

*A Political Romance:  
Relations between  
Turkey and Bosnia and Herzegovina*



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# A POLITICAL ROMANCE: RELATIONS BETWEEN TURKEY AND BOSNIA AND HERZEGOVINA

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## Executive Summary

This report is a study of relations between two countries, Turkey and Bosnia and Herzegovina (BiH), their specific political relations rooted in deep historical, cultural and religious ties, political flirtation, and economic trends that (un)follow this seemingly idyllic exchange. It examines this relatively recently re-discovered mutual affection and results of it. It also considers the influence that Turkey spreads in BiH through the cultural and educational activities and the impact of it, onto Bosnian lifestyle.

Since the early 90s, Turkey has been increasingly present in the Balkans, especially in BiH. Gradually, first providing humanitarian assistance to the war ravaged BiH, and later on investing heavily into Ottoman cultural heritage renovation and education, Turkey has managed to become one of the most influential international actors in BiH. Cultural investments seen as the most visible and effective activities of Turks in the country are examined through different institutional channels for their allocation. Unlike Turkish demonstration of soft power through culture, high political issues or often careless rhetoric of Turkish officials, have often proven to offer fertile ground for dissatisfaction and creation of additional divisions in BiH. Keeping in mind the Bosnian burden of dividing everything by three and ensuing political complexity, Turkey and its political presence in BiH are understood and accepted accordingly. A profound difference in both visibility and the perception of the Turkish influence in BiH today is very apparent among its three constituent peoples. Historically, Bosniaks consider the Ottoman period of their history to be the golden age of BiH and see it as the birth of their religious identity, Serbs and Croats, both Christians, deem it enslavement and tragedy that lasted for more than four centuries. Today, the majority of Bosniaks support the Turkish ever-growing influence in the country, but Serbs and Croats are not at ease with it. Foreign policy of BiH, on the other hand, clearly lacks any vision, strategy or concrete priorities, and in combination with the general weakness of Bosnian governmental institutions, leads to a political relationship that is based on personal preferences, friendships, and sentiments. In consequence, official agendas then follow individual connections and are almost exclusively claimed by Bosniak leaders.

On the economic front, this study shows that affection does not bring money. Unemployment figures in BiH and an economy on the brink of collapse make BiH in need of investments in the real, job-creating sector, and Turkey plays no leading part there. It is at the bottom of either top trade partners or top investors in BiH, and is in this sense positioned worse than some other countries with no specific cultural, historical or religious bonds to BiH. Emotional rhetoric and Bosniaks' taking friendly relations with Turkey for granted and relying on brotherhood to prosper economically certainly did not bring about serious attempts to introduce mutually beneficial economic cooperation and partnership among the two countries.

Lastly, this study provides a set of recommendations that both Bosnian policy-makers and their Turkish counterparts, but also businesspersons, should take with lot of consideration, in order to contribute towards the future building of a relationship of equal partners. The following chapters pave a way forwards by looking at and

drawing lessons from culture, politics and economy of bilateral relations between Turkey and BiH.

## Geography of the Heart

*“I wholeheartedly greet our 81 provinces as well as sister and friendly capitals and cities of the world [...]. I first want to express my absolute gratitude to my God for such a victory and a meaningful result. I thank my friends and brothers all over the world who prayed for our victory. I thank my brothers in Palestine who saw our victory as their victory. I thank my brothers in Egypt who are struggling for democracy and who understand our struggle very well. I thank my brothers in the Balkans, in Bosnia, in Macedonia, in Kosovo and in all cities in Europe who celebrate our victory with the same joy we have here.”<sup>1</sup>*

These were the opening lines of the victory speech Turkish Prime Minister, Recep Tayyip Erdoğan, delivered from the AKP (Justice and Development Party) Headquarters in Ankara on the night of 30 March 2014, following his party’s victory in the local elections.

Speaking in Ankara that night, Prime Minister Erdoğan did not miss out on the opportunity to once more connect with all those who support, honor and trust him. Hardly to anyone’s surprise, Bosnia and Herzegovina (BiH) appeared on the list, too.

This sentiment is not new, and the bond is even older. It goes back to the 15<sup>th</sup> century. If one walks downtown, Sarajevo’s old part of the city, the image would be strikingly similar to an old part of any Turkish *çarşı* or market. A vibrant and lively bazaar, where words such as “*jok*”<sup>2</sup> and “*hajde*”<sup>3</sup> are heard while Turkish/Bosnian coffee<sup>4</sup> is sipped, *rahat lokum*<sup>5</sup> is eaten, and *shisha*<sup>6</sup> is smoked, are just some features of the two historically intertwined cultures. The cobblestoned streets, the mosques, fountains and bridges, are all remnants of the Ottoman Empire, and although such architecture can be seen all over the Balkans, BiH certainly precedes. As the Coordinator of the TIKa Office in BiH, Dr. Zülküf Oruç, put it – nobody has preserved the Ottoman culture better than BiH, not even Turks themselves.<sup>7</sup>

The scenery of what can be called an “*open museum*”<sup>8</sup> in the heart of BiH’s capital, Sarajevo, is not a peculiarity in BiH. The entire country is a treasury of Ottoman

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<sup>1</sup> Turkish Prime Minister Recep Tayyip Erdoğan’s post-election victory speech in Ankara, starting late March 30 and ending early March 31, 2014, after his party won the municipal elections in Turkey.

<sup>2</sup> Bosnian “*jok*” originates from Turkish “*yok*” which in English translates as “no”.

<sup>3</sup> Bosnian “*hajde*” originates in Ottoman Turkish “*hayde, haydi*” which translates in English as imperative “go, leave”.

<sup>4</sup> Turkish coffee is prepared using a traditional special brewing method. Finely ground roasted coffee beans are boiled in water in a small pot, and then the brew is served unfiltered in a cup. Bosnian coffee is a variant of Turkish coffee with the main difference being in a small amount of water that is added to the brew after it had boiled. Both in Turkey and BiH, coffee drinking is an important daily tradition.

<sup>5</sup> *Rahat lokum* is a treat traditionally served with Turkish/Bosnian coffee in BiH. It is a simpler version of the famous Turkish delight.

<sup>6</sup> *Shisha* (or *nargile*) is a water pipe. It came to BiH during the Ottoman Empire.

<sup>7</sup> Popolari interview with Dr. Zülküf Oruç, Coordinator of the TIKa Office in BiH, 26 August 2013, Sarajevo, BiH.

<sup>8</sup> Popolari interview with Dr. Zülküf Oruç, Coordinator of the TIKa Office in BiH, 26 August 2013, Sarajevo, BiH.

sacral and profane architecture and monuments; this is clearly visible in the country, from the UNESCO heritage site Počitelj<sup>9</sup> and Blagaj Tekke<sup>10</sup> above the Buna River in Herzegovina, to the Ferhadija Mosque in Banja Luka, and Travnik, the seat to the viziers<sup>11</sup> for a century and a half.<sup>12</sup>



Ottoman monuments in BiH: The Blagaj Tekke near Blagaj village and the Mehmed Paša Sokolović Bridge in Višegrad; Source: vodici.ba

The long period<sup>13</sup> of the Ottoman rule profoundly marked BiH's society. The most prominent features – Islam as the religious heritage, Ottoman reminiscent art, or 6,878 common Turkish words<sup>14</sup> – are some of the reasons why BiH, in the words of the Turkish Minister of Foreign Affairs, Ahmet Davutoğlu, is the “*miniature of the Balkans*”,<sup>15</sup> and why Sarajevo especially holds a very special place in the hearts of Turks. With all this in mind, emotional anecdotes and speeches, in which Prime Minister Erdoğan and his Foreign Minister Davutoğlu salute their “brothers” in Sarajevo, Cairo and Medina,<sup>16</sup> don't seem to be unusual and are meant to evoke closeness between Turkey and BiH, and other Islamic countries.

*“There is one simple connection, a brotherhood that cannot be disconnected. If you do a survey in Turkey and ask 80 million people what is the nation, after Turkey, they like the most, for sure Bosniaks would win.”<sup>17</sup>*

<sup>9</sup> It was first mentioned in 1444 but some documents show that it was built in the late 14<sup>th</sup> century upon the order of the Bosnian King Tvrtko. Besides its stunning oriental architecture and Ottoman feel, Počitelj hosts the longest operating art colony in southeast Europe.

<sup>10</sup> Built in the 16<sup>th</sup> century, the tekke is located above the spring of the Buna River right under the 200m cliff wall. It was built for the Dervishes.

<sup>11</sup> Vizier was the highest executive officer of the Ottoman Empire. He ruled vilayet, a province of the Ottoman Empire.

<sup>12</sup> During 1699 when Sarajevo was set afire by soldiers of Field-Marshal Prince Eugene of Savoy, Travnik became the capital of the Ottoman province of Bosnia. For 150 years, Travnik was the residence of Bosnian Viziers.

<sup>13</sup> Exactly 495 years, since 1384 to 1879.

<sup>14</sup> Abdulah Škaljić, *Turcizmi u srpsko-hrvatskom jeziku*, Sarajevo, (6<sup>th</sup> edition), 1989.

<sup>15</sup> From the speech of Ahmet Davutoğlu, Minister of Foreign Affairs of the Republic of Turkey, during the International conference jointly organized by The Balkans Civilization Centre (Balmed), Turkish Cooperation and Coordination Agency (TIKA), and the Center for Advanced Studies--Sarajevo (CNS) on the subject of “The Ottoman Legacy and the Balkan Muslim Communities Today” held in October 2009 in Sarajevo, and later published by the Balkan Civilization Center as a Conference Proceedings under the same title.

<sup>16</sup> One example is Erdoğan's address in June 2013 when returning from a trip to North Africa to Istanbul during the Gezi Park protests, in which he stated: “Dear brothers, dear Istanbulites, dear fellow journeymen! I salute my grandmothers and sisters! I salute farmers, peasants and workers who earn their bread with sweat. I salute my young brothers who are as great, proud and dignified as Turkey itself. I salute Istanbul's sister cities Sarajevo, Baku, Baghdad, Damascus, Gaza, Mekka and Medina from Istanbul”.

<sup>17</sup> Populartv.net interview with Dr. Zülküf Oruç, Coordinator of the TIKA Office in BiH, 26 August 2013, Sarajevo, BiH.

Although a survey like this has never been conducted, the sentiments are indisputable. In fact, over the past five years since Turkey made a foreign policy turn towards its neighborhood, these sentiments seem to have intensified.

*“It does not matter whether we have a shared border or not, I feel this country is our closest neighbor, and we will never abandon Bosnia because of our historic responsibility.”<sup>18</sup>*

*“We will be with you in the good and the bad, when you rejoice and grieve, we will always be with you. Turks always loved Bosnian people.”<sup>19</sup>*

*“[...] Sarajevo [...] is a real city of humanism. If all human cities would disappear, Sarajevo would remain. Here I always see the city of multiculturalism, like a European Jerusalem.”<sup>20</sup>*

A dominant and continuous presence in media, frequent visits to BiH and a strong influence in cultural, religious and educational spheres of life in the country, have most definitely contributed to making the feelings of affection mutual. According to polls, a majority of the citizens of BiH, as much as 60.2% see Turkey as a friendly country.<sup>21</sup> At the same time, this fondness is, according to statistics, more pronounced among Bosniaks (Bosnian Muslims) as 72.5% of them like Turkey the most out of all foreign countries, and would, in case of living abroad, most want to live there.<sup>22</sup>

Matching and even amplifying Turkish expressions of affection, Bosniak politicians have also recognized the importance of nurturing the image of a special connection between the two countries and their peoples:

*“Turkey is always with us on all important matters. It is a nice feeling to have such a friend. We are never alone as long as Turkey is with us.”<sup>23</sup>*

*“We consider Turkey as a big brother who is strong and wise.”<sup>24</sup>*

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<sup>18</sup> Recep Tayyip Erdoğan in his speech at the Forum titled “Euro-Atlantic path of Bosnia and Herzegovina–Turkey’s Perspective” held at the Bosniak Institute -- the Foundation of Adil Zulfikarpašić, in Sarajevo, Bosnia and Herzegovina, on 5 April 2010.

<sup>19</sup> Turkish Deputy Prime Minister Emrullah İşler, in his speech during the ceremony which marked the opening of the Karagoz-bey’s School in Mostar, BiH, on 17 January 2014.

<sup>20</sup> Ahmet Davutoğlu, Minister of Foreign Affairs of the Republic of Turkey, in his speech upon receiving the Leader of the 21<sup>st</sup> Century award in Sarajevo in May 2012. The award was given to him by the International League of Humanists (ILH), based in Sarajevo, for his efforts to bring peace and stability to the volatile Balkans.

<sup>21</sup> A survey conducted by the Wise Men Center for Strategic Studies (BILGESAM) on how Turkey and Turkish people are perceived in the Balkans. The survey was carried out at different universities in the countries, with respondents including both students and academics, and involved 2,127 face-to-face interviews (June, 2012).

<sup>22</sup> Ibid.

<sup>23</sup> Sulejman Tihić as the President of the Party of Democratic Action (SDA) in an exclusive interview for Anadolu Agency, 13 June 2012.

<sup>24</sup> Bakir Izetbegović, Bosniak member of the BiH’s tripartite presidency, in an interview for the Anadolu Agency after he won the presidential elections in October 2010, aa.com.tr, 5 October 2010.

*"[BiH] and our citizens appreciate and will always remember the unselfish help, which the Republic of Turkey and [its] people have given to us in the bygone times."<sup>25</sup>*

*"The achievement of one brother is also the success of the other [brother]. Thus, we are proud of our brother Turkey."<sup>26</sup>*

Statements like these echo strongly, but are not equally welcomed in the whole country. In a country like BiH, where three different readings of history according to the three ethnic groups exist, basing one's politics on history and culture can be a dangerous business.

## Touching a Nerve

Historically, Bosniaks consider the Ottoman period of their history to be the golden age of BiH and see it as the birth of their religious identity,<sup>27</sup> while Serbs and Croats -- both Christians -- deem it enslavement and a tragedy that lasted for more than four centuries. Even though free to practice their religion, they were degraded as citizens and had their property taken away.<sup>28</sup>

A contemporary Bosnian burden of dividing everything by three is inevitably obvious in foreign policy, too, and relations with Turkey are no exception. A profound difference in both visibility and the perception of the Turkish influence in BiH today is very apparent among its three constituent peoples.

While the majority of Bosniaks support the Turkish ever-growing influence in the country, Serb and Croats are not at ease with it. What Bosniaks see as friendly rhetoric, proof of friendship and brotherhood, or investments based on pure emotions, Serb and Croat representatives in BiH feel uncomfortable with it to say the least. As a consequence, according to some – for instance, Milorad Dodik, the President of Republika Srpska – Turkish presence creates more internal divisions.

*"Turkey is causing a lot of problems in BiH. It does not have absolute right to meddle into regional issues."<sup>29</sup>*

Similarly, Croats in BiH are not entirely comfortable with the Turkish influence. Caricaturing the situation by using Turkish (archaic) words, Dragan Čović, a leader

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<sup>25</sup> Sulejman Tihčić as the then member of the BiH's tripartite Presidency, in a speech given during the dinner, organized by members of the BiH's Presidency in honor of the President of Turkey, 10 April 2006, Sarajevo, BiH

<sup>26</sup> Bakir Izetbegović, Bosniak member of the BiH's tripartite Presidency, in an interview for the Today's Zaman, [todayszaman.com](http://todayszaman.com), 25 September 2012.

<sup>27</sup> Ahmet Alibašić, Director of the Center for Advanced Studies, "The Imposing Challenge of the Ottoman legacy", published in the Conference Proceedings: The Ottoman Legacy and the Balkan Muslim Communities Today, Sarajevo, 16–18 October 2009.

<sup>28</sup> In his book, "Bosnia: A Short History", Noel Malcolm lists a range of rules and discriminatory regulations (kanuni rayi) against non-Muslim population in BiH during the Ottoman rule; e.g. prohibition to ride horses, carry weapons, wear clothes similar to the clothes of Muslims; Christians could not testify on court neither could they sue against their Muslim neighbors, etc.

<sup>29</sup> Milorad Dodik, President of the BiH's entity Republika Srpska, at the joint press conference after the Session of the Council for Cooperation of Serbia and Republika Srpska, in Belgrade, 31 October 2013.

of HDZ, the largest Croat political party in BiH, commented on Erdoğan's statement about BiH being entrusted to Turkey after Alija Izetbegović's death:

*"If Alija Izetbegović was so powerful to leave in amanet<sup>30</sup> anything, to anyone, then, I would say, aferim<sup>31</sup>."*<sup>32</sup>

Veso Vegar, PR officer of the second largest Croatian political party HDZ 1990, has the same opinion and points to the fact that what Erdoğan said was not well-received by many citizens in BiH, particularly Croats and Serbs. He concludes:

*"I do not believe that someone likes to hear that BiH is an Ottoman legacy."*<sup>33</sup>

The fact that the two entities – Republika Srpska and the Federation of BiH – have had strong disagreements for many years now, Turkey's presence does not help in easing tensions, and favorizing one ethnic group, only creates further animosity. At the same time, Turkey finds this to be a real issue, as their stated policy is to support the whole country and not only one of the entities. This trend frustrates Turkish diplomats working in Sarajevo, too. First Counselor at the Turkish Embassy in Sarajevo, Yasemin Eralp, explains:

*"This is the major problem we Turks have in Bosnia – the image. We support the country, not any entity specifically, and we are working on changing this perception".*<sup>34</sup>

And while Turkish officials might present efforts to beat this image as topping their agenda in BiH, the situation on the ground is somewhat different. To illustrate, the Yunus Emre Cultural Center has opened three offices in BiH, none of which are located in Republika Srpska. Out of 25 branch offices of the Turkish Ziraat Bank in BiH, only one is located in Republika Srpska, in Banja Luka. And out of large-scale production investments, none of them have been made in Republika Srpska. On an official level between politicians, the yields are similarly meager as Turkish politicians to date visited Republika Srpska only on one occasion in 2011 when the President of this entity, Milorad Dodik, met with the Turkish Minister of Foreign Affairs, Ahmet Davutoğlu.

