

FOCUS MARKET CROATIA



With Inputs from H E Mr Raj Kumar Srivastava, Ambassador of India to the Republic of Croatia (Zagreb)

Croatia, spanning approximately 57,000 square kilometres and housing a population of 3.88 million people, may be considered a small country, but it holds a prominent position as an economic leader in Southeastern Europe. With a GDP per capita of USD 18,821, Croatia's potential as a promising market is often overlooked by Indi-ans. However, it presents itself as a gateway not only to the relatively unfamiliar Bal-kan market, comprising over 20 million people but also to Western Europe.

Having been a member of the European Union for a decade, Croatia recently joined the Schengen Zone and adopted the Euro currency, meeting all the necessary re-quirements. These developments further solidify its integration with European sys-tems and present opportunities for increased trade and collaboration. Even though its history extends far into the past, Croatia gained independence from the Yugoslav Federation in June 1991, and has been an active participant in interna-tional politics ever since. In May 1992, India formally recognized Croatia, and this recognition paved the way for the establishment of diplomatic relations on July 9, 1992.

During the era of former Yugoslavia, Croatia played a crucial role in fostering strong ties between India and Yugoslavia. Trade between the two nations was heavily influ-enced by Croatia, accounting for more than two-thirds of the total volume. Notewor-thy transactions included India's substantial purchase of Croatian ships during the 1970s and 1980s. Prime Minister Nehru and Marshal Tito were also instrumental in shaping the Non-Aligned Movement, reflecting their shared vision for global coopera-tion and independence. These friendly linkages with India have continued after Croa-tia's independence, so India and Croatia currently enjoy robust bilateral political and cultural ties, with a focus on enhancing economic collaboration.

Foreign trade in 2022

Final data of the Croatian Bureau of Statistics on foreign trade in goods in 2022 show an increase in export and import of the Republic of Croatia. The total export of the Republic of Croatia in 2022 amounted to about USD 25 billion (+16%), while the total import amounted to about USD 44 billion (+30%). Croatia exports mostly food, coke and refined petroleum products, chemicals, pharmaceuticals, as well as electri-cal equipment. On the other hand, Croatia has significant growth in import of mining and quarrying commodities, food products, coke and refined petroleum products, chemicals, pharmaceuticals, wearing apparel, basic metals and machinery and equipment.

The European Union (EU) is Croatia's primary trading partner, accounting for about 70% of exports and imports in 2022. Key EU partners are Italy, Hungary, Germany, and Slovenia. Outside the EU, important trading partners include Bosnia and Herze-govina, the United States and Serbia. While India-Croatia trade is increasing annual-ly, there is still ample potential for further growth.

India-Croatia bilateral trade

India's exports cover a wide range of products, including aluminium ingots, chemi-cals, fertilizers, pharmaceuticals, machinery, equipment, ceramic tiles, metals, read-ymade garments, textiles, rubber and plastics. On the other hand, India's imports consist of plastic and rubber machinery, instruments and appliances for measuring and testing, food and wood products.

To further enhance India's exports, there are opportunities in sectors like textiles, leather, pharmaceuticals, basic chemical products, coffee, tea, industrial machinery, and electrical machinery. Additionally, Croatia can serve as a gateway to the South-eastern European markets for India, utilizing the major ports of Rijeka and Ploce.

Indian direct investment in Croatia totalled Euro 40.05 million from 2001 to Q3 2022, while Croatia invested Euro 5.55 million in India during the same period. Although Croatia's economy is relatively small and has limited prospects for outward foreign direct investment (FDI), there are substantial opportunities for collaboration in sec-tors including infrastructure, defence, tourism, automotive, construction, shipbuild-ing, renewable energy, agro processing, IT and pharmaceuticals.

Indian companies in Croatia

Despite being a small market, Indian companies have made significant investments in Croatia. ACG WorldWide acquired Lukaps in 2007 and has become a major sup-plier of gelatine capsules to the EU. It plans to double its capacity in 2023 and estab-lish an R&D Centre. In 2017, ACG also acquired IN2 Trace, a Croatian IT company specializing in pharmaceutical serialization solutions.

Orient Green Power (Europe), owned by Orient Green Power (Chennai), invested in the construction of wind power plants near Sibenik in 2011. Infosys Engineering De-livery Centre, located in Karlovac, was opened in 2017 and serves as the main near shore center for Europe after taking over GE engineering operations. JGL, a Croa-tian pharmaceutical company, signed two five-year license agreements with Dr. Reddy's in 2017.

Croatian-Hungarian trading company A&A Bioenergy Viro invested in a cogeneration plant for wood biomass of 3 MW electric power output at the Antunovac Entrepre-neurial Zone

India-Croatia Bilateral Trade

(In USD million)

Year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
EXPORT	153.79	146.97	141.91	493.18	339.73
IMPORT	38.92	57.18	42.81	59.43	117.54
TOTAL TRADE	192.71	204.15	184.71	552.61	457.27
TRADE BALANCE	114.87	89.79	99.10	433.75	222.19

(Source: Department of Commerce, Government of India)

in Virovitica in November 2019. Power plant uses the Indian turbine, which was purchased from Triveni Turbines Ltd. (Bangalore, Karnataka) based on the shortest delivery deadline and references.

