company take advantage of the GSP program?  Yes  No
  
2. What is the principal industrial sector or product in which GSP helps your business?  
FABRICATED GOLD CHAINS\_\_\_\_\_
  
3. Do you support renewal of GSP?  Yes  No
  
4. For what period should congress renew GSP?  
 1 year  
 5 years  
 Other  
 Permanently, unless Congress affirmatively determines to terminate.
  
5. Should the United States use GSP as leverage in the Doha Round?  Yes  No
  
6. Should the dominant GSP beneficiary countries be further restricted in their access to GSP benefits if such restrictions result in more developmental support for smaller beneficiary countries?  
 Yes  No
  
7. What GSP beneficiary countries do you import from? TURKEY, JORDAN, ROMANIA, THAILAND,CROATIA, SERBIA\_\_\_\_\_
  
8. Do you have any specific suggestions for modifications in the program, such as new product graduation criteria, new value added qualifications, etc.?  
NO\_\_\_\_\_  
Please renew the tariff numbers 71131929 and 71131950 within GSP

Thank you for participating in this survey. The committee will use the results to recommend any action to the AAEI Board in support of its members.



STOCK COMPANY FOR THE PRODUCTION AND TRADE  
OF ALCOHOLIC AND NON ALCOHOLIC DRINKS  
23000 ZADAR, OBALA KNEZA TRPIMIRA 7, CROATIA  
PHONE ++ 385 (0) 23 208 820, FAX ++ 385 (0) 23 208 807

E-mail: [magda.maricic@maraska.hr](mailto:magda.maricic@maraska.hr)  
[www.maraska.hr](http://www.maraska.hr)

Messrs.  
FOREIGN ECONOMIC RELATIONS  
Ministry of Economy, Labour and Entrepreneurship  
Zagreb

Dear Mr., Dračić,

Re:Initiation of Reviews and Request for Comments on GSP

*With reference to the information we received in written form about the possibility to suspend the use of the Certificate of Origin Form A, we have to point out that for "MARASKA" company the export in the United States of America represents a very important part of the total "Maraska" export.*

*For the last three years the export turnover of Maraska company in the United States of America has been USD 550.000. Since this year Maraska company has signed a new contract with the American distributor, we are expecting a considerable increase of the export in the United States of America and till the end of 2007 it is expected to be about USD 1,500.000.*

*Suspending the use of GSP for the territory of USA it would mean a considerable decrease of total Maraska export in USA.*

*The range that Maraska is exporting in USA is strong alcoholic products, liqueurs and syrups. The benefits which our customers have when they import Maraska products are very important for them as it influences on the final price of our products on the American market.*

*We must point out that the competition concerning the alcoholic products is very strong and suspending the GSP namely the possibility of issuing the Certificate Form A will become even greater. The result will be a hasty decrease of total export in USA.*

*Therefore we kindly ask you to include this letter of Maraska company, being one among the other successful Croatian exporters in the United States of America during the negotiation with the representatives of the American Government.*

*Sincerely yours,  
Magda Maricic  
Export officer*

*Miljenko Korona, Sales Manager  
Thomas Santler, Member of the Board  
for Sale and marketing*

**From:** Kristina Vulic Sardina [kristina.vulic@sardina.biz]

**Sent:** Tuesday, September 05, 2006 8:56 AM

**To:** FN-USTR-FR0052

**Cc:** renata.dracic@mingorp.hr

**Subject:** GSP PROGRAM

Dear Sirs,

According to your information that Croatia is on a list , with other 13 countries, for which are predicted restriction, suspension or abolition of the GSP Program, we would like you to be informed that our company export products, mostly sardines, to USA for almost 3 decades.

At the time when US dollar was stronger than German DM, and after it when US dollar was stronger than EUR, our export was considerable, but when US dollar declined toward EUR, our export quantities significantly decreased. In fact, we weren't competitive in regard to the same products , especially from Thailand and other countries which are linked to US dollar.

In case of increase of duties on our products, we believe it would probably result with the stopping of export of our products to USA, because our products would be too expensive.

In that case damage wouldn't be suffered only by us, but by our American customers who recognize high quality of our products.

Therefore, please, have understanding for this specific situation, and we hope that you will find the way to avoid increase of the duty on our products in order to enable our company, with 100 years of tradition, to export to USA market on mutual benefit and content.

Thank you for your efforts in advance.

Sincerely yours,

Davor Gabela, executive manager



**IPK Kandit dioničko društvo za  
proizvodnju bombona i čokolade**  
K. Frankopana 99, P.P. 345  
31000 Osijek, Hrvatska  
Telefon: 00 385 31 512 509  
Telefax: 00 385 31 512 533  
E-mail: kandit-export@os.htnet.hr

**OFFICE OF THE UNITED STATE  
TRADE REPRESENTATIVE**

Osijek, 4th of September 2006

**Subject: GSP - INITIATION OD REVIEWS AND REQUEST FOR PUBLIC COMMENTS**

Dear Sirs,

we are croatian company for the production of chocolate and candies founded in the city of Osijek in the year 1960.

We produce very wide range of products (over 100) - chocolate, candies, toffees and creams and we sell them on the croatian market and also abroad (EU countries, Slovenia, Bosnia, Serbia, etc).

Our products are present on the market of USA for more than 10 years and we sell them mostly in the croatian national shops to our emigrants.

In the year 2005 our export to the USA was about 14,5 tones of the products in the value of 30.000,00 EUR.

It is our wish to increase the export to the USA. Since on the market of USA is a big competition in this branch, GSP program in which Croatia was included has helped to the sale of our products on the USA market.

