



Mediterranean Basin  
INITIATIVE

# Annual Compendium

# 2016

In cooperation with



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Dear Reader,

Another successful year gone by, and the Mediterranean Basin Initiative keeps growing.

In 2016, we published *The Challenges of Democracy in the European Union and its Neighbors*, an edited volume by CTR-SAIS Senior Fellows' Aylin Ünver Noi and Sasha Toperich. The book launch events were held at our Center and at CEPS in Brussels.

We held a successful conference on "Algeria's Challenges and Opportunities" at our Center, which led to a more comprehensive effort for Algeria and Transatlantic Relations planned for 2017.

The three-day forum "Prospects for Progress," held in Sarajevo and Vienna, addressed issues regarding the socio-economic reform process in Bosnia and Herzegovina.

We continued our work on Iraq and Iraqi Kurdistan, hosting several major events: "Kurdistan Re-Inventing Itself, Yet Again," a commemoration of the Halabja Genocide, "Iraq's Economy: Challenges and Opportunities," and "Doing Business in Iraqi Kurdistan."

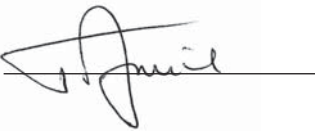
In December, we hosted the fourth annual Transatlantic Economic Forum, co-organized in partnership with the U.S. Chamber of Commerce. Representatives from 11 countries of the broader Mediterranean participated.

Enjoy this third annual retrospective, and please continue to follow our work at:

<http://transatlanticrelations.org> and <http://abf.ba/medbasin>

**Dr. Sasha Toperich**

Senior Fellow  
Director  
Mediterranean Basin Initiative



**Andy Mullins**

Non-Resident Fellow  
Project Manager  
Mediterranean Basin Initiative



**Tea Ivanovic**

Fellow  
Project Manager  
Mediterranean Basin Initiative



**Center for Transatlantic Relations SAIS**

## "KURDISTAN: RE-INVENTING ITSELF, YET AGAIN" PANEL DISCUSSION HELD AT THE CENTER FOR TRANSATLANTIC RELATIONS, JOHNS HOPKINS SAIS, WEDNESDAY FEBRUARY 3, 2016

**Hemin Hawrami**, Head of the Kurdistan Democratic Party Foreign Relations Office, and **Salam Mohammad Islam**, Rwanda Foundation Executive Director, discussed prospects for Kurdistan in 2016. **Sasha Toperich**, CTR-SAIS Senior Fellow and Director of the Mediterranean Basin Initiative, opened the event. The panel was moderated by **Rebeen Pasha**, WYLN Senior Fellow at the SAIS Mediterranean Basin Initiative.

During his opening remarks, **Sasha Toperich** stated that the U.S. should further boost its support for the Kurdistan Region, which is struggling with 1.8 million refugees, a war against ISIS, declining oil prices, and severe financial problems.

**Hemin Hawrami**, current member of the Kurdistan Democratic Party (KDP) Leadership Council and the Head of its Foreign Relations Office. From 2004-2010, he served in the office of **President Masoud Barzani** in several capacities, when at the end of 2010 he was elected to the KDP leadership during the 13<sup>th</sup> KDP Congress as the youngest member of the KDP leadership. He is also the author of seven books on Freedom and the Relationship between the Opposition and Authority in a Democratic Experience.

In his keynote address he reiterated that Iraqi Kurdistan is an important actor in a chaotic Middle East. "Many of the challenges we are facing are external. ISIS is a symptom of sectarianism in Iraq and developments in Syria. A military response to ISIS is a short-term solution. ISIS became a terrorist state when it captured Mosul. KRG warned Baghdad about ISIS, but Maliki didn't listen".



L-R: Salam Mohammad Islam, Rebeen Pasha, Hemin Hawrami, Yael Mizrahi, Sasha Toperich

Until 2013, Iraqi Kurdistan was the only region in the Middle East and North Africa with a double-digit economic growth. Had it been independent, its rank in the areas of openness and governance would have been comparable with Malaysia and Indonesia. Unemployment was at 6 percent but is now 25 percent. The poverty rate has jumped from 3 percent to 13 percent. The KRG is still learning to govern; more still needs to be done. Kurdistan wants dialogue with Baghdad (not a military conflict), but it does not want to be part of another decade of sectarianism and bad governance.



*Iraqi Kurdistan is a villa in the jungle that must be protected, stressed Hawrami*

The dialogue with Baghdad has improved; they now have a joint committee with Baghdad that meets monthly.

**Salam Mohammad Islam**, who served as an advisor to both KRG Prime Minister Nechirvan Barzani and Deputy Prime Minister Qubad Talabani, currently serves as an executive director of the Rwanga Foundation. He said, “democracy entitles values, behaviors and institutions, which requires the educating of generations to plant these values, practice these behaviors and establish these strong institutions. In the Rwanga Foundation we work on educating the new generation and to prepare them to participate in building a new, modern society. It is indeed the youth that are the leaders of tomorrow, but we need to involve them now, with the skills to build a new tomorrow, and to know how they can lead in the best way.” **Salam Mohammad Islam** then added: “employment is the number one priority for youth in Kurdistan, and we train them on market skills and work ethics, and we act as a platform to bring job seekers and job providers together. In a democratic transitional government, the private sector and civil society should draw a future map together for a better, more secure and sustainable society. Strong educational systems and job opportunities for youth will decrease extremism in all its forms.”

