

## IMF DEAL ON HOLD



# A Signed Letter of Intent Never Arrived: Parodi

The International Monetary Fund delayed a 550-million-euro standby arrangement with Bosnia because members of the country's fiscal council have not signed the deal, the organization said

"Due to a delay in the signing of the letter of intent, the IMF executive board meeting to consider ... [the] arrangement under the Extended Fund Facility had to be delayed until further notice," said Francisco Parodi, the IMF representative in Bosnia.

"The elements of the program and the content of the letter of intent had been agreed by the IMF mission and BiH authorities in May 2016. To date, the IMF has not received a duly signed letter of intent," he added.

A senior official, Goran Mirascic, told regional broadcaster N1 TV that some members of the state-level fiscal council did not sign the document clearing the way for the 36-month arrangement intended to support structural reforms in Bosnia, but did not explain why. However, Serb lawmakers in the state parliament said that the letter wasn't signed by the heads of the state and Federation entity governments.

The credit, agreed in May, is aimed to support reforms for a better business environment, reduce public indebted-

ness through fiscal consolidation, streamline the administration and foster financial sector stability. When the credit was agreed, the IMF said it was to "play a catalytic role in mobilizing international financial assistance," and that, it being a part of the Reform Agenda agreed with the European Union, the EU and World Bank were to provide additional financing.

Bosnia's fiscal council was set up to coordinate the fiscal policy and secure macroeconomic stability in the country.



**Mladen Ivanic**, BiH Presidency: If the issue of population census is not solved, the Presidency will work only technically until the end of mandate, without any particular agreement



**Igor Crnadak**, Foreign Minister: Every employee of the Foreign Ministry has the right to attend the July 11 commemoration (at Srebrenica). There was never an intention to ban that



**Zlatan Begic**, professor: As we can see, the political leaders don't hesitate to set a stage at the Srebrenica killing fields every now and then, and do their perverse dance on it

# Federation's PM Didn't Sign the IMF Letter of Intent Because of "Stopped Reforms"

Federation's Prime Minister, a member of the national Fiscal Council, said he didn't sign a letter of intent to the IMF for approval of the standby arrangement because the reform processes in the country stopped

PM Fadil Novalic specified that the stalled reforms are the adaptation of the Stabilization and Association Agreement, a decision on the coordination mechanism and harmonization of a number of strategies at the state level.

These are all activities that aim to accelerate the progress of Bosnia and Herzegovina towards Euro-Atlantic integration.

"Money from the International Monetary Fund is intended for structural adjustment process, i.e. the implementation of needed social and economic reforms, as pledged by all levels of government. Since the positive processes stopped, I could not sign the Letter of Intent," said Novalic.

Experts warn that longer delays in IMF payments - expected soon after the approval of the new program - would worsen Bosnia's liquidity issues and could also escalate political tensions that have been running high ahead of local elections in October.

"This is a sign that things are getting much more serious," Banja Luka-based economic analyst Zoran Pavlovic told BIRN, adding that any delays in IMF funds - which have already been calculated in the state and entities' budg-

ets - will deepen a liquidity crisis and worry potential investors.

"If the IMF cancels this loan to Bosnia and Herzegovina, we will have major problems implementing the budget," analyst Srdjan Puhalo told BIRN.

He added that this could lead to blocked payments of salaries, pensions, social benefits and other financial obligations.

"That, in turn, could lead to public dissatisfaction and protests," he added.

The Finance Ministry of Republika Srpska told BIRN that all the relevant RS representatives - including the Prime Minister Zeljka Cvijanovic and Finance Minister Zoran Tegeltija - had signed the LOI.

They said the problem was that the letter was not signed by the Prime Ministers of the state and Federation entity governments, Denis Zvizdic and Fadil Novalic. The RS government held a session on Thursday morning on this issue.

"This is a warning to the authorities that they need to reach an agreement, to fulfill obligations required by the international community," Pavlovic said.

"This is a clear message and whoever does not understand it, does not understand how the world functions," he added.

## Government Declares July 11 a Day of Mourning

The Council of Ministers of Bosnia and Herzegovina declared July 11 a Day of Mourning in the country. The Day of Mourning is marked with the mandatory display of national flags at half-mast on the buildings of government

institutions. Media in Bosnia and Herzegovina, as well as the organizers of culture, arts and sports events in the country, are obliged to adjust their production to the Day of Mourning, said the CoM.

## Izetbegovic to Attend NATO Summit in Warsaw

BiH Presidency Chairman Bakir Izetbegovic will attend the NATO summit to be held in Warsaw on 8 and 9 July. Opening ceremony of the NATO summit will be held today, with an opening speech by the Secretary General of NATO Jens Stoltenberg and the wel-

come address by President of Poland Andrzej Duda. On the second day of the Summit, Izetbegovic will attend a meeting at the level of heads of state and governments, which will focus on the current situation in Afghanistan, said the BiH Presidency.

# Daily Markers

BY VLASTIMIR MIJOVIC  
SENIOR EDITOR

## What about Dayton?!

**D**ivorce is usually preceded by a long and tedious argument and mutual accusations. All that, on the way to its "sacred" goal - secession from Bosnia and Herzegovina - was done by the Serb politics, but also by the official government of Republika Srpska entity. Even before they got the official conformation of the possible termination of the marriage, they act as if they are already "single" and independent.

Yesterday, the RS Prime Minister Zeljka Cvijanovic requested a special session of the entity parliament to discuss a bill on processing and publication of the 2013 population census results in the RS. The bill was sent to the parliamentary procedure on an expedited basis.

