

Jadranko Prlic*
Tufik Burnazovic**

Stability Pact for Southeast Europe, Attracting Direct Foreign Investments – Aims and Ranges

Southeast part of Europe, in its narrower meaning known under a name of Balkans (which is not only a geographical, but also a socio-psychological entry)¹ has been known through history of Europe as the most problematic area. The best proof of this assertion is the fact that four wars

* *Jadranko Prlic; Prof., Dr., Minister of Foreign Affairs of Bosnia and Herzegovina*

** *Tufik Burnazovic; Prof., Dr., Director of the Center for International Relations and Strategic Studies of the School of Political Sciences, University of Sarajevo*

happened in the last decade of the 20th century. The fact is that this century ends with no less opened questions, when this area is in question, than it used to be at its beginning.

Numerous explanations are present and a lot of solutions have been offered. In period between two world wars, a series of Balkan conferences were held in regard to the construction of Balkan Alliance², what was not realized just because of many unsolved mutual political questions, first of all, a question of minority treatment.³

After that, a long period of the Cold War followed, cooperation mainly in a field of security remained without any results because of block divisions⁴, while the post-Cold War times and the entry into transition (social, economic, political, adaptation of complete law systems, and somewhere even a mixture of different law systems present – an Anglo-Saxon and a European one, a case in Bosnia and Herzegovina, but also in a range of international and regional agreements, conventions or other documents) instead of appeasement, sped up internal tensions leading to some new conflicts.

Although, after the Second World War, during the biggest campaign of the East block countries (Informbiro) against former Yugoslavia, there were some attempts for regional political and defense alliances to be established, like Balkan Pact and, then, even Balkan Alliance formed by of that time two members of the western military alliance-of NATO Pact, Republic of Turkey and the Kingdom of Greece, then FNR Yugoslavia from 1953-which was not maintained after the reconciliation of the last one with the USSR in 1955 by Mr. Khrushchov's visit to Yugoslavia. This provisional, unfortunately, Balkan, alliance used to have all the characteristics of defensive union for the case of attack of any third country against the one or all members of that integration because common defence was predicted. It means that the aims were superbly military defensive, while the political and economic ones were inferior. The alliance tacitly disappeared from the political scene even by the sudden turnabout of former Yugoslavia in the direction of nonalignment with any political block, what will result in the establishment of the Movement of Nonaligned Countries.

Until the last 80-es of the 20th century, no discussion neither any attempts concerning the plan of creation of regional Balkan cooperation existed, because of tight connection of the biggest number of countries of that region with their traditional western and eastern allies and partners, respectively, then because of the connection of former Yugoslavia with undeveloped countries, the third world, that is with nonaligned countries. Dissolution of former Yugoslavia, then aggression committed against Slovenia, Croatia, and

specially against Bosnia and Herzegovina by, first of all, FR Yugoslavia, represented by S. Milosevic's regime, conclusion of General Framework Agreement for Peace in Bosnia and Herzegovina, initialized in Dayton in November 21st, 1995, and signed in Paris in December 14th, 1995 (hereinafter Dayton Peace Accord) actualized again the need for international community to pay more attention and interest to the care of the region and enable faster and more complete peaceful development, the transition of the countries of communist regime into the system of market economy, into capitalist plural parliamentary system of ruling, and the system of the rule of law and full respect of international conventions and agreements on human rights.

Based on those and similar principles, international community signed in a spectacular way, in Sarajevo in July 29th and 30th, 1999, Stability Pact for Southeast Europe in presence of 29 presidents of countries and governments, including USA, European Union, Russia, Canada and, by this, concluded just in Sarajevo, the best way possible, a century of conflicts and biggest world war confrontations, a century which began in the same town with the murder of Austro-Hungarian heir to the throne, serving as a direct reason for the beginning of I World War, a period marked by demolitions, devastation, and destruction of everything worth earlier created by civilization.⁵ The basic aim of the Pact has been to prepare the countries of the region for faster integration into Euro-Atlantic institutions.⁶ The Summit in Sarajevo, which gathered 29 presidents of countries and governments, without FR Yugoslavia presence⁷ will have a historical meaning similar to Berlin Congress⁸ or Versailles Conference especially in the sense of establishment of permanent framework for common life and development of the region under the condition that the Pact has been the first and the most significant phase of harmonization of the countries in the region with the requests set to the countries non-members before the application for admission to Membership of European Union has been submitted, and which is an ideal for every country in Europe without any exception.

Integration into European flows would be carried out through construction of democratic institutions, equalizing of conditions at the market⁹, development of common security structure, repeated revitalization of economy, harmonization of law system and improvement of law security according to the standards of European Union and, full implementation of humanitarian rights. Integration into Euro-Atlantic flows should change the political logic in the region – instead of permanent dealing with the past, leaders and peoples will turn towards the issues of present and future days. At the same time, mental change comes true in Brussels, because before the Summit in

Sarajevo, highly developed Europe very often asked a question whether Balkans belongs to Europe at all?! Current way of thinking over starts from the point that such an area really is Europe because of which Brussels has special responsibility, which starts to be expressed more clearly.

