



Doing Business in Bosnia and Herzegovina (BiH):

A Country Commercial Guide for U.S. Companies: 2013 Edition

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Chapter 1: Doing Business in BiH

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Market Overview

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Bosnia and Herzegovina (BiH) is a transitional economy with a population of approximately 3.8 million, which is pursuing membership in the European Union and the World Trade Organization. Per capita GDP in 2012 was approximately USD 4,262, with a total nominal GDP of approximately USD 17.2 billion. According to International Monetary Fund (IMF) estimates, GDP declined by approximately ½ to 1 percent in 2012, after a 1.3 percent increase in 2011 and a 0.7 percent increase in 2010. BiH imports almost twice as much as it exports: 2012 imports totaled USD 10 billion with total exports of USD 5.1 billion. In 2012, imports from the U.S. totaled USD 225 million and exports to the U.S. totaled USD 18.3 million.

Bosnia and Herzegovina (BiH) is divided into two “entities,” the Federation of BiH (the Federation) and the Republika Srpska (RS). A third, smaller area, the Brčko District, operates under a separate administration. The Federation is further divided into ten cantons, each with its own government and responsibilities. Each entity also has municipalities. As a result, BiH has a multi-tiered legal and regulatory framework that is often duplicative and contradictory. In addition, complex and expensive labor and pension laws deter foreign investment, and the lack of a single economic space throughout BiH also creates difficulties for companies trying to do business across the entire country.

As of July 1, 2013, BiH will share a border with the European Union (EU) upon Croatia’s EU accession. Croatia’s EU accession could produce long-term economic benefits if BiH uses this opportunity to enact business and investment climate improvements to attract businesses seeking to access the EU market. Bosnia’s economy could suffer a negative short-to-medium term shock from Croatia’s EU accession if some key traditional agricultural export markets are cut off or significantly reduced until BiH can meet EU market access requirements.

Bosnia and Herzegovina has a large gray market economy, endemic corruption, high unemployment, a complicated regulatory framework, weak commercial law, and a high concentration of production under direct government control. Access to capital remains constrained and interest rates for business loans are high. U.S. trade and investment in BiH has been low, primarily due to a challenging business climate and the lack of opportunities for investment.

According to BiH Central Bank’s preliminary data, the total value of foreign investments in BiH during 2012 totaled KM 430 million (USD 287 million), which was approximately 30 percent less than the amount during the same time period in 2011. Most 2011 investments came from Russia, Serbia and Austria. Sectors that attracted the most investment were real estate, wholesale and retail trade, as well as financial services. Over the past 15 years, Austria has been the largest investor (20 percent), followed by

Serbia (18 percent), Croatia (14 percent), Slovenia (11 percent), Russia (9 percent), and Germany (6 percent). The manufacturing sector had the highest percentage of FDI, followed by the banking and trade sectors. The banking sector has been fully reformed with a significant inflow of foreign banks – mainly Austrian and Italian – providing businesses with access to capital and to full range of banking services. Currently, foreign banks own 95 percent of the sector. In 2012, U.S. imports held a market share of 2.25 percent. There are more than 40 U.S. and U.S.-affiliated companies that have established a full-time presence in the market.

BiH operates a currency board arrangement by which the Bosnian Convertible Mark (KM) is pegged to the euro (One Euro = KM 1.958). As a result, the convertible mark is one of the most stable currencies in Southeast Europe. Due to a strict currency board regime, inflation has remained relatively low.

Market Challenges

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The lack of a single economic space throughout BiH creates difficulties for companies trying to do business across the entire country. The country's political environment and complex government structure create significant obstacles to economic development. The government has made few improvements to the business environment. According to the World Bank, BiH holds the lowest rank in the region in terms of ease of doing business; the WB report ranks BiH particularly low for its lengthy and arduous processes to start a new business, obtain construction permits, and secure an electricity connection.

The myriad state, entity, and municipal administrations produce a heavily bureaucratic system that lacks transparency and creates opportunities for corruption. In particular, government and public procurement tenders have been criticized for a lack of openness and transparency. Dispute resolution is also challenging, as the legal/judicial system moves slowly, often does not adhere to existing deadlines, and provides no recourse if the company in question re-registers under a different name. In the RS, Federation, and Brcko District, resolution of court cases and mediation of commercial disputes is infrequently used.

While the official unemployment rate is approximately 44 percent, unofficial estimates of unemployment that take into account the large gray economy, are approximately 27 percent. Unemployment is partly a legacy of the economic transition and war, but is also related to a generous benefit regime, not least for war veterans, as well as stringent labor regulations, which create an inflexible labor market. As of December 2012, the average monthly net salary is *USD 513. This number has remained virtually unchanged from 2011.

*(Currency exchange rate: USD 1= KM 1.50 on 5/10/13)

Market Opportunities

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BiH offers opportunities to well-prepared and persistent exporters and investors. The country is open to foreign investment and offers a liberal trade regime. It is also richly endowed with natural resources. The best opportunities are in the following sectors discussed in detail later in the report:

- Energy Generation and Transmission Equipment for planned construction and upgrading of hydropower plants, thermal power plants, and electrical power distribution projects. BiH is one of only two energy exporters in the region and has the potential to expand this sector.
- Telecommunications Equipment and Services for the expansion of existing networks including mobile, fixed line, and broadband. Telecom privatization, not currently planned, could further spur growth in this sector.
- Transport Infrastructure Engineering and Construction Services for the Corridor 5c highway construction project and upgrading of the existing local road and railroad infrastructure. Many of these projects are financed by international development banks.
- Construction Equipment to support the commercial construction needs from the activities listed above.
- Medical Equipment for the public health-care systems and private practices, to include sophisticated diagnostic equipment.
- Agricultural Sector opportunities include prospects related to meat and livestock, milk and dairy, fruits and vegetables, and fisheries.

Many projects stem from the involvement and support of development banks, the World Bank, the European Union and other international donors. Although regarded as a transition economy, BiH nevertheless sees the goal of EU membership as a catalyst for further economic growth and development. Still-to-come privatization of government-owned enterprises would offer significant opportunities.

Market Entry Strategy

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It is essential to visit the country early in the market-exploration phase in order to develop relevant industry contacts and learn about BiH's multi-layered bureaucratic structure. New entrants to the market in established sectors will often be competing with nearby suppliers, such as from Croatia and Slovenia, as well as other dominant EU member country exporters, all of which benefit from various trade preferences.

For a new-to-market company, the identification of a local partner is key. Make your selection based on a potential partner's knowledge of the local market and a thorough check of their reputation. A significant focus on supporting your partner with the proper training and sales materials is advisable. Sales agents, representatives, and distributors all have important roles to play in this market. Regardless of which channel is selected, sales support and after-sales service are critical. Financing is a key consideration for Bosnian companies when considering whether to take on a new U.S. product line.

Readers interested in more information about market opportunities in BiH are urged to contact the U.S. Embassy Sarajevo. The U.S. Embassy's Economic Section assists U.S. companies in exporting to BiH by identifying local opportunities for the sale of U.S. products or services, providing counseling on the market, and meeting the advocacy needs of U.S. firms.

Market Fact Sheet

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MARKET FACT SHEET LINK:

USDOC will upload this separately, but for internal reference, it is located at
S:\Commercial\2013 Bosnia and Herzegovina-Market Fact Sheet.pdf

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/2868.htm>

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Using an Agent or Distributor

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Finding a good agent and/or distributor is the most effective means of market entry in BiH. Reliable and capable partners can be found, but it may take some time and effort to locate them. It is recommended that a confirmed letter-of-credit be used when conducting business with a new local partner. Local partners can be located through the Foreign Trade Chamber of BiH (<http://www.komorabih.ba>), which maintains a business registry and features an electronic goods and services exchange. It is strongly recommended that the creditworthiness and local reputation of your future partner be verified before signing legal documents and/or conducting any business transactions. The U.S. Embassy offers a number of services that can assist firms in this due diligence.

LRC Engineering is a credit bureau that provides a number of services aimed at assessing the creditworthiness of legal corporations and individuals. LRC's services include monitoring, credit reporting per Industry Sector Performance Standards. LRC partners with commercial banks, micro-credit institutions, insurance companies, pension funds of entities, public utilities companies, legal entities, cantonal governments, statistical agencies, and legal courts in order to provide relevant credit reports. For additional information and/or to order a service, contact:

LRC Engineering & Credit Bureau (<http://www.lrcbh.com>)

Sarajevo Office: Phone: +387-33-266-130

Banja Luka Office: Phone: +387-51-322-730

E-mail: lrc@lrcbh.com

The U.S. Embassy Sarajevo can assist in locating potential partners and assessing their creditworthiness. Through a partnership with the U.S. Foreign Commercial Service, the Embassy provides the International Partner Search (IPS) and the International Company Profile (ICP) services to U.S. companies who wish to locate partners in BiH and check their creditworthiness.

The International Partner Search provides a report on up to five qualified BiH agents, distributors, manufacturers, representatives, joint venture partners, licensees, franchises, or

strategic partners who have examined a U.S. company's materials and expressed an interest in the company's products, services, or licenses, or expressed an interest in otherwise partnering with the company. The International Company Profile provides a thorough background check of potential clients and representatives. Reports include up-to-date information such as: bank and trade references, principals, key officers and managers, product lines, number of employees, financial data, sales volume, reputation and market outlook.

Please contact the U.S. Embassy's Economic Section for more information on the International Company Profile (ICP) or International Partner Search (IPS) services.

Establishing an Office

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Establishing a business in BiH can be an extremely burdensome and time-consuming process for investors. The World Bank estimates that there are an average of 12 procedures, taking a total of 37 days, to complete registration of a new business (source: 2013 World Bank "Doing Business" report). Registration can sometimes be expedited if a local lawyer is retained to follow up at each step of the process. Businesses must register in each entity in which they wish to conduct operations. However, investors in the Federation may register their business as a branch in the RS. Businesses registered in the RS, however, are prohibited from establishing branch offices in the Federation. Certain administrative procedures can be especially time-consuming. For example, obtaining a construction permit can take as long as one year. In its latest annual "Doing Business" report, the World Bank ranked BiH 163 out of 183 economies in terms of processing construction permits.

All three sub-national levels of government (entity, cantonal, municipal) establish laws and regulations affecting businesses, creating redundant and inconsistent procedures that encourage corruption. It is often extremely difficult to learn of all of the laws or rules that might apply to certain business activities, given overlapping jurisdictions and the lack of a central information source. It is therefore critical that foreign investors obtain local assistance and advice.

The most common foreign business presence found in BiH is the representative office. The State Law on Foreign Trade Policy governs the establishment of a representative office. A representative office is not considered to be a legal entity, and its activities are limited to market research, contract or investment preparations, technical cooperation, and similar business facilitation activities. To open a representative office, a company must register with the Registry of Representative Offices, maintained by both the State Ministry of Foreign Trade and Economic Affairs, and the appropriate entity's Ministry of Trade. Registration procedures and establishment are regulated by the Decree on Conditions for Establishment and Operation of Foreign Representative Offices (1995). Applications must contain the following information:

- 1) A document indicating the decision of the founding or parent company to establish a representative office, to include:
 - Name and address of the founder;
 - Name and address of the office (in BiH);
 - Name and address of the branch office (if such exists);
 - Scope of activities of the office;
 - Terms of reference of the office;
 - Names of persons managing the office;

- 2) A certified document proving registration of the parent company in the home country;
- 3) A certified statement of liability for all liabilities that stem from activities of the office;
- 4) Appointment of the person in charge of the office (in BiH);
- 5) Information concerning the number of employees at the office, including a list of foreign employees.

All documents must be originals and an authorized court translator must translate the documents into the local language. If the documentation is complete and correct, the registration procedure should be completed within 30 days. The Ministry will appoint the office by a decree that will be published in the Official Gazette. After receiving the decree, the office must notify the Ministry within 90 days of the beginning of operation. If the office fails to do so, the appointment will be cancelled.

More information on the registration process can be obtained from:

Ministry of Foreign Trade & Economic Relations of BiH
Musala 9
71000 Sarajevo
Bosnia and Herzegovina
Tel: +387-33-220-093
Fax: +387-33-445-911
Website: <http://www.mvteo.gov.ba>

or

Bosnia and Herzegovina Foreign Investment Promotion Agency (FIPA)
TEŠANJSKA 24A
71000 Sarajevo
Bosnia and Herzegovina
Phone: ++ 387 33 278 080
Fax: ++ 387 33 278 081
E-mail: fipa@fipa.gov.ba
Web: www.fipa.gov.ba

A representative office is allowed to have both foreign and local currency accounts with local banks. Office equipment can be imported free of customs duties, based on a temporary permit with the possibility for extensions. Office vehicles may be imported but only for expatriates. Expatriates are required to obtain residence and work permits and to pay local income taxes.

FDI Insurance Instruments

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Foreign investors concerned about risks of transfer restrictions, expropriation, war and civil disturbance, and denial of justice can be insured against these risks from the European Union Investment Guarantee Trust Fund for BiH, administered by the Multilateral Investment Guarantee Agency (MIGA, part of the World Bank Group).

The U.S. Overseas Private Investment Corporation (OPIC) also provides political risk insurance for investors.

Franchising

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Franchising has yet to make a significant mark on the economy of BiH, though signs of progress can be found. The first McDonald's franchise arrived in BiH in 2011, opening one restaurant in downtown Sarajevo, followed by a drive-through restaurant. There are now five McDonald's restaurants in BiH (four in the Federation and one in the RS). RE/MAX, the real-estate franchise, opened its first office in Bosnia and Herzegovina in Sarajevo in August 2011, and its second in Banja Luka in December 2011. Car rental companies (Hertz, National, Budget, Alamo) also have developed local franchising operations. BiH has no specific franchise laws, although it is possible that franchising could become a more significant way of marketing goods and services.

Direct Marketing

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Direct-response selling remains popular in BiH. With the steady growth in credit card usage, there are attempts to market consumer goods through catalog sales, direct response advertising (TV, radio, and print media), and e-commerce. Marketing is usually carried out via formal or informal multi-level marketing groups or direct sale chains. Often informal gatherings are used to promote the products and encourage sales.

