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# ECONOMIC SIGNIFICANCE OF THE FOREIGN TRADE EXCHANGE BETWEEN REPUBLIC OF SRPSKA AND FR OF GERMANY

-STUDY-



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## INTRODUCTION

With a goal of the more successful inclusion in international division of labor and affirmation at global market, Republic of Srpska, simultaneously with other activities in that area, started with founding representative offices in foreign countries. These representative offices are organized in accordance with the Decree<sup>1</sup>, and on that basis is functioning representative office in Stuttgart whose work is evaluated positively, because it is bringing great contribution in connecting of domestic business with international market, and first of all with the market of FR of Germany, and also to GDP growth of Republic of Srpska. This Representative office gave contribution to strengthening of foreign demand for goods and services of Republic of Srpska, which is justifying expenses for its financing. Because of that we can conclude that resources which are allocated from Republic of Srpska's budgeted for this representative office's financing are compensated by effects made by its work.

In accordance with above stated, Institute concluded that representative offices should be organized by legislation, for transparent expenditure of financial resources.

Because of that, Government of Republic of Srpska should start and initiative, in the form of the draft or proposed law, about the financing of the representative offices in foreign countries, in the People's Assembly of Republic of Srpska.

Representative office in Stuttgart is founded with the aim of promotion of RS entity, its business, culture, tourist and other potentials, with the aim of connecting domestic and foreign capital. This representative office is analyzed because Stuttgart is one of the business centers of Germany, but also because in that region is living a great number of citizens with origin from Republic of Srpska, who are business oriented.

Representative office of Republic of Srpska in Stuttgart is working since 2009. at the Eberhard Strasse 4b, 70178 Stuttgart address.

Head of the representative office is Mr. Mićo Ćetković.

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<sup>1</sup> Decree of conditions for forming and work of representative offices of Republic of Srpska in foreign countries ("Official Gazette of RS", num. 45 from 20. May 2008, 68/10).

## **1. Activity of Republic of Srpska Government at strengthening of foreign trade exchange with FR of Germany**

Republic of Srpska's Government, together with the Representative Office of Republic of Srpska in Stuttgart (in further text Representative Office), organized significant meetings, by mediation of Minister of industry, energy and mining, with representatives of two biggest electric energy companies of FR of Germany, with EnBW and RVE.

- Representatives of Government and Modriča municipality visited Fair of construction and energetic industry in Vienna "Vienna 2012".
- Government organized "Election of most successful in business of RS for 2011." manifestation, Head of our Representative Office in Stuttgart visited Banja Luka.
- Manager of electric energy company of BV region, in charge of development and innovations in EnBW, Mr. Helmenstain, initiated meeting with the head of the representative office of RS, on that occasion he informed him about the new strategies of this company and again stated company's intention to cooperate with companies from RS.
- Representative office strongly helped organizing visit of Lopare municipality mayor, Milenko Ristić, to USETEC Fair and international iron fair in Cologne. This visit was extraordinarily successful in presenting our potentials at FR of Germany's market.
- Representative Office of RS organized work meeting between mayor of Zvornik municipality, Zoran Stevanović, and mayor of Ulm City Ivo Gönner in the City Parliament of Ulm. At this meeting it is agreed to continue cooperation between these two municipalities. Hosts invited guests from Srpska to attend Conference of cities in Ulm, on 7<sup>th</sup> and 8<sup>th</sup> July.
- Representative Office of Republic of Srpska organized, on 20<sup>th</sup> April in its offices, meeting between manager of EnBW, Mr. Helmenstain, and Minister of Internal Affairs of RS, adviser of the President of RS and mayor of Zvornik municipality.
- Representative Office actively participated in organization of the visit of president of Republic of Srpska Milorad Dodik, on 24.11.2012., during his participation at economic forum in Frankfurt, and it provided its logistical support to panel discussion on Conference day of Sberbank, held at 15<sup>th</sup> European Week of Finance. Among others participants at forum were President of Government of Serbia Iвица Dačić and president of Board of Directors of Russian Sberbank Herman Graff, president of Czech Republic Vaclav Klaus, former German chancellor Gerhard Schröder, Hungarian Prime minister Viktor Orban and deputy president of Ministers Council of BiH Zlatko Lagumdžija. It was highlighted at forum that Republic of Srpska economy is open for Russian capital. In that spirit President Milorad Dodik presented counterparts possibilities of investment in different areas, focusing primarily on energy sector.

- In Representative Office of Republic of Srpska meeting was held with Mr. Roland Helmenstain, representative of electric energy company EnBW Vertrieb GmbH, with whom it was talked about possibilities of cooperation in development project strategies between electric energy companies of Baden Wittenberg and Republic of Srpska.
- Head of Representative Office held a meeting with the representative of Chamber of Commerce Mrs. Barbara Effenberg, in charge of Eastern Europe and Balkans. At meeting it was discussed about potential possibilities and measures for efficient implementation of trade, production activities and other business potentials between Republic of Srpska and Baden-Wittenberg region. At meeting were defined some activities of Representative Office and precise measures for realization of those activities, which are mainly aimed at identification of business and natural potentials of Republic of Srpska, and also their promotion and advertising to specific actors and interested parties in Germany.
- In Representative Office of Republic of Srpska, on 8.3.2013., meeting was held with representative of Chamber of Commerce of Baden Wittenberg, Barbara Effenberg, on which possibilities of business cooperation between two regions were discussed. Among other things, Mrs. Effenberg was informed about liquidation process of “Elda Luks” company, who contacted us to support them in their intention of selling their products in German market, and also in making contact with potential customers and related companies in Germany. Mrs. Effenberg, despite of highlighting complicity of this activity execution, taking to consideration overflow of German market with these or similar products, who already corresponded by prices and quality, showed good will to help this initiative, by presentation of samples and promotion material to targeted groups, with potential interest for this kind of product. Stimulatingly with this activity Representative Office will also promote these products to dominant trade chains and public objects in which these products are applied. In addition, Mrs. Effenberg was informed about the case of kaolin mine of „Motajica“ AD Srbac (Kobaš), which expressed its intention for open cooperation through buying of majority stake package, strategic investment, technology investment and profit division by agreed percentage. Taking to consideration wealth of mineral composition of some raw materials, which are proportionately at higher level compared to statistical data for the same compositions in Germany, Mrs. Efenberg made very positive comments and highlighted that for natural wealth of kaolin mine „Motajica“ there is great chance for finding appropriate partners, and possible cooperation generally.
- In response to letter num. 20-08/13 sent to Representative Office of RS in Germany by director of NGO „NEW BUSINESS“ Agency for development and employment, Mr. Marinković, with initiative for help in securing the adequate participants, representatives of agricultural producers and tourist organizations in Germany, at Second International Fair of Agriculture and Tourism „Pale 2013“, Representative Office informed potential tourist agencies, Tourist Association of Baden-Wittenberg, agriculture-industry associations, and numerous representatives and producers of new technologies in agriculture, about details of Fairs organization and participation. Additionally, Representative Office translated and delivered whole program of Fair on German language to potential participants from Germany, aiming to inform them most concisely and detail.