These changes in orientation lead to realizing of future needs for changes which coincide and complement each other.

Such action will, in political specter, encourage progressive forces to work themselves within the limits of their powers inside their countries, on stabilization of the region ten years upon lagging behind, then enable those countries to continue and complete undisturbed the process of transition into market economy on the principles of European Union, improve the system of internal and external security in accordance with NATO principles, then supra-identity coming with Europe. It is difficult to reach such solutions under the conditions of crises in the region. All the countries in the region are well aware or become aware of this fact and Serbia more and more together with another federal partner Montenegro.

Stability Pact represents a new quality and mobilizes in right direction, but is insufficient to direct all the questions and all the countries towards the main continental flows. Necessary and required reforms, among them transparent privatization of state/public property, building of modern state institutions, existence of stabile, independent and not corrupted jurisdiction, police and administration, movement of unnecessary barriers for opening of markets and giving chances to capable businessmen for concrete match will enable necessary conditions to be established for more significant income of direct foreign investments, out of which this region is still mainly deprived, that means it is not attractive enough.¹⁰

Comparison to some other countries in transition shows that. In spite of all the intentions and proclamations of free and unique Europe, after the fall of the Berlin Wall, a new line of division appears and now between the countries of the Central and Southeast Europe in the process of transition. There are many proofs that Southeast Europe in that slower group of the countries in those changes what can be dangerous for the stability of the whole Continent.¹¹ For example, the decrease of transition in the period 1989-1993 in this region (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Yugoslavia, Macedonia and Romania) amounts more than 40 % in comparison to decrease of GDP of 18 % in Central Europe.¹²

The region is more and more considered as unique, what even has no special analytic meaning, but such a focusing, such a recourse is important from the aspect of searching for adequate regional solutions which could

reconcile internal national differences. In the countries of Southeast Europe (excluding Greece and Turkey) live 56 million of people with total gross domestic product of 100 billion dollars, out of which incomes of so called "gray economy" are probably excluded, that is out of "informal sources".¹³

This group of countries is extremely heterogeneous – as per size the same way concerning the level of incomes. Differences are very big-from 4,5 thousand US dollars in Croatia, to 800 in Albania.¹⁴ The region is not homogeneous even in its structural and social development, what makes the proposal of common regional strategy more difficult.

The access country by country and inter regional cooperation is necessary, but is insufficient for achieving self-preserved development and stability. Integration with European and global structures, admission to the membership of WTO-World Trade Organization, etc.¹⁵ and especially with European Union is of key importance on that way of integration.

By the beginning of the new third millennium, Bulgaria and Romania signed the contracts on joining, and they are invited (at the Summit held in the second part of 1999) for commencement of negotiations for admission to the European Union. The European Union proposed to other five countries a Contract on Stability and Admission. Macedonia signed that contract, Albania got such a desirable feasibility study, as well as Croatia after it was included to the Partnership for Peace. Bosnia and Herzegovina tries to meet its obligations in accordance with a range of conditions in order to get a feasibility study, while FR Yugoslavia is still out of all combinations. Economic movements mainly followed integration trends. By the end of 90s, the region, except FR Yugoslavia has made a progress in achieving macro-economic stability through implementation of consistent monetary and fiscal policy, together with proper fixed regimes of conduct of policy of Exchange Rate. Four countries, among which even Bosnia and Herzegovina, use "stand by arrangement".¹⁶ However, with regret, it can be concluded that such a progress came with delay of at least five years, compared to other Central European countries, and a step forward is besides that insufficient and is not self-preservative. All analyses show that macro-economic achievements are still sensitive to turnabouts because of difficulties in keeping the existing balances and future pressures on fiscal policy which may be expected because of very difficult social situation in some countries.

However, macro-economic stability is not followed by economic growth. Cumulative fall of production in 1999 in relation to 1998 was 30 %, despite the significant international donations, the fall of production in Bosnia and

Herzegovina was almost 50 %. At the same time, the growth of GNP in Central Europe (Hungary, the Czech Republic and Poland) was 10 % in comparison to 1998. This is a proof more on deepening a gap, especially having in mind that the GDP per capita (based on parity of powers of buying) decreased from 33 % of the average in EU in 1990, to 24 % in 1998. Productivity also decreased for around 10 %.

