

# Foreign economic relations of Bosnia and Herzegovina (BiH)

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# 1) Background

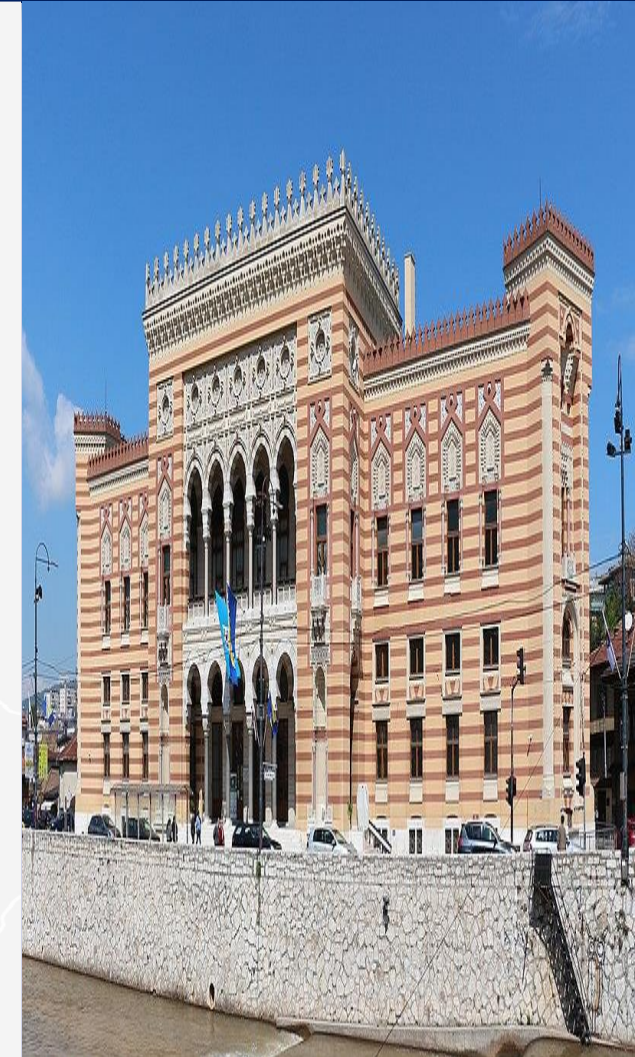
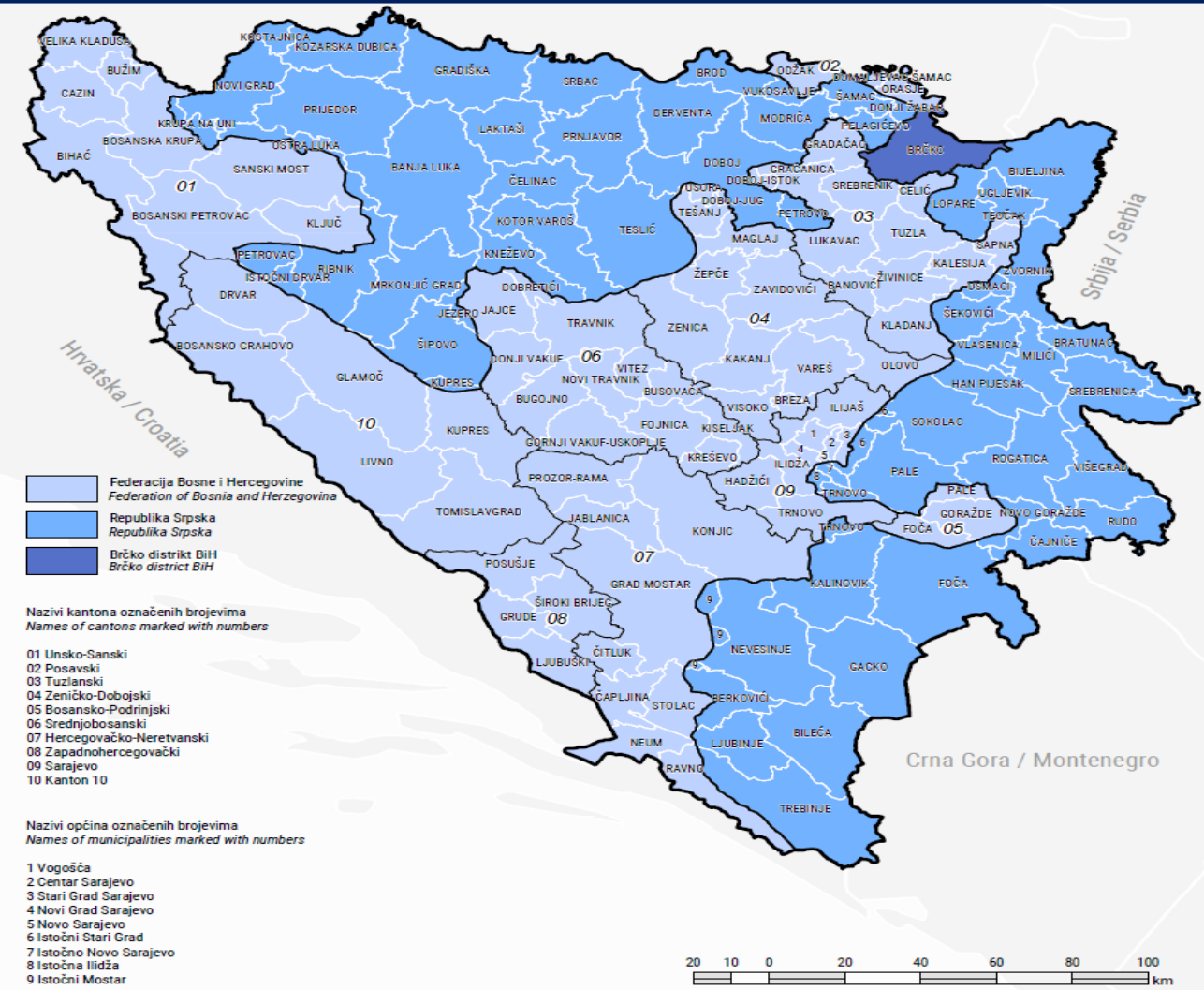


*“Bosnia and Herzegovina declared sovereignty in October 1991 and independence from the former Yugoslavia on 3 March 1992 after a referendum boycotted by ethnic Serbs. The Bosnian Serbs - supported by neighboring Serbia and Montenegro - responded with armed resistance aimed at partitioning the republic along ethnic lines and joining Serb-held areas to form a ‘Greater Serbia.’”*

Bosnia and Herzegovina has a narrow coastline (20 km) in the Adriatic Sea and it shares 345 km of border with Serbia.

Sources:  
CIA;  
Nations  
Online  
Project

# 1a) Administrative division

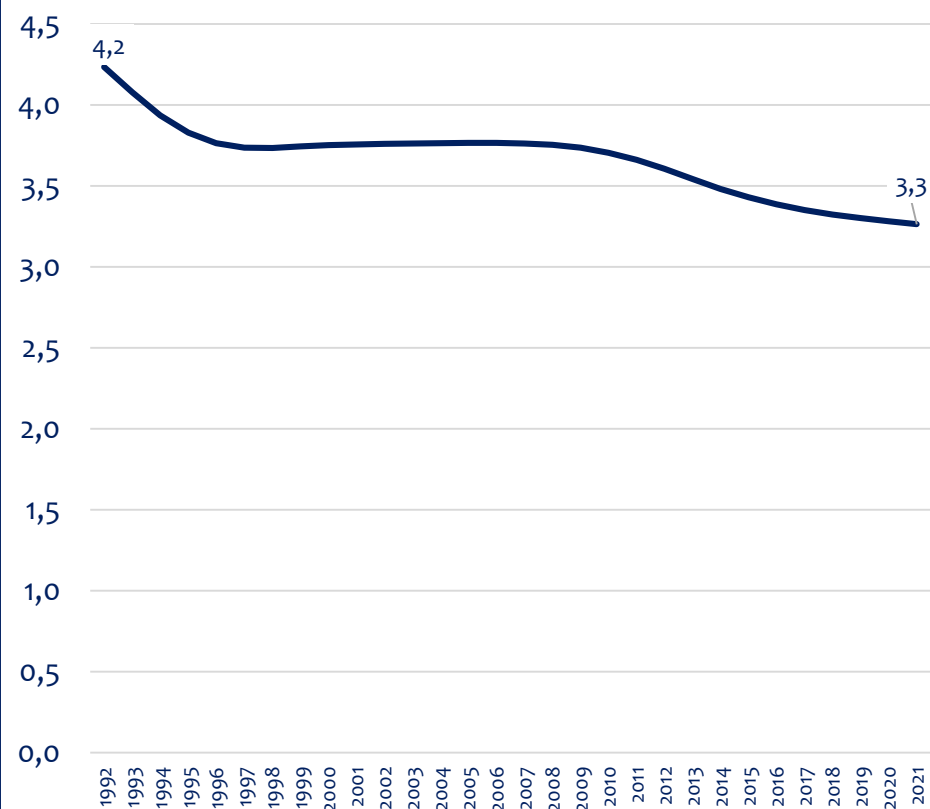


Administratively, the country is divided into the Federation of Bosnia and Herzegovina (FB&H), Republika Srpska (Republic Serbia - RS) and District Brčko BiH. The Federation of Bosnia and Herzegovina is further divided into 10 cantons.