On the same occasion of his visit to Banja Luka, Davutoğlu was about to meet with the Serb member of BiH's Presidency, Nebojša Radmanović. However, their meeting was cancelled last minute after Davutoğlu required the Republika Srpska flag be removed from the pole, which was refused by Radmanović's office. Following this diplomatic incident, later in the same year Radmanović also got involved in a row with Erdoğan after the Turkish Prime Minister stated in his post-election victory speech:

<sup>30</sup> From Turkish word emanet, meaning recommendation, allegiance, pledge, and preservation.

<sup>31</sup> Bosnian "aferim" originates from Ottoman Turkish word âferim, which in English translates "well done, bravo."

<sup>32</sup> Dragan Čović, President of the Croatian Democratic Party (HDZ), commenting on Erdoğan's contentious statement, vijesti.ba, 13 July 2012.

<sup>33</sup> Veso Vegar, Spokesperson of the Croatian Democratic Party 1990 (HDZ 1990), commenting on Erdoğan's contentious statement, vijesti.ba, 13 July 2012.

<sup>34</sup> Populari interview with Yasemin Eralp, First Counselor in the Turkish Embassy in BiH, Sarajevo, BiH, 6 December 2012.

*“Believe me, Sarajevo won today as much as Istanbul, Beirut won as much as Izmir, Damascus won as much as Ankara, Ramallah, Nablus, Jenin, the West Bank, Jerusalem won as much as Diyarbakir.”<sup>35</sup>*

Even though the row subsided gradually, it attracted much attention as Nebojša Radmanović found this statement to be a provocation in the sense that Sarajevo was likened to Istanbul. Emphasising that statements like this should not be taken light-heartedly, Radmanović found this precise remark to be a clear sign that Turkish foreign policy aims at imperialistically reviving the Ottoman Empire. Noting the broader connotations and links, according to Radmanović, such rhetoric should not only worry Republika Srpska, but also the EU and other major powers present in the region:

*“This statement should draw attention of the EU as it constitutes direct meddling of Turkey, which aims to become an EU member, into an area under direct attention of EU. [...] If the EU does not expand, there are other powers that will, and Turkey is one of them. A part of nations in the Balkans love it in the same way as another part loves Russia. There is one question – what will the EU do?”<sup>36</sup>*

Against the backdrop of the internally complex situation in BiH and continuous polarizations, the question that arises is what the merits of BiH’s relationship with the Republic of Turkey are. Indeed, as the 15<sup>th</sup> economy in the world with a population of some 75 million people Turkey is a powerful friend to have. Its rapid economic growth positioned this country on the world map. Turkey joined the North Atlantic Treaty Organization (NATO) in 1952, and has officially been a candidate to join the EU club since 1999. In more than nine years since the beginning of accession negotiations in 2005,<sup>37</sup> out of 35 chapters of the *acquis communautaire* Turkey has opened 14 chapters, while one of them (Chapter 25 on Science and Research) has been provisionally closed. Can BiH as an EU aspiring country benefit from this experience and is Turkey willing to help BiH get into the EU? To address this and other similar questions related to the culture, politics and economy of bilateral relations between Turkey and BiH, one must first take into consideration their recent re-birth.

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<sup>35</sup> Turkish Prime Minister Recep Tayyip Erdoğan’s post-election victory speech in Ankara after the general elections in Turkey held on 12 June 2011.

<sup>36</sup> Nebojša Radmanović, the Serb member of the BiH’s tripartite Presidency, in an interview for the web portal *Vijesti.ba*: Radmanović: “Imenovanje Kukića dovelo do još veće političke polarizacije”, 15 June 2011.

<sup>37</sup> Since the 2005 launch of Turkey’s EU accession talks, they have on several occasions come to a halt due to either domestic problems (e.g. crackdown on Gezi Park demonstrators) or external ones (e.g. the question of Cyprus). After a gap of three years, negotiations were resumed in October 2013.

## Under the Influence

For Turkey, BiH was re-discovered in the late 1980s, primarily due to the fundamental transformation process of Turkey's position in the international community as the Cold War was coming to an end.<sup>38</sup> Restoration and preservation of BiH's culture, especially its Ottoman part, then started to be seen as a link between contemporary Turkey and its grandest historical period – the Ottoman Empire – but also an important strategic objective of Turkish cultural diplomacy. Turkey in recent history strengthened its mechanisms globally and developed new ones in order to promote its culture and increase the visibility of Turkey around the world, and more specifically, in the regions of immediate interest,<sup>39</sup> including BiH.

To cement these intentions, several Balkan countries signed official agreements on cultural relations with Turkey; Albania as the first one to do so already in 1989, while Croatia and Serbia (then still as Serbia and Montenegro) followed in 1996 and 2002 respectively.<sup>40</sup> Even though *“Turkey is a country with which BiH has signed the highest number of agreements, around 60 or 70 different ones,”*<sup>41</sup> a formal agreement on cultural cooperation was never drawn up. Nikola Đukić, Advisor at the Department for Central and Eastern Europe in the Ministry of Foreign Affairs, admits that at the end of the day agreements might be overrated and a signed agreement might as well be dried ink on paper:

*“You know, the number itself does not mean much. You can have 20 or so agreements in force, but only one active, and the rest meaning nothing. It is the policy of [BiH's relevant ministries] that an initiative for bilateral agreements is only started when mutual interests exist.”*<sup>42</sup>

But nonetheless, judging from the blossoming cultural cooperation, it appears that in the case of Turkey and BiH there is simply no need for formalities.

Tourism is an example illustrating precisely that; Turks have been swarming BiH's cities over the last few years. In the past four years their arrivals in BiH increased by more than four times from around 13,000 in 2009 to more than 55,000 in 2013.<sup>43</sup> This absolute increase in the number of Turkish tourists visiting BiH is also followed with an increase in the share of Turks relative to other foreign tourists, which more

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<sup>38</sup> If during the Cold War Turkey adopted a stance of pro-Western isolationism, and was economically and politically poorly integrated into the global currents, it demonstrated a major turn as the fundamental changes related to the end of the Cold War system ensued. In that period, the military rule came to an end and Turkey was gradually beginning to return to democratic governance, and brought the country to the center of the international stage as a proactive player concerned not only with its immediate neighborhood, but also the broader region.

<sup>39</sup> According to the official synopsis of the Turkish foreign policy of the Ministry of Foreign Affairs, other than strengthening Transatlantic relations and relations with European countries as the biggest players, Turkey specifically considers the Balkans, Middle East and North Africa, Southern Caucasus, South Asia and Central Asia as priority areas closely tied to it.

<sup>40</sup> Official website of the Ministry of Foreign Affairs of the Republic of Turkey, [mfa.gov.tr](http://mfa.gov.tr).

<sup>41</sup> Populari interview with Mensur Jusić, Head of the Department for Central and Eastern Europe, and Nikola Đukić, Adviser for Turkey in the same Department of the Ministry of Foreign Affairs of BiH, Sarajevo, BiH, 25 February, 2014.

<sup>42</sup> Populari interview with Mensur Jusić, Head of the Department for Central and Eastern Europe, and Nikola Đukić, Adviser for Turkey in the same Department of the Ministry of Foreign Affairs of BiH, Sarajevo, BiH, 25 February, 2014.

<sup>43</sup> BiH Agency for Statistics, [bhas.ba](http://bhas.ba)

than doubled in the same time period; in 2009 Turks represented 4.39% of foreigners visiting BiH, while in 2013 they make up more than 10.5%.<sup>44</sup>

And with 20 direct flights a week<sup>45</sup> between Sarajevo and Istanbul, passenger numbers steadily grow in the other direction, too. Only between 2011 and 2013 the number of tourists from BiH in Turkey has increased from around 56,000 tourists in 2011 to 72,000 in 2013.<sup>46</sup> Nonetheless, such a trend is not limited to BiH, as it is very much similar in other countries in the region; as the map below shows, relative to the size of the population, only a small percentage – less than 2% of the overall population – of Bosnians actually visit Turkey. Comparatively, in 2013, every 23<sup>rd</sup> Kosovar and every 15<sup>th</sup> Macedonian travelled to Turkey, while only every 53<sup>rd</sup> Bosnian did.



*Numbers of tourists from Balkan countries that visited Turkey in 2013, and their percentages relative to the overall population of each country; Source: Populari's own elaboration with data from the Turkish Ministry of Culture and Tourism.*

Similarly, Turkish soap operas broadcast daily are very much popular in BiH,<sup>47</sup> covering 2,235 minutes of program on only one TV channel<sup>48</sup> a week (which is exactly a day and a half a week of soap operas), adding their share to Turkey's cultural influence in BiH.

<sup>44</sup> Ibid.

<sup>45</sup> Sarajevo International Airport; Carriers: Pegasus, Turkish Airlines, BH Airlines.

<sup>46</sup> Republic of Turkey Ministry of Culture and Tourism, Tourism Statistics, December 2013, Bulletin, 2014.

<sup>47</sup> Turkish soap operas are successfully broadcast beyond Turkey, reaching millions of people in more than 50 countries. According to the Turkish Ministry of Culture and Tourism, when the soap operas first entered the world market they were valued at 25,000–35,000 euros per episode. Today, the programs sell for 145,000–360,000 euros an episode. The export of Turkish soap operas is thought to enhance Turkey's soft power on the international stage by popularizing Turkish culture.

<sup>48</sup> Privately owned TV station "OBN".



Turkish soap operas; Sources: nex1.tv, showtv.com.tr, ibid.

Nevertheless, the countries’ inter-connectedness goes way beyond tourist exchange and “Iffet” (“Purity”),<sup>49</sup> “Muhteşem Yüzyıl” (“The Magnificent Century”),<sup>50</sup> or “Adını Feriha Koydum” (“The Girl Named Feriha”).<sup>51</sup> The TV soap opera industry indeed plays a role in increasing Turkey’s popularity in the Balkans, but there are a great number of initiatives and activities that make relations between the two countries strong and lively – at least on the level of culture.

Institutionally, the task of spreading and strengthening Turkish culture and related influence in BiH falls under four Turkish state institutions.

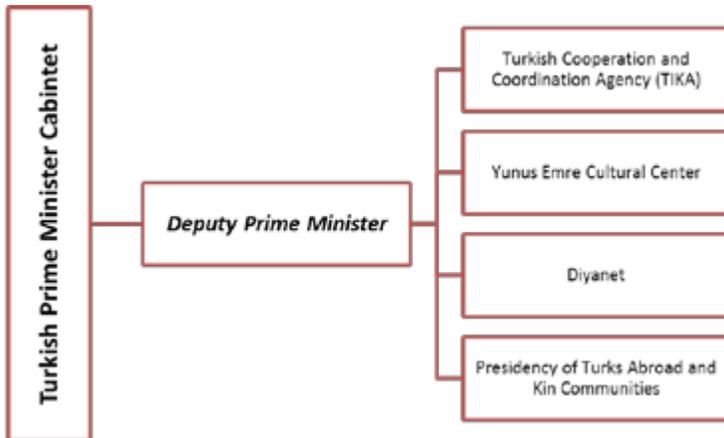


Chart 1: Turkish governmental institutions involved in strengthening cultural influence and present in BiH; Source: Popolari’s own elaboration.

One by one, their activities in BiH will be analyzed, but it should first be pointed out that while the mandates of these institutions are different, all of them have been established with a purpose of deepening the ties between Turkey and other countries, and in particular for covering a cultural and historical preservation, educational activities (be it providing infrastructure, equipment or language courses), religious ties, and social services. Each of them is directly attached to the Prime Minister’s Cabinet and under direct control of the Deputy Prime Minister of Turkey,

<sup>49</sup> Turkish soap opera (2011/2012).

<sup>50</sup> Turkish historical soap opera (2011–present). In BiH translated as ‘Suleiman the Magnificent’.

<sup>51</sup> Turkish soap opera (2011/2012).

Emrullah İşler.<sup>52</sup> Indeed, it seems these institutions have reached their expectations, and under the leadership of the Turkish state and its agile foreign policy approach contributed to the “*perfect cultural relations*”.<sup>53</sup>

Dr. Zülküf Oruç, coordinator of the third largest TIKA office by budget in the world,<sup>54</sup> based in Sarajevo, explains why the largest chunk of their budget is allocated to one of their three work pillars in BiH – culture and history:

*“Our wish is to rebuild cultural and historical monuments, so we can improve tourism in this area. [...]The bridge in Višegrad for example or the Gallery of Srebrenica, are the most visited sites in BiH. In Bosanski Šamac, we turned the house where Alija Izetbegović was born into a museum.”<sup>55</sup>*

50-70% of their budget goes to restoration. TIKA has articulated a cultural and touristic vision for BiH and has demonstrated a unique approach of acting pragmatically. As a result, it has rebuilt or participated in the rebuilding of numerous monuments of Ottoman cultural and historical significance in BiH, be it bridges, fountains, residences, or mosques, over a period of 18 years. Yet, exact numbers systematically testifying about their activities are almost impossible to come by, as even TIKA itself does not keep track of significant cultural and historical monuments they assisted in rebuilding. It is for sure that some of the greatest cultural sites in BiH, such as the Mehmed Paša Sokolović Bridge in Višegrad, or the bridge over the Neretva river are among them. In Oruç’s words, their aim is to turn the Ottoman heritage in BiH into accessible tourist sites “*in order to build a future through rebuilding history and past*”.<sup>56</sup>

While no one knows to what extent TIKA’s activities contributed to the tourism sector in BiH, its activities certainly contribute to BiH’s cultural recovery. It is also noteworthy that while most other national development agencies have either left BiH or extremely reduced their activities and funds in BiH, TIKA’s presence and budget are continuously increasing over time.

For example, looking at the entire official development assistance (ODA)<sup>57</sup> disbursements, the USA has for instance lowered its donations drastically from

<sup>52</sup> Emrullah İşler replaced Bekir Bozdağ on the Deputy PM position on 26 December 2013 after the breakout of the corruption scandal in Turkey involving a number of key persons in Erdogan’s government. Bozdağ served as deputy PM since mid-2011; however, on 26 December, he was appointed as the new Minister of Justice. Both deputies, former and current, are theologians and members of Erdogan’s Justice and Development Party (AKP).

<sup>53</sup> Turkish Prime Minister Recep Tayyip Erdoğan said that BiH had a “special place in the hearts of Turkish people,” adding that Turkey and BiH had perfect political, military, economic and cultural relations, in his speech during his visit to Sarajevo in September 2012, Anadolu Agency, aa.com.tr, 14 September 2012.

<sup>54</sup> Top three countries by size of budget allocated by TIKA: Palestine, Afghanistan, BiH.

<sup>55</sup> Interview with Dr. Zülküf Oruç, Coordinator of the TIKA Office in BiH, “Turkey Planning Reconstruction of Ottoman Heritage in BiH”, Anadolu Agency, aa.com.tr/ba, 21 February, 2012.

<sup>56</sup> Interview with Dr. Zülküf Oruç, Coordinator of the TIKA Office in BiH, “Turkey Planning Reconstruction of Ottoman Heritage in BiH”, Anadolu Agency, aa.com.tr/ba, 21 February, 2012.

<sup>57</sup> ODA is one of the most widely used indicators of development aid flows and was coined by the Organization for Economic Co-operation and Development. It denotes “those flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount).” ODA flows comprise contributions of donor government agencies to developing countries (“bilateral ODA”) and to multilateral institutions, oecd.org.

almost 186 million euros<sup>58</sup> in 1998 to around 29 million euros in 2012, which is a decrease to about a sixth of the value in 1998. During the same period Turkish ODA increased by more than five times from 3.5 million euros to around 16 million.<sup>59</sup> Focusing only on the bilateral aid flow from Turkey to BiH, their total budget in 2012 was 135.05 million euros, and about 10.7 million euros was allocated to BiH. This is an exponential rise from 2008, where BiH had a total of 1.64% of TIKA's budget, 11<sup>th</sup> in place, and only 757,808 euros in 2005.<sup>60</sup>

TIKA is one of the biggest actors in the cultural revival in BiH, but for the content that fills schools, museums, as well as educational and artistic initiatives another institution is in charge – Yunus Emre, the Turkish Cultural Center. Their record of achievements in BiH so far is presented as impressive, with huge investments made in language courses. But, such investments are no surprise as language is one of the central features of any culture and the decision to open the first Yunus Emre Center's office abroad in Sarajevo was obviously not a coincidence:

*"It is a decision taken consciously. This is a decision we have reached by pondering and contemplating deeply. Because if we were to consider in what location the Turkish culture is reflected at its best, we would agree that it is the city of Sarajevo."*<sup>61</sup>

Impressive cultural investments in BiH appear to be related not only to Ottoman heritage preservation projects or Turkish language courses, but also to religious relations, which in turn play a major factor in the relationship between the two countries. Political discourse additionally enabled that one of the four channels, Diyanet, the Turkish Directorate for Religious Affairs, is heavily involved in BiH. Kemal Hakkı Kılıç, Head of the Balkans Department within Diyanet, explains their mission in the Balkans:

*"When it comes to the Balkans region, we want all Muslim brothers to live in peace and harmony. [...] We're focused on renovating and rebuilding mosques in Bosnia."*<sup>62</sup>

Unlike TIKA and partly Yunus Emre, the Diyanet representative, Hasan Atlı, in the newly established Diyanet office in the Turkish Embassy in Sarajevo, explains that all projects in BiH financed through this institution are basically provided through donations collected and sent through mosques to BiH. Practically, this means that the people of Turkey send money to BiH's Islamic Community to implement the needed projects. Hasan Atlı's boss, Kemal Hakkı Kılıç, explains:

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<sup>58</sup> In this paper, all statistical data that has been acquired in USD has been recalculated to euros according to the exchange rate of 1 January of the year in question. Data provided in USD dating before 1 January 1999, are adapted to the initial exchange rate of euro to dollar on the day euro was launched, i.e. on 1 January 1999.

<sup>59</sup> Organization for Economic Co-operation and Development, OECD Stat-Aid (ODA) Disbursements to Countries and Regions: Bosnia and Herzegovina, oecd.org.

<sup>60</sup> TIKA official website, Annual Activity Reports.

<sup>61</sup> Opening speech of the Turkish Foreign Affairs Minister, Ahmet Davutoğlu, at the inauguration of the Yunus Emre, Turkish Cultural Center's office in Sarajevo, 9 September 2011.