- Representative Office mediated in contact establishment for one subject from Drvar, which contacted Representative Office for help in finding potential company for services in refineries in Germany. That company should secure certain number of jobs for people from Republic of Srpska, who would work in Germany (seasonal) at facility maintenance. Representative Office found adequate company in Germany „FMZ GmbH“, which is working on these kind of jobs, and which is interested for employment of offered labor from Republic of Srpska, so it established contact between these two parties.
- Letter of intention was sent to Representative Office by director of “Galatop” Ltd company from Prijedor, Mr. Topić, with the plea to help that company in promotion and presentation of its products at German market. “Galatop” company is significant producer of concrete haberdashery at Bosnia and Herzegovina market. This company is producing and selling around 400 products, made by most modern machines. Additionally, to concrete haberdashery, based on market need analysis, “Galatop” company introduced polyurethane products and decorative stone in its production program, which is a new product not just on ours, but also on EU market. Production program quality of “Galatop” company is justified by certificates EN ISO 9001:2008, EN ISO 14001:2004 received from TUV AUSTRIA CERT and Certificate for physical-mechanical traits of polyurethane (BAS EN 822, 823, 1602, 826, 12089...) from Institute for construction materials and non-metals in Tuzla.
- Representative Office is in the process of finding certain number of business subjects, with the aim of establishment of contact with potential interested parties for this kind of products and generally activities, so that “Galatop” company could present its products on German market.
- In Representative Office premises meeting was held with the director of “ON Time” company, who asked for help in finding adequate and qualified workforce from Republic of Srpska in areas of accounting, bookkeeping and corresponding in market analysis. At the moment „On Time” is cooperating with the company „Exact” from Prijedor, which is providing services for FR Germany. Priority topic of this meeting was a way to secure specific work visas for employment of workers from Republic of Srpska, who would, when needed, seasonally be employed as adequate professionals in finishing certain projects of “On Time” company. Expenses responsibility and also securing of documentation, travel and accommodation for selected qualified workers would be responsibility of cooperate agency “Exact”, from Prijedor.
- In the Chamber of Commerce of BW meeting was held with Mrs. Effenberg, who was invited to planned presentation of company „Sava-Semberija“, which was held in Representative Office premises on 14.11.2013. During this meeting Mrs. Effenberg was informed that dominant presentation will represent foundation for development and preparation of planned presentations and promotion of certain production sector in republic of Srpska, in the form of the projects planned by Representative Office for the next year. Mrs. Effenberg was pleased to support this project and she highlighted that she will, in the name of Chamber of Commerce of BW, make interconnection of businessmen from



Republic of Srpska and BW easier, during which will contemporary cooperation between chambers of commerce of BW and RS, and also our Ministry, be consistently strengthened.

- Representative office supported and helped our delegation, from Ministry for economic relations and regional cooperation, in finding an adequate accommodation during its participation at fair of real-estate REAL EXPO, which was held at Munich from 7<sup>th</sup> to 9<sup>th</sup> October 2013. At the fair in Munich Republic of Srpska had its representatives in various activities, such as actual presentation of the Banja Luka Airport and Trebinje Airport projects, by their directors, and also presentation of project in tourism by representatives of Ministry for Trade and Tourism.
- In Representative Office of RS in Stuttgart premises, head of Representative Office held meeting with director of food-producing industry „Sava-Semberija“, which, together with company „Franz Shoba GmbH“, is part of Krstić group headquartered in Germany.
- Representative Office secured relevant contact with architect team and engineers to „Enterijer Janković“ company, who are working on of the most significant and biggest projects in Europe, and are positioned in the center of Stuttgart, named „Stuttgart 21“. Representatives of Janković Company will soon visit Stuttgart where adequate meetings will be secured, for additional improvement of cooperation.
- In 2015. Representative Office continued cooperation with Chamber of Commerce of Stuttgart region and it regularly held with their representatives, with goal of better connection of businessman from Republic of Srpska with German partners.
- Between 21. and 23. January 2015. Representative Office organized visit of FR Germany delegation to Republic of Srpska. Delegation was led by member of Federal Parliament dr Stefan Kaufmann, and it was composed of president of sector for technology and research in Bundestag, president of CDU youth and owners of metallurgy „ZEH“ Stuttgart – Zuffenhausen. On that occasion meeting was held with ministers of RS Government Mr. Zlatan Klokic and Mr. Petar Đokić, and also with president of Peoples Assembly of Republic of Srpska Nedeljko Čubrilović and president of Chamber of Commerce of RS Borko Đurić.
- Efforts were made also in the Bon area. On the 10.06.2015. head of representative Office met with Mr. Aleksandar Petrović, representative of „Aliquantum energy PLC“ company, from Düsseldorf, which is analyzing RS market for some time, primarily energy sector, and it already invested around 3 million EUR in RS and is planning to by company which have concessions 9,5 MW and to invest additional 11 million EUR in the next 2-3 years.
- On the 13.07.2015. Representative Office delivered list of companies, health and education institutions in FR Germany, at the plea of company „KiS PRODUKT“ Ltd. from Laktaši.
- On the 15.09.2015. Representative Office sent official invitation for participation at business forum „Day of Republic of Srpska’s Business“ to company „Aliquantum energy PLC“ London, with representative office in Düsseldorf, after that their participation was confirmed,

and also participation of their business partners, as it was agreed earlier. On that business forum participated around ten partners of company „Aliquantum energy PLC“.

- From the 25. to 27. September 2015. head of Representative Office was in Switzerland, where he was present to meeting of Swiss and Serbian businessmen, and also to “Days of Serbian Culture in Switzerland
- Representative Office of RS in Stuttgart invited, as part of preparation process, potential participants to business forum “Day of Republic of Srpska’s Business“, and completely organized it, with the support of General Consulate of BiH in Stuttgart and our businessmen in FR Germany. **„Day of Republic of Srpska’s Business “ was held on 5<sup>th</sup> November 2015 in Ministry of Finance and Business of Baden-Wittenberg in Stuttgart, and it was most significant business project of Representative Office in 2015., on which numerous representatives of business and public life of Republic of Srpska and FR Germany participated.** On that occasion were held numerous meetings of delegations from Republic of Srpska with representatives of Chamber of Commerce of Stuttgart region, representatives of finance and business of Baden-Wittenberg, and also with representatives of FR Germany. Significant contacts between all of the participants interested in cooperation and investment in Republic of Srpska were made, and also widening of business range of companies from Republic of Srpska to territory of FR Germany.
- Delegation of Republic of Srpska’s Government, on the 06.11.2015., held in Representative Office premises series of meetings with representatives of German businessmen, interested in investing in RS, and domestic businessmen, interested in widening business range to FR Germany. Also, company „Aliquantumenergy PLC.“ London-Düsseldorf was enabled to contact main coordinator for Danube strategy Mr. dr Hans-Peter Hasenbichler, aiming that, through projects of this strategy, use resources from EU funds for certain development projects in republic of Srpska. Representative Office, also, mediated in contact establishment between company „LANACO“ Ltd. from Banja Luka and Association of Companies, „Bitcom“ and „Microsoft Deutschland“.
- On the 30.01.2016. seminar named “*Business 4.0: Challenges for Europe*” was held, organized by Conrad Adenauer foundation, on whose invitation head of Representative Office participated on seminar, on which lecturers were Mr. Günther H. Oettinger, commissar for digital business and society of European Commission, and few members of German Bundestag.
- During February 2016. Representative Office supported Society of Engineers of Technology from Republic of Srpska, which planned visit Baden-Wittenberg region, from 21. to 23.04.2016. Representative Offices support was in mediation in contact establishment with companies from Stuttgart region, whose production facilities they would wish to visit. Because of organizational reasons Society postponed the visit to September, considering it is not easy to organize visits to production facilities for big delegations. Representative Office

will also in future be at service to Society of Engineers for help in organization of their visit in September.

- In relation to above stated, on the 6.6.2016., Representative Office was visited by Mr. Ratko Trivunić from Society of Engineers of Technology of republic of Srpska, who personally asked for help in organization of visit of this society's delegation to Stuttgart, in September. Representative Office sent questioners to companies they marked as interesting, and also to University Hohenheim, and it arranged schedule for visit to „STUTTGARTERHOFBRÄU“ on 22.09.2016.
- On the 22.02.2016. meeting was held with Mrs. Barbara Effenberg in the premises of Stuttgart regions Chamber of Commerce, related to organization of international fair for metallurgy AMB, from 13. to 17.09.2016., and organization of the visit of businessmen from RS to this fair, and also bilateral meeting with businessmen from Germany during the fair.
- Representative Office sent promotion brochures and offers of „Ljekobilje“ Ljubinje company to all its contacts (businessmen, societies, citizens and others), which could be interested for company's production program, with the aim of promotion of domestic products in FR Germany.
- During the visit to Switzerland, on 12.03.2016., head of Representative Office met with president of Society of Serbian Businessman of Switzerland, Mr. Stojan Stevanović, and they talked about future Fair of Serbian Business in Switzerland, which is organized by this Society and diplomat-consular representative offices of Republic of Serbia in Switzerland.
- Representative Office, on the 21.03.2016., was contacted by director of „Nikola Tesla Bileća“ company, Mrs. Persa Klimenta, for help in questioning of status of the company they cooperate with, „KlausSteilmannGmbH“, because of difficulties in payment of bills with that company. Representative Office provided informative-counseling support in this case, and, on plea of Mrs. Klimenta, on the 19.04.2016. informed Chamber of Commerce of Dortmund about the started liquidation of company „KlausSteilmannGmbH“ with whom company „Nikola Tesla“ Ltd. Banja Luka, organization unit Bileća, has agreement of cooperation and on by it company from Bileća has significant sum of unpaid bills, because of that strike and work halt started in this company. In this period Representative Office organized visit and meeting with Minister Klokić, who attended presentation in agriculture association of Baden-Wittenberg. Also meeting was organized with representatives of Chamber of Commerce of Stuttgart.