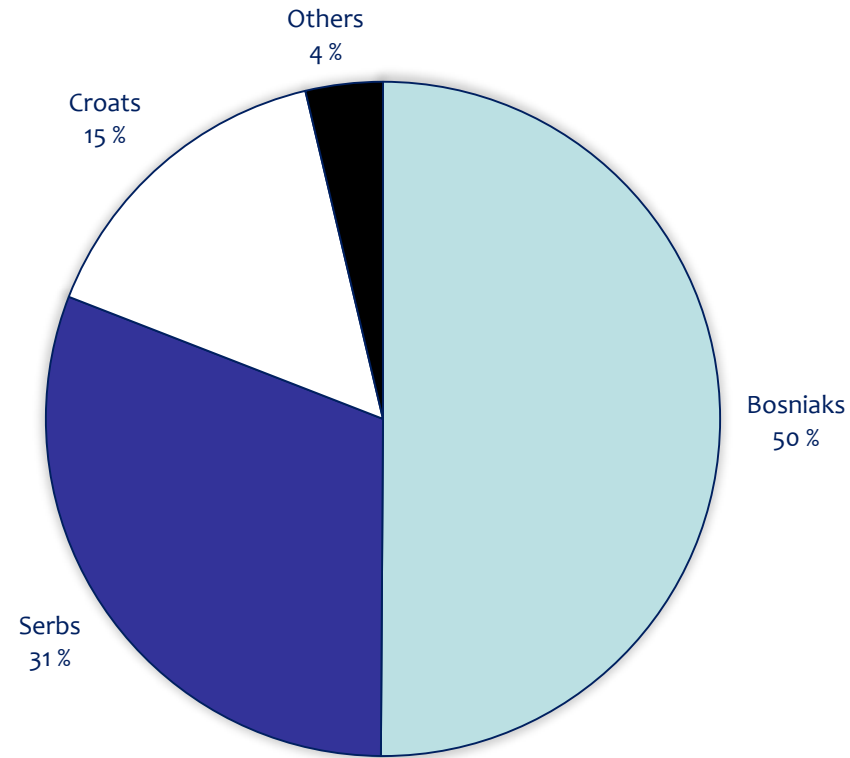
Sources: Agency for Statistics of BiH; EU

# 1b) Population

### Population development (million)



### Population in 2013 by ethnicity

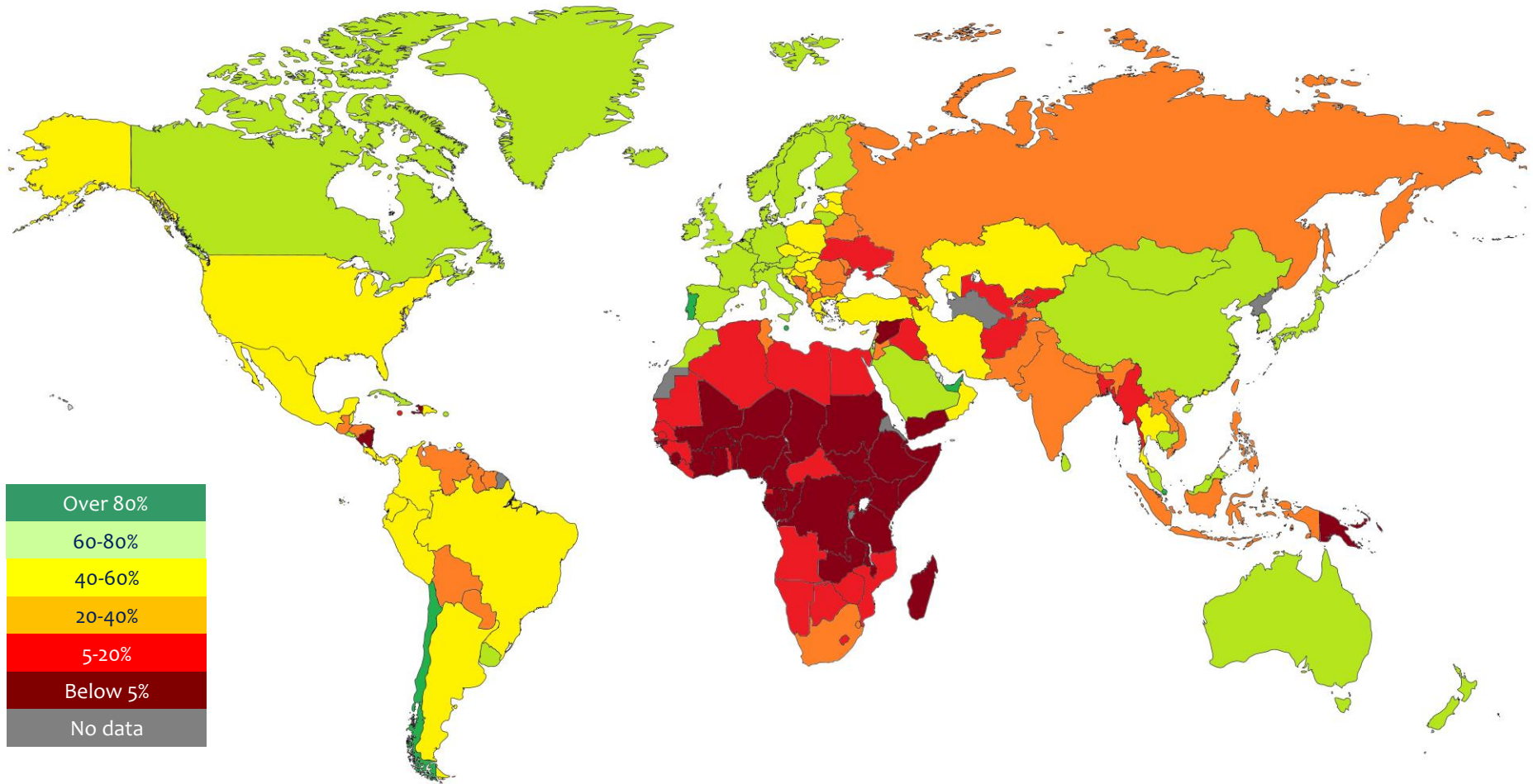


The population of Bosnia and Herzegovina has declined by over 20% during the past 30 years. In 2021, the country's population was 3.3 million. Over 1 million ethnic Serbs live in Bosnia and Herzegovina and they accounted for nearly 1/3 of the country's population in 2013. In turn, some 100,000 Bosniaks live in Serbia. The Muslims cover a half of the population, whereas the Orthodoxes represent 30%. The unemployment rate is very high (16% in 2019). However, the unemployment rate is clearly lower in the Serb areas (12%) than in the Bosniak regions (18%). According to the CIA, the real unemployment rate in Bosnia and Herzegovina is over 30%.

Sources: UNCTAD; CIA; Agency for Statistics of BiH



# 1b) The proportion of the population with 2 corona vaccinations in the early November 2021



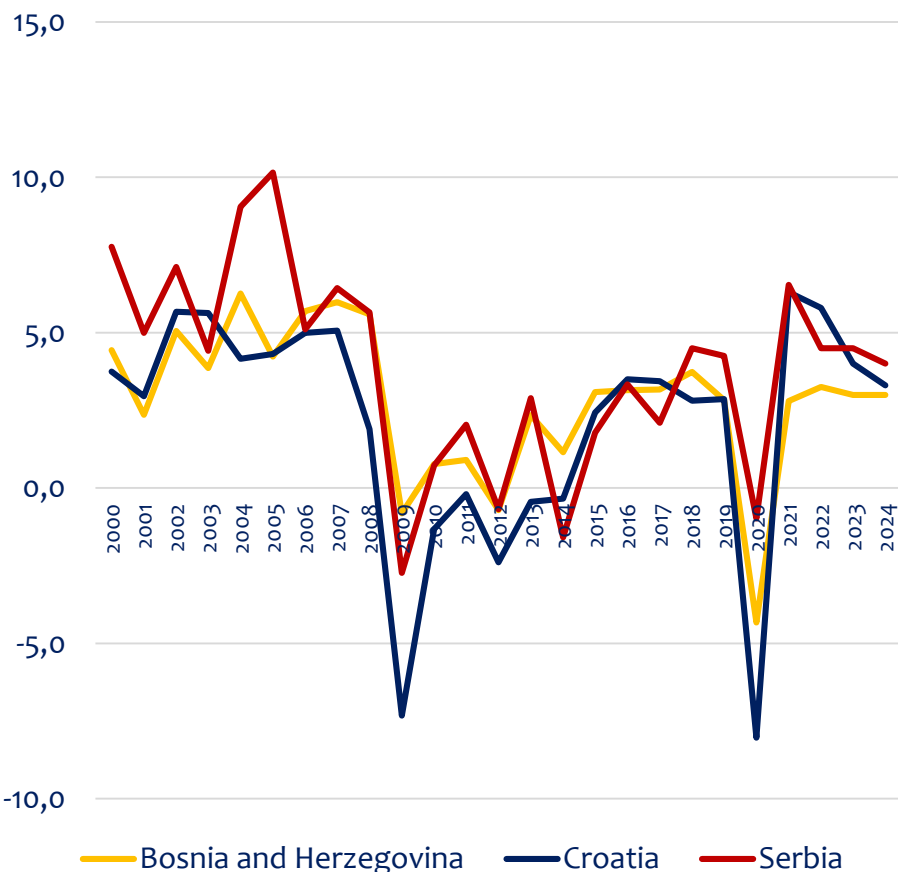
Created with mapchart.net

The share of the population with at least 2 corona vaccinations in Bosnia and Herzegovina was the 3<sup>rd</sup> lowest in Europe after Ukraine and Armenia in the early November 2021.