<sup>62</sup> Popolari interview with Kemal Hakkı Kılıç, Head of the Balkans Department within Diyanet, Ankara, Turkey, 21 October 2013.

*“The way it goes is the following: We get a note from the Islamic Community in BiH that they need something and we send it. [...] For example, if there is a need to print additional copies of the Qur’an, we print them. Every year we invite a group of five to six muftis and imams from BiH to come to Turkey, spend some time here and we pay all expenses. They ask for it, so we provide it. [...] A list of demands comes from BiH, we evaluate it and then, we do our best to respond to these demands.”<sup>63</sup>*

In the past few years, Diyanet contributed to the construction of mosques in Maglaj, Goražde, and Tešanj, reconstructed the ones in Mostar and Tuzla, invested 400,000 euros in the Ferhadija Mosque in Banja Luka, modernized the Travnik madrasa, and built a mosque within the International University of Sarajevo campus. This list continues and it probably means millions being invested, but the total budget in the country remains unknown.

Despite countless efforts to get precise data on these investments, both in BiH and in Turkey, Turkish authorities failed to disclose this information. Part of the reason is the logic behind Turkish cultural investments in BiH, namely that it is a country considered friendly and in need. In the words of Kemal Hakkı Kılıç, when it comes to contributions it is all an act of fondness:

*“You don’t count every penny when you’re helping a friend, you know. We don’t know how much money we spent on building and rebuilding mosques in BiH. It is not our tradition to tell the figures as we build everywhere and we don’t count.”<sup>64</sup>*

As it has been pointed out, TIKA’s figures and exact data are also difficult – if not impossible – to gather, which is perhaps symptomatic of a more profound issue with transparency. Unlike the other 22 major international donors in BiH, TIKA has not yet joined the work of the Donor Coordination Forum (DCF), established back in 2005 in order to increase aid efficiency in BiH and strengthen BiH’s leadership in its own development. It is, as the Ministry of Finance and Treasury that has since 2009 been coordinating the work of DCF, emphasizes, up to the individual donor whether it will recognize the benefits of joining the DCF.

In the case of TIKA, though, confusion over how exactly the DCF functions and what the expectations are, have obviously outweighed taking part in three yearly meetings and sharing their experience and strategic orientation with the rest of the donor community in BiH. In addition to that, and given the difficulty of accessing data on exact numbers of projects implemented, their values or impacts, it is also questionable to what extent TIKA would be able to contribute to the extensive database of donors’ projects in BiH and the yearly Donor Mapping Reports. Instead of not counting pennies, perhaps an exact keeping of accounts would help the friend better in the long run – *clara pacta, boni amici*<sup>65</sup> posits an old Latin wisdom.

<sup>63</sup> Populari interview with Kemal Hakkı Kılıç, Head of the Balkans Department within Diyanet, Ankara, Turkey, 21 October 2013.

<sup>64</sup> Populari interview with Kemal Hakkı Kılıç, Head of the Balkans Department within Diyanet, Ankara, Turkey, 21 October 2013.

<sup>65</sup> In English translates to “clear agreements [or arrangements], (for) good friends”.

Finally, the last Turkish institution working on improving cultural relations with BiH is the Presidency for Turks Abroad and Kin Communities. Established in 2010, the effects of their work on the ground are yet to be seen. Ramazan Çokçevik, Head of the BiH Desk, told Popolari in October 2013 that the *“most concrete thing we do currently in and for BiH are scholarship grants.”*<sup>66</sup>

Through these non-refundable grants that cover tuition, social security, accommodation and a return airplane ticket, Turkey opened the door of its universities to foreign students in various fields: science, humanities, social sciences, Islamic studies, languages etc. Scholarships are given at all levels of post-secondary education for the duration of the programme, and also cover one year of Turkish language education for accepted students before they in fact begin their studies provided they do not yet have the required C1 level<sup>67</sup> of Turkish.<sup>68</sup>

Ramazan Çokçevik counts that there are currently 500 undergraduate students and 750 master’s level students supported by their scholarship programme. And although their operations in BiH are still relatively limited to the field of education programmes, they find their work in the country challenging. In his words, Bosnian students still have to perfect certain skills:

*“Even though there were 100 positions for Bosnians in 2013, only 55 students from BiH were accepted. This is in sharp contrast to Kosovo where 100 to 120 students participate in the program. Such a ratio is caused by a smaller number of applications from BiH, as well as the poor quality of the applications.”*<sup>69</sup>

The principle goal of BiH’s desk within the Presidency for Turks Abroad and Kin Communities is thus to promote and present their activities further, including in the entity of Republika Srpska. As they say, for now, the majority of applications come from Bosniak students. In order to encourage students from all over BiH to apply, they organized *a tour de BiH* last year, through which they additionally emphasized that BiH as a whole is their target group, *“not just one part of the country.”*<sup>70</sup>

*“We visited Sarajevo, Istočno Sarajevo and Banja Luka. At the University of Sarajevo, we had some 100 students attending the presentation, while in the RS, the number was much smaller – only one student in Istočno Sarajevo and some 15-20 students in Banja Luka.”*<sup>71</sup>

The same applies for the Turkish language; the majority of Turkish taught and learned in BiH, remains confined to the Federation of BiH. Balkan Countries Coordinator of

<sup>66</sup> Popolari interview with Ramazan Çokçevik, Head of the BiH Desk within the Presidency for Turks Abroad and Kin Communities, Ankara, Turkey, 21 October 2013.

<sup>67</sup> C1 level according to the Common European Framework of Reference for Languages denotes a proficient user with effective or advanced operational proficiency of a certain language.

<sup>68</sup> Türkiye Burslari Scholarships official website, [turkiyeburslari.gov.tr](http://turkiyeburslari.gov.tr), 2014.

<sup>69</sup> Popolari interview with Ramazan Çokçevik, Head of the BiH Desk within the Presidency for Turks Abroad and Kin Communities, Ankara, Turkey, 21 October 2013.

<sup>70</sup> Popolari interview with Ramazan Çokçevik, Head of the BiH Desk within the Presidency for Turks Abroad and Kin Communities, Ankara, Turkey, 21 October 2013.

<sup>71</sup> Popolari interview with Ramazan Çokçevik, Head of the BiH Desk within the Presidency for Turks Abroad and Kin Communities, Ankara, Turkey, 21 October 2013.

Culture Centers at the Yunus Emre Center headquarters in Ankara, Rahman Ademi, remarks:

*“We also have an invitation from the smaller Bosnian entity [Republika Srpska] to start Turkish language courses there as well. The invitation was not official, it’s not on paper, but it’s still indicative of the fact that there is interest for the Turkish language in the RS.”<sup>72</sup>*

Yet, Turkish cultural activities in BiH do not end with the four organizations dealt with above. Placed somewhere in the grey zone between investments and cultural promotion is also Turkish engagement in the educational sector in BiH and specifically Turkish schools, such as Bosna Sema Educational Institutions.<sup>73</sup> These were established back in 1998 with the main aim *“to assist and support the educational system of BiH”<sup>74</sup>* which they are realizing through the establishment of 15 educational institutions in Sarajevo, Bihać, Zenica, Tuzla and Mostar ranging from pre-school educational institutions to the International Burch University, at which around 500 students study.<sup>75</sup>

Another example is the International University of Sarajevo (IUS), founded and partly financed by the Foundation for Education Development Sarajevo established and registered as an endowment in 2001 with the *“sole purpose to seek and create academic, material and legal conditions for the advancement of education in BiH”<sup>76</sup>* which they are achieving through the running of the IUS since 2004. According to their online presentations, almost 1,400 students study there from 25 different countries.

A glance at the temporary residence permits issued by the BiH Ministry of Security also suggests that Turkish engagement in educational activities, in particular their establishment of private schools in BiH contributes to a stronger presence of Turkish nationals in BiH. With 2,360 registered nationals, Turks comprise around a quarter of all foreigners in temporary residence in BiH, and out of them, more than 1,362 (around 58% of all Turks in BiH) have been able to get a temporary residence permit on the foundation of schooling in BiH, while around 700 Turks (or 30% of them) have come to BiH to work.<sup>77</sup>

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<sup>72</sup> Populari interview with Rahman Ademi, Balkan Countries Coordinator of Culture Centers, Yunus Emre Center, Ankara, Turkey, 21 October 2013.

<sup>73</sup> Bosna Sema Educational institutions are a part of the global network of schools run by the Gülen movement. The Hizmet, as the movement is known, is a transnational religious and social grouping led by the Turkish Islamic scholar and preacher Fethullah Gülen, living in self-imposed exile in Pennsylvania, USA. Gülen has for years been actively involved in debates concerning the future of the Turkish state, and Islam in the modern world, while his movement is particularly active in education (with schools in over 140 countries), media, finance, and health clinics. It is also suggested the movement controls much of the Turkish police and justice system. For a long time, Gülen and Erdoğan’s pro-Islamic AKP were allies. In mid-2013 when Gülen openly criticized Erdoğan’s handling of Gezi park demonstrators, the open struggle between them began to develop, and continues to date. By fall 2013, Erdoğan had accused Gülen and his supporters of creating “a state within a state”, and announced that educational centers run by the Gülen movement would be shut down.

<sup>74</sup> Bosna Sema Educational Institutions official website, About us, [www.bosnasema.ba](http://www.bosnasema.ba).

<sup>75</sup> International Burch University official website, [ibu.edu.ba](http://ibu.edu.ba).

<sup>76</sup> International University of Sarajevo official website, About us – Foundation for Education Development Sarajevo, [www.ius.edu.ba](http://www.ius.edu.ba).

<sup>77</sup> Ministry of Security of BiH, Service for Foreigners Affairs, “Izvjestaj o radu za period od 01.01. do 31.12.2013. godine”, Sarajevo, January 2014.

In addition to all these well-known institutions, an unknown number of Turkish non-governmental organizations/associations<sup>78</sup> in BiH also plan and organize activities and events that are dedicated to strengthening Bosnian culture. One such event was held in April in Sarajevo. The Sarajevo-based NGO Istanbul Educational and Cultural Center and Eskişehir Turkish World Culture Capital Agency organized a public ceremony of circumcision of 150 boys. Under the brand of keeping the tradition alive and connecting Turkish and BiH nations, the ceremony was organized with a lot of publicity.<sup>79</sup> Although this tradition does exist among Bosniaks, it was generally kept private within the family, rather than made into a public or even state-supported ritual. The obvious question is what does it mean for a secular state, or, even -- what is the impact of such events on the contemporary Bosnian lifestyle. To try to understand this, one must also take into consideration the politics of this weighty alliance.

## A Political Romance

Between the end of the Ottoman Empire in 1923 and the 1980s we can only talk about relations between Turkey and Yugoslavia, of which BiH was an integral part. Even though the two countries essentially found themselves in different blocs,<sup>80</sup> they maintained official relations. These were kept within the constraints of traditional high level diplomacy and were based on very pragmatic mutual security and economic interests, outside the scope of either religion or culture.

During the 1980s as the Cold War was coming to an end, bilateral relations and their substance started to change, primarily due to the fundamental transformation process of Turkey's position within the international community. The international stage then witnessed Turkey slowly climbing the regional as well as global ladders and started to demonstrate renewed interest in neighboring countries and regions.<sup>81</sup> Shortly before the war in BiH, economic relations between Yugoslavia and Turkey were growing with an increasing number of business conferences and economic commission meetings held regularly.<sup>82</sup>

As the war erupted, Turkey was initially a strong supporter of Yugoslavia's integrity; however, it soon came to be aware of the nationalistic plans behind it,<sup>83</sup> and after

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<sup>78</sup> Due to the lack of the central register of non-governmental organizations/associations in BiH, it is clear neither how many organizations/associations there are, nor what the mission and scope of activities of these entities is.

<sup>79</sup> The celebration taking place on 6 July 2013 in the village of Lipnje near Zvornik, marked the end of the project of collective circumcision in Podrinje implemented by the Sarajevo-based NGO Istanbul Educational and Cultural Center. Throughout the project, 186 Bosniak boys were circumcised over a period of several months in Janja, Sapna, Bratunac and Zvornik.

<sup>80</sup> While Turkey was leading an isolationist policy during the Cold War, it was also characterized by leaning towards the West. The best example underpinning this is the fact that Turkey joined NATO already back in 1952, making it the Eastern-most member. As a socialist/communist state Yugoslavia, on the other hand, initially aligned with the Soviet Union that was in 1955 the main contributor towards the establishment of NATO's opposing alliance, the Warsaw Pact. Yugoslavia never joined, but established the Non-Aligned Movement, thus formally distancing itself from alliance to any of the two blocks.

<sup>81</sup> F. Stephen Larrabee, Ian O. Lesser, "Turkish Foreign Policy in an Age of Uncertainty", RAND, 2003.

<sup>82</sup> Ekinci, Didem, "The War in Bosnia and Herzegovina and Turkish Parliamentary Debates (1992—1995): A Constructivist Approach", *Uluslararası İlişkiler*, Volume 6, No 22 (Summer 2009), p. 37-60.

<sup>83</sup> Turkey supported the integrity of Yugoslavia in the initial phases of the conflict. As international efforts failed to maintain the territorial integrity of the Socialist Federal Republic of Yugoslavia, Turkey tried to establish friendly

the lukewarm response from the rest of the world, turned into a stark supporter of independence of the republics. The February 1992 package recognition of Slovenia, Macedonia, Croatia and BiH marked the first turning point in Turkish–BiH relations. BiH, as one of the places, where Turkish historic interests were affected and where Muslims were in plight, was starting to draw a particularly considerable portion of attention that was reviving old Ottoman memories.

In the period between 1992 and 1995, four governments changed in Turkey, each holding relatively short terms.<sup>84</sup> A number of sessions were held in the Turkish Parliament and devoted to the situation in BiH, spinning around the intensity of the country's engagement in the war. In spite of internal instability and opposition parties' advocating unilateral intervention in BiH, Turkish foreign policy remained in line with its obligations as a NATO member, rather than based solely on sympathies with the suffering of the Muslim brethren or nationalistic identities. Shuttle diplomacy with a number of international conferences, meetings held around the globe and calls by Turkey for multilateral intervention were the main Turkish tools at the time.

Even though Turkey also tried not creating a cleavage in its relations with Serbia, it in 1992, for instance, together with the USA pushed for the adoption of a resolution that clearly defined Serbs as aggressors and BiH Muslims as the victims,<sup>85</sup> which later on again influenced the different manners in which ethnic groups in BiH accept Turkish foreign policy. Indeed, however, the war put BiH on the Turkish map.

*“Upon learning about all atrocities committed in BiH, Turkey got very emotional, and public sensitivity was very high towards the Bosnian issue. Turks developed an emotional approach towards Bosnia. Different ideological circles were aware of problems in Bosnia and paid attention to it. Since then, Bosnia has occupied a large portion of Turkish attention.”<sup>86</sup>*

As the calls for a large-scale military intervention in BiH were finally heard, Turkey also took on an active role in them. NATO's “Operation Deliberate Force” that targeted Bosnian Serb targets and finally took off in late August 1995 was joined by Turkish F-16 war planes. And at the time, Turkey was also by the international community

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relations with the newly established states. However, with the beginning of the war in BiH, one of the main aims of Turkish foreign policy was to play an important role in the solution of the conflict, clearly differentiating aggressor and victim. See more about the Turkish foreign policy toward the conflicts that took place in the Former Republic of Yugoslavia in the 1990s: Demirtas-Coskun, B., “Turkish Foreign Policy toward the Conflicts in the Former Yugoslavia: A Search for Reconstruction of State Identity?” 2007. The paper was presented at the annual meeting of the International Studies Association 48<sup>th</sup> Annual Convention, Hilton Chicago, Chicago, IL, USA.

<sup>84</sup> 1) From 20 November 1991 to 25 June 1993, the 7<sup>th</sup> Demirel government (49<sup>th</sup> government), consisting of a coalition of True Path Party (TPP, center-right) and Social Democratic People's Party (SDPP, center-left), held power. 2) From 25 June 1993 to 5 October 1995, 1<sup>st</sup> Çiller government (50<sup>th</sup> government), consisting of the same coalition as in previous term (after SDPP joined Republican People's Party (RPP, center-left) on 18 February 1995, TPP – RPP coalition began). 3) From October 1995 to 30 October 1995 (51<sup>st</sup> government), the 2<sup>nd</sup> Çiller government, i.e. the TPP government. 4) From 30 October 1995 to 6 March 1996 (52<sup>nd</sup> government), 3<sup>rd</sup> Çiller government, a coalition of TPP and RPP.

<sup>85</sup> Ekinci, Didem, “The War in Bosnia and Herzegovina and Turkish Parliamentary Debates (1992–1995): A Constructivist Approach”, *Uluslararası İlişkiler*, Volume 6, No 22 (Summer 2009), p. 37-60.

<sup>86</sup> Populari interview with Orhan Dede, International Relations Coordinator in the Wise Men Centre for Strategic Studies (BILGESAM), Istanbul, Turkey, 24 October 2013.

beginning to be seen as the main ally of Bosnian Muslims. For instance, when BiH president Alija Izetbegović during the ongoing military operations on 4 September 1995 visited Ankara and met U.S. Deputy Secretary of State Richard Holbrooke, the latter emphasized that peace operations require the participation of Turkey. At the same time, it was also reported that the USA wanted Turkey in particular to be the tool of leverage on Bosniaks in ensuing peace talks.<sup>87</sup>

But while Turks started to develop special relations with BiH or the center of the Balkans as they called it,<sup>88</sup> and were starting to be seen as a special ally, they also knew very little about this country or at least had a very partial view of it, which was based on their own interpretation of history. Orhan Dede from the Turkish think tank Bilgesam tells of how until the end of the war in BiH, Turkish newspapers mistakenly considered Bosnians to be Turkic people:

*“In 1992 or 1993, the daily newspaper, Sabah, started the promotion of newly independent states and gave flags of newly formed Turkic states in the newspapers. They wanted to promote their newly founded brothers, and they gave flags mostly of Central Asian new states, like Azerbaijan, but they included the Bosnian flag as well! [...] This is the perception in Turkey: Bosnia is a Turkic<sup>89</sup> state ethnically.”<sup>90</sup>*

This lack of awareness was largely due to the limited contacts the countries had until then. After the war, however, the intensity of relations increased incomparably.

