



Weekly Briefing

**Bosnia-Herzegovina economy briefing:
BiH's foreign trade: EU as strategic partner
Faruk Borić**

China-CEE Institute

Kiadó: Kína-KKE Intézet Nonprofit Kft.

Szerkesztésért felelős személy: Chen Xin

Kiadásért felelős személy: : Feng Zhongping

 1052 Budapest Petőfi Sándor utca 11.

 +36 1 5858 690

 office@china-cee.eu

 china-cee.eu

BiH's foreign trade: EU as strategic partner

Summary

The Foreign Trade Chamber of Bosnia and Herzegovina (VTK BiH) presented annual results that give room for moderate optimism when comes to economic recovery of BiH. The volume and value of exports in all key segments increased compared to the previous pandemic year. BiH is largely export-oriented to the European Union market, as well as neighboring countries with which it jointly forms the Central European Free Trade Agreement (CEFTA). Of the other countries, Turkey is one worth to mention. However, there are only few countries with which BiH has a positive balance.

Introduction

The Foreign Trade Chamber of Bosnia and Herzegovina (*Vanjskotrgovinska komora, VTK*) traditionally organized a presentation of BiH's annual foreign trade with the world in February. In 2021, positive trends were recorded and it can be considered a relatively successful business year. Exports grew and the recession ended. In terms of foreign trade, BiH is significantly oriented to the European Union. VTK President Ahmet Egrić presented data that BiH participated in foreign trade with the European Union (EU) with 72.1 percent of exports and 65.8 percent of imports. Exports of goods worth 10,539,647,000 KM (About 5.38 billion euros) were exported to the EU market, which is 35.6 more than in 2020, while imports amounted to 14,453,149,000 KM (about 7.39 billion euros) and it is higher by 24.8 compared to 2020. For every 10 convertible marks (KM) of exports from BiH, 7.2 goes to the EU, and for every 10 KM of imports, 6.6 comes from the EU. VTK believes that this fact indicates that the quality of goods produced in BiH is at an extremely high level when it comes to European standards¹. The largest export item in BiH is electricity (BiH exported electricity worth 827,686,307 KM), and the largest import item is oil (imported 1,609,887,423 KM).

¹ The EU is still the most important market for goods from BiH, the exchange exceeded 10 billion KM, <https://www.klix.ba/biznis/privreda/eu-je-i-dalje-najznacajnije-trziste-za-robu-iz-bih-razmjena-premasila-10-milijardi-km/220215072>

EU and CEFTA

BiH's main partner in the EU is the Republic of Croatia, with which BiH has the largest volume of exchange. The volume of foreign trade with this neighboring country in 2021 amounted to 5.4 billion KM (about 2.7 billion euros). Exports amounted to 1.9 billion KM, approximately 5 percent of the total Gross Domestic Product (GDP) of BiH. Imports amounted to 3.5 billion KM. By sectors, the highest value growth was achieved in the export of the metal sector and in the import of mineral fuels, where it should be borne in mind that the prices of oil and petroleum products in 2021 increased compared to the previous year. Due to the growth of import prices, a significant increase in revenues from Value Added Tax (VAT) was achieved. The five most important export tariffs from BiH to Croatia are electricity (305 million KM), textile (117 million KM), hula-hop socks (77 million KM), wood processed by length (74 million KM), and seats (72 million KM)². The five most important import tariffs in BiH from Croatia are petroleum oils and bituminous mineral oils (KM 999 million), chocolate and products containing chocolate (KM 99 million), hula-hop socks (KM 68 million), portland cement (KM 63 million), and electricity (61 million KM)³.

Austria and Germany are among the few countries with which BiH has a surplus. In 2021, goods worth 1,289,751,534 KM were exported from BiH to the Republic of Austria, and 1,134,439,353 KM worth of goods were imported, which means that the balance amounted to 155,312 KM. The five most important exports to Austria by tariff numbers are electrical machines (405,624,910 KM), iron and steel products (159,503,156 KM), nuclear reactors, boilers, machinery and electrical appliances (156,225,150 KM), wood and wood products. wood, charcoal (72,892,011 KM), and furniture, bedding, mattresses and mattress supports (66,520,222 KM)⁴. On the other hand, the five most valuable import items from Austria are electrical machines (216,335,961 KM), nuclear reactors, boilers, machines and mechanical devices (102,182,345 KM), plastics and plastic products (97,770,824 KM), iron and steel products (83,641,734 KM), and raw large and small leather with or without hair (55,657,955 KM)⁵.