As the share of our export in the USA is minor, it is our opinion that we are not any threat to the domestic production, and that the limitation or the suspension of the GSP would make our prices higher and the export of our products to the USA more difficult.

We sincerely hope that the USA would keep the existing trade conditions in the mutual interest.

Best regards,

IPK Kandit d.d./Croatia  
Export Department

Nikola Meter , export manager

**Končar**  
**PowerTransformers Ltd.**

Joint Venture of  
Siemens and Končar  
J. Mokrovića 6, Zagreb

**Comments on the Eligibility of the Company's product under GSP**

Koncar Power Transformers Ltd., Zagreb, Republic of Croatia, is a joint venture of Koncar Electroindustry PLC and Siemens AG ( hereinafter: the Company or KPT).

Product of the Company are electrical power transformers of up to 550 kV and up to 800 MVA.

This product is in Harmonized Tariff Schedule of the United States under tariff number: 85042300, Liquid dielectric transformers having a power handling capacity exceeding 10,000 kVA, and this product is eligible for duty-free treatment under the GSP.

The seat of Končar Power Transformers Ltd. is in the Republic of Croatia, small country in Europe, and because of small national market KPT is export oriented company.

Market of the United States of America is therefore very important for the Company.

Also, economic circumstances in the Republic of Croatia have not changed since 1995, when last review was made.

Suspension, limitation or withdrawn of our product eligibility under GSP program will have negativ impact on Končar Power Transformers Ltd. competitiveness on the market of the United States of America.

Therefore, KPT strongly suggests that our product stays included in the list of GSP- eligible articles.

General Manager  
Ivan Milčić, B.Sc.Eng

# *Laurum OP d.o.o.*

To: Office of the United States Traded Representative  
GSP: Initiation Of Reviews And Request For Public Comments

Laurum OP doo, a limited company under the Croatian Law, has started a production of gold chains, made by machinery, 90% of which to be exported towards the United States of America. The business has developed and became successful thanks to benefits represented by the GSP.

Croatia is a Country, which can be consider either a State or a Region in the economy of globalization, with no availability of raw materials; yet where the raw materials themselves are transformed by specific labour process in order to have the added value of them or simply by developing a proper technology.

In Croatia there are no essential gold jewellery manufactures.

The business started less than 3 years ago, nowadays it counts on 12 people, with a future plan forecast which show 30 people in the next coming two years.

Considering the results as per today, Laurum has listed a new investment plan in order to increase its production capability in the short term scenario and to consolidate its presence into the American market.

We would like to emphasize the fact that our initiative is giving life to a new production pole, which did not exist before. It is a remarkable operation for the Croatian economy, as it creates a new production structure with wide areas of improvement.

As it happens with all new business, our activity will take place and develop new correlate entities in the same field too. Nevertheless we would like to point out that the production of gold basic chains – same as the ones made by Laurum Op doo –does require a special know how which increase the value of the company itself on the long period and creates new job opportunities from the short term. Our goal is to set up a real and efficient industrial district, as the ones already existing in other parts of the world, leading more and more towards a full globalization.

These are the reasons why we consider essential and of prime importance the renovation of the GSP program, for a minimum period of at least 5 years.

Looking forward to your positive reply to our request of extension.

Best Regards,

Laurum OP doo  
Marino Kuhar  
President and CEO



**REPUBLIC OF CROATIA**

**MINISTRY OF ECONOMY, LABOUR AND ENTREPRENEURSHIP**

**ACTION:** COMMENT ON THE ELIGIBILITY OF THE REPUBLIC OF CROATIA AS THE GSP BENEFICIARY

**TO: OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE**

Zagreb, September 1, 2006

### **1. Introduction:**

The Ministry of the Economy, Labour and Entrepreneurship as the entity of the Government of the Republic of Croatia in charge of the trade policy, international economic relations and consequently the bilateral economic relations with the USA is responding to the request of the Office of the United States Trade Representative (USTR) for comment with respect to eligibility of the Republic of Croatia for beneficiary of the Generalized System of Preferences – GSP), since the programme is to expire on December 31, 2006. The USTR is requesting comment whether the GSP Programme has to be amended, for the reason of not being focused on the small number of countries, most important GSP beneficiaries, which, pursuant to TPSC criteria, comprise the Republic of Croatia as well.

The Republic of Croatia has become independent in 1991 and has established diplomatic relations with the USA in 1992. Croatia is a young country on the political world map. The use of the GSP Programme considerably contributes to the overall process of transition and economic development and we consider that the Programme with respect to Croatia achieves the purpose provided by the legislation. Based on above Croatia express its strong interest in proceeding in the Programme.

### **2. Criteria on account of which the eligibility of the GSP Programme for the Republic of Croatia is being considered:**

The TPSC (Trade Policy Staff Committee) criteria range Croatia among 13 countries for which limitation, suspension or withdrawal of the GSP programme is planned (Argentina, Brazil, Croatia, India, Indonesia, Kazakhstan, Philippines, Romania, Russia, South Africa, Thailand, Turkey and Venezuela).

- The criteria of the amount of GSP export to American market (above US\$ 100 million in 2005)

The overall amount of export of goods in USA within the GSP Programme exceeded US\$ 100 million in 2005 – the Republic of Croatia has exported 134 million USD of goods within the GSP Programme in 2005 (according to the certificate FORM A which is issued by the Croatian Chamber of Economy).

- Economy development – The World Bank classification for 2005 (upper middle income economies: from US\$ 3,466 GNI per capita to US\$ 10,725 GNI per capita).