A lot of the efforts during the war were also centered on ensuring safe delivery of humanitarian aid to people in need, but after the war this was slowly shifting towards more long-term oriented reconstruction efforts. Through the 1996 Priority Reconstruction and Recovery Program, Turkey for instance committed 39.8 million euros or about the tenth of the amount committed by the European Community,<sup>91</sup> for economic reconstruction and development of governmental structures after the war. Such a post-war reconstruction approach is to a certain extent still taking place today in the form of projects implemented by Diyanet and TİKA. Some would argue that the Turkish feeling of guilt when they could not do more to prevent the atrocities from taking place is the decisive factor here.<sup>92</sup>

Yet, the post-conflict reconstruction efforts are also a part of a bigger puzzle: the new direction of Turkish foreign policy under foreign minister Ismail Cem (Democratic Left

<sup>87</sup> Ekinci, Didem, “The War in Bosnia and Herzegovina and Turkish Parliamentary Debates (1992—1995): A Constructivist Approach”, *Uluslararası İlişkiler*, Volume 6, No 22 (Summer 2009), p. 37-60.

<sup>88</sup> The Balkans were viewed as “Bosnia and the rest of the Balkans” from the official Turkish perspective during the war as stated in: Ekinci, Didem, “The War in Bosnia and Herzegovina and Turkish Parliamentary Debates (1992—1995): A Constructivist Approach”, *Uluslararası İlişkiler*, Volume 6, No 22 (Summer 2009), p. 37-60.

<sup>89</sup> Turkic peoples are an ethno-linguistic group, inhabiting northern, eastern, central, and western Asia, northwestern China, and also parts of eastern Europe. They include, for instance, Turks, Azerbaijanis, Turkmens, Kazakhs, Uzbeks etc.

<sup>90</sup> Populari interview with Orhan Dede, International Relations Coordinator in the Wise Men Centre for Strategic Studies (BILGESAM), Istanbul, Turkey, 24 October 2013.

<sup>91</sup> Bosnia Peace Operation: Progress Toward Achieving the Dayton Agreement’s Goals, US Government Accountability Office, 5 May 1997.

<sup>92</sup> Populari interview with Foundation for Political, Economic and Social Research (SETA) representatives, Mehmet Özkan, and Mehmet Ugur Ekinci both Researchers in the SETA’s Foreign Policy Research Department, Ankara, Turkey, 21 October 2013.

Party, DSP). Turkey's foreign minister between 1997 and 2002 laid the foundations for the policy that was later fully developed by Ahmet Davutoğlu, the "zero problems with neighbors"<sup>93</sup> policy.

*"When I came to the Ministry I realized that our relations with many of our neighbors were not good, and I thought that at least some of the blame must lie with us. We adopted a principle where, for every positive step towards Turkey, we would respond with two positive steps."<sup>94</sup>*

Thus, as BiH was increasingly coming to the forefront of the Turkish agenda, it was not solely for the altruistic purpose of protecting the interests of their kin people, but also and primarily for the purpose of demonstrating and building the Turkish powerhouse and its role in the region.<sup>95</sup>

## BiH as a Turkish Outpost

When Minister of Foreign Affairs Ahmet Davutoğlu took office in 2009 as a part of the AKP government,<sup>96</sup> the foundations of emotional and heartfelt relations between BiH and Turkey had already been laid. Davutoğlu in his previous role as an academic and as the Chief Advisor to the Prime Minister was already the architect of Turkey's foreign policy. His most important theoretic analysis on Turkey's foreign policy outlook was published in 2001 under the title "Strategic Depth", in which he proposed a new relationship with Turkey's immediate neighbors, corresponding to the historic and geopolitical dimension of modern Turkey, and building on its Ottoman past.

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<sup>93</sup> According to the Turkish Ministry of Foreign Affairs, the discourse of "zero problem with neighbours" is a slogan summarizing Turkey's expectations with regards to the its relations with neighbouring countries. Turkey wants to eliminate all the problems from its relations with the neighbors or at least minimize them as much as possible.

<sup>94</sup> Ismail Cem, Turkey's Foreign Minister in two different governments (between 1997 and 2002), in his book published posthumously in Istanbul in 2009, and titled "Türkiye, Avrupa, Avrasya".

<sup>95</sup> F. Stephen Larrabee, Ian O. Lesser, "Turkish Foreign Policy in an Age of Uncertainty", RAND, 2003.

<sup>96</sup> The AKP has had the absolute majority since 2002.



Cover of the original Turkish issue of *Strategic Depth* by Ahmet Davutoğlu;  
Source: *newtimes.az*

*Considered to be at least “a doctrinal manifesto, if not the Bible,” Ahmet Davutoglu’s “Strategic Depth” was published in 2001, when Davutoglu was working as a professor at the private Beykent University in Istanbul. Little noticed at the time, the book was initially planned to be a part of a series of four books and was to be followed by philosophical, historical and cultural depths. Although it is now described as “extremely influential” or even “seminal”, its 563 pages have hardly been translated to other world languages. The entire book is available in Greek and Arabic, while only parts of it have been translated to, for instance, English. These fragments of “Strategic Depth” are vigorously circulated among ambassadors in Ankara that should understand the foundation of the Turkish role in the international sphere, and are regularly quoted by Turkish governmental officials.*

He deals with the Balkans exclusively in two chapters, which comprise roughly 35 pages. For Davutoğlu, the connecting links for Turkey’s Balkan policy and its importance are the local Muslim communities:

*“The basis of Turkey’s political influence in the Balkans is the Ottoman remnants, the Muslim communities. [...] At first Turkey’s natural allies are the two countries with Muslim majority [BiH and Albania].<sup>97</sup> The will to turn this common historic accumulation into a natural alliance has now emerged.”<sup>98</sup>*

Not taking upon an “active Balkan policy”, Turkey would lose its influence to Greece and Russia who will use their Orthodox/Slavic influence. What Davutoğlu finds missing is a strategy for the neighborhood, which should be, according to him, pursued by Turkey as the regional leader. After all, he is convinced that Turkey is also a Balkan country,<sup>99</sup> and what is more – the only one with such a multi-directional foreign policy. Without a strong Turkish presence, *“the crises in the Balkans have almost turned into a movement to eliminate Islam and the Ottoman identity.”<sup>100</sup>*

Turkey has to act as a natural protector and stand firmly on the side of the Balkan Muslim communities. With this, he means especially Bosniaks and Albanians as the *“two basic support groups for the traditional Ottoman-Turkish Balkan policy”*, and the support of them would in turn also increase the Turkish sphere of power and control. Davutoğlu condemns that these Muslim communities are singled out as extremists:

<sup>97</sup> Contrary to Davutoğlu’s statement, Muslims in BiH are only a simple majority with roughly 40%. Taken together, there are more Christians in BiH with 46% (31% Serbian-Orthodox, and 15 % Catholics).

<sup>98</sup> Ahmet Davutoğlu, *Strategic Depth: International Position of Turkey*, Kültür Yayınları Istanbul, 2001, p. 123.

<sup>99</sup> *Ibid.*, p. 319.

<sup>100</sup> *Ibid.*, p. 315.

*“The Serbs are presenting those who fight against them in the two regions [Bosnia, Kosovo] as representatives of fundamentalist Islam.”<sup>101</sup>*

Despite this demonization of Islam, Davutoğlu is pleased that these two peoples got states that are closer to their cultural past after the end of Communism. This carries a lot of weight also for Turkey’s own stability, because *“in a time when the Albanians and Bosniaks are not in stability and influential in the Balkans, it is not possible that Turkey is at ease in Eastern Thrace and Anatolia.”<sup>102</sup>*

Finally, Davutoğlu devotes special attention to BiH, in that he marks the country to be *“a political, economic and cultural advanced outpost of Turkey reaching into Central Europe.”<sup>103</sup>* Thereby, actions and projects Turkey is implementing under the cultural umbrella are in fact used as a very powerful instrument.<sup>104</sup>

Davutoğlu’s foreign policy strategy in BiH is going by the book, and is fundamentally aimed at winning the ‘hearts and minds’<sup>105</sup> not only of BiH politicians, but also the public in general. The cultural diplomacy of Turkey in BiH is thus much unlike traditional formal and often publically unexposed forms of high-level diplomatic activities. The Advisor to the Turkish Prime Minister, Cemalettin Haşimi, concedes that cultural projects implemented by TİKA or Yunus Emre centers are very much visible – and thus effective.<sup>106</sup> Focusing on culture and soft power tools, Turkey chose the path of slowly building and promoting a favorable image and visibility, and in this way strengthening its power.

BiH is special also as it lies on a very vital border; Davutoğlu draws a line: Bihać - Central Bosnia - East Bosnia - Sandžak - Kosovo - Albania - Macedonia - Kircaali - Western Thrace - Eastern Thrace, and calls it the *“life line of the geopolitics and geoculture of the Balkans for Turkey.”<sup>107</sup>*

It is exactly such divisions that Davutoğlu introduces, which often pose an obstacle or even a threat for creating a unified approach to foreign policy in BiH. In the years following the publication of Strategic Depth, the newly founded AKP passed its first party program, which in line with Davutoğlu’s manifesto stated that Turkey *“shall develop and if necessary reshape the policy in the Balkans, in light of our historical, cultural and economic relations with the region’s countries.”<sup>108</sup>* Thus, Davutoğlu often refers to the need for cooperation of all ethnic groups:

<sup>101</sup> Ibid., p. 316.

<sup>102</sup> Ibid., p. 317.

<sup>103</sup> Ibid., p. 317.

<sup>104</sup> Populari interview with Foundation for Political, Economic and Social Research (SETA) representatives, Mehmet Ozkan, and Mehmet Ugur Ekinci both Researchers in the SETA’s Foreign Policy Research Department, Ankara, Turkey, 21 October 2013.

<sup>105</sup> Joseph Nye on soft power in an article for Democracy: A Journal of Ideas, titled “Smart Power: In search of the balance between hard and soft power,” Fall 2006, democracyjournal.org

<sup>106</sup> Populari interview with Cemalettin Haşimi, Advisor to the Turkish Prime Minister and Director of the Office of Public Diplomacy, Ankara, Turkey, 22 October 2013.

<sup>107</sup> Ahmet Davutoğlu, Strategic Depth: International Position of Turkey, Kültür Yayınları İstanbul, 2001.

<sup>108</sup> AK Party Programme, akparti.org.tr

*“As the Republic of Turkey, we would like to construct a new Balkan region based on political dialogue, economic interdependence, cooperation and integration, as well as cultural harmony and tolerance. These were the Ottoman Balkans, and hopefully we will re-establish the spirit of these Balkans.”<sup>109</sup>*

Outside of statements claiming that cooperation should be boosted among all, the focus of rhetoric still remains on Ottoman history and cultural relations, which carry a risk that not all sides in BiH would get the same slice of the cake. Taking a step forward, Davutoğlu even proposed establishing a Balkan-Unesco in order to jointly protect the cultural heritage, because during the “cultural massacre”<sup>110</sup> in BiH “the Ottoman-Turkish cultural heritage saw the biggest harm.”<sup>111</sup>

Even though Turks claim at aiming to work equally with all ethnic groups in BiH, this is not reflected in practice. So far, all efforts for cooperation remain on the Bosniak side. 90–95% of project applications submitted to TIKa are from FBiH by Bosniaks. Alluding to the three different readings of history and culture in BiH, Zülküf Oruç says that “it is a reality and it has its reasons”.<sup>112</sup> Interestingly, the Serb representative in BiH’s Presidency, Nebojša Radmanović, only has words of praise for Turkish cultural investments in BiH. Even though it seems to him that Turks are focused more on culture and history than development, he singles out the Višegrad Bridge project as a model for understanding Turkish cultural assistance – for him it is “a bridge in the RS, and a world heritage, and it should be seen that way,”<sup>113</sup> rather than stripped down to everyday politics and simply labeled as a demonstration of Turkish expansionist objectives.

Indeed, Nebojša Radmanović, points out it is the exclusive right of Turkey to set its own priorities for activities in BiH. In line with that, Turkey is also a staunch supporter of the Euro-Atlantic integration in BiH, which indicates there is more than culture to these relations. Turkish President Abdullah Gül likes to stress this aspect particularly frequently. During one of his visits in BiH he reiterated the need for BiH to advance on its path to the EU and NATO:

*“Once it has become a member of these institutions, [BiH] will be much more valuable and its future will be more determined and brighter under the umbrella of NATO and the EU, thus raising its standards to EU levels.”<sup>114</sup>*

Davutoğlu as the main player in Turkey is likewise aware that Turkey needs to also cooperate with, and work through, international institutions. Turkish political elites

<sup>109</sup> In the speech of Ahmet Davutoğlu, Minister of Foreign Affairs of the Republic of Turkey, during the International conference jointly organized by The Balkans civilisation Centre (Balmed), Turkish Cooperation and Coordination Agency (TIKA), and the Centre for Advanced Studies–Sarajevo (CNS) on the subject of “The Ottoman Legacy and the Balkan Muslim Communities Today”, held in October 2009 in Sarajevo, and later published by the Balkan Civilization Centre as a Conference Proceedings under the same title.

<sup>110</sup> Ibid.

<sup>111</sup> Ibid.

<sup>112</sup> Popolari interview with Dr. Zülküf Oruç, Coordinator of the TIKa Office in BiH, Sarajevo, BiH, 26 August 2013.

<sup>113</sup> Popolari interview with Nebojša Radmanović, Serb member of the BiH’s Presidency, Sarajevo, BiH, 28 August 2013.

<sup>114</sup> Abdullah Gül, President of the Republic of Turkey, in his speech at the Turkey–Bosnia and Herzegovina Business Forum, Sarajevo, BiH, February 2010.

believe that NATO is the best suited organization for addressing problems in the Balkans (and the Middle East). Yasemin Eralp, First Counselor at the Turkish embassy in Sarajevo, proudly pointed out:

*“The [Turkish] embassy is not only dealing with bilateral issues, but also with multilateral ones. We support BiH’s NATO integration by being a NATO contact point.”<sup>115</sup>*

This means that Turkey is acting as a mentor and is the focal point within NATO for supporting BiH’s partnership and accession to this organization. While the role is usually assumed by a NATO member state for a year only, Turkey has, based on its explicit expression of strong interest, been able to keep it for two consecutive years,<sup>116</sup> which is telling of the importance it ascribes to NATO as a forum of bilateral cooperation.

In the same vein, Turkey, which is itself not a member of the EU, and its dignitaries never forget to support BiH’s EU accession path. Diplomatic personnel at the Turkish embassy in Sarajevo also emphasize:

*“While Turkey is not an EU member state, it is deeply connected with the EU through the association agreement and participation in the Council of Europe. The reforms that Turkey went through due to the EU have made a positive impact on the whole society. [...] We would like to see BiH in the EU.”<sup>117</sup>*

Outside of the European context, Turks see their involvement as important in BiH through the OIC (Organization of Islamic Cooperation).<sup>118</sup> There, Turkey can only push its issues indirectly under the roof of more general issues for the Islamic world. The most prominent forum for putting forward OIC’s agenda in BiH is the Steering Board of the Peace Implementation Council,<sup>119</sup> where Turkey acts as a representative of the OIC. During its meetings, Turkey in this role normally sides with the agenda of Bosniak leaders, which coincide with that of the OIC. An example of an issue most often on the table is the territorial integrity of the country. Davutoğlu always stresses its vitality and implies how seriously Turkey takes its part of standing for the OIC’s interests:

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<sup>115</sup> Populari interview with Yasemin Eralp, First Counselor in the Turkish Embassy in BiH, Sarajevo, BiH, 6 December 2012.

<sup>116</sup> Populari interview with Mensur Jusić, Head of the Department for Central and Eastern Europe, and Nikola Đukić, Adviser for Turkey in the same Department of the Ministry of Foreign Affairs of BiH, Sarajevo, BiH, 25 February, 2014.

<sup>117</sup> Populari interview with Yasemin Eralp, First Counselor in the Turkish Embassy in BiH, Sarajevo, BiH, 6 December 2012.

<sup>118</sup> According to the official website of the Organisation of Islamic Cooperation (OIC) (formerly Organization of the Islamic Conference), it is the second largest inter-governmental organization after the United Nations which has membership of 57 states spread over four continents. The Organization is the collective voice of the Muslim world, ensuring to safeguard and protect the interests of the Muslim world in the spirit of promoting international peace and harmony among various people of the world. The Organization was established upon a decision of the historical summit which took place in Rabat, Kingdom of Morocco on 25 September 1969. Since 1994, BiH is an observing rather than a member state while Turkey is a full member of the OIC since 1969.

<sup>119</sup> The Peace Implementation Council (PIC) comprises of 55 countries and agencies that support the BiH peace process. Its Steering Board specifically is mandated with overseeing the implementation of the Dayton Peace Agreement and providing political guidance to the High Representative. It has 11 members, one of which is the OIC, which is represented by Turkey.

*“For us, it is a life and death issue, it is so important. The territorial integrity of BiH is as important for us as the territorial integrity of Turkey. The prosperity and security of Sarajevo is as important as the security and prosperity of Istanbul.”<sup>120</sup>*

And while BiH along with the seemingly special care treatment seems to be a fertile model of Davutoğlu’s bilateral strategy, results of Turkish policies are yet to be seen in the region. In the last few years, Turkish regional influence in the Balkans was based primarily on the so-called trilaterals.