A share of investments in the GDP of Albania, Bulgaria and Romania is less for 20 % of the GDP.¹⁷

Unemployment is an enormous problem which make pressure on the whole region without any exception. Its rate in Macedonia and Yugoslavia amounts over 33 %, while in Bosnia and Herzegovina is over 55 % of active working inhabitants. These per cents do not have to be extremely correct because of a certain impact of gray economy, what provides only a minimal positive influence on the situation that has been very gloomy.

However, some positive steps forward must not be disregarded. The word is, first of all, about enlargement of private sector in the region. Starting by 1989, when 12 % of the GDP belonged to a private sector, for the time being that index is 60 %. Bosnia and Herzegovina holds the last position with only 35 %.¹⁸

Significant progress has been achieved in liberalization of trade and bigger transparency of systems of exchange rate policy¹⁹ in almost all countries of the region. That produced positive results within a short period. Also, privatization²⁰ that carried out through different methods was also improved. A limited progress has been achieved even in improvement of competition, while the banking system is still undeveloped and with high percentage of state property in the ownership structure. Besides that, even a huge burden of debts of domestic companies, which have been guaranteed by domestic banks, makes this part of economic system, at least in Bosnia and Herzegovina, inadequate for rapid outcome from the phase of reconstruction into a phase of more rapid development. The height of interest rates in Bosnia and Herzegovina banks additionally make a recovery of economy more difficult, as well as the ability of citizens to profitably use those means.

In accordance with these zigzag shifts in positive direction, the economic functioning is not satisfactory, and basically represents an inappropriate progress in the implementation of structural reforms. Nonexistence, or insufficient development of relevant institutions of modern market economy does not provide predictability, transparency, and appropriate treatment, actually prerequisites for bigger private (both foreign and domestic) investing.

Priority areas for domestic economic reforms

The first area is related to faster development of the private sector, including, first of all, the improvement of business regulations. Under the business regulation we mean a certain number of system laws, and especially system regulations in the sector and for the sector of foreign trade cooperation.

Some of those regulations from the sphere of foreign trade policy are passed thanks to energetic attitude of the High Representative of the International Community – OHR. The High Representative, when it became obvious that representatives of Peoples in the Parliamentary Assembly of Bosnia and Herzegovina would not reach the appropriate consensus on contents and sense, imposed his own proposal of the Law on Policy of Direct Foreign Investments²¹. It can be stated with certainty that this regulation contains modern and world wide legal solutions of regimes of direct foreign investments. Under the concept “direct foreign investments” (Article 2, paragraph 2) he means: acquiring, creation or expansion of any business project, or any other activity, which, by itself or together with other activities, all of them at the same time or one following another, outcomes in enabling to one or more foreign investors to gain or increase a control over a certain company that deals with industrial, agricultural, commercial (trade), financial dealings, including dealings related to real estate, services or other activities, or to enable the expansion of a company already under control of foreign investor. Such investments could include any object of real rights (real estate ownership) as well as intellectual property rights, including, but not ultimately limited to the free convertible currency or the local currency: loans, advances, securities, licenses, leases, and rights originating in contracts, including concessions²², plants, equipment, spare parts, raw materials, industrial and intellectual property rights, or any other financial facilities given by the physical or juristic person under foreign control, except the situation between mother companies and their branch offices, if it does result in expansion of foreign control over local enterprises.

According to the same regulation, “foreign control” is interpreted as any kind of participation with over 10 % of capital or rights to vote that belongs to foreign investors or to other juristic person under foreign control.

This regulation, in tradition of modern legal acts, includes national treatment (national treatment of a foreign partner), then the most favored nation treatment, etc. The paradox is that this regulation, as the word is about the Federation of BiH, could not have been implemented directly in Bosnia and Herzegovina. Under such regulation there are laws on foreign investments

of entities, that were passed before the called, Westendorp's law, and that are contradictory to those ones. If the legal state is in question, that means the rule of law, then the regulation adopted for the state as a whole, should be implemented everywhere even in cases where lower regulations are in contradiction to it. This way, entities implement directly entities' laws.²³

And some other laws such as the Law on Custom Policy, Law on Foreign Trade, which have been passed at the state level could be a good example, that is, they could provide meeting of conditions for joining the World Trade Organization (WTO).²⁴

The second priority sector is a total social development, achievement of social cohesion and decrease of poverty, including building new, modern and long-lasting system of social protection.²⁵

The third sector includes improvement of public administration management, financial control mechanism, legal and juridical system. Within this sector, and especially at the level of high state and entity positions, where the main government is concentrated, upsetting manifestations of bad leadership over state business are visible. In the frame of those institutions, corruption, bribe, and closing eyes before organized crime, money laundering are present. The role of the High Representative in Bosnia and Herzegovina is especially important when it comes to such antisocial appearances that provide benefits to a small circle of favored individuals, and impoverish already exhausted people of Bosnia and Herzegovina.

