

High Representative Says State-level Collection of Customs and VAT is Non-Negotiable

The High Representative, Paddy Ashdown said at a Press Conference today in Sarajevo that “if we don’t get agreement now, we will not be able to put in place the structures necessary to introduce VAT by January 2005 – this week is make-or-break week for customs and VAT”. The High Representative noted that this was the reason EU Commissioner Chris Patten, in his letter of 21 January, set a deadline of the middle of February for political agreement in principle on a single customs administration in BiH and a countrywide VAT system.

The High Representative emphasised that a huge amount depends on these reforms. All the EU foreign ministers have called on BiH to introduce a single customs administration and BiH-wide VAT, which is an integral part of the process of European integration. Furthermore, the European Commission is linking the disbursement of the second tranche of 60 million Euro of macro-financial assistance to political agreement to these reforms. Finally, as the US Government said this weekend, the introduction of state-level customs and VAT are preconditions for BiH to join the World Trade Organisation as a full member and thus to become fully integrated in the global economy.

The High Representative reiterated that these reforms are most keenly awaited by the citizens of BiH, who rightly demand better services. The High Representative said that these reforms “mean more money for schools, hospitals and pensions because a single customs administration for BiH will help reduce the KM 600 million lost in fraud to criminals

exploiting the divisions in the current system.” He also noted that “these reforms mean more investment and jobs, because a single customs and VAT will simplify the BiH economy and make it more attractive for domestic and foreign investors. The current system seems to be almost designed to scare off investment.”

The High Representative announced that his Principal Deputy, Don Hays, will be speaking to Entity representatives this week. Tomorrow he will be in Banja Luka; his message will be straightforward – he will say that everything is up for negotiation except for one overarching principal upon which all benefits depend” the introduction of state-level collection of customs and VAT.