Sources: Johns Hopkins University; Our World in Data

# 1c) Economy

Annual real GDP change (%)

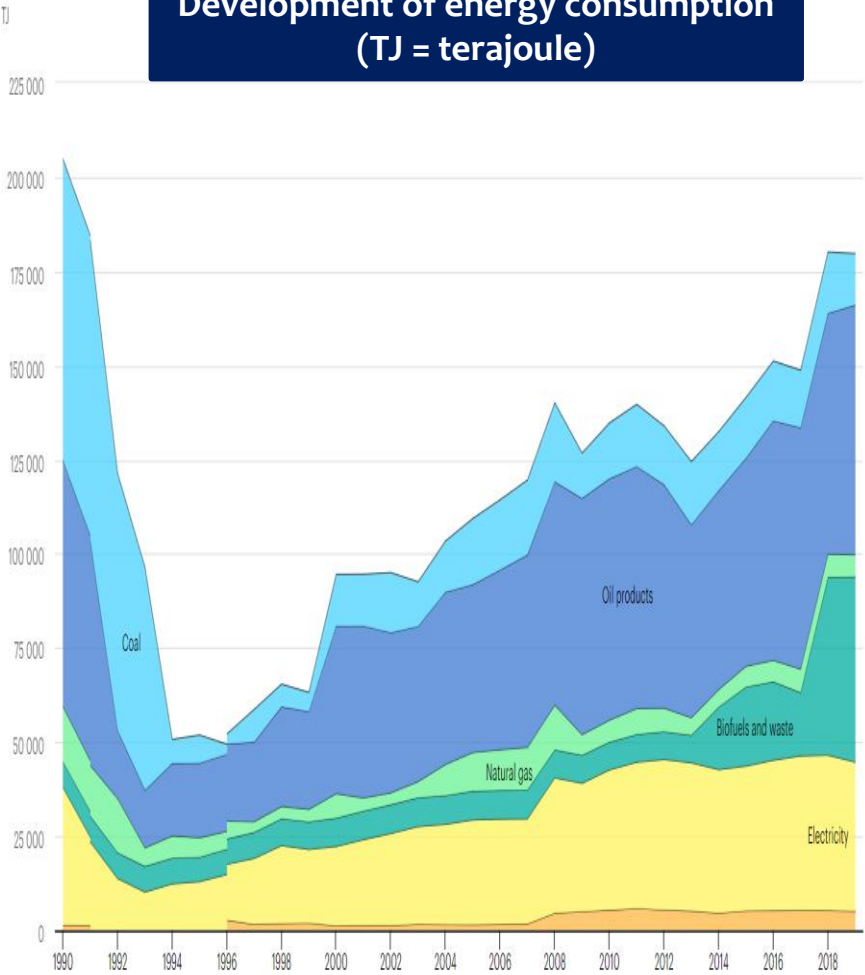


2020	GDP (\$ billion; current prices)	GDP per capita (\$; constant prices)
Bosnia and Herzegovina	19.5	5,349
Croatia	56.0	12,471
Montenegro	5.0	6,694
Serbia	60.5	5,960
Slovenia	52.9	22,814

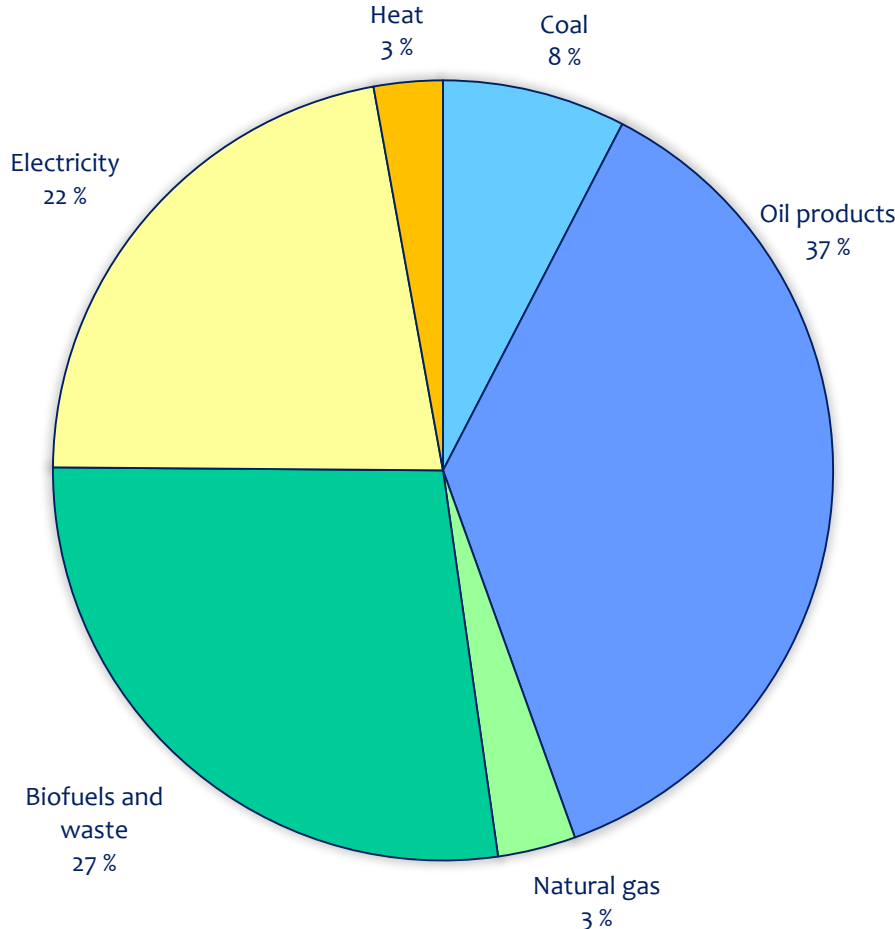
The economic development of Bosnia and Herzegovina does not deviate significantly from that of its neighbours Croatia and Serbia. The economic living standard of Bosnia and Herzegovina is also in line with its non-EU neighbours Montenegro and Serbia, but the economic living standard of Bosnia and Herzegovina clearly deviates from those of Croatia and Slovenia, belonging already to the EU.

# 1d) Energy

**Development of energy consumption (TJ = terajoule)**



**Energy consumption in 2019 by source**



Energy consumption has increased rapidly during the past few years. The share of biofuels and waste has grown particularly fast since 2017. In 2019, they covered a quarter of total energy consumption in Bosnia and Herzegovina.

Source: IEA

# 1e) Business environment

2019	Global rank	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Bosnia and Herzegovina	90	184	173	74	96	67	88	141	27	93	37
Croatia	51	114	150	37	38	104	37	49	1	27	63
Montenegro	50	101	40	134	83	15	61	75	41	44	43
North Macedonia	17	78	15	68	48	25	12	37	32	47	30
Serbia	44	73	9	94	58	67	37	85	23	65	41
Slovenia	37	41	119	23	54	119	18	45	1	112	8