The Republic of Croatia has, according to the World Bank data, generated GNI per capita, Atlas method (current US\$) amounting to US\$ 6,820.0, what ranges the country within the group of 40 upper middle income economies. In accordance to the GDP growth (annual %) by 3,8% (World Bank data) Croatia shall reach the threshold of US\$ 10,726 in several years, ranging thus in the high income economies group (currently 56 countries).

- The share in overall world export (World Trade Organization data – above 0.25% of world export of goods in 2005)

According to the WTO the Republic of Croatia has exported in 2004 the goods amounting to US\$ 8,024 million, what is a 0.09% share in the overall world export of goods in 2004.

According to the Central Bureau of Statistics of the Republic of Croatia, Croatia has exported goods in 2005 amounting to US\$ 8,809 million, varying thus not significantly from its share in overall world commodity exchange comparing to 2004 (World Trade Organization's data on the world export in 2005 is not published yet).

- CNL waivers

CNL waivers – the Republic of Croatia has in 2005 exported to American market according to the GSP Programme CNL waivers US\$ 9,984,493 products of HS code 293500 from the list of 83 waivers, being thus not on the list of products reaching or going to reach the amount of US\$ 120 million or above 50% of the overall American import of the same product.

### **3. Status of Croatian economy**

The industrial production in 2005 has, compared with 2004, increased by 5.1%. The greatest impact to the production growth in 2005 was achieved by the growth of the processing industry, in particularly the production of food and beverages and the publishing and printing industry. The inflation rate in 2005 amounted to 3.3%. In 2005

the overall GDP amounting to US\$ 38.5 billion was achieved. The greatest impact to the GDP was produced by export of goods and services, as well as the growth of personal consumption. The GDP structure is the reflection of services based economy. The services account for 68%, industry 24%, and agriculture for the remaining 8%.

The unemployment rate in 2005 amounted to 13.1% according to the computing method implemented by the International Labour Organization (ILO – population over the age of 15), and 308,000 unemployed persons have been registered. The average net wage per employee in 2005 amounted to US\$ 740.

The overall foreign debt in late 2005 amounted to US\$ 30.2 billion (82.4% of GDP), and the foreign currency reserves reached the level of US\$ 9.2 billion.

In 2005 the state budget deficit was estimated at 4.2% of GDP, and the state budget for 2005 amounts about US\$ 14 billion. The state budget deficit amounting to 3.3% of GDP is anticipated in 2006.

The total commodity exchange in 2005 amounted to US\$ 27.3 billion. Import amounted to US\$ 18.5 (increase by 11.8%) and the export to US\$ 8.8 billion (increase by 9.8%). The coverage of import by export amounted to 47.5%.

Croatia's main trade partners are: Italy, Germany, Slovenia, Russian Federation, Bosnia and Herzegovina and Austria. The Europe as the continent accounts for 84% of the overall commodity exchange between Croatia and the world, and the other continents, including the USA as well, account for only 16%.

Croatia is the WTO member since 2000 and in mid 2001 signed the FTA Agreement with the EFTA countries, and in 2003 became the CEFTA member country. The Stabilization and Association Agreement with the EU Croatia has signed in 2001. The several year's efforts of Croatia's accession to the EU have resulted in the Decision of the European Council to promote Croatia in the official candidate for EU membership, which Decision dates from June 2004. At the Intergovernmental Conference held on October 3, 2005 the decision was made to open accession negotiations with the EU. Croatia hopes to accomplish the negotiations and become the EU member by 2009.

In May 2002 Croatia became the member of "Membership Action Plan" (implementation plan for NATO membership), which provides the framework for implementation of political reforms in the defence area.

By now Croatia has liberalized its trade with 37 European countries, what means that over 80% of Croatian foreign exchange is based on free trade principles.

#### **4. RoC – USA bilateral relations, commodity exchange from 1994 to 2006, trends, coverage of import by export**

The observed period, observed analitically since 1994 up to now indicates the commodity exchange growth trend between RoC and the USA in both directions and confirms the positive impacts of GSP application as a significant instrument for development of both bilateral economic relations and more balanced commodity exchange in general and for the overal development of economy in our country

Since 1994 trade exchange between Croatia and the USA, remained at the value of some US\$ 300 million, in spite of favourable political relations between the two countries and the fact that numerous agreements have been signed between the RoC and the USA, such as the Agreement between the Government of the RoC and the Government of the USA on economic, technical and related assistance (signed in May 1994, being in force since May 1, 1995), providing economic and technical assistance to the RoC by the USA and on base of which agreement currently various programmes of assistance of the USA Government are being implemented in Croatia, and in spite of the fact that a considerable Croatian Diaspora is living in the USA. The overall Croatian export to American market has by 2000 not exceeded US\$ 100 million, amounting to US\$ 107 million in 2001 and US\$ 86 million in 2002. Only in 2003 the overall Croatian export exceeded US\$ 100 million, amounting to US\$ 164 million. This was an export increase by 90% and in 2004 the export increased by 29%, amounting to the total of US\$ 211 million, and in 2005 the export increased by 44.5%, amounting to US\$ 305 million.

In 2005 the goods amounting to US\$ 305.1 million were exported to the USA (what is by 44.5% more if compared with the same period in 2004), and goods amounting to US\$ 397.6 million were imported from the USA (what is by 11% more if compared with the same period in 2004). The total commodity exchange between the RoC and the USA, amounting to US\$ 702.7 million (increase by 23%), accounts for 2.6% share in the overall commodity exchange between the RoC and the world. The coverage of import by export amounts to 77%.