Although envisaged to reassert the Turkish influence in the Balkans and in particular contributing to bonding the countries in the region, these trilateral meetings have never been organized to last. The meetings with Croatian counterparts in fact never led to much since Croatia has been moving towards the EU.<sup>121</sup> The trilateral meetings with Serbia are presented as much more vital, since most of the talks have been directed towards economic relations and the improvement of cooperation in this field.<sup>122</sup> The actual results, though, appear to be mostly in the domain of politics. The First Counselor at the Turkish Embassy in Sarajevo acknowledges:

*“There is no way to measure the impact of trilateral meetings, and their purpose is to bring a good atmosphere and foster dialogue.”<sup>123</sup>*

Nonetheless, one of the most successful efforts presented by Turks is the appointment of the BiH ambassador to Serbia in 2010. This came after heated political disputes, going back to the 1990s war, and almost three years during which BiH had no diplomatic representative in its neighboring country. The Serb member of the BiH Presidency, Nebojša Radmanović, however, does not attribute this favorable development and thawed relations between the two countries to Turks’ involvement:

*“I don’t think [...] Serbia gave in to Turkey’s influence in [this case]; rather, I think it was the wish of the Serbian leadership at the time to maintain good relations with everyone in the region. Boris [Tadić] was then also running to Croatia in spite of all attacks coming from their side, and this was a general concept of opening Serbia towards the world, the neighborhood, and Turkey. Turkey just used this desire to improve relations.”<sup>124</sup>*

<sup>120</sup> In the speech of Ahmet Davutoğlu, Minister of Foreign Affairs of the Republic of Turkey, during the International conference jointly organized by The Balkans civilisation centre (Balmed); Turkish Cooperation and Coordination Agency (TIKA); and the Centre for Advanced Studies–Sarajevo (CNS) on the subject of “The Ottoman Legacy and the Balkan Muslim Communities Today” in October 2009 in Sarajevo, and later published by the Balkan Civilization Centre as a Conference Proceedings under the same title.

<sup>121</sup> Populari interview with Mensur Jusić, Head of the Department for Central and Eastern Europe, and Nikola Đukić, Adviser for Turkey in the same Department of the Ministry of Foreign Affairs of BiH, Sarajevo, BiH, 25 February, 2014.

<sup>122</sup> See, for example, the Ankara Summit Declaration adopted at the Third Trilateral Summit of the Presidents of Turkey, Bosnia and Herzegovina and Serbia, held in Ankara, on May 14–15, 2013. The Declaration is available at: [www.mfa.gov.tr](http://www.mfa.gov.tr)

<sup>123</sup> Populari interview with Yasemin Eralp, First Counselor in the Turkish Embassy in BiH, Sarajevo, BiH, 6 December 2012.

<sup>124</sup> Populari interview with Nebojša Radmanović, Serb member of the BiH’s Presidency, Sarajevo, BiH, 28 August 2013.

Regardless of the disputed political results and questionable economic ones, the initiative has lately seen its end, mainly due to the inappropriate rhetoric used by Turkish officials in the region. In October 2013, Serb President Tomislav Nikolić cancelled the announced trilateral as a response to Erdoğan's statement made in Prizren (Kosovo), in which he stated: "*Kosovo is Turkey and Turkey is Kosovo*".<sup>125</sup> Having in mind how fragile and sensitive the question of Kosovo still is, Nikolić strongly marked this to be "*an aggression without arms*,"<sup>126</sup> and froze his country's participation in the trilateral meetings.

Until this dispute is resolved, the trilaterals no longer even remain a tool for relaxing relations in the region, let alone anything more than that. If trilateral meetings are to be used as a means for warming up tensions in the region, a clearer and more tactful plan on how to proceed with these will be needed. In the meantime, though, on a bilateral basis BiH continues to be flocked by Turkish state representatives that are repeatedly making the expression of economic progress between the two countries the most prominent topic.

## Sentimental Diplomacy

While little is known among the general public, the foreign policy of BiH is based on a single document dating back to 2003, titled "General directions and priorities for implementing the foreign policy of BiH". This four page document, developed by the tripartite Presidency of BiH more than a decade ago, to date serves as the key framework for BiH's relations with the rest of the world.

At the moment, BiH has no up-to-date laws<sup>127</sup> or relevant bylaws on foreign policy in place, so the country's Constitutional arrangement is the only relevant legislative document in this context. Written in 1995,<sup>128</sup> it gives the main responsibility in the domain of foreign policy to the executive bodies: the Presidency of BiH,<sup>129</sup> and the Council of Ministers, or rather the Ministry of Foreign Affairs (MFA). The Parliamentary Assembly of BiH, or rather its relevant commissions, also take part in the foreign policy cycles, although they have so far been included in the consultation and monitoring processes only to a very limited extent.<sup>130</sup>

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<sup>125</sup> Recep Tayyip Erdoğan during a visit in Prizren, Kosovo in October 2013 stated: "We all belong to a common history, common culture, common civilization; we are the people who are brethren of that structure. Do not forget, Turkey is Kosovo, Kosovo is Turkey!" and adding that he "feels home" when in Kosovo. It sparked fury among politicians in Serbia, al-monitor.com, 28 October 2013.

<sup>126</sup> President of the Republic of Serbia, Tomislav Nikolić, used the phrase to explain how he sees the statements by Turkish Prime Minister Recep Tayyip Erdoğan that "Turkey is Kosovo, Kosovo is Turkey" in Prizren, Kosovo, in October 2013.

<sup>127</sup> In 1992, when BiH was still a republic, a Law on Conduct of Foreign Affairs was adopted, and has to date not been changed. Effectively, BiH has no relevant law or the basis that would determine the conduct and formation of its foreign policy. For additional analysis see: Adis Arapović, Foreign Policy of Bosnia and Herzegovina: Determinants and Perspectives, Center of Civic Initiatives and Faculty of Political Sciences, Tuzla and Sarajevo, 2010.

<sup>128</sup> The Constitution of BiH is in fact Annex 4 of The General Framework Agreement for Peace in Bosnia and Herzegovina, also known as the Dayton Agreement, signed on 14 December 1995.

<sup>129</sup> According to Article III, Paragraph 1, Point b), of the Constitution of BiH, foreign policy is the responsibility of the Institutions of Bosnia and Herzegovina at the state level; and according to Article V, Paragraph 3, Point a), of the Constitution, the Presidency of BiH is responsible for "conducting the foreign policy of Bosnia and Herzegovina".

<sup>130</sup> Amer Kapetanović, (Vanjska politika BiH): između izazova i slabosti, Buybook, Sarajevo, 2005, p. 115.

In addition to the lack of a coordinated approach, such a complex structure also inevitably creates a very unclear balance of power between the actors involved. Amer Kapetanović, now Assistant Minister of Foreign Affairs in charge of bilateral relations, in his meaningfully titled book *“(Foreign Policy of BiH): Between Challenges and Weaknesses”* notes that the Presidency is the strongest actor. But also one of the main sources of problems in BiH’s foreign policy:

*“One of the basic reasons thereto is the structure of the collective chief of state, which is, unfortunately, fragmented into three separate ethnic components, joined around the cabinets of Presidency members.”<sup>131</sup>*

Mirroring much of domestic politics,<sup>132</sup> the foreign policy of BiH is similarly suffering from a deep *“identity crisis”*.<sup>133</sup> It is defined, implemented and communicated through at least three different channels and in three directions. This leaves much space for improvisation, arbitrary and momentary interests – and, again, emotions. And in this respect, bilateral relations with Turkey are no exception.

A look at the highest state-level institutions shows that Bosniak officials dominate relations with their Turkish counterparts. All three members of the BiH Presidency on a rhetorical level agree that bilateral relations between BiH and Turkey are good, strong and constantly improving.<sup>134</sup> In practice, they all meet with each other and talk about cultural, political and economic issues. However, the three members of the Presidency only rarely interact with Turkish counterparts collectively; since the end of 2010 when the current Presidency members have assumed office, a joint meeting only happened four times, half of which took place within the framework of trilateral meetings with Serbian and Turkish heads of state.

During the same time period, each of them attended several meetings with Turkish colleagues individually. According to the website of the Presidency of BiH, in more than three years, Nebojša Radmanović, the member of the Presidency from Republika Srpska, attended three formal meetings, while Željko Komšić, the Croat member of the Presidency, held four official meetings with Turkish counterparts. At the same time, Bakir Izetbegović, the Bosniak member of the Presidency maintained by far the most intensive contacts with the Turkish side – these resulted in no less than 25 formal meetings with Turkish governmental officials. What is more, it was on six occasions that Izetbegović travelled to Turkey for official meetings, while the other two members only joined him in May 2013 for a trilateral meeting together with the Serbian president Tomislav Nikolić.

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<sup>131</sup> Ibid., p. 113.

<sup>132</sup> Adis Arapović, *Foreign Policy of Bosnia and Herzegovina: Determinants and Perspectives*, Center of Civic Initiatives and Faculty of Political Sciences, Tuzla and Sarajevo, 2010.

<sup>133</sup> Amer Kapetanović, *(Vanjska politika BiH): između izazova i slabosti*, Buybook, Sarajevo, 2005, Introduction, p. I.

<sup>134</sup> During the meeting between Nebojša Radmanović and the Turkish Ambassador in BiH Ahmet Yıldız (30 March 2013 in Sarajevo), the interlocutors assessed bilateral relations between Turkey and BiH as “very good”, and Radmanović expressed his content with very positive economic relations between the two countries. Bakir Izetbegović on one of the many occasions, for instance, during his “long and friendly talk” with the Turkish President Abdullah Gül (4 January 2013) expressed pleasure with cooperation between the two countries in various fields. Željko Komšić, as he received the Turkish Minister of Foreign Affairs Ahmet Davutoğlu, (4 May 2012) discussed very good bilateral relations and “relations in the region, which are according to interlocutors getting better and better.” These and similar statements can be gathered from the Presidency of BiH Official websites’ Press Releases.



*Heads of state of BiH, Turkey and Serbia at the last trilateral meeting, held in Ankara in May 2013. From left to right: Željko Komšić (Croat member of BiH Presidency), Nebojša Radmanović (Serb member of BiH Presidency), Abdullah Gül (Turkish President), Tomislav Nikolić (Serbian President) and Bakir Izetbegović (Bosniak member of BiH Presidency); Source: Presidency of BiH.*

The sheer number of meetings held between Izetbegović and Turkish officials is stark in contrast with the single digit number of visits of the other two members of the Presidency, but seems to be an accepted rule in the division of the Presidency's work. The preceding Bosniak member of the Presidency, Haris Silajdžić, also travelled to Turkey or welcomed Turkish officials in BiH much more often than the other two members – during the last two years of their mandate, Silajdžić held 19 meetings with Turkish officials, Radmanović as the Serb representative three, and Komšić only two.

Gatherings of other state officials are much more rare; in the past two years, since the current Council of Ministers was formed, the Chair Vjekoslav Bevanda, only met four times with Turkish officials, while the Minister of Foreign Affairs Zlatko Lagumdžija took the opportunity to do so ten times, while he once made an official trip to Turkey. At first glance, this is in stark contrast to the preceding Minister of Foreign Affairs, Sven Alkalaj -- who is also a member of Party for BiH, founded by a Bosniak, Haris Silajdžić -- and in a period of less than two years, held sixteen meetings with Turkish counterparts. On an individual level this might seem like a lot, but it should be noted that a half of them were initiated externally as they were held within the framework of trilaterals that were at the time very strong on the ministerial level.

	Overall number of meetings held with Turkish officials	Number of meetings held in BiH	Number of meetings held in Turkey*	Number of official visits in Turkey
BiH Presidency jointly	7	5	1	1
<b>Bosniak member of BiH Presidency individually</b>	44	21	24	13
<b>Croat member of BiH Presidency individually</b>	6	6	0	0
<b>Serb member of BiH Presidency individually</b>	6	5	0	0
Chair of Council of Ministers	8	6	2	1
Minister of Foreign Affairs	26	12	9	6

\* On some occasions representatives of BiH and Turkey met neither in BiH nor in Turkey, but on the side of some other events in either the region (e.g. Croatia, Bulgaria) or broader (e.g. New York).

Table 1: Numbers of meetings held between state representatives of BiH and Turkey between January 2009 and May 2014; Sources: Presidency of BiH Archive; Council of Ministers of BiH Archive; Ministry of Foreign Affairs of BiH Archive.

All in all, these numbers confirm that Bosniak politicians effectively maintain what could almost be marked a monopoly over relations with Turkey. Unofficially, such major discrepancies in exchanged visits are explained by President Bakir Izetbegović's personal friendship with the Turkish President, which is, according to most observers, based on the legacy of his father,<sup>135</sup> Alija Izetbegović and his close associate the then reisu-l-ulema Mustafa Cerić.<sup>136</sup> Cerić is highly esteemed in Turkey and was in fact studying in Malaysia with Davutoğlu, while the foremost is respected in Turkey to the extent that he is even referred to as the "king of wisdom".<sup>137</sup>

Alija Izetbegović's memory is honored with several parks, mosques, streets and even boulevards in major Turkish cities like Ankara, Istanbul, Izmir, Konya or Adana carrying his name. Turkish political leaders like to emphasize these special relations with him. Turkish Prime Minister Erdoğan, for instance, likes to evoke how Alija Izetbegović had left him BiH to take care for after his death.<sup>138</sup> The fondness, however, is mutual; Erdoğan's name has been dedicated to a park in Sarajevo,<sup>139</sup> which is the first such example outside of Turkey.

Officially, though, the differences in intensity of relations are mainly explained as "a technical issue",<sup>140</sup> suggesting that no preference is given to any nationality in

<sup>135</sup> Populari interview with Foundation for Political, Economic and Social Research (SETA) representatives, Mehmet Özkan, and Mehmet Ugur Ekinci both Researchers in the SETA's Foreign Policy Research Department, Ankara, Turkey, 21 October 2013.

<sup>136</sup> Populari interview with Kemal Hakkı İlic, Head of the Balkans Department within Diyanet, Ankara, Turkey, 21 October 2013.

<sup>137</sup> Populari interview with Cemalettin Haşimi, Advisor to the Prime Minister, and Director of the Office of Public Diplomacy, Ankara, Turkey, 22 October 2013.

<sup>138</sup> Turkish Prime Minister Erdoğan's anecdote told at the meeting of the AK Party held in Ankara how Alija Izetbegović, the first president of an independent BiH, on his deathbed whispered in Erdoğan's ear the words: "Bosnia is entrusted [emanet] to you [Turkey]. Don't leave this region." Just one day later, on 19 October 2003, Alija Izetbegović died.

<sup>139</sup> Representatives in the Sarajevo Canton Assembly adopted a decision to give the name to the park on Džidžikovac, in Sarajevo -- "Minister Recep Tayyip Erdogan" on 30 June 2010. This decision was made because of his outstanding contribution in supporting the just struggle for the defense of Sarajevo and BiH, Sarajevo Canton Assembly press release said.

<sup>140</sup> Populari interview with Nebojša Radmanović, Serb member of the BiH's Presidency, Sarajevo, BiH, 28 August

BiH, Nebojša Radmanović – the only member of the Presidency who was willing to articulate Bosnian relations with Turkey openly admits:

*“Bakir [Izetbegović] is taking advantage of friendly relations with the Turks, using Alija’s previous relations with Turkey. [...] I don’t think this individual engagement is counterproductive for BiH. Bosniaks love Turks, Serbs love Russia.”<sup>141</sup>*

And after all, such personal or ethnic monopolizations of individual aspects of BiH’s foreign policy were symptomatic also in previous mandates of the Presidency.<sup>142</sup> This implies an unspoken agreement among the members of the Presidency and suggests that it is widely accepted as normal that Bosniaks foster relations with Muslim-majority states and that Serbs are main actors in cultivating connections with states that are predominantly Orthodox. What is more problematic, though, is that these relations are based on individuals rather than states. It mirrors the previous point that internal ethnic struggles prevent BiH from presenting itself on an international – in this case Turkish – stage based on an actual strategic direction and focus.<sup>143</sup>

Nonetheless, BiH’s Ambassador to Turkey, Damir Džanko, describes his post and its value very enthusiastically:

*“This embassy is a mega-post professionally. It is a prestigious post for BiH’s diplomats.”<sup>144</sup>*

The embassy is located in the luxurious area that is a home to most of the foreign embassies in Turkey, Ankara’s district Çankaya, on the third floor of a residential building in a three room apartment. From there, the ambassador and his three colleagues cover Turkey, Georgia and Azerbaijan, with a total area of 939,862 km<sup>2</sup> and a population of some 88.8 million people. The office is additionally supported by BiH’s four consulates in Turkey, a general one in Istanbul and three honorary ones in Izmir, Bursa and Konya.

In contrast to how prestigious this post might be, and how the relations between the two countries echo among state officials, the Ambassador admits:

*“It is very tough sometimes to cover everything,”<sup>145</sup>* especially the economic sector as the embassy houses neither a trade attaché nor an economic expert. But Ambassador Džanko concedes that working there is a challenge not only due to a lack of capacities, but also because of BiH’s questionable articulation of potential – a chronic problem in the country’s (foreign) policy.

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2013.

<sup>141</sup> Populari interview with Nebojša Radmanović, Serb member of the BiH’s Presidency, Sarajevo, BiH, 28 August 2013.

<sup>142</sup> Haris Silajdžić, the Bosniak member of the Presidency from 2006 to 2010, was, just like his successor in the Presidency of BiH, a more frequent guest in Turkey or more frequently hosted Turkish delegations than the other two members of the Presidency – Serb and Croat ones.

<sup>143</sup> Amer Kapetanović, (Vanjska politika BiH): između izazova i slabosti, Buybook, Sarajevo, 2005, p. 118–22.

<sup>144</sup> Populari interview with Damir Džanko, BiH’s Ambassador in Turkey, Ankara, Turkey, 21 October 2013.

<sup>145</sup> Populari interview with Damir Džanko, BiH’s Ambassador in Turkey, Ankara, Turkey, 21 October 2013.

Even the case of the BiH-Turkey Inter-Parliamentary Friendship Group demonstrates this.<sup>146</sup> Hakan Çavuşoğlu, the MP of the governing AKP and a member of the Turkish side of the group, complains about the BiH side. According to him, after the last election Bosnians failed to get their own side of the group running:

*“We cannot alone formulate the goals of our group without BiH’s parliament group that is supposed to act as our counterpart. We asked them to create it so we can work better.”<sup>147</sup>*

In fact, Bosnians did set up their part of the group officially, but its members never held a single meeting since 2010.<sup>148</sup> Lacking clear interests, aims and means to achieve them, BiH’s foreign policy seems to be in its infancy if not on hold, and is neither carried out nor defined to full capacity.<sup>149</sup> At the same time, Turkish agenda in BiH is branching out from covering culture and education to supporting traditional values.

