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(interviewer: Mr. Ivan Pandžić)

## **Japanese Ambassador Keiji Ide talks about Plomin and problems of investments**

### **Your Laws Are Rigid and You're Very Burdened With History**

**Does Mitsubishi leave? The Customs retroactively charged huge tax to the company which represent Mitsubishi. After this, it is difficult for this company to stay to work.**

*Due to the insane tax rules, the company which represents Mitsubishi will most likely withdraw from Croatia. Our people find it hard to start a business here, and we are not used to corruption either*

I will tell you how many people do Japanese companies employ in South East Europe. At least, in Czech 46.000, in Romania 32.000, in Hungary 24.000 and in Poland 20.000. In Croatia, the number is very small, at least 100 are employed in Yazaki Centre in Zagreb which deals with development of car parts. All countries which have Japanese factories have an increased export growth, in Croatia it (export) is growing slow. With these words, showing the map of Europe, Japanese Ambassador Keiji Ide answered to our question on the obstacles for Japanese investments in Croatia. Ide is Ambassador to Croatia for more than two years, and before that he was working in Moscow and Beijing. He obtained his master degree in international relations at the Russian Diplomatic Academy after graduating Economy Department of University of Tokyo. He is sincerely trying to strengthen relations between Croatia and Japan, and talks for Express magazine about the absurdities for business which he noticed in Croatia, as well as the differences between the two countries. He is married and has a daughter and a son.

**Do you think that Kuna is too strong for factories which would produce and export from here?**

IDE: Croatia is too small market and our investors in production sector have to export. In one moment in Romania, 12% of total export was made by Japanese companies. It is a fact that there is no profitability for Japanese producers when Kuna is strong.

**What is the problem of the Customs Administration's behavior towards the Mitsubishi car dealer? Is it harmful for investments? What do you exactly want from the new Government?**

IDE: I am very much encouraged by the new Government's strong announcement to make business-friendly climate in your beautiful country. Already I feel that atmosphere is changing in the past months and I receive a lot of warm and sympathetic words and support from new people in Zagreb. I tell Japanese business people that this Government is making an effort to help and we should cooperate with these people. I am often asked here how to attract investment from Japan. I always answer that usually trade is starting point and investment will come later. One good example is the long-year successful trade relations of tuna and last year's acquisition of Croatian company Kali tuna by Japanese company J-trading for 40 million US dollars.

But, if the trade is burdened by some unreasonable problems, then investment won't come. If an investment in some factory is a long-term relation, like a marriage between the company and the state in which investment is being made, then the trade is something similar to dates, when partners are getting to know each other better. There will be no marriage if the dates were unsuccessful. LMG Autokuća has sold Mitsubishi vehicles at a public tender in 2014 to state institutions. Last year, a regulation for special tax on vehicles was changed. The Customs Administration has retroactively charged VAT & Special tax using new regulations for the already completed job and paid taxes and accused LMG Autokuća for incorrect calculation of tax, for which threatened fine up to 3 million kuna. This huge amount of additional tax and especially threatening of fine will make Mitsubishi's business difficult to continue in Croatia. What I expect from the new Government is very clear. The appeal was made by LMG Autokuća to the Finance Ministry to ask for re-examination of this case. If this appeal will be carefully examined by respectable authorized officials of the Finance Ministry, they will easily find irregularities of the way how the Customs Administration dealt with this case. For example, the minutes (zapisnik), based on which the fine was made, is not valid because the inspectors did not sign every page. It is against the Law. I pointed out this simple fact to the Customs Administration people but they told me I had only a copy during the meeting and should check the original. Of course, when I got the original zapisnik I saw it had no signature either. After that, I sent them a letter, saying that they cannot proceed based on this invalid zapisnik. Meanwhile, they are continuing process, without responding to this specific point, which I raised.

Besides that, Croatian Competition Agency, Croatian Chamber of Economy (HGK), Croatian Employer's Association (HUP) and American Chamber of Commerce pointed out that new regulation of the last year made confusion for business. I wish that such confusion will be removed as soon as possible.

### **Do you suspect corruption?**

IDE: I cannot comment on that.

### **How do you fight corruption in Japan? In Croatia, there is an impression that there is not so much corruption there. But when such accusations appear, do directors and politicians carry out *hara-kiri*?**

IDE: State officials have to serve the people and business people. In our country the state administration employees exchange with their colleagues every two or three years because it is not good for person to work for a long time at the same position. We employ only the best people who passed the state examination after their graduation from the university.

### **Japanese Marubeni is working for many years for construction of thermal power plant Plomin, and at this moment the Government doesn't know whether it will build it or give up. Are such turnovers/reversals possible in Japan?**

IDE: The deliberation of this project has started already during the former HDZ-led Government, designated as one of the strategic investment projects few years ago and Marubeni won the public tender. Marubeni will bring completely clean new technology. Plomin C will emit much less SO<sub>x</sub> and NO<sub>x</sub> than Plomin 1 which should be shut down. After closure of Plomin 1 and construction of Plomin C, the people will have much cleaner air. Coal was once connected to pollution, but the modern technology enables completely clean electricity production. The people need not to worry because they will have a cleaner air than they do today. In Japan we have a lot of thermal power plants with coal and they are completely clean and ecological. Last year, I visited one (coal power plant) which is eight times bigger than Plomin C, but in its surrounding you cannot see any pollution, not even the smoke from the chimney. There is greenery in the surrounding, people live peacefully, everything is green and the water is clean. There should be investments in renewable sources as much as possible, but it is a fact that they cannot satisfy today's electricity demands. It is not possible to only import it, but instead sovereign countries produce energy from various sources, including coal, but under condition of high ecological standards and modern technology.