	Commodity exchange (US\$ thousand)			Indexes (compared with the same period of the previous year)			Share (%) in overall commodity exchange of RoC		
	Export	Import	Total	Export	Import	Total	Export	Import	Total
1995.	83 038,3	200 580,5	283 618,9	94,2	116,3	108,9	1,79	2,67	2,34
1996.	89 060,8	212 817,6	301 878,4	107,3	106,1	106,4	1,97	2,73	2,45
1997.	97 339,0	266 451,6	363 790,5	109,3	125,2	120,5	2,33	2,93	2,74
1998.	89 352,0	277 732,1	367 084,1	91,8	104,2	100,9	1,97	3,31	2,84
1999.	86 546,1	240 859,5	327 405,6	96,9	86,7	89,2	2,01	3,09	2,71
2000.	98 975,9	238 837,6	328 813,5	104,0	99,2	100,4	2,03	3,01	2,66
2001.	107 376,4	297 009,1	404 385,5	119,3	124,3	122,9	2,30	3,25	2,93
2002.	86 485,4	308 738,9	395 224,3	80,5	103,9	97,7	1,76	2,88	2,53
2003.	163 882,6	365 813,4	529 696,0	189,5	118,5	134,0	2,65	2,57	2,60
2004.	211 158,8	358 317,0	569 475,8	128,8	98,0	107,5	2,63	2,16	2,31
2005.	305 145,2	397 577,6	702 722,8	144,5	111,0	123,4	3,46	2,14	2,57
1-6, 2005.	124 208,3	206 112,4	330 320,7				2,92	2,25	2,46
1-6, 2006.	163 256,3	180 987,2	344 243,5	131,4	87,8	104,2	3,40	1,76	2,28

(Source: Central Bureau of Statistics of the Republic of Croatia, edit by the Croatian Trade and Investment Promotion Agency).

### Export structure:

Jewellery, medical and pharmaceutical products, medicines, arms and ammunition, measuring and control instruments and devices, organic-inorganic compounds, nuclein acids and their salts, machines for various industrial branches, fertilizers, lime, cement, construction material, driving machines and engines, non-electrical food products and processed products, constructions and parts made of iron, steel or aluminium, furniture, electrical driving machines.

## **Import structure:**

Medical and pharmaceutical products, automatic data processing machines and units, airplanes and equipment, pumps (except for the liquids), compressors, electric fans etc., telecommunication equipment, measuring and control instruments and devices, medicines, engines, ships, cars, musical instruments, sheets, construction machines and devices, medical instruments, various chemical products etc.

### **5.a) Considering of eligibility for pursuing with application of the GSP programme with respect to Croatia upon criterion of GSP export to American market (above US\$ 100 million in 2005)**

By the year 2003, the higher Croatian deficit was recorded, that is, the coverage of imports by the export remained between the lowest 28% (2002) though 30-40% in the nineties, raising to 77% in 2005. For the trade exchange between the two countries realized in 2005 we can say that it has achieved the level indicating the trend of high quality and balanced trade relations, accounting with its volume for the share of 2.5% of the overall commodity exchange of the RoC with the world, what ranges the USA among Croatia's top ten trade partners. Croatia indicates deficit in commodity exchange with the most countries in the world. The surplus is recorded only in the trade with a few countries, that is countries from the narrower region.

Since only 16% of the overall commodity exchange between Croatia and the world is being achieved in trade with the overseas countries, i.e. the countries from other continents (except of the Europe), we consider it important to mention the significance of the volume and balance, as well as the diversification of the commodity exchange with the USA. Apart of it 80% of commodity exchange between Croatia and the world is being carried out at the principles of free trade (agreements made with the European countries), whereas the commodity exchange with the other countries, except for those approved by the GSP regime (The Republic of Croatia is not the provider of preferences, but beneficiary of GSP preferences of the following countries: USA, Canada, Australia, Japan, New Zealand, Russia, Belarus, Kazakhstan, Ukraine), is being carried out in accordance with the WTO rules.

The commodity exchange between Croatia and the USA is not being carried out in accordance to special agreements (free trade agreements), but the only privilege approved to Croatia by the USA is the General Scheme of Preferences.

Exactly the GSP Programme has contributed to the increase of the commodity exchange volume between the two countries in 2003, 2004 and 2005, when the Croatian export to this market recorded better results. The products under the GSP regime account for the most of Croatian export on American market. It could be said that above 50% of Croatia export is being realized under the GSP programme.

According to the GSP Programme the increase by 265% (US\$ 28 million) of jewellery exports on American market was recorded in 2003. In the same year the companies

were established for production and export of golden jewellery on American market, since this product is on the GSP product list. The export of measuring and control instruments also increased by 55% ( US\$ 11 million), as well as the export of organic – inorganic compounds by 59% (US\$ 8.4 million), machines for certain industrial branches by 61% (US\$ 5 million) and food products and processed food by 28% (US\$ 4.1 million).

Considering the GSP export in 2004, the increased export of jewellery by 221% (export value US\$ 89.6 million-which is partially exported based on the Certificate on Croatian non-preferred origin and which is not comprised by the system of privileges) was repeatedly recorded, the export of measuring and control instruments and devices increased by 31% (US\$ 14.6 million), export of arms and ammunition increased by 80% (US\$ 12 million-which is exported based on the Certificate on Croatian non-preferred origin and which is not comprised by the system of privileges), food products and processed food by 50% (US\$ 6.2 million), driving machines and engines by 130% (US\$ 3.8 million) and tools by 108% (US\$ 2.7 million).

