

# **Article by Larry Butler, Principal Deputy High Representative: “BiH Law on Obligations Will Help Create Jobs”**

With the opening of Stabilisation and Association negotiations, BiH's future path is clear. This country aspires to be, and stands a very good chance of becoming, a normal European democracy. With the road ahead now mapped out, the pace of change – and, much more importantly, the pace of getting the benefits of difficult reforms to citizens – can quicken.

This means establishing the kind of modern European institutions and practices that have delivered decades of strong economic growth and rising living standards to the countries of the European Union.

We must waste no time in giving BiH the kind of economic framework that the rest of Europe enjoys. This is the only way of making sure that reforms start to make life better.

Which is why the BiH Parliament must in the coming months enact a new Law on Obligations. This Law is a kind of handbook for business. It regulates almost every kind of commercial transaction. Currently there are several different laws in BiH and they all derive from the 1978 Yugoslavian law.

The existing legislation is hopelessly out of date. It was written before the Internet was even thought of – which means it has nothing to say about e-commerce, which has created millions of jobs around the world, but not yet in Bosnia and Herzegovina. It was written when credit cards and electronic

fund transfers and leasing and tele-shopping and consumer protection were largely unknown in this part of the world. It was written before the emergence of the networked global economy that BiH is now so actively trying to become a part of.

So there is no question: this law has to be updated.

Prospective investors – those who are considering putting money into new factories and businesses in BiH and creating jobs – are deterred from doing this by the fact that the country's business legislation is obsolete. It goes without saying that they are also put off when they discover that different bits of business legislation apply in different parts of the country.

BiH needs a new law and it needs a single law.

When the new Law on Obligations is enacted, those responsible for bringing investment to this country can start telling investors that there has been a huge improvement in the business environment here.

The German aid agency, GTZ, has been working for years with lawyers, businesspeople and political representatives throughout the country to draft a Law on Obligations that brings BiH business into the 21<sup>st</sup> century. About 70 percent of the text is the same as the old Law, but the remaining 30 percent introduces important new provisions.

These include:

- regulating the information which must be given to consumers in tele-shopping, fax or internet sales;
- protecting consumers from misleading advertisements;
- codifying a consumer's right to return a defective product;
- defining a seller's obligation to guarantee the quality of a product;

The benefits to consumers are clear. There are also benefits for businesspeople, those who work day in and day out to run successful companies in this country but who have to do so against a backdrop of old-fashioned and contradictory legislation. The new law has provisions aimed at

- protecting companies from misleading advertisements put out by their competitors;
- harmonizing BiH consumer credit rules with those applied throughout the EU;
- establishing rules to cover cases of overdue payment;
- integrating the BiH money transfer system with that which operates in EU countries.

Some politicians, who look at new legislation through the prism of their own political interest rather than through the prism of the benefits that will be delivered to citizens, may try to politicize this law. But now that we are on a faster track to European integration and all the benefits that this will bring, I do not believe that many will be shameless enough to try to hold up this process. Citizens have no more patience for political grandstanding that drives away investment and jobs.

The Law on Obligations can be sent to parliament in the coming months and enacted by mid 2006. If that happens, citizens will benefit. There is no reason why it shouldn't happen.