Therefore, Government of RS and Representative Office, during observed period, had many activities for connection of businesses of RS and FR Germany, as much as possible, all of that with aim of improvement of international exchange between those countries. According to evaluation of Institute, Representative Office significantly helped to businessmen from RS, in almost all of sectors (metallurgy, textile, agriculture, food production, energy, etc...), to be present on FR Germany's market and by that to make significant turnover, which actually is purpose of representative offices of RS in selected countries of the world

### ***1.1. Organization and normative functioning of representative offices of Republic of Srpska, with special attention to Representative Office in FR Germany***

Representative offices of Republic of Srpska have a goal of economic promotion of Republic of Srpska abroad, attraction of foreign investors who will make new jobs and improve citizen's life with their invested capital, which means increase in wealth of RS economy and also every citizen's wealth. By observation of export aspect, opening of representative office abroad is significant also for businessmen from Republic of Srpska, who have possibility of their products and services export. Representative office creates possibility of better analysis of foreign countries markets, so that businessmen from Republic of Srpska would sell their products and services more successfully. Additionally, representative offices are performing activities of improvement of scientific-technical, cultural, social, informational, educational, sports and other cooperation with subjects abroad.

Way of forming, organization and work of representative office, center, institution, or other form of organization abroad, founded by Government of Republic of Srpska, is regulated by Decree of conditions for forming and work of representative offices of Republic of Srpska in foreign countries ("Official Gazette of RS", num. 45/08 and 68/10). Institute regards that organizations like these ones should be regulated by law, at least at entity law level, for better transparency of financial resources, approved for work of representative offices of RS, expenditure.

In charge for representative office is head of representative office, who is responsible for legality of its work. Head of representative office is appointed by president of Republic of Srpska, for four years mandate, at Governments proposition. Head of representative office is selected among prominent figures in business, culture, sport and science, who must have high moral and professional qualities and to be well acquainted with business and cultural situation in selected country.

Republic of Srpska is a member of Assembly of European regions, which supports region in European enlargement process, and, thanks to membership in this organization, it has right to open business representative offices abroad. Active representative offices of Republic of Srpska abroad are:

- Representative Office of Republic of Srpska in Brussels, Kingdom of Belgium,
- Representative Office of Republic of Srpska in Jerusalem, State of Israel,
- Representative Office of Republic of Srpska in Washington, USA,
- Representative Office of Republic of Srpska in Moscow, Russian Federation,
- Representative Office of Republic of Srpska in Belgrade, Republic of Serbia,
- Representative Office of Republic of Srpska in Stuttgart, Federal Republic of Germany,
- Representative Office of Republic of Srpska in, Vienna Republic of Austria,
- Representative Office of Republic of Srpska in Thessaloniki, Republic of Greece.

### ***1.2. Financing of representative office in FR Germany***

According to article 13. of the Decree of conditions for forming and work of representative offices of Republic of Srpska in foreign countries, recourses for the representative offices work financing are secured in the budget of the Republic of Srpska, respectively in budget available to Ministry for every fiscal year, in accordance with norms about budget execution of Republic of Srpska.

Resources are allocated to representative offices accounts, in selected country. Authorization of budget resources to representative office is performed quarterly, in accordance with Government decision, and their allocation is performed monthly.

These situations are regulated by the policy of Government of Republic of Srpska, and Government is regularly informing Peoples Assembly of Republic of Srpska about it, which actually represents way of transparent spending of financial resources.

## 2. General data about foreign trade exchange of Republic of Srpska

### 2.1. Foreign trade exchange of Republic of Srpska

**Table1.** Balance of foreign trade exchange.

Balance of foreign trade exchange (in BAM) .000					
Year	Export	Import	Goods exchange volume	Goods exchange balance	Coverage of import by export
2001	598 829	1 697 455	2 296 284	-1 098 626	35,30%
2002	565 647	2 164 367	2 730 014	-1 598 720	26,10%
2003	610 668	2 277 608	2 888 276	-1 666 940	26,80%
2004	842 920	2 702 771	3 545 691	-1.859.851	31,20%
2005	1 130 518	2 953 177	4 083 695	-1 822 659	38,30%
2006	1 540 236	2 760 163	4 300 399	-1.219.927	55,80%
2007	1 671 601	3 347 925	5 019 526	-1.676.324	49,90%
2008	1 921 837	4 146 519	6 068 356	-2.224.682	46,30%
2009	1 672 915	3 567 879	5 240 794	-1 894 964	46,90%
2010	2 177 809	4 053 084	6 230 893	-1 875 275	53,70%
2011	2 560 808	4 577 526	7 138 334	-2 016 718	55,90%
2012	2 374 737	4 487 548	6 862 285	-2 112 811	52,90%
2013	2 604 090	4 557 635	7 161 725	-1 953 545	57,10%
2014	2 692 013	4 946 061	7 638 074	-2 254 048	54,40%
2015	2 613 924	4 369 179	6 983 103	-1 755 255	59,80%
2016	2 869 101	4 426 945	7 296 046	-1 557 844	64,80%
2017	3 476 889	4 857 578	8 334 467	-1 380 689	71,60%

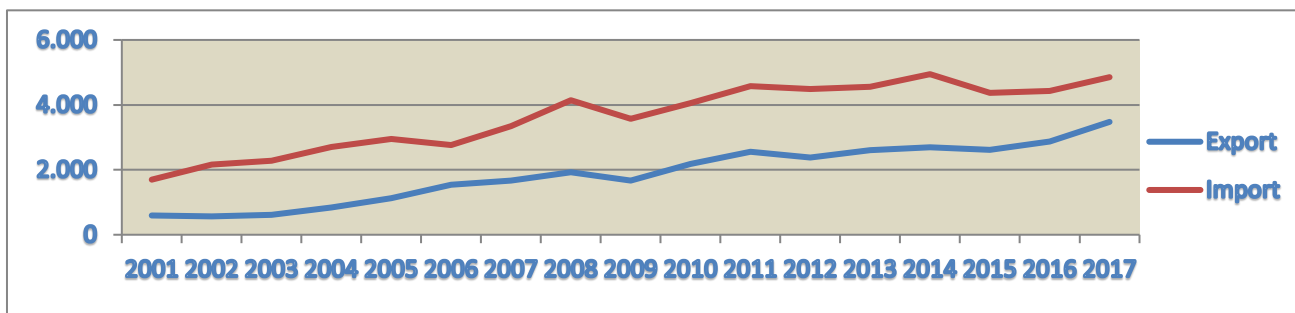
Source: Bureau of statistics of Republic of Srpska, [Statistički godišnjak za 2017. godinu.](#)

Analyzing balance of goods exchange of Republic of Srpska with abroad we conclude:

- Republic of Srpska in all analyzed years is making deficit in foreign trade exchange. Highest deficit is recorded in 2014. In succeeding years foreign trade deficit got lower, as consequence of faster growth of export compared to import of Republic of Srpska. Negative balance of foreign trade exchange is lowered by 38,75% in 2017., compared to 2014.
- In analyzed years coverage of import by export is growing, in first observed year it was 35,30%, while in 2017. Republic of Srpska achieved highest coverage of import by export of 71,60%.
- Goods exchange volume grew every year, except 2009., when it, because of the world financial crisis, fell. Goods exchange grew more than three times compared to starting year of 2001. Increased goods exchange volume brought growth and development of business activity in Republic of Srpska.

- In 2001. Export from Republic of Srpska was 598 829 000 BAM, while in the last observed year it was 3 476 889 000 BAM, which is increase of 480,61%. In the last year export increased by 21,18%.
- Import in Republic of Srpska increased by 9,73% in 2017. compared to previous 2016. while it, compared to starting 2001., increased by 186,17%.