Yet, when looking at the content of meetings at the level of state officials, it seems that politically speaking, all is in order between BiH and Turkey, and that a point of contention lies in another sphere – economy. Aside from debating the current political picture in both countries, and exchange of opinions about them, priority is almost always given to improving and strengthening economic ties. The question, however, is to what extent these priorities are also reflected on the ground, particularly as judging from the public statements, topics of discussion among state officials have remained unchanged for at least the past ten years. In 2004, Sulejman Tihić, the then Bosniak member of Presidency, in a meeting with the then Turkish President Ahmet Sezer emphasized:

*“There is a need for strengthening economic cooperation, because trade exchange between BiH and Turkey is far below its possibilities.”<sup>150</sup>*

To date, the concerns and the wording remain the same with *“there is a need for strengthening economic cooperation,”<sup>151</sup> “improving economic ties,”<sup>152</sup> or “looking at possibilities for increasing Turkish investment in BiH”<sup>153</sup>* present in almost every meeting. Indeed, at the most recent meeting between Zlatko Lagumdžija, the BiH Minister of Foreign Affairs, and the Turkish Minister of Economy Nihat Zeybekci, the same scenario was followed: after Lagumdžija emphasized friendly relations

<sup>146</sup> Populari interview with Hakan Çavuşoğlu, AKP Member of Turkish Parliament, and Chairman of the Friendship Parliamentary Group with BiH in the Turkish Parliament, Ankara, Turkey, 23 October 2013.

<sup>147</sup> Populari interview with Hakan Çavuşoğlu, AKP Member of Turkish Parliament, and Chairman of the Friendship Parliamentary Group with BiH in the Turkish Parliament, Ankara, Turkey, 23 October 2013.

<sup>148</sup> Populari interview with Šefik Džaferović, SDA Member of BiH Parliamentary Assembly and Member of Friendship Group for East and Central Europe, Sarajevo, BiH, 4 March 2014.

<sup>149</sup> Adis Arapović, Foreign Policy of Bosnia and Herzegovina: Determinants and Perspectives, Center of Civic Initiatives and Faculty of Political Sciences, Tuzla and Sarajevo, 2010.

<sup>150</sup> BiH Presidency, Press Release after a Member of the Presidency of BiH Sulejman Tihić met with the President of Republic of Turkey Ahmet Sezer in Istanbul, 29 November 2004.

<sup>151</sup> For instance, see official statement after Zlatko Lagumdžija’ meeting with Turkish Minister of Economy, Nihat Zeybekci, held in Sarajevo on 10 April 2014.

<sup>152</sup> For instance, see official statement after Bakir Izetbegović’s meeting with the Turkish Deputy Prime Minister Bülent Arınç, held in Sarajevo on 21 February 2013.

<sup>153</sup> For instance, see official statement after Bakir Izetbegović’s meeting with Turkish President Abdullah Gül, held in Ankara on 4 January 2013.

between the two countries, he pointed to the importance of further strengthening economic cooperation between the two, in particular through increasing trade volume and Turkish investments in BiH.<sup>154</sup> The following chapters deal with precisely these two areas and show that on the ground, not too many reasons for optimism exist.

## Easy Money?

The story of economic relations between the two countries begins at Bašćaršija. Early in the morning, the craftsmen arrive at *čaršija* and greet each other. Each cleans the stone in front of their shop, a tradition persisting since Ottoman Empire times, and shops are opened as the streets are waking up. The murmur of conversations is interrupted by hammer blows. Craftsmen today mainly produce souvenirs for tourists, but a great number of crafts at Bašćaršija no longer exist. Once, the sounds of tools dominated this area. It is reported that in the 19<sup>th</sup> century over 65 different crafts existed in Sarajevo, and around 400 different items were produced.<sup>155</sup> Especially prominent at the time were *ćurčije*,<sup>156</sup> *kujundžije*,<sup>157</sup> *sarači*,<sup>158</sup> and *kazandžije*.<sup>159</sup> Some of these craftsmen perfected their work to the extent that they were known and respected throughout the Ottoman Empire. Already at that time, several centuries ago, trade on the route between Sarajevo and Istanbul was established.

These craftsmen and merchants, were part of the Ottoman Empire which gave them opportunities to produce, ship, build, and sell. Just being part of it gave them great advantage as this was an empire that sprawled across 5,200,000 km<sup>2</sup> and lasted six centuries. Today, growth is measured in economic terms; more specifically, in Gross Domestic Product (GDP). Politically speaking, there are no longer any empires, and what is left of the Ottoman one today is Turkey.

In 21<sup>st</sup> century measurements of economic growth, Turkey has been growing radically, especially since 2010. While a 2% annual growth rate is considered ideal or healthy,<sup>160</sup> the Turkish economy only in 2010 expanded by 9.2%, and in the following year by an additional 8.5%; this made it the fastest growing economy in Europe, and one of the fastest growing economies in the world. As of 2010, Istanbul was home to 28 billionaires, 4<sup>th</sup> only behind London, Moscow and New York.<sup>161</sup>

Able to withstand the 2008 global economic collapse, largely due to austerity measures imposed in 2002 by the IMF,<sup>162</sup> foreign direct investment and trade have

<sup>154</sup> Ministry of Foreign Affairs of BiH, Press Release: Dr. Lagumdžija – Zeybekci: Strengthening economic cooperation between BiH and Turkey by increasing trade volume and Turkey's investment in BiH, 10 April 2014.

<sup>155</sup> Hamdija Kreševljaković, *Esnafi i obrti u BiH (1463–1878)*, Izabrana djela, 1991, Veselin Masleša, Sarajevo

<sup>156</sup> *Ćurčija* manufactures leather garments. The word comes in B/C/S from Turkish.

<sup>157</sup> *Kujundžija* is a jeweler who creates decorative items made of gold. The word comes in B/C/S from Turkish.

<sup>158</sup> *Sarač* is a saddle maker, an artisan making saddles. The word comes in B/C/S from Turkish.

<sup>159</sup> *Kazandžija* is a craftsman who makes pots and copper cookware in general.

<sup>160</sup> Anything above a 4% growth rate is considered unhealthy because this usually means there is an asset bubble and it will soon peak and consequently contract.

<sup>161</sup> Forbes, *The World's Top 10 Billionaire Cities*, 2008.

<sup>162</sup> Neoliberal prescriptions such as market liberalization, rolling back of the state, privatization of the banking sector (as well as its deregulation and rehabilitation), a competitive exchange rate, a more flexible labor market, cut in public spending, privatization laws for the tobacco and sugar industries as well as the telecommunications

kept the country's main sectors – tourism, agriculture and manufacturing – booming. With the world's 15<sup>th</sup> largest GDP-PPP and 17<sup>th</sup> largest nominal GDP,<sup>163</sup> putting the country in the top 10% of the world in terms of GDP, Turkey is an economic force to be reckoned with. Whatever economic "malaise mask"<sup>164</sup> may be exposed through the political turmoil, the Turkish economy is growing and with that comes an opportunity for those with whom they have close relations – including BiH.

In 2013, total trade between BiH and Turkey amounted to 307 million euros.<sup>165</sup> Out of that, BiH export to Turkey totaled 88 million euros while import from Turkey in BiH amounted to 218 million euros.<sup>166</sup> To analyze trade with Turkey from the Bosnian perspective it is necessary to put it in the context of its trade exchange with other major trading partners of BiH.

Country	Total import in millions euros	Total export in millions euros
Croatia	1,365	621
Serbia	913	413
Germany	735	685
Switzerland	685	68
Slovenia	676	352
Italy	643	510
Austria	479	351
Hungary	290	70
Turkey	218	88
Poland	163	47

Table 2: Top 10 Trade Partners of BiH in 2013. Source: komorabih.ba.

And while Turkey is only at 9<sup>th</sup> place on the list, it is still important to note that import from this country is six times lower than that from Croatia, and three to four times lower than that from Italy, Slovenia, Switzerland, Germany or Serbia. In fact, 218 million euros worth of import from Turkey represents only 2.9% of total import in BiH. At the same time, Turkey is in 8<sup>th</sup> place among export destinations of BiH. While BiH exported 88 million euros to Turkey in 2013 (2% of total BiH's export), it managed to export six to eight times that value to Italy and Germany. Given the volume of trade between BiH and other states, it is evident that there is a large potential for increasing trade between Turkey and BiH.

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industry, and central bank independence.

<sup>163</sup> GDP is gross domestic product, the total economic output of a country, i.e., the amount of money a country makes. The two most common ways to measure GDP per capita are nominal and purchasing power parity (abbreviated PPP). Nominal is an attempt at an absolute measure, a sort of immovable standard that remains the same from country to country. It is the original concept of GDP. In contrast, PPP is an attempt at a relative measure, taking factors of each country into consideration in order to put a number on a person's standard of living within that country. To simplify, PPP is how much of a local good (like real estate, labor, or locally grown produce) a person can buy in their country, and nominal is roughly how much of an internationally traded good (diamonds, DVD players, Snickers bars) a person can buy in their country. Thus, developing countries tend to have a higher (better) PPP than nominal, while developed countries have higher nominal than PPP.

<sup>164</sup> The mask is off: Political turmoil exposes economic malaise, *The Economist*, economist.com, 11 January 2014.

<sup>165</sup> Foreign Trade Chamber of BiH, komorabih.ba, Sarajevo, BiH, 2014.

<sup>166</sup> Ibid.

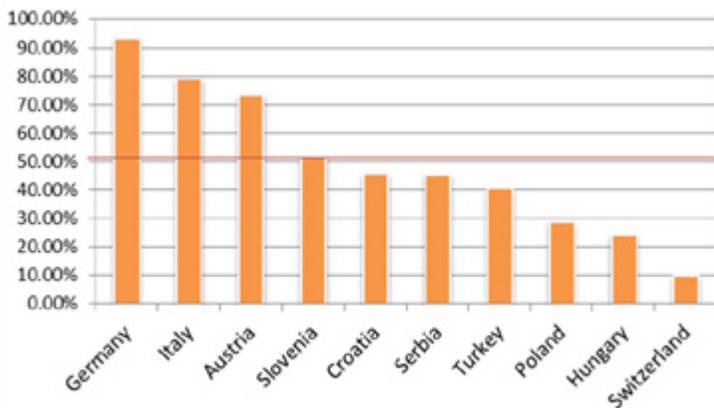


Chart 2: Top Exporters to BiH in 2013 According to the Coverage of Imports with Exports; Source: Popolari’s own elaboration according to the Foreign Trade Chamber of BiH data.

It is clear from the previous graph that out of the largest countries that export to BiH, trade with Germany is most favorable. The trade balance with Germany, the coverage of imports from Germany by exports to this country, amounts to an extremely good 93.1%. At the same time, the trade balance with Turkey amounted to 40.4%. Commenting on the balance, Nebojša Radmanović, suggests reasons should be sought on the Bosnian side:

*“We missed something. We need to look at ourselves first, and then go attack those with whom we have good relations. When you look at the economic exchange it is a disaster, there should be a more aggressive national policy of BiH, and in particular the national establishment, to Ankara, Belgrade and Zagreb. This is, unfortunately, not the case.”<sup>167</sup>*

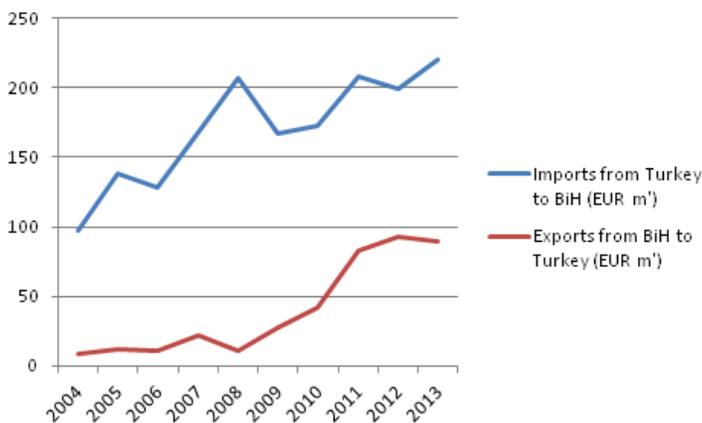


Chart 3: Trade Exchange between BiH and Turkey over the past 10 years; Source: Popolari’s own elaboration according to Foreign Trade Chamber of BiH data.

<sup>167</sup> Popolari interview with Nebojša Radmanović, Serb member of the BiH’s Presidency, Sarajevo, BiH, 28 August 2013.

Nonetheless, a positive trend has to be acknowledged; trade volume between BiH and Turkey has over the last ten years almost constantly been growing. During this period, the imports from Turkey increased by 228%, while the exports to Turkey grew at an impressive 1,109%. Thus the trade balance improved from an incredibly poor 8.3% in 2004, to a still unsatisfactory 40.4% in 2013. The regional ratio in 2013 stood at 44%. All countries in the region recorded a trade deficit with Turkey; the most successful being Croatia, featuring the strongest economy in the region, whose trade balance with Turkey stood at 95.8%.

Country	Total import from Turkey (EUR m')	Total export to Turkey (EUR m')	Coverage
BiH <sup>168</sup>	218	88	40,4%
Croatia	146	140	95,8%
Kosovo	202	6	3,5%
Macedonia	213	59	27,7%
Montenegro	21	8	39,5%
Serbia	319	182	57,1%

Table 3: Trade Exchange of Turkey with Countries from the Region in 2013; Source: Turkish Statistical Institute, Foreign Trade Statistic Database.

While it is clear that BiH has no special status in regard to trade with Turkey when compared to the countries in the region, BiH's economy can still be satisfied with and should build on the favorable trend. The trade balance with Turkey has almost doubled only in the last four years, from 22.9% in 2009 to 40.4% in 2013.

On the other hand, despite strong cultural and political links and connections with Turkey, the two countries' trade exchange is five times lower than BiH's exchange with Germany, and four times lower with Italy, both of which do not claim any special historical ties with BiH. Judging by the content of political statements and messages in the past decade, there seems to be a proclaimed willingness to do so. Nebojša Radmanović again explains why BiH should assume a more decisive stance in this case:

*"It is the responsibility of BiH in this situation. BiH first needs to know what it wants from Turkey because love is one thing, and economic relations are something else."*<sup>169</sup>

Given Turkey's growing economic strength, there is a lot of opportunity to place products on their market. BiH's Free Trade Agreement (FTA) with Turkey presented the best way to open up the Turkish market to Bosnian exporters. Following Macedonia, which was the first one in the region to sign the FTA with Turkey in 1999, BiH signed it in Ankara on 3 July 2002. The Agreement liberalized trade between the two countries mainly by reducing barriers to Bosnian and Turkish exports and creating more stable and transparent trading. Until 2009, Turkey signed FTAs with all the countries in the region, except with Kosovo.

<sup>168</sup> Foreign Trade Chamber of BiH, komorabih.ba, Sarajevo, BiH, 2014.

<sup>169</sup> Popolari interview with Nebojša Radmanović, Serb member of the BiH's Presidency, Sarajevo, BiH, 28 August 2013.

The conditions under which Turkey signed the FTA with the countries in the region were more or less the same or at least very similar.<sup>170</sup> BiH's FTA with Turkey removed duties on all industrial and agricultural products, except meat and meat products. The other FTAs in the region all go in line with the provisions that mutual concessions should be exchanged between them and Turkey for certain agricultural products based on tariff quotas or on unlimited basis subject to most favored nation duty reduction or exemption.

This means that BiH can in theory export any amount of any industrial or agricultural product (except meat) to Turkey without paying import taxes, i.e. customs duties, as long as it complies with all the hygiene, sanitary, and technical provisions, rules of origin etc. listed in the FTA. Other countries in the region, e.g. Montenegro, or Albania, though, must bilaterally negotiate and set quotas for certain agricultural products. The FTA in general makes it easier and cheaper for BiH and Turkish companies to export their products and services to trading partner markets. In addition, large numbers of Turkish companies strive to export due to government-funded export subsidies,<sup>171</sup> which place BiH's unprotected domestic market along with its domestic producers at risk. As imports start flooding in, domestic producers are pushed out. Still, some BiH producers only see the benefits:

*"As for Turkey, X times now we have tried to enter Turkey's market. It is a huge market, large market, which is, generally speaking, the most closed market I know. But we have this advantage that there is no duty/import tax on our products, we can import without any problems as far as they are concerned."*<sup>172</sup>

Looking at the structure of traded goods, BiH's most important exports to Turkey are iron and steel, fats and oils, and leather products. Together they make up 46.3%<sup>173</sup> of BiH's export to Turkey, while food and live animals amount to around 13% of exports. When it comes to imports from Turkey, BiH imports mostly machinery and mechanical appliances, plastics, clothing and electrical machines.<sup>174</sup> Nowadays, BiH exports mainly raw materials to Turkey, which are used by Turkish companies to produce value added products, those which yield a much higher profit when sold. In order for BiH to gain something from this relationship, it would also need to start producing and exporting more value added products, and not just squander its resources on raw material export.

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<sup>170</sup> All Agreements regulate sanitary and phytosanitary measures, technical barriers to trade, intellectual property, rules of origin, internal taxation, anti-dumping and countervailing measures, safeguards, balance of payments measures, etc. All Agreements eliminated tariff and non-tariff barriers for trade, and abolished customs duties on imports of industrial & agricultural products, services & investments. Customs duties on import of industrial products from all the countries in the region were abolished immediately upon the FTA had been enforced, while customs duties for certain industrial products originating in Turkey were gradually abolished within 5-8 years period of time, depending on the country's FTA.

<sup>171</sup> On paper, there are 44 groups but due to budget constraints, only 16 receive funding. Amongst the 16 are honey, olive oil, fruit juices, frozen fruits, vegetables, preserved poultry and poultry meat products, eggs and fish. Export subsidies in agriculture remain to all destinations, but the EU demands that export subsidies be eliminated for non-agricultural products.

<sup>172</sup> Populari interview with Emir Vilić, Export Manager at Milkos, Sarajevo, BiH, 16 March 2014.

<sup>173</sup> Indirect Taxation Authority of BiH, BiH Foreign Trade in Goods, January 2014.

<sup>174</sup> Ibid.