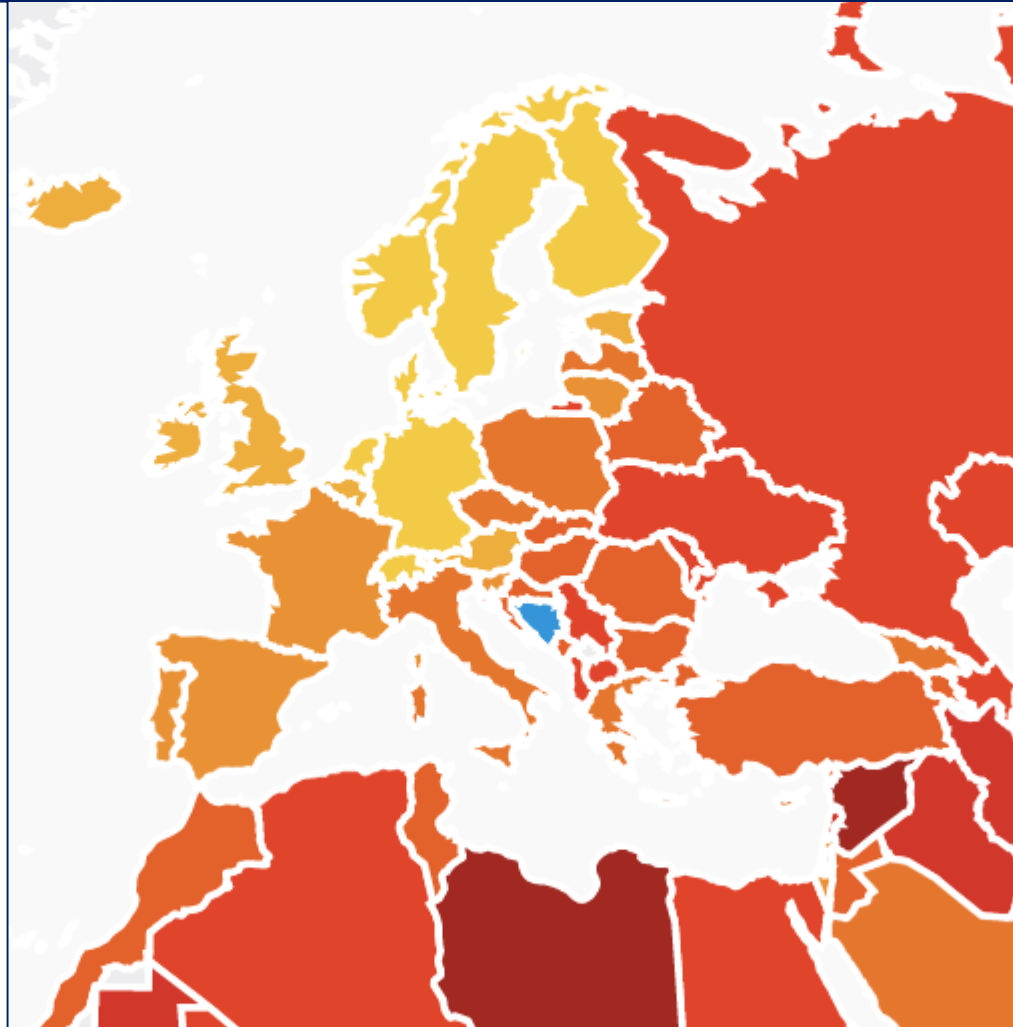
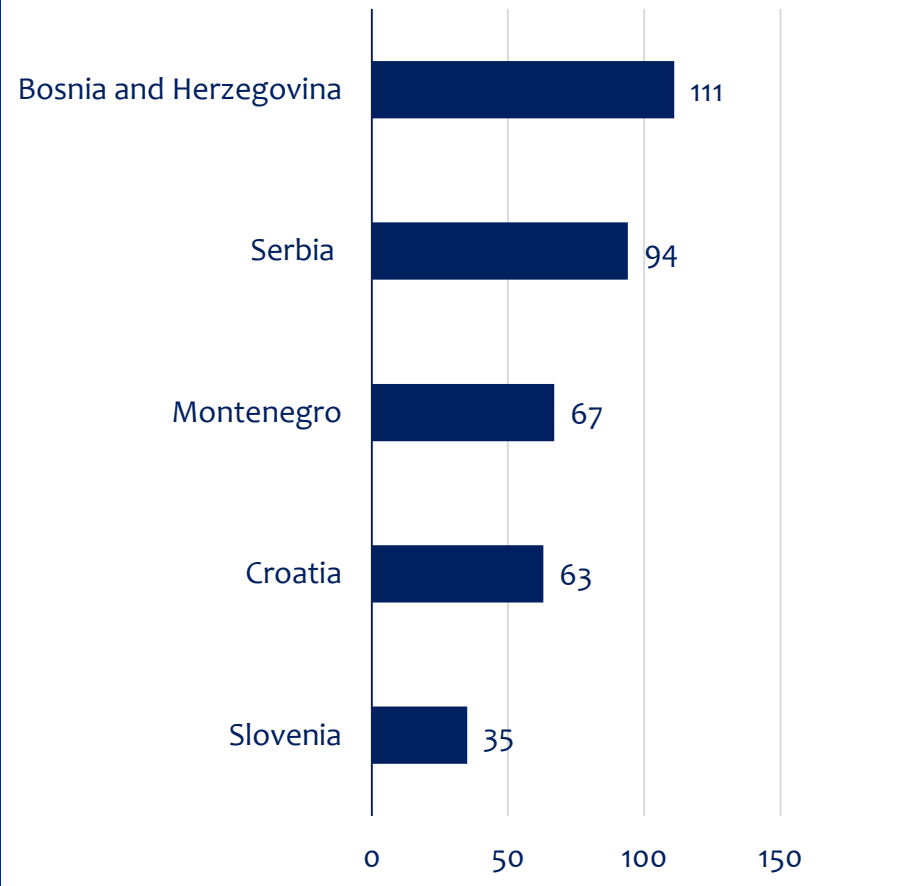
The World Bank ranks the business environment of Bosnia and Herzegovina as Europe's 2<sup>nd</sup> worst after San Marino (92). There are major difficulties in starting a business, dealing with construction permits and paying taxes in the country.

Source:  
World Bank



# 1f) Corruption

Corruption perception in 2020  
(180 countries ranked)



Bosnia and Herzegovina is Europe's 6<sup>th</sup> most corrupt country after Russia (129), Azerbaijan (129), Ukraine (117), Moldova (115) and North Macedonia (111).

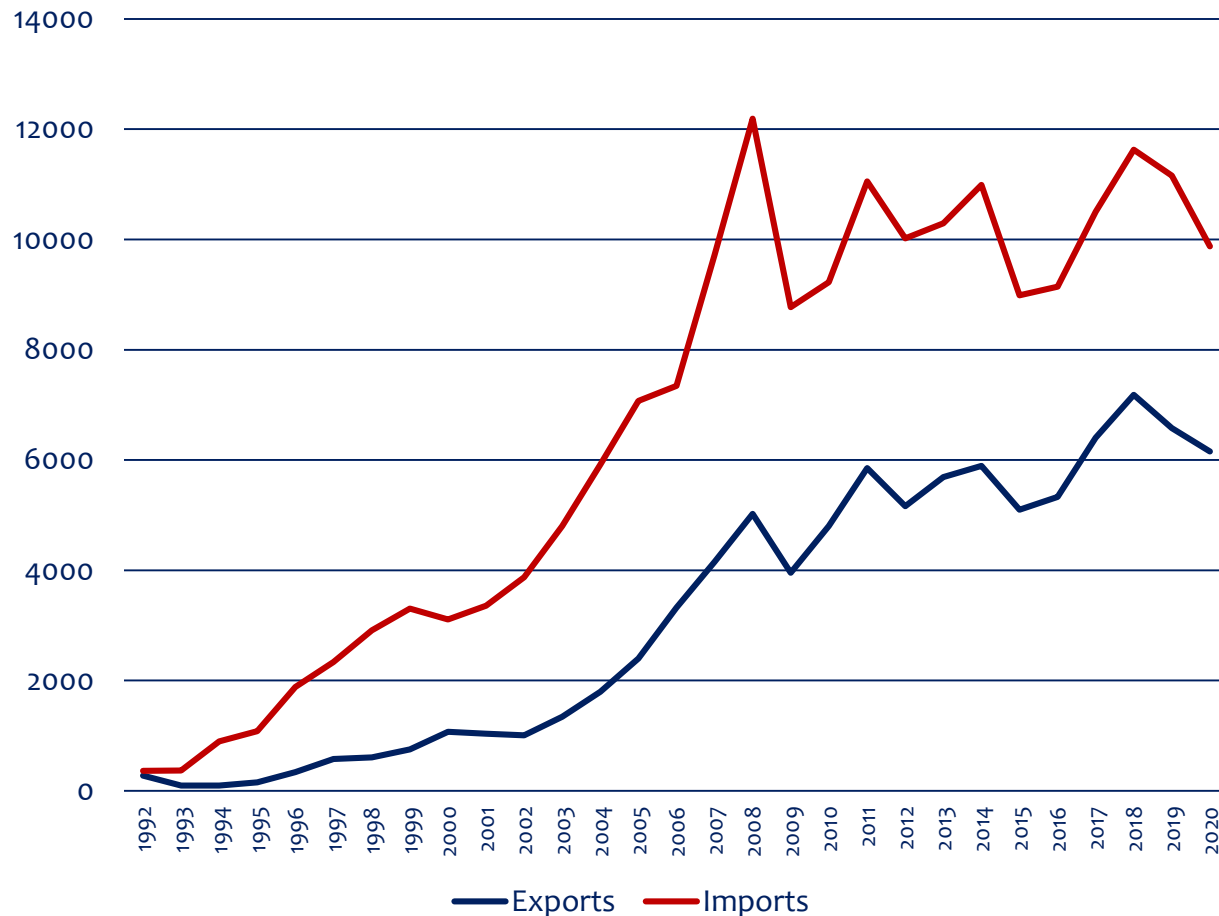
Source:  
Transparency International

## 2) Foreign trade



## 2a) Foreign trade development

Merchandise exports and imports (\$ million)



2020	Foreign trade / GDP (%)
Bosnia and Herzegovina	82
Croatia	78
Montenegro	57
Serbia	76
Slovenia	164

The foreign trade grew extremely rapidly until the global financial crisis. Thereafter, the growth has stabilised. Bosnia and Herzegovina has a considerable trade deficit (nearly \$ 4000 million in 2000). Bosnia and Herzegovina is highly dependent on foreign trade, as the foreign trade-GDP ratio is over 80% - higher than in several neighbouring states.

