Trading Spaces: WTO Membership in Slovenia, Croatian, and Bosnia and Herzegovina

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Abstract: Trade has the potential to spur economic growth. However, government policies deny entrepreneurs access to international markets for fear of allowing competition against domestic industries. States use institutions to build trust with other states and facilitate trade liberalization, the removal of trade barriers. The World Trade Organization (WTO) is one of those institutions. This paper analyzes the paths to membership in the WTO of three states in the former Yugoslavia. These states pursued WTO accession when it became clear that they could each take advantage of the benefits of trade. Slovenia quickly adopted liberal trade policies and acceded to the WTO because of the structure of its economy and how dependent on trade it was for economic growth. Croatia was the next to pursue WTO membership because, while it recognized the benefits of trade, Croatia’s accession timeline was pushed back due to the state’s need to prioritize other economic reforms before trade liberalization. Finally, Bosnia and Herzegovina has recently accelerated its WTO accession process because it suffered the most from the effects of conflict and it did not necessarily need to pursue WTO membership in order to solidify its most important trade relationships.

Introduction

Needless to say, the breakup of Yugoslavia contributed to a massive decline in the overall social welfare in the region. The wars caused entire cities to be razed to the ground, roads and bridges to be pounded by gunfire, and tens of thousands of potential rebuilders of these countries to perish. Even after the guns stopped firing and the last piece of artillery was towed back to a military warehouse, prosperity did not instantly return to the land. Once they had experienced such devastation, the newly formed states faced the challenge of reconstructing the lives they once had and putting themselves back on the path to prosperity.

The states of the former Yugoslavia each separately made attempts to fix their broken economic systems after the war. Such actions largely included extensive infrastructure investments financed by outside actors. Without roads, bridges, and schools, even the best entrepreneurs with the most marketable ideas will not get the support and resources they need to sell their products and grow the economy. Similarly, without access to global markets, entrepreneurs are denied the ability to sell their products abroad. This denial becomes increasingly detrimental to economic growth as the world becomes more interconnected and globalized. Trade barriers, such as tariffs and unfair subsidies, distort the economy and cause economic growth to stagnate. Trade barriers have an even more destructive impact on consumers, raising prices for both imported and domestically produced goods. Those who buy goods that are subject to a tariff are forced to pay higher prices for the same product. Such
wasteful government policies decrease the total income that citizens have at their disposals to spend. Recognizing the benefits of international trade, Slovenia, Croatia, and Bosnia and Herzegovina (BiH) have each pursued membership in the World Trade Organization (WTO) as a way to generate economic growth.

The major differences between the actions of these states are that their timelines for trade liberalization are vastly different. Slovenia was the first to pursue WTO membership and acceded to the organization’s predecessor in 1994.1 Croatia was the next state to gain entry into the multilateral trade regime of the WTO in 2000.2 BiH has yet to join the WTO, but it accelerated the membership process in 2012.3 That means that Slovenia joined the WTO only three years after it became a sovereign state, Croatia joined eight years after it gained sovereignty, and BiH has, thus far, taken ten years to join. By analyzing the paths that these states took in joining the WTO, it is possible to determine how and why post-separatists states, especially in the former Yugoslavia, approach trade liberalization. States in the former Yugoslavia pursued trade liberalization in the form of WTO membership when it became clear that the states could take advantage of the positive economic impacts of trade.

Trade, Institutions, and Cooperation

In order to combat protectionist inclinations, states that desire to take advantage of a general system of free trade seek to create institutions that make cooperation easier and more desirable. In particular, states that desire to open their borders to the flow of goods and services seek to join organizations, such as the WTO. States also show their willingness to lower trade barriers by signing both bilateral and multilateral free trade agreements (FTAs).4 These agreements commit a signatory state to lowering trade barriers in exchange for reciprocal trade concessions from the other signatories. The World Trade Agreements (WTAs), under the purview and supervision of the WTO, are the basis for many other trade institutions. Attaining WTO membership is usually a critical first step for states seeking to liberalize trade practices. For the states in the former Yugoslavia after its breakup, another step in the process of trade liberalization is signing onto a plethora of regional and bilateral FTAs with the eventual goal of EU membership.5