## Total Exports to Turkey

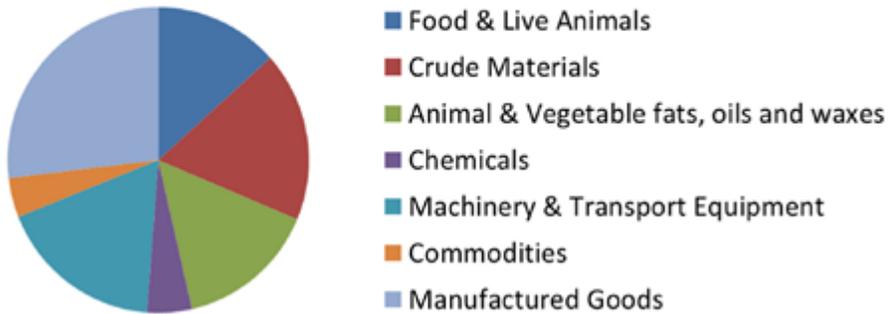


Chart 4: Composition of BiH's Export to Turkey by Type of Products; Source: Indirect Taxation Authority of BiH, BiH Foreign Trade in Goods, January 2014.

Despite space for development, another obstacle is posed by the fact that the vast majority of BiH's manufacturers do not produce sufficient quantities of products for serious performance on the Turkish market. The limited amounts of products are thus often placed on the EU market, which is a more attractive export destination than Turkey as it offers higher prices. Following a sound export strategy, BiH should look everywhere for new markets and should always choose the market that provides a better price. Products that yield a better price in the EU should thus go to the EU and not to Turkey. Some producers echo this strategy:

*"As soon as we get the European number, we will focus on the EU, because of much better prices. We've got the quality, more expensive products. For example, Livno cheese, or fruit yogurt. It is our chance, that is where the cash is."<sup>175</sup>*

Market diversification and looking both to the West and East are important to ensure that a country is not dependent on any single market. However, an additional factor influencing BiH's export to Turkey – aside from the price and quality – is that Turkey produces almost everything BiH does. It is not just about the choice of products made in BiH, but also about the quantity of a single product:

*"For example, this sausage, salami, what is it... They call it "kavurma". It is made of beef meat. That is for example the great potential and high prices can be achieved. If we export it, all our manufacturers would be able to live like pigs in clover. Unfortunately, there is not enough cattle in BiH."<sup>176</sup>*

The 2010 walnut export affair<sup>177</sup> offers the best example of limited quantities available for export. Twelve BiH companies were not able supply the demand of Turkish customers for walnuts. They conspired to commit fraud that involved purchasing large quantities of walnuts from Ukraine, Moldova and Romania, repackaging them,

<sup>175</sup> Populari Interview with Emir Vilić, Export Manager at Milkos, Sarajevo, BiH, 16 March 2014.

<sup>176</sup> Populari Interview with Emir Vilić, Export Manager at Milkos, Sarajevo, BiH, 16 March 2014.

<sup>177</sup> Nezavisne Novine, "Firme iz BiH oštetile Tursku za 14 miliona KM", 3 March 2010, nezavisne.com

obtaining the Eur. 1 certificate,<sup>178</sup> and placing the walnuts on the Turkish market as a product of Bosnian origin. By doing so, they sold 2,722 tons of walnuts of false origin in Turkey in 2009 and incurred damage to both countries of over 7 million euros.<sup>179</sup> Several officials of the BiH Indirect Taxation Authority were sanctioned for involvement in this affair.<sup>180</sup>

On a related note, the debate whether BiH companies are skillful and capable to conduct big business deals is very much present, too,<sup>181</sup> as business people should become aware that investing in human capital and their own companies' resources and capacities is of the highest importance:

*“Business people must mature and realize that in the current environment and increased competition from abroad, they need to either grow or disappear and there is nothing the state can do about it. I think the state can help in a sense that it improves the business environment, but apart from it, everything is on the company’s shoulders although state must ensure easier ways of conducting business”.*<sup>182</sup>

There is a deeper issue that prevents development of a thriving business culture in BiH. It concerns a thriving business climate, developing know-how required to successfully export, attracting investments, enabling growth and everything else that accompanies successful export oriented businesses. Almir Mukača, Project Manager at BIGMEV,<sup>183</sup> elaborates this further:

*“They are business people who have had a certain amount of experience before the war, after the war they had the courage to start something and have now come to a certain level where they don’t know how to go further. They do not invest in minds. There is no entrepreneurial spirit – thinking what to do next – and this is why we need education.”*<sup>184</sup>

Vispak is one of the companies in BiH's food industry, which recorded growth in export over the last few years. Established in 1972, today they successfully export to over 20 countries, with almost 30% of production earmarked for export. In 2012

<sup>178</sup> The EUR.1 movement certificate is used in international commodity traffic, and is recognized as a certificate of origin in external trade. It is important in the context of, for instance, FTAs when certain goods with cheaper rates of duty or completely duty-free are defined, on the condition that they were completely manufactured in a certain country. In such examples, EUR.1 must be handed over to certify for the origin of the goods.

<sup>179</sup> The BiH-Turkey FTA stipulates that products made and produced in BiH are exempt of import duty. Products coming from BiH that were not of Bosnian origin are taxed EUR 2 per ton.

<sup>180</sup> Ibid.

<sup>181</sup> Populari interview with Enes Ališković, Director of the Export Promotion Agency within the Foreign Trade Chamber of BiH, Sarajevo, BiH, 27 August 2013.

<sup>182</sup> Populari interview with Enes Ališković, Director of the Export Promotion Agency within the Foreign Trade Chamber of BiH, Sarajevo, BiH, 27 August 2013.

<sup>183</sup> BIGMEV is the Foundation – Center for the Development of Relations with BiH (Bosna Hersek ile İlişkileri Geliştirme Merkez – BIGMEV), established in 2010 that has a vision to “reviv[e] [...] old relations between [BiH] and Turkey,” through an increase of investments and trade. It offers different services in support of linking BiH with Turkish businessmen and vice versa. The President of BIGMEV's Managing Board is Muzaffer Çilek, a prominent Turkish businessman, whose ancestors came to Turkey from BiH. Aside from the central office in Istanbul, BIGMEV also has an office in Bursa and in Sarajevo.

<sup>184</sup> Populari interview with Almir Mukača, Project Manager at BIGMEV, Sarajevo, BiH, 9 September 2013.

Vispak entered the Turkish market and went as far as accommodating packaging, look, and size of products to Turkish consumers' preferences. It was BIGMEV that put them in contact with their buyer in Turkey, Market A101, which unfortunately went bankrupt and the deal fell through. Muhamed Muzaferija, Export Manager at Vispak, admits that they cannot open an office in Turkey because everything is too expensive, as Turkish standards are simply too high. Turkey has extremely high quality products and in order to be successful on their market, one has to have top quality products:

*"We managed to export coffee onto their market, that's a finished product, but the procedure is too complicated. Turkish officials additionally re-inspect everything; they're extremely rigorous. However, we do have that FTA with them, and have no tariffs on most of our exports. Despite that, the problem lies in us not taking advantage of that yet."<sup>185</sup>*

Although the first attempt to export to Turkey ended up in failure, Vispak is not ready to give up on this market. Their representatives say they are in daily contact with potential partners, receiving delegations, and working hard to again find a place for their products in the saturated Turkish coffee market. And while the visibility of imported goods is the most evident on supermarket shelves, it should be acknowledged that the food industry – the sector in which Turkey is an exporting power – is not an opportunity for BiH.

Nevertheless, the unmet demand of the Turkish market cannot be covered by a small number of BiH producers given their production capacities and quantity of their products available for export:

*"We have no chance of getting to stores of major chains, it is not realistic, it does not make sense [...] You know how much it costs, and how many years we need to invest for to go from the bottom shelf to those in the middle, where the customer actually sees you [...] All of it costs money. We need access to some smaller shops, and I mean smaller in their terms, as for us, these are still large shops and chains, such as for example Čilek."<sup>186</sup>*

The various aggravating circumstances such as unattainable production standards or transport barriers certainly do not help to improve the trade balance between BiH and Turkey. Nonetheless, the private sector's expectations of benefits from trade relations shared in a dozen of interviews conducted by Populari's research team was that Bosnians think that Turkey, a friendly nation, is obliged to buy Bosnian products. Turks on the other hand, do not see BiH in isolation, but rather look at the region as a whole, which then may be understood as a serious economic partner. In essence, BiH is not prepared for large-scale international trade relations.

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<sup>185</sup> Populari Interview with Muhamed Muzaferija, Export Manager at Vispak, Sarajevo, BiH, 20 March 2014.

<sup>186</sup> Populari Interview with Emir Vilić, Export Manager at Milkos, Sarajevo, BiH, 16 March 2014.

## Not that Special after All?

Putting aside sentiments, Turkish economic interest in BiH and the entire region is evident in its investments. But contrasting Turkish FDI performance to the overall FDI in BiH does not complement the political rhetoric. According to the Central Bank of BiH the total 2012 FDI in BiH was 285 million euros and most of it came from Russia, 78 million euros. Similarly, over the first nine months of 2013 when FDI flows amounted to 210 million euros, Russia was the top investor with 97 million euros invested, while Turkey was at the tail of the top 10 investors with 5.9 million Euros invested in the first three quarters of 2013, making slightly less than 3% of the overall FDI in BiH in that period.<sup>187</sup> Overall, Turkey ranked only 9<sup>th</sup> in terms of FDI stock in BiH between 1994 and 2012.

Country	Total investment 1994–2012 (in million euros)
Austria	1,337
Serbia	959
Croatia	754
Slovenia	524
Russia	471
Germany	309
Switzerland	257
Netherlands	168
Turkey	149
Luxemburg	139

Table 4: Top 10 Countries by their Investments in BiH 1994–2012;  
Source: Central Bank of BiH.

Despite seemingly strong political will, increased visibility of the Turkish cultural presence in BiH through TIKA and Diyanet, and frequent talks and words of encouragements by Turkish and Bosnian officials, the level of Turkish FDI remains low. Some officials in BiH, like Mirza Kušljagić, Chair of the Parliamentary Committee on Foreign Affairs, admits:

*“It is small progress when considering the economy of Turkey. [...] These investments are negligible.”*<sup>188</sup>

In the Balkans there is a real crisis in terms of reliable information available regarding FDI with a complete lack of hard data. Different sources cite different numbers and therefore encourage unreliable conclusions about who is doing what or how well in the region. Aiming to make sense of a real numbers’ crisis, we rely on either the Central Bank of BiH or the Turkish Ministry of Economy itself. According to the ministry, Turkish investment in the region amounted to 33.6 million euros in 2002, and jumped to 141.6 million euros in 2011, an impressive increase in just nine years.<sup>189</sup> However, Turkish overall investments abroad increased from 160 million

<sup>187</sup> Foreign Investment Promotion Agency of BiH, FDI Position and Performance, February 2014.

<sup>188</sup> Populari interview with Mirza Kušljagić, Chair of the Committee on Foreign Affairs in the Parliamentary Assembly in BiH, Sarajevo, BiH, 29 August 2013.

<sup>189</sup> Republic of Turkey Ministry of Economy, Balkans Regional Information, 2014.

euros in 2002<sup>190</sup> to 1.35 billion euros in 2011, making its investments in the Balkans 10% of its total FDI in 2011.

The Turkish Ministry of Economy cites Kosovo as a regional champion in receiving FDI from Turkey (1 billion USD or more than 771 million euros) from 2002-2012. Kosovo Central Bank and Kosovo Investment Promotion Agency reports around 235 million euros from 2007 until 2013. Others, such as the UN Conference on Trade and Development, do not mention Kosovo at all. Sometimes Serbia's doing best, sometimes Macedonia is. However, while this schizophrenia of information is widespread in the region, there is consistency in the fact that Turkey is not yet the biggest investor in BiH or the region.<sup>191</sup>

With an exception of Kosovo, as figures don't match the same period, according to the Turkish Ministry of Economy data, over the period of ten years, from 2002 to 2012, Turkey invested 112 million euros in BiH, placing the country at 2<sup>nd</sup> place in the region, while Croatia fared only slightly better than BiH during this period with an overall 130 million euros of Turkish FDI. At the same time, BiH attracted almost three times as much direct investment as Serbia (38 million euros) or Albania (35 million euros).

Below is the chart of Turkish FDI between 2002 and 2012 for the region by country:

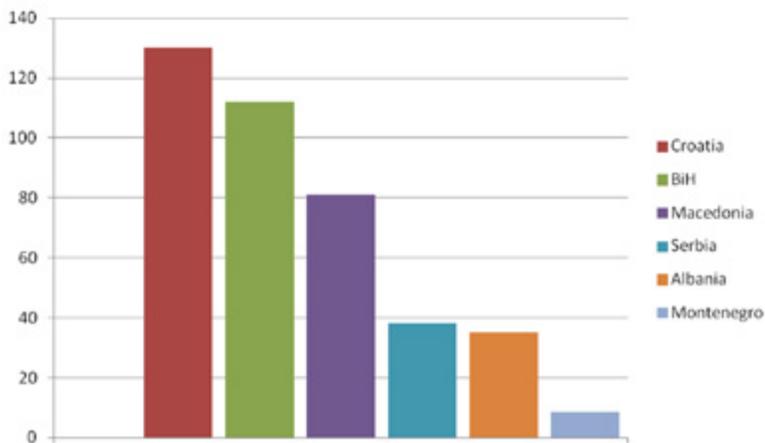


Chart 5: Turkish FDI Stock in the Region per Country in the Period 2002–2012 (mil euros);

Source: Turkish Ministry of Economy.

<sup>190</sup> United Nations Conference on Trade and Development, Investment Country Profiles: Turkey, UNCTAD/WEB/DJAE/IA/2012/6, February 2012.

<sup>191</sup> The issues with accessing reliable statistical data were coupled with Turkey's lack of transparency in the matter and unwillingness to share information. Contacting the Ministry of Economy of the Republic of Turkey, Popolari got the run around. Asking for simple information such as lists of projects implemented in BiH and the region, a very unaccountable response was received as nobody knew where the information was nor did they know who was responsible for having it. Every person contacted washed their hands of the subject matter. While there does not appear anything sinister in their responses, nor is there a cover up of sorts, there does appear to be a lack of information gathering, consolidating and delegating. Administrative chaos is apparently not just a Balkan syndrome.

To date, aside from the presence and programs of the Turkish Ziraat Bank, only three major Turkish investments have been realized in BiH: Sisecam Soda in Lukavac, Natron Hayat in Maglaj and Cengiz İnşaat in Sarajevo.

Even though the investments in education are significant in the long run, the focus here will be on the two investments that potentially have the largest and most long-term impact on tackling the high levels of unemployment in BiH, directly through the real production sector. Similar to the educational sector's soft power approach, Ziraat Bank might offer low interest rates, but does not directly bring BiH production and employment one step ahead. Cengiz İnşaat company won a highway-construction bid and has with its infrastructure project a limited time-span of activities and thus employment possibilities for locals.

An economy striving to attract FDI, especially with rates of unemployment as high as in BiH<sup>192</sup> should focus precisely on these long-term real sector investments that will more directly lead to the creation of jobs and projects that would boost development. So, what is holding back investments in BiH?

## Doing Business in BiH?

There are several principal reasons why Turkish investments in BiH are so low, but one of the main ones is BiH's chaotic and uninviting business climate. BiH's long-standing affair with donations and grants has fostered an attitude of entitlement, which means that it has little experience in working to attract money.

While one could certainly question the way different types of indexes are done, the Doing-Business ranking is still duly noted by investors. According to the 2013 World Bank's Ranking "Ease of Doing Business", BiH ranks at 131<sup>st</sup> out of 189, while Serbia ranks 93<sup>rd</sup>, Croatia 89<sup>th</sup>, Kosovo 86<sup>th</sup>, Montenegro 44<sup>th</sup>, and Macedonia 25<sup>th</sup>. BiH has a very problematic bureaucracy. Establishing a firm takes months, which in other countries can be done within a day. Red tape is everywhere. After all, this is a country that took 18 months to form a government.

	Starting a Business	Dealing w/ Construction	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing contracts	Resolving Insolvency
Macedonia 25	7	63	76	84	3	16	26	89	95	52
Montenegro 44	69	106	69	98	3	34	86	53	136	45
Kosovo 86	100	136	121	58	28	98	43	121	138	83
Croatia 89	80	152	60	106	42	157	34	99	49	98
Albania 90	76	189	158	119	13	14	146	85	124	62
Serbia 93	45	182	85	44	42	80	161	98	116	103
BiH 131	174	175	164	96	73	115	135	107	115	77

Table 5: Ease of Doing Business in the Region; Source: World Bank Ease of Doing Business, 2013.

<sup>192</sup> According to the internationally accepted methodology and International Labor Organization's definition of unemployment, the rate of unemployment in BiH in 2013 was at around 28%.

Doing business in BiH is often a frustrating and confusing experience. Many institutions often share responsibility for a single issue, while at times no one is responsible for anything. More often than not, a company does not know where to turn. All the different 'parts' of BiH, the two entities and a district, the 10 cantons and 141 municipalities, are a clear obstacle, especially when investors are not familiar with the country's structure. The BiH Foreign Investment Promotion Agency (FIPA) records challenges investors face and these often stem from administrative barriers and outdated regulation not adapted for the 21<sup>st</sup> century.

Natron Hayat<sup>193</sup> is a company that battles with an inefficient business environment and irregular wood supplies which in 2009, four years after its opening, brought the company to a crisis and forced management to stop production and send workers on holiday leave to wait for the supplies to arrive. This inability to obtain wood when needed or special pricing for electricity, has led them to produce their own biofuel using wastewater in a boiler:

*"By the founding contract FBiH has been obliged to provide the raw material but it was not implemented. [...] They have promised to deliver wood from the domestic market at the priority price, and best coal for 10 years, electricity and rail transport. Also, it was promised that scrap paper would not go out of BiH but would be sold to Natron Hayat."*<sup>194</sup>

The inability of governments to implement their part of a deal or to abide themselves to realistic obligations, points again to an inefficient business culture in BiH, which in turn led Natron Hayat to rely much more on their own know-how. But finally, this decision was based on their own good will, preparedness for additional investment and flexibility, and BiH governments at all levels should not expect that everyone is up to exploring available alternatives like Natron Hayat.