The fourth priority is the Infrastructure Policy, which among other things, should provide the coming in of private sector and bridging over the gap between the infrastructure funding and putting in order of the strategy and implementation of environment protection policy. The First Financial Conference of the Stability Pact for Southeast Europe that took place at the end of March 2000, provided, as already stated, 2 billion EURO, just for these purposes, within the, so called, Package for Rapid Start.

Attraction of direct foreign investments

Creators and successful signers of the Sarajevo Declaration of the Stability Pact for Southeast Europe signed on 30 July 1999 had in mind numerous significant goals that were supposed to be achieved by such an integration. The first and the basic goal, which was not only in the interest of the region, but also in the interest of the whole world, then European continent, Middle East, and Arabian-Islamic world, was to strengthen the security by creating better international confidence, peaceful cooperation, solving possible mu-

tual contradictory relations in a peaceful manner, regardless whether it relates to border problems, issues of implementation of human rights equal for all citizens no matter if they belong to national majority or minority, etc.

It is well known that the region of Southeast Europe was subject to imposing willingness and government by the elements coming from abroad, but from the very beginning of the 20th century (the 19th century could be treated the same way), within newly established countries, the most numerous nations endeavored to crush all rights of citizens who belonged to minority peoples, and were often successful. The same thing has been done to the nations they accused for their historical destiny (mythological accusations and other accusations without any reason made by nationalists from Serbia and Montenegro against Bosniaks, and Muslims from former Yugoslavia in general). No need to argue about the minorities.²⁶

Having in mind that the world has become or is becoming a global village, and that crisis and conflicts could easily transfer outside the borders of the countries in conflict²⁷, inventors of the Stability Pact for Southeast Europe had in mind that its implementation should be proceeded through three working-tables, as follows:

1. Working-table on Democratization and Human Rights,²⁸
2. Working-table on Economic Reconstruction, Development and Cooperation,²⁹
3. Working-table on Security Measures.³⁰

Working-table for Economic Reconstruction, Development and Cooperation, on the grounds of its recent activities³¹, has started realizing projects of building of infrastructure, such as the Project on Road Net Kukes in Macedonia, and Dures in Albania, that is Skoplje – Pristina.

In relation to increased engagement of bearers of the Stability Pact on encouragement of potential, especially strategic investors to invest capital in the countries of the region, in order to create satisfactory conditions for investments, it is necessary to meet certain conditions.

If a country or a region wants to be attractive enough to attract foreign direct investments it is firstly required:

- a) to create stable economic conditions, if it is possible to anticipate future economic flows with a high degree of certainty,
- b) to provide the existence and lasting of social and political stability ,
- c) to have a positive approach of state institutions towards direct foreign investments,
- d) to provide an adequate (satisfactory) foreign trade, customs, and currency treatment of direct foreign investments,

- e) to regulate once and for ever the full freedom of foreign partners so they could have right to unlimited repatriation of capital, transfer of dividends, all of this in accordance with the order and in the currency, then to the appropriate address, all this according to the disposition of foreign partner,
- f) modern infrastructure, communications, power, water, sewage system, etc.,
- g) qualified, trained, and effective labor, as well as effective administration that would provide services,
- h) availability of resources, raw materials and other home-made materials under the competitive conditions,
- i) permanent care and striving of local partner and other relevant local subjects for raise of productivity, and along with that, raise of dividends, that is profits.³²

In what the legal security reflects

If we, under political stability consider, in the sense of full implementation of the Dayton Peace Accords, which in another words means effective functioning of institutions of political system, responsible work of a parliament at all levels, as the bearer of the political power, as well as work and performance of executive authorities, then, the meaning of legal security should be looked for and found out in the following:

- a) creation of required and modern laws, without which it is impossible to imagine a state of law,
- b) implementation of those regulations without exceptions, whether it concerns totality, or relates to individuals concerned, whether it concerns the period during which they are to be implemented, or individuals that have to implement it, and
- c) in the independent, professional and impartial functioning of juridical, police and other administrative authorities.

Procedure for delivering of required laws

Regardless of efforts in the world that strive to contribute significantly to deregulate a function of a modern state, leaving to business, its associations, chambers, and other bodies, such as UNICITRAL³³, to settle down certain issues of mutual interests in accordance with recognized international standards, those codified and not codified ones, then customs to, in accordance with their specific interests, arrange certain issues of common interest, the role of a state is required in arranging those relations in their

essential sense of meaning, and with the only aim to achieve, which is to facilitate communication between partners, where they are not able to do it by themselves.³⁴

Conclusion

Pact for Stability for Southeast Europe is a great challenge for all involved countries of region, and not only for them but for Europe as a whole. As this region is beginning to be “discovered” like a new part of the world it will be put under pressure to modernize itself by the actions of both themselves and international community.

The privatization which in some parts of region is at its finishing stage and in other in the final one is one of the most important movements.