Joint Ventures/Licensing

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Joint ventures are rare in BiH. The Law on the Policy of Foreign Direct Investment and the Law on Companies regulate the establishment of joint ventures, investment in companies with mixed ownership, as well as other types of foreign or domestic investment. Establishing a joint venture requires a local lawyer and registration with the local court. One well-known joint venture in BiH is the UNITIC towers office complex in central Sarajevo, which is a joint venture between the local company UNIS and the Kuwait Investment Fund.

Licensing is a good way to tap into local markets, but requires financially strong partners with good management skills. The best known licensing operation is Coca-Cola's regional bottling partner, the Hellenic Bottling Company. Pepsi Cola has one bottling partner in Sarajevo, the Sarajevo Brewery. Finally, Teleoptic, a firm located in Sarajevo, acquired a license from the German company Sinalco to bottle its soft drinks.

The Law on Obligations ("Commercial Code") addresses contract law. The licensing contract covers intellectual property rights issues (trademark, model, patent or copyright), payments/royalties, the term of the contract, restrictions on using trademarks, among other topics. A local lawyer should be consulted to ensure that provisions of the contract do not contravene BiH law.

Selling to the Government

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Government consumption in BiH is significant, estimated at more than 50 percent of GDP. The scope of government procurements is wide, as it includes many government-owned enterprises such as public utilities and service providers for telecommunications, electricity and gas utilities, transportation service, and water supply. Procurement award decisions are often opaque.

Transparency International's 2013 Corruption Perception Index ranked Bosnia and Herzegovina 72nd out of 176 countries.

The Public Procurement Agency and Procurement Review Body provides information pertaining to public procurement legislation, including procurement notices, which can be found at <http://www.javnenabavke.ba>.

U.S. companies interested in selling to the government are advised to contact the U.S. Embassy Sarajevo in order to seek additional information about specific procurement opportunities. The Embassy assists U.S. companies exporting to BiH by identifying local opportunities for the sale of U.S. products or services, providing counseling on the market, and meeting the advocacy needs of U.S. firms. In addition, U.S. companies can obtain advocacy support through the Advocacy Center in Washington, D.C. <http://www.export.gov/advocacy>

Distribution and Sales Channels

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As a result of different legal frameworks in the entities, there are two distribution areas in BiH: one in the Federation and one in Republika Srpska. Although some effort has been made to harmonize the entities' legal systems, there are still significant differences. Consequently, many manufacturers have developed multiple distribution channels and contracts with multiple distributors to cover both the Federation and Republika Srpska. If BiH moves to harmonize country-wide legislation with EU requirements, legislation in the entities should become more streamlined.

There are three primary types of distribution channels in BiH:

- i) For consumer goods
 - a. Producer to wholesaler to retailer to consumer
- ii) For industrial goods
 - a. Producer to industrial user; or
 - b. Producer to distributor to industrial user
- iii) For services
 - a. Service provider to consumer or industrial user.

Wholesaling: Wholesalers offer the best channels for providing transportation, product storage, market information, financing, and risk management. Most wholesalers are independent, full-service merchant wholesalers that import and distribute goods. There is a significant degree of specialization in the wholesale sector by industry. Foreign companies control their distribution channels in BiH in a variety of ways.

Some manufacturers have opened representative offices in order to control distribution channels and supervise/manage marketing efforts; P&G, Wrigley's, Microsoft, and Oracle are good examples. Wrigley's relies on three distributors and a number of wholesalers to service the market. The company's sales offices, located across the country, coordinate marketing efforts. Oracle and Microsoft cover the market directly and through a network of business partners, usually smaller IT companies, while P&G has a single distributor that covers the entire country.

Coca-Cola's local operation is an example of a successful manufacturer-owned vertical marketing system. Coca-Cola began operations in BiH in 1996, with an emphasis on distribution. Pepsi Cola is a more recent market entrant, with local production and distribution performed by the Sarajevo Brewery.

Retailing: The most significant development in the retail market is the appearance of large retailers, many of them foreign-owned, such as Mercator (Slovenian supermarket chain,) Konzum (Croatian supermarket chain), Interex (French supermarket chain), as well as locally-owned retail companies, MIMS group, Tropic Centar, and Robot Komerc. In addition, the continued expansion of the shopping mall concept has changed consumers' habits.

Selling Factors/Techniques

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Many smaller and younger firms have difficulty gaining access to credit, therefore, an outside investor might consider financing options for the local reseller, whether in the area of industrial or consumer goods. Most buyers prefer to pay in monthly installments, even for low-priced goods.

Close and frequent contact with buyers, motivated and trained intermediaries, and aggressive market promotion are additional factors critical to success. Selling to state-owned companies and other state entities still depends on cultivating relationships.

It is important to provide product literature and manuals in local languages, as well as to use locally available service and maintenance.

Electronic Commerce

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E-commerce is not well developed. BiH citizens and businesspeople generally do not shop or conduct business on the Internet. Many companies maintain websites, but ordering online through use of a credit card is very rare. In addition, Internet penetration is relatively low, at 60 percent (source: Internet World Stats 2012).

The financial sector leads the way with many commercial banks offering e-banking to their clients. Global Payments Europe (<http://www.globalpaymentsinc.com>) and Electronic Banking Bureau Sarajevo (<http://www.ebb.ba>), a member of the Slovenian Halcom Informatika Group, are the main providers of e-banking solutions and services in BiH.

In the ICT sector, companies such as IT Computers and ComTrade engage in e-commerce in order to service the market.

Trade Promotion and Advertising

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Trade Promotion

Trade shows are a common vehicle for company promotion in BiH. Local and regional firms rely on trade fairs to establish business connections, gain market visibility, and learn about new products. Trade shows are held throughout the country. The most important shows take place in Sarajevo (<http://www.skenderija.ba>), Banja Luka (<http://www.banjalukafair.com>), Zenica (<http://www.zeps.com>), Mostar (www.mostarski-sajam.com), and Gradacac (www.gradacackisajam.com.ba).

Advertising

Electronic media (television, cable TV, and radio), outdoor advertising, and print media are the leading advertising mediums. The standard means to pursue advertising services is to contact one of the many advertising agencies in BiH. Media Group and Media Pool are two key advertising groups. Media Group includes BBDO and McCann Erickson, while Media Pool consists of SV-RSA, Fabrika, J.W. Thompson, Communis and M.I.T.A. Group/Saatchi & Saatchi. There are also several smaller, locally-owned firms, such as Via Media.

The broadcasting scene is vibrant, with six public TV broadcasters, 45 private TV stations, and 144 radio stations. The full list of TV and radio broadcasters is available on the Communications Regulatory Agency's website (<http://www.rak.ba/en/broadcast/reg/?cid=1863>). Among the most popular private TV stations are NTV Hayat (<http://www.ntvhayat.com>), TV Pink (<http://www.rtvpink.com>), OBN (<http://www.obn.ba>), BNTV (<http://www.rtvbn.com>), ATV (<http://www.atvbl.com>), and TV1 (<http://www.tv1.ba>). In addition, there are three public broadcasters: specifically, one national TV station (BHT), as well as two entity-level broadcasters (FTV and RTRS).

Mareco Index Bosnia (<http://www.mib.ba>), a member of Gallup International, is the leading public opinion, media and market research company in BiH, and conducts consumer, media, and public opinion research on a national basis.

Pricing

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Since January 1, 2006 BiH has had a single, national 17 percent value-added tax (VAT) rate. This is one of the lowest rates in the region. The price level of goods and services in Bosnia and Herzegovina is relatively low due to the low cost of labor. The market generally determines prices.

Sales Service/Customer Support

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Sales service and customer support are relatively undeveloped as marketing tools. As foreign companies come to the market, they and their distributors are developing new standards of customer service. These higher standards of sales service and customer support are slowly being adopted by local firms.

When selling capital goods, sales services and customer support are essential, particularly in terms of maintenance and training. A well-trained local distributor can provide a competitive edge in this area.

Protecting Your Intellectual Property

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Protecting intellectual property in BiH is a challenge though enforcement is improving. The Market Inspectorates of the Federation, the RS, and the Brcko District have begun including IPR inspections in their routine work. These inspections, while not always consistently implemented, have shown sporadic success; and in 2011 and 2012, they resulted in significant sales increases for software firms. In the event of an Intellectual Property Right infringement, U.S. companies are advised to hire a local attorney who can then pursue the matter in local court, although resolution may be protracted. For additional information, see Chapter 6, Investment Climate Statement.

Several general principles are important for effective management of intellectual property (“IP”) rights in BiH. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in BiH than in the U.S. Third, rights must be registered and enforced in BiH under local laws. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the BiH market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in BiH. It is the responsibility of the rights’ holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in law. The U.S. Embassy Sarajevo has a list of local lawyers available at <http://sarajevo.usembassy.gov/lawyers.html>

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in BiH require constant attention. Work with legal counsel familiar with the local laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both in BiH or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

Due Diligence

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The complex legal environment in BiH dictates the need for a local attorney. The legal framework is sometimes contradictory or overlapping, creating confusion and uncertainty. Bosnian attorneys' experience base is still limited with respect to legal questions and the issues that arise in a market-oriented economy. However, local lawyers are quickly gaining experience in working with international organizations and companies that are operating in BiH. Companies' in-house legal counsel should be prepared to oversee their in-country counsel, with explicit explanations and directions regarding objectives. The U.S. Embassy Sarajevo maintains a list of local lawyers willing to represent U.S. Citizens in BiH. The list can be accessed at <http://sarajevo.usembassy.gov/lawyers.html>

Through a partnership with the U.S. Foreign Commercial Service, the Embassy Sarajevo provides International Company Profile (ICP) services to U.S. companies who wish to locate partners in BiH and check their creditworthiness. The ICP provides a thorough background check of potential clients and representatives. Reports include up-to-date information, such as bank and trade references, principals, key officers and managers, product lines, number of employees, financial data, sales volume, reputation and market outlook.

Local Professional Services

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The U.S. Embassy Sarajevo can assist you in locating requested professional services, as available. The Economic Section can be reached at +387 (33) 704-000.

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Ministry of Foreign Trade & Economic Relations of BiH

Website: <http://www.mvteo.gov.ba>

Foreign Investment Promotion Agency of BiH

Website: <http://www.fipa.gov.ba>

Public Procurement Agency of BiH

<http://www.javnenabavke.ba>

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Energy and Coal Mines: Electric Power Systems (ELP) and Mining Equipment

Overview

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Electric power generation and coal extraction are key sectors of economic activity in BiH. Electric power is generated in both thermal and hydro power plants, and the country is a net exporter of electrical energy. The generating capacity is about 16,000 GWh. Bosnia and Herzegovina has a real comparative advantage in electricity, particularly because of its natural hydropower resources. With investment in new hydropower generation, the country could double its current hydropower production levels.

After the 1992-1995 war, the once-unified power system in BiH was divided into three vertically-integrated companies split along geographic/ethnic lines. There are three state-owned electric power generation and distribution companies: Elektroprivreda BiH (EP-BiH), Elektroprivreda Republika Srpske (EP-RS), and Elektroprivreda Hrvatske Zajednice Herceg-Bosna (EP-HZHB). Early international assistance focused on reconstruction of the physical infrastructure that was destroyed in the war. As part of this effort, the international community spent hundreds of millions of dollars from 1996-2001 on the reconstruction of facilities and networks. International financing for physical improvements continues, particularly through the World Bank, and the U.S. Government has focused on institutional strengthening and restructuring of the electricity market since 2001.

When BiH's energy infrastructure was constructed from 1948 to 1989, the intention was to create a diversified energy supply that covered the entire country. Therefore, the energy generation makeup of BiH as a whole is roughly 50 percent hydroelectric and 50 percent thermal (coal-fired) generation – an ideal energy mix given that BiH has abundant coal resources and multiple rivers ideal for generating hydropower. As the companies were created along ethnic/geographic lines and not for any technical reasons, there are significant generation disparities between the companies:

	<u>Hydro</u>	<u>Thermal</u>
<u>EP-BiH</u>	30%	70%
<u>EP-HZHB</u>	100%	0%
<u>EP-RS</u>	50%	50%

BiH needs to implement reforms to make the power sector more efficient, transparent, independently regulated, and free from corruption. However, because of structural problems, the governments of both of the principal territorial entities, the Federation of Bosnia and Herzegovina and the Republika Srpska, have failed to realize any significant element of their energy investment plans.

Coal Mines

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The country has significant reserves of brown coal and lignite. Reserves of iron ore deposits are estimated at 653 million metric tons; zinc and lead at 56 million metric tons; and bauxite at 120 million metric tons. There are two aluminum and aluminum oxide processing plants situated near bauxite mining operations. Annual coal production is approximately 8.8 million metric tons, both via open pits and casts.

Renewable Energy

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BiH additionally has significant renewable energy potential, particularly in hydropower and wind power capacity. Hydropower already provides around 50 percent of the country's total electricity production and there is room for additional growth. According to a study conducted by the German government, BiH could generate up to 2000 MW of wind energy per year, primarily in the areas of Livno, Tomislavgrad, Mostar and Trebinje. Although this nascent industry still faces a number of regulatory and financial challenges, local governments in the Federation of BiH have been active in promoting wind power and have granted concessions for the construction of four wind farms in the region in 2011. However, BiH's electrical grid has suffered from decades of neglected maintenance and a lack of investment, which could hamper transmission from new power plants.

Best products and services

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- Desulphurization equipment/technology;
- Emission control equipment and systems;
- Generation equipment for hydro and thermal power plants (gas, coal);
- Equipment for wind farms; and
- Heavy mining equipment.

Opportunities

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In the Federation, political disagreements have thwarted attempts in recent years to initiate large power generation projects. In 2007, the Federation Ministry of Energy, Mining, and Industry selected four "strategic partners" – international investors with significant expertise in the field – for the construction of seven hydro-power plants and four coal-fired power plants, with a combined installed capacity of 2,000 megawatts and estimated value around USD 2.5 billion. However, in December 2008, the ministry announced that the plan had been put on hold, over allegations of a non-transparent process in selecting international partners. In 2011,

the Federation Government again announced interest in a massive energy investment scheme, with assurances of a fully transparent selection process. However, those plans are now on hold.