Another example comes from Sisecam Soda Lukavac.<sup>195</sup> In order to produce 1,100 tons of soda per day, Sisecam Soda needs salt water from the salt mine in Canton Tuzla. But the mine has inefficient management, old equipment and too many employees, all of which make their prices high, hurting Soda Lukavac's profit margins. They cannot rely upon a continuous supply or a steady price. What is

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<sup>193</sup> Natron was a paper and paper packaging producer flourishing during Yugoslavia's time, giving loans, building houses, owning real estate in Maglaj with 5,600 employees and 365 million BAM of profit in 1991. After a long battle, numerous tenders and potential investors, among them Swedes, French, businesspersons from India and Austria, Natron Hayat finally found investors -- Turkish ones; the company was privatized as a joint venture by Natron Maglaj d.o.o. and Kastamonu Entegre Company, which is a member of the international Hayat Holding Group from Turkey and named Natron Hayat. Today, Natron Hayat has 878 employees, and Hayat Holding Group owns 90% of the company.

<sup>194</sup> Populari interview with Azema Mulasmajić, Executive Director for Human Resources and Legal Affairs at Natron Hayat, Maglaj, BiH, 20 September 2013.

<sup>195</sup> Today's Sisecam Soda was founded in 1893 as the First Bosnian Producer of Ammonia Water; in 1945 it was nationalized, and until the end of 1990s it had developed into a giant conglomerate "Socialist Enterprise Soda-So" that dominated Yugoslavia's salt market by producing 88% of the total salt production in the former Yugoslavia (Salih: Always and Forever, 125 years Salt Factory Monograph, Tuzla, 2010). In 1991, the socialist enterprise turned into a shareholding company with mixed capital. But the war started in 1992 that destroyed the company and led to the post-war period of uncertain search for investors. A part of Soda So that produces soda was privatized only in 2006 by Soda Sanayi A.Ş. which is a part of ŞİŞECAM Group based in Turkey, a global producer of glass exporting to Italy, Germany and Croatia amongst others. The group has manufacturing facilities in Turkey, Bulgaria, Italy and BiH.

more, in order to ship their final product, most companies use railways. However, given the problematic railways in BiH, Soda Lukavac has to use trucks to ship their products, which additionally increases expenses. Sisecam Soda general manager, Baris Donmez, who has been working in BiH since Soda-So was privatized in 2006, laments:

*“Based on my experience, I cannot say whether I would recommend to someone from Turkey to invest here. [...] It was definitely not a good investment from an economic point of view.”<sup>196</sup>*

Problems directly affected Soda’s business: in the first five years of operation, it lost 40 million BAM.<sup>197</sup> It was not until 2012 that it finally made a profit of 7.5 million BAM and thereby considered a “successful” investment.

These examples illustrate the essence of problems in BiH. The investment climate and business environment are generally hostile to foreign investors and instead of making it more attractive and easier to invest in the country, BiH’s economy still struggles with an image of an administratively divided and bureaucratically complicated country. A country not yet prepared for a market economy.

Why should Turkey, then, invest in BiH when there are so many other Balkan countries to choose from, ones with a much friendlier investment climate and easier bureaucratic structures? Because we are brothers? Apparently, not. Again, Baris Donmez, talks from experience about whether he would recommend investing in BiH:

*“It really depends. If an investor would not have anything to do with the state or state companies [in BiH], then it would be great for them. Otherwise, they are in big trouble. It is difficult to get the state to make decisions as there are so many levels and they do not know who is responsible for what.”<sup>198</sup>*

Investors must have incentives to invest, but BiH’s lack of solid state protection and guarantees to foreign investors raises immediate red flags. Without concrete state help, companies will not come in under commercial terms. Also, without an example of good practice no one will gladly invest. Even though labeled “successful” both Sisecam Soda in Lukavac and Natron Hayat in Maglaj had their share of struggles in BiH’s market. In order to attract investment, governments usually give concessions, build roads, infrastructure and speed up the legal process, as well as provide state safety nets.

In addition to the financial risks due to lack of state incentives in BiH, investors also struggle with the administrative nightmare in BiH, namely the inconsistent and unbalanced legislation.<sup>199</sup> Even though the adoption of any progressive measures

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<sup>196</sup> Populari interview with Baris Donmez, General Manager at Sisecam Soda Lukavac, Sarajevo, BiH, 10 October 2013.

<sup>197</sup> Populari interview with Baris Donmez, General Manager at Sisecam Soda Lukavac, Sarajevo, BiH, 10 October 2013.

<sup>198</sup> Populari interview with Baris Donmez, General Manager at Sisecam Soda Lukavac, Sarajevo, BiH, 10 October 2013.

<sup>199</sup> One of the two entities in BiH, Republika Srpska, unilaterally enforced specific incentives valid only in this part

is good and should be strongly welcomed and supported, the problem lies in the fact that uneven legislation and a disunited internal market hinder more effective investments. Such disorderly and poorly regulated administration, along with legal differences among administrative units within BiH, are a challenge even to domestic businesspersons, let alone foreigners who can barely find all the information needed to educate themselves about the benefits of investing in BiH. Bosnia's unsystematic approach is discouraging, especially in light of the fact that the Turkish state does not financially support commercial investments,<sup>200</sup> and BiH is no exception. Private companies have to take risks on their own and pay out of their own pockets if their investment in BiH in the end does not pay out.

While BiH also signed an investment treaty with Turkey that entered into force in 2002 and addresses all the usual risks of FDI,<sup>201</sup> it does not seem to be helping to attract and protect investors. The first Balkan country to have an investment treaty with Turkey was Albania in 1996, followed by Croatia in 1998, and then also Serbia in 2003.<sup>202</sup> All investment treaties are identical across the Balkans, and the only countries, that do not have an investment treaty with Turkey, are Macedonia and Kosovo.

*“Johnson Matthey<sup>203</sup> chose Macedonia for its European mega-factory in competition with 13 other countries, including the Czech Republic, Hungary and Slovakia, because of the quality and cheap labor force, government's incentives regarding the price of the land and taxes, but most of all because of the highly professional and effective approach of the Government.”<sup>204</sup>*

As a part of Macedonia's 2007 “regulatory guillotine”, wherein they trimmed regulations making it easier to conduct business in the country, Macedonia established a “one stop shop system” in which the investor is served in one place for most of the procedures required to register business: one office, one place, one employee. Additionally, companies can be established and registered in just 4 hours after submitting an application. Macedonia established a Regulatory Impact Assessment that allows the business community input in formulating business legislation; it has

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of the country. In particular, they introduced specific incentives for the development of market production of milk, premiums for meat production and sold fruit, investments in agricultural mechanization and the recruitment of unemployed persons, different from those in the other entity, Federation of BiH. There are also financial grants for boosting of the tourism sector and a lot of loans and grants for agriculture in general. Brčko District also has specific incentives for compensation of court fees for registration of a business entity, expenses of connection to power, water and sewage networks, expenses for building permits and compensation for paid employment contribution in the total amount of newly employed persons, as well as salary compensation for maternity leave 100%.

<sup>200</sup> During the recent meetings between BiH Minister of Foreign Affairs, Zlatko Lagumdžija, and the Turkish Minister of Economy, Nihat Zeybekci, the latter announced Turkey will take into consideration certain types of encouragements for investors from Turkey to invest in BiH. He mentioned the possibility to provide favorable credit lines for investment in BiH or tax relief for businessmen who invest in BiH, i.e. the same they get when they are investing in undeveloped parts of Turkey.

<sup>201</sup> Bilateral investment treaties are entered into by countries with strong existing or potential investment relations in order to protect and increase investments. Issues covered in them include FDI discrimination, business concessions, stocks, returns invested, property, dispute settlement mechanisms, intellectual property rights, and even war.

<sup>202</sup> Republic of Turkey Ministry of Economy, Bilateral Investment Treaties, 2014.

<sup>203</sup> Johnson Matthey is a British multinational company and one of the world leaders in environmental technologies, fine chemicals and precious metals production.

<sup>204</sup> Statement of Colin Jaffray, Former Director of Strategic Planning at Johnson Matthey, published at Invest Macedonia, Agency for Foreign Investments and Export Promotion of the Republic of Macedonia, Success Stories.

also developed what are called Technological-Industrial Development Zones where industrial and high technology operations take place. In these zones, there are free connections to utilities, no VAT or customs duties for export production and a 0% income tax, both personal and corporate, for up to 10 years, while the taxes are at 10% thereafter. Serbia, for instance, too has additionally streamlined the process and created incentives for foreign investors, ones that strongly emphasize job creation, and would particularly be vital in BiH as it is coping with one of the highest levels of unemployment in Europe.<sup>205</sup>

So, expecting Turkish officials to give a push to a private businessperson to invest in BiH based on love and friendship, cannot be seen as a comparative advantage in the economic sense and will leave BiH waiting forever. BiH must itself facilitate investments and gain interest from the side of potential investors: speed up administrative procedures, create attractive incentives, cut the red tape and streamline the entire process. With one of the lowest corporate tax<sup>206</sup> rates in the region at 10%, BiH has the ability to be a top contender in attracting FDI.



This is good news, because the lower the tax rate, the more inclined investors are to come and invest, especially when there are double taxation treaties<sup>207</sup> in place, which BiH has with Turkey and many other countries.

As the numbers show, Turkey's business community is currently not overly interested in BiH's market, but they are willing to listen to proposals. This is supported by the number of visits exchanged between Turkish and Bosnian entrepreneurs in the last three and a half years organized only through one Foundation dealing with the improvement of economic relations between Turkey and BiH, and more specifically investment activities. According to their promotional booklet, since 2010 when the Foundation – Center for the Development of Relations with BiH (*Bosna Hersek ile İlişkileri Geliştirme Merkez – BIGMEV*) was established, they held 890 bilateral meetings, five sectorial conferences, 33 thematic workshops and 21 presentations of investment opportunities in BiH.

While they promote BiH in Turkey and Turkish investments in BiH, as well as the increase of trade exchange between these two countries, the extent to which they contributed to the success in this sector of the Bosnian economy is unknown, even to them apparently:

<sup>205</sup> The International Labor Organization's data on global unemployment trends puts BiH with an over 28% rate of unemployment close to EU member states like Spain or Greece that were most strongly hit by the crisis and where unemployment rates also reach around 27%. Out of countries in the region, only Macedonia is faring worse with an over 29% unemployment rate.

<sup>206</sup> A levy imposed on the profit of a firm, with different rates used for different levels of profits or types of legal entities.

<sup>207</sup> Double taxation treaties ensure that if, e.g. an investor is taxed in one country, they will not be taxed again in the country of origin, i.e. where the investment is coming from.

*“Our goal is for people to have all the technical support, a place to meet, facilitation, moderation, and translation of documents, and meetings, all that is needed to realize a project.”<sup>208</sup>*

Indeed, BIGMEV facilitates meetings, be it with entrepreneurs from the wood industry, energy, PVC doors and windows, or interiors, but does not go beyond. While the intentions may be good, the results we can only speculate about since, as BIGMEV openly says, follow up activities are not part of their agenda. In the words of a businessperson from BiH attending one of those BIGMEV-facilitating meetings, the meeting was held in quite a relaxed atmosphere:

*“I came unprepared. I do not have specific suggestions on how to achieve cooperation with you, because BIGMEV did not inform me what the meeting would be about, or who will be present. If you have an idea on how to work together and cooperate, just let me know.”<sup>209</sup>*

As BIGMEV maybe falls short in preparation/training, Bosnian businesspersons are not preparing themselves for serious tasks either. No project documentation, coupled with no promo materials or lacking presentation skills, and most of all, a lack of ideas and a vision of how to improve and enlarge one’s own business, makes Bosnians amateurs in conducting business. Turks coming to these meetings, on the other hand, mostly know what they want: either to place their products on BiH’s market or to channel Turkish products to the EU through BiH – as simple as that. In the end, what is supposed to be matchmaking of potential business partners, is simply watered down to a garden party where good will and friendship prevail – again?

In conclusion, although opportunities are rare, even when Turkey throws BiH a bone, BiH does not measure up. Simply put, BiH’s message to investors is – *we are not as welcoming as we think we are*. The country’s investment climate, even compared to the region, is lackluster. In the business world, when numbers are in question, there is no love; there is no space for emotion and history, it all comes down to money. Political rhetoric does not translate well on the ground and promises made are promises broken:

*“When it comes to BiH—Turkey relations, especially in business, there is a lot of talk but no concrete results. People come, take pictures and leave, that’s it.”<sup>210</sup>*

Waiting for Erdoğan, Gül and Davutoğlu to tell a private businessman to invest in BiH based on love and friendship, will take forever. At the moment Turkey’s growing economy helps only Turkey. Who is to blame?

As emotions run deep, it is important to stay objective and look at the facts. A handy analogy comes from a nearby country. BiH and Austria, which is the largest foreign

<sup>208</sup> Populari interview with Almir Mukača, Project Manager at BIGMEV, Sarajevo, BiH, 9 September 2013.

<sup>209</sup> One of the participants at the meeting between Bosnian and Turkish businesspersons organized by and held in BIGMEV on 16 August 2013.

<sup>210</sup> Populari interview with Baris Donmez, General Manager at Sisecam Soda Lukavac, Sarajevo, BiH, 10 October 2013.

investor in BiH, also share a common history and similar culture. Nevertheless, Austrian politicians and citizens are not emphasizing sentiments built on this common history. Even though Austria had invested 1.3 billion euros<sup>211</sup> in BiH between 1994 and 2012, Austrians pay a lot of attention not to overemphasize that:

*“The disadvantage [when it comes to operating in BiH] stems from the fact that a very long time ago our country played an occupying role in the country. There is in consequence an understandable sensitivity about the role we can play today. But [...] experience shows that if we too are sensitive there is no reason why history should get in the way of our present efforts to make an effective contribution to resolving some of [BiH’s] problems.”<sup>212</sup>*

BiH’s attempt to rely on a brotherhood to prosper economically is clearly not working. Expecting emotions to bring in money became a Bosnian tradition, one of victimization and charity. Bosniaks are clearly related to Turkey in a brotherly way and there is nothing controversial about it. Good cooperation is reflected in an improved quality of life. It is hard to expect that someone will buy something just because it is from BiH. Thinking about Turkish investment failures in BiH, such as for e.g. Turkish Airlines,<sup>213</sup> and one must ponder on why this opportunity was lost.

*“Bosnians have to earn something with their own work and efforts. Not everything can be investment from abroad. Whether it is a crisis of the system or something different I don’t know, but I believe that the responsibility lies on the side of the Balkan people. In Turkey, we have had a capitalist environment for a long time now and Turks are used to such a culture of doing business while Bosnia still doesn’t know how to act in this environment. It’s the Balkan syndrome”.<sup>214</sup>*

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<sup>211</sup> Foreign Investment Promotion Agency of BiH, FDI Position and Performance, February 2014.

<sup>212</sup> Speech by the High Representative and EU Special Representative Valentin Inzko on BiH’s Path to the EU and the Role of Regional Cooperation at a Roundtable organized by the Turkish Economic and Political Research Institute, Ankara, 22 November 2010.

<sup>213</sup> In 2008, Turkish Airlines bought 49% share of stakes of the Bosnian carrier BH Airlines, the majority of which is owned by the Federation of BiH. By entering into this partnership and sharing of expertise, Turkish Airlines officially aimed at supporting the development of both companies and making BH Airlines a stronger company. However, after more than three years of the partnership and around 25 million euros investments in the Bosnian airline, the Executive Board of Turkish Airlines in mid-2012 announced the end of their engagement with BH Airlines. According to Turkish Airlines Executive Board Director Hamdi Topçu, the BiH government was “not able to fulfil its obligations” that would allow the company to function normally; for instance, during the formation of a new government the company was left without managing structures for several months.

<sup>214</sup> Populari interview with Rahman Ademi, Balkan Countries Coordinator of Culture Centers, Yunus Emre Center, Ankara, Turkey, 21 October 2013.

## Recommendations

### Recommendations for BiH Policymakers:

- a) As relations with Turkey are strongly bended towards Bosniak side the politicians representing this ethnic group should reduce the risk of the negative image Turkey has among two out of three constituent peoples in BiH by clearly separating friendship and diplomatic routes.
- b) Expedite work within domestic institutions to assess the needs and possibilities, on forms of bilateral cooperation that are the most beneficial for BiH. For example, investments with high employment potential should be primarily attracted considering BiH's high unemployment rate.
- c) Initiate a priority scheme that combines all forms of assistance from Turkey, and provide a clear list of priorities.
- d) Create a new or update the existing foreign policy strategy with corresponding action plans, as well as laws and bylaws that would provide the much needed institutional framework for fruitful diplomatic relations.
- e) BiH should take active measures towards creating a proper business climate, providing incentives for investors. This means providing export certificates by having accredited laboratories; cutting the red tape and bureaucratic mayhem; making a uniform system that is streamlined and easy to understand and approach by investors.

### Recommendations for Turkish Policymakers:

- a) Insist on and work actively on developing a better image of Turkey, not only in Federation of BiH, but in the entire country, even if that means formalizing existing relations.
- b) Communicate and disseminate information better, in a clearer manner, to all three constituent peoples in BiH to head off internal conflicts.
- c) Refrain from discourse that may be perceived as pro-Bosniak only.
- d) Uphold the principles of good partnership by re-thinking the ways of influence and respecting Bosnian tradition when introducing Turkish customs.
- e) For transparency as well as effectiveness reasons, TIKA should become a part of the Donor Coordination Forum and thus donor mapping programme in BiH.
- f) When doing business, push for Bosnians to deliver equally good, sound, credible and professional plans as the other business partners in the region do.

### Recommendations for BiH Businesspersons:

- a) Rethink current ways of doing business by investing into market research, understanding where the businesses' strengths are and what products are competitive in Turkey.

- b) Only the entire region as a whole has an economic prospect, therefore engage on a regional level, and coordinate with regional counterparts who can provide support needed for the placement of products on the Turkish market.
- c) Invigorate and follow-up recent efforts to open up a more sound economic exchange between the two countries.
- d) Offer clear, professional, concrete and achievable plans to Turkish counterparts.
- e) Use the existing links, such as BIGMEV, to optimize your visibility.
- f) Lobby and put pressure on the government jointly with other companies from the sector or at least individually to provide a positive business environment.







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