Before Cvijanovic, the RS President Milorad Dodik said that the RS will publish its own census results. Thus he confirmed that the RS acts as if it fell from Mars and not as part of the state of Bosnia and Herzegovina. It's not just the census: it became the main style of the smaller entity, which is unfortunately tolerated as if it was something totally irrelevant.

Those who respect the state regulations and decisions can only criticize this kind of Dodik's separatism and lawlessness, but that doesn't produce results. In fact, it produces one result: quarrels and discord deepen, and the impression of "an impossible state" intensifies.

Separatism and divisions can be stopped only in one case: if the international community and the OHR took measures for which they are authorized and entitled under the Dayton Peace Agreement. They can arbitrate, impose decisions, dismiss those who do not respect the 1995 agreement.

Judging by the actions from the past eight years, the foreigners do not even think about interfering in the process of the obvious tearing apart of Bosnian state like that. If anything, they should at least explain to us why they do not do what they have signed. Or, they should declare the Dayton agreement dead and start the process of establishing new game rules in BiH.



## The Valorization of Tragedy

The language of transition is like a murder of crows: opaque enough to stop the sunshine, let alone sight; it circles the truth like it was a carcass; it sounds ominously and doesn't mean anything on its own; but when you spot it, you can be sure that somebody down there, on the ground, is in trouble

BY ANDREJ NIKOLAIDIS  
ZURNAL.INFO



There are a lot of words that were there before, but we didn't notice them. For example: transition itself. Strategic. Tender. Investor. And of course: valorize.

The language of transition is the language of genocide.

For clarification: genocide is the deliberate destruction, in whole or in part, of a large group of people, especially those of a particular nation, religion or ethnic group. This definition should

be broadened. It includes the crimes committed in the name of a nation-state, race and religion. But not the crimes committed in the name of a class.

If there is class war, then there must be class crimes. However, the history of class crime is an unwritten one. The victims of those crimes are nameless: there are no memorials and remembrance days for them. There was no place for class crimes in the 1948 UN convention on prevention and punishment of the crime of genocide. There was no place for that in the 1960 Yugoslav convention on genocide prevention either, or in the legislation of ex-Yugoslav countries.

The result of post-Yugoslav transition is practically complete destruction of the middle class. The criminal enterprise has been ongoing for two decades, executed by the three branches in every ex-Yugoslav country. The crime against their citizens was committed by our governments, parliaments and courts, with help from the law enforcement and the media.

The destruction of middle class was global; its scale almost incomprehensible. Presented in graphic form, it looks like the pyramid that the Credit Suisse bank used to explain the global distribution of wealth. 68.7% of the world's population at the pyramid's bottom controls 3% of the wealth. Above them is the global lower class, the 22.9% that control 13.7% of the wealth. The 7.7% that control 42.3% of the wealth can be called the middle class. On the top of the pyramid are the filthy rich: 32 million people, or 0.7% of the population, which control 41% of the wealth. The trend is such that the middle class is turning into lower class as its wealth moves up to the pyra-

mid top.

The paradox of our transition is obvious: the middle class was executed in the name of the nation-state; but, there is no state without a middle class. So, why was the middle class exterminated really? For the new gentry and the new feudal order that takes the form of a representative democracy, established by transition, investment and valorization. When their job is done, our feudatories will not need a nation anymore. Religion will be enough.

What is valorization? It is when the state takes something public and gives it to somebody for private use and making money. Why you, or I, or the next-door neighbor can't get it for private use? Because we belong to a wrong class, which is being exterminated.

If you asked me - perhaps it sounds shockingly, but it was a matter of time before somebody thought of "valorizing" the Srebrenica genocide.

And indeed, it happened: "Fikret launched his line of clothing, 'FH BRAND', and the first series of t-shirts for men and women is dedicated to his hometown Srebrenica, in cooperation with HIFA GROUP company, the exclusive representative and distributor of the t-shirts. Fikret worked with a renowned Bosnian fashion designer, Adnan Hajrulahovic Haad."

Also: "The t-shirts are made with seven different Srebrenica motives and their price is 25 KM. The retail edition is limited." Finally: "The story wouldn't be complete if we didn't include the Srebrenica Mothers. 5 KM from every sold t-shirt will be donated to the organization, which is the nicest part of the story for us," said Ahmed Ahmetlic, assistant director of HIFA Petrol.

To be fair, the nicest part of the story would be if HIFA Petrol donated 25 KM from every sold t-shirt to the Srebrenica Mothers. But, that wouldn't constitute a valorization. This way, HIFA Petrol would valorize Srebrenica; it would sell t-shirts on gas stations, and the donated 5 KM covers an important part of the so-called national interest - the thing known as "what would people say".

Whatever people said - and they will say nothing - the process of valorization and privatization, and ultimately feudalization, will continue. If you don't care that you have masters as long as they are the masters of your nation and religion and wave the national flags like bundles of cash, then fine. But know this: children of your masters will be the masters of your children.

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**BOSNIA**  
DAILY

# Norwegian Ambassador Visits a Dairy in Northern Bosnia

Norwegian Ambassador Vibeke Lilloe visited a dairy farm in the town of Kozarac, owned by former Bosnian refugee in Norway

The farm has expanded in the last several years and now counts more than 630 cows of the Norwegian Red breed. The farm owner, Jusuf Arifagic, who was a refugee in Norway during the Bosnian war, now wants to invest in the development of his home country by expanding the business. He eyes the adjacent municipalities of Bosanski Petrovac and Bosanska Krupa, across the entity line, in the Una Sana Canton. Ambassador Lilloe also visited the two municipalities.