Some projects appear to be moving forward, albeit many remain in the preliminary phases. In April 2013, EP-BiH received bids for the construction of a 450 megawatt coal-fired unit at its Tuzla power plant; construction costs are estimated at around USD one billion. In March 2013, RS representatives signed a contract with an international consortium for the construction of a 300 megawatt thermal energy power plant (Stanari); the project cost is estimated at USD 710 million. The RS is also in discussions regarding possible hydropower projects on the Drina River.

The state-level power transmission company suffers from management gridlock and years without investment in maintenance, let alone the expansion of the power grid necessary to support the expansion of generation desired by both entities. No significant maintenance, let alone expansion, of the energy grid has occurred since 2007.

In the long run, the World Bank estimates that BiH's energy sector would require more than USD 6 billion in investment for modernization, life extension, and new generation facilities for the power generation and coal mines sectors.

Coal Mines:

In 2010, the Federation Government consolidated seven coal mines under the new ownership of Elektroprivreda BiH. The government hopes that this will pave the way for significant investments in the rehabilitation of those seven mines by 2014. Elektroprivreda BiH has committed to investing KM 780 million (USD 497 million*) in rehabilitation of the mines, primarily through heavy mining equipment procurement and upgrade that should increase the coal mines efficiencies. As of this report's publication, the equipment has not been purchased.

Renewable Energy:

There are also opportunities in construction of small hydro power plants and wind powered plants, but due to lack of harmonization and adequate concession legislation between the canton and Federation-level governments, those opportunities will be somewhat limited in the near term.

In 2011, the Government of Republika Srpska announced that it would begin selecting strategic partners for construction of 24 new hydro and thermal power plants. This could create significant opportunities for sale of power generation equipment as well as possible opportunities for power plant management contracts.

U.S. companies interested in learning more about current market opportunities in this sector should contact the Economic Section at the U.S. Embassy Sarajevo.

*(Currency exchange rate: USD 1= KM 1.50 on 5/9/13)

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Elektroprivreda BiH
Website: <http://www.elektroprivreda.ba>

Elektroprivreda Hrvatske Zajednice Herceg-Bosna
Website: <http://www.ephzhb.ba>

Elektroprivreda Republika Srpske
Website: <http://www.elektroprivreda-rs.com>

European Bank for Reconstruction and Development
Website: <http://www.ebrd.com>

World Bank
Website: <http://www.worldbank.ba>

Regulatory Commission for Electricity in the Federation BiH
Website: <http://www.ferk.ba>

Regulatory Commission for Energy of the Republika Srpska
Website: <http://www.reers.ba>

The State Electricity Regulatory Commission
Website: <http://www.derk.ba>

Telecommunications (TEL, TES)

Overview

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As of January 1, 2006, BiH liberalized a limited portion of its telecommunications sector for fixed telephony and international calling services. This has led to the emergence of nine private fixed telephony service providers. Information about the sector's regulatory framework and latest activities can be found at <http://www.cra.ba>.

Bosnia's telecommunications sector, like electric power production and other infrastructure, was divided along ethnic lines following the 1992-1995 war. In the Federation, service is split between the Sarajevo-based BH Telecom in Bosniak-majority areas and Mostar-based HT Mostar in Croat-majority areas, while Banja Luka-based Telekom Srpske's fixed lines cover the entire territory of Republika Srpska.

Telekom Srpske was privatized in December 2006 via a sale to Telekom Srbija, the dominant fixed-line and mobile telephone provider of Serbia, whose government owns a controlling interest in the parent company. The Federation government owns controlling shares in BH Telecom and HT Mostar, and there is little indication that any privatization is planned. The CRA awarded the three operators 3G licenses in April 2009. The mobile phone market currently is estimated to have 65 to 70 percent market penetration. Telekom Srpske's mobile phone subsidiary m:tel has been expanding steadily both in the Republika Srpska and in the Federation, and BH Telecom's subsidiary BH Mobile and HT Mostar's Eronet still have dominant positions in their traditional market areas.

Since the beginning of the liberalization process in 2007, the CRA has awarded 13 licenses to private fixed telephony providers, 66 licenses to private Internet Service Providers (ISPs) and 75 licenses to private network operators, mainly cable television operators. A notable development is the appearance of broadband Internet service deployed via cable television. The CRA anticipates that many of the ISPs will venture into Voice over Internet Protocol (VoIP) business now that international voice service has been liberalized. One VoIP provider, U.S. company AirABA, is already active in the BiH market. In years to come, more providers will be able to offer a “triple package” of phone, internet and cable service.

The complete list of all licensed service providers and network operators can be found at <http://www.cra.ba>.

According to Business Monitor International's (BMI) Bosnia-Herzegovina Telecommunications Report, the Bosnian mobile market grew by 0.9 percent quarter-on-quarter during 2011 to 3.412 million subscribers. BMI believes that BiH's telecom market remains one of the least developed in Central and Eastern Europe and as such represents a significant growth opportunity for operators and telecoms equipment vendors. Meanwhile, BMI believes higher value services, especially mobile data and postpaid subscriptions, will be major growth drivers as operators attempt to capitalize on the improved outlook for economic growth.

Best products and services

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The aforementioned operators remain the best opportunity for marketing goods and services. Their near monopoly position in mobile telephony services will continue to generate sufficient revenues to finance expansion and modernize their networks.

The companies face the challenge of migrating from technologies traditionally supplied by Ericsson and Siemens to Internet-based technologies. All three incumbent operators have in their development plans the acquisition and deployment of the following technologies/services: IP/MPLS, VoIP, 3G, GRPS, EDGE, UMTS, broadband access networks: xDSL, Ethernet WAN, Ethernet Metropolitan Area Networks, Wi-Fi, W-LAN, among others.

As mentioned above, BiH has 66 ISPs and 75 network operators, mainly cable television businesses. The last few years have seen a steady growth of Internet penetration which, according to BMI, approximately 60 percent by the end of 2012. The report expects internet and broadband penetration rates in Bosnia to reach 68 percent and 17 percent respectively by 2015. The appearance of cable television networks allowed the ISPs to forge partnerships with cable TV operators and offer high-speed Internet via cable television. Subsequently, cable television operators realized the value of their access networks and ventured into the ISP business.

The rapidly growing cable television sector also provides opportunities for investment. The liberalization of VoIP could signal the next big development in BiH and may present a significant business opportunity. The ISPs and cable television operators are expected to play a significant role in providing the VoIP service in the future.

In accordance with EU standards, all television stations in BiH must begin digital broadcasting by 2015, providing an opportunity for U.S. sale of digital broadcast and ancillary equipment. In December 2011, Ministry of Transport and Communications BiH issued a tender for the implementation of a first phase of television signal digitization. However, following the tender selection, the project implementation was put on hold due to a complaint filed by a competing

firm. The tender relates to the procurement of digital microwave links for Public Broadcasting Services.

Five informative-technical centers throughout the country will be linked to public broadcasting services' digital connections and transmitters to cover areas of the cities of Sarajevo, Banja Luka, and Mostar with digital signals. The digitization will include three public broadcasters, which will cost about EUR 25 million (USD 38 million) after all phases of the project are complete.

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The incumbent operators are required by law to conduct open public tendering procedures for the purchase of goods and services. Procurement notices can be found on the companies' websites (<http://www.bhtelecom.ba>, <http://www.mtel.ba>, <http://www.eronet.ba>). The best way to access these opportunities is via some form of local presence, either direct or through agents and distributors.

U.S. companies interested in learning more about current market opportunities in this sector should contact the Economic Section at the U.S. Embassy Sarajevo.

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Communications Regulatory Agency of BiH

E-mail: info@rak.ba

Websites: <http://www.rak.ba>, <http://www.cra.ba>

BH Telecom dd

Website: <http://www.bhtelecom.ba>

Hrvatske Telekomunikacije d.o.o. Mostar/HT Eronet

Website: <http://www.eronet.ba>

Telekom Srpske dd/(m:Tel)

Website: <http://www.mtel.ba>

Transport Infrastructure and Construction Equipment

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Road Sector

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BiH's road infrastructure is fairly poor and underdeveloped. At the time of this report's publication, BiH has only 45 km of usable motorway. Trunk roads and regional roads, with a total length of 8,501 km, represent the country's core road network. The Corridor 5c project, a major road construction project that has made little progress since it was first designed, is a part of the Trans-European ground corridors network. Its final design will connect the central part of the Adriatic Sea coast and Budapest, Hungary. The proposed project will run 336 kilometers in BiH from north to south. The Bosnian Government has taken out multiple loans from lenders, primarily European Bank for Reconstruction and Development (EBRD) and European Investment Bank (EIB), to fund the construction of the Corridor 5c.

Corridor 5c's central objectives are BiH's inclusion into Europe's main traffic flows, as well as easier access to the European marketplace. Experts predict that the motorway will be the prime mover of economic activities in BiH and should enable connectivity to its neighboring countries and regions. Historically, advancement in this sector has been impeded by issues concerning inter-entity coordination, the absence of a coherent strategic vision, political obstructionism, and perhaps most prominently, a lack of funding. Though progress is discouragingly slow, construction has resumed and additional funding sources and contractors are being pursued.

Rail Transport

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A modernized railway system is needed in order to alleviate the traffic burden on BiH's inadequate roads. The BiH rail system is divided, weighed down by excess employees and hampered by poor and aging infrastructure. The total length of operational railway tracks in BiH is 1,031 km. Major users of the railway transport system are large industrial plants (such as the chemical plant in Tuzla and Mittal Steel plants in Zenica and Prijedor), coal mines (Zenica, Tuzla, and Prijedor), the Aluminij aluminum plant in Mostar, and oil distributing companies (INA, Energopetrol, and OMV). Passenger railway traffic is very limited due to lack of modern and comfortable coach cars.

Rail transport in Bosnia and Herzegovina is operated by two companies: Željeznice Federacije Bosne i Hercegovine, which operates in the Federation and Željeznice Republike Srpske, which operates in the RS. The entity companies manage the infrastructure and provide transport operations for both freight and passenger service within their borders. Priorities for the railway sector in both entities are reconstruction and modernization of infrastructure, purchase of new locomotives and coach cars. While there is cooperation at upper levels, inter-entity politics plays a large role in rail transport.

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Road Sector:

The best opportunity may lie in the two most difficult segments of the project – the 60 kilometer stretch from Doboј to Zenica (north of Sarajevo) and the 125 kilometer stretch from Tarcin to Bijaca (the southern end point). The estimated cost of construction for those two segments is approximately EUR 2 billion. Procurement of construction equipment, such as asphalt patchers, bulldozers, backhoes, cranes, excavators, and mowing equipment as well as other road construction equipment, present significant opportunities as the construction of Corridor 5c continues.

Rail Transport:

The Federation Railways bought new Spanish "Talго XXI" passenger trains (EUR 70 million value) in 2011. The trains, known for their high operational speed (up to 300km/hour), were never put to use since the current rail tracks in the Federation limit speeds to 60 kilometers per hour. The RS Railways also purchased several new Spanish "Talго" trains and has announced that the company is planning to significantly upgrade the existing railway infrastructure in the near term. Reconstruction and modernization of rail infrastructure, such as signalization equipment and rail track upgrades, will remain the focus of both railway companies.

U.S. companies interested in learning more about current market opportunities in this sector should contact the Economic Section at the U.S. Embassy in Sarajevo.

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Bosnia and Herzegovina Ministry of Transport and Communication

Website: <http://www.mkt.gov.ba>

Road Directorate of Federation of Bosnia and Herzegovina

Website: <http://www.jpdcfbh.ba/en>

Railways of Federation of Bosnia and Herzegovina

Website: <http://www.zfbh.ba/zfbhenx>

Railways of Republika Srpska

Website: <http://zrs-rs.com>

Medical Equipment

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The majority of medical equipment suppliers in Bosnia and Herzegovina are EU-based manufacturers (primarily Germany and Italy). However, in recent years, U.S. manufacturers such as GE Medical and Medtronic have made significant headway in supplying U.S. technology in hospitals throughout the country, specifically diagnostic-imaging equipment in the clinical centers in Sarajevo, Tuzla, Banja Luka, and Mostar.

The Entity and Cantonal Institutes of Health Insurance administer healthcare systems which are funded through compulsory payroll contributions from both employers and employees. BiH's health care system is predominantly publicly-funded; however, there are an increasing number of private practices and Private Public Partnerships.

U.S.-manufactured medical equipment enjoys an excellent reputation in BiH for state-of-the-art technology, quality, and reliability. However, technical assistance concerns (both real and perceived) are seen as potential obstacles to growth of U.S. imports. The medical equipment market is very price-sensitive.

Opportunities

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The best sales prospects for U.S. medical equipment are expected to include: cardiovascular diagnostic equipment, non-invasive surgical devices, anesthesia and intensive care equipment, diagnostic imaging (CTs, MRIs), radiation therapy equipment, ultrasound equipment, urology equipment, laboratory and testing equipment, and tissue and blood bank related equipment. There are also good prospects for products such as ultra-violet/infra-red equipment used in medical, surgical, dental, as well as apparatuses based on the use of X-rays of alpha, beta or gamma radiation treatments.

Good opportunities also exist for U.S. manufacturers of sophisticated diagnostic equipment such as electrocardiographs, endoscopes, scanners, imaging equipment, pace makers, digitalized x-ray equipment, nuclear medicine instruments, and clinical laboratory equipment.

Diagnostic imaging equipment, especially ultrasonic diagnostic equipment, and dialysis equipment are in great demand.

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Federation Ministry of Health

Website: www.fmoh.gov.ba

Republika Srpska Ministry of Health

Website: www.vladars.net

Bosnia and Herzegovina Agency for Medicines and Medical Devices

Website: <http://www.almbih.gov.ba>

Meat and Livestock

While BiH's fresh meat supply meets its demand, the country's meat industry suffers from a deficit of raw meat for processing and must rely on imports for this purpose. The range of products produced and marketed in BiH includes dried and smoked sausages, salami, poultry products, and meat spreads. Although BiH has a significant meat industry, it is estimated that it imports around 50 percent of processed meat products.

Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	706,158	679,191	715,000	750,000
Total Local Production	339,923	329,742	350,000	367,500
Total Exports	66,847	70,283	75,700	80,200
Total Imports	433,082	419,732	440,700	462,700
Imports from the U.S.	15	18	19	20
Exchange Rate: 1 USD	1.4062	1.5224	1.5000	1.5000

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: BiH Agency for Statistics

Total Exports: BiH Agency for Statistics

Total Imports: BiH Agency for Statistics

Imports from U.S.: BiH Agency for Statistics

Estimated annual consumption of meat and meat products in BiH is about 140,000 metric tons (MT). An estimated per capita consumption is approximately 40 kg (including 16 kg of beef). The total annual capacity of the eleven largest meat processors is 60,000 MT but only 50 - 55 percent is utilized. According to estimates, domestic processing industry can be divided as follows: 50% of poultry (95% chicken); 35 - 40% beef; 10 - 15% pork.

Best Prospects

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The demand for meat greatly exceeds domestic production and meat processors in BiH import approximately 80% of raw materials (frozen meat, boned meat, pork and poultry) mainly from European Union countries (Hungary and Poland).

There is a demand for dairy cattle genetics but this market is still undeveloped. There is an absence of programs for improved cattle breeding and breeding centers, as well as markets for selling cattle with improved genetics. The market for bovine semen is estimated to be about 350,000 - 400,000 doses annually. The Veterinary - Cattle Breeding Center from Banja Luka provides 150,000 - 200,000 doses of semen, while the remaining doses are imported from Austria, Germany, Croatia, and Serbia.

Opportunities

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The under-utilized capacity of many slaughterhouses and meat processing plants coupled with potential consumer confidence concerns in the quality of locally produced meat could be an opportunity for investing in this sector. The primary impediments to increased local production include the lack of capital to modernize breeding, growing, and slaughtering facilities, as well as

inadequate health and safety standards. Additionally, further development of maize and other cereal grain crops would also increase domestic production.

Web Resources

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U.S. Foreign Agricultural Service <http://sarajevo.usembassy.gov/fas.html>

BiH Veterinary Office <http://www.vet.gov.ba>

BiH Agency for Statistics <http://bhas.ba>

Milk and Dairy Products

Bosnia and Herzegovina consumes about 500,000 MT/year milk and milk products annually. The country imports 40% of all milk and dairy products it consumes. There are approximately 310,000 dairy cows but the average milk yield of about 1,400 liters per lactation is low. Approximately 100,000 farms raise cattle in Bosnia and Herzegovina, of which only one-third are commercial milk-producing farms. Estimated milk production is around 450 million liter annually.

However, local dairies purchase and process only about 50% of total production. The remainder is either consumed on the farm or processed and sold at the numerous local outdoor markets. Imported dairy products, including fluid milk, are mainly consumed in urban areas. Processed dairy products production is as follows: pasteurized milk 1.8%, UHT milk 53.1%, fermented products 22.2%, cheese 19.2%, spreads and butter 2.5%, milk powder 1.2%. About 80% of the dairies produce short shelf-life products.

Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	293,277	270,311	284,250	299,850
Total Local Production	169,535	164,425	173,000	181,650
Total Exports	114,488	114,950	120,750	126,800
Total Imports	238,230	220,836	232,000	245,000
Imports from the U.S.	0	13	14	15
Exchange Rate: 1 USD	1.4062	1.5224	1.5000	1.5000

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: BiH Agency for Statistics

Total Exports: BiH Agency for Statistics

Total Imports: BiH Agency for Statistics

Imports from U.S.: BiH Agency for Statistics

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There are around 35 active dairies with total annual capacity of 400 million liters. Capacity utilization averages around 60% or 240 million liters. These dairies produce mainly high-volume, fast-turnover, and low-margin products like fluid milk, yogurt, and fresh/cottage cheese. Only a few dairies produce value-added products like aged cheese.

As a result, most value-added milk products are imported from neighboring countries and the European Union. Production of hard aged cheese is low because of its lower profitability in

comparison with fluid milk and yogurt. Production of cream, spreads, flavored milk drinks, butter, and flavored yogurts supplies only about 10% of the domestic market and the rest is imported.

Opportunities

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There are opportunities for investors, especially those who can introduce new quality and safety standards, more efficient supply-chain management, modernized equipment, and effective marketing strategies. Import replacement opportunities exist for niche market products such as cheese, yogurt, sour cream, and ice cream.

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U.S. Foreign Agricultural Service <http://sarajevo.usembassy.gov/fas.html>

BiH Veterinary Office <http://www.vet.gov.ba>

BiH Agency for Statistics <http://bhas.ba>

Fruits and Vegetables

Agricultural production, especially early vegetables, is a significant contributor to BiH's economy. Vegetable production is characterized by small-sized family farms, which to a large extent produce for home consumption and sell surpluses of fresh vegetables on the local green market. The processed vegetables sector is fairly well developed. Still, vegetables are largely produced on small parcels of land, and production is not fully market-oriented.

The total number of fruit trees in BiH is around 30 million and total fruit production is around 320,000 MT. Production of berries and strawberries has increased during the last few years due to relatively high investments in the berry processing sector (particularly deep freezing plants). The highly seasonal character of fruit production and the poor quality of post-harvest storage cause seasonal surpluses and off-season shortages. Industrial processing of fruit in BiH involves mainly drying and production of fruit juices or pulp (i.e., concentrated juice) and jams.

Much of the agricultural production is to meet producers' domestic needs. Though the region has a long tradition of agricultural production, it lacks new technologies. Most products are sold in green markets characterized by uncertain spot market sales. There are no suitable storage facilities and cooling chambers in which to keep the seasonal vegetables after the season. For these reasons, mainly imports are sold in the off season, even for those products with substantial domestic production. Packaging can help extend shelf life, but most BiH products have inferior packaging.

Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	201,484	221,567	232,700	244,350
Total Local Production	66,136	64,142	67,400	70,800
Total Exports	104,895	83,246	87,400	91,800
Total Imports	240,243	240,671	252,700	265,350
Imports from the U.S.	2,364	17,110	18,000	19,000

Exchange Rate: 1 USD	1.4062	1.5224	1.5000	1.5000
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Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: BiH Agency for Statistics

Total Exports: BiH Agency for Statistics

Total Imports: BiH Agency for Statistics

Imports from U.S.: BiH Agency for Statistics

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With a climate and terrain suitable for a variety of fruits, investing in fruit production and processing has significant potential. It is necessary to introduce new varieties of trees and new hybrids that are better suited to local soil and climatic conditions and that offer higher yields.

Lately, vegetable producers have begun to produce vegetables in poly or plastic greenhouses. These structures help growers capture a better market position, especially outside the main growing seasons. The following vegetables have potential and are those which are typically sold fresh throughout the country: potatoes (early spring), green onions, green string beans, cucumbers, cabbage and kale, tomatoes, green peppers, spinach, and green leaf lettuce.

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One of the best prospects is in packaged fruit juice. It is estimated that over 30 percent of local demand is met by imported brands. The average annual consumption of fruit juice is estimated to be 17 liters per capita (population of approximately 4 million). BiH imports fruit juices and concentrates mainly from Croatia, Slovenia, and Serbia.

The total market potential for fruit juices is estimated to be 260 million KM/year (USD 172 million/year). The entire fruit juice production sector has a capacity of 107,140 metric tons with approximately one-third capacity utilization. The fruit sector generally lacks proper cooling, processing, and storage facilities. Fruit processors note that there are fruit shortages not only in the off-season but throughout the year.

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U.S. Foreign Agricultural Service <http://sarajevo.usembassy.gov/fas.html>

BiH Veterinary Office <http://www.vet.gov.ba>

BiH Agency for Statistics <http://bhas.ba>

Fisheries

BiH has more than a century-long tradition in the aquaculture of salmonid and cyprinid species. The 1992-1995 war significantly damaged aquaculture production, but this sector has improved due to efforts of the producers and the government, specifically in relation to the number of food fish species in production, technology, management and marketing. During the last decade, the overall conditions for production and processing of fish were improved. These include the availability of high quality feed, new technology, expansion of capacity, and the establishment of producers' associations.

Fish producers established good international communication and there exist several business arrangements with foreign investors (e.g. Norwegian). In BiH, fish farms are generally distributed in three main regions. In northern Bosnia, in the Republic of Srpska, there are 5 cyprinid fish farms with a total area of 3,276 ha. In the river Neretva and the river Vrbas basins (mainly in the Federation of BiH), there are about 40 concrete salmonid fish farms of 8.5 ha and 14 salmonid cage fish farms of 8.1 ha. Marine aquaculture in 2 cage farms, with a total area of 3.6 ha, is located in Neum (BiH has approximately 20 km of seacoast).

Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	69,710	75,779	79,520	83,560
Total Local Production	28,445	28,500	29,900	31,400
Total Exports	20,843	16,456	17,280	18,140
Total Imports	62,108	63,735	66,900	70,300
Imports from the U.S.	11.6	1	1.5	2
<i>Exchange Rate: 1 USD</i>	<i>1.4062</i>	<i>1.5224</i>	<i>1.5000</i>	<i>1.5000</i>

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: BiH Agency for Statistics

Total Exports: BiH Agency for Statistics

Total Imports: BiH Agency for Statistics

Imports from U.S.: BiH Agency for Statistics

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Processing capacities are small and include freezing and packaging operations and production of fish fillets. There are two plants for fish processing at Salakovac and Banja Luka. They use modern technology and have an annual capacity of approximately 3,000 tones. Of the total production of food fish, approximately 30 percent goes to the domestic market, mostly for the larger cities, such as Sarajevo, Banja Luka, Mostar, Tuzla, Bihac and Zenica. The remaining 70 percent is exported to Serbia, Montenegro, and Croatia. The main exported species are common carp, grass carp, and rainbow trout. These species are exported mainly as fresh products and iced. A small portion (approximately 15 tons) is exported as smoked fish.

BiH's fish supply is mainly provided through supermarkets and specialized fish markets. Current consumption of fish and fish products is estimated at 2-3 kg per capita annually.

Opportunities

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Investing in fish processing capacities could be an opportunity for foreign investors. In December 2008, BiH entered into the list of countries that may export aquaculture products to the European Union market. The four EU-approved fish producing facilities in BiH are Tropic Aquaculture, Žuvela HB, Laks, and Norfish-Blagaj.

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U.S. Foreign Agricultural Service <http://sarajevo.usembassy.gov/fas.html>

BiH Veterinary Office <http://www.vet.gov.ba>

BiH Agency for Statistics <http://bhas.ba>

Chapter 5: Trade Regulations and Standards

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- [Trade Barriers](#)
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Import Tariffs

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The Import Tariffs of Bosnia and Herzegovina are harmonized each year with Combined Nomenclature of EU and legislative regulations. Goods imported into Bosnia and Herzegovina and placed in free circulation are subject to payment of value added tax (VAT) at the rate of 17% while certain groups of products (e.g. coffee, cigarettes, oil, oil derivatives etc.) are subject to payment of specific taxes (excise) in accordance with the Law on Excise of BiH. The rates of specific taxes have an ad valorem and/or specific rates form.

A. Customs Regulations, Tariff Rates and Import Taxes

1. Registration requirements for importing

Any domestic and foreign entity (physical and legal) registered for foreign trade activities may conduct such activities.

2. National Tariffs

Import tariffs were eliminated for 11,000 products that BiH imports from the EU in 2009. The Customs Tariff Nomenclature is based on the Harmonized Commodity Description and Coding System (HS). BiH nomenclature of goods is fully harmonized with the combined EU nomenclature.

Customs duties on all commodities imported into the customs territory of BiH are paid *ad valorem* at rates of 0, 5, 10 and 15 percent. These rates apply to commodities originating from countries that have concluded an agreement with a Most Favored Nation clause with BiH, or from those countries that apply the same clause on the commodities originating from BiH. Upon BiH accession to the World Trade Organization, most-favored nation (MFN) treatment will be granted to all WTO members.

In addition to ad valorem custom duty rates, an additional duty is paid on imports of certain agricultural products in a per-unit amount. This additional duty is charged on 852 of the total number of tariff headings (10,823), and the amounts range from KM 0.08 KM/per unit to KM 6.00 /per unit. (Currency note: USD 1= KM 1.50 on 05/10/2013)

Preferential tariff measures, pursuant to Article Three, Paragraph (c) of the Customs Tariff Law, may apply to goods from certain countries or groups of countries which have concluded an agreement on preferential treatment with BiH.

Trade with Albania, Croatia, Macedonia, Moldova, Romania, Serbia, Montenegro, and Kosovo is governed by the Central European Free Trade Agreement (CEFTA), concluded in 2007. When Croatia joins the EU, which is expected to occur on July 1, 2013, trade with Croatia will be governed by EU rather than CEFTA rules. A separate bilateral free trade agreement is in force with Turkey.

3. *Tariff Quotas, Tariff Exemptions*

Tariff quotas - Articles Three and Seven of the BiH Customs Tariff Law permit the introduction of tariff quotas as a special measure for certain tariff headings. Consequently, the BiH Council of Ministers may approve imports of goods exempt from customs duties or at tariff rates lower than the duty set by the BiH Customs Tariff. The application of this measure is restricted to limits, and ceases when the stipulated limit or value of the quota is reached.

Tariff exemptions and relief - Irrespective of tariff rates set by the Customs Tariff Law, some goods are exempt from customs duties under specific conditions. The following goods are exempt from customs duties:

- Equipment representing the investment of a foreign person, except passenger vehicles and entertainment and gaming machines;
- Goods for military and police forces in the entities that are fully donor financed;
- Goods for reconstruction projects in BiH.

4. *Other Duties and Charges*

Irrespective of the customs duty, which is paid on all commodities imported into the customs territory of BiH at the rates stipulated in the Customs tariff, the Law on Customs Policy, and the Law on Foreign Trade Policy, there are other regulations prescribing or allowing imposition of other taxes and charges.