In 2005, which was the reason for considering the limitation, suspension or withdrawal of the the GSP Programme, the export growth trend was continued, mostly of the medicine and pharmaceutical products and medicines from the list of GSP products (total of US\$ 61 million), the export of jewellery further increased by 28% (total of US\$ 115 million--which is partially exported based on the Certificate on Croatian non-preferred origin and which is not comprised by the system of privileges), measuring and control instruments by 11% (US\$ 16.2 million), driving machines by 25% (US\$ 8.7 million) etc.

The observed three years period is a too short period for assessment of the impact of the GSP regime to Croatian economy, however it is evident that the golden jewellery producers (mostly the small companies comprising some 10 employees and craftsmen) have recognized the opportunity of duty free export on American market and have focused on production, strengthening and development aimed at export on this demanding market.

Apart of it the exporters of measuring instruments, food products and machines for various purposes, chemical products, have started exporting to the USA exactly as a result of the GSP treatment. This distant market, comprising all the world products, the access to which was enabled exactly due to various preferential schemes, free trade contracts and other contractual relations, imposes the rules of quality and prices which can hardly be met. The imposing of duty (although low) would hamper the marketing of these products on American market, due to the not competitive price and would consequently result in transfer to other nearer markets on which Croatian products are traditionally recognized and high rated.

At this point it is important to emphasize that by increase of export to American market and due to the high standards of the said market, the level of products'

quality was consequently raised, what has influenced the growth of competitiveness of Croatian products both on national and other markets.

At the time the Croatian importers were requested to give their opinion on the possible suspension of the GSP treatment, this Ministry was contacted by the companies such as Laurum from Rijeka, producing golden jewellery, employing 12 persons, which was established and export oriented exactly towards the American market. The suspension of the GSP treatment would force this company to close and to transfer the production in some other country of the region, which is beneficiary of the GSP treatment.

For Kraš, the main Croatian producer of confectionery, rewarded on several occasions for quality, holder of the mark originally Croatian and Croatian quality, the suspension of the GSP Programme would result in price increase and consequently disputable competitiveness on American market.

Podravka, the producer having its representative office in the USA, considers that in that case its price would hardly be competitive and that it would result in export decline.

Apart of it some small companies, craftsmen and companies from the areas of special state concern, affected by the homeland war, have started their export in the USA. It was our pleasure to note that the pickled cabbage from Ogulin is also being exported to American market (company Madig, Mrežnice), and that the company is planning to make a contract on increased export on American market.

Some 300 companies are on the list of the exporters to American market, whereof some 40 craftsmen, and the beneficiaries of the GSP Programme mentioned (quotation of the letter of Mikuš Toolwork):

“We are running crafts for 16 years and in 2005 we have started cooperation with the American company APLIX INc. The cooperation has developed well, although we are currently engaged in final processing, i.e. grinding of the ceramics cutting plate. In 2005 the export in USA amounted to some € 6000.

In 2006 the export amounted to some € 5000 and we are expecting even better future cooperation with America. The duty free export has significantly contributed to the cooperation, what had a positive impact on our overall operations.

America is a huge market and I consider that by introducing the duty free export we, small producer, have been given better opportunity of access to this market.

For this reason we assess the GSP Programme as favourable. “

By the GSP Programme the small companies and craftsmen have been provided with the opportunity of access to other markets and of starting the export production, what is one of the priorities of Croatia's Government.

The export boost, initiated by this Ministry is aimed at transforming Croatia in an export oriented economy, that is, the export of goods and services should be doubled in the following five years. The aim is to achieve the approximate export value amounting to US\$ 30 billion. The export boost has four basic directions. The first is establishing of new exporters in order to increase the total number of exporting companies. In the previous year 10,951 companies were engaged in export. However only 7,916 of them were exporting above US\$ 13,000 per year; among them only 7,497 were predominantly engaged in exports if compared with the imports. The export boost is aimed at increasing the number of exporters by 25% in 3 years, that is, to establish 13,800 exporting companies. In the previous year 768 companies predominantly engaged in export have appeared, but the goal of the Ministry of the Economy is to create not less than 1,152 companies predominantly engaged in exports.

For the first time Croatia is planning to access the target markets. In this respect the export boost plans to retain the share on traditional markets of Italy, Austria, Germany, Slovenia and Bosnia and Herzegovina. A more significant breakthrough is planned on the market of the South-East Europe (export increase by US\$ 2 billion), South Europe (additional US\$ 2 billion) and the North America (further US\$ 1 billion).

The USAID Croatia also participates in export, i.e. entrepreneurship promotion, which supports the activities in the area of foreign direct investments under the project "Enterprising Croatia", in order to increase the total value of foreign investments in Croatia, create new jobs and increase the export value. The USAID has in 2005 provided technical assistance for implementation of two greenfield investments, amounting to US\$ 51.6 million. These investments have provided for creation of 582 new jobs, and 98% of production is intended for export. The implementation of nine further projects, amounting to US\$ 32 million, is in the course, which will support the creation of 530 new jobs in export oriented economic branches. The USA have since 1992 by now provided over US\$ 407 million assistance, whereof the major part under the programmes implemented by USAID. This assistance is aimed at strengthening of democratic institutions, post-war reconstruction and return of refugees, support to projects of mine clearance and economic development, as well as education programmes. USAID intends to complete its program of assistance for Croatia by 2008 (Source: USAID Croatia).

Due to above the export boost of Croatia to USA will in case of suspension of the GSP Programme not achieve the expected outcomes.