**Rebeen Pasha**, who served as a Senior Advisor to USAID Middle East Bureau and worked with the UN in Iraq, announced comprehensive activities to support the Kurdistan Region towards peaceful institution building and resilience for the communities and the economy by investing in foundations of entrepreneurship and good governance in today’s and tomorrow’s leaders. “We believe that engaging the younger generations—and Kurdistan has over two thirds of its population under the age of 30— especially women and

girls, we will foster a stronger society and democracy, and bring about diversified economic growth that is much needed in the region. An estimated 1 million young employees will enter the workforce by 2020, according to the Ministry of Planning, and if properly nurtured and developed skills, opportunities, leadership training, and established small and medium enterprises, this demographic wave can bring about economic strength for long-term peace and prosperity for Kurdistan and the region as a whole”.



**Rebeen Pasha** together with Lionel Johnson (Business Executive, former Vice President for Middle East and Turkey at the Chamber of Commerce and former Deputy Assistant Secretary at the US Department of Commerce) recently formed the 501c3 non-for-profit organization “American Friends of Kurdistan” with the aim to facilitate dialogue and forums to strengthen collaboration and exchange between Kurds and Americans, and to create a long-lasting people-to-people friendship.



Kurdistan TV live broadcasted the event in Iraqi Kurdistan

## HEMIN HAWRAMI MET WITH MEMBERS OF THE U.S. CONGRESS

During his visit to Washington D.C., **Hemin Hawrami**, Head of Kurdistan Democratic Party Foreign Relations Office, met with US members of Congress: **Jeff Fortenberry (NE-R)**, **Robert Aderholt (AL-R)**, and **Randy Hultgren (IL-R)**. At the meetings, the latest political and military developments in Kurdistan were discussed. **Hawrami** highlighted the victories of the Peshmerga forces, and pointed to the ongoing battles against the “Islamic State” terrorist organization.

He also reflected on the current financial hardship facing the region and a possible Kurdish referendum. The two sides focused on the relations between Erbil and Baghdad and the political parties in Kurdistan where Hawrami gave an explanation about the adopted policy of the KDP on ways to resolve differences through dialogue and understanding. Members of the US Congress praised the role of Kurdistan and its Peshmerga forces for their achievements in the war against ISIS, and stressed that the Kurdistan region will continue to receive support from the United States.



*Hemin Hawrami and Congressman Jeff Fortenberry (NE-R)*



*Hemin Hawrami and Congressman Randy Hultgren (IL-R)*



*Delegation from Kurdistan led by Hemin Hawrami met with Congressman Robert Aderholt (AL-R) and Congressman Juan Vargas (CA-D)*



*Hemin Hawrami with Lincoln Davis, former member of the U.S. Congress and friend of Kurdistan*



## SALAM MOHAMMED ISLAM, RWANGA FOUNDATION EXECUTIVE DIRECTOR IN WASHINGTON D.C.

**Salam Mohammed Islam**, Executive Director of the Rwanga Foundation met with representatives from the U.S. and multilateral institutions in Washington D.C. He met with **Fan Saeed**, Director for CVE at the US Department of State, **Andy Plitt**, **Karis Graham**, **Mohit Dayal**, **Bill Baldrige**, and **Chris Capaci-Carneal** from the Iraq and Arabian Peninsula, Middle East Bureau at USAID, **Abdul Wahab Alkebsi**, Director for MENA and Africa, International Programs at CIPE, **Sarhang Hamasaheed**, Director for Iraq, MENA and Africa Division USIP, and **Alexandre Marc**, Chief Specialist (Head) of

Conflict, Fragility, and Violence Cluster at the World Bank. SAIS Mediterranean Basin initiative representatives **Yael Mizrahi** and **Rebeen Pasha** participated at the meetings. The meetings addressed the specific challenges facing Kurdistan today, especially the need for rebuilding stability through economic opportunities, reconciliation activities with youth, improving the saliency and the role of civil society, ways to strengthen private sector, and support for the future generation of leaders; as well as discussions regarding concrete possibilities for working together towards these goals.



L-R: Salam Mohammed Islam with CIPE team



L-R: Salam Mohammed Islam and Chris Capaci-Carneal



L-R: Salam Mohammed Islam, Rebeen Pasha and Yael Mizrahi at the meeting with the World Bank



**“A Flag Without a Country”** – film by Bahman Ghobadi, a prominent Iranian -Kurdish film director was screened in Washington D.C., courtesy of the Kurdistan Regional Government office in Washington D.C.



KURDISTAN REGIONAL GOVERNMENT-IRAQ  
Representation in the United States



*Bahman Ghobadi (film director), Bayan Sami Abdul Rahman, (KRG Representative in the United States) and Hemin Hawrami KDP Leadership Council member and Head of KDP's Foreign Relations*

## AYLIN ÜNVER NOI PARTICIPATED AT THE SYMPOSIUM “SYRIA POLICY OF GLOBAL AND REGIONAL ACTORS” HELD IN ISTANBUL

**Aylin Ünver Noi**, CTR-SAIS Non-Resident Fellow and Director of the European Union Application and Research Center at the İstanbul Gedik University participated at the symposium “Syria Policy of Global and Regional Actors” organized by SETA on February 10, 2016 in İstanbul. The U.S., Russia, China, European Union, NATO, Saudi Arabia, Iran, Israel were among the actors discussed at this three-panel symposium. Ünver Noi evaluated on “The European Union’s Syria Policy” focusing on EU relations with other regional and global actors at the second panel of the symposium.