For Bosnia and Herzegovina, there is a lot of to be done in order to harmonize its behavior with the rest of Europe. Solving the problem of refugees and displaced people, unifying the army forces, establishing the rule of law and order etc., are the great tasks of the country. The steps to move to the membership of World Trade Organization – WTO, Partnership for Peace, European Council, and finally to the membership of European Union are the daily works of all relevant governmental and legislative institutions.

It is understood that complying with the conditions of those organizations is not easy and short-term goal. It will need more support of the international community, but that can be expected to happen only if the local political institutions show readiness to move in that directions. On that way indicted criminals to be sent to den Hague is also of the great importance for reconciliation of the people of Bosnia and Herzegovina.

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Notes:

1. *In geographical sense, the concept of Balkans, according to some sources, includes Albania, Bulgaria, Greece, Romania, Turkey, and the countries of former Yugoslavia (except Slovenia-?)s. The book on Balkans published by the Balkan Institute, Belgrade, 1936, Ch. IX.*
2. *The first attempt of the limited Balkan Alliance followed in 1912 when Greece and Bulgaria were firstly obligated for common defense by the pact, then they were followed by Montenegro, Serbia and Bulgaria, in October, 8th of the same year, Greece, Bulgaria, Serbia and Montenegro concluded the pact on common defense against Ottoman Empire-s. Barbara Jelavich, History of the Balkans, Cambridge, 1983, p. 97.*
3. *Dr. Jadranko Prlic, Domestic economic reforms and foreign investments in Southeast Europe-work based on the presentation of the introductory theme at the Conference at*

- Wilton Park, Great Britain, 2000, concerning the topic: *Joining Europe: integration of the Southeast Europe into main European flows.*
4. Loukas Tsoukalis, *Economic Aspects of European and Balkan Regional Integration*, in *The International Spectator*, vol. XXXIV, No. 4, October-December, 1999, p. 41.
 5. Well known American writer, of so called "lost generation", Gertrude Stein like many other American intellectuals during first decades of 20th century used to say that the 20th century began by 1920-es, that is, by definite inclusion of USA into the flows of European reality-by means of the role of Wudro Wilson, of that times USA president at the peace conference in Versailles, and by the means of his famous 14 items on stabilization of peace, inclusive even principles of self-determination of peoples. Many contemporary historians, especially American ones, consider the Versailles solutions, among which is the creation of Yugoslav country, to be in fact, besides divided Germany prohibition for this country to be armed without any control, a pretext for II World War. They think that the conclusion of peace after I World War and disappearance of some former big countries used to be a step back and a step closer to the beginning of II World War. Also, some contemporary American intellectuals seem to wish to over jump a period of almost last ten years of the 20th century during which especially at the area of Bosnia and Herzegovina, an unprecedented genocide has been committed mainly over Bosniaks, by the aggression committed especially by FR Yugoslavia in the period 1992-1995, whereas international community, even USA as the only super power, did nothing to prevent it at the very beginning, and even more, they could have done it. They simply do not want to be considered as contemporaries of that and such blood period which happened somewhere far away from them, not taking into account that something like that could have happened even somewhere else, what, depending on interests, would be allowed for long to last, or they would prevent that if the conflict was going to endanger their property and security
 6. Dr. Tufik Burnazovic, Dr. Insir Insirovic, *World Bank and International Monetary Fund, Sarajevo, Tuzla, Gracanica, 1999, p. 415-433-then Dr. Tufik Burnazovic etc. World Bank and International Monetary Fund.*
 7. Federal unit Republic of Montenegro through its president, Mr. M. Djukanovic, was present in capacity of a guest, without a right to sign the documents of the Pact.
 8. Berlin Contract was signed in July, 13th, 1878, originally in French. Especially important for Bosnia and Herzegovina and Ottoman Empire are Articles 25 (renunciation of Bosnia and Herzegovina to Austro-Hungarian government), 30 (relating to minority rights guaranteed in Montenegro), then 39 (also relating to guarantee of minority rights in Serbia)-s. *Balkan contracting relations, 1876-1996, Belgrade, 1998, vol. I, p. 123-126.*
 9. A year and a half just passed since the signing of such an important document. In the statement on the occasion of the first anniversary, Special Coordinator of the Pact, German diplomat, Mr. Bodo Hombach, stated that "the path we started to follow in Sarajevo led us to a fascinating journey". He proved that a proof of vitality long-term lasting of the Pact is that one that for more than 200 projects in the region, more than 2,5 milliard dollars are provided. Projects especially include building of infrastructure objects with which this region is in lack in comparison with other parts of European continent.
 10. Dr. Tufik Burnazovic, *Strana Ulaganja, Sarajevo, 1996, p. 29-31, Dr. Tufik Burnazovic, Komentar zakona o stranim ulaganjima, Sarajevo, 1996, p. 5-8, Dr. Tufik*