## Russian-Hungarian Company Interested in Investing in Banja Luka Landfill

A Russian-Hungarian company is interested in investing in waste management in Banja Luka, the municipal government said. The company has submitted a letter of intent stating the terms under which it would upgrade the sole landfill of Banja Luka, the municipal government said in a statement on Tuesday.

"We must be open to applying new technologies so that we are not forced

to look for a new waste disposal site. We should aim towards processing waste to our economic benefit," the mayor of Banja Luka, Slobodan Gavranovic, said, as quoted in the press release.

In 2014, several upgrades were performed on the landfill including the installation of bentonite and PEHD foil, the construction of a new sanitary tank and a waster water treatment plant.

## FIPA Director Meets with Austrian FM



Director of the Agency for Foreign Investment Promotion (FIPA) Gordan Milinic and Vice President of the Foreign Trade Chamber of BiH Bruno Bojic met with the Foreign Minister of Austria Sebastian Kurz in Vienna. They discussed Austria's position of the largest foreign investor in BiH and efforts to increase the volume of Austrian investments in Bosnia.

Kurz announced a visit to FIPA and the FTC BiH during his next visit to Sarajevo.

Milinic promised the support of the Agency, as the main mediator for foreign investments in BiH, and assistance to every investor, starting from business registration process until the completion of the investment, said FIPA.

## Ambassador Hosts Recipients of French Scholarships



Fourteen postgraduate students, selected by prestigious French universities, received the French government scholarships this year. 13 scholarships were awarded by the French Embassy, while the Eiffel scholarship was award-

ed by the Ministry of Foreign Affairs of France.

Ambassador of France hosted the scholarship recipients, as well as their family members, to congratulate them before their departure to France.

# Some Census Findings that Caught my Eye



The census results announced on June 30 - more than two and a half years after the October 2013 enumeration process - were never going to enjoy public confidence

**T**oo much time had passed; there were too many reports of irregularities during data collection; there were several unsubstantiated "leaks;" there was too little explanation of why questions were being asked or how that data would be used; and there was much too much politicization of the sensitive "identity" questions from beginning to end. (Even though these sensitive identity questions were never needed for BiH's EU accession path in the first place.) At least now the country has a number it can put on its EU questionnaire: How many people live in BiH? 3,531,159. (There were 4,377,033 people recorded in the 1991 census.) And genuinely useful public discourse has already begun as the high reported number of illiterate persons has brought shame to a country that had an education system of which they could be proud a generation ago.

## The Reality of the Moment

However, there is reason to be skeptical of the apparent political convenience of some of the numbers, and as such there should be continued resistance to blindly using such numbers to make policy based on the stated ethno-national breakdowns. (In any case there is still no clear policy on how census data may be applied.) The differences with the numbers in the 1991 count in some categories are not as great as one would expect; 15.43%

By Valery Perry  
DPC Blog

Croats (vs. 17.38% in 1991) and 30.78% Serbs (vs. 31.21%) seems striking in light of wartime displacement and migration to Croatia and Serbia.

Number crunching - including comparisons of this data with other data such as past voter registry information and voting patterns, CIPS registration, school enrollment records and other indicators - will be useful to either corroborate data or provoke needed additional analysis. Alternately, the identity data could be simply discarded as unreliable for serious policymaking.

As this is the first post-war census data available, I will admit to being sucked into the same "so what did the war really do to the country" vortex, focusing on these identity issues initially rather than on household size, utility access, housing data, and other such indicators of socioeconomic development. Unfortunately, this does reflect the reality of the moment, where constituent peoples do enjoy more rights and access than the Others, and where policies are made for peoples and not citizens. However, for now, looking just at the responses for "ethnic/national affiliation", these are some things that caught my eye.

The overall and much anticipated ethnic breakdown seems to be almost exactly what any political strategist would want to see if the goal was to maintain the status quo in perpetuity. This is particularly the

case as issues related to Sejdic-Finci reform options, Mostar election reform and Federation electoral unit gerrymandering remains front and foremost on domestic party agendas.

50.11% Bosniaks gives this constituent people an absolute majority by just a hair, after expectations that they would enjoy a larger majority margin. Instead, the majority is symbolic, and conveys no constitutional or legal advantage.

## No Future for a "Fourth Voice"

The announcement of 15.43% (544,780) Croats was stunning, following years of HDZ leadership and Catholic Church protests about the exodus of Croats, who have enjoyed Croatian passport possession rights which only became more valuable when Croatia joined the EU. As recently as December 2015, Bishop Komarica said the absolute highest number of Catholics in the country was estimated to be around 420,000. (For comparison, the 1991 census reported 17.38% Croats.)

Even with the campaigns, pressures and two decades of ethno-national brainwashing, the announcement that only 3.68% of respondents identified into the broad "Other" category (adding up other/do not declare/don't know) seems just low enough to ensure there is no possible future for an alternative "fourth voice" in the political system. This is a result that serves all leaders with a vested interest in the tripartite status quo.

Numbers in Mostar (44.19% Bosniak, 48.41% Croat, 4.18% Serb, 3.22% Other) leads one to question why Bosniak parties have been so against direct election of a single mayor or government, a resistance that has always been explained by the assumption that there was a much stronger Croat majority that would make Bosniak representation at city level more difficult to attain. Numbers in Brcko (42.36% Bosniak; 20.66% Croat, 34.58% Serb; 2.39% Other) seem to challenge anecdotal evidence suggesting a) much fewer Croats, and b) a much closer balance between Bosniak and Serb residents. The fact that 1 in 5 people in the RS is identified as a non-Serb (81.51% Serb; 13.99% Bosniak; 2.41% Croat; 2.09% Other) leads one to wonder why there have not been better results for non-RS based parties and candidates in elections - local and general. Overall, Serbs comprise 30.78% of the population of BiH, compared to 31.21% in 1991. The total number of people noted in Srebrenica (13,409) belies the fact that people on the ground doubt there are more than around 6,000 people residing in this poor, rural and troubled town that has become synonymous not only with ethnic cleansing but also brain drain. The reported population breakdown in Srebrenica (54.05% Bosniak, 44.95% Serb) suggests the impact of efforts such as Prvi Mart and "I Will Vote for Srebrenica" in mobilizing census participation as well as past election participation.