*L-R Assoc. Prof. Emre Ersen, Marmara University, Asst. Prof. Aylin Ünver Noi, İstanbul Gedik University, Asst.Prof. Hasan Basri Yalcin, SETA, Asst. Prof. Gokcen Yavas, Kocaeli University, Asst. Prof. Enes Bayrakli, SETA, Dr. Altay Atli, USAK*

The Turkish Minister of Defense, H.E. **Ismet Yılmaz**, delivered a keynote address. Prof. **Cagri Erhan**, (Kemerburgaz University), Prof. **Mustafa Kibaroglu**, (MEF University), Prof. Gulnur Aybet, (Bahcesehir University), Assoc. Prof. **Kilic Bugra Kanat** from (SETA Washington) discussed the Syria strategy of the U.S.



and NATO at the first panel. Assoc. Prof. **Emre Ersen**, (Marmara University), **Asst. Prof. j, Kocaeli University**, **Asst. Prof. Enes Bayrakli**, (SETA), **Dr. Altay Atli**, USAK joined **Asst. Prof. Aylin Ünver Noi**, (İstanbul Gedik University) at the discussion on Syria Policy of Russia, European Union, China and Germany at the second panel. **Prof. Muhittin Ataman**, SETA, **Assoc. İlyas Kemaloglu**, (Mimar Sinan University), **Asst. Porf. Bayram Sinkaya**, (Yildirim Beyazit University), **Ufuk Ulutas**, (SETA), **Muhammed Mustafa Kulu**, (Selcuk University) discussed the Syria policy of Russia, Turkey, Iran, Saudi Arabia and Israel at the third panel.

**Ünver Noi** said that the European Union has been affected negatively by the Syrian crisis due to its geographic proximity to

the region and recruitment of European Muslims by the ISIL. The refugee crisis and terror are current problems of the EU, as well as Russia's increasing involvement in the Syria crisis and its increasing support for European far-right and far-left parties that are known to be xenophobic, anti-EU, anti-NATO. She also discussed these parties' possible effects on the EU's foreign and security policy during the panel.

**Ünver Noi** added that the ISIL terror led the European Union to rethink its Syria policy, prioritizing the war against the ISIL and agreeing to a solution including Assad. By mentioning the EU humanitarian aid given to Syrian refugees directly or as hosts to the refugees, she concluded that the EU is acting like a payer rather than an effective player in solving the Syrian crisis.

## EBRD HEADQUARTERS IN LONDON HOSTED A CONFERENCE ON THE WESTERN BALKANS

EBRD President **Sir Suma Chakrabarti** said today that the EBRD would continue to work on improving the investment climate in the Western Balkans and urged investors from the whole world to join the Bank in helping the region achieve its potential.

He was speaking at the EBRD's second Western Balkans summit held at the EBRD

headquarters, where Prime Ministers from the region joined entrepreneurs and other investors to discuss business opportunities in seven countries. The EBRD has led the way on investment in the Western Balkans and is determined to continue – and to help create the climate and conditions whereby the EBRD and others can commit even more, **Sir Suma** said in a speech.





“Today’s forum is another opportunity for us, together, to showcase the region’s many strengths – and to invite investors from around the world to join us in realizing its potential,” he added. The meeting focused especially the development

of transport links, the potential for renewable energy and the privatization agenda in the region which comprises Albania, Bosnia and Herzegovina, Kosovo, FYR Macedonia, Montenegro and Serbia as well as Croatia.

## EBRD PRESIDENT CALLS ON INVESTORS TO BOOST WESTERN BALKANS’ ECONOMIC POTENTIAL

The opening session by the Prime Ministers was followed by panel discussions that brought together policy makers, experts and investors. The panel “*Extending the Trans-European Transport Network (TEN-T) and regional connectivity*” chaired by EBRD Managing Director for Infrastructure **Thomas Maier**, discussed how transport links across the Balkans could enable growth and prosperity as well as peace and regional stability. Participants emphasized the need to involve the private sector in financing ambitious infrastructure projects, removing regulatory barriers to connectivity and liberalizing the business climate in the Balkans. Energy links, proposed interconnections, current obstacles to deeper energy market integration and sustainable energy goals as well as the potential for renewable sources for energy, especially hydro power generation, were discussed in the panel “Renewable energy and grid modernization for a sustainable regional energy model” moderated by the EBRD’s Managing Director for Energy and Natural Resources, **Riccardo Puliti**.

The closing session “*The Privatization Agenda*” was chaired by **Holger Muent**, EBRD Director for the Western Balkans. Experts looked at the steps needed to prepare the route to successful privatization with Serbian Finance Minister **Dusan Vujovic** drawing on experiences and lessons from his own country. The debate quickly expanded into



a discussion about strengthening economic links to the wider region including the EU. There was a focus on the development of skills. **Emil Tedeschi**, CEO of Croatia’s Atlantic Group, said that cultural changes were needed first. He called for a paradigm shift that placed a greater emphasis on job creation rather than job preservation.

**Sir Suma** opened the conference together with UK Minister of State for Trade and Investment **Lord Maude of Horsham**. The EBRD President said, “regional cooperation is now a reality and this is testimony to the newly achieved maturity and stability of the region. Intensifying regional cooperation is one of the greatest achievements of the Western Balkans, a demonstration of the new vision of its political leaders.” In the spirit of deepening and intensifying cooperation in the region, the EBRD-backed SEE Link, an innovative regional platform for trading securities listed on the Bulgarian, Croatian and Macedonian stock exchanges, was launched during the Summit.