WTO Membership

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WTO membership entails a general liberalization of trade practices. The organization itself is comprised of Member States who are signatories to the WTAs, including the General Agreement on Tariffs and Trade (GATT).6 Given the benefits of trade between states, the WTO is tasked with lowering the transaction costs that sometimes prevent states from engaging in open trade. States are unwilling to cooperate with each other without some level of institutional backing. In an anarchic system, states are more likely to risk cooperation if there are some guarantees that their partners will also cooperate. The WTO provides part of that institutional backing. The WTAs are rules that provide the basis for agreement between states with the goals of trade liberalization.7 The WTO works by applying transparency and legal infrastructure to trade policy. As a part of the WTO, each Member State is required to submit all trade laws that they enforce and all trade agreements of which they are a part to the WTO. The WTO, in turn, publishes and maintains a database of bilateral and multilateral trade agreements. The WTO also performs a regular and thorough trade policy review for each Member State.8 By ensuring that states are able to freely access trade statistics and review laws of their trading partners, policymakers are able to better evaluate what the best practices are and how to improve the trade regulations.

It is important to note that the WTAs are not an exhaustive block of international trade law. Instead, they reflect the multilateral nature of the WTO itself. The WTAs are meticulously negotiated by all WTO members and can only be adopted or amended by unanimous consensus.9 Because it is difficult to form a consensus around international trade law between 159 unique states, the WTAs only cover the very few areas in which all states agree. The incompleteness of the WTAs has led to a continued desire among states to negotiate and enforce a multitude of bilateral, regional, and multilateral trade agreements, as well as other FTAs. Therefore, WTO membership is frequently viewed as a state’s first step, and not a last step, towards trade liberalization.

Additionally, WTO membership is perceived by states as a long and arduous process. The criteria for membership are not explicitly stated by the WTO. The Marakesh Agreement, which established the WTO in its current form and governs who may enter into the WTAs, merely states that states may pursue accession “on terms to be agreed between it and the WTO.”10 The actual terms of succession vary a bit between states as the WTO evolves and its members change their positons on trade policy. Because there are no clear rules for WTO membership, the process for accession presents challenges for states seeking entry. Negotiations are costly and time-consuming due to the WTO’s large and diverse membership.11 Working parties, which are comprised of self-selected WTO members, are responsible for defining the terms of accession and determining when, if at all, a state has met those terms. These relationships are frequently used to extract concessions from states wishing to gain

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In order for a state to pursue WTO accession, the potential member must have a clear opinion that membership is worth the costs of negotiation.

**Slovenia and the WTO**

Slovenia pursued WTO (and GATT) membership well before Croatia and BiH. Prior to joining the WTO, Slovenian trade was lower than its full potential. By agreeing to the same standardized rules as the other WTO members at the time, Slovenia facilitated the reduction of trade-related transaction costs to individuals and firms. The removal of these basic trade barriers contributed to Slovenia’s observed growth in trade as a percentage of its GDP. Slovenia’s quick accession to the WTO was a result of the structure of its economy and how dependent on trade it was for economic growth.

Slovenia joined the predecessor to the WTO, the GATT, in 1994, only three years after Slovenia gained independence from Yugoslavia. In 1998, the Slovenian Prime Minister, Janez Drnovšek, gave a statement before the WTO Ministerial Conference, a meeting between high level foreign or financial ministers of all WTO Member States, in which he framed Slovenia’s accession to the GATT as “a major stepping-stone in Slovenia's economic history.” Drnovšek also stressed that entry into the organization provided Slovenia with the opportunity to “[prove] its viability as a young, vibrant and forward-looking economy.” Slovenia realized that its future of economic integration rested squarely in accession to the multilateral trade regime governed by the WTO.

The WTO membership made sense for Slovenia because of the country’s reliance on trade to drive economic growth. Prior to becoming a WTO member, Slovenia imported approximately $6,827,851,000 worth of goods and services and exported approximately $7,303,935,000 for a combination of more than $14.5 billion in total trade. The amount of trade that Slovenia conducted with its neighbors steadily increased, keeping pace with economic growth rates. However, in 1995 and throughout the rest of the decade, Slovenian trade vastly increased. In 1995, the country exported more than $8.3 billion worth of goods and services and imported more than $9.4 billion. Slovenian trade was 93 percent of its GDP in 1995, but grew to 114 percent in 2004, when Slovenia joined the EU, and 143 percent in 2014. Slovenia’s status as an economy heavily reliant on international trade influenced its willingness to liberalize its trade practices and join the WTO.

Slovenia’s transition to more open trade practices was relatively simple. The country was quickly able to join the WTO with little hesitation. Slovenia has also never been a plaintiff nor a

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14Ibid.