**Graph1.** Import and export trend of RS from 2001. to 2017. (in millions of BAM).

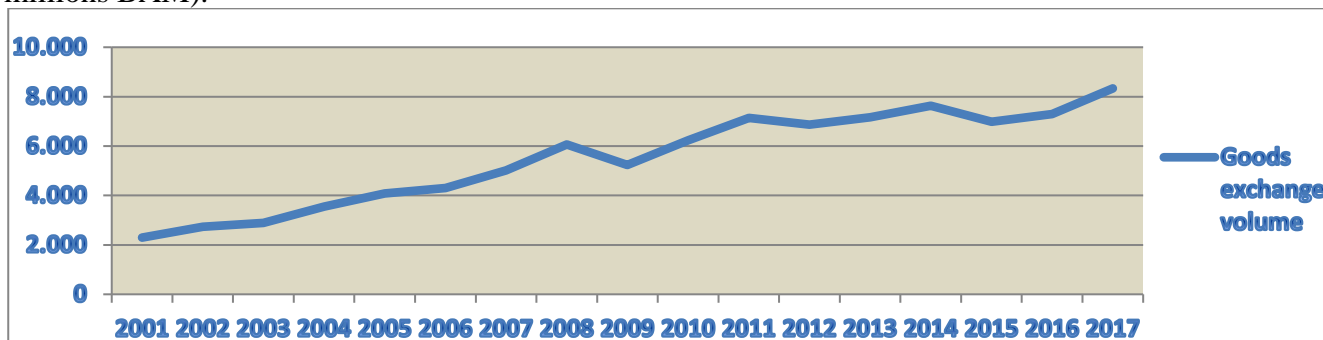


Source: Bureau of statistics of Republic of Srpska, [Statistički godišnjak za 2017. godinu.](#)

It is important to highlight, and it is confirmed by data about export and import of RS, export was so far the best in 2017., and it was:

- 3 476 889 000 BAM, while at the same period goods imported was 4 857 578 000 BAM.

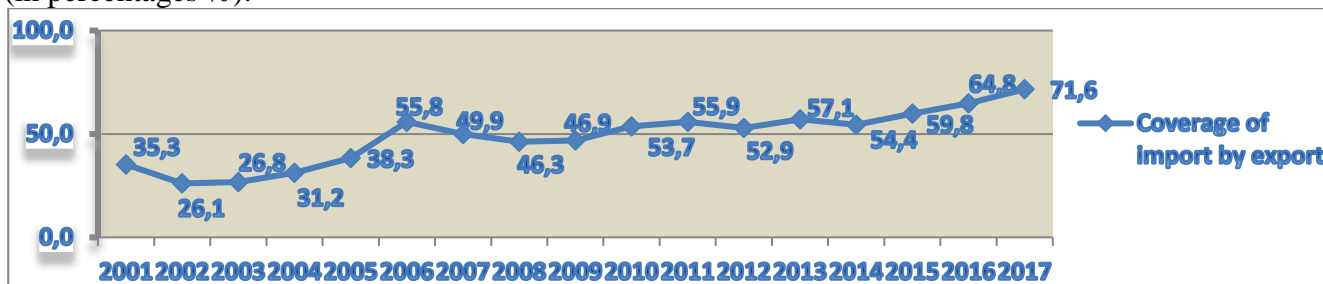
**Graph2.** Goods exchange volume of Republic of Srpska with abroad from 2001. to 2017. (in millions BAM).



Source: Bureau of statistics of Republic of Srpska, [Statistički godišnjak za 2017. godinu.](#)

Goods exchange volume of Republic of Srpska with abroad in 2017. was 8 334 467 000 BAM.

**Graph3.** Coverage of import by export of Republic of Srpska with abroad from 2001. to 2017. (in percentages %).



Source: Bureau of statistics of Republic of Srpska, [Statistički godišnjak za 2017. godinu.](#)



### 3. Foreign trade exchange between Republic of Srpska and FR of Germany

**Table2.** Foreign trade exchange between Republic of Srpska and FR of Germany from 2003. to 2017. (in thousands BAM).

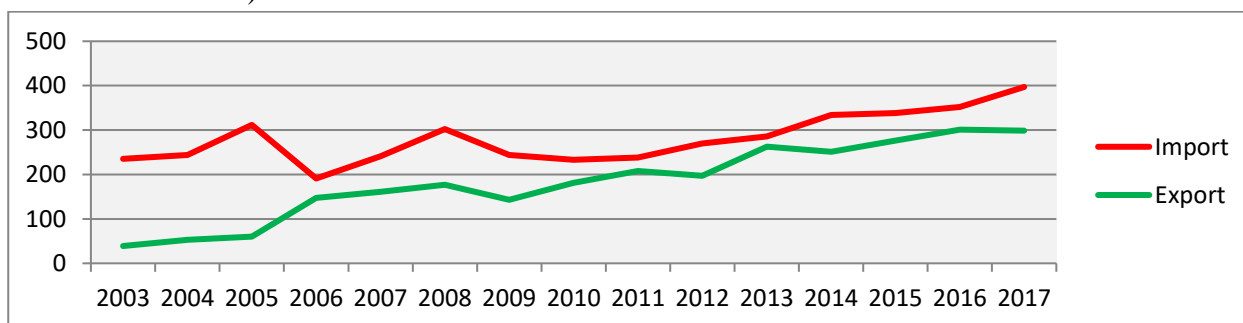
Germany					
Year	Export	Import	Goods exchange volume	Goods exchange balance	Coverage of import by export
2003	39 043	235 306	274.349	- 196 263	16,59%
2004	53 503	244 592	298.095	- 191 089	21,87%
2005	60 074	312 187	372.261	- 252 113	19,24%
2006	147 634	191 680	339.314	- 44 046	77,02%
2007	161 553	241 263	402.816	- 79 710	66,96%
2008	177 594	302 021	479.615	- 124 427	58,80%
2009	143 824	244 407	388.231	- 100 583	58,85%
2010	181 613	233 041	414.654	- 51 428	77,93%
2011	208 726	238 888	447.614	- 30 162	87,37%
2012	197 076	270 356	467.432	- 73 280	72,89%
2013	263 328	286 109	549.437	- 22 278	92,04%
2014	251 181	334 424	585.605	- 83 243	75,11%
2015	276 714	338 912	615.626	- 62 198	81,65%
2016	301 350	352 678	654.028	- 51 328	85,45%
2017	299 197	397 612	696.809	-98 414	75,20%

Source: Bureau of statistics of Republic of Srpska, [Statistički godišnjak za 2017. godinu.](#)

Germany is the most significant foreign trade partner of Republic of Srpska. Its investors are cooperation with Republic of Srpska's business. Goods exchange volume grew by 153,99% in 2017., compared to 2003. Export grew by 666,33%, and import by 68,98%. After the world financial crisis of 2008., there was decrease of goods exchange volume by 19,05%. There were difficulties and efforts were made to bring back goods exchange volume to pre world financial crisis, only just after 4 years.

In the previous 5 years (since 2012.) export from Republic of Srpska to FR Germany grew by hundred (100) millions BAM in absolute sum, by 51,82%, import by 47,07% and goods exchange volume by 49,07%.

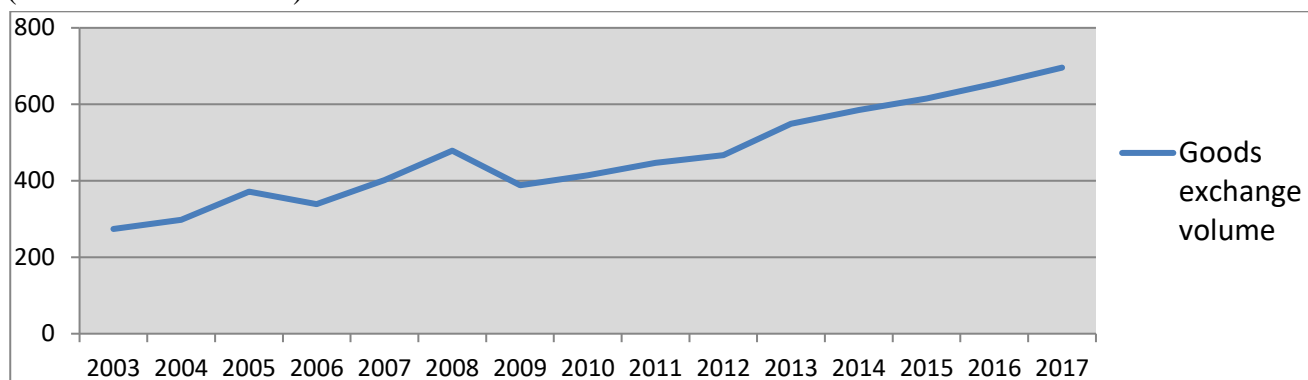
**Graph 4.** Import and export of Republic of Srpska and FR Germany from 2003. to 2017. (in thousands of BAM).



