



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 3/17/2004

GAIN Report Number: BK4005

Bosnia-Herzegovina

Trade Policy Monitoring

Bosnia Suspends FTA Implementation

2004

Approved by:

Sarah Hanson
U.S. Embassy

Prepared by:

Sanela Stanojic

Report Highlights:

The Bosnia and Herzegovina (BiH) Council of Ministers unilaterally suspended implementation of the Croatia and Serbia and Montenegro FTAs for several agricultural products until April 1, 2004. It is not known whether the suspension will be lifted or prolonged. Based on these FTAs, the Government is now focusing on bilateral veterinary protocols that will include lists of foreign facilities approved for export between the countries. Increased support to agricultural producers was also expected but hasn't occurred due to limited budgets.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Vienna [AU1]
[BK]

As of January 1, 2004, import duties for products originated from Croatia and Serbia and Montenegro (SAM) should have been eliminated in accordance with free trade agreements (FTAs) signed between Bosnia and Herzegovina (BiH) and these countries. Before it happened, BiH Council of Ministers (CoM) unilaterally temporarily suspended provisions of FTAs for several agricultural products (HS chapters 01, 02, 04, 15, 16, and 20) until April 1, 2004.

It is yet unknown whether this suspension will be lifted or prolonged further. During the interim, the Government promised to explore ways of making BiH agricultural producers more competitive on the market and to resolve problems that local companies face while exporting to Croatia and SAM.

BiH food products were often rejected at the Croatian and Serbian borders for different reasons, mainly related to sanitary and phytosanitary (SPS) requirements. In addition, there were many problems with inconsistent application of the agreement in SAM and exclusion of Kosovo. Based on these FTAs, the Government is now focusing on bilateral veterinary protocols that will include lists of foreign facilities approved for export between the countries. The protocol with SAM is done, and one for Croatia is still being negotiated. This is a single tangible measure that the Government and the Ministry of Foreign Trade have taken during the suspension. Increased support to agricultural producers was also forecasted, but it hasn't occurred because entity budgets are limited.

Background:

BiH agricultural producers and processors requested the suspension of FTAs. Farmers blocked one border crossing to Croatia in December 2003 and destroyed their products symbolizing their incapability to sell/export their products and to compete with neighbors. They also threatened to block other border crossings to prevent foreign food products to enter the country, and announced a massive blockage of borders on January 1, 2004.

These FTAs entail a progressive reduction of tariffs for Croatian and SAM products while BiH products from the beginning entered Croatia and S&M free of charge. For Croatian and S&M food products tariffs first dropped to 60% of total import duties in 2002, then to 40% of total import duties in 2003, and should have dropped to 0% in the beginning of 2004.

BiH food producers requested the Government to cancel or re-negotiate the FTAs and to keep import duties for agricultural products. BiH agricultural producers believe they can not compete with these countries. Public opinion is that unilateral partial suspension of FTAs is not supportive to BiH's candidacy for WTO membership. Also, the BiH Assistant to the Minister for foreign trade and the head of WTO accession team decided to take an early retirement because of the criticism regarding the overall trade policy. A new head is not yet appointed.

BiH also applies FTAs with Slovenia and Macedonia. Slovenians pay 30% of total duties (but only until they join the EU in May) and Macedonians pay 40% of total import duties this year.