- Burnazovic and others, World Bank and International Monetary Fund, p. 47, Tufik Burnazovic, Bosnia and Herzegovina: Economic Factors and Obstacles of Political Stability, Friedrich-Alexander – Univesitat Erlangen – Nurnberg, 1998, p. 24-28, Tufik Burnazovic, Bosna-Hersek: Ekonomik Faktorler ve Siyasa Istikrarin Onundeki Engeller, Avrasya Etudleri, Ankara, 14 Yaz Sonbahar, 1998, p. 41-44, Tufik Burnazovic, Bosnia and Herzegovina: Economic factors and Obstacles of Political Stability, Eurasian Studies, Ankara, 14 Summer Autumn, 1998, p. 45-49, Tufik Burnazovic, Bosna izazov promjena, Sarajevo, 1998, p. 92-123, Tufik Burnazovic, Savremeni pristup vlasnickopravnim odnosima u pravnom sistemu Bosne i Hercegovine, Tranzicija, Tuzla, No. 1, April, 1999, p. 41-49, Prof. Dr. Tufik Burnazovic, Organized and Financial Crime and the Legal Structure of the Privatization Process and the Foreign Direct Investments in Bosnia and Herzegovina. . . , OSCE-Regional Stabilization, Sarajevo, January, 2000, p. 3-22, Prof. Dr. Tufik Burnazovic, Priroda prava vlasnistva u pravnom sistemu Bosne i Hercegovine danas, in coll. Carole Hodge/Mladen Grbin, Obnova i razvoj u Bosni i Hercegovini, Zagreb, 2000, p. 260-266, Edward M. Grabam, Paul R. Krugman, Foreign Direct Investment in the United States, Washington, DC, January, 1955, p. 35-38 and 49-50, Theodore H. Moran, Foreign Direct Investment and Development, Washington, December, 1998, Leon, Richardson, Investiranje, Zagreb, 1997, Dio II, p. 145-151.*
11. Dr. Jadranko Prlic, *Domace ekonomske reforme i inozemne investicije u jugoisto~noj Europi*, p. 2.
 12. According to L. Tsoukalis: *The combined GDP of Albania, Bulgaria, Romania, and successor republics of Yugoslavia (excluding Slovenia and Croatia) is smaller than the GDP of Greece. How small GDP is, the best figure, according to the same author, is that GDP of Greece is equal to one percent of GDP of European Union-s.* Loukas, Tsoukalis, *Economic Aspects of European and Balkan Regional Integration*, p. 46.
 13. Dr. Jadranko Prlic, *Domace ekonomske reforme i inozemne investicije u jugoistocnoj Europi*, p. 2.
 14. *Ibid*, p. 2.
 15. Dr. Tufik Burnazovic i dr. Svjetska banka i Medjunarodni monetarni fond, pp. 49-72.
 16. Dr. Tufik Burnazovic i dr. Svjetska banka i Medjunarodni monetarni fond, pp. 151-154. *This so called Stabilization credit, used by Bosnia and Herzegovina, has been awarded under the condition for BiH to obligate itself on implementation of economic reform, approved by IMF. That was preconditioned by introduction of common currency of convertible mark, unique customs and foreign trade policy and tariffs, establishment of efficient and uniformed tax system, unification of currently divided payment system and trade. Stand by arrangement had in mind introduction of new pension system and termination of additional import fees in Federation of Bosnia and Herzegovina, cooperation with Republika Srpska, Hague Tribunal, then adequate harmonization of privatization regulations, the same way at state and entity level.*
 17. Dr. Jadranko Prlic, *Domestic Economic Reforms and Foreign Investments in Southeast Europe*, p. 3.
 18. *Ibid* page 3.
 19. According to Annex 4 of the Dayton Peace Accords (the Constitution of Bosnia and Herzegovina, Article VII (Central Bank) "There shall be a Central Bank of Bosnia and