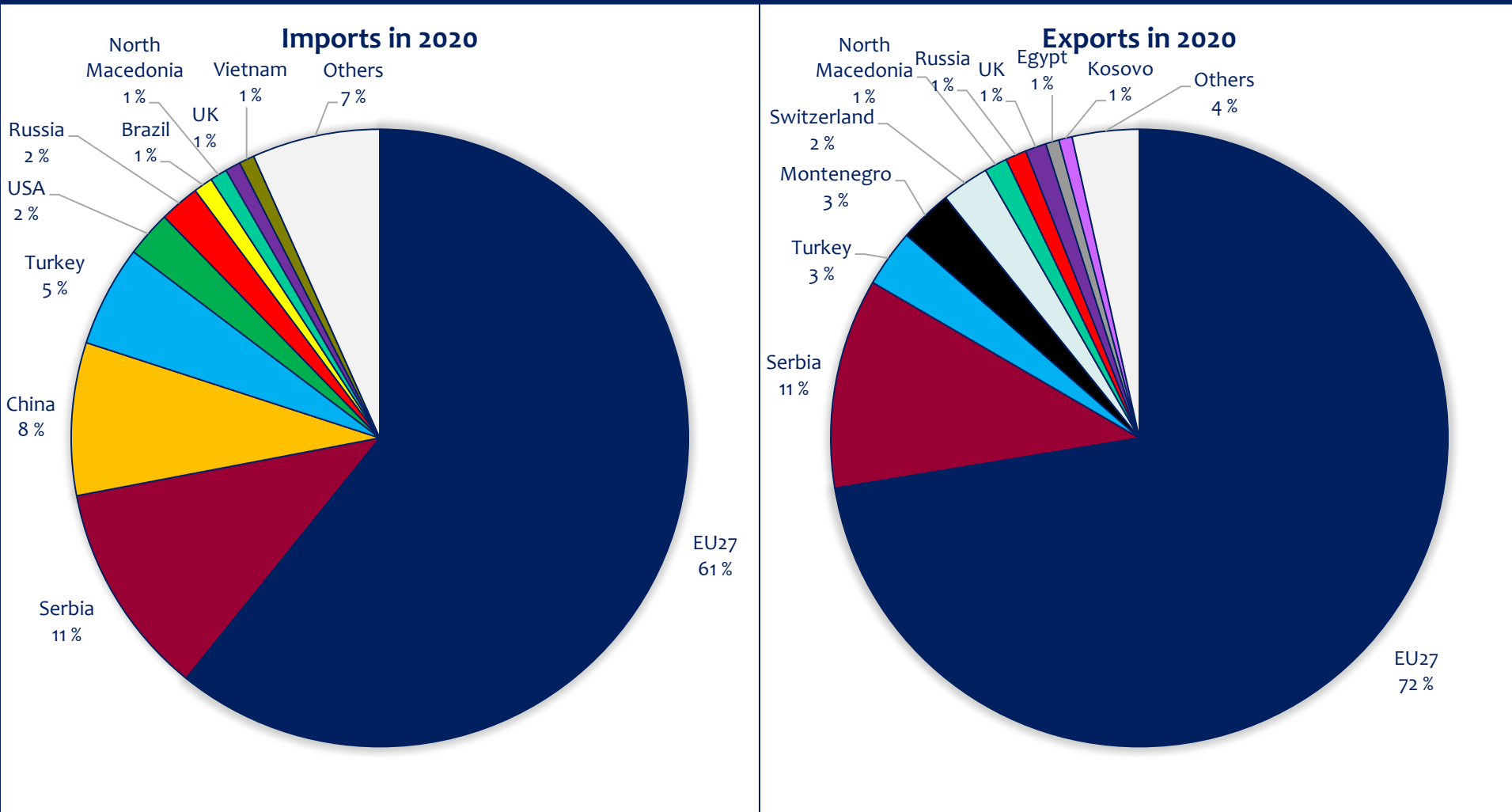
## 2b) Foreign trade geography

Percentage in foreign trade in 2020	EU27	China	Russia	USA
Albania	63%	7%	2%	1%
Bosnia and Herzegovina	65%	5%	2%	2%
Kosovo	47%	8%	Less than 1%	1%
Montenegro	44%	10%	Less than 1%	2%
North Macedonia	58%	5%	1%	2%
Serbia	61%	8%	5%	2%

The EU27 dominates as a trade partner in the Balkan countries not belonging to the EU. Russia does not play a significant role, excluding in Serbia. In fact, even China has a larger share than Russia. Russia's role becomes emphasised in energy supplies.

Source: EU

## 2b) Foreign trade geography

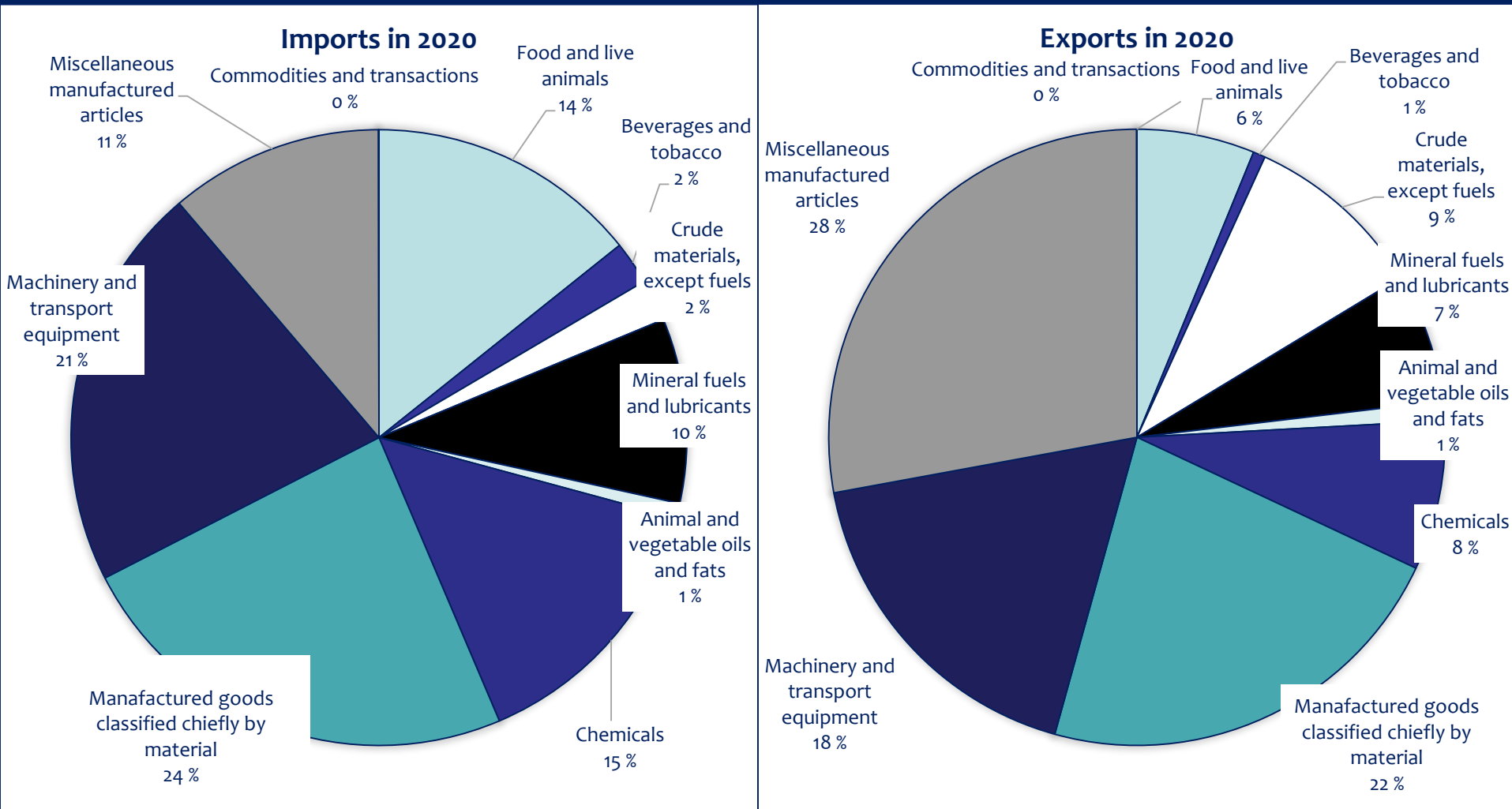


In 2020, 3 largest suppliers (import countries) of Bosnia and Herzegovina were Germany (12%), Italy (12%) and Serbia (11%). In turn, 3 largest export destinations were Germany (16%), Croatia (13%) and Serbia (11%).