The projects will boost the economy because the total amount of the project is worth more than 1.0 billion Euros. When Prime Minister Milanović visited Japan last June, our Prime Minister Abe said that Japan will gladly cooperate with Croatia and make all our joint projects most successful. Although Marubeni is a private company, public institutions are

seriously considering to participate in the financing, such as European and Japanese Export Credit Agencies and commercial banks.

First stage of operation of Plomin C is expected for term of 20 years, and then it will be given to the Croatian side without any additional cost. It will increase the national wealth of Croatia. So the benefit of this power plant should be evaluated in long term. The price of electricity should not be simply compared with that of other old power plants, which have already depreciated their value. If you import electricity from old coal power plants, it means that you indirectly support production of electricity of old-technology power plants.

In addition, although there are a lot of low-cost power plants like hydro in Croatia, such power plants depend on weather conditions. Given that there are some old fossil fuel power plants expected to be shut-down in the near future and coal is much more economical than gas and having longer useful life and supplying more stable power than the renewables, Plomin C will be the part of the best mix as the stable and reliable power supply source in Croatia along with new construction of renewable power projects. We cannot say that the electricity provided by renewable power plants is cheap if we consider the shorter useful life, shorter and less stable operational time and high capital cost.

We understand that the new Government has to check and analyze everything, but we sincerely believe that this project is good project with many reasons. If this project will be successful, other Japanese and foreign investors will look at Croatia with new eyes.

**So far, your objections against a law regulation for Japanese citizens who want to start a business in Croatia have not yet borne fruit?**

IDE: It is a very rigid policy towards the citizens coming from non-EU countries. Some Japanese who want to stay in Croatia and open a restaurant or some other small business, complained to me. In order for a Japanese investor to obtain work permission, he/she has to hire three Croatian citizens. If he/she wants an assistant, also Japanese, he/she needs to hire additional five Croats. This law came into force only recently. It is too much for a small business such as a restaurant. EU citizens do not have such obligations. I understand what is the background and you wish to prevent the inflow of cheap labour force from abroad. But they shouldn't have such strict policy, it should be more sophisticated and recognize differences, you should change your mind-set. You should know who should be encouraged to come and who should be limited, and not to categorically refuse everyone who is coming from non-EU region. If a Japanese opens a restaurant, he/she will hire several of Croats in any case, encourage the economy by purchasing local groceries, rent real estate, pay tax, etc. They cannot import all products from Japan.

**How does Japan see the armament of North Korea, do you believe they have a hydrogen bomb?**

IDE: It is a very worriesome situation. The young leader Kim Jong-un is determined to develop nuclear technology and missiles with nuclear warheads. One day he may succeed in this attempt, and once this is realized we don't know what he will do with it. We are trying to limit the material and financial supply which enables nuclear armament, to stop smuggling and illegal transfer of money. That is why it is important that the entire international community cooperate in order to prevent them from developing nuclear armament.

**You have mentioned that here (in Croatia), you have noticed political discussions about the past, which regime was better, who was defeated and who won. How did Japan solve such kind of discussion after the defeat in the World War II?**

IDE: It is completely evident that we were defeated, and all Japanese themselves were shocked then. After that, the people lost faith in the policy of such regime. It became clear that many people suffered, and based on the condemnation of such policy we have built a new state which will not rely on military power, but rely on mutual confidence and mutual-support instead. We are happy for being able to develop our economy on foundations of peace, we have succeeded in this and no one objects nor denies this today.

**What are the main differences you have noticed between Croats and Japanese?**

IDE: I am trying to learn about your culture, I read newspaper, books and I am learning your language. You have a rich history. You have started changes, but there still a certain way of thinking deriving from the past. We are an island and we have to rely on ourselves, on the other hand, you are well connected with neighbours and an EU member, so the way of behaviour is deriving from these facts as well.

**Do your compatriots know where Croatia is and what does an average Japanese know about Croatia?**

IDE: Croatia is a very popular tourist destination for Japanese. Before, there were no travel guidebooks in bookshops on Croatia, and as of recently there are. This is good.

**How do Japanese choose their vacation destination and why do we see more of them in the Plitvice Lakes and Zagreb than the seaside in the summer?**

IDE: We are an island and we are surrounded by sea. Japanese are visiting in order to enjoy the cultural and natural heritage. That is why the main destinations are Dubrovnik, Split and Plitvice.

**What was the goal of the recently organized Japanese Culture Week?**

IDE: I wish that Croats understand Japanese culture more. Things we have in common is that we love nature and sophisticated art. There are true admirers of Japanese culture here, for example Japanese martial arts, haiku, origami and bonsai. There are people who studied in Japan and after returning, they've become promoters of Japanese culture. I want to strengthen this network of people and connect them with each other.

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