On the other hand, the share of Croatian export in overall American import is very modest. According to the WTO data the Croatian export of goods on American market, amounting to US\$ 211 million in 2004 accounts, if compared with the overall American import of goods, amounting to US\$ 1,525,516 million, for only 0.013%. The Croatian export of goods under the GSP Programme in 2005, amounting to some US\$ 134 million, if compared with the overall American GSP import, amounting to US\$ 26.7 billion, accounts for only 0.5.

Such low values of the share of import of goods from Croatia to American market have no negative impact to commodity exchange of USA, neither are considerable for American budget (US\$ 8,2 million-data provided by the American Embassyin) with respect to revenues.

We also consider that the Croatian products of high quality and competitive price, such as gold chains, additives, soups, biscuits, chocolates and other industrial products contribute to diversification of supply on American market, as well as competitiveness of American economy and the wider range of end users, which are provided with high quality products at reasonable prices.

**5.b) Considering of eligibility for pursuing with application of the GSP programme with respect to Croatia upon criterion of economy development - The World Bank classification for 2005**

The average Croatian GDP per capita is higher from the average GDP per capita in developing countries, what is upon WB classification for 2005 ranging Croatia of 40 upper middle income economies. However it should be emphasized that particular Croatian regions - area effected by the war destruction, rural areas - have a considerably lower GDP per capita, record significantly slower growth of GDP and have a higher unemployment rate from the rate applied at the national level. The GSP promotes export from this areas, what is in particularly significant for their economic prospect and positivly impacts to establishing of trust and stabilizing the situation in these, mostly multiethnical areas.

**5.c) Considering of eligibility for pursuing with application of the GSP programme with respect to Croatia upon criterion of the share in overall world export (World Trade Organization data - above 0.25% of world export of goods in 2005)**

Croatia doesn't fulfill this criteria.

## **6. Conclusion**

As a result of above data and assessments the Ministry of the Economy, Labour and Entrepreneurship of the Republic of Croatia, as the competent body of the Government of the Republic of Croatia assesses that the limitation, suspension or withdrawal of the GSP Programme would have negative impact to further development of trade relations between the Republic of Croatia and the USA, and would consequently result in disruption and reducing of Croatian export to this market and thus to higher deficit in commodity exchange. Further, the withdrawal of the GSP Programme would result in closing of a number of newly established export companies (production of gold jewellery) and consequently closing of newly created jobs. The small Croatian companies and craftsmen, who have started to establish new business relations with American partners would be endangered with respect to proceeding with the development of these business programmes and export to USA.

Since the effects of implementation of this Programme have become evident in the last three years, that is in 2003, 2004 and 2005, when the Croatian export to the USA was increased, we consider that the GSP Programme for Croatia should be

proceeded by the date of its accession to the European Union, as it was the case with the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and the Slovak Republic on the date of their accession to the EU on May 1, 2004.

Croatia will cease to be beneficiary of the GSP Programme in due time, however the extension of the GSP Programme would contribute to its further development, mostly in export promotion and implementation of “export boost”, started in 2006.

From the perspective of pending decisions which will contribute to further stabilization of economic development in the region (CEFTA enlargement) all aspects of support to economic systems in the Region, and consequently in the RoC are extremely important for the forthcoming period.

MINISTER

Branko Vukelić



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Messrs.  
FOREIGN ECONOMIC RELATIONS  
Ministry of Economy, Labour and Entrepreneurship  
Zagreb

Dear Mr., Dračić,

Re:Initiation of Reviews and Request for Comments on GSP

*With reference to the information we received in written form about the possibility to suspend the use of the Certificate of Origin Form A, we have to point out that for "MARASKA" company the export in the United States of America represents a very important part of the total "Maraska" export.*

*For the last three years the export turnover of Maraska company in the United States of America has been USD 550.000. Since this year Maraska company has signed a new contract with the American distributor, we are expecting a considerable increase of the export in the United States of America and till the end of 2007 it is expected to be about USD 1,500.000.*

*Suspending the use of GSP for the territory of USA it would mean a considerable decrease of total Maraska export in USA.*

*The range that Maraska is exporting in USA is strong alcoholic products, liqueurs and syrups. The benefits which our customers have when they import Maraska products are very important for them as it influences on the final price of our products on the American market.*

*We must point out that the competition concerning the alcoholic products is very strong and suspending the GSP namely the possibility of issuing the Certificate Form A will become even greater. The result will be a hasty decrease of total export in USA.*

*Therefore we kindly ask you to include this letter of Maraska company, being one among the other successful Croatian exporters in the United States of America during the negotiation with the representatives of the American Government.*

*Sincerely yours,  
Magda Maricic  
Export officer*

*Miljenko Korona, Sales Manager  
Thomas Santler, Member of the Board  
for Sale and marketing*

UNITED STATES TRADE REPRESENTATIVE

PREDMET: Američki program Opća shema preferencija/uvjeti izvoza u SAD

U vezi s gore navedenim predmetom šaljem vam svoje mišljenje.

- ALATNICA MIKUŠ, vl. Stjepan Mikuš -

Obrtom se bavimo 16 godina i 2005. godine smo počeli surađivati s američkom tvrtkom APLIX Inc. Suradnja je krenula vrlo dobro, iako za sada radimo doradu tj. brušenje keramičke rezne pločice. 2005. smo ostvarili izvoz u SAD oko 6.000 €.

