

UKTI DSO PRIORITY MARKET BRIEFS

DEFENCE & SECURITY OPPORTUNITIES: BOSNIA AND HERZEGOVINA



WHY THIS MARKET IS IMPORTANT

Bosnia and Herzegovina (BiH) is a middle-income country. Economic growth has been mainly driven by reconstruction efforts but, as of late, is mostly driven by private-sector investment.

The macro-economic situation is stable, underpinned by a fully-convertible currency which has a fixed parity with the Euro. In 2008, BiH signed the Stabilisation and Accession Agreement with the EU allowing for significant customs concessions for certain EU imports.

ECONOMIC BACKGROUND (2009 FIGURES)

GDP (\$BN): \$17.04 (World Bank)

Per capita GDP (\$): \$4,525 (World Bank)

DEFENCE ECONOMICS

ROK Defence Budget:
2011: \$211m (1.2%)

MILITARY OVERVIEW

The Armed Forces of Bosnia and Herzegovina were created in 2006 with a unified chain of command instituted over the three entities (Federation of Bosnia and Herzegovina, Bosnian-Croat Federation and Republika Srpska). Three new infantry regiments represent each of the entity groups, and all have to work side by side.

DEFENCE & SECURITY OPPORTUNITIES

BiH has a bilateral defence support programme with the US, which is known to donate various types of kit to the country. Additionally, Turkey is also the NATO contact nation for BiH, and recently signed an economic deal to help finance new businesses in the country.

NOTES:

1. All weapons in the BiH armed forces are held by EUFOR (EU Stabilisation Force) located in the country.
2. In August 2009, it was announced in the media that the BiH Unis Froop defence industry corporation signed agreements with Turkey's state-owned weapons producer MKEK to pool their resources, with the aim of securing a greater share of the global defence (including internal security) market. A MoU states that MKEK will work together with Unis Froop on the joint production and marketing of defence industry products and projects. Both hope it will increase accessibility to new markets whilst also building up some of Bosnia's former capacity, at the expense of UK defence companies who wish to exploit future procurement possibilities in BiH.
3. It is understood that 90% of the country's defence budget is spent on salaries, pensions and allowances. The remainder goes on maintaining defence property, kit (e.g. uniforms) and current equipment.

THE BOSNIA AND HERZEGOVINA DEFENCE MARKET AND HOW TO DO BUSINESS

The following general information is intended as a preliminary guide to help UK defence companies understand the BiH Defence Market. It is not intended to be exhaustive.

FUNDAMENTALS NEEDED TO SUCCEED IN THE BIH DEFENCE MARKET

In order to launch products/services on the BiH market, British companies should first identify appropriate local business partners who would be interested in distributing the companies' products in the country. Sales support, after-sales services and financing are critical for a BiH company making a decision to take on a new product line. In some cases direct contact with potential end-users (i.e. government agencies) may be required.

When considering doing business, it is essential to obtain sound legal, financial and taxation advice. The most popular payment methods are prepayment and cash against documents and Letter of Credit.

In 2009, import duties were eliminated for 11,000 products that BiH imports from the EU. The Customs Tariff Nomenclature is fully harmonised with the combined EU nomenclature. Customs duties on all commodities are paid at rates of 0, 5, 10 and 15 percent.

Another potential way to break into the market is through winning aid-funded business which would allow UK companies to build local contacts and establish local presence. The EU's Instrument for Pre-Accession (IPA) for BiH aims at providing targeted assistance with transition and institution building as well as regional and cross-border co-operation.

There is, therefore, some scope for selling into border security markets in BiH, especially protective equipment for the BiH Border Police. In addition, the two intelligence agencies (SIPA and OSA) are interested to hear from suppliers of ammunition for special purposes, technology for special investigations, and software applications.

ROUTES TO MARKET

At this time, there is little prospect of doing any business in the defence sector. Because most of the BiH defence budget is used to service military pensions and to pay salaries, there is virtually no finance available for defence procurement.

HMG SUPPORT

For the BiH defence market, advice, support and assistance to UK companies is provided by UKTI DSO RD West in London, and the Defence Section of the British Embassy in Sarajevo.

We encourage the companies interested in opportunities in the country's security sector to contact the Embassy's Trade & Investment Team for advice and practical support..

BIH EXPORT CONTROLS

In addition to current UK Export Licensing requirements UK defence manufacturers must also first obtain an F680 clearance while also ensuring that – owing to official security concerns – none of the items are controlled, or appear on the Military List. This also applies to UK security companies.

For more information, contact the Export Control Organisation of the Department of Business, Innovation and Skills, at

<http://www.bis.gov.uk/exportcontrol>

VISIT SECURITY CLEARANCE

This is obtained from the UK Ministry of Defence's (MoD) International Visits Control Office, which is located at Abbey Wood in Bristol.