The Serbian and Slovenian bourses confirmed their intention to join the initiative during the conference in London, boosting regional integration of capital markets. The Summit aimed to highlight investment and business opportunities in the region and promote the inflow of FDI and cross-border projects. Participants included government officials, policy-makers, experts as well as leading domestic and international business representatives. The event proved very popular with the public and was attended

by more than 300 guests. The first Western Balkans summit was held two years ago, in February 2014. The EBRD is one of the largest investors in the Western Balkans and last year alone the Bank invested around 1 billion Euro in various projects ranging from energy efficiency to infrastructure and supported financial institutions to doing agribusiness. **Sasha Toperich**, CTR-SAIS Senior Fellow and the Director of the Mediterranean Basin Initiative attended the London conference.

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## ALGERIA'S BIRTH OF A NEW DEMOCRACY, HUFFINGTON POST

**Sasha Toperich**, CTR-SAIS Senior Fellow and the Director of the Mediterranean Basin Initiative, and **Samy Boukaila**, CTR – SAIS Mediterranean Basin Fellow, wrote an overview of the recent constitutional amendments in Algeria including the intelligence and security services' recent reforms in Algeria. To read the full article, visit **Toperich's** Huffington Post Blog.




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## THE 28<sup>TH</sup> ANNIVERSARY OF THE HALABJA CHEMICAL ATTACKS COMMEMORATED

The Center for Transatlantic Relations SAIS and the Kurdistan Regional Government office in Washington D.C. organized an event commemorating the Halabja and Kurdish Genocide – the 28<sup>th</sup> Anniversary of the Chemical Attacks. CTR-SAIS' **Sasha Toperich** delivered opening remarks. **Bayan Sami Abdul Rahman**, Kurdistan Regional Government representative in the U.S. moderated the discussion. Panelists included **Yarevan Saeed**, Capital of Peace Organization (Halabja),



**Luis Moreno Ocampo**, First Prosecutor at the International Criminal Court, **Gavriel Mairone**, Human Rights Attorney, and **Naomi Kikoler**, Deputy Director at the Simon-Skjoldt Center for the Prevention of Genocide – United States Holocaust Memorial Museum.



L-R: Luis Moreno Ocampo, Naomi Kikoler, Yerevan Saeed



*Bayan Sami Abdul Rahman, KRG representative in the U.S. and Yerevan Saeed, Halabja Genocide Survivor in a silent moment after Saeed's recount of Halabja chemical attack. "Halabja has come to symbolize the genocide in Iraq and Kurdistan. But it also symbolizes peace. And the people of Halabja have always tried to appeal to the better part of human nature, to overcome evil and to believe in good", Abdul Rahman said*

## "ALGERIA CHALLENGES AND OPPORTUNITIES"

A panel discussion with **Hafida Benchehida**, Algerian Senator, **Samy Boukaila**, CTR – SAIS Visiting Scholar, and **Sasha Toperich**, CTR-SAIS Senior Fellow and the director of the Mediterranean Basin Initiative.

**Sasha Toperich** praised the constitutional reforms endorsed by the Algerian Parliament in January 2016, significantly improving the freedom of speech, encouraging women to join high-level government positions, board member positions in the private sector, and granting parity in the electoral votes, among other amendments. **Toperich** also applauded the Algerian military for defending a 6,764 km (around 4,200 miles) open border from ISIS and Boko Haram terrorist infiltration and smugglers from Mali, Tunisia, and Libya. "I am very pleased to see a growing relationship between the United States and Algeria in all aspects. Algeria has a very important leadership and stabilizing



L-R: Sasha Toperich, Senator Hafida Benchehida, Samy Boukaila

role to play in North Africa and beyond," said **Toperich**.

"Algeria is a 50-year young nation that obtained independence from France, and has done impressively well taking into consideration it also endured a decade of civil war (the so-called black decade) fighting terrorism. I am very glad that we have **Samy Boukaila**, a visiting scholar at

our Center but also a prominent Algerian businessman and one of the founders and treasurer of CARE institution in Algiers. CARE is a well-known think-tank working with the Algerian business community, media, NGO sector, and the government, supporting strong education and a diversified economy, to ensure a long-term stability and prosperity for Algeria,” concluded **Toperich**.

**Samy Boukaila** provided the audience with a landscape overview of Algeria’s situation today. The country has 40,4 million citizens and is experiencing a natality boom, adding over one million children in 2015, or 2,800 births a day. In the last two years, marriages fell 4,5 percent, along with divorces decreasing by 1,5 percent.

Economically, there is still much dependency on oil and gas exports, and with prices falling since 2014, it is putting economic development and Algeria’s stability in question. A trade deficit appeared in 2015, and a strong devaluation is propping inflation to 6 percent this year. Algeria is now striving to diversify its economy with strongly export oriented agriculture, manufacturing industries, tourism, and sustainable energy.

**Hafida Benchehida** praised the recent constitutional amendments informing the audience that even before, Algeria has developed strong democratic institutions with significant number and role of women, especially in our judiciary system.

“We are currently discussing investment laws reforms at our parliament in Algiers to create better conditions for the international economic cooperation with Algeria. The famous current 49/51 law (banning 51 percent of foreign ownership



*“Algeria today is a stable nation enhancing a free market economy and propping up a quality multi-language education,” said **Boukaila**. He stressed the need for Algeria to enhance governance, transparency, and accountability, encourage higher quality education and training, and create the right business environment to attract labor intensive and technologically advanced FDI*

in Algeria) will be revised, but I want to say that foreign investor that owns 49 percent of Algerian company shares, appoints the entire management of the company, so his value is significant, under our current law” said **Benchehida**.