Sources: EU; Agency for Statistics of BiH



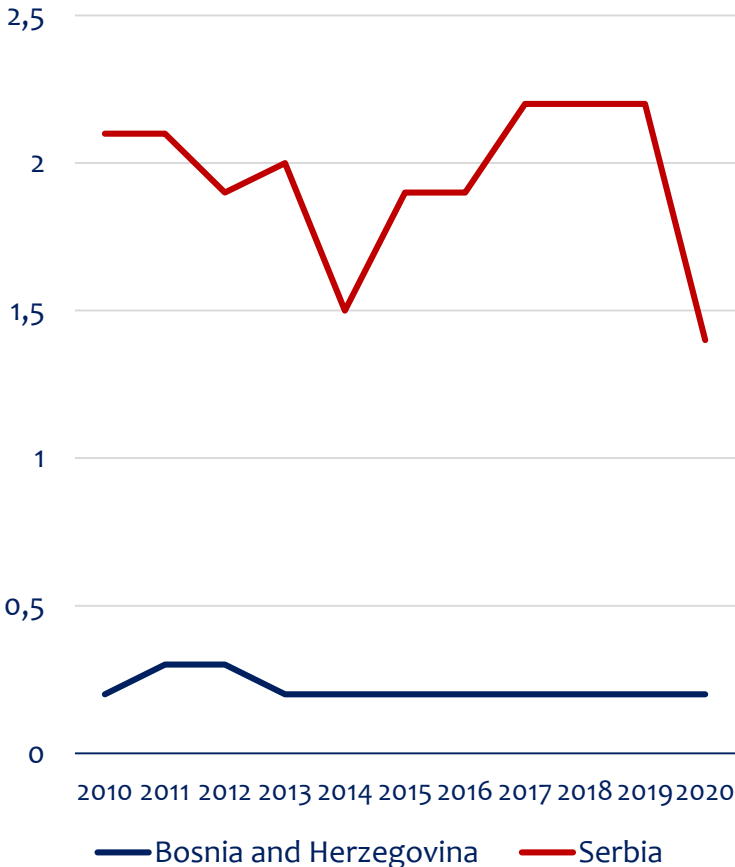
## 2c) Foreign trade structure



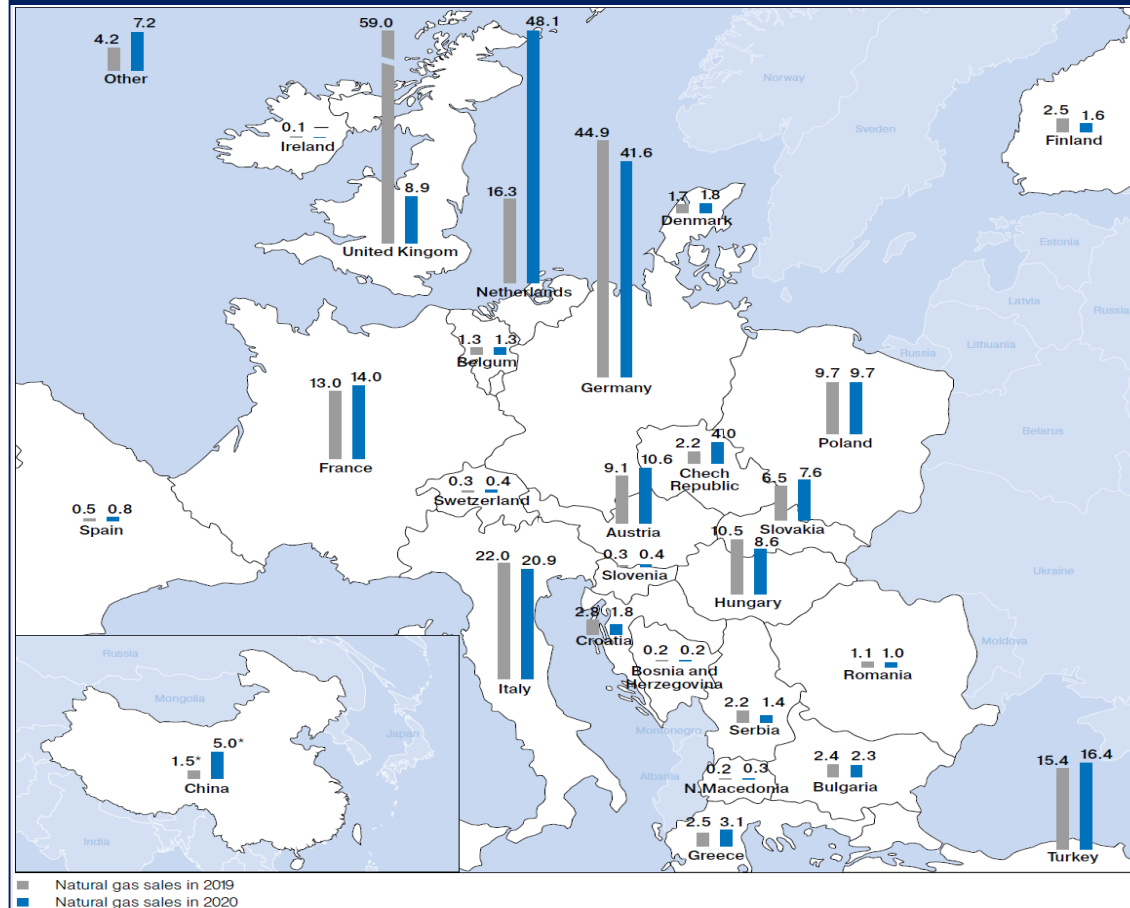
On the SITC 2 level, 3 largest import items of Bosnia and Herzegovina were petroleum and petroleum products (6%), road vehicles (6%), and electrical machinery (4%). Correspondingly, its 3 largest export items were manufactures of metals (10%), furniture (9%) and electrical machinery (6%) in 2020.

# 2d) Russia's gas supplies

Gazprom's natural gas sales (billion cubic metres)



Gazprom's natural gas sales in western Europe and China (billion cubic metres)



In several Balkan countries, Russia is the sole supplier of natural gas. Recently, however, some coastal countries of the former Yugoslavia, such as Croatia, have built LNG terminals to end the Russian natural gas monopoly.

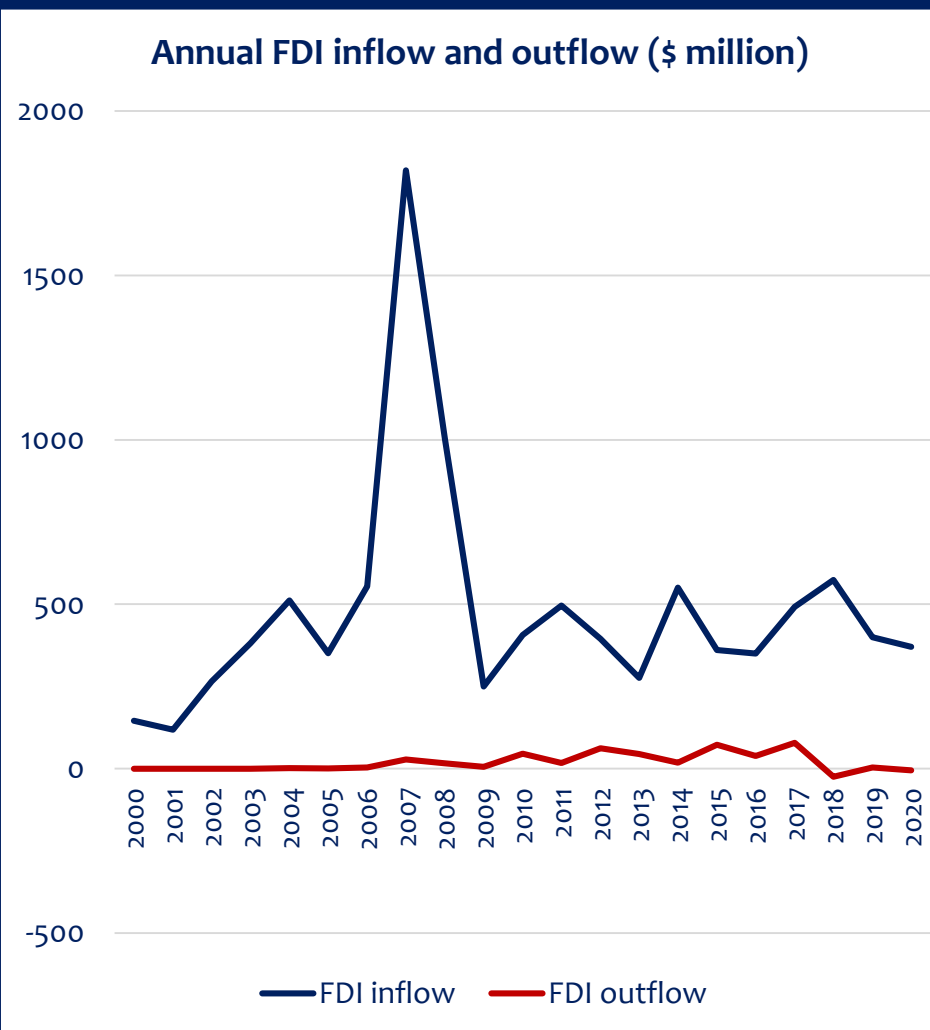
For more information, see: <https://link.springer.com/book/10.1007/978-3-030-80367-4>