16Ibid.

defendant within the WTO’s Dispute Settlement Body (DSB).\(^{18}\) If the Slovenian government had passed any legislation that sought to enact prejudicial trade barriers, their actions would have brought the state before the DSB. In addition, Slovenia has consistently been party to new and expanding areas of the WTO, indicating that the country’s preferred economic policies are largely aligned with the WTO rules and procedures.

In 1996, Slovenia signed the WTO agreement on Trade-Related Aspects of Intellectual Property (TRIPS). This agreement, part of the broader WTAs, commits states to standardize their domestic laws regarding intellectual property – copyrights, trademarks, and patents. TRIPS is a functional necessity for the globalized economy because intellectual property laws provide incentives for firms and entrepreneurs to innovate by giving innovators a legal monopoly on a single good or practice.\(^{19}\) The monopoly allows the innovator to be heavily compensated for its investment in developing new technology. Nevertheless, TRIPS is a more contentious part of the WTAs.\(^{20}\) It forces states to adopt national copyright laws, sometimes solely to protect foreign firms and entrepreneurs. Understandably, states are occasionally disinclined to provide what they view as concessions to foreigners. However, states that wish to truly liberalize their trade practices understand that it is important to standardize intellectual property laws. Slovenia’s adoption of TRIPS so quickly after its accession to the WTO demonstrates a commitment to trade liberalization. This commitment to trade liberalization allowed Slovenia to coast through the WTO accession process relatively quick.

Furthermore, statements by Slovenian officials and the WTO itself reflect the positive impacts that WTO membership has had on the economy. According to the WTO’s 2014 trade policy review of Slovenia, the country has made great strides to liberalize its trade practices in the WTO.\(^{21}\) Slovenia is now an “outward-oriented economy” that is well integrated into the globalized world of today.\(^{22}\) This attitude towards the WTO is indicative of a broader Slovenian commitment to liberalized trade practices. Janez Drnovšek’s 1998 statement praised the WTO’s work on increasing trade.\(^{23}\) More importantly, he solidified Slovenia’s commitment to open trade.\(^{24}\) Drnovšek noted that GATT ascension “allowed [his] country to assert its economic independence and gain full citizenship among trading nations.”\(^{25}\) Slovenia not only identifies itself as an independent state, but also as a player in the global economy. To Slovenia, independence was exercised in its free choice to enter into partnerships with other states and organizations, like the WTO.

\(^{22}\)Ibid.
\(^{23}\)Drnovšek
\(^{24}\)Ibid.
\(^{25}\)Ibid.
Croatia and the WTO

Similarly to Slovenia, Croatia worked relatively quickly to liberalize and open its borders to trade. Croatia was driven to pursue trade liberalization via WTO membership at a specific pace because the country’s economy stood to positively gain from increased trade. Statements by Croatian officials before the WTO Ministerial Conference demonstrate Croatia’s recognition of the importance of trade as a means for economic growth. However, Croatia’s accession timeline was pushed back due to the state’s need to prioritize other economic reforms before trade liberalization. Croatia, unlike Slovenia, inherited both protectionist policies left over from the Yugoslavian government and an economy damaged by war.

During the early 1990s, Croatia was less inclined to promote open trade. Instead, it opted to meet its economic needs using a region-oriented approach. As opposed to seeking increased trade with the EU economies across the Adriatic and to its North, Croatia sought to increase economic ties with its neighbors in the Balkans. In the second half of the decade, trade patterns in the Balkans reflected ethnic connections. A large percentage of Croatian trade occurred across Croatia’s “soft” border with Herzegovina. In 1996, Croatia, as a WTO observer, touted that Croatia had “intensified the process of legislative adjustment and trade policy” to the Ministerial Conference, noting that “accession to the WTO and participation in the international trading system is the next logical step in furthering our growth and development.”

The first official communiqué between Croatia and the WTO concerning Croatia’s formal accession was published in 1999 and consisted of the appointment of a working party. Conflict and Croatia’s status as a transitional economy were a major cause of Croatia’s only limited trade liberalization in the early to mid-1990s. Trade flows between many southeastern European countries were greatly depressed throughout the 1990s as a result of military conflict and increased tariff protection. Delayed structural reforms also restricted trade in the region. In its 1996 statement, Croatia noted that it had maintained economic stability “[d]espite the war.” Croatia was limited in its ability to pursue WTO membership when other economic reforms could work better to increase trade.