On political front, senator **Benchehida** added: “We have a very good relationship with our neighbors. Our trade with Morocco amounts to billions of dollars. Flights between our two countries are always full. Yes, we have dispute over the Western Sahara, but the Algerian position is clear. We accept and obey the first UN Security Council resolution on this issue, and our position has not changed since. Our relationship with Tunisia is excellent, and with all problems Tunisia is facing these days, I am optimistic about their future. We have been engaged in trying to help Libya get back on feet supporting reconciliation and dialogue. Algeria is a strong stabilizing factor in the region and we are proud of it.”

## I WANT TO SEE A STRONGER EXCHANGE BETWEEN THE UNITED STATES AND ALGERIA ON ALL LEVELS

"Algeria is not much known in the United States. This needs to change. I invite journalists from your country to visit Algeria and see for themselves what we are all about," said **Benchehida**.

The international media often misinterprets the situation in my country. For example, our president **Bouteflika** daily receives government officials, foreign dignitaries, and in spite of his health condition, is fully engaged in state affairs. He has been very instrumental in the very details of the reform processes. Also, our government system is fully prepared for any kind of transition, and portraying Algeria as "potentially unstable" is simply not the reality.



*"We are learning the art of communication. After being under French occupation for so long, where Algerians were banned to obtain higher education degrees, 50 years ago we started from scratch. We lived in a "survival mode" during the black decade, dealing with existential priorities. We learned much, and are ready to work with the international community in a fair, just, and genuine partnership," said **Hafida Benchehida***



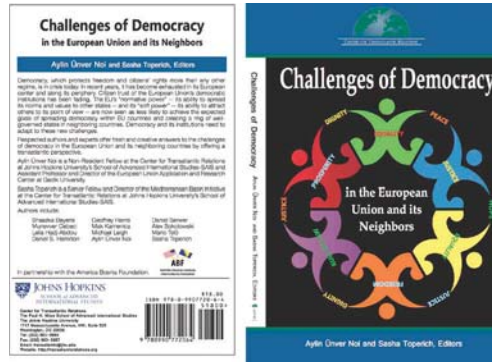
*"We want to enhance military cooperation. We told Secretary Kerry during his visit to Algeria that we want U.S. technology to help us with counter terrorism. We are defending not just our country, but the larger Mediterranean, Europe, and in the end, the United States," said **Madjid Bougherra**, Ambassador of the Republic of Algeria to the United States. He continued, saying, "keep in mind also that Algeria is not indebted, with still substantial means and has the third largest shale gas reserves in the world."*



## “THE CHALLENGES OF DEMOCRACY IN THE EUROPEAN UNION AND ITS NEIGHBORS” BOOK LAUNCHED AT THE CENTER FOR TRANSATLANTIC RELATIONS SAIS ON MAY 4<sup>TH</sup> 2016

**Sir Michael Leigh**, Senior Fellow at the German Marshall Fund (GMF), **Alex Sokolowski**, Democracy and Governance Division Chief in the Bureau for Europe and Eurasia at the United States Agency for International Development (USAID), **Daniel Serwer**, CTR-SAIS Senior Fellow, **Shaazka Beyerle**, CTR-SAIS Non-Resident Fellow, and **Geoffrey Harris**, Deputy Head of the European Parliament Liaison Office with the US Congress, joined the book launch panel discussion.

**Aylin Ünver Noi**, CTR-SAIS Non-Resident Senior Fellow, moderated the discussion and **Sasha Toperich** CTR-SAIS Senior Fellow, and director of the Mediterranean Basin Initiative, delivered opening remarks.



Editors: Aylin Ünver Noi and Sasha Toperich



**Sasha Toperich** delivers opening remarks at the book launch event



**Daniel Serwer**, **Alex Sokolowski**, **Sir Michael Leigh**, **Geoffrey Harris**, **Shaazka Beyerle**, **Aylin Ünver Noi**



**Geoffrey Harris**, **Shaazka Beyerle**, **Aylin Ünver Noi**

## “PROSPECTS FOR PROGRESS IN BOSNIA AND HERZEGOVINA” SARAJEVO, MAY 16

SASHA TOPERICH, CTR-SAIS SENIOR FELLOW AND DIRECTOR OF  
THE MEDITERRANEAN BASIN INITIATIVE, OPENS “PROSPECTS  
FOR PROGRESS” CONFERENCE IN SARAJEVO

“On my behalf and on behalf of my colleagues from SAIS, director **Daniel Hamilton**, **Michael Haltzel**, and **Daniel Serwer**, who are here with us in Sarajevo, I would like to greet you at the beginning of the third conference, organized in cooperation with America-Bosnia Foundation, as part of our activities to support the reform process in BiH,” said **Toperich**.

“As you know, last November in Washington, we gathered representatives of all key institutions involved in the reform process; government representatives from BiH, representatives of the European Union, the World Bank, EBRD, IMF, private sector representatives, civil society, and the representatives from the U.S. government. Such a meeting took place for the first time after the German-British initiative was launched to begin the reform process in BiH,” explained **Toperich**.

“In December, we gathered at Jahorina, where we continued discussions on broader reform processes and shared ideas on how to make BiH more functional, with full, immediate, and continuous focus of economic and social reforms. Half a year later, we are all together, this time in Sarajevo. We expect an open discussion and active participation of all those present,” said **Toperich**.