- Herzegovina, which shall be the sole responsibility for issuing currency and for monetary policy throughout Bosnia and Herzegovina”.*
20. *Dr. Kadrija Hodzic, Modern Economic Thought on (Re)privatization, Tuzla, 1997, pp. 97-109, Tufik Burnazovic, Attraction and the Market of Capital, Sarajevo, 1997, pp. 15-17.*
 21. *Published in the Official Gazette of Bosnia and Herzegovina No. 4/98. Besides this text that was adopted by representatives, two other proposals of the same Law were presented: one by the Social-Democratic Party of Bosnia and Herzegovina, by its representative in the Assembly Dr. Zlatko Lagumdzija, and the second by Dr. Tufik Burnazovic, whose suggestion was named as “the Law on Attraction of Foreign Capital”, since that was the subject of the regulation. Otherwise, permission for foreign investments was regulated by the Law on Enterprises, which was in force in that time in the Federation of BiH, and today it is regulated by the Law on Economic Companies that was passed in 1998 and is valid for the Federation of BiH.*
 22. *Hajro Kofrc, Property and Concession in the Transition Process; Carole Hodge/Mladen Grbin, s. collection Reconstruction and Development in Bosnia and Herzegovina, pp. 266-272.*
 23. *Law on Foreign Investments valid in the Federation of BiH, was passed in 1995, and the same regulation was passed in Republika Srpska in 1997. To the recent times, all efforts of the International Community, and business cycles from the Federation of BiH, made in order to change, amend or deliver a new law on foreign investments, which would be compliant with the Law on Policy of Foreign Investments, showed to be a failure.*
 24. *S. Prof. Dr. Tufik Burnazovic, Agreement on Textile and Clothing, and Foreign Investments Significant for Trade – Implications for BiH, collection of the Ministry of Foreign Trade and Economic Relations, Strategy of BiH in Joining the World Trade Organization, Sarajevo, February 1999, pp. 34-40 and 44-45.*
 25. *This can be achieved by rapid revitalization of lagged behind economy, firstly the industrial production, food production, improvement of traffic and other infrastructures, improvement of sector of services, etc.*
 26. *B. Jelavich in her book History of Modern Balkan points out the unenviable situation of Croats in past monarchic Yugoslavia, and with even more reasons the same could be stated about the situation of Bosniaks on the territory of current Bosnia and Herzegovina as well in other parts of past Yugoslavia: Sanzjak, Serbia, Montenegro. Many resolutions, declarations and other documents of governmental and non-governmental organizations (Helsinki Committee, International Crisis Group, etc.) witness the unenviable position of minorities, especially Albanians in Kosovo, and also today outside Kosovo, then Bosniaks in Sandzak, during the existence of Yugoslavia until 1999.*
 27. *The most tragic sample are refugees and displaced persons from former Yugoslavia. The majority is from Bosnia and Herzegovina that found shelter in many countries of Europe, and some of them in USA, Canada, Australia, New Zealand, etc.*
 28. *This table will deal with democratization and human rights, including rights of individuals who belong to minorities, then free and independent media, building of civil society, rule of law and laws implementation, building of institutions, effective administration and legal conduct (good governance), improvement and fulfillment of mu-*

- tually adopted regulations on conduct on boarders, other relevant issues that are of interest of participants, then returns of refugees and displaced persons.
29. The table will deal with economic cooperation in the region, between the region and Europe and the world, promotion of free-trade zones, inter-boarder transportation, transmission and supply of energy, deregulation and transparency, infrastructure, promotion of private initiative, environment protection issues, sustainable reintegration of refugees, other relevant questions of interest for participants, taking account of preservation of coordination integrity of the donor process.
30. This table will deal with justice issues and internal affairs, as well as migration issues. It will focus on measures against organized crime, corruption (S. Prof. Dr. T. Burzanovic, *Organized and Financial Crime and the Legal Structure of the Privatization Process and Foreign Direct investments in Bosnia and Herzegovina*, OSCE – Regional Stabilization, Sarajevo, January 2000, pp. 3-22), terrorism, and all other criminal and illegal activities, overboard hazards regarding the environment, other issues of interest for participants, such as regular informing by competent authorities that deal with measures of transparency and confidence in the region. This working-table will also support the ongoing implementation of the Dayton/Paris Peace Accords, Article 4 – Agreement on Control of Weapons, and will consider when the time comes further control of weapons, security and confidence, and measures for their achievement by relevant authorities, taking into consideration current obligations and agreed responsibilities in accordance with CFE Treaty. The table will be regularly informed by competent authorities, in regard to cooperation in defense/military matters, in order to improve the stability in the region and between countries of the region, and to ensure sustainable engagement of all responsible authorities for providing stability in the region, preventing conflicts, and in regard to conflict management. Work of this Working-table will be harmonized with the work of different European and Euro-Atlantic initiatives and structures that deal with the security issues of the region.
31. Anniversary of the Sarajevo Summit of the Stability Pact, Partnership for Progress, Oslo-bodjenje, Saturday, 29 July 2000.
32. Dr. Resad Begić, Editor-Chief, *Metodologija i pracenje oblika poslovno-tehnicke saradnje sa inostranstvom*, Institute of Economy, Sarajevo, 1980.
33. Dr. Tufik Burnazovic i dr. , *Svjetska banka i Medjunarodni monetarni fond*, pp. 10, 11, 291, 293, 319, etc. This Commission of the United Nations in charge of Improvement of International Law contributed by its previous work that many important conventions were made and adopted under the wing of the United Nations, especially in the field of direct foreign investments and international trade in general. Besides the Convention on Resolving of Investment Disputes from 1965, UNICTRAL significantly contributed to making and adoption of the Convention on Reconciliation, that is conciliation and arbitrage from 1976 and 1980, and preparation and adoption of model-law on International Trade Arbitrage from 1985. Besides the Commission, the United Nations Regional Economic Commission also gave its contribution in regard to defining and adoption of many general terms for import, that is export of equipment and plants. Such successful work in 50s, 60s and 70s was an effort of the United Nations European Economic Commission, s. *Ibid.* pages 275-276.
34. W. M. Geldart, *Elements of English Law*, London, 1963, pages 21-47.