### Unresolved Differences

The final tally was different than the preliminary count of 3,791,622 forms collected during enumeration, reflecting still unresolved differences among the parties on which forms should be considered to be valid. However, the RS continues to claim that there are 200,000 Bosniaks more in the results even after the reduction of over 260,000 forms from the preliminary count. A simple explanation of this process and the law and reasoning behind it is needed to enhance confidence in this not-unsubstantial number of missing enumerated persons. The donors that provided significant funding for the census activities (primarily the EU and Sweden) should not only have an interest in ensuring that such explanations are clear and public, but that statisticians and independent experts are engaged making this case.

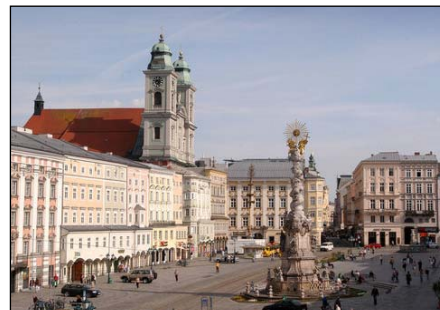
And for a closing fun fact, the following locations had the highest numbers of "Others:" Centar Sarajevo 14.43%; Novo Sarajevo 13.25%; Tuzla 10.30%; 17.51% Velika Kladusa. I just found this to be interesting.

## Austrian Court Jails Bosnian for War Crime

An Austrian court sentenced a Bosnian Muslim man to 10 years in jail over the massacre of 16 civilians in a Serb village during the 1992-5 Bosnian war

The 48-year-old man, who now has Austrian citizenship, was accused of attacking the village of Serdari as part of a large group of Bosnian Muslims in September 1992. They killed seven men, seven women and two children and set fire to six houses, apparently in revenge for Serb attacks, according to the charge sheet. The defendant, who was not named, denied the charges but was found guilty of 16 counts of murder, three of attempted murder and arson.

The court in Linz heard from around 30 witnesses including two female survivors and a resident from a nearby village. In 2014, a court in Sarajevo jailed four men over the Serdari killings, but their convictions



Linz

were quashed the following year, the Austria Press Agency (APA) reported. A new trial jailed one of them for 11 years and acquitted two while the fourth has since died, APA said.

## Real Madrid to Organize Training Camp for Banja Luka Children

Real Madrid will organize a training camp in Banja Luka for children and young people between 6 and 17 years, and 20 will be chosen to visit the facilities of the Spanish club. Media reported that 150 children will participate in training in three stadiums in the area, while the 20 best juniors will visit the facilities of Real Madrid and the Santiago Bernabeu stadium for 10 days.

The camp will be held from September 1-5, with the aim of promoting sports and education in accordance with the methodology of the "Spanish giant and the most successful team in Europe" according to a Banja Luka news website. This initiative has been taken by Real Madrid Foundation and Spartak 2013, a new Bosnian club that aims to qualify young players.

## Higher Education Needs a Quality Boost

20 institutions in Bosnia are registered or accredited for higher education, but there are a significant number of those that are not, said the director of the Agency for Development of Higher Education and Quality Assurance (HEA)



Enver Halilovic

Enver Halilovic. 18 higher education institutions are at different stages of accreditation process, he added. On the eve of a round table on improving the process of accreditation of higher education institutions in BiH, Halilovic

warned that the minimum allocation of funding for research in BiH hinders the development of higher education, stating that education must be viewed not as an upgrade, but as a basis for all other processes in the society.

"We cannot be satisfied with the situation in higher education in BiH. Education is the backbone of a modern society. Unfortunately, there is little investment in scientific research, without which there is no higher education," said Halilovic, pointing out that the government funding of science in Bosnia is the lowest in Europe.

He pointed out that the nations and peoples without good education are poor, not those that have no natural resources.

"Bosnia and Herzegovina, fortunately, has both, and a combination of knowledge as a basis for development and natural resources can contribute to the progress of society," he said.

# Law on Personal Bankruptcy to Be Finalized Soon

The writing of a draft law on personal bankruptcy is in final stage and this document will probably be sent to parliamentary procedure in autumn, daily newspaper Nezavisne Novine quoted Jovica Cvjetkovic, the head of BiH Association for Protection of Guarantors, as saying

**P**ersonal bankruptcy, as bankers explain, is a process where people inundated by debts are getting a trustee who manages their property until financial recovery. However, Cvjetkovic says that a problem is not the law itself, but its implementation.

"We have examples of such legislation in the surrounding and Europe. Here, the larger problem is how to put it into parliamentary procedure, because currently there is no political will in BiH to adopt such a law. No one is declaratively against, but everyone says it will be difficult to implement the legislation," Cvjetkovic noted.

He confirmed that a law on personal bankruptcy entails adoption of a set of other laws and changing of existing legislation.

"It is known that if a person declares personal bankruptcy, he or she must have assets to service the debt. What follows then is the engagement of a personal bankruptcy trustee who is managing the finances. We have two problems. Firstly, many who are interested to declare personal bankruptcy are those who have borrowed, while transferring their assets to others," Cvjetkovic said.