Source: Bureau of statistics of Republic of Srpska, [Statistički godišnjak za 2017. godinu.](#)

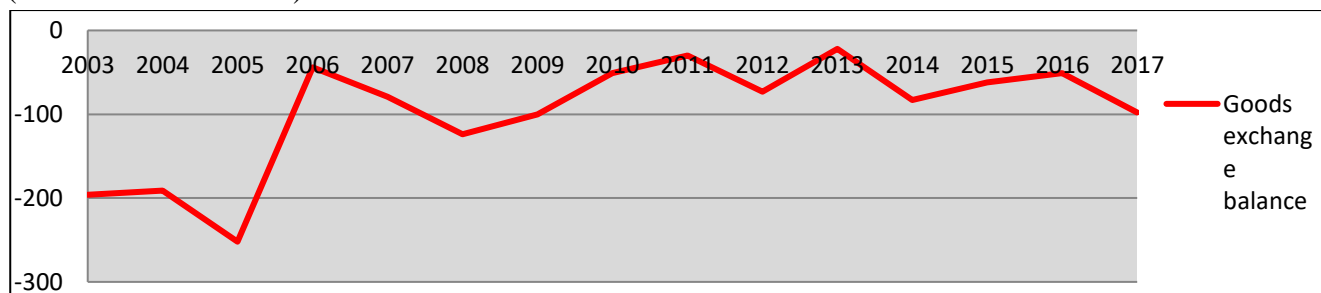


**Graph 5.** Goods exchange volume of Republic of Srpska and FR Germany from 2003. to 2017. (in thousands of BAM).



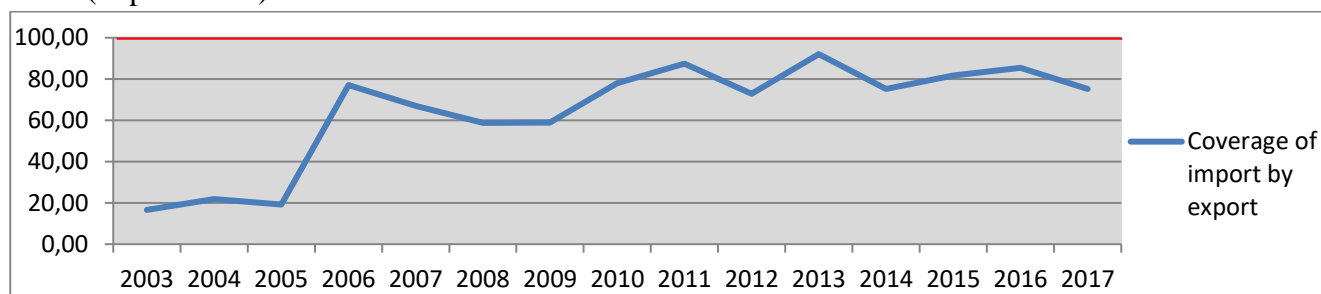
Source: Bureau of statistics of Republic of Srpska, [Statistički godišnjak za 2017. godinu.](#)

**Graph 6.** Goods exchange balance of Republic of Srpska and FR Germany from 2003. to 2017. (in thousands of BAM).



Source: Bureau of statistics of Republic of Srpska, [Statistički godišnjak za 2017. godinu.](#)

**Graph 7.** Coverage of import by export of Republic of Srpska and FR Germany from 2003. to 2017. (in percent %).



Source: Bureau of statistics of Republic of Srpska, [Statistički godišnjak za 2017. godinu.](#)

### 3.1. Foreign trade exchange between Republic of Srpska and FR of Germany according to AC

In reliance to available data, we will analyze foreign trade exchange of RS and FR of Germany

**Table 3.** Export and import of Republic of Srpska and FR of Germany, according to activity classification, from 2015. to 2017., concluding with first half of 2018.

Areas of AC	Export in 000 BAM				Import in 000 BAM			
	2015	2016	2017	I-VI 2018	2015	2016	2017	I-VI 2018
<b>TOTAL</b>	<b>276.714</b>	<b>301.350</b>	<b>299.198</b>	<b>162.524</b>	<b>338.912</b>	<b>352.678</b>	<b>394.631</b>	<b>216.545</b>
Agriculture, forestry and fishing	4.856	7.063	9.441	2.457	10.720	3.392	4.088	1.563
Mining	0	0	3	0	4.761	2.783	4.175	2.221
Processing industry	269.001	291.251	286.515	159.151	322.060	344.492	385.747	212.556
Production and supply of electricity, gas, steam and climatization	-	-	-	-	-	-	-	-
Water supply; sewers, waste management and environment sanitation activities	2.842	3.004	3.106	865	217	47	66	22
Information and communication	15	33	133	51	1.040	1.838	550	183
Professional, scientific and technical activities	-	-	-	-	114	126	4	-
Art, entertainment and recreation	-	-	-	-	0	-	0	0
Other services	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-

Source: Bureau of statistics of Republic of Srpska

**Table 4.** Volume and balance of foreign trade exchange of Republic of Srpska and FR of Germany, according to activity classification, from 2015. to 2017., concluding with first half of 2018.

Areas of AC	Goods exchange volume in 000 BAM				Foreign trade balance in 000 BAM			
	2015	2016	2017	I-VI 2018	2015	2016	2017	I-VI 2018
<b>TOTAL</b>	<b>615.626</b>	<b>654.028</b>	<b>693.828</b>	<b>379.068</b>	<b>-62.199</b>	<b>-51.327</b>	<b>-95.433</b>	<b>-54.021</b>
Agriculture, forestry and fishing	15.576	10.455	13.529	4.020	-5.864	3.671	5.352	894
Mining	4.761	2.783	4.177	2.221	-4.761	-2.783	-4.172	-2.221
Processing industry	591.060	635.743	672.261	371.707	-53.059	-53.241	-99.232	-53.406
Production and supply of electricity, gas, steam and climatization	-	-	-	-	-	-	-	-
Water supply; sewers, waste management and environment sanitation activities	3.059	3.052	3.173	887	2.624	2.957	3.040	843
Information and communication	1.056	1.870	684	233	-1.025	-1.805	-417	-132
Professional, scientific and technical activities	-	-	-	-	-	-	-	-
Art, entertainment and recreation	-	-	-	-	-	-	-	-
Other services	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-

Source: Bureau of statistics of Republic of Srpska

Data of Bureau of statistics of republic of Srpska, observed by activities and applied classified by activities BiH (AC BiH), based on European classification NACE Rev. 2, which is mandatory for EU member states, confirm that sector with the biggest goods exchange volume is processing industry. In that sector over 90% of total goods exchange volume was made, by this

classification. In it Republic of Srpska is having deficit in foreign trade exchange with FR of Germany.

### 3.2. Foreign trade exchange between Republic of Srpska and FR of Germany according to SITC

**Table 5.** Export and import of Republic of Srpska and FR of Germany, according to Standard International Trade Classification, from 2015. to 2017., concluding with first half of 2018.