Capitel Group signed a Memorandum of Understanding (MoU) with the Government of Petrinja, which envisages up to €50 million investments in agriculture in the Pe-trinja area in growing hazelnut, walnut and chestnut plantations.

Amagi, a prominent SaaS technology provider for broadcast and connected TV, an-nounced their most recent investment. They are opening their first research and de-velopment (R&D) center outside India, expanding their presence in a new location.

Croatian companies in India

Croatian companies are increasingly recognizing the potential of the Indian market, given its size and diversity, and the quick returns on investments. One such company is Altpro, specializing in safety and signaling equipment for roll-ing stock and infrastructure. Altpro signed a contract with Indian company Sigma (owned by Texmaco) to supply its "Train Detection System" and ToT.

Similarly, Koncar, a prominent Croatian engineering company, has signed multiple contracts with Indian industrial groups like Jaypee and Virgo for mutual cooperation. Koncar is actively involved in small hydro power projects in India and is exploring col-laborations with Indian companies in the field of non-conventional energy sources, particularly wind energy. Koncar's primary focus is in southern India, with ongoing cooperation with Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO).

Infobip, one of Croatia's leading IT companies, has been doing business with Indian companies since 2009. Founded in 2006, Infobip has grown into one of the world's leading communication platforms for the processing and delivery of SMS messages, push notifications, OTT messages, voice messages and emails for its business clients. Infobip collaborates with some of the largest, leading companies in India and it has offices in New Delhi, Mumbai, Bengaluru and Pune. Each one of these cities has more inhabitants than that of entire Croatia.

Telegra, Croatian artificial intelligence traffic management company installed Elec-tronic Toll Collection System (ETCS) at one of the highways in India and exported some of Croatian Road Traffic Signalling Equipment to India. Telegra's current busi-ness activity in India is maintaining this ETC system.

MM Farmachem, a Croatian pharmaceutical company, has been conducting busi-ness with Indian companies since 2004. It has an office in Hyderabad and employs 10 Indian workers. MM Farmachem imports Active Pharmaceutical Ingredients (API) from India and supplies them to countries in Southeast Europe. Additionally, it as-sists buyers in obtaining the necessary documentation for medicine registration in specific countries.

Kanaan, Croatian food processing company is in touch with Indian company SV Agri for cooperation in the field of agriculture, particularly in the ToT regarding planting of ''seeds potatoes''.

Bilateral visits and agreements

In 2017, the two countries signed an Agreement on Economic Cooperation, which served as a significant catalyst for strengthening trade and investment ties. Subse-quently, in 2019, Hon'ble President of India, H E Mr Ram Nath Kovind, visited Croa-tia accompanied by a 35-member business delegation, further solidifying the rela-tionship. More recently, in April 2023, the Croatian Foreign Minister, Mr Goran Grlic Radman, travelled to New Delhi to attend the Raisina Dialogue and held a meeting with the Indian External Affairs Minister, Dr S Jaishankar. They signed the MoU on Defence Cooperation, which would help in building defence technology partnerships between companies of the two countries. Two weeks later, Mrs Meenakashi Lekhi, the Minister of State for External Affairs and Culture, made an official visit to Croatia, engaging in discussions on various areas of mutual interest such as education, economy, culture and technology, with the aim of strengthening bilateral coopera-tion.

Croatia's strategic location and its integration with European systems through its EU membership and adoption of the Euro currency make it an attractive market and gateway to both Southeastern Europe and Western Europe. The bilateral trade and investment relations between India and Croatia have been steadily growing, with In-dian companies investing in various sectors in Croatia and Croatian companies rec-ognizing the potential of the Indian market. The recent high-level visits and agree-ments between the two countries further emphasize their commitment to strength-ening bilateral cooperation in areas such as trade, economy, culture and technology.

Demographic complementarity between India and Croatia

Croatia is set to witness a multitude of investments in the next five years, thanks to the European Union. Numerous projects focusing on green transition, digital ad-vancements and connectivity infrastructure are currently underway. However, a sig-nificant challenge lies in the scarcity of available workforce, particularly in sectors such as construction, hospitality, food delivery, infrastructure development, agricul-ture and shipbuilding. On the other hand, India is increasingly establishing itself as a skill capital on the global stage. This complementary relationship between two countries has already led to approximately 7,500 Indians securing employment opportunities in Croatia within the past two years.

Tourism: Croatia's coastline and sea are valuable national assets that significantly contribute to the country's economy, making it a highly sought-after tourist destina-tion. The tourism sector alone contributes 11 percent to Croatia's GDP. Among the most popular tourist destinations are Dubrovnik and Plitvice Lakes.

Emerging automotive industry powerhouse - Rimac Group: Headquartered on the outskirts of Zagreb, and with locations across Europe, Rimac Group has gained prominence as a leading player in the automotive industry. With over 1,300 employ-ees, the group specializes in manufacturing electric hypercars and providing cutting-edge technology solutions to global automotive manufacturers. ■