Nonetheless, two aspects of the Croatian economy made it an especially good candidate for trade liberalization. Croatia’s economy produced high value-added goods, which generate large amounts of income for domestic producers if their goods can be exported. Secondly, Croatia’s economy also traded heavily in services, partially as a result of its dynamic and growing tourism industry. The growth of tourism in Croatia influenced it to seek EU membership because it would abolish travel restrictions between Croatia and other EU members, including Slovenia, which became a member in 2000. These aspects of the Croatian economy

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27Uvalic, 178.
28Ibid 179
29Ibid
32Stiblar, 66.
33Ibid 67.
34Stern
influenced its trade liberalization patterns and WTO membership timeline. In an effort to capitalize more on the economic benefits of foreign trade, Croatia joined the WTO in 2000.35

Croatia traded primarily in manufactured and industrial goods with high value-added.36 The term value-added refers to the increase in value of a single good achieved in addition to its various imported components. A report by the OECD and WTO elaborates on the concept by using the popularized example of the Apple iPod.37 The iPod is assembled in China from largely American and Japanese components, which have to be imported by China. The value of the assembled iPod is much more than the value of its various imported components. A large portion of the iPod’s value was added during the manufacturing process. Trading in high value-added products means that they received a large economic boost from trade because domestic firms are able to receive the majority of income generated from trade. When an economy trades in high value added goods, protectionist “‘beggar thy neighbour’ strategies can turn out to be ‘beggar thyself’ miscalculations”38 as protectionist strategies may deprive domestic industries of the input imports needed to efficiently produce goods that can be sold at high prices.

Additionally, Croatia’s heavy reliance on trade in services and tourism as instruments for economic growth contributed to Croatia’s trade liberalization aspirations. Service trade constitutes a sizeable percentage of the Croatian economy. Specifically, between 2005 and 2013, trade in services represented between 26 and 30 percent of Croatia’s GDP.39 By comparison, service trade reached a maximum of only 22 percent of Slovenian GDP and 14 percent for BiH during the same time period.40 Trade in services was an area of trade that was a relatively new addition to the WTAs, which came into force in 1995 under the General Agreement on Trade in Services (GATS).41 Croatia cited reducing trade barriers in services as an area that the Croatian government has pursued since its independence.42 Croatia’s service sector was greatly liberalized by 2005.43 Croatia first sought to reduce trade restrictions through WTO membership for services because they traded heavily with other economies through the service sector.

A final critical factor that pushed Croatia to pursue trade liberalization was the potential for growth in its tourism industry. The Croatian tourism sector is a major net foreign exchange earner.44 In 1995, tourism represented approximately six percent of GDP. In 2000, tourism’s share of the economy grew to 12 percent.45 Tourism has the potential to benefit from more trade liberalization because such policies would increase foreign presence within the country.46 At the 1998 WTO Ministerial Conference, Croatia, speaking as an observer, cited its liberalization efforts in the area of banking, tourism, and capital as examples of its commitment to increasing

35WTO, “Croatia and the WTO.”
38Ibid, 6.
42Stern
43Stiblar, 67.
market access.\textsuperscript{47} The heavy influence of tourism on the Croatian economy led it to pursue trade liberalization and WTO membership.

After its accession to the WTO, tourism became an even more important driver of Croatia’s economic growth. When measured as a percentage of GDP, tourism expenditures grew from approximately 12 percent in 2000 to approximately 19 percent in 2003, before falling to 16 percent in 2008.\textsuperscript{48} Even though it did not keep pace with GDP between 2003 and 2008 (which more than tripled between 2000 and 2008\textsuperscript{49}), the tourism sector continued to grow rapidly. The total receipts that the Croatian economy received from tourism in 2000 were only approximately $2.8 billion (measured in current USD), but quickly grew to $6.5 billion in 2003, peaking at $11.6 billion in 2008 - prior to the global recession.\textsuperscript{50}

The World Bank does not have credible data that accurately tracks Croatia’s trade in services before 2005, which makes it difficult to determine if WTO membership had an effect on service trade. However, more generally, trade as a percentage of GDP increased substantially after Croatia joined the WTO. In 2000, trade was equal to approximately 70 percent of GDP. Just one year later, trade grew to approximately 80 percent of GDP. Between 2002 and 2008, trade remained consistently between 83 and 87 percent.\textsuperscript{51} This sharp increase in trade indicates that trade was below sustainable levels prior to Croatia’s accession to the WTO. These data seem to suggest that Croatia was correct that WTO membership and lower trade barriers would correlate with positive economic growth and foreign exchange.