Customs Record Keeping - Article 13 Paragraph (b) of the Law on Customs Policy prescribes a charge of one percent of the customs value on imported goods for customs record keeping.

While BiH plans to maintain the charge, it will be restricted to the cost of services rendered and it will be brought into conformity with Article VIII of the 1994 GATT when BiH accedes to WTO, in line with an agreed transitional period.

Seasonal Duty - Article 19 Paragraph 7 of the Law on Customs Policy allows for imposition of a seasonal duty. Accordingly, in addition to the tariff rates in force, the BiH Council of Ministers, after consulting the entities, may introduce a seasonal duty on non-processed agricultural products for a set period of time. The seasonal duty has never been applied.

Antidumping and Countervailing Duties - Goods imported into BiH at prices below their normal value or subsidized in some way may be subject to antidumping and countervailing duties, in accordance with BiH law.

Fees for Inspection of Goods - Article 7, Paragraph 3 of the Law on Foreign Trade Policy requires sanitary, veterinary, phyto-sanitary, and ecological inspections of certain imported goods. Fees for these inspections are set by the Law on Administrative Fees and are approximately equal to the value of the service performed, in line with Article VIII of GATT.

5. *Application of Internal Taxes on Imports*

Value Added Tax – As of January 1, 2006, BiH introduced a value added tax at a flat rate of 17 percent that is levied on all imported and domestic goods.

Excise tax - The excise tax is paid only on certain goods at the moment of their release for free circulation. The excise tax is applied identically to domestic and imported goods. The goods for which an excise tax is levied are: oil derivatives, tobacco, beverages, alcoholic drinks, and coffee.

6. *Rules of Origin*

Rules of origin are set out in Articles 20 - 23 of the Law on Customs Policy. This Law distinguishes between non-preferential and preferential origins. BiH has not concluded an agreement on preferential origins with the U.S.

Non-Preferential Origin - The Law stipulates that goods originating from a country are those wholly obtained or produced in that country. Goods whose production involved more than one country shall be deemed to originate in the country where they underwent their last substantial processing or finishing

Preferential Origin of Goods - Article 23 of the Law on Customs Policy prescribes the rules to be applied for preferential trade, i.e. the conditions goods need to fulfill in order to benefit from the preferential measures referred to in Article 19, Paragraph 4 (c) and (d) of the Law.

B. Customs Valuation

Articles 24 to 32 of the Law on Customs Policy establish procedures for the determination of the customs value of goods. Pursuant to Article 25 of the Law on Customs Policy, the customs value of imported goods is the transaction value, i.e. the price actually paid or payable for the goods when sold for exports to the customs territory of BiH. BiH's system of customs valuation in the Law on Customs Policy is fully compatible with WTO rules.

Trade Barriers

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BiH, as part of its efforts to accede to the WTO, has made major trade policy reforms to bring practices in full conformity with WTO requirements and eventual membership in the EU. Reforms include the elimination of import quotas, reduction of import licensing and prohibitions, streamlining of customs procedures, and the reduction of tariff and non-tariff barriers.

BiH Customs Tariff Law generally provides that foreign trade is liberal and without limitations. Once registered for performing business activities, a legal entity/entrepreneur may perform foreign, as well as domestic, operations. No special approval or administrative procedure is now required for re-export transactions, except for arms, ammunition, and dual use goods, which are subject to other regulations.

Import Requirements and Documentation

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All goods imported into the customs territory of BiH are subject to customs procedures contained in the Law on Customs policy, which applies uniformly throughout the customs territory of BiH.

Imports must be accompanied by a customs declaration, completed in one of the three official languages of BiH (Bosnian, Serbian or Croatian), and submitted by the person named on the waybill or an authorized representative. The declaration must be accompanied by any relevant documents (invoice, shipping documents, and quality control certificates). The customs office may inspect the goods and take samples to determine that the goods correspond to the information on the customs declaration.

Once the customs office determines the amount of customs duty, the importer is required to obtain a guarantee covering the customs duty with the Customs Authority in the form of a cash deposit or a bank guarantee. The goods cannot be placed in circulation until customs duties have been paid or the payment has been guaranteed.

Bill of Lading: May be direct or to order. Mail and parcel shipments require postal documentation in place of bills of lading. Packages containing merchandise for which the senders are to receive payment must enclose the original invoice in the package (marked "Original Invoice") and the wrapper of the package must be marked to indicate that the original invoice is enclosed. Senders are recommended to post a signed copy of the invoice giving notice to the addressees that the packages are en route. Air cargo shipments require airway bills with the number of copies issued based on requirements of the importer and the airline.

Certificate of Origin: Certificates of origin should be issued in a minimum of two copies (the certifying organization will require an additional notarized file copy) made out by a reliable authority or agency duly authorized for that purpose by the country of issue. Certificates of origin are not required for imports for long-term production ventures with foreign partners, for the purchase of capital goods for investment projects abroad and for the return of goods to BiH, or for imports without payment of equivalent value.

Commercial Invoice: There is no prescribed format. Invoices should be issued in a minimum of two copies; additional copies may be requested. They must contain the usual particulars, including a full description of goods, marks and numbers, gross and net weights, number of packages, country of origin, plus any information that must be furnished to conform to contract.

Insurance Certificate: Normal commercial practices. Follow the importer's and/or the insurance company's instructions/advice.

Packing List: Not mandatory, but its use will facilitate clearance of goods.

Pre-shipment inspection: May be requested by the importer.

Pro-Forma Invoice: May be requested by the importer.

U.S. Shipper's Export Declaration (SED): Required if the value is more than USD 2,500 (USD 500 for shipments through the U.S. postal system). SEDs are required for all shipments requiring an export license.

U.S. Export Controls

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More information on US export controls to BiH and general guidelines can be found at the Bureau of Industry and Security website:
(<http://www.bis.doc.gov/licensing/ExportingBasics.htm>).

In general, below is a summary of steps needed to process your export:

- Ensure that your export is under U.S. Department of Commerce jurisdiction
- Classify your item by reviewing the Commerce Control List
- If your item is classified by an Export Control Classification Number (ECCN), identify the Reasons for Control on the Commerce Control List
- Cross-reference the ECCN Controls against the Commerce Country Chart to see if a license is required. If yes, determine if a License Exception is available before applying for a license
- Ensure that no proscribed end-users or end-uses are involved with your export transaction. If proscribed end-users or end-uses are involved, determine if you can proceed with the transaction or must apply for a license
- Export your item using the correct ECCN and the appropriate symbol (e.g., NLR, license exception, or license number and expiration date) on your export documentation (e.g., Shipper's Export Declaration)

Temporary Entry

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Goods temporarily entering BiH may be fully or partially free of customs duties and must not undergo any changes except for the nominal loss of value due to use. The maximum period for temporary entry is 12 months. The full list of goods that can be imported under this regime is provided in the Law on Customs Policy.

Labeling and Marking Requirements

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Labels must contain the following information:

- Name of the product
- Full address of the importer
- Country of origin
- Net quantity/weight/volume
- Ingredients
- Manner of storage (transport, use, or maintenance)
- Pertinent consumer warnings

Technically complex products must be accompanied by instructions on usage, manufacturer specifications, a list of authorized maintenance persons/businesses, warranty information, warranty period, and other applicable data. All information must be translated into the languages of BiH and affixed to (or accompanying) the product before it is put on the market.

Prohibited and Restricted Imports

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In accordance with the Law on Foreign Trade Policy, for reasons of public safety and protection of human health and lives, the following types of imports are restricted:

- Cargo vehicles older than ten years
- Buses older than ten years

- Trailers for cargo vehicles older than ten years
- Used tires

In accordance with obligations from international trade agreements, the Council of Ministers may ban imports, exports, or transit of certain goods through BiH or set conditions for imports, exports, or transport of such goods in transit in order to prevent danger to human lives, health, and the environment.

Customs Regulations and Contact Information

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Indirect Taxation Administration of Bosnia and Herzegovina

Phone: +387-51-335-494

Bana Lazarevica bb

Banja Luka, 78000

Bosnia and Herzegovina

Web: <http://www.uino.gov.ba/>

Standards

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Overview

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After the breakup of Yugoslavia, BiH inherited more than 11,000 Yugoslav standards and by-laws (known as "JUS" standards) and a number of those standards still remain in force. Identical regulations and standards are applied to both domestic and imported goods, regardless of the country of origin.

Standards Organizations

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As of January 1, 2007 the former Institute for Standardization, Metrology and Intellectual Property of BiH was broken into three separate Institutes:

- Institute for Standardization
- Institute for Metrology
- Institute for Intellectual Property Rights ("IPR Institute")

BiH standards are designated per the BAS Standard. BiH is a member of the following international organizations for standardization:

- International Organization for Standardization (ISO)
- International Electro-technical Commission (IEC)
- European Committee for Standardization (CEN)

- European Committee for Electro-technical Standardization (CENELEC)
- European Telecommunications Standards (ETSI)

Testing/Conformity Assessment

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The Institute for Standardization is the main conformity assessment body in BiH. There are other testing organizations in BiH; a list of these institutions can be obtained from the Institute for Standardization.

Product Certification

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Product certification is required in order to make sure that the product has undergone appropriate testing and that it conforms to relevant regulations. There are no existing Mutual Recognition Agreements with U.S. organizations.

Accreditation

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The Accreditation Institute of BiH is the main institution for accrediting testing organizations in the country.

Publication of Technical Regulations

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The Institute for Standardization of BiH publishes a bulletin of standards. Technical regulations are published in: the Official Gazette of BiH, Official Gazette of FBiH, and the Official Gazette of RS. U.S. companies can comment directly to the Institute.

Labeling and Marking

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Labels must contain the following information: name of the product, full address of the importer and the country of origin, net quantity/weight/volume, ingredients, manner of storage (transport, use or maintenance), and pertinent consumer warnings. Technically complex products must be accompanied by instructions on usage, the manufacturer's specifications, a list of authorized maintenance persons/businesses, warranty information, warranty period and other applicable data. All information must be translated into the languages of BiH and be affixed to (or accompany) the product before it is placed on the market.

Contacts

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Institute for Standardization
Vojvode Radomira Putnika 34
Sarajevo
Bosnia and Herzegovina
Phone: 387-57-310-560
Website: <http://www.bas.gov.ba>

Institute for Metrology
Dolina 6
71000 Sarajevo
Bosnia and Herzegovina
Phone: +387-33-207-015

Institute for Intellectual Property Rights
Kralja Petra Kresimira IV 8a
88000 Mostar
Bosnia and Herzegovina
Phone: +387-36-334-381
Website: <http://www.ipr.gov.ba>

Accreditation Institute of BiH
Hamdije Cemerlica 2/7
71000 Sarajevo
Bosnia and Herzegovina
Phone: +387-33-721-310
Website: <http://www.bata.gov.ba>

Trade Agreements

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In December 2006, BiH signed the Central European Free Trade Agreement (CEFTA) which became fully operational in November 2007. The regional trade group also includes Albania, Croatia (until it joins the EU in 2013), Macedonia, Serbia, Montenegro, Kosovo and Moldova. In June 2008, BiH signed the Stabilization and Association Agreement (SAA) with the European Union which is an important step towards EU membership.

The most important part of the SAA is the establishment of a free trade zone between BiH and the European Union, allowing for the mutual abolishment of all custom tariffs and quantity limitations in mutual exchange of goods between BiH and the EU. The SAA should encourage further development of competitiveness among the country's exporters and increase investment and employment. The Interim Agreement on Trade and Trade-related matters (IA) between EU and Bosnia and Herzegovina will be in force until the ratification process of the SAA is finalized by the all EU member states. According to the Interim Agreement, a preferential export regime with the European Union is now in force, which provides that all goods of BiH origin that fulfill EU technical-technological standards and conditions can be imported to all EU countries without any quantitative restrictions and without paying customs or other similar duties. Since 2009 import tariffs have been eliminated for 11,000 products that BiH imports from the EU. Tariffs on products such as cosmetics, tractors, motorcycles, furniture, major appliances, electronic equipment, computers and tools tariffs were cut by 50 percent immediately upon signing the IA, and were eliminated completely as of January 1, 2010.

Bosnia and Herzegovina has been designated as a beneficiary country under the United States Generalized System of Preferences (GSP) program, under which more than 3,400 products are eligible for duty-free entry to the United States. The GSP program provides an incentive for investors to produce in Bosnia and Herzegovina.

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Institute for Standardization of BiH
Website: <http://www.bas.gov.ba/eng/index.php>

Institute for Intellectual Property Rights of BiH
Website: <http://www.ipr.gov.ba/>

Accreditation Institute of BiH

Website: <http://www.bata.gov.ba/>

Indirect Taxation Administration of BiH

Website: <http://www.uino.gov.ba/>

Foreign Investment Promotion Agency of BiH

Website: <http://www.fipa.gov.ba>

Generalized System of Preferences (GSP) Program

Website: <http://www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp>

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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Bosnia and Herzegovina (BiH) still struggles to attract foreign investment. Although open to foreign investment, foreign investors continue to face a number of serious obstacles including: multiple complex legal and regulatory frameworks and government structures; non-transparent business procedures; corruption; poor infrastructure; insufficient protection of property rights; and weak judicial structures. In addition, the country's political environment, coupled with the pressures of the global economic downturn, has stalled many key economic reforms.

Under the BiH constitution established through the Dayton Accords, Bosnia and Herzegovina is divided into two "entities," the Federation of BiH (the Federation) and the Republika Srpska (RS). A third, smaller area, the Brčko District, operates under a separate administration. The Federation is further divided into ten cantons, each with its own government and responsibilities. Each entity also has municipalities. As a result, BiH has a multi-tiered legal and regulatory framework that is often duplicative and contradictory. Employers pay a heavy burden to governments, an extra 69 percent of the wage level in the Federation and 52 percent in the RS, for mandatory health and pension contributions. Labor and pension laws are deterrents to foreign investment, specifically in the area of privatization. For example, some formerly successful state-owned enterprises have now accrued significant debts from unpaid health and pension contributions, and potential investors are required to assume these debts and maintain the existing workforce.