The other problem, as he added, refers to the issue on who would be authorized and competent to run the procedure for those who would declare personal bankruptcy.

"A lot of people are calling us, which indicates that there is interest for declaring personal bankruptcy," he said.



It is a practice that has long since become a reality in numerous European countries and means that debtors get a certain amount of money for basic needs, while a trustee manages their assets and earnings. Mijo Mistic, the secretary of BiH Banks Association, says that the banking sector supports adoption if such a law.

"The law is complex, layered and complicated. It seems to me that the law adoption is not a problem, but it is very important to have all the other infrastructure necessary for its implementation, which includes databases, registers, social cards of citizens, etc. The point is that a lot of work is needed on preparations," Mistic explained.

He added that those who declare personal bankruptcy have a new chance

that should be seized.

"Persons who declare personal bankruptcy will get a trustee who is running the process and performs a financial function on their behalf. The ultimate goal is the client's financial recovery," Mistic stressed.

Nenad Mirkovic, a resident of Prijedor who as a guarantor returned 124,000 KM for a loan he did not borrow and needs to repay over 20,000 KM of his own debt, says he would declare personal bankruptcy of the opportunity arises.

"However, nobody ever explained what it brings, what I need to give. I would firstly think about it, in sense of whether this is good or bad for me. If it is good, I would declare personal bankruptcy," Mirkovic added.

## IRUP and Edible Oil Factory Bimal Increasing Oilseeds Production

The Institute for Development and Improvement of Agriculture (IRUP), which was established in April this year, has signed an agreement on strategic cooperation with Brcko's edible oil factory Bimal, aiming to increase oilseeds production in BiH, business portal Capital.ba reported. The revival of agricultural production in BiH is one of the main objectives of IRUP, which is also seated in Brcko, and Bimal. The edible oil factory has been a stable and reliable company for years, taking care on the second-

ary sector and offering a secure purchase of local raw material on the market, with guaranteed purchase price prior to the harvest, as well as subsidizing farmers through raw material, seeds and fertilizers. "IRUP was established to contribute to the increase of sown land and crops through cooperation with farmers and processors such as Bimal, giving that BiH is one of most unused agricultural potentials in the region, with one million hectares of arable land," Institute's director Azelea Suljkanovic

said. On the other hand, with the constant increase of production capacities, Bimal has a growing need for oilseeds from BiH and sees positive agro business for local economy development in oilseeds production. The edible oil factory has been cooperating for years with local farmers, which are the backbone of Bimal's efforts to increase the area under oilseeds year after year. IRUP said it has already agreed 100% increase in oilseeds production in BiH this year, comparing to 2015, for Bimal needs.

# Russia's Political Interests Drive Investments



**Russia's investments in the Brod oil refinery in Republika Srpska make no economic sense - but profit margins are not the only factor involved, reports BIRN**

**D**espite the fact that the Bosnian oil refinery Rafinerija Nafte Brod keeps running up huge debts, its Russian owner, NeftegasInCor, has no plans to sell it - and has instead drawn up long-term development plans, officials tell BIRN. Such determination in the face of the prolonged financial hardship is seen as a sign that Russia's economic involvement in Bosnia's Serb-majority entity is as much dictated by politics as by genuine business interests. Local experts and Western diplomats say Russia's economic and political presence in Republika Srpska - as well as the unspoken but implicit threat that Russia may eventually support a Bosnian Serb bid for independence - is mostly aimed at strengthening its positions on the global political scene.

## Motives for a Loss-Making Investment

At the beginning of this year, RS officials feared that Russia might sell the Brod refinery to Kuwait. Optima Group, the company running NeftegasInCor's operations in Bosnia, dismissed this as speculation, yet these same speculations have continued to appear in the media. But Dubravka Gajic, a

spokesperson for Optima, says the Russian investor is not only remaining in the Brod refinery but is preparing a new long-term development strategy.

The company "has no knowledge of a change in the ownership structure of the Brod oil refinery ... we have always rejected such speculative allegations, which only appear to mislead the public," Gajic told BIRN.

Many experts find such long-term commitment strange, given that the refinery's Russian investor suffered a net loss of 8.4 million euro in the first four months of 2016 alone - following a trend that has persisted in the Brod refinery for several years.

Last year, Optima Group sold real estate worth millions of Euros, owned by its subsidiaries, Rafinerija Nafte Brod, Rafinerija Ulja Modrica and Nestro Petrol units. The sale of assets was attributed to the company's worsening financial situation.

Banja Luka-based economist Damir Miljevic says the refinery has consistently operated a loss, which already exceeds its capital, while profits are only realized via so-called "transfer pricing", or business dealings with companies that are a part of the same business conglomerate.

According to an audit of Brod's financial statements, published on the Banja

Luka bourse, the company's accumulated loss at December 31, 2015 stood at 266.1 million euro, which is twice the size of its capital.

"Russia generally has no economic interest in Bosnia, given that the whole population of Bosnia is barely equal to one-third of the population of Moscow - but it has a very strong political interest [in Bosnia] and it uses business to achieve its political goals," Miljevic told BIRN. He believes NeftegasInCor will only sell the Brod refinery when Russia decides the refinery no longer serves a purpose.

Russia's economic presence in Bosnia only benefits people employed through its investments, and ordinary citizens feel little or no impact, Miljevic said. But, he added, its political influence in Republika Srpska is significant.

## Business Used to Boost Political Influence

Data obtained from Bosnia's Foreign Investment Promotion Agency, FIPA, shows that NeftegasInCor's investment is the most significant Russian investment in the whole of Bosnia and Herzegovina. It is followed by Gazprom Neft, which has opened several petrol stations



throughout Bosnia, and Sberbank, which entered the Bosnian market after acquiring Austria's Volksbank.