As far as Germany is concerned, in 2021 BiH exported goods worth 2,154,534,173 KM to it, and goods worth 2,110,222,836 KM were imported from Germany. This means that the

² FOREIGN TRADE BOSNIA AND HERZEGOVINA WITH THE WORLD 2021/2020, available at <https://www.komorabih.ba/prezentacija-vanjskotrgovinske-razmjene-bih-sa-svijetom-u-2021-godini/>

³ *Ibid.*

⁴ Overview of countries by tariffs: Austria. https://www.komorabih.ba/vanjskotrgovinska-spoljnotrgovinska-razmjena/?drzava=Austrija&godina1=2021&po_drzavi=PRIKA%C5%BDI

⁵ *Ibid.*

balance is 44,311 KM. The five most valuable tariffs exported to Germany are furniture, bedding, mattresses, mattress supports (356,147,172 KM), nuclear reactors, boilers, machinery and electrical appliances (275,291,232 KM), aluminum and aluminum products (163,106,504 KM), products made of iron and steel (161,274,409 KM), and plastics and plastic products (158,391,906 KM). The products that BiH imported the most from Germany are nuclear reactors, boilers, machines and mechanical devices (262,648,111 KM), plastics and plastic products (260,609,964 KM), mineral fuels, mineral oils and products of their derivatives (224.622.681 KM), vehicles, except railway and tram rails (214.019.502 KM), and electrical machinery and equipment and their parts (102.052.091 KM)⁶.

In addition to the positive balance with Germany and Austria, the VTK noted that BiH achieves a coverage of imports by exports of more than 50 percent with Italy, Slovenia, Serbia and Croatia.

After the EU, the second most important partner in trade is the Central European Free Trade Agreement (CEFTA). BiH participates with CEFTA countries with 17.6 percent of exports and 16.5 percent of imports⁷.

Goods worth 2.6 billion KM were exported from BiH to the CEFTA market in 2021, and exports increased by 41.3 percent compared to the previous year. Goods worth 3.6 billion KM were imported from the CEFTA area, which is 30.3 percent more than in 2020. BiH has a surplus with all CEFTA countries, except Serbia and Northern Macedonia. Of the CEFTA countries, the most important BiH's partner in terms of exchange is Serbia. BiH exported goods worth about 1.8 billion KM to the market of its eastern neighbors, which is 48.2 percent more than in 2020. Serbia also imported goods worth about 3.2 billion KM, which is an increase of 28, 6 percent compared to the previous year. Coke and semi-coke from hard coal, brown coal (265 million KM), electricity (257 million KM), hot-rolled iron wire (136 million KM), wood processed by length (95 million KM) were mostly exported to the Serbian market. and constructions (73 million KM). Petroleum oils and oils obtained from bituminous materials (KM 364 million), hot-rolled iron products (KM 89 million), bread, pastries, cakes, biscuits and

⁶ Overview of countries by tariffs: Germany. https://www.komorabih.ba/vanjskotrgovinska-spoljnotrgovinska-razmjena/?drzava=Njema%C4%8Dka&godina1=2021&po_drzavi=PRIKA%C5%BDI

⁷ On December 19, 2006, Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and the United Nations Interim Administration Mission in Kosovo (UNMIK) on behalf of Kosovo in accordance with United Nations Security Council Resolution 1244 signed an Agreement to amend and enlarge the Central European Free Trade – CEFTA 2006. More on CEFTA on official webpage <https://cefta.int/>

other bakery products (KM 69 million) were imported from Serbia to BiH. electricity (63 million KM), and corn (61 million KM)⁸.