*Political pressures on the private sector must finally stop. The political scene in Bosnia and Herzegovina must be cleaned of corrupt politicians. Without true independence of the judicial system and the rule of law, progress will be difficult, said **Sasha Toperich**.*

“I am pleased to see some positivism in BiH. The country has for many years lived in exclusively negative rhetoric, abiding under the known Balkan proverb: ‘May his house burn, mine can too, if needed, as long as his house does.’ Compared to prior years, the political-media racketeering in the press is smaller, although still present.”



## INCREASE COURT LEGAL PENALTIES FOR VILIFICATION OF INDIVIDUALS OR LEGAL ENTITIES IN BIH

Freedom of the media as well as high-quality, politically independent, and professional journalism have an extremely important role in BiH. The media must also give its full support to the independent work of the BiH judiciary. In this context, I propose a significant financial increase in penalties of court rulings for inaccurate media vilification of individuals or legal entities - a practice that has long been known in the BiH society, significantly slowing down the country's progress, still burdened by political influence on the development of a free market economy in Bosnia and Herzegovina. A damage fee of a mere several thousand convertible marks (KM) that ensure after a judgment is in favor of the injured party, and which usually comes months after the lawsuit, supports the saying that "the end justifies the means". Increase the penalty to 50.000 KM, and this problem is gone," said **Toperich**.

"This year started to show that we can work much better, and achieve much more. But no reform path is easy. There is simply no time to waste."

"The transition in which the private sector could become an engine of progress would not be at all easy. The country has some great private companies that operate well but to enable them to increase the production and employ new labor force, it is necessary to open new markets, and this is easier said than done. The support and a concrete boost of all government levels in strengthening the private sector is imperative. Policy pressures on the private sector must finally stop. The political scene in Bosnia and Herzegovina must be

cleaned of corrupt politicians. Without a true independent judicial system, progress will be difficult," continued **Toperich**.

Toperich thanked the Minister of Foreign Trade and Economy **Mirko Sarovic** for his tireless work and fervent commitment to facilitate exports of BiH products to the European Union and elsewhere. "This is the reason why our Center will award Minister **Sarovic** the "2016 Mediterranean Basin Leadership Award", an award that was established four years ago in Washington D.C to recognize business, political, or civil society leaders whose actions and contributions lead towards a stable and more prosperous Mediterranean basin."

"Congratulations to Minister **Sarovic**, but also to other ministers on all levels of government in BiH who are working with same vision, determination and dedication," concluded **Toperich**, who also serves as the Chairman of the Organizing Committee for "Bosnia-Herzegovina Vision 2020".



**Mirko Sarovic**, recipient of the CTR - SAIS Mediterranean Leadership Award 2016

## AMBASSADOR CORMACK'S REMARKS

"Five months ago, our hosts today from Johns Hopkins SAIS brought many of us together at Jahorina to begin a discussion on taking the necessary steps to build a Bosnia-Herzegovina that its citizens deserve. At that time, we reflected on past accomplishments, and heard from officials, academics, and

others, about solutions and necessary steps to clear the political obstacles that hold the country back. I welcome the opportunity today and tomorrow to further these discussions," opened **Maureen Cormack**, Ambassador of the United States to Bosnia and Herzegovina.

## LOOKING BACK

"In recent weeks, I have been reflecting on the stages that brought Bosnia-Herzegovina to where it is today. The past twenty years have been mixed in terms of progress towards political cohesion and economic prosperity in BiH. It can be easy to dismiss past accomplishments – and it can also be easy to believe that reforms are unrealistic. The reality is that past accomplishments came about when key leaders displayed a willingness to take difficult, and sometimes unpopular, steps. And to be fair, these accomplishments also came at times when the civil society and Bosnia-Herzegovina's international partners spoke together to demand action," said Ambassador **Cormack**.

"In the past five months, officials at all levels have tried to tackle difficult issues, with several politicians taking the necessary political risks to reach compromises. We acknowledge the submission of the application to the European Union, and a number of technical decisions made behind the scenes to advance the path towards the European Union. Few of these measures are headline-worthy, but they are necessary and support the ongoing reform initiative," continued Ambassador **Cormack**.



*"We know that the real reforms, those that will improve the lives of the citizens, will be more complicated than today. Unfortunately, the inaction on EU requirements like SAA adaptation, the coordination mechanism and the census, and hesitation on Mostar, Defense Review and similar obligations, reflect the seriousness of the country's Euro-Atlantic aspirations," said **Maureen Cormack**, Ambassador of the United States to Bosnia and Herzegovina*



## RESOLVING TOUGH ISSUES

“No matter how much we want to celebrate these accomplishments, we are hesitant to do so because we know number of serious obligations remain unresolved. Moreover, we know that the real reforms, those that will improve the lives of the citizens, will be more complicated than those today. The ongoing intransigence with regard to the situation in Mostar, and the seeming inability to conclude a Defense Review before the Warsaw summit, are prime examples of how the leaders of this country are failing to meet their obligations.”

“I frequently hear that it is difficult to resolve delicate issues like Mostar and Defense Review. I have to respond that governing requires more than outlasting your political rivals. It requires political courage. All that remains is a choice between finding ways to compromise in the interest of all people of this country, or deliberate stagnation. In the past year, BiH has worked towards and committed to a socio-economic reform agenda that seeks to address the hardships

facing its citizens. Commitment is a strong word that requires action. Unfortunately, the inaction on EU requirements like SAA adaptation, the coordination mechanism and the census, and hesitation on Mostar, Defense Review and similar obligations, reflects on the seriousness of the country's Euro-Atlantic aspirations. Parties have initiated change, and in some cases made significant progress, but it is now time to resolve these long-outstanding issues and move on to the next ones.”