2006. godine imamo izvoza oko 5.000 € i nadamo se u budućnosti još boljoj suradnji s Amerikom. Toj suradnji je uvelike pridonio bescarinski izvoz, te pozitivno utjecao na naše ukupno poslovanje. Amerika je veliko tržište i smatram da je uvođenjem bescarinskog izvoza dana veća prilika nama malim proizvođačima da se probijemo na to tržište. Zato pozitivno ocjenjujem GSP program.

S poštovanjem,  
Stjepan Mikuš  
Primorska 19  
HR-10360 Sesvete  
ALATNICA MIKUŠ

UNITED STATES TRADE REPRESENTATIVE

RE: American Program Generalized System of Preferences/Exporting Conditions into USA

Regarding the above issue, please receive our reference.

- ALATNICA MIKUŠ/CRAFTSMEN WORKSHOP, owned by Stjepan Mikuš -

We have been active in trade crafts for 16 years and in 2005 we started cooperating with the American company APLIX Inc. The cooperation is developing very well, although for the time being we are only processing, i.e. grinding ceramic plates. In 2005 we realized an export into USA amounting to 6.000 €.

In 2006 we realized an export of about 5.000 € and we hope for an even better cooperation with America in future. This cooperation has been greatly contributed by tax-free exportation, and it made a positive impact on our total business operation.

America is a big market and in my opinion the introduction of tax-free exportation has provided a greater opportunity for us small manufacturers to get to this market.

Therefore, I make a positive assessment of the GSP program.

With kind regards,  
Stjepan Mikuš  
Primorska 19  
HR-10360 Sesvete  
ALATNICA MIKUŠ



EXPORT DEPARTMENT

**OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE  
GSP Subcommittee**

**Re: GSP program for Croatia**

We have received information regarding reviewing process of eligibility for GSP program for thirteen countries including Croatia, that expires on December 31, 2006. We have been asked to submit comments as the party concerned.

We are writing to you on behalf of company Podravka d.d. with headquarter in Koprivnica, Croatia, that has subsidiary (Podravka International USA Inc.) located in New York.

Podravka d.d. is one of leading food manufacturing companies in Croatia. We manufacture seasonings, canned meat items, soups, jams and vegetable, condiments, baby food etc.

We export our products to USA for more than 15 years. Our products are very well known for its supreme quality.

Our competition come form neighboring countries such as Former Yugoslav Republic of Macedonia, Serbia, Montenegro, Bulgaria and Bosnia and Herzegovina that enjoy GSP program as well as Croatia. Companies from these countries compete to us with lower quality products and lower prices.

As you know Croatia has been faced with war in 1990's that affected our company significantly too. We are in the process of recovering and GSP program tremendously helped us to maintain our presence to USA market. Furthermore, with GSP program we succeed to bring high quality products to American consumers.

If the GSP program would be removed for Croatia, our competition from above mentioned countries will have a huge advantage. Our products will be more expensive it will be very difficult to maintain our presence on market.

We would like to ask you to renew GSP program for Croatia in order to be able to compete with companies from neighboring countries and to be able to bring high quality products to American consumers.

Sincerely,

August 31, 2006

Ante Mileta, Exp. mng.  
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Hebrangova 32  
10 000 Zagreb  
Phone: 385-1-4891 917  
Email: [ante.mileta@podravka.hr](mailto:ante.mileta@podravka.hr)

Ivan Hegeduš, Dir. executive  
Podravka d.d.  
Ante Starčevića 32  
48 000 Koprivnica  
Phone 385-1-651 564  
Eamil: [ivan.hegedus@podravka.hr](mailto:ivan.hegedus@podravka.hr)

**Congress of the United States**  
**House of Representatives**

Washington, DC 20515

September 5, 2006

The Honorable Susan Schwab  
Ambassador  
U.S. Trade Representative  
600 17th Street Northwest  
Washington, D.C. 20508

**RE: 2006 GSP Eligibility and CNL Waiver Review**

Dear Ambassador Schwab:

As Co-Chairs of the House Croatian Caucus, we write to respectfully express our concern with the current review of the Generalized System of Preferences (GSP) and its potential impact on Croatia. Croatia's participation in the GSP has complemented the country's efforts to transition into a functioning market economy, achieve democracy, and establish sustained economic growth. These developments, however, could be seriously jeopardized if Croatia is removed from the GSP.

Croatia has worked diligently to implement a progressive economic policy aimed at increasing business competitiveness, raising exports, and creating a favorable economic climate for foreign investment. Trade with the United States has been a significant contributor to this growth, as the US represents the seventh largest export market for Croatian goods (3.5 percent of total exports). These efforts by Croatia have fostered economic growth and a sustained increase in bilateral trade with the US.

Croatia has experienced vibrant growth in recent years, due in large part to the success of the GSP program. We acknowledge that at some point in the future, Croatia will be able to stand on its own and be removed from the GSP program. However, we strongly believe that Croatia has not yet reached a point where it can continue to thrive without GSP involvement.

The rapid growth of Croatia's economy in recent years must still be considered somewhat unstable, if left to its own devices. Current unemployment is still high across the nation, at 13.1 percent. Further, balancing Croatia's annual trade deficit presents a major challenge. While continual growth of the Croatian economy will not significantly influence the US trade balance (Croatian imports represented only 0.18 percent of total US imports last year), removal from the GSP program will have a dramatically negative impact on Croatia's trade balance.

Continued participation in the GSP program can directly address both the trade deficit and unemployment problems. The program will help to promote more local manufacturing, spur more job creation, and stimulate more consumption, thus sustaining the economic revival among small- and medium-sized businesses. This increase in production and consumption will not only benefit Croatia, but will increase demand in the Croatian market for US produced goods. Also, from a regional perspective, Croatia is becoming a leader for democracy and economic stability in its region, and continued participation in the GSP program will only further solidify this stability.