The lack of a single economic space throughout BiH creates difficulties for companies trying to do business across the entire country. While corporate income taxes in the two entities and Brčko District are now harmonized at ten percent, entity business registration requirements are not harmonized. The RS has its own registration requirements, which apply to the entire entity. Each of the Federation's ten cantons has different business regulations and administrative procedures affecting companies. Simplifying and streamlining this framework is essential to improving the investment climate.

According to the World Bank, BiH now has the lowest rank in the region in terms of ease of doing business. It ranked 126 out of 183 countries in the 2013 World Bank Doing Business report, almost unchanged from its ranking of 127 in 2012. BiH's position improved in three categories: registering property, paying taxes, and resolving insolvency. BiH's worst performance was in the following categories: starting a business, dealing with construction permits, and obtaining electricity. Starting a business requires approximately 37 days and 11 separate procedures, which is well above the average for the region. BiH's full doing business review can be found at: <http://www.doingbusiness.org/ExploreEconomies/?economyid=26>

Potential investors have also been frustrated by the lack of attractive privatization opportunities, non-transparent government tender processes, and impediments to greenfield investment. Although some government authorities have begun to address these obstacles, much more needs to be done. As a result, foreign investment -- including greenfield investment -- has significantly shrunk in the last several years. From a high of \$2.1 billion in 2007, foreign direct investment (FDI) totaled \$380 million in 2011 and was only \$56 million in the first six months of 2012. Most investments in 2011-2 came from Russia, Austria, Serbia, Slovenia and Germany.

The state-level Law on the Policy of Foreign Direct Investment provides a generic framework for foreign investment. The law accords foreign investors with the same rights as domestic investors, including bidding on privatization tenders. With the exception of the defense industry and the media sector, where foreign control is limited to 49 percent of a single company, there are no restrictions on investment. Investors are also protected from changes in the Law on Foreign Investment. Should the government amend the legislation, the investor may choose the most favorable regulations to apply. The law prohibits expropriation and nationalization of assets, except under special circumstances and with due compensation. Neither entity government nor the state government has expropriated any foreign investments to date.

A Competition Council was established in 2004. It is an independent public institution mandated to enforce anti-trust laws, prevent monopolies, and enhance private sector competition. The Council reviews and approves foreign investments in cases of mergers and acquisitions of local companies by foreign companies.

Public-private partnerships (PPPs) are gradually gaining wider acceptance with BiH officials. The RS currently has PPPs in the health-care and transportation sectors. The Federation adopted laws on public-private partnerships in several cantons, with the goal of providing incentives for entrepreneurs and facilitating access to certain projects.

BiH has a Foreign Investment Promotion Agency: www.fipa.gov.ba

Following are BiH's third-party rankings on widely accepted measures of the business and investment environment:

Measure	2013 Index/ Ranking	2012 Index/ Ranking	2011 Index/ Ranking	2010 Index/Ranking
Transparency International Corruption Perception (CPI) Index	72 (out of 176)	91 (out of 178)	91 (out of 178)	91 (out of 180)
The Heritage				

Foundation Index of Economic Freedom	103 (out of 177)	104 (out of 179)	104 (out of 179)	110 (out of 179)
World Bank Ease of Doing Business Ranking	126 (out of 183)	127 (out of 183)	110 (out of 183)	116 (out of 183)
The World Economic Forum Global Competitiveness Index	88 (out of 144)	100 (out of 142)	102 (out of 142)	102 (out of 142)

Conversion and Transfer Policies

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The Law on Foreign Direct Investment guarantees the immediate right to transfer and repatriate profits and remittances. Local and foreign companies may also hold accounts in one or more banks authorized to initiate or receive payments in foreign currency. The implementing laws in both entities include transfer and repatriation rights. The Central Bank's adoption of a currency board in 1997 guarantees that the local currency, the convertible mark or KM, is fully convertible to the euro with a fixed exchange rate of KM 1.95583 = €1.00.

Expropriation and Compensation

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The state investment law forbids expropriation of investments, except in the public interest. According to Article 16, "Foreign investment shall not be subject to any act of nationalization, expropriation, requisition or measures that have similar effects, except where the public interest may require otherwise." In such cases of public interest, expropriation of investments would only be executed in accordance with applicable laws and regulations, would be free from discrimination, and would include payment of appropriate compensation. Neither entity government nor the state government has expropriated any foreign investments to date.

Dispute Settlement

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BiH has implemented reforms to court operations and staffing, designed to streamline commercial disputes and other proceedings. However, it often takes several years for a case to be brought to trial. The U.S. Government is implementing a number of court reform programs to expedite case processing and further develop judicial capacity. The U.S. Government has provided training to judges, trustees, attorneys, and other stakeholders at both state and entity levels to assist in the development of new bankruptcy and intellectual property rights laws. Those laws are now in effect at both the entity and state levels.

Bosnia and Herzegovina has been a member of the International Center for the Settlement of Investment Disputes since 1997. It accepts international arbitration to settle private investment disputes if the parties outline this option in a contract.

Over the last decade, there has been only one case of a legal dispute involving a U.S. investor and the local government. Although this dispute remains unresolved, the claimant is currently pursuing negotiations with the local government and has not opted for international mediation. While efforts are being made to improve BiH's commercial court system, its current capacity and practical inefficiencies limit timely resolution of commercial disputes.

Performance Requirements and Incentives

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There are several incentives for foreign direct investment, including exemptions from payment of customs duties and customs fees. Bosnia and Herzegovina is divided into three jurisdictions for direct tax purposes: the Federation, the RS and the Brčko District. The corporate income tax in the Federation allows tax relief to foreign investors who invest KM 20 million (roughly USD 14 million in December 2012) over a five-year period. The Federation exempts domestic and foreign companies from annual corporate profit tax if at least 30% of turnover at year end is from exports. In the Federation, RS, and Brčko District, the corporate income tax allows offsetting of losses against profits over a five-year period. In the Brčko District, if an investor invests in fixed assets and pays taxes, this investment is subject to tax relief. There are no special investment incentives in the RS. Foreign investors can open bank accounts in all jurisdictions and transfer their profits abroad, without any restrictions. The rights and benefits of foreign investors granted and obligations imposed by the Law on the Policy of Foreign Direct Investment cannot be terminated or overruled by subsequent laws and regulations. Should a subsequent law or regulation be more favorable to foreign investors, the investor has the right to choose the most beneficial regulations.

Right to Private Ownership and Establishment

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Under the state-level investment law, a foreign enterprise has the same rights as a BiH enterprise or citizen, and foreign entities can establish and own a business with the same rights as domestic entities. However, the Federation Companies Law, unlike laws in the RS and the Brčko District, does not provide an option for foreign legal entities to establish a branch office.

Foreign investors may own real estate in BiH and enjoy the same property rights as BiH citizens and legal entities, except in the defense industry and media, where foreign control is limited to 49 percent of a single company. Foreign interests must follow the same regulatory procedures when establishing their enterprises.

Protection of Property Rights

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The BiH Government is strengthening its intellectual property rights laws in preparation for eventual membership in the European Union and the World Trade Organization. Bosnia's IPR framework consists of seven laws, adopted and put into force by the Parliament in 2010. This legislation is TRIPS and EU-compliant and includes laws on copyrights, patents, trademarks, geographical indications, and the topography of integrated circuits. BiH belongs to over 20 international treaties related to IPR and in 2009 ratified the 1996 WIPO Copyright Treaty and the WIPO Performance and Phonograms Treaty. Although existing legislation provides a basic level of protection, BiH's civil and criminal enforcement remains weak.

Jurisdiction over IPR investigations is split between customs officials, entity inspectorates, and state and entity law enforcement agencies, and no institution has specialized IPR investigation teams. IPR crimes are prosecuted primarily at the state level. Those cases indicted often involve fairly low-level violators. The more significant cases have sometimes languished for years with little action from prosecutors or judges. However, there are signs of progress. In August 2011, the BiH State Court issued a verdict in a significant software piracy case. In that case, the accused was found guilty of unauthorized use of copyrighted material, based on having provided unlicensed products to a government agency. He was sentenced to one year in prison and ordered to pay approximately 195,000 Euros in damages. Undoubtedly, this will have an impact on discouraging similar instances of software piracy.

In addition to the software piracy judgments, there are other indicators that BiH is strengthening its IPR enforcement regime. The entity governments have been using licensed software for a number of years and the state-level government came into compliance in 2009, a significant step forward in the government's commitment to IPR protection. However some officials still lack understanding of the importance of IPR. Illegal DVDs and CDs are still available for sale in small public markets. BiH's enforcement record still leaves much room for improvement. At this time, there is no mechanism to combat digital piracy.

The U.S. Government, in conjunction with local partners, has made IPR awareness within the enforcement community a priority through training programs, partnerships in campaigns run by the American Chamber of Commerce's IPR committee, and an IPR program to build the capacity of BiH's IPR Institute by improving efficiencies in the IPR application process and by assisting with drafting of regulations. In December 2011, the Embassy organized a joint meeting with entity Inspectorates, representatives of the Business Software Alliance, and several U.S. software companies to launch an awareness campaign – for both businesses and the general public -- about the importance of protecting intellectual property rights. Authorities in both entities began inspections to determine which companies – including banks, microcredit organizations, insurance companies, and construction companies – were using unlicensed software. The educational campaign was a major success, increased business and citizen awareness of the issue, and significantly boosted business and government compliance rates for licensed-software usage.

In BiH's private sector, awareness of IPR, particularly the importance of copyright protection, remains low. Curbing business software piracy could significantly improve the local economy through the creation of new jobs and the generation of significant tax revenue. Failure to recognize the importance of reducing copyright infringement makes software producers and official distributors less competitive and the establishment of a legitimate market more difficult. Businesses lose an estimated USD 15 million from the sale of counterfeit software, CDs, and DVDs. According to the Business Software Alliance (BSA), the rate of illegal software installed on personal computers in Bosnia and Herzegovina currently remains at 66 percent, which is the regional average.

Transparency of Regulatory System

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Establishing a business in BiH can be an extremely burdensome and time-consuming process for investors. Registration is a 12-step procedure that takes, on average, 37 days to complete. Retaining a local lawyer may expedite the process. The administrative costs are approximately USD 450 and attorney's fees range from USD 200 to USD 1,000. Notary services are necessary when establishing a company, for real estate proceedings and for changes to the court registry. Once a company is registered in one of the entities, branch offices can be established in the other entity without a separate company registration procedure. This significantly reduces the time and administrative hurdles to expand operations. Other administrative procedures can be more time-consuming. For example, obtaining a construction permit can take six months to one year. Investors often complain about lack of transparency and potential corruption in this process.

The multitude of state, entity, cantonal (in the Federation only), and municipal administrations – each with the power to establish laws and regulations affecting business – creates a heavily bureaucratic, non-transparent system. It is difficult to know all of the laws or rules that might apply to certain business activities, given overlapping jurisdictions and the lack of any central source of information. Foreign investors often, therefore, obtain local assistance and advice.

Businesses are subject to inspections from a number of entity and cantonal/municipal agencies including the financial police, labor inspectorate, market inspectorate, sanitary inspectorate, health inspectorate, fire-fighting inspectorate, environmental inspectorate, institution for the protection of cultural monuments, tourism, and food inspectorate, construction inspectorate, communal inspectorate, and veterinary inspectorate. Some investors have complained about non-transparent fees levied during inspections, changing rules and regulations, and an ineffective appeals process to protest these fines.

Efficient Capital Markets and Portfolio Investment

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Capital markets remain underdeveloped in BiH. Both entities have created their own modern stock market infrastructure with separate bourses in Sarajevo (SASE) and Banja Luka (BLSE), both of which started trading in 2002. The small size of the markets, lack of privatization, and public mistrust of previous voucher privatization programs has impeded the development of a market. Nonetheless, both stock exchanges experienced a significant boom in the first half of 2007, supported by strong performances in neighboring stock markets in Belgrade, Zagreb, and Ljubljana. However, during 2008 and the global economic crisis, foreign investment dwindled and investors saw previous gains dissipate on both exchanges. This downward trend continued in 2011 and 2012, shaped not only by the global financial crisis but also by BiH's lack of political stability and slowdown of reforms. Both the RS and FBiH issued government securities for the first time during 2011, as part of their plans to raise capital in support of their budget deficits during this period of economic stress. These securities are also available for secondary market trading on the stock exchanges.

On April 3, 2012, Moody's Investors Service downgraded BiH's long-term rating from B2 to B3, citing the weakening of BiH government's financial position, weakened government effectiveness, and low-growth economic prospects. On July 10, 2012, Moody's confirmed BiH's B3 rating and stable outlook. In Moody's annual credit analysis released September 28, 2012, Moody's explained BiH's ratings reflect the country's complex political structure, limited access to external finance, and vulnerabilities to demand slumps from Europe. On November 30, 2011, S&P cut BiH's long-term credit rating by one notch from B+ to B citing political deadlock over central-level government formation. On March 28, 2012, S&P affirmed its B/B ratings, but changed the outlook from negative to stable, stating the improved outlook was due to the formation of a central government, 2011 budget adoption, and approval of a fiscal framework to allow for future IMF program renegotiations. However, S&P also noted several long and short-term challenges, including political uncertainties and tensions within BiH, as well as needed reductions in public-sector spending.

Bosnia and Herzegovina's banking and financial system has been stable with the most significant investment coming from Austria. As of December 31, 2012, 30 commercial banks operated in BiH; 20 with headquarters in the Federation and 10 in the Republika Srpska. Total assets of commercial banks operating in Bosnia and Herzegovina reached USD 14.6 billion at the end of September 2012. 25 commercial banks are members of a deposit insurance scheme, which provides for deposit insurance in the amount of KM 35,000.