Of the other countries collectively referred to as "other markets", Turkey is the most important partner. In 2021, the volume of trade with Turkey amounted to about 1.5 billion KM. Exports to Turkey in 2021 amounted to 363,292,118 KM and is higher than the previous year by 14.9 percent. Imports from Turkey increased by 43.9 percent and amounted to about 1,125,088,928 KM. The coverage of imports by exports is 32.3 percent. BiH exported the most iron and steel (121,936,732 KM), furniture, bedding, mattresses and mattress supports (45,322,649 KM), paper and cardboard, paper products, paper (31,599,928 KM), fat and oils of animal and vegetable origin (22,816,410 KM), and weapons and ammunition, their parts and accessories (19,751,538 KM). On the other hand, Turkey exported nuclear reactors, boilers, machines and mechanical devices (116,449,075 KM), clothing and clothing accessories, knitted or crocheted (98,748,599 KM), plastics and plastic products (98,582.549 KM), iron and steel (68,355,907 KM), and clothing and accessories for clothing, except knitted and crocheted (67,611,841 KM)⁹.

Recovery of sectors

Total exports in 2021 are worth 5.9 billion KM, which is 1.9 billion KM or 49 percent more compared to the same period last year. At the same time, imports increased. In the metal sector, goods worth 7.9 billion KM were imported, which is an increase of 2.1 billion KM or 36 percent¹⁰.

In the total trade of the metal sector, the export and import of iron and steel and their parts, the electrical industry and the automotive industry are in the lead. Regarding the export of steel and iron, there was an increase of 390 million KM or 85 percent, so that the total export is 849 million KM. Imports of iron and steel have increased significantly, amounting to 973 million KM. Exports in the electrical industry sector exceeded one billion KM. In 2020, the export of electrical machines amounted to 836,323,029 KM, and in 2021 to 1,109,089,797 KM,

⁸ FOREIGN TRADE BOSNIA AND HERZEGOVINA WITH THE WORLD 2021/2020, available at <https://www.komorabih.ba/prezentacija-vaniskotrgovinske-razmjene-bih-sa-svijetom-u-2021-godini/>

⁹ Overview of countries by tariffs: Turkey. https://www.komorabih.ba/vaniskotrgovinska-spolinotrgovinska-razmjena/?drzava=Turska&godina1=2021&po_drzavi=PRIKA%C5%BDI

¹⁰ FOREIGN TRADE...

which is 273 million KM or 33 percent more. Imports also increased by 10 percent or the value of 1,301,377,475 KM¹¹.

In 2021, the total volume of trade in the automobile industry increased due to an increase in both exports and imports. Export values of 437 million KM were recorded, which is 57 million KM or 15 percent more. At the same time, the value of imports was 1.4 billion KM, which is 283 million KM or 25 percent more than the year before.

Exports of the textile, clothing, leather and footwear industry in BiH amounted to 1.5 billion KM, which is an increase in exports by 159 million KM. At the same time, the import of raw materials and intermediate goods amounted to 2 billion KM and increased by 284 million KM.

The volume of trade in the food sector has increased. Exports amounted to 962 million KM, which is an increase of 57 million KM or 6 percent, and imports increased by 367 million KM or 12 percent, and totals 3.4 billion KM¹².

Meat and meat products were exported in the value of 110 million KM, of which over 50 percent was exported to the CEFTA market, and most to Serbia. At the same time, the import of meat and meat products increased and amounted to 401 million KM.

In 2021, the wood industry recorded a surplus of 1.2 billion KM. Exports amount to 1.7 billion KM and are higher by 397 million KM or 30 percent, and imports 494 million KM and are higher by 116 million or 31 percent. Furniture worth 712 million KM was exported, which is 133 million KM or 23 percent more, and exports are still mostly concentrated in the EU, primarily Germany, Croatia, the Netherlands, Italy and Austria¹³.

¹¹ *Ibid.*

¹² *Ibid.*

¹³ *Ibid.*

Conclusion

The export sector of Bosnia and Herzegovina recorded a significant recovery compared to 2020. Almost all indicators with the most important foreign trade partners have positive trends. The European Union remains the most important partner of BiH export companies, and within it stand out countries that are closer to BiH, in communication and strategic sense. Electricity is the most valuable item that BiH exports, but it is uncertain how exports will be affected by the already started decarbonisation processes.

Either way, export-oriented companies remain the most vital economic segment of society, ready to adapt to new circumstances and find ways to new markets. The companies that are part of the VTK are privately owned, and the VTK itself is a non-governmental and non-profit organization established by the Law on VTK adopted by the Parliamentary Assembly of BiH. VTK is one of the key addresses for successful entry into the BiH market.