The prospect of EU membership provided an additional incentive for Croatia to liberalize its trade policies. Since Croatia ascended to the WTO, it underwent many reforms that brought it in line with the EU’s internal trade atmosphere and regime.\textsuperscript{52} At the 2001 WTO Ministerial Conference, Croatia’s Minister of European Integration, Mr. Neven Mimica, noted that Croatia was looking next towards regional integration “namely the Stabilization and Association Agreement with the EU, Croatia’s main trading partner.”\textsuperscript{53} The country has lowered its average tariff rate from around 12 percent to 7 percent between joining the WTO and joining the EU.\textsuperscript{54} Not surprisingly, these reforms have increased trade into and out of Croatia.\textsuperscript{55} These actions showcase Croatia’s commitment to broad reforms towards trade liberalization. Croatia pursued a general regimen of liberalization and WTO accession partially as a stepping stone to EU membership.

Croatia pursued trade liberalization more slowly than Slovenia because Croatia faced additional steps in the process of transition. However, the prospect of EU membership and the specific composition of the Croatian economy demonstrated to Croatia the benefit of more open trade practices. Trade was eventually recognized as one of Croatia’s strongest assets to an expanded EU.\textsuperscript{56} Once Croatia was recognized as an economic asset, the EU was then ready to

\textsuperscript{47}Stern
\textsuperscript{48}World Bank, “Croatia,” World Development Indicators, 2014.
\textsuperscript{49}Ibid
\textsuperscript{50}Ibid
\textsuperscript{51}Ibid
\textsuperscript{53}Neven Mimica, “Statement by H.E. Mr Neven Mimica Minister for European Integration,” WTO, 2001.
\textsuperscript{54}Ibid
\textsuperscript{55}Ibid
absorb it as a new Member State. WTO membership almost certainly contributed to Croatia gaining EU membership, as it caused the state to have a raising trade profile because of multilateral stability and partnership.\textsuperscript{57}

**BiH and the WTO**

While Croatia and Slovenia sought to quickly liberalize trade through expansive international organizations, BiH took significantly more time to join the WTO. Two major factors contributed to BiH’s long delay. Firstly, the structure of BiH’s economy as one dependent on trade within the Balkans region and not on trade with many states outside the region made WTO membership a lower priority to BiH than the implementation of regional FTAs. BiH suffered the most economic damage from the breakup of Yugoslavia, limiting its capacity and willingness to sign multilateral trade agreements. As such, the process of WTO accession has been cumbersome because the government cannot complete the process itself. BiH repeatedly stalled the lowering of trade barriers. Croatia and BiH both first applied for WTO membership in 1999. However, Croatia was fully committed to liberalizing trade and was acceded to the organization in 2000 and BiH delayed the liberalization process, not completing the accession process as of 2015.\textsuperscript{58}

BiH did not gain independence from Yugoslavia until the Dayton Accords were signed in 1995. The fact that it had to wait three additional years to gain sovereignty after Slovenia and Croatia caused the state to lag behind in economic liberalization efforts. Furthermore, BiH was the scene of more costly effects of the war for independence than both other countries. Between 1991, when BiH first declared independence, and 1995, when the Dayton Accords were signed, the country’s GDP decreased from $7.8 billion to merely $2 billion.\textsuperscript{59} The damage from the war caused BiH’s economy to become dependent on foreign aid. Between 1995 and 2000, BiH received massive amounts of aid. Official net foreign aid for each year during this time period ranged from $851,810,000 in 1996 and $1,286,480,000 in 1999 (measured in current USD).\textsuperscript{60} The damage resulting from the war made rebuilding, rather than making potentially painful economic reforms, the first priority of the Bosnian state.