In 2004, BiH passed a state-level framework law mandating the use of international accounting standards, and in 2005 both entities passed legislation eliminating the previous differences in standards that existed between the entities and Brčko District. All governments have implemented accounting practices that are fully in line with international norms. However, these standards have not yet been fully implemented throughout the country due to weak accounting

capacity and failure of the government to translate international standards into local language so that firms can implement the standards. Legislative officials have been criticized for attempts to change these standards in an effort to protect local accounting firms. Foreign investors should therefore carefully scrutinize Bosnian corporate financial statements.

Competition from State-Owned Enterprises

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Generally, private companies compete with public enterprises under the same terms and conditions with respect to access to markets, credit and other business operations. However, in the sectors such as telecommunications and electricity, state-owned enterprises hold a near-monopoly, making hefty profits as a direct result of their dominant market position. There have also been allegations that the Government-owned Postal Service has an unfair advantage when competing with private firms in the field of expedited mail delivery.

Corporate Social Responsibility

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Foreign and local companies exercise some corporate social responsibility activities and awareness. More could be done in this area to respond to BiH's various social and economic needs. In general, consumers tend to view favorably companies that initiate and carry out charitable activities in the local market. USAID manages a project to foster greater corporate social responsibility in BiH.

Political Violence

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The war in Bosnia and Herzegovina was halted by the Dayton Peace Accords in November 1995. Armed conflict has ceased and there have been no attacks targeting foreign investments. However, there are still risks from occasional, localized political and criminal violence.

Corruption

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Corruption remains prevalent in many political and economic institutions in Bosnia and Herzegovina and raises the costs and risks of doing business. BiH's overly-complex business registration and licensing process is particularly vulnerable to corruption. The multitude of state, entity, cantonal and municipal administrations, each with the power to establish laws and regulations affecting business, creates a system that lacks transparency and opens opportunities for corruption. With the large number of levels involved, there are multiple opportunities to demand "service fees." Paying bribes to obtain necessary business licenses and construction permits, or simply to expedite the approval process, occurs regularly.

Transparency International's (TI) 2012 Corruption Perception Index ranked BiH 72nd out of 174 countries. The country was ranked 91st last year. In 2012 BiH outperformed most of its Western Balkan peers (Montenegro, Serbia, Kosovo and Albania) but remained behind Croatia (62nd) and Macedonia (69th). According to TI, which maintains offices in BiH, relevant institutions lack the will to become actively involved in fighting corruption. Law enforcement agencies and the judiciary are not effective in the prosecution of corruption cases and are visibly exposed to political pressures. Prosecutors complain that citizens generally do not report instances of corruption and do not want to testify in these cases. At the end of 2011, BiH established a state level agency to prevent and coordinate efforts to combat corruption.

Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It deters foreign investment, stifles economic growth and

development, distorts prices, and undermines the rule of law. U.S. companies must carefully assess the business climate and develop an effective compliance program and measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms should take the time to become familiar with the relevant anticorruption laws of both BiH and the United States in order to properly comply, and where appropriate, seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, and uphold obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: The Foreign Corrupt Practices Act of 1977 was enacted for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business. Since 1977, the anti-bribery provisions of the FCPA have applied to all U.S. persons and certain foreign issuers of securities. With the enactment of certain amendments in 1998, the anti-bribery provisions of the FCPA now also apply to foreign firms and persons who cause, directly or through agents, an act in furtherance of such a corrupt payment to take place within the territory of the United States.

Local Laws: U.S. firms should become familiar with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting due diligence when choosing business partners or agents overseas and provide support for qualified U.S. companies bidding on foreign government contracts. For a list of U.S. Foreign and Commercial Service offices: www.trade.gov/cs

Alleged corruption by foreign governments or competitors can be brought to the attention of appropriate U.S. government officials, including local embassy personnel or through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp

Anti-Corruption Resources

Useful resources regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at <http://www.justice.gov/criminal/fraud/fcpa>
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at <http://cpi.transparency.org/cpi2012>. TI also publishes an annual Global Corruption

Report which provides a systematic evaluation of the state of corruption around the world. See: <http://archive.transparency.org/publications/gcr>

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html Also refer to the Antibribery Recommendation and Good Practice Guidance Annex for companies at <http://www.oecd.org/dataoecd/11/40/44176910.pdf>
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html
- The World Bank Worldwide Governance Indicators (WGI) assess six areas of governance including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at <http://go.worldbank.org/RQQXYJ6210>
- The World Economic Forum's Global Enabling Trade Report ranks the Enabling Trade Index, and assesses the transparency of border administration (focused on bribe payments and corruption). See: <http://www.weforum.org/reports>
- Additional country information related to corruption can be found in the U.S. State Department's annual Human Rights Report available at <http://www.state.gov/g/drl/rls/hrrpt>
- Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for 92 countries regarding governance and anti-corruption at <http://report.globalintegrity.org>

Bilateral Investment Agreements

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BiH has signed/ratified 42 agreements to promote and protect investments with the following countries: Albania, Austria, Belgium, Belarus, China, Croatia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Netherlands, Hungary, India, Iran, Italy, Jordan, Kuwait, Lithuania, Luxembourg, Macedonia, Malaysia, Moldova, Montenegro, Netherlands, Pakistan, Portugal, Qatar, Romania, Serbia, Libya, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, UAE, Ukraine, and the United Kingdom

BiH does not have a bilateral investment treaty with the United States.

OPIC and Other Investment Insurance Programs

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OPIC's activities in BiH include: insurance for investors against political risk, coverage of losses due to expropriation of assets, political violence, and currency inconvertibility; and insurance coverage for contracting, exporting, licensing and leasing transactions.

Political risk insurance is also available from the EU Investment Guarantee Trust for BiH, administered by the Multilateral Investment Guarantee Agency, a World Bank affiliate.

Labor

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BiH has a workforce with relatively low labor costs by western standards, and university enrollments have been increasing for a number of years. However, several sectors such as construction, information technology, and health care have experienced a significant loss of skills over the past decade, due to a lack of education and job training opportunities, as well as emigration. Tax rates on labor are high, discouraging employment of new workers and increasing incentives for unregistered employment. Current labor legislation provisions make it difficult to dismiss redundant workforce. In addition, a rigid wage determination system stands in the way of job creation and worker mobility. This is a result of a collective bargaining system that retains most of its socialist era characteristics.

Employees and employers share the costs of health care, pension, and unemployment insurance in the Federation, while in the Republika Srpska employers cover all of these costs, as well as child care contributions. Many employers underreport their labor force to avoid paying taxes and benefits. Official unemployment was approximately 44 percent at the end of 2012, while unemployment based on the ILO definition was 27.6 percent at the end of 2012.

Foreign-Trade Zones/Free Ports

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The BiH Law on Free Trade Zones allows the establishment of free trade zones (FTZs) as part of the customs territory of BiH. Currently there are four free trade zones in BiH: Vogosca, Visoko, Hercegovina-Mostar, and Holc Lukavac. One or more domestic or foreign legal entities registered in BiH may create a FTZ. The users of FTZs do not pay taxes and contributions, with the exception of those related to salaries and wages.

Investors are free to invest capital in the FTZ, transfer their profit and retransfer capital. Customs and tariffs are not paid on imports into FTZs. The import of equipment for manufacturing within FTZs may be discontinued, however, if the value of goods produced and exported abroad is less than 75 percent of the total value of goods produced in that zone.

Foreign Direct Investment Statistics

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According to BiH Central Bank data, from a high of \$2.1 billion in 2007, foreign direct investment (FDI) totaled \$380 million in 2011, and was only \$56 million in the first six months of 2012. In terms of country origin of investment inflows, a significant change was recorded in 2011, because the most investments came from Russia (USD 96 million), Austria (USD 71 million) and Serbia (USD 65 million). At the same time, a decline was recorded in 2011 from some countries, which were formerly major investors (Slovenia, Croatia and Italy). In the past fifteen years, Austria has been the largest investor (20 percent), followed by Serbia (18 percent), Croatia (14 percent), Slovenia (11 percent), Russia (9 percent) and Germany (6 percent). The manufacturing sector had the highest percentage of FDI, followed by the banking and trade sectors.

Bosnia and Herzegovina has been designated as a beneficiary country under the United States Generalized System of Preferences (GSP) program, under which more than 3,400 products are eligible for duty-free entry to the United States. The GSP program provides an incentive for investors to produce in Bosnia and Herzegovina.

The Interim Agreement on Trade and Trade-related matters (IA) between the European Union and Bosnia and Herzegovina is currently in force. According to the IA, all goods of BiH origin that fulfill EU technical-technological standards and conditions can be imported to all EU countries without any quantitative restrictions and without paying customs or other similar duties. Since 2009, import tariffs have been eliminated for more than 11,000 products that BiH imports from the EU. As of January 1, 2013 BiH revoked custom duties on most EU food imports, although under the agreement BiH is allowed to retain duties on dairy and other animal-origin products until it becomes an EU member.

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Foreign Investment Promotion Agency of BiH

Website: <http://www.fipa.gov.ba>

Central Bank of BiH

Website: <http://www.cbbh.ba>

Foreign Trade Chamber of BiH

Website: <http://www.komorabih.ba>

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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The following financial instruments are used in BiH to make payments abroad: remittances, documentary collections, checks, and letters of credit. The safest method of receiving payment for a U.S. export sale is cash-in-advance and/or irrevocable letter of credit. However, most importers prefer to avoid this costly instrument. Many claim to do business on open account terms with their European suppliers. Nevertheless, a confirmed letter of credit should be a minimum term. Companies that acquire capital goods expect the vendor to provide financing, preferably in the form of a loan.

How Does the Banking System Operate

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With a growing number of foreign banks present in the country, competition is strong and banks are beginning to offer an extended product range of financial instruments (credit cards, consumer loans, mortgages). However, the level of bank intermediation remains low, due to the slow restructuring of the economy. Small and medium size enterprises still experience difficulties obtaining long-term credit, a problem exacerbated by the uncertain global economy. Inadequate secured transaction regulations and an inefficient court system make collateral foreclosure difficult and increase the cost of capital. There are currently 28 commercial banks operating in BiH, 18 in the Federation and ten in the RS.

The Central Bank of BiH (CCBiH) (www.cbbh.ba) is the country's monetary authority. Its goal is to maintain monetary stability under the present currency board arrangement, with full coverage in freely convertible foreign exchange funds under a fixed exchange rate of 1 KM: EUR 0.51129. In addition, the CBBiH supports and maintains appropriate payment and settlement systems and co-ordinates the activities related to supervision of commercial banks. The Central Bank of BiH also coordinates the activities of the bank regulatory agencies in the two entities, which are in charge of bank licensing and supervision.

Foreign-Exchange Controls

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In accordance with the Law on the Central Bank, neither the Central Bank nor any other relevant institution may impose payment restrictions on international transactions, except when the Central Bank deems it indispensable to meet BiH's obligations under international treaties or law.

Commercial banks and financial institutions in BiH may publicly trade in domestic and foreign currency without restrictions according to the law. The foreign exchange and payment system has no restrictions (no administrative management nor limits) on payments and transfers related to international current and capital transactions. In commercial banks, there are no restrictions for individuals or businesses (domestic and foreign) on opening accounts in domestic or any

foreign currency, on exchanging KM for any foreign currency, or in payments to foreign partners.

In both the Federation and the RS, the Law on Foreign Exchange Operations regulates foreign exchange operations. These laws extend identical treatment to domestic and foreign physical and legal entities.

U.S. Banks and Local Correspondent Banks

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There are no U.S. banks in BiH. The following are the largest banks in BiH that maintain U.S. correspondent banking arrangements:

Raiffeisen Bank dd Bosna i Hercegovina (Austrian)

Phone: (+387) 33 755 010

Zmaja od Bosne bb

71000 Sarajevo

Website: www.raiffeisenbank.ba

UniCredit Bank dd (Italian)

Phone: (+387) 36 312 112

Kardinala Stepinca bb

88000 Mostar

Website: www.unicreditbank.ba

Hypo Alpe-Adria-Bank d.d. BiH (Austrian)

Phone: (+387) 36 444 444

Kneza Branimira bb

88000 Mostar

Website: www.hypo-alpe-adria.ba

Intesa Sanpaolo Banka Bosna i Hercegovina (Italian)

Phone: (+387) 33 497 500

Obala Kulina Bana 9a

71000 Sarajevo

Website: www.intesasanpaolobanka.ba

Sberbank BH dd Sarajevo (Russian)

Phone: (+387) 33 295 601

Fra Andjela Zvizdovica 1

71000 Sarajevo

Website: www.sberbank.ba

NLB Razvojna Banka (Slovenian)

Phone: (+387) 51 221 620

Milana Tepica 4, 78000 Banja Luka

Website: www.razvojnabanka.com

Project Financing

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International financial institutions including the World Bank, the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB) are the most important sources of project financing for which procurement is open to U.S. bidders.

World Bank

The World Bank has committed USD 1.3 billion since 1996 to BiH through 62 projects involving rehabilitation of industries, infrastructure, housing, education, health care, and landmine clearance. These funds have been used to purchase goods and equipment, build infrastructure, and obtain the consulting services needed to implement these projects. World Bank borrowers are required to submit timely notification of bidding opportunities and to advertise these opportunities and expressions of interest.

- The [Development Gateway Market \(dgMarket\)](http://www.dgmarket.com/) (<http://www.dgmarket.com/>) is a global online marketplace providing information on donor and government-funded tenders. Currently, dgMarket publishes tender notices for projects funded by the African Development Bank, the Asian Development Bank, Europe Aid, EBRD, European Investment Bank, EU member states, Phare/Tacis, and the World Bank. For more information, contact: info@dgmarket.com.
- The United Nations publishes [UN Development Business](http://www.devbusiness.com) (<http://www.devbusiness.com>) which provides information on business opportunities generated through the World Bank, regional development banks, and other development agencies. Development Business is available in either print format or by online subscription. For more information contact the Development Business Liaison Office at Tel: (202) 458-2397; Fax: (202) 522-3316 or E-mail: dbusiness@worldbank.org

European Bank for Reconstruction and Development (EBRD)

With EUR 1.3 billion (USD 1.62 billion) since 1996 committed toward various projects in the financial, telecommunications, road, railways, and civil aviation sectors, the EBRD is one of the largest lenders in BiH.