“In a democratic society, people share an obligation to ensure elected officials know and respond to the interests of the electorate. It is clear as I travel the country that inspiration lives in the hearts and ideas of so many I meet – but average citizens are not yet prepared to effect change on their own. Conferences like this one should be catalyst for progress; so it is important that we focus on identifying and promoting viable options, and encouraging cooperation,” said Ambassador **Cormack**.

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## THE WAY AHEAD

“Bosnia and Herzegovina is at crossroads. If regression – division and increased nationalism – lies in one direction, opportunity and progress lie in the other. We all know the issues – beyond Mostar and Defense Review, we have SAA adaptation, implementing a functional coordination mechanism, and releasing the census data. We need to build a deliberate approach by officials to resolve these issues expeditiously, and then move steadily on to rule of law and other issues that will help establish a modern business climate, improve the functionality and efficacy of government at all levels, and

implement the real reforms necessary to connect BiH to European markets.”

“This final point is crucial to the well-being of all citizens in this country. When we look to Bosnia and Herzegovina's neighbors, it is clear that foreign investors are ready to come. They only seek a fair shot, and a government prepared to root out and abolish predatory actions that damage the business climate. Within five years, BiH could be exporting high value products rather than low value natural resources and expand its nascent technology sector which is already attracting interest



and blossoming into active entrepreneurship hubs. So today, let's not talk about problems. We know them all too well. Let's talk about solutions. And even more importantly, let's have concrete discussions about practical steps to implement those ideas. I would like to commend our hosts and organizers today, and look forward to the discussions

on how we can work toward the BiH that its citizens deserve. To that end, the United States remains strongly committed to supporting the citizens of BiH, and ask all of you here today to join us in working towards these common goals for the good of all the wonderful people of this beautiful country," concluded Ambassador **Cormack**.

## ELMEDIN KONAKOVIC, PRIME MINISTER, SARAJEVO CANTON

The cantons are carrying a major burden of the reforms, as the two thirds of public administration employees are contracted by the Cantons.

"The Sarajevo Canton has firmly stepped in to implement reforms and has already made a number of positive changes in public administration, labor market, public financing, business environment, judicial system (which includes a more effective fight against corruption), all connected to the reform agenda, which is for us a binding framework," said **Konakovic**.

**Konakovic** also stressed the positive working relations with the government of the Federation of BiH (FBiH). "In the System of Coordination for the negotiations with the European Union, all Cantons have an equal role and they have already appointed their representatives in expert teams who are working very well together. Since November last year, we are working with the World Bank on a project that will shorten administrative procedures needed for the registration of companies, as we see only opportunities for employment of youth through private and real sector and not public administration." He added that the Sarajevo Canton has been the first to create a team against corruption, with an option to report corruption activities online.



*"Sarajevo is not only the engine of economic activity, but it is also the spine of all business processes in Bosnia-Herzegovina. We are determined to join the European Union and NATO, and in this respect, there are no other options," said Elmedin Konakovic*

**Konakovic** stressed the importance to keep the profile of Bosnia-Herzegovina in Washington D.C., as there are still many other problems. "We should take up Ambassador **Cormack's** call to focus on solutions. The declared aspiration of BiH is to move towards the EU, yet the progress is mixed. It is important for country leaders to tell its people we need to do these reforms for ourselves, and not to have EU being more interested than we are".



*Sarajevo Canton actively participates and supports the "Vision 2020" activities of the America - Bosnia Foundation and CTR SAIS*

## PROGRAM ON THE EU AGENDA – WHERE ARE WE TODAY?

The Prime Minister of the Federation of Bosnia-Herzegovina, **Fadil Novalic** stated, “one thing is clear – we will not turn back from the reforms.”

“Today we have finalized 28 percent of reform agenda, if we can evaluate progress in percentages, as some of the reforms take more time to produce visible results, and are more difficult. We have started to tackle most sensitive issues, such as passed labor law, but we also made progress in respect to fiscal discipline. This year we are focused on improving the business environment,” said **Novalic**.

“The fact that we are leaving issues related to the rule of law for later, shows that we have no capacity to deal with this issue without the strong support of the international community. Our society is more inclined to believe in perception rather than actual figures. We entered this process and we need more support from the IC as it is clear there are some forces in the country that are starting to obstruct the process,” concluded **Novalic**.

**Lars-Gunnar Wigemark**, Head of EU delegation and Special Representative said that the key is the implementation of the Reform Agenda. We need to give the credit to the governments for working together. I know we have said this before, but it is important to keep saying it. We are nearing the end of phase one of the reforms and will soon start working on phase two, to include improving business climate. But the business climate cannot be improved without an improved rule of law. Bosnia-



L-R: Lars-Gunnar Wigemark, Daniel Hamilton, Fadil Novalic



*“The main idea endorsed by the international community is to focus on matters that we all have a common goal, which is improving the economy, and not to deal with problems for which there is no consensus, such as constitutional reform. We need to close old financial gaps before moving to look for new business partners,” said **Fadil Novalic***

Herzegovina must show that is capable to carry out the weight of the reforms, and this conference today is a proof that the United States and the entire international community support the EU approach towards BiH. One third of the reforms is implemented, but we need to keep up the pace. During the summer time, the EU will evaluate the application for membership BiH submitted, after which it will decide if to enter next phase of accession or not, **Wigemark** said.

