



BOSNIA AND HERZEGOVINA
Ministry of Foreign Trade and Economic Relations
S a r a j e v o

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Address
by Mr Hamdo Tinjak
Secretary to the Ministry of Foreign Trade and Economic Relations
of Bosnia and Herzegovina

Mr Chairman,
Your Excellencies Ministers,
Distinguished guests,
Ladies and Gentlemen,

It is my pleasure to greet you all and to address you on behalf of Minister of Foreign Trade and Economic Relations of Bosnia and Herzegovina.

It is the fact that growing dependence on foreign trade makes the trade globalisation and liberalisation process very much present element in the policies of all the countries in the world. These processes were and still are significantly affected by theoretically and practically proved contributions to the economic growth, trade balance, foreign capital inflow, decrease of living costs, etc. Also, they provide credibility for reforms' programs and encouragement of political stability and cooperation.

Bosnia and Herzegovina took very seriously commitments under the Stability Pact Memorandum on Trade Liberalisation and Facilitation within South East Europe countries. Furthermore, State institutions of Bosnia and Herzegovina, within their constitutional competences, have an obligation to create frame for freer entrance of its goods to as wider market as possible with greater number of consumers. All this more for Bosnia and Herzegovina's internal market is insufficient for effective production of numerous products due to relatively small number of consumers and low purchasing power.

Being very enthusiastic about the process and in good faith, Bosnia and Herzegovina concluded free trade agreements with all Stability Pact countries. Today, one cannot deny positive effects of their application. Nevertheless, Bosnia and Herzegovina faced numerous difficulties as well.

According to analysis on Bosnia and Herzegovina's position in international trade the following conclusions may be sublimed:

- According to total trade exchange, Bosnia and Herzegovina is the most open country within South East Europe region. The average foreign trade exchange, expressed in relation to GDP for the last three years amounted 99%, which is two times greater than the average of the South East Europe region.
- The trade deficit of Bosnia and Herzegovina as per cent of GDP was 3,6 times greater than the average of other South East Europe countries. Moreover, current

account deficit was 4,6 times greater than average current account deficit of other South East Europe countries.

- Current account deficit increased from 18% to 30,9 in 1998-2002 period and in 2004 decreased to 28%.
- In 2004 Bosnia and Herzegovina had trade surplus with only two European countries – Lithuania and Albania.
- Conclusion of free trade agreements with foreign Yugoslav republics corresponded with trade deficit increase with Croatia and Serbia and Montenegro.

We are very well aware that great part of problems have their roots in weak system still being established. One of essential problems related to agricultural sector in Bosnia and Herzegovina is the fact their imports are fully liberalised and yet institutions for imported goods quality control either do not exist or are very weak. This brings domestic producers in primary agricultural production associated with domestic producer of foodstuff into unequal status.

For the last two years, the average share of agriculture sector (agriculture, foodstuff and beverages production) in total trade deficit was 25% (agriculture 7,3% and foodstuff and beverages production 17,7%).

It can be concluded that problem of Bosnia and Herzegovina's market is not for it is closed for goods and services foreign exchange. On the contrary, according to the World Bank data on tariff protection, it turns out that Bosnia and Herzegovina's producers are least protected ones within South East Europe region. The average weight rate of tariff protection in Slovenia and Croatia is 33% higher than in Bosnia and Herzegovina and Romania and Macedonia maintain twice higher average tariff rates. On the other hand, though raising trade and current account deficit present general characteristic of foreign trade relations within South East Europe region, Bosnia and Herzegovina ended up with most unfavourable ratio (trade deficit/GDP).

At present we have bilateral free trade agreements concluded within South East Europe region all of them being in force. Most of transitional periods ended up and consequently goods covered move without limitations. However, liberalisation and growth of foreign trade volume within region are not followed by trade share growth of the member countries in total foreign trade volume. Therefore, transformation of bilateral free trade agreements into single free trade agreement would create better business environment for intra-regional cooperation development.

In favour of faster creation of a single free trade agreement goes the fact that 95% of Bosnia and Herzegovina's foreign trade is with Croatia and Serbia and Montenegro, while at the same time Free Trade Agreement between Croatia and Serbia and Montenegro still does not meet Memorandum of Understanding requirements and thus creates additional problems by directing goods not covered by the Agreement liberalisation to Bosnia and Herzegovina market.

Experiences from free trade areas worldwide (NAFTA, EFTA, CEFTA) show that transformation from bilateral to multilateral free trade arrangements positively

affected intra-regional trade exchange volume by creating conditions for greater interest of foreign direct investors and more intensive use of both, natural and human resources in these areas.

In spite of all said, Bosnia and Herzegovina will continue to support processes of creation of a single regional market.

Thank you.