Economic investment brings political influence, Banja Luka-based political analyst Milos Solaja told BIRN.

As in most other countries, in Bosnia, Russia has invested mostly in the energy sector, making these investments for strategic reasons, to increase Russia's presence on the domestic economic market, which is dominated by the energy sector, and to squeeze out the competition, particularly the EU, the US and China, he noted.

"The energy market is where the expansion of political influence takes place," he said.

"Russia needs raw materials of particular sorts, and [it needs] to maintain its image as a global neo-imperial force," he added.

Russia legitimizes its presence in Bosnia through appeals to history - Orthodoxy and Pan-Slavism - but also by referencing the long-term economic partnership and political understanding established in the socialist era, Solaja said.

In addition to acquiring political influence, Russia is also interested in tapping into Republika Srpska's natural resources. In return for political support and investments, RS government has for several years granted concessions to Russian companies for the use of public goods via non-transparent, direct negotiations, Miljevic said.

Such was the case some years back when the entity's concessions commission awarded Comsar Energy, run by billionaire Rashid Sardarov, a concession to build a 37.3 MW hydroelectric power plant at Mrsovo, following direct talks.

"This method of direct bargaining, without clear public procedures, is unfortunately legal because the ruling majority in the RS Assembly always has a sufficient show of hands to formalize any sort of deal, regardless of how destructive it is for the public interest," he added.

"Sectors which, by their nature, belong to a sort of 'public monopoly', should be used for the good of the people, not to profit foreign cash holders," he continued.

## EU Weakness Opens Doors for Russia

Russia's growing political and economic presence in RS is assisted also by the absence of a more coherent and concrete EU presence.

Investors from the EU countries appear to be waiting for Bosnia to move further forward on its EU membership path, and, as long as that path remains

blocked, Russia is happy to fill the void. In addition, Bosnia's politicians are greedy for offers of immediate and concrete support, which Russia is happy to supply as well.

According to data from Bosnia's Central Bank, Russia is the fourth biggest foreign investor in Bosnia, with total investments exceeding 500 million euro by the end of 2014, and an additional 11.5 million euro in the first nine months of 2015.

According to the RS Ministry of Economy, Russia was among the RS's five top foreign trading partners in 2015 and the first five months of 2016. Moreover, exports to Russia are growing, especially in the fruit sector, the ministry said in a statement to BIRN.

"Russia represents an important foreign



trade partner for Republika Srpska," the statement said.

"After Serbia, Russia is the second biggest investor in the RS, and primarily in the field of the oil industry," the ministry added.

Meanwhile, Bosnia's EU accession process looks increasingly wobbly, if not completely stalled. Political leaders submitted a membership application in February 2016, when the chair of Bosnia's Presidency, Dragan Covic, said he hoped Bosnia would receive candidate status in 2017. However, domestic squabbles and infighting over the remaining conditions for candidate status have dashed those hopes.

Solaja believes that Bosnia will ultimately be welcomed into the EU, but will also remain a close ally of Russia.

"Undisputedly, all countries in the region will become EU members, but the relationship with Russia also opens new opportunities," Solaja said.

Another reason for the close-knit friendship between Russia and Republika Srpska is Russia's steadfast support for the 1995 Dayton peace accord - making sure that the accord is not unpacked and the RS abolished, Solaja said. However unlikely, Bosnian Serbs still fear such a scenario.

Russia in 2015 vetoed a UN Security Council resolution that would have classified the 1995 Bosnian Serb massacre at Srebrenica as an act of genocide. Once again, Bosnian Serbs were reminded that Russia remains their strongest defender.

## Srebrenica Is a Town of Hope: Mayor

Mayor of Srebrenica, Ćamil Durakovic, said in an interview with the "Dani" magazine that the organizing committee for marking of the 21st anniversary of the Srebrenica genocide, at the request of the Mothers of Srebrenica, decided to ban the deniers of the genocide from attending the commemoration at Potocari on July 11. Durakovic said he understood that the Mothers of Srebrenica were upset by statements from Serbia and Vucic's visit last year, reminding that Vucic had been invited last year because they expected a shift in Serbia's foreign policy, and that perhaps it was exactly Vucic who could have been the initiator of this shift.

"At the end everything turned into a circus titled 'who threw the stone at Vucic', and those 175 coffins, those human remains that were supposed to be buried that day, were forgotten. I do not even know whether more than a few media even casually mentioned them," said Durakovic.

"We live in the shadow of our tombstones, but on the other hand, we managed to find a formula of living together with our Serb neighbors. Journalists often use the phrase 'town of the dead' when reporting about Srebrenica. I would rather use the term 'town of hope'. Because if we in Srebrenica can resist ethnic divisions, if we managed to build a multi-ethnic community after the genocide, then no other municipality in BiH has an excuse not to do the same," Durakovic said.

Speaking about the upcoming local elections, Durakovic emphasized that the matter was not only whether a mayor who recognizes the genocide will be elected, but also one that is able to lay the foundations of coexistence.

"It is terrible that the SNSD has decided to reduce the elections to a choice between a Serb or a Bosniak (mayor). It surely would have been better for all residents of Srebrenica if the Serb parties would offer a good and capable candidate, so that during the campaign we could exchange opinions, find solutions to problems that trouble our citizens every day. We need to elect a mayor who knows how to develop a local community. With solid economic foundations, we will be willing to open some painful questions and to honestly and openly discuss the genocide in the future," Durakovic said.