Additional information about EBRD's projects and its procurement process and rules can be found on the following Websites:

- <http://www.ebrd.com/pages/country/bosniaandherzegovina.shtml>
- <http://www.ebrd.com/projects/index.htm>
- <http://www.ebrd.com/oppo/procure/index.htm>

European Bank for Reconstruction and Development (EBRD)
Fra Andjela Zvizdovica 1 B-15
71000 Sarajevo BiH
Phone: (+387) (33) 667-945

European Investment Bank (EIB)

The European Investment Bank (EIB) has been active in BiH since 2000 and has funded numerous projects in the industry, railways, and road sectors in the amount of EUR 1.1 billion (approximately USD 1.4 billion). For additional information on EIB, its projects, and procurement rules, please visit the following websites:

- <http://www.eib.org>

- <http://www.eib.org/projects/>
- <http://www.eib.org/publications/publication.asp?publ=44>

U.S. Export Import Bank (Ex-Im Bank)

The Export-Import Bank of the United States (<http://www.exim.gov/>) is the official export credit agency of the United States. Ex-Im Bank's mission is to assist in financing the export of U.S. goods and services to international markets. Ex-Im Bank provides working capital guarantees (pre-export financing); export credit insurance (post-export financing); loan guarantees and direct loans (buyer financing). On average, 85 percent of Ex-Im Bank's transactions directly benefit U.S. small businesses. Since October 2002, Ex-Im Bank is open for private sector transactions in BiH and will consider business for short- and medium-term transactions in the private sector.

Export-Import Bank of the United States
811 Vermont Avenue, N.W. Washington, DC 20571
Phone: (202) 565 3477
<http://www.exim.gov/>

U.S. Trade and Development Agency (USTDA)

USTDA is an independent U.S. government agency that promotes American private sector participation in developing and middle-income countries, with special emphasis on economic sectors that represent significant U.S. export potential. USTDA helps U.S. businesses compete for infrastructure projects in emerging markets by funding feasibility studies, orientation visits, specialized training grants, and various forms of technical assistance. In the past, USTDA program funds have supported numerous projects in Bosnia in the energy, telecommunications, transportation, and environmental technology sectors.

U.S. Trade and Development Agency (USTDA): Middle East, North Africa and Europe Region
1000 Wilson Blvd., Suite 1600
Arlington, VA 22209 USA
Phone: (703) 875-4357
E-mail: mena_europe@ustda.gov
<http://www.ustda.gov>

Overseas Private Investment Corporation (OPIC)

OPIC is a self-sustaining U.S. Government agency that sells investment services to small, medium and large American businesses expanding into emerging markets around the world. OPIC's three main activities are risk insurance, project finance, and investment funds. OPIC has a limit on financing through the investment guaranty and the direct loan programs of USD 200 million. The OPIC-sponsored equity funds make their own, commercially based investment decisions while fulfilling OPIC's policy mandates. The most important fund for the region is the USD 150 million Southeast Europe Equity Fund (SEEF) managed by Soros Private Funds Management.

Overseas Private Investment Corporation (OPIC)
1100 New York Avenue, N.W.
Washington, D.C. 20527, USA
Phone: (202) 336-8647

<http://www.opic.gov>

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

U.S. Trade and Development Agency: <http://www.ustda.gov>

SBA's Office of International Trade: <http://www.sba.gov/oit>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

European Bank for Reconstruction and Development: <http://www.ebrd.com>

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Business Customs

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Business customs in BiH remain an amalgam of old socialist-style habits and newly-acquired business practices. However, the business culture is changing. Over the past decade the business community has benefited from the presence of many international agencies, foreign investors, and technical assistance programs. This change, most obvious in the largest business and industrial centers, has introduced new management, language, IT skills, as well as Western-style business practices. Most of today's managers are fluent in English and are completely computer-literate.

The exchange of business cards is a common practice. While most business meetings take place in a formal setting, it is not unusual to discuss business over coffee or lunch. An invitation to dinner should never be rejected; it may be a sign of a serious desire to do business. There are fewer women working in business than men, but they are treated with respect. As is the case in many other countries, local companies prefer to do business with people they know well. Business friendships are highly valued. Establishing a local presence and employing locals signal a long-term commitment to the market. Such practices are well received.

Travel Advisory

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Before traveling to BiH, U.S. citizens should consult the latest U.S. government travel advisory at http://travel.state.gov/travel/cis_pa_tw/cis/cis_1070.html. Americans in BiH, visiting or residing, are urged to register with the U.S. Embassy in Sarajevo and enroll in the warden system (emergency alert network) in order to obtain updated information on travel and security.

Visa Requirements

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U.S. citizens possessing a valid passport do not need a visa to enter BiH for short-term stays of up to three months while visiting for business or tourism. Foreigners must register with the local police at the nearest police station within 24 hours of arrival, however hotels will do this automatically for their guests. Registration is free for the first three months, regardless of the purpose of the visit. Stays of longer than three months (education, scientific research, employment, engagement in a professional activity, medical treatment, tourism, other justified reasons, or because of marriage to a BiH citizen) require a temporary resident permit, and visitors must apply for the permit before the end of their initial three months in BiH. Foreigners must state the reason for the extended visit and submit evidence of adequate financial support for the duration of their stay in BiH.

The maximum duration of a temporary residence permit is 12 months, with the possibility of a renewal. The fee is KM 100 or approximately USD 64. A police certificate indicating that the applicant has no criminal record is required for this permit and should be obtained from the applicant's state of residence in the United States.

The local field office of the Foreigners' Affairs Department of the Bosnian Ministry of Security accepts applications for temporary residence permit. More information on the application procedures can be obtained from the Department's Website <http://www.sps.gov.ba>.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

U.S. State Department Visa Website: http://travel.state.gov/visa/visa_1750.html

Consular Section at U.S. Embassy Sarajevo: <http://sarajevo.usembassy.gov>

Telecommunications

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Telecommunications services in BiH are relatively advanced. There are three 900 MHz GSM/3G networks - BH Mobile, m:Tel and Eronet with solid coverage throughout the country and roaming agreements with most international mobile operators. All mobile operators feature GPRS service. Unfortunately, internet connectivity remains a weak spot. Many hotels do not offer this service, especially outside of Sarajevo, although this is improving.

Transportation

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Air transport is the fastest and most reliable connection between Sarajevo and the outside world. However, travelers in winter experience frequent delays and cancellations due to inclement weather, especially fog, at Sarajevo Airport. There are three other functional international airports, but the Sarajevo Airport accounts for almost all of total passenger and cargo traffic. The other three airports – Banja Luka, Mostar, and Tuzla -- have only occasional commercial charter traffic, mostly during summer months. Sarajevo International Airport is served by Austrian Airlines, Lufthansa, Croatia Airlines, German Wings, Turkish Airlines, Adria Airways, and JAT, which connect Sarajevo with Vienna, Munich, Zagreb, Istanbul, Ljubljana and Belgrade, respectively. The airport features a cargo center with a fully equipped customs warehouse to serve the needs of cargo traffic. Banja Luka International Airport opened for international traffic in 1998 to serve the city of Banja Luka and the surrounding region. Mostar Airport currently accepts charter flights only.

BiH's road and railway systems have seen little improvement since the 1992-95 war. There are only 45 kilometers of limited-access, divided highway in the entire country, although plans are slowly progressing to complete a north-south corridor that will link Sarajevo to northeastern and southern Croatia (Corridor 5c). Driving time from Sarajevo to either Belgrade or Zagreb is four to five hours, and slightly less to the coast at Dubrovnik or Split. From Banja Luka, it is a two and a half hour drive to Zagreb. Rail travel to the neighboring capitals is considerably slower. Car rental service is available from Budget, Hertz, Avis, National, and Europcar as well as other local car-rental companies.

Language

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There are three main ethnic groups in BiH: Bosniaks (Muslims), Croats (Roman Catholics), and Serbs (Orthodox). The languages spoken in BiH – Bosnian, Serbian, and Croatian – are mutually understandable. When necessary in a conversation, it is best to refer to the language as “the local language.”

Health

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The water supply in Sarajevo meets World Health Organization standards and therefore is not thought to pose a health risk. No lead or bacterial contamination has been found in the tap water in Sarajevo. The local cuisine is very similar to international cuisine and poses no risk. However, fresh vegetables and fruits must be thoroughly washed or peeled before consuming.

The drugs found in the pharmacies are usually labeled in the local language but the drugs can still be identified by the generic name. The dosage is measured by the metric system. The following are recommended immunizations for those traveling to BiH: Tetanus, Diphtheria, Measles, Mumps, Rubella and Polio vaccines. Typhoid fever vaccine and Hepatitis A and B are recommended for those traveling in rural areas or anticipating extended stays.

Motor vehicle accidents are one of the leading causes of death in BiH. It is strongly recommended to use seatbelts when driving or being driven. Mines and associated devices were used extensively during the 1992-95 war. While many areas have been cleared of the mines, there is still a significant risk especially near the former confrontation lines. The following advice is given to avoid mines: stay on known safe surfaces, stick to approved routes, do not drive on road shoulders, observe local behavior, and obtain mine information.

Emergency health service is available in most cities. In Sarajevo, the number for emergency service is 124 or 611-111.

Local Time, Business Hours, and Holidays

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BiH is in the GMT +1 time zone. Regular business hours are from 8 am to 5 pm; however, most government agencies close at 4 pm. The Federation of BiH and the Republika Srpska observe different holiday schedules. It is recommended to check with the U.S. Embassy regarding local holidays. The Embassy holiday schedule can be found at <http://sarajevo.usembassy.gov/holidays.html>

Summer break is in full swing during the months of July and August and appointments can be difficult to schedule.

Temporary Entry of Materials and Personal Belongings

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Exemption from customs duties is granted for the following:

- Various business documents including promotional materials such as brochures, other business and legal documents, blueprints, tender documents, bids, tickets, vouchers, printed forms, photographs, and recordings.
- Goods in the personal luggage of travelers including tobacco products (200 cigarettes, or 100 cigarillos, or 250 grams of tobacco per passenger per day), alcoholic beverages

(two liters of wine or one liter of alcoholic beverages with the alcohol content above 22 percent), 60 cc/ml of perfume or 250cc/ml of toilet water.

- Goods that are being used for commercial/promotional purposes including goods used and/or consumed at trade fairs including samples, printed materials (brochures, catalogs, price lists, photographs, videos, etc.), equipment, machines and other products that are being displayed at trade fairs, and various items of insignificant commercial value.

Web Resources

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U.S. State Department Visa Website: http://travel.state.gov/visa/visa_1750.html

U.S. Embassy Sarajevo: <http://sarajevo.usembassy.gov>

Ministry of Foreign Affairs of BiH: http://www.mvp.gov.ba/index_eng.htm

Sarajevo International Airport: <http://www.sarajevo-airport.ba>

Banja Luka Airport: <http://www.banjaluka-airport.com>

Mostar International Airport: <http://www.mostar-airport.com>

Budget: <http://www.budget.co.ba>

Hertz: <http://www.hertz-europe.com>

Avis: <http://www.avisworld.com>

Europcar: <http://www.europcar.com>

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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U.S. Government Contacts:

U.S. Commercial Service
Mr. Bradley Harker, Senior Commercial Officer
Bradley.Harker@trade.gov

Embassy of the United States of America
Ms. Lian von Wantoch, Economic Counselor
E-mail: vonWantochL@state.gov

Mr. Matthew Fullerton, Economic/Commercial Officer
E-mail: FullertonMA@state.gov

Mr. Edhem Brankovic, Commercial Specialist
E-mail: BrankovicE@state.gov

Mrs. Sanela Stanojic-Eminagic, USDA/FAS Agricultural Specialist
E-mail: Sanela.Stanojic-Eminagic@usda.gov

U.S. Embassy Sarajevo
Robert C. Frasure 1, 71000 Sarajevo, Bosnia and Herzegovina
Phone: +387-33-704 000 Fax: +387-33-659-722
U.S. Embassy Sarajevo: <http://sarajevo.usembassy.gov/>
U.S. Embassy Sarajevo Business Page: <http://sarajevo.usembassy.gov/business.html>
U.S. Commercial Service: <http://export.gov/bosniaandherzegovina/>

U.S. Department of Agriculture
Foreign Agricultural Service
Trade Assistance and Promotion Office
Phone: 202/720-7420
www.usda.gov

The Multilateral Development Bank Office
U.S. Department of Commerce
14th and Constitution, NW, Washington, D.C. 20007
Phone: 202/482-3399; Fax: 202/482-3914

Other Contacts:

Council of Ministers of BiH, Ministry of Foreign Affairs
Website: www.mvp.gov.ba

Government of Republika Srpska, Prime Minister

Website: <http://www.vladars.net>

Government of the Federation of BiH, Prime Minister
Website: www.fbihvlada.gov.ba

Central Bank of BiH
Website: www.cbbh.gov.ba

Foreign Investment Promotion Agency (FIPA)
Website: www.fipa.gov.ba

Foreign Trade Chamber of BiH
Website: www.komorabih.ba

Chamber of Economy of the Federation of BiH
Website: www.kfbih.com

Chamber of Commerce and Industry of Republika Srpska
Website: www.komorars.ba

American Chamber of Commerce in BiH (AmCham)
Website: www.amcham.ba

Foreign Investors Council (FIC)
Website: www.fic.ba

Market Research

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To view market research reports produced by the U.S. Commercial Service please visit the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

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Please click on the link below for information on upcoming trade events.

- <http://www.export.gov/tradeevents/index.asp>
- <http://www.buyusa.gov/bosniaandherzegovina/en>

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Embassy Sarajevo offers U.S. businesses, please click on the link below:

<http://export.gov/bosniaandherzegovina/servicesforu.s.companies/index.asp>

The U.S. Embassy Sarajevo can assist in locating potential partners and assessing their creditworthiness. Through a partnership with the U.S. Foreign Commercial Service, the Embassy provides the International Partner Search (IPS) and the International Company Profile (ICP) services to U.S. companies who wish to locate partners in BiH and check their creditworthiness.

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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