Further guidance and the required forms are at:

<http://www.mod.uk/DefenceInternet/AboutDefence/WhatWeDo/SecurityandIntelligence/DESPSYA/InternationalVisitsControlOffice.htm>

ARMED FORCES – MILITARY STRENGTH

Source: IISS and the Military Balance 2010

Active 11099

(Joint Operational Command 144, State Joint Staff243, AFBiH 9,910, AF/AD 802)

SECURITY ISSUES

The post-war security sector reform in BiH has been heavily influenced by assistance from the EU and NATO. Given the desire to join both institutions, the country has begun to incorporate Euro-Atlantic security norms and standards in recently adopted legislation.

Private security provision in the country has increased during the last decade. It has provided an additional layer of security offered by the state law enforcement agencies.

Increasingly, security companies are taking on roles that traditionally have been held by state authorities. These include:

- Transport of high risk commodities
- Stewarding large public events
- Surveillance services
- Risk analysis
- Guard services

The security market in BiH is valued at €22 million/year (2008 figures) with an average growth rate of 11% year on year.

DOMESTIC DEFENCE INDUSTRIAL CAPABILITY

Before the conflicts of the 1990s, the defence industry in BiH was a major pillar of economic development worth around US\$ 800 million. Pretis in Vogosca, Igman in Konjic, Vitezit in Vitez, Zrak in Sarajevo, Cajavec in Banja Luka, Soko in Mostar, Bratstvo in Novi Travnik, Eagle Institute for Technical Overhaul and Famos in Hrasnica produced everything from small bullets for small calibre pistols to projectiles for rocket launchers. According to the BiH Foreign Trade Chamber, in 2009 several companies exported US\$30 million worth of equipment to some demanding markets such as Switzerland, the UK and Egypt. Igman, in Konjic, exported a large array of ammunition worth €15 million.

The Government hopes that, once ratified, the bilateral agreements on military industry cooperation between BiH and Pakistan, Romania, Turkey Egypt and Serbia will provide a boost to the industry that currently provides for 3,000 jobs.

In March 2011, the country presented its defence industry capabilities at IDEX 2011 in Abu Dhabi which appears to have generated significant interest.

DEFENCE IMPORTS & EXPORTS 2005-9

Source: UKTI DSO Survey of Defence Exports and Various Open Sources

Identified BiH Defence Import Procurement:
Total: <\$1 Million

Identified BiH Defence Exports:
None Declared

COMPETITORS

The market is not yet sufficiently developed in order for competitors to be identified.

PROCUREMENT ORGANISATION

Defence procurement comes under the remit of the Sector for Procurement and Logistics, which is part of the BiH Defence Ministry

(see <http://www.mod.gov.ba/en/text.asp?id=43>)

OFFSET POLICY

It is uncertain whether there is any offset policy.

KEY PERSONALITIES

Defence Minister

Selmo Cikotic

Armed Forces

Chief of Joint Staff – Lt.-Gen. Sifet Podzic

FURTHER INFORMATION

If you require further information/clarification on anything in this Fact Sheet please contact:

UKTI Defence & Security Organisation
BD Market Analysis
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OTHER USEFUL CONTACTS

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Fax: 387 (0) 33 282 265

Internet:

<http://ukinbih.fco.gov.uk/>

OTHER USEFUL WEBSITES

UKTI – Doing Business in Bosnia and Herzegovina:

<http://www.ukti.gov.uk/export/countries/europe/southerneurope/bosniaandherzegovina/item/110294.html>

Government of Bosnia and Herzegovina:

<http://www.ukti.gov.uk/export/countries/europe/southerneurope/bosniaandherzegovina/item/110294.html>

Ministry of Security:

<http://www.msb.gov.ba/Default.aspx?pageIndex=1>

Border Police:

<http://www.granpol.gov.ba/Home.aspx>

SIPA (State Investigation and Protection Agency)

<http://www.sipa.gov.ba>

OSA (Intelligence and Security Agency)

<http://www.osa-oba.gov.ba>

Customs procedures:

http://ec.europa.eu/agriculture/markets/export_refunds/forms/ba.pdf

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

Bosnia and Herzegovina Travel Advice

Travel information and general Embassy contact details can be found at:

<http://www.fco.gov.uk>

<http://ukinbih.gov.uk>

Foreign Consular Offices in Bosnia and Herzegovina

Media, travel, careers, business and state links/information can be found at:

http://www.fena.ba/Public2_En/Default.aspx
(Federal NewsAgency)

Tourism:

<http://www.bhtourism.ba/eng/>

Visa Services and Links

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-adviceby-country/europe/bosnia-herzegovina>

(UK Nationals do not require visas for Bosnia and Herzegovina)

The CIA World Factbook provides information on the history, people, government, economy, geography, communications, transportation, military, and transnational issues for 266 world entities. The Reference tab includes: maps of the major world regions, as well as Flags of the World, a Physical Map of the World, a Political Map of the World, and a Standard Time Zones of the World map.

<https://www.cia.gov/library/publications/the-world-factbook/>

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