## CHINA IN THE BALKANS

# Montenegro and Bosnia Open New Frontiers



In the 2006 spy thriller *Casino Royale*, an enigmatic James Bond and his female ally are seen traveling on a luxury bullet train in Montenegro toward the famous casino where they will face their nemesis

**A**fter a ride through beautiful forest scenery, the duo arrives in a picturesque Central European town in pursuit of their mission. The only problem here is, unbeknownst to many Bond fans, no single scene in the movie was shot in Montenegro. All the places that are shown in the movie as being in Montenegro are actually in the Czech Republic.

In the ten years after the movie was released, and with the same amount of time having passed since Montenegro has gained its independence from Serbia, this small country on the Adriatic coast has reached a stage of development and glamour that can attract Hollywood producers; and if a remake of the Bond movie is made, the protagonists' train will probably be riding through railways constructed by Chinese companies.

## The Beginning of a Longer-Term Partnership

Montenegro's economy has grown consistently over the past decade mainly thanks to rapid growth in tourism industry capitalizing on the country's natural beauty and rich history. The Budva Riviera, with its sandy beaches,

By Altay Atli  
Asia Times

medieval castles, and variety of alternatives for club-goers, has become a magnet for foreign tourists. The Montenegrins are not much interested in backpackers; they want to attract the jet set of Europe (and Russia), with their high propensity to spend money, to their shores; and just by looking at the yachts anchored in the new luxurious marina Porto Montenegro, one can conclude that they are making serious progress toward this goal.

China is, for the time being, only partially included in this picture. Becoming a high-end travel destination requires investment in facilities and transportation infrastructure. The skyrocketing of the Montenegrin tourism industry owes substantially to foreign greenfield investment, which is made possible through a favorable business climate, and especially the low tax rates.

While most of the property developers and hotel operators actively penetrating into Montenegrin market are from the Western countries (also from Russia and Qatar, and one should add to these the Taiwanese company which is running a luxury hotel near the above

mentioned marina as well), corporations from China are yet to enter this field. The Chinese, however, are willing to start by doing what they know best.

Over the past one year, there has been great interest by Chinese companies in transportation infrastructure projects in Montenegro. To name a few, China Civil Engineering Construction Corporation is upgrading a 10-km segment of the railway connecting Bar on the Montenegrin coast with Serbia's capital Belgrade, whereas China Pacific Construction Group signed a deal to construct a highway between Montenegro and Albania. These projects are deemed by both the Montenegrins and the Chinese as the beginning of a larger-scale and longer-term partnership.

## Early Stages in Bosnia

China is interested to receive a larger share from Montenegro's fast growing tourism pie, but competition is stiff. A competitive disadvantage for China when it comes to tourism investments is that Montenegro has not become a popular destination for Chinese tourists yet. The French Riviera is the world's top destination for Chinese shoppers, the

Italian Riviera has even employed Chinese policemen so that its thousands of Chinese visitors can feel safe and at home. However for the Montenegrin Riviera, the Chinese tourists are simply absent.

Chinese authorities claim that strict visa regulations are the main reason, whereas the Montenegrin tourism sector wants to host more Chinese. Around two thirds of all tourists coming to Montenegro are from Russia, Serbia and Ukraine (add to this the increasing number of Turks who are enjoying visa-free travel to



Montenegro as well). As all these countries have economic difficulties of some sort, and the number of tourists can and does decline rapidly when things go wrong at home, alternative sources of tourist inflows are needed. China with its 120 million outbound tourists spending more than \$100 billion in 2015 is the best alternative.

When tourists leave Montenegro and enter Bosnia and Herzegovina through the Klobuk Border Crossing, they are usually confused to see a sign saying "Welcome to Republic of Srpska." Bosnia and Herzegovina comprises of two autonomous entities, named the Republic of Srpska and the Federation of Bosnia and Herzegovina (also informally referred to as the Bosniak-Croat Federation). So, welcome to the complexities of Balkan politics and nationhood!

As one leaves Montenegro and travels into the Bosnian territory, one thing that does not change is the beauty of the landscape with all the forests, mountains, ravines and lakes. There are, however, no traces of a Montenegro-like tourism gold rush here. According to International Monetary Fund data, Bosnia is the second poorest country in the Balkans (in terms of GDP per capita measured through purchasing power parity), after the newly independent and partially recognized Republic of Kosovo. Bosnia is facing serious economic and social problems, and its capital, Sarajevo, is still scarred by the Bosnian War of the 1990s.

China's involvement in Bosnian economy is limited to a small number of projects. Chinese companies are currently developing two coal-fired thermal power plants, one in Stanari in the

Republic of Srpska, the other in Tuzla in the Federation of Bosnia and Herzegovina. Bosnia has natural advantages in terms of energy generation, and already being an exporter of electricity, Bosnians are hoping to turn this sector into a larger source of income for their country. These projects, undertaken with Chinese equipment and Chinese funding, can profoundly contribute to this purpose.

Although their economic relationship with China has so far remained limited, people of Bosnia and Herzegovina realize that doing business with China and expanding the scope to non-energy areas can bring benefits. That is why this year's Sarajevo Business Forum, a platform for local entrepreneurs and foreign investors, was held with China as the guest of honor, and the Chinese themselves, bureaucrats and company representatives, were present with a 150-strong delegation. The enthusiasm runs both ways, but the two sides are still at the early stages of exploring how they can collaborate.

In Montenegro, the Chinese are facing international competition; in Bosnia and Herzegovina, their problem lies elsewhere. The war in Bosnia is long over, but the current stability is fragile at best, and the fragmented structure of governance in the country, with two separate autonomous entities, and a presidency rotating between each of the three communities (Bosniak, Croat and Serb) every eight months, does not help to improve things either. Under such a structure, having to negotiate with different authorities and being subject to different regulations every time is a major obstacle for the Chinese when pursuing deals in Bosnia and Herzegovina.