The Honorable Susan Schwab

September 5, 2006

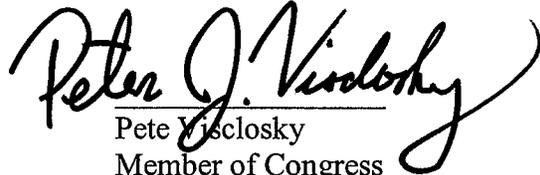
Page 2

We believe that keeping Croatia involved with the GSP is paramount to ensuring that the substantial US investment made thus far will continue to produce long-term economic stability. Therefore, we respectfully request that you allow Croatia to remain a participant of the GSP program. Thank you for your serious consideration of this request.

Sincerely,



George Radanovich  
Member of Congress



Pete Visclosky  
Member of Congress

## **SARDINA POSTIRA**

**ACTION: COMMENT ON THE ELIGIBILITY OF THE REPUBLIC OF CROATIA AS THE GSP BENEFICIARY**

**TO: OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE**

**September 5, 2006**

Dear Sirs,

According to your information that Croatia is on a list , with other 13 countries, for which are predicted restriction, suspension or abolition of the GSP Program, we would like you to be informed that our company export products, mostly sardines, to USA for almost 3 decades.

At the time when US dollar was stronger than German DM, and after it when US dollar was stronger than EUR, our export was considerable, but when US dollar declined toward EUR, our export quantities significantly decreased. In fact, we weren't competitive in regard to the same products , especially from Thailand and other countries which are linked to US dollar.

In case of increase of duties on our products, we believe it would probably result with the stopping of export of our products to USA, because our products would be too expensive.

In that case damage wouldn't be suffered only by us, but by our American customers who recognize high quality of our products.

Therefore, please, have understanding for this specific situation, and we hope that you will find the way to avoid increase of the duty on our products in order to enable our company, with 100 years of tradition, to export to USA market on mutual benefit and content.

Thank you for your efforts in advance.

Sincerely yours,

Davor Gabela, executive manager

**SKG Ltd.**

**TO: OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE**

**Subject: 2006 GSP Eligibility and CNL Waiver Review**

**September 5, 2006**

Dear Sirs,

We, SKG Ltd., Ind. zone Kukuljanovo, Rijeka, Croatia, are Croatian company producing and exporting to USA AC generators of the following tariff numbers of the Harmonized Tariff Schedule of the United States:

85016100.--AC generators (alternators) of an output not exceeding 75 kVA

85016200.--AC generators (alternators) of an output exceeding 75 kVA but not exceeding 375 kVA

In the year 2005 we have exported to the USA approximately 1.5 MUSD of these products, and it represented 40% of our annual turnover. During previous years the percentage of exports to USA made 30% - 40% of our annual turnover as well.

Being a company, whose annual turnover does not exceed 3.5 MUSD, and as the only Croatian producer of small low voltage generators (above mentioned tariff numbers) we are very much interested in eventual reviews of your GSP.

At the present, USA is the World's most important market for these products, but the product is technologically matured with small differences among competing producers, and for the medium series production price variations are very small. SKG Ltd. was for years orientated to the USA market, having as a consequence that our product has been, to some extent, adjusted for its needs.

We fear that changes in GSP would lead to lessened sales, or even to the loss of USA clients, which would have disastrous consequences for our company.

We, SKG Ltd., with our 120 employees, are without doubt, technology leader in our surroundings, and we engage and employ a number of local firms as sub suppliers. Loss of orders and contracts would lead to loss of jobs, which would be another huge problem in a country with approximately 20% unemployment rate.

We send this note as a small contribution to public comments requested hoping that GSP for Croatia will remain unchanged, if not so we would try to apply for CNL Waiver.

Best regards,

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Hrvoje Gligora, B.Sc., mech. eng.  
Purchasing and expedite manager

**SKG Ltd.**

Phone: +385 51 251 114

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**From:** Hrvoje Gligora [hrvoje.gligora@skg.hr]  
**Sent:** Tuesday, September 05, 2006 3:45 AM  
**To:** FN-USTR-FR0052  
**Subject:** 2006 GSP Eligibility and CNL Waiver Review

**Importance:** High  
Dear Sirs,

We, SKG Ltd., Ind. zone Kukuljanovo, Rijeka, Croatia, are Croatian company producing and exporting to USA AC generators of the following tariff numbers of the Harmonized Tariff Schedule of the United States:

**85016100 - AC generators (alternators) of an output not exceeding 75 kVA**  
**85016200 - AC generators (alternators) of an output exceeding 75 kVA but not exceeding 375 kVA**

In the year 2005 we have exported to the USA approximately 1.5 MUSD of these products, and it represented 40% of our annual turnover. During previous years the percentage of exports to USA made 30% - 40% of our annual turnover as well.

Being a company, whose annual turnover does not exceed 3.5 MUSD, and as the only Croatian producer of small low voltage generators (above mentioned tariff numbers) we are very much interested in eventual reviews of your GSP. At the present, USA is the World's most important market for these products, but the product is technologically matured with small differences among competing producers, and for the medium series production price variations are very small. SKG Ltd. was for years orientated to the USA market, having as a consequence that our product has been, to some extent, adjusted for its needs.

We fear that changes in GSP would lead to lessened sales, or even to the loss of USA clients, which would have disastrous consequences for our company.

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