Sectors of SITC	Export in 000 BAM				Import in 000 BAM			
	2015	2016	2017	I-VI 2018	2015	2016	2017	I-VI 2018
<b>Total</b>	<b>276.714</b>	<b>301.350</b>	<b>299.198</b>	<b>162.524</b>	<b>338.912</b>	<b>352.678</b>	<b>394.631</b>	<b>216.545</b>
Food and animals	8.253	8.196	10.244	5.837	42.490	36.630	42.312	18.286
Beverages and tobacco	28	827	2.502	1.484	1.674	1.616	1.739	790
Raw materials inedible, except fuels	29.706	33.595	36.807	15.839	6.300	5.071	4.001	1.694
Mineral fuel and oil	18.723	11.173	2.488	1.329	7.851	5.831	9.204	4.027
Animal and plant oil, grease and wax	-	-	-	-	1.180	1.309	1.575	660
Chemical products	1.905	4.925	8.964	2.093	68.405	79.235	80.255	45.470
Products separated according to material	39.518	52.403	46.221	27.947	69.631	74.288	80.689	46.100
Machines and transportation	24.844	34.370	43.377	26.654	123.163	126.598	153.425	88.831
Various finished products	153.737	155.861	148.594	81.341	18.219	22.099	21.431	10.687
Products and transactions, not mentioned	-	-	-	-	-	-	-	-

Source: Bureau of statistics of Republic of Srpska

**Table 6.** Volume and balance of foreign trade exchange of Republic of Srpska and FR of Germany, according to Standard International Trade Classification, from 2015. to 2017., concluding with first half of 2018.

Sectors of SITC	Goods exchange volume in 000 BAM				Foreign trade balance in 000 BAM			
	2015	2016	2017	I-VI 2018	2015	2016	2017	I-VI 2018
<b>Total</b>	<b>615.626</b>	<b>654.028</b>	<b>693.828</b>	<b>379.068</b>	<b>-62.199</b>	<b>-51.327</b>	<b>-95.433</b>	<b>-54.021</b>
Food and animals	50.743	44.825	52.556	24.123	-34.237	-28.434	-32.067	-12.450
Beverages and tobacco	1.702	2.443	4.241	2.274	-1.646	-789	763	694
Raw materials inedible, except fuels	36.007	38.666	40.808	17.533	23.406	28.524	32.806	14.144
Mineral fuel and oil	26.574	17.004	11.692	5.356	10.873	5.342	-6.716	-2.698
Animal and plant oil, grease and wax	1.180	1.309	1.575	660	-1.180	-1.309	-1.575	-660
Chemical products	70.310	84.161	89.219	47.562	-66.500	-74.310	-71.291	-43.377
Products separated according to material	109.149	126.691	126.911	74.047	-30.114	-21.885	-34.468	-18.153
Machines and transportation	148.007	160.969	196.802	115.485	-98.319	-92.228	-110.048	-62.177
Various finished products	171.956	177.960	170.024	92.028	135.517	133.762	127.163	70.654
Products and transactions, not mentioned	-	-	-	-	-	-	-	-

Source: Bureau of statistics of Republic of Srpska

According to Standard International Trade Classification, various finished products are biggest export to Germany. In previous year, 2017., sector of various finished products was 49,66% of total export, while at the same year it was 5,43% of import. In the first half of 2018., sector of various finished products kept dominant share of total export, of 50,05%. In observed period there was no relative increase of import in that sector (4,94% of total). Other sectors had

significantly smaller export, however, we can single out sectors of production and distribution of machines and transportation devices, products separated according to material, raw inedible materials (except fuels) and food and animals.

According to this classification, biggest import was made in sector of machines and transport devices, which was in previous, 2017., year 38,88% of total import from Germany. In the first half of 2018., that sector was 41,02% of total import. Germany is one of the countries with the most developed sector for production and distribution of machines and transport devices, considering that in Republic of Srpska technical and technological capacities for their production are not developed enough (especially of transport devices), and it is not possible to perform business activity without it.

Considering all, we can conclude that import in this sector is justified

Other sectors with somewhat bigger import (far smaller compared to sector of machines and transport devices) are: chemical products, products separated according to material, food and animals and various finished products.

Highest foreign trade volume in the past three years, concluding with first half of 2018, was made in sectors of machines and transport devices, products separated according to material and chemical products.

Goods exchange volume is bigger by 12,70% in 2015., 2016. and 2017. According to Standard International Classification, republic of Srpska is making foreign trade deficit with FR of Germany in most of the sectors, except sectors of various finished products and raw inedible materials (except fuels).

### 3.3. Foreign trade exchange between Republic of Srpska and FR of Germany according to MIG

**Table 7.** Export and import of Republic of Srpska and FR of Germany, according to main industrial groups, from 2015. to 2017., concluding with first half of 2018.

MIG	Export in 000 BAM				Import in 000 BAM			
	2015	2016	2017	I-VI 2018	2015	2016	2017	I-VI 2018
<b>Total</b>	<b>276.714</b>	<b>301.350</b>	<b>299.198</b>	<b>162.524</b>	<b>338.912</b>	<b>352.678</b>	<b>394.631</b>	<b>216.545</b>
Energy	18.723	11.173	2.488	1.329	7.386	5.457	8.808	3.641
Intermediary products, except energy	61.829	72.439	75.797	40.005	96.233	102.054	106.729	61.704
Capital products	37.048	50.219	56.567	34.619	121.183	125.717	153.465	88.497
Permanent consumer products	46.828	55.753	57.978	33.195	2.213	2.815	4.592	1.798
Expendable consumer products	104.573	101.667	93.688	49.997	99.807	111.232	116.327	59.137
Unassigned	7.713	10.099	12.680	3.378	12.092	5.403	4.709	1.768

Source: Bureau of statistics of Republic of Srpska.

**Table 8.** Volume and balance of foreign trade exchange of Republic of Srpska and FR of Germany, according to main industrial groups, from 2015. to 2017., concluding with first half of 2018.

MIG	Goods exchange volume in 000 BAM				Foreign trade balance in 000 BAM			
	2015	2016	2017	I-VI 2018	2015	2016	2017	I-VI 2018
<b>Total</b>	<b>615.626</b>	<b>654.028</b>	<b>693.828</b>	<b>379.068</b>	<b>-62.199</b>	<b>-51.327</b>	<b>-95.433</b>	<b>-54.021</b>
Energy	26.109	16.630	11.296	4.970	11.337	5.716	-6.320	-2.312
Intermediary products, except energy	158.061	174.492	182.526	101.709	-34.404	-29.615	-30.932	-21.699
Capital products	158.231	175.936	210.032	123.116	-84.134	-75.497	-96.898	-53.878
Permanent consumer products	49.041	58.567	62.570	34.993	44.615	52.938	53.386	31.397
Expendable consumer products	204.380	212.899	210.015	109.134	4.766	-9.565	-22.639	-9.139
Unassigned	19.805	15.503	17.389	5.146	-4.379	4.696	7.971	1.610

Source: Bureau of statistics of Republic of Srpska.

Observed by main industrial groups (economic purpose), the biggest export was made in sector of expendable consumer products. In previous year, 2017., export in this sector 31,31% of total export while in the first half of 2018. that share 30,76%. Compared to 2015., export of expendable consumer products is reduced by 10,41%. Export of energy is reduced by 86,71%, while there is increase of export in that period in all of the other sectors: intermediary products 22,59%, capital products 52,69%, permanent consumer products 23,81% and unassigned products 64,40%. In previous year, sector of capital products has the biggest share of import from Germany, 38,89%. Other two sectors with big share in import are expendable consumer products 29,48%, and intermediary products 27,05%. Also in the first half of 2018. these three sectors had dominant share in import, while import in other sectors of this classification is significantly lower. Highest surplus in the foreign trade exchange with Germany, according to this classification of foreign trade, is made in exchange of permanent consumer goods. Surplus in the exchange of these products grew by 19,66%, from 2015. to 2017. In energy sector Republic of Srpska made surplus in foreign trade with Germany in 2015. 2016., while in 2017., as a result of reduced export, it made deficit in foreign trade in this sector.

### 3.4. Foreign trade exchange between Republic of Srpska and FR of Germany according to TG.

**Table 9.** The most represented tariff heads in foreign trade exchange between Republic of Srpska and FR Germany, in 2017.

Tariff heads	Sum in 000 BAM
87. Vehicles, except railway ones and trams, and parts for them	93.581
84. Nuclear reactors, boilers, machines, appliances and mechanic devices. Their parts	90.943
94. Furniture, mattresses, beds, lamps, prefabricated buildings	64.593
64. Footwear, and similar products and their parts	56.281
44. Wood and wooden products	48.154
39. Plastics and plastic products	41.571
30. Pharmaceutical products	30.953
73. Products of iron and steel	27.236
60. Knitted material	18.221
2. Meat and edible slaughterhouse products	15.764
<b>Other tariff heads</b>	<b>209.513</b>

Source: Ministry of Trade and Tourism of Republic of Srpska; Foreign trade of Republic of Srpska (January - December 2017.).