Source: Gazprom

### 3) Foreign investment



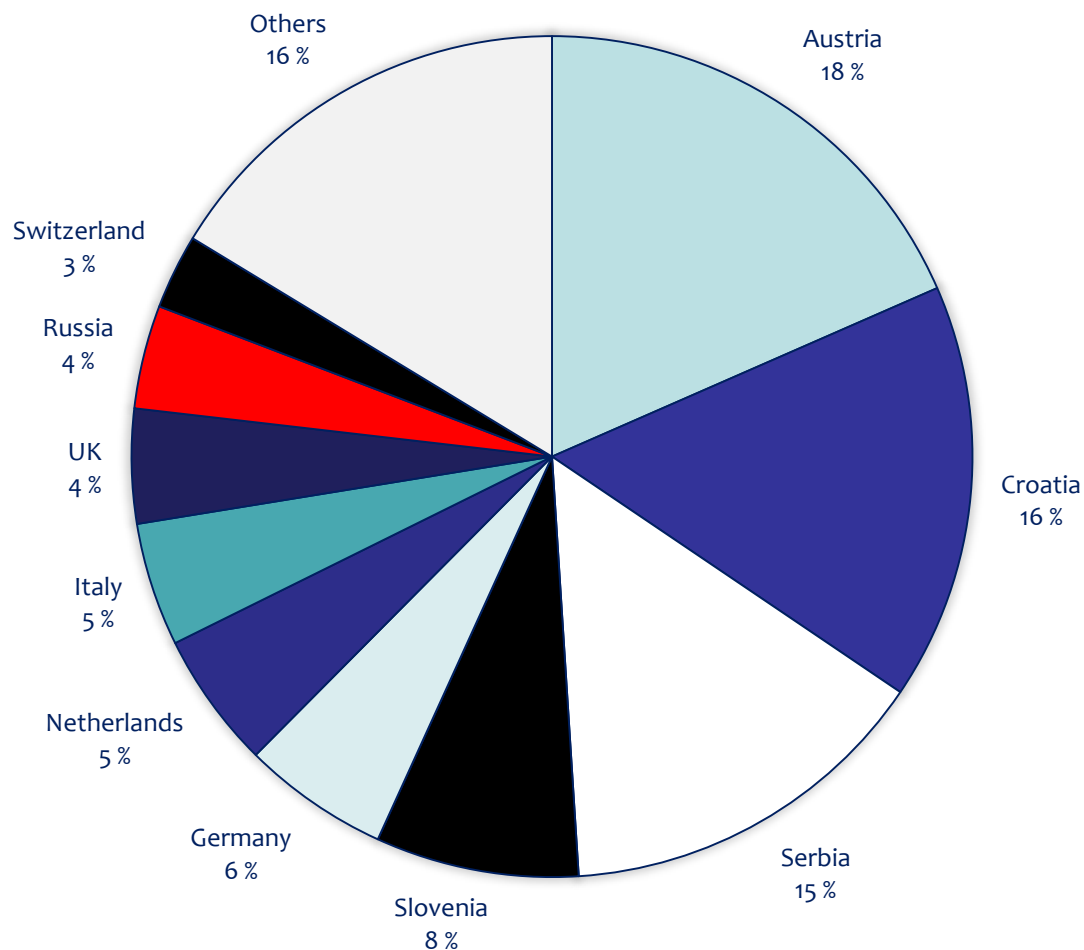
## 3a) Foreign investment development



2020	Inward FDI stock (\$ per capita)	Outward FDI stock (\$ per capita)
Albania	3,483	271
Bosnia and Herzegovina	2,874	174
Croatia	7,811	304
Montenegro	10,370	174
North Macedonia	3,507	55
Serbia	6,520	587
Slovenia	9,822	4,170

In 2007, the FDI inflow peaked due to a renewed privatisation drive in Bosnia and Herzegovina. In the 2010s, the annual FDI inflow has fluctuated between \$ 350 million and \$ 600 million. Bosnia and Herzegovina is the least attractive investment target for foreign investors in the Balkans.

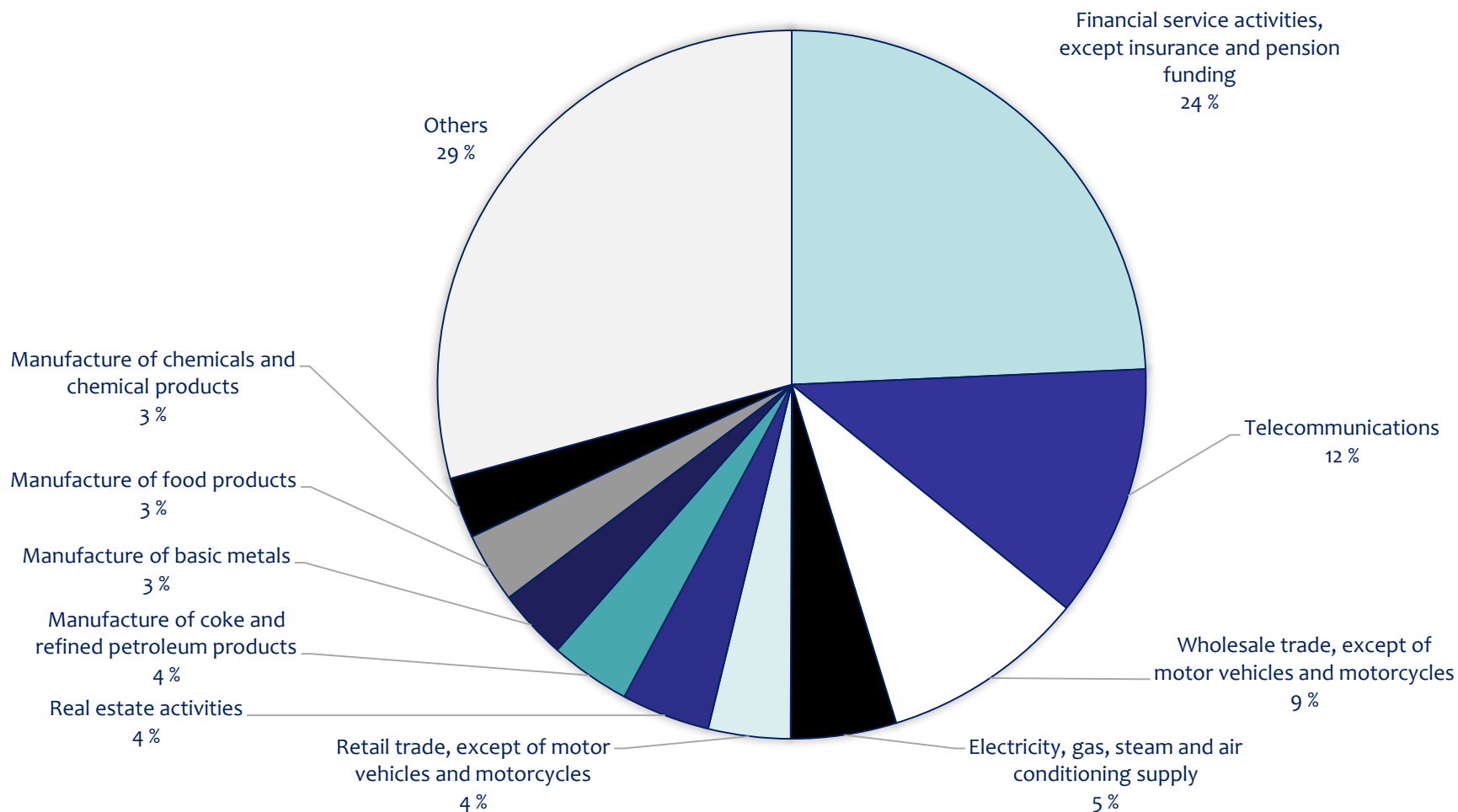
## 3b) Foreign investment geography by the end of 2020



Three ex-Yugoslav republics, namely Croatia, Serbia and Slovenia, accounted for some 40% of the inward FDI stock of Bosnia and Herzegovina by the end of 2020. As several foreign firms use Austria as a capital transit country in investing in ex-socialist countries of Europe, the proportion of Russia may be higher than what the above graph indicates.



## 3c) Foreign investment structure by the end of 2020



The industrial division of the inward FDI stock of Bosnia and Herzegovina does not differ that much from other former socialist countries, i.e. financial services, telecommunications and trade usually cover a great part of their inward FDI stock.

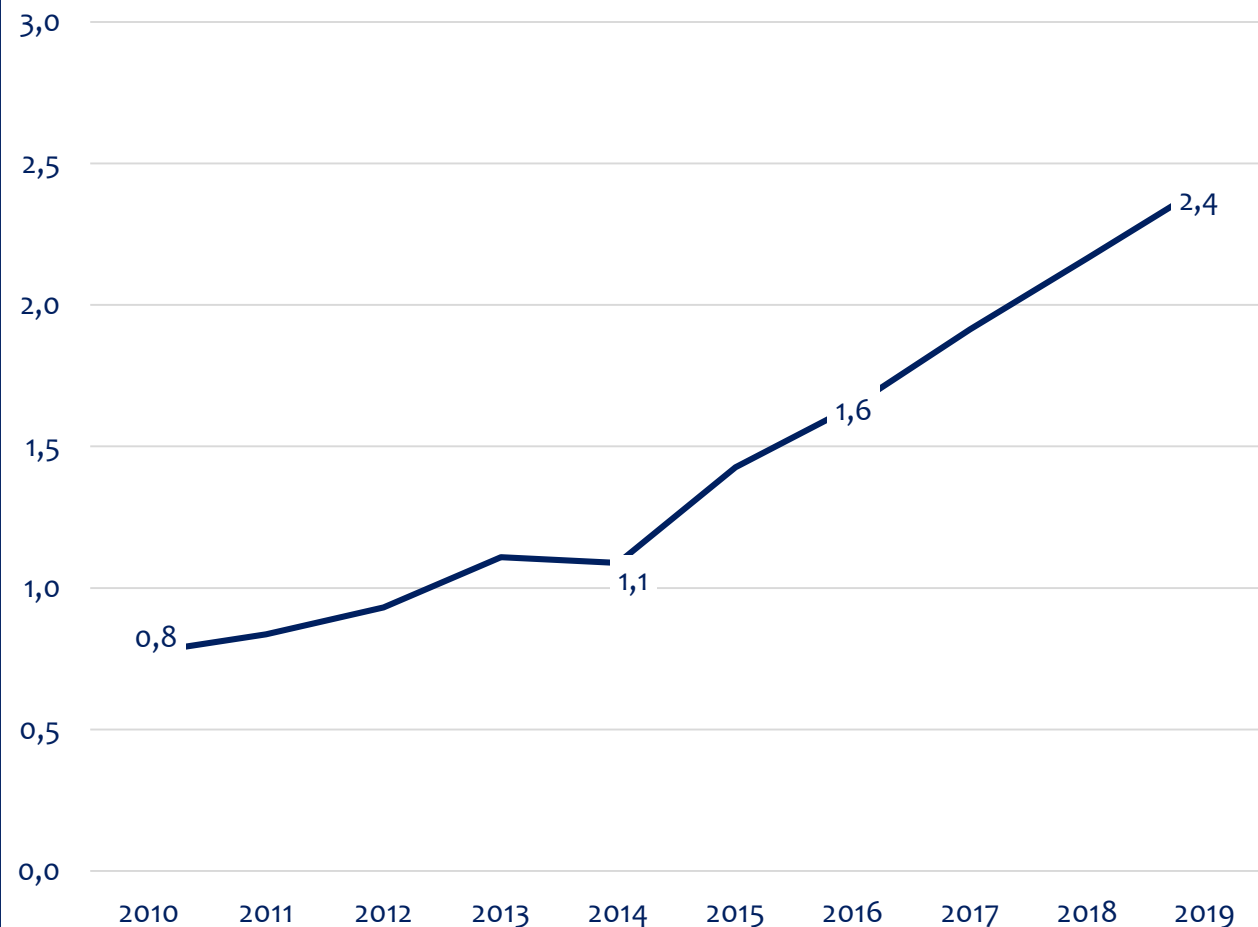
Source: Central Bank of BiH

## 4) Foreign tourism



## 4a) Foreign tourism development

Foreigners' nights in Bosnia and Herzegovina (million)