BiH officials also credited the war with slowing the country’s trade liberalization efforts. In its statement at the 1999 WTO Ministerial Conference, BiH’s Minister of Foreign Trade and Economic Relations, Mirsad Curtovic, explained that BiH’s GDP had shrunk dramatically because of the conflict. More hopefully, Curtovic explained that the aid received by BiH from abroad as a result of both official aid and unilateral transfers from BiH citizens living abroad was necessary to reconstruction efforts, even allowing the country to reconstruct its electricity sector into an exporter. Curtovic cited a series of economic reforms undertaken by BiH in the years prior to 1999, such as the passage of legislation that sought to liberalize foreign direct investment, as examples of BiH’s success in transition. The minister ended his remarks by

\textsuperscript{57}WTO, “Trade Policy Review: Croatia,”
\textsuperscript{58}WTO, “Accessions: Bosnia and Herzegovina.”
\textsuperscript{60}World Bank, “Bosnia and Herzegovina,” World Development Indicators, 2014.
reaffirming his country’s commitment to the multilateral trade regime and the principles of WTO membership.\textsuperscript{61}

Curtovic was not incorrect; the BiH economy rebounded in the latter half of the 1990s. Between 1995 and 2000, BiH’s GDP grew at an average of 24 percent per annum, peaking in 1996 at a rate of 54 percent.\textsuperscript{62} These tremendous growth rates were actually to be expected as, in many parts of the country, people were beginning to return to work in productive sectors of the economy after peace was established. In the first decade of the 21\textsuperscript{st} century, the Bosnian economy still experienced high rates of economic growth, hovering between 3.5 and 6 percent until 2009, when the global financial crisis caused a global economic recession.\textsuperscript{63}

Even though BiH officials recognize that trade and economic liberalization are important steps towards economic growth, the structure of BiH’s government has presented a significant barrier to these efforts. The Dayton Accords establish the Bosnian government with many government authority redundancies.\textsuperscript{64} Because of the ethnic composition of the country and the role such ethnic divides played in the war with Serbia, external powers believed that a federal system of power-sharing was the best way to form a cohesive government in BiH. However, these power-sharing efforts have prevented the country from effectively working to implement policy reforms.\textsuperscript{65} The main obstacle standing between BiH and full WTO accession is BiH’s inability to liberalize internal trade and economic policies.\textsuperscript{66} Inefficient government structures also have a negative effect on the Bosnian economy overall. Transfer payments and government expenditures account for almost 40 percent of BiH’s GDP.\textsuperscript{67} Such a high percentage is a result of both generous social programs and redundant programs at the various levels of government. More importantly, the authority to address a number of trade and economic issues is not held by the central government, but is instead administered by the entities of the Federation of Bosnia and Herzegovina (FBiH), the Republika Serbska (RS), and the Brcko District.\textsuperscript{68} With such a divided political sphere, it is no wonder that the WTO has not received adequate responses to its queries and requests for trade liberalization policies to be ratified.

When BiH was created, it had two conflicting sets of trade policies. The trade laws in RS reflected the entity’s ethnic closeness to the Federal Republic of Yugoslavia (Serbia and Montenegro or FRY), featuring an average tariff rate of 29 percent and a free trade agreement with FRY. Trade laws in FBiH reflected its ethnic relations to Croatia, featuring an average tariff rate of 12 percent and a free trade agreement with Croatia.\textsuperscript{69} It was not until 1998 that these differences were resolved by a unified customs regime for the entire state. The united trade

\textsuperscript{61} \textit{Mirsad Curtovic, “Statement Circulated by H.E. Mr. Mirsad Curtovic Minister of Foreign Trade and Economic Relations,” WTO, 1999.}
\textsuperscript{62} \textit{World Bank, “Bosnia and Herzegovina.”}
\textsuperscript{63} \textit{Ibid.}
\textsuperscript{65} \textit{Ibid.}
\textsuperscript{68} \textit{USTR.}
\textsuperscript{69} \textit{Bartlett, 34.}
policies of BiH resulted in a tariff rate of only 6.2 percent. However, many duties and surcharges on specific goods remain as trade barriers.\textsuperscript{70}

In place of WTO membership, BiH pursued further integration with its Balkan neighbors.\textsuperscript{71} This choice was driven partly by the fact that BiH contributed immensely to trade done within the former Yugoslavia, but also because BiH sought to pursue regional integration as a step towards EU accession. In 2002, the trade between Croatia and BiH and between Serbia (and Montenegro) and Macedonia accounted for almost 75 percent of the total trade within the Balkans.\textsuperscript{72} In 1998, BiH received more than 52 percent of its imports from other economies in southeastern Europe.\textsuperscript{73} The region was also the destination of more than 66 percent of Bosnian exports.\textsuperscript{74} Dominance in regional trade caused BiH to seek trade liberalization on a more focused, regional scale before accelerating its WTO membership. In 2007, the state became a full member of the Central European Free Trade Agreement (CEFTA).\textsuperscript{75} BiH also signed FTAs with Macedonia in 2002, Serbia and Montenegro in 2002, Albania in 2004, and Croatia in 2005.\textsuperscript{76} BiH committed the resources necessary to joining regional trade pacts, but not the resources necessary to join the WTO.