**Table 10.** Export and import of the most represented tariff heads in foreign trade exchange between Republic of Srpska and FR Germany, in 2017. (in thousands of BAM).

The most represented import tariff heads		The most represented export tariff heads	
87. Vehicles, except railway ones and trams, and parts for them	91.527	94. Furniture, mattresses, beds, lamps, prefabricated buildings	61.962
84. Nuclear reactors, boilers, machines, appliances and mechanic devices. Their parts	52.408	64. Footwear, and similar products and their parts	55.153
39. Plastics and plastic products	31.536	44. Wood and wooden products	46.017
30. Pharmaceutical products	27.845	84. Nuclear reactors, boilers, machines, appliances and mechanic devices. Their parts	38.534
60. Knitted material	18.218	73. Products of iron and steel	20.083
2. Meat and edible slaughterhouse products	15.764	61. Clothes and clothes accessories, knitted	13.047
85. Electric machines and equipment and their parts. Filming devices	12.423	39. Plastics and plastic products	10.035
41. Raw leather with hair or without hair (except fur) and tanned leather	10.175	62. Clothes and clothes accessories, except knitted	5.868
27. Raw oil, electricity, mineral fuels, oils etc.	9.204	38. Various products of chemical industry	4.690
38. Various products of chemical industry	8.403	8. Edible fruit and nuts, rind of citrus, melon and watermelon	4.030
<b>Other tariff heads</b>	<b>120.109</b>	<b>Other tariff heads</b>	<b>39.779</b>

Source: Ministry of Trade and Tourism of Republic of Srpska; Foreign trade of Republic of Srpska (January - December 2017.).

**Table 11.** The most represented tariff heads in foreign trade exchange between Republic of Srpska and FR Germany, in 2016.

<b>Tariff heads</b>	<b>Sum in 000 BAM</b>
<b>87</b> Vehicles, except railway ones and trams, and parts for them	77.553
<b>84</b> Nuclear reactors, boilers, machines, appliances and mechanic devices. Their parts	70.183
<b>64</b> .Footwear, and similar products and their parts	63.998
<b>94</b> .Furniture, mattresses, beds, lamps, prefabricated buildings	61.452
<b>44</b> .Wood and wooden products	49.207
<b>39</b> .Plastics and plastic products	38.236
<b>30</b> .Pharmaceutical products	28.938
<b>73</b> . Products of iron and steel	28.594
<b>27</b> .Raw oil, electricity, mineral fuels, oils etc.	17.004
<b>2</b> .Meat and edible slaughterhouse products	16.782
<b>Other tariff heads</b>	<b>202.021</b>

*Source: Ministry of Trade and Tourism of Republic of Srpska; Foreign trade of Republic of Srpska (January - December 2016.).*

**Table 12.**Export and import of the most represented tariff heads in foreign trade exchange between Republic of Srpska and FR Germany, in 2016. (in thousands of BAM).

<b>The most represented import tariff heads</b>		<b>The most represented export tariff heads</b>	
<b>87</b> .Vehicles, except railway ones and trams, and parts for them	75.633	<b>64</b> .Footwear, and similar products and their parts	61.863
<b>84</b> .Nuclear reactors, boilers, machines, appliances and mechanic devices. Their parts	40.469	<b>94</b> .Furniture, mattresses, beds, lamps, prefabricated buildings	59.269
<b>39</b> .Plastics and plastic products	30.352	<b>44</b> .Wood and wooden products	46.305
<b>30</b> .Pharmaceutical products	27.240	<b>84</b> .Nuclear reactors, boilers, machines, appliances and mechanic devices. Their parts	29.713
<b>2</b> .Meat and edible slaughterhouse products	16.782	<b>73</b> .Products of iron and steel	22.449
<b>60</b> .Knitted material	14.520	<b>61</b> .Clothes and clothes accessories, knitted	14.644
<b>41</b> .Raw leather with hair or without hair (except fur) and tanned leather	11.777	<b>27</b> .Raw oil, electricity, mineral fuels, oils etc.	11.173
<b>85</b> .Electric machines and equipment and their parts. Filming devices	11.736	<b>39</b> .Plastics and plastic products	7.884
<b>38</b> .Various products of chemical industry	10.126	<b>62</b> .Clothes and clothes accessories, except knitted	6.668
<b>40</b> .Rubber and its products	9.253	<b>99</b> .Toys and games and sport tools	4.602
<b>Other tariff heads</b>	<b>105.731</b>	<b>Other tariff heads</b>	<b>36.779</b>

*Source: Ministry of Trade and Tourism of Republic of Srpska; Foreign trade of Republic of Srpska (January - December 2016.).*



**Table 13.** The most represented tariff heads in foreign trade exchange between Republic of Srpska and FR Germany, in 2015.

<b>Tariff heads</b>	<b>Sum in 000 BAM</b>
<b>84</b> Nuclear reactors, boilers, machines, appliances and mechanic devices. Their parts	68.353
<b>64.</b> Footwear, and similar products and their parts	68.088
<b>87.</b> Vehicles, except railway ones and trams, and parts for them	64.931
<b>94.</b> Furniture, mattresses, beds, lamps, prefabricated buildings	48.453
<b>44.</b> Wood and wooden products	40.332
<b>39.</b> Plastics and plastic products	36.580
<b>30.</b> Pharmaceutical products	28.436
<b>27.</b> Raw oil, electricity, mineral fuels, oils etc.	26.573
<b>73.</b> Products of iron and steel	19.692
<b>2</b> Meat and edible slaughterhouse products	17.928
<b>Other tariff heads</b>	<b>183.595</b>

*Source: Ministry of Trade and Tourism of Republic of Srpska; Foreign trade of Republic of Srpska (January - December 2015.).*

**Table 14.** Export and import of the most represented tariff heads in foreign trade exchange between Republic of Srpska and FR Germany, in 2015. (in thousands of BAM).

<b>The most represented import tariff heads</b>		<b>The most represented export tariff heads</b>	
<b>87.</b> Vehicles, except railway ones and trams, and parts for them	63.175	<b>64.</b> Footwear, and similar products and their parts	65.768
<b>84.</b> Nuclear reactors, boilers, machines, appliances and mechanic devices. Their parts	48.314	<b>94.</b> Furniture, mattresses, beds, lamps, prefabricated buildings	47.129
<b>30.</b> Pharmaceutical products	28.362	<b>44.</b> Wood and wooden products	37.071
<b>39.</b> Plastics and plastic products	25.905	<b>84.</b> Nuclear reactors, boilers, machines, appliances and mechanic devices. Their parts	20.039
<b>2.</b> Meat and edible slaughterhouse products	17.928	<b>27.</b> Raw oil, electricity, mineral fuels, oils etc.	18.723
<b>85.</b> Electric machines and equipment and their parts. Filming devices	9.670	<b>61.</b> Clothes and clothes accessories, knitted	15.458
<b>41.</b> Raw leather with hair or without hair (except fur) and tanned leather	9.438	<b>73.</b> Products of iron and steel	14.123
<b>60.</b> Knitted materials	8.326	<b>39.</b> Plastics and plastic products	10.674
<b>40.</b> Rubber and its products	8.009	<b>62.</b> Clothes and clothes accessories, except knitted	7.393
<b>38.</b> Various products of chemical industry	7.900	<b>76.</b> Aluminum and its products	4.064
<b>Other tariff heads</b>	<b>106.914</b>	<b>Other tariff heads</b>	<b>28.578</b>

*Source: Ministry of Trade and Tourism of Republic of Srpska; Foreign trade of Republic of Srpska (January - December 2015.).*

In the 2015. the biggest volume of foreign trade exchange with FR of Germany was made in tariff head 84. "Nuclear reactors, boilers, machines, appliances and mechanic devices. Their parts". Coverage of import by export in that tariff head is 41,48%. In the next 2016., there was



increase of goods exchange volume by 2,68%, in tariff head 84. Additionally, because of increased export (by 48,28%) of products of this tariff head, coverage of import by export increased from 41,48%, in 2015., to 73,42% in 2016. In 2016., the biggest goods exchange volume with FR of Germany is in tariff head 87., „ Vehicles, except railway ones and trams, and parts for them “. Goods exchange volume of vehicles, except railway ones and trams, and parts for them increased by 19,44% in 2016., compared to previous 2015., much bigger part of that is import, which is 97,52%. Import of vehicles and parts increased by 19,72% in 2016. **The biggest positive balance of foreign trade exchange in 2015. and 2016. between RS and FR of Germany was made in tariff heads 64., “Footwear, and similar products and their parts”, then 94. “Furniture, mattresses, beds, lamps, prefabricated buildings” and 44. “Wood and wooden products”.**

In 2015. export in tariff head 64. “Footwear, and similar products and their parts” was 28 times higher than import, i.e. total export was more than 68 million BAM, while import was around 2,3 million BAM. Export in tariff head 94. “Furniture, mattresses, beds, lamps, prefabricated buildings” was 47 million BAM, while import was 1,3 million BAM. In tariff head 44. “Wood and wooden products” export was 37 million BAM, and import 3,2 million BAM. Products from Republic of Srpska, in these tariff heads, positioned themselves well at FR of Germany’s market, in 2015.

