



Croatia: a country with great potential

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"If you come into Croatia or Eastern Europe, it's a new market, you can be the first on the block ..."

As more countries look to join the ever expanding European Union, Australia has been forced to change the way it thinks about the Central European market. A parliamentary delegation recently visited the area in a bid to do just that, and found a host of countries willing and able to do big business with Australia. But what it also found was a number of countries, not yet part of the EU, working hard to gain the respect of the international community. One such country is Croatia, and as Stella Lauri found, unlike its grim past, it's a country with great potential.

FULL TRANSCRIPT

To the rest of the world, Croatia is probably best known for the part it played in a brutal war which engulfed the former Yugoslavia. It was 1991 when Croatia sought independence from its motherland - a bold move towards democracy which sparked a bloody conflict lasting four years.

Ten years on, and this Adriatic jewel, is only just now, starting to shine. Emotionally, Croatia has yet to recover from her ugly past, but its fear - fear of being left behind while her neighbours rush towards a burgeoning Europe - which has forced this fledgling country to turn a new page - and look beyond its borders.

ANTE BABIC, CROATIAN STATE SECRETARY: We are slowly getting back to the world market and we're still trying to get back to the knowledge and expertise in exports, that's what we are doing.

STELLA LAURIE: Tourism is this country's prized asset. Worth \$4 billion annually, its 1100 islands and four-thousand kilometres of coastline, luring visitors to a land, that's roughly the same size as Tasmania.

ZDENKO MICIC, CROATIAN TOURISM STATE SECRETARY: We had good numbers now on the coast, we had the expectation of 5 per cent more tourists and more than 9 million tourists from all over the world.

STELLA LAURIE: And some Australians are capitalising on this lucrative market ... David Tudorovic is one.

DAVID TUDOROVIC, DAVALAN INDUSTRIES: If you come into Croatia or Eastern Europe, it's a new market, you can be the first on the block and your name can be recognised as a major player.

STELLA LAURIE: In 1956, his father Davor left Croatia for Australia with little more than a suitcase. He established a concrete business in South Australia and built it into a local empire. Now his son is trying to do the same in his father's homeland: not in concrete, but tourism. The family company has transformed three dilapidated hotels, in the town of Biograd on the Dalmatian Coast, into one of Croatia's most successful enterprises.

DAVID TUDOROVIC: When we acquired the company in 2000, there was no water - the water had been shut off - the marina was devastated, there were perhaps 300 boats in the marina. Two of the four hotels were just devastated, they'd refugees in them for over two years and had been basically stripped back to concrete.

STELLA LAURIE: The hotels have seen 30 per cent growth in the last three years - strong returns which have enabled Tudorovic to buy an 800 berth Marina in Biograd, and prime commercial real estate in and around the coastal city of Zadar.

DAVID TUDOROVIC: We've basically taken our business practices from Australia and we're implementing them here, regardless of the local laws and we find that's the best way and the staff are also finding it very refreshing.

STELLA LAURIE: And while David isn't the first Australian to do well in this market, his success is encouraging other Australian companies to look at Central Europe. Recently 130 Australians mixed their love of sailing with a little business to check out local opportunities.

TOMISLAV (TOM) CHOP, ZAGREB ARCHITECT: The whole of the Croatian coast has hundreds of hotels in need of refurbishment and repair and upgrading.

ALLAN CORKE, ARCHITECT We've been here for about three-and-a-half years working on a resort project on the island of Korcula.

STELLA LAURIE: The annual event attracted business leaders and entrepreneurs from both countries - with Austrade helping to bring them together. But first there was a barrier to overcome. A barrier highlighted in a recent parliamentary report which found Australia has a quote "ignorant" view of the Central European market.

SINISA MIKIC, AUSTRALIAN TRADE COMMISSION: When they think about Central Europe, it's too less information, too less, too small exposure of Central European opportunities and I would say knowledge about Central Europe.

STELLA LAURIE: But that same report also found that trade opportunities between Australia and Croatia are endless - and it's largely due to Croatia's obsession with privatisation. The tourism sector was the first to go to tender. The maritime, telecommunications and agricultural sectors are next.

ANNA GEORGE, AUSTRALIAN AMBASSADOR TO CROATIA: The West Australian government has certainly expressed interest in a process of building up of the agricultural sector, in particularly the veterinary side.

ANTE BABIC: We have some other strategical companies that are going to go a little bit later, maybe at the end of next year - that's the Croatian oil company, Croatian electricity and things like that.

STELLA LAURIE: And Croatia's health sector has turned to the Australian Health Insurance Commission for advice - the HIC spending months preparing a reform strategy for the Croatian Government.

ANNA GEORGE: They've produced outcomes there with the Ministry of Health. And the Ministry of Health is now delivering or developing their policies along the lines of that project. And that's been a very positive outcome - both for the Health Insurance Commission - i.e. getting to this region and developing its profile here - and also for the Croatian Ministry of Health, they're implementing that approach.

STELLA LAURIE: Almos Systems, a Western Australian company which designs and manufactures weather monitoring equipment, also hit the jack-pot and is now installing its products in every Croatian airport.

PAUL DEUCHAR, ALMOS SYSTEMS PTY LTD: The initial tenders opened the door to the whole region for us and since then it's been going very well.

STELLA LAURIE: But don't expect an easy ride if you venture into Croatia, it has many logistical flaws, and a number of businesses have failed as a result. The international business community has placed Croatia in the high risk category, and while the reason for this is simple enough, the solutions are quite complex. This is a country which has embraced democracy, but

is in urgent need of reform.

ANNA GEORGE: If you go to an area to invest you've got to do your homework. You've got to make sure that you not only know what you're getting into, but the conditions of which you are going to have to work in.

DAVID TUDOROVIC: The main thing that's required here is your time, you really have to be on the ground.

STELLA LAURIE: While the Croatian Government works towards disciplined fiscal and structural reform, it's already thinking and trading in Euro Dollars. But the European Union is keeping the country at arms length, until it complies with stringent rules. And this is where the war has come back to haunt it. The country won't be accepted into the EU ... until it allows the return of more than 600,000 refugees and gives the War Crimes Tribunal its full support. Croatia's outdated legal system is also being scrutinised. There's no common law in Croatia - property settlement disputes are rife and often take decades to settle. The entire judicial system is need of a major overhaul.

ANNA GEORGE: That's going to take a lot of work, a lot of reforming, a lot of effort on the part of both the bureaucracy, the businesses and the government itself to make those changes.

STELLA LAURIE: But if all goes well, Croatia could be admitted to the EU by as early as 2007.

ANTE BABIC: We are preparing pre-accession economic policy, we are doing a nation development plan, all the things that move with the auspices of Brussels.

STELLA LAURIE: As volatile as it seems, progress is being made, and the advice is this: Australian companies looking to invest or trade with Croatia should consider establishing themselves in the region ... before it becomes part of the wider European community.

STELLA LAURIE: And the message for Australians?

ZDENKO MICIC: We are waiting for them.