Similar to Croatia, BiH’s decision to participate in regional trade agreements was driven by the promise of EU membership. Following in the footsteps of its neighbor, BiH negotiated and signed a Stabilization and Association Agreement in 2005, which outlined regional trade integration as a requirement for EU accession.\textsuperscript{77} Even so, BiH is far from joining the EU, as it faces institutional challenges that prevent it from making the same reforms that would allow it to join the WTO.\textsuperscript{78} Without having membership in less comprehensive market access agreements, such as the WTAs, BiH cannot hope to gain full entry into the more extensively outlined EU single market.

### Three Paths to WTO Membership

BiH still faces a plethora of challenges to fully joining the multilateral trade regime overseen by the WTO. Even though it applied for membership at the same time as Croatia, it has stalled its accession process. WTO membership for BiH can only be attained if the political entities that have the authority to determine trade and economic policy coordinate with each other towards this end. Furthermore, BiH has historically looked towards joining less-comprehensive FTAs in its region, such as CEFTA, because of the trade patterns BiH experienced prior to independence. Membership of these agreements was also encouraged by the EU association process. While regional integration is an important step towards more general

\textsuperscript{70}Ibid, 35.
\textsuperscript{71}Stiblar, 68.
\textsuperscript{72}Stiblar, 70.
\textsuperscript{73}Uvalic, 178.
\textsuperscript{74}Ibid.
\textsuperscript{76}Bartlett, 35.
\textsuperscript{77}European Union, “EU Enlargement: Bosnia and Herzegovina.”
trade liberalization, BiH has little hope of EU membership without first accepting the standards set by the WTO.

Croatia did not face the same political barriers that halted BiH’s WTO accession, but both states looked regionally for lucrative trade prospects. Croatia pursued WTO membership because it traded in high value added goods and services, such as tourism. These factors of the Croatian economy show the potential for trade-driven economic growth. However, Croatia’s WTO accession timeline was stalled because of its status as a transitional economy. Eventually, Croatia’s liberalization paid off, as trade became such a benefit to Croatia that it convinced the EU to absorb it in 2013.

Slovenia experienced the best of both worlds. By the time Slovenia gained independence, it was already engaged in large amounts of trade. Slovenian policymakers seemed very inclined to solidify this interdependence with its neighbors and the larger international community. Furthermore, Slovenia was not as burdened by the economic costs of the dissolution of Yugoslavia, like Croatia and BiH were. Both of these conditions contributed to Slovenia’s quick accession to the WTO.

In the cases of each state, WTO membership was pursued and accelerated at a time when each state stood to benefit heavily from multilateral trade relations. WTO accession is a costly process to undergo and states are understandably reluctant to engage in its negotiation unless they are sure that the benefits outweigh the costs of that negotiation. Each state’s economic profile and state capacity made it more or less willing to pursue WTO accession at a given time. Slovenia was the only state from the former Yugoslavia to be a founding member of the WTO, having ratified the GATT just one year prior to the WTO’s formation. The role that trade played in Slovenia’s economy and the fact that it was mostly insulated from conflict influenced Slovenia’s quick accession. On the other hand, BiH has yet to join the WTO because it suffered the most from the effects of conflict and it did not necessarily need to pursue WTO membership in order to solidify its most important trade relationships. Croatia’s path to WTO accession partially resembles aspects from both of its neighbors. Croatia’s economy was also reliant on trade, but not to the degree of the Slovenian economy. Croatia also inherited illiberal trade policies that had to be reformed before the accession process could be completed. These factors pushed Croatia to neglect WTO membership early in its history, but push strongly for accession later.

Recognizing the positive economic benefits of trade and understanding the various factors that caused the long delays in the WTO accession process is critically important to building a more prosperous world. Slovenia, Croatia, and BiH each took different paths towards trade liberalization and WTO membership, but the each pursued accession because they reasoned that it would result in economic growth. For two of these states, their leaders were correct when they posited that trade liberalization could drive prosperity. The third state has been hamstrung by its political system. However, it is clear that overcoming the various challenges faced by transitional economies is possible, even when it may be cumbersome.
Bibliography


