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## BOSNIA AND HERZEGOVINA

### Statement Circulated by H.E. Mr. Mirsad Curtovic Minister of Foreign Trade and Economic Relations

It is a great pleasure to gather together with all of you in order to shape the future. We are here to look ahead and to determine quality of trade relations among nations as we enter the Third Millennium.

What I have to say to you today is very simple. These are some facts of my country and our expectations through WTO Membership, especially through improvements, which are to result at the WTO Third Ministerial Conference.

Bosnia and Herzegovina (B&H) as an independent state was admitted to the Organization of the United Nations as a full member on 22 May 1992. Bosnia and Herzegovina is not among the big countries. It covers 51,197 square kilometres and according to the 1991 census, there were 4,377,000 inhabitants. However, as a state located on a significant border, where civilizations and cultures meet, mix and trade, it has always been opened towards the rest of the world.

It is a country which has been so seriously ravaged by war, whose people have seen their lives totally destroyed and yet, whose creative spirit and courage already transform country from a broken picture of war into a dynamic engine of economic growth. The extent of destruction in B&H is well known. Before the war, Bosnia and Herzegovina was a country with GNP per capita of US\$2,400; a key element of the ex-Yugoslavia's industrial sector with highly educated workers and managers. The country truly steps ahead of the other East European countries. Unfortunately, four years of war have set my country so far back that it found itself well behind those countries. Skilled people are still here and ready to manage. However, as a war result, the economy collapsed to some 35 per cent of pre-war situation.

The international donor community enclosed US\$5.1 billion Priority Reconstruction Programme, prepared jointly with the World Bank, European Union and European Bank for Reconstruction and Development. In three years since the Reconstruction Programme has started, we have seen an extraordinary turn-around. The big success has been made within reconstruction of infrastructure (bridges and roads, telephones, electricity, water and gas supplies ...), so that some electric power even being exported. In any case, the infrastructure itself is not sufficient structural change of economy in order to move towards market economy.

The value of trade flows in 1998 (US\$ 3.5 billion; IMF data used) was nearly 80 per cent of the pre-war situation. Furthermore, in the pre-war period, present major trading partners of B&H (Croatia, Yugoslavia and Slovenia) had not been included in foreign trade. In 1998, import consisted GDP by a very high percentage (66 per cent). The huge B&H trade deficits are financed by international aid and unilateral transfers of B&H citizens from abroad.

Bosnian Governments at the State and entities' level have made a firm political commitment to put into their future economy reforms, including privatization, transition towards market economy, creation of a more solid banking environment and promotion of foreign direct investments. Signs of real progress within above-mentioned reforms in B&H keep on being evident.

Stipulations within the B&H Law on Foreign Trade Policy are very similar to those of modern market economies. Even if the Law follows the systematic of the current World Trade Organization Agreements, the content of its norms has been largely adjusted to the concept of regulations from previous B&H laws on foreign trade, so there has been no difficulties to accord current practice to the new legal solution in this matter. The basic principle of the Law is a free international flow of goods and services. B&H Ministry of Foreign Trade and Economic Relations has been controlling implementation of this Law. Ministry has also supervised fulfilment of agreements taken over by bilateral and multilateral contracts, agreements and conventions.

Regulations of B&H Law on Customs Policy define the legal frame for customs procedures, adjusted to a modern urge for goods to flow across the state borders as quickly as possible, while, at the same time, it has been taken into consideration necessity that any misuse in implementation of the customs procedure should be prevented. Since the uniform custom tariffs were adopted for the entire B&H customs' and economic area, there has been a persisting obligation to make a follow-up and amend harmonized system, as well as to analyse rates as per specific tariff positions in order to protect domestic economic system and adjust custom rates to the international standards.

As Bosnia and Herzegovina adopted an open, free market-led economic policy, it deemed necessary to define a clear and stable legal framework and thus incentives and protection of foreign investment. For this reason, B&H Law on Direct Foreign Investment Policy is a very liberal one. It simply says to a foreign investor – "you are welcome and you have the same rights as domestic investors". In addition to this, foreign investors are given guarantees regarding economic environment at the time they start their projects. There are also incentives given to foreign investors. As a party to multilateral and bilateral agreements, the State is a guarantee that foreign investment shall not be nationalized, expropriated or subjected to requisition. Bosnia and Herzegovina is a member of the Multilateral Investment Guarantee Agency (MIGA) within the World Bank. The MIGA Programme supports the flow of private capital into less developed countries by providing guarantees against political risk. Bosnia and Herzegovina is also party to the Convention for Investment Dispute Settlement between states and citizens from other countries.

An accession to the World Trade Organization is among the main priorities of Bosnia and Herzegovina. WTO membership would assist B&H in its efforts to repair war damage and underpin its continuous and systematic transformation towards market economy. We will begin by approaching those we had scheduled for appeal. However, as I have said, it includes some of our prospects from improvements of stable trade relations among nations within the WTO system and from reaffirmation of objectives set out in the Marrakesh Agreement establishing the World Trade Organization concerning developing and countries in transition.

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