Resumé:

Jadranko Prlic – Tufik Burnazovic: *Pakt stability pre juhovýchodnú Európu, prilákanie priamych zahraničných investícií – ciele a oblasti*

Juhovýchodná Európa, zúžene Balkán, je historicky najproblémovejšou časťou Európy. Napriek viacerým pokusom o nájdenie riešenia či vytvorenia Balkánskej aliancie alebo spolupráce nekončí toto storočie s menším počtom otvorených otázok ako doňho vstúpila. Rozpad bývalej Juhoslávie a následné agresie Miloševičovho režimu voči novým štátom v priebehu posledného desaťročia 20. storočia a podpis Daytonských dohôd pripomenuli, že je potrebné, aby medzinárodné spoločenstvo venovalo viac pozornosti regiónu a umožnilo bývalým komunistickým krajinám rýchlejšiu transformáciu na trhovú ekonomiku, pluralitný parlamentný systém vlády a právny štát.

29. a 30. júla 1999 podpísalo medzinárodné spoločenstvo vrátane USA, Ruska a EÚ v Sarajeve Pakt stability pre juhovýchodnú Európu. Základným cieľom Paktu bola príprava krajín na vstup do euro-atlantických inštitúcií. Jeho realizácia, ktorá prinesie okrem iného rozvoj demokratických inštitúcií, zrovnoprávnenie podmienok na trhu, harmonizáciu právneho systému, revitalizáciu ekonomiky a zmenu politickej logiky v regióne, je aj potvrdením toho, že Balkán skutočne do Európy patrí. Nedokáže však vyriešiť všetky otázky. Juhovýchodná Európa bola zaradená do pomalšej skupiny krajín uskutočňujúcich zmeny dôležité pre získanie zahraničného kapitálu. A toto môže byť nebezpečné pre stabilitu celého kontinentu. Súčasne sa na región stále viac hľadí ako na jeden celok, ide však o veľmi heterogénnu skupinu krajín – veľkosťou, úrovňou príjmov obyvateľstva alebo stupňom štrukturálneho a sociálneho rozvoja.

Hoci krajiny regiónu zvýšili svoju makroekonomickú stabilitu, nenasledoval hospodársky rast, ale hlboký prepád (30-50 %). Keďže krajiny strednej Európy zaznamenali v roku 1999 oproti roku 1998 približne 10 percentný rast, priepasť medzi týmito časťami Európy sa prehľbuje. Podiel zahraničných investícií je malý. Veľkým problémom je nezamestnanosť. Prioritnými oblasťami pre hospodárske reformy sú rozvoj súkromného sektora, sociálny rozvoj, zlepšenie manažmentu verejnej správy, mechanizmu finančnej kontroly a právneho systému, vybudovanie politiky rozvoja infraštruktúry.

Jedným z cieľov tvorcov Paktu stability bolo pritiažnutie hlavne strategických investorov do krajín regiónu, ktorí by vytvorili uspokojivé podmienky pre ďalšie investície. Aby bola krajina atraktívnou pre investorov, musí vytvoriť stabilné ekonomické podmienky, sociálnu a politickú stabilitu, uspokojivý zahraničný obchod, zabezpečiť plnú slobodu pre repatriáciu zahra-

ničného kapitálu, poskytnúť kvalifikovanú pracovnú silu, modernú infraštruktúru či dostupnosť zdrojov. Právnu istotu zabezpečia požadované a moderné zákony, implementácia nariadení a nezávislé a profesionálne súdnictvo, polícia a štátna administratíva.

Pakt stability pre juhovýchodnú Európu je výzvou pre všetky zúčastnené krajiny regiónu a pre celú Európu a vyspelý svet. Pre Bosnu a Hercegovinu to nie je len otázka prebiehajúcej privatizácie, ale aj vyriešenie problému utečencov a presídlelcov, zjednotenia ozbrojených síl a vybudovania právneho štátu. Kroky k členstvu vo WTO, PZM, RE a EÚ nie sú jednoduché a nepredstavujú krátkodobý program. BaH bude potrebovať väčšiu podporu medzinárodného spoločenstva, ktorú je však možné očakávať, iba ak politické orgány preukážu pripravenosť vydať sa týmto smerom.*

* *resumé: Katarína Žáková*