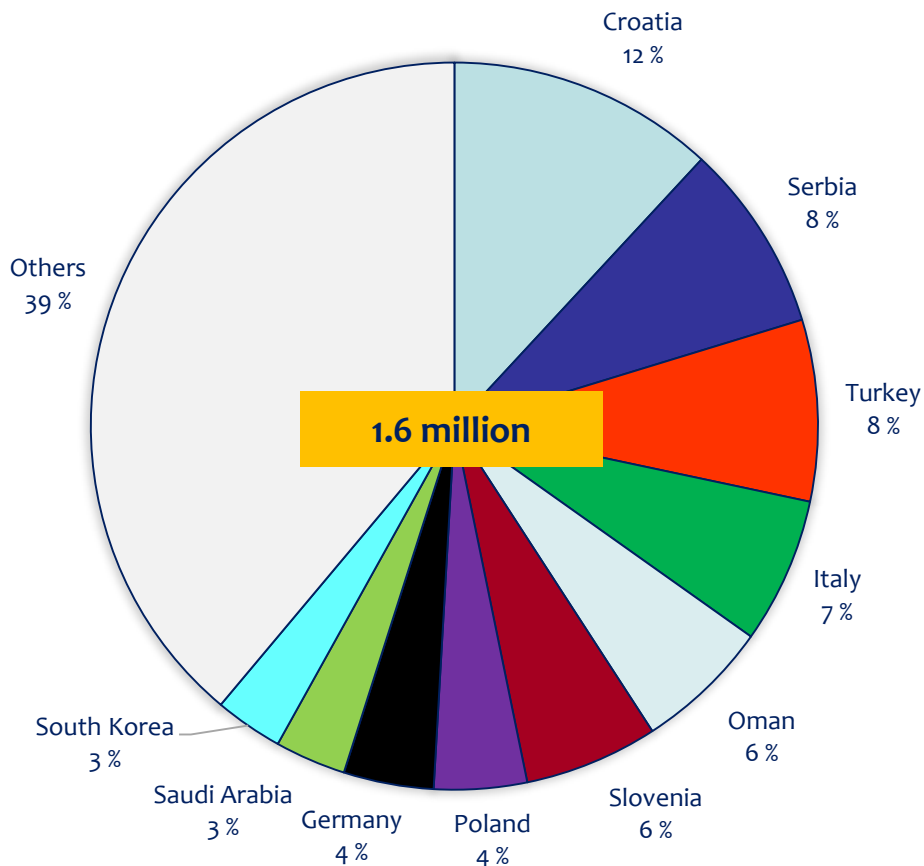
2019	International tourism income / total exports (%)
Albania	51
Bosnia and Herzegovina	15
Croatia	39
Montenegro	53
North Macedonia	5
Serbia	8
Slovenia	7

The number of foreigners' nights in Bosnia and Herzegovina started to increase rapidly in 2015. Despite the rapid growth, Bosnia and Herzegovina is not as dependent on foreign tourism income as its coastal neighbours.

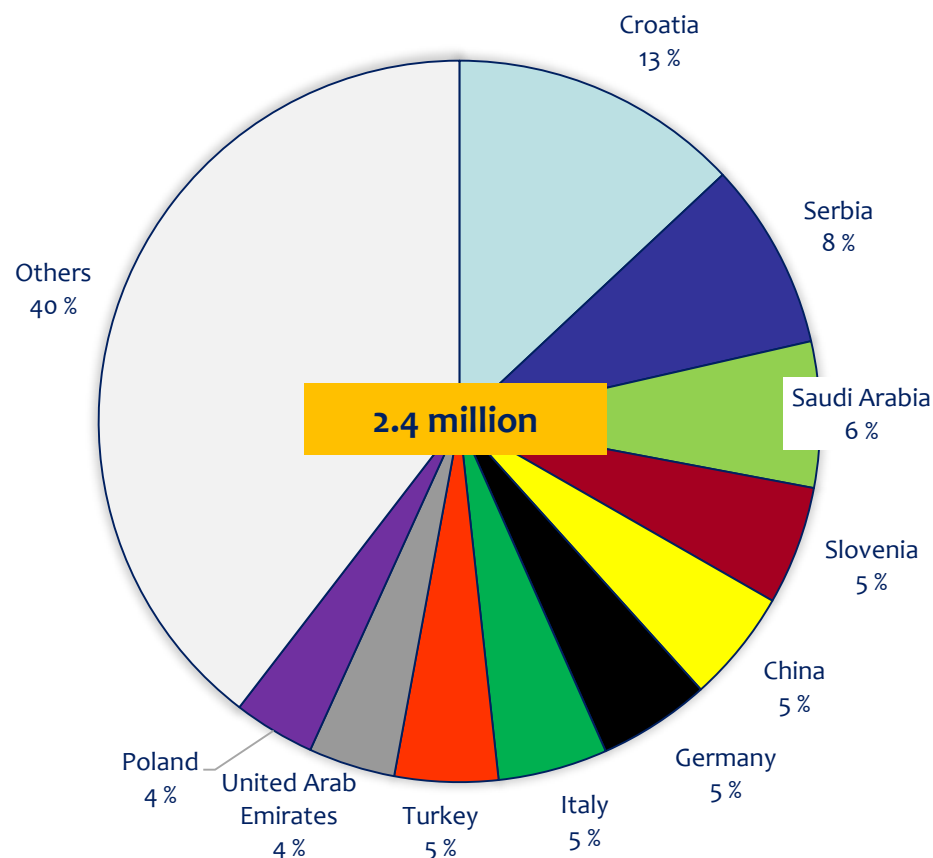
Sources: Agency for Statistics of BiH; World Bank

## 4b) Geography of inbound tourism

Nights by foreign citizens in 2016 (%)



Nights by foreign citizens in 2019 (%)



The number of foreigners' nights in Bosnia and Herzegovina has increased by 50% between 2016 and 2019. Due to the corona pandemic, the year 2020 was analysed here. No dramatic transformation has occurred in the geography of the foreigners' nights. However, one should note the increase in the Chinese tourism. Bosnia and Herzegovina is not a major tourist attraction among the Russians. In 2019, the Russians represented only 0.6% of the nights of the foreign citizens in Bosnia and Herzegovina.



## 5) Summary

The population of Bosnia and Herzegovina has dropped by 20% during the past 30 years. According to the CIA, the real unemployment rate in Bosnia and Herzegovina exceeds 30%. The corona vaccination rate in Bosnia and Herzegovina was the 3<sup>rd</sup> lowest in Europe after Ukraine and Armenia in the early November 2021. However, the standard of living in Bosnia and Herzegovina does not differ significantly from the non-EU countries in the Balkans.

Of all the non-EU countries in the Balkans, Russia has a significant share in the foreign trade of Serbia only. Russia's share in the foreign trade, foreign direct investment and foreign tourism (foreigners' nights) in Bosnia and Herzegovina was 2%, 4%, and 0.6%, respectively. However, Russia's role becomes emphasised in energy supplies of the region – natural gas in particular.

The state governance structure of Bosnia and Herzegovina is utmost fragile. A populist leader\* inspired by Russia could easily create political chaos in the country and beyond. Should the Serb areas want to separate from Bosnia and Herzegovina, one should not try to stop the separatists with arms and force. Instead, the EU should promote regional peace by integrating the remaining regions of Bosnia and Herzegovina and even Serbia closer to the European Union. Via the EU membership of Bosnia and Herzegovina or its Bosniak and Croat regions, it would be the first EU member state with a Muslim majority, re-confirming religious acceptance and tolerance of the European Union.



In the early November 2021, the Guardian wrote as follows: *“The international community’s chief representative in Bosnia has warned that the country is in imminent danger of breaking apart, and there is a ‘very real’ prospect of a return to conflict.”*

<https://www.theguardian.com/world/2021/nov/02/bosnia-is-in-danger-of-breaking-up-warns-eus-top-official-in-the-state>

\* Milorad Dodik: [https://en.wikipedia.org/wiki/Milorad\\_Dodik](https://en.wikipedia.org/wiki/Milorad_Dodik)





## 6) Additional information

### Foreign economic relations of Serbia

[https://www.researchgate.net/publication/341204871\\_Foreign\\_economic\\_relations\\_of\\_Serbia](https://www.researchgate.net/publication/341204871_Foreign_economic_relations_of_Serbia)

### Foreign economic relations of Montenegro

[https://www.researchgate.net/publication/341030693\\_Foreign\\_economic\\_relations\\_of\\_Montenegro](https://www.researchgate.net/publication/341030693_Foreign_economic_relations_of_Montenegro)

### Foreign economic relations of Kosovo

[https://www.researchgate.net/publication/341264726\\_Foreign\\_economic\\_relations\\_of\\_Kosovo](https://www.researchgate.net/publication/341264726_Foreign_economic_relations_of_Kosovo)