In the next 2016. export of “Footwear, and similar products and their parts” was reduced by 5,94%, however, even besides that big export 61 million BAM was made, while import 2,1 million BAM. Export in tariff head 94. „Furniture, mattresses, beds, lamps, prefabricated buildings“ was increased by 25,76% in 2016., compared to 2015. In absolute sum export was increased from 47 million BAM (2015.) to 59 million BAM (2016.). Export in tariff head 44. „Wood and wooden products“ was increased from 37 million BAM (2015.) to 46 million BAM (2016.), or proportionately it was an increase by 25,14%.

In the previous 2017. export was increased in tariff head 94. „Furniture, mattresses, beds, lamps, prefabricated buildings“ by 4,48%, i.e. export was increased from 59 million BAM to 61,9 million BAM. Export in tariff head 64. “Footwear, and similar products and their parts” was decreased by 10,85%, while export in tariff head 44 „Wood and wooden products“ decreased by 0,62%. Despite decreases, big export of these products was accomplished.

Products in these tariff heads are biggest exports in FR of Germany. Export of those products is way higher than import. It is needed to create concept of systematic support by the state to business subjects which producing and exporting these products to FR of Germany, so that we could together create conditions necessary for export increase, which would contribute to successful business growth and development.

Also, transfer of modern technology and investments (especially foreign direct) from FR of Germany is needed, so that, after adoption of the new technologies, export offer of Republic of Srpska would be increased. It is primary related to import of electric machines, pharmaceutical products, vehicle parts, appliances, plastics products and similar.

## Conclusion

This study confirms that foundation of representative offices of RS abroad, with aim of export increase, is justified activity, if the individual representative offices are functioning in accordance with their foundation goal. In study we analyzed Representative Office in Stuttgart, which has longer time dimension of existence. Competent Ministry and Government of RS, together with the Representative Office in Stuttgart, are over the years performing activities which resulted in increase of foreign trade exchange between RS and Federal Republic of Germany.

*According to that, Institute suggest to Government of RS to order its representative offices abroad to make registers of business subjects (companies and individuals), especially owners, co-owners or shareholders, they could be of great use in improvement of foreign trade exchange with targeted country.*

These activities contributed to:

- determination of Government of RS and representative offices to jointly work on preparation of normative regulation, which would stimulate business of RS and make contacts with foreign partners easier;
- numerous activities and meetings with Chamber of Commerce in Stuttgart, which certainly helped in establishment of bilateral and multilateral contacts, at the level of individual business subjects, sectors, branches, and even total economic cooperation;
- beginning of education and training of employees in competent ministry in Government of RS, for international cooperation in project applications and creation of software solutions, aimed at on-line company's registration for more efficient work.

Statistical data confirms that foreign trade exchange with federal republic of Germany had the biggest volume. In that exchange the biggest is processing industry, with 82% share of total exchange with Germany. If we observe it compared to 2003., than it is visible that exchange increased by 153,99%, which is enough to conclude that Representative Office justified its existence. Therefore, resources allocated from RS budget for financing of Representative Office's work, in range of financing material expenses of work, are justified. Institute thinks that every representative office which contributed to foreign trade exchange volume increase with country of its work, has justification for expense in budget of RS. It is advised to government of RS to widen the network of representative offices abroad, who would serve main purpose of their foundation, increase of foreign trade volume with countries of their foundation. Everything else is unjustified, on contrary, it would present difficulty to budget of RS.

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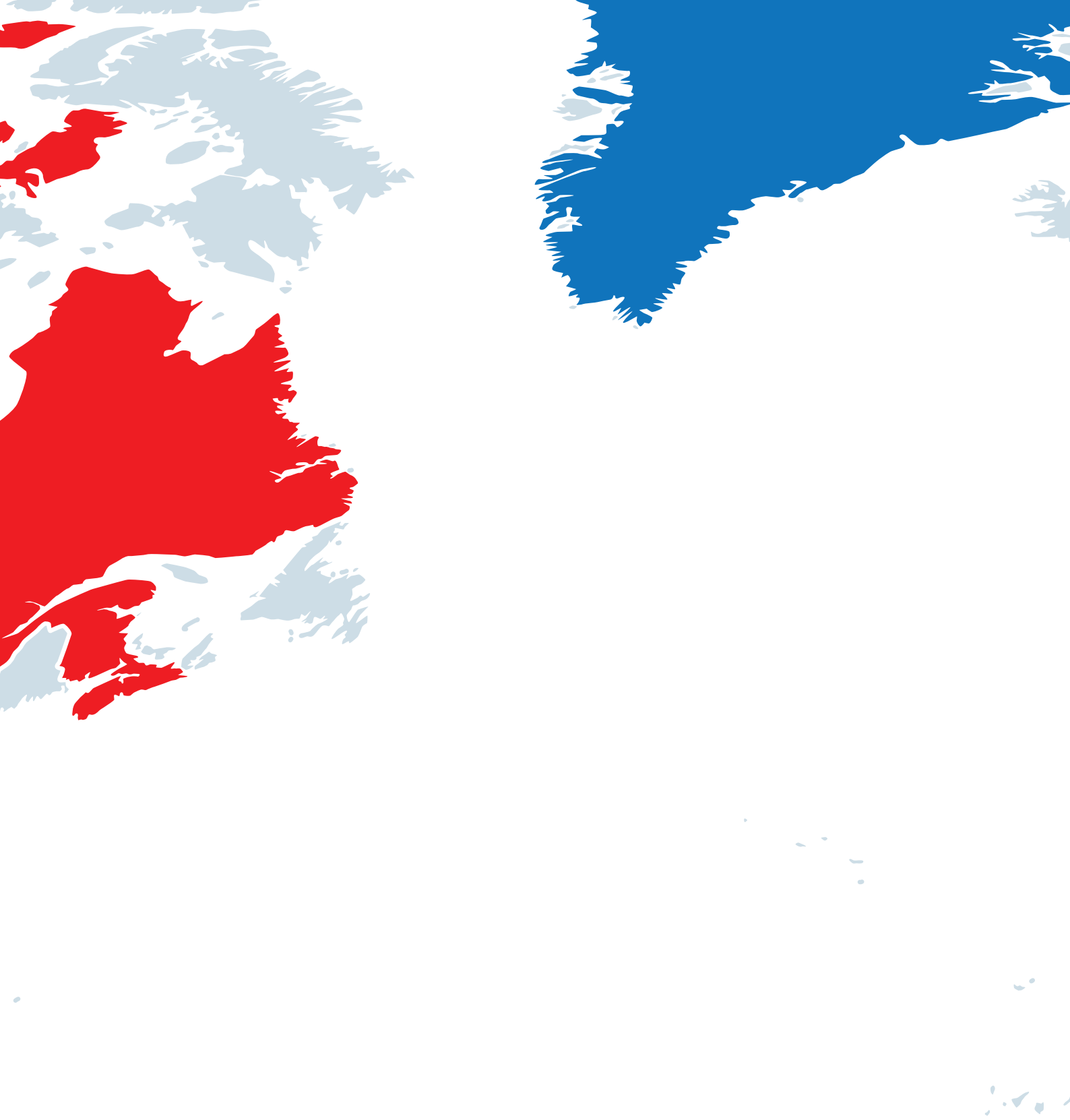
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