## Limitations

Both Montenegro and Bosnia and Herzegovina are included in China's "16+1" platform, which brings together China with sixteen Central and Eastern European Countries. In Serbia, China has already a well-established business presence, which is likely to develop further in the near future. But at the same time, Macedonia and Bosnia and Herzegovina can be among the new frontiers towards which China will want to expand its influence in the Balkans. Both countries welcome Chinese investment, and Chinese are willing to invest more too. However, given limitations such as small market sizes, international competition, and ongoing lack of stability, it makes sense for all parties to keep their expectations rational.

## ICC Prosecutor, ICMP Sign Memo of Understanding

At the conclusion of a visit by the Commissioners of the International Commission on Missing Persons, the Prosecutor of the International Criminal Court, Fatou Bensouda, and ICMP Chairman Thomas Miller signed a Memorandum of Understanding to strengthen cooperation. Ambassador Miller was accompanied by ICMP Commissioners Her Majesty Queen Noor; former Dutch Prime Minister Wim Kok, former Norwegian Foreign Minister Knut Vollebaek, and UK Minister of State for Care and Support Alistair Burt, as well as ICMP Director-General Kathryne Bomberger. The meeting took place at the Seat of the Court in The Hague.

"We have a shared commitment to give a voice to the victims of mass atrocities through our respective work and this MoU marks an important step forward in the long-standing partnership between the ICC and ICMP," said Prosecutor Bensouda.

"This agreement is essential in strengthening the on-going cooperation between my Office and ICMP within our respective mandates", she added.

ICMP Chair, Ambassador Miller stressed that "the MoU is underpinned by our common mandates of assisting victims of the most serious crimes and contributing to reinforcing the rule of law at national and international levels. Within their respective mandates, ICMP and the Court operate from the premise that States have the primary responsibility to account for missing persons and to prosecute the most serious crimes under international law. ICMP looks forward to a joint collaboration that will benefit victims, affected communities and domestic jurisdictions."

ICMP works with governments, civil society organizations, judicial institutions, international organizations and others throughout the world to address the issue of people who have gone missing as a result of armed conflict, human rights abuses, organized crime, forced migration, manmade and natural disasters and other causes. The ICC is the first permanent, treaty-based, international criminal court established to help end impunity for the perpetrators of the most serious crimes of concern to the international community, namely war crimes, crimes against humanity, and genocide.

## PHOTO OF THE DAY



Man steers a traditional river boat on the Vrbas river, in Banja Luka. "Ljeće na Vrbasu" (Summer on Vrbas) festival opens today in the city

## NEW IN CINEMAS



### CINEMA CITY

Titova 26 033 228 008

[MORE INFO AT WWW.CINEMACITY.BA](http://WWW.CINEMACITY.BA)

**Bastille Day:** Action. Drama. A young con artist and former CIA agent embark on an anti-terrorist mission in France.

**The Legend of Tarzan:** Action. Drama. Tarzan, having acclimated to life in London, is called back to his former home in the jungle to investigate the activities at a mining encampment.

**Mike and Dave Need Wedding Dates:** Comedy. Two brothers place an online ad to find dates for a wedding and the ad goes viral.

### KALEIDOSKOP TUZLA

035 257 558

[MORE INFO AT WWW.KINOKALEIDOSKOP.BA](http://WWW.KINOKALEIDOSKOP.BA)

**The Legend of Tarzan**  
**Mike and Dave need wedding dates**

### PALAS BANJA LUKA

051 217 409

[MORE INFO AT WWW.BL-BIOSKOP.BA](http://WWW.BL-BIOSKOP.BA)

**The Big Friendly Giant**  
**Mike and Dave Need Wedding Dates**  
**The Neon Demon**  
**The Legend of Tarzan**

### EKRAN ZENICA

032 407 518

[MORE INFO AT WWW.EKRAN.COM.BA](http://WWW.EKRAN.COM.BA)

**The Neon Demon:** Drama. Horror. When aspiring model Jesse moves to Los Angeles, her youth and vitality are devoured by a group of beauty-obsessed women who will take any means necessary to get what she has.  
**The Legend of Tarzan**

## WEATHER OUTLOOK



**Air pollution in Sarajevo**  
**LOW**

### Sarajevo

Today: Sunny. High 28C.  
Tonight: Low 11C.  
Saturday: Sunny. Close to 29C.

### Banja Luka

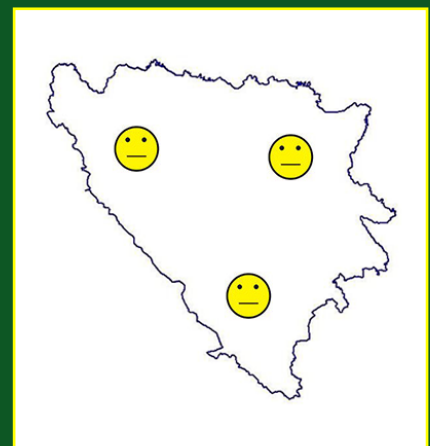
Today: Sunny. High 31C.  
Tonight: Low 17C.  
Saturday: Sunny. Close to 32C.

### Tuzla

Today: Sunny. High 28C.  
Tonight: Low 12C.  
Saturday: Sunny. Close to 30C.

### Mostar

Today: Sunny. High 33C.  
Tonight: Low 19C.  
Saturday: Sunny. Close to 35C.



## UV Index

**High**