Last year, you have made commitment to work together. 850 million euros is a clear number that the IMF, the EU and the World Bank will provide for BiH, and then EBRD will come with another half a billion Euros of investments but our hands are tight. We cannot provide more infrastructural assistance, through IPA funds, unless you agree on common strategy - System of Coordination. While we speak, you are losing Euros, said **Wigemark**

## EU WILL NEVER ACCEPT ETHNIC VOTING – IT IS AGAINST EU LANDMARKS

“This is not a threat, but a chance for BiH to implement reforms that are crucially needed, starting with the labor law that now needs to be implemented. This Fall, BiH will have local elections, and it is important that questions on European integration stay out of the political campaigns since this is the matter of strategic importance for the entire country. He reminded that all political parties signed off on the Reform Agenda and pledged to work together. History will not remember those who obstructed making important decisions, but rather those who acted in the interest of the country and its citizens,” Wigemark concluded.



*“Anyone who obstructs the decision making process for matters of importance like reaching the arrangement with the IMF, the WB, or fulfilling the agreement towards the EU, will be publicly named. An improved judiciary system is the precondition for improving the business climate. These reforms are not EU reforms, but BiH reforms,” said Wigemark.*



“Lot of this is a fear of change. It seems to me that BiH is fighting for a small pie, but if you work hard and fast, you will have a much bigger pie, when you join the EU,” said **Daniel Hamilton**, CTR-SAIS executive director who moderated the session.

## BOSNIA AND HERZEGOVINA: POST-ELECTION PLAN?

**Tatiana Proskuryakova**, Country Manager for Bosnia and Herzegovina at The World Bank Group, stated that money is not a problem, but changing hearts and minds is.

"The World Bank deploys a wide range of instruments to help the government. Restructuring of public companies and boosting of private sector must go hand in hand and the creation of a "one stop shop" is of the utmost importance," said **Proskuryakova**.

"Our next steps include the creation of a medium term macro-fiscal framework, health sector reform, and reforms of state-owned companies. In respect to the labor market, our next step includes the implementation of new laws, changes in labor taxation to reduce the "tax wedge" and strengthening active labor market policies. On social welfare and pensions, the FBiH government prepared and submitted a pension reform package (Law on Pension and Disability Insurance; Pension System Administration; Law on Missing Pension Contributions; Voluntary Pension Fund Law) to the Parliament. The next step includes the adaptation and implementation of new laws and the rationalization of the social protection system," said **Proskuryakova**.

"The public sector is too large to be efficient, but we have to approach this issue very carefully because we don't want the toning down of civil services to cut out what is essential. We have launched an analysis of options for civil service reform, such as reducing the public wage bill and aligning pay with performance to increase incentives and strengthen skills," concluded **Proskuryakova**.

**Gary O'Challaghan**, Special Advisor to the EU Special Representative in BiH stated that the Reform Agenda is not meant to cover



L-R: **Tatiana Proskuryakova**, **Milan Sitarski**, **Garry O'Challaghan**, **Michael Haltzel**



*"To us, the adoption and implementation of a pharmaceutical rulebook to cap drug prices was the simplest of issues, but we are troubled to see how big of an issue it is in Bosnia-Herzegovina", concluded **Proskuryakova***



*"Work on strengthening the rule of law is in the strategic planning right now, but will be implement in the next three years."*

everything. "It was designed to establish priorities, and the support for SMEs is in the second layer. There is an agreement

for a three-year reform agenda, but we have not yet finished the first year. Some reforms will take longer time to prepare, and some progress made has not yet reached newspaper headlines.”

The Reform Agenda is not an austerity program – the plan is to free up resources and not to cut them. The next phase includes: further harmonization and business deregulation, state owned companies restructuring and privatization (creating a level playing field); allocation of more credit for the private sector; improved (and cheaper) health service and medicine; better public service and stronger institutions and rule of law and gradual erosion of corruption.

**Milan Sitarski**, from the Institute for Social and Political Research, IDPI in Mostar, said it is impossible only to focus on economic and social issues in Bosnia and Herzegovina. “We need profound constitutional reforms in order to move forward. We are not suggesting creating a new constitution as it is clear that there will be no consensus, but improvements are badly needed. First of all, we need to enable everyone to vote and participate in the electoral process to create a legitimate political representation of Bosniaks, Serbs and Croats, and all the citizens of the country. We already faced the issue of having a Croatian member of the presidency being elected without any significant support of Croats from Bosnia and Herzegovina.”

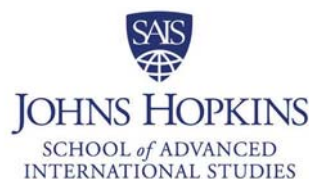
“The legitimate and democratic political representation of all the peoples and citizens can be ensured by various institutional mechanisms for the election of presidency members (on a territorial or non-territorial basis) and House of Peoples in the Parliamentary Assembly and Parliament of the Federation. Rights of the members of all the three peoples and other citizens should



**Valentin Inzko**, High Representative in BiH delivered his remarks on functionality, rule of law, and economic development – crucial conditions for Bosnia and Herzegovina. He stated that several billion dollars are lost annually on corruption. “There is a sense of urgency to push for faster reforms”

be efficiently protected in all administrative-territorial units by constitutional recognition of the “constitutive minorities” and by introduction of non-territorial mechanisms for managing their affairs, especially in the fields of public education, public media and culture. The number of administrative-territorial units should be reduced, for the sake of system rationalization and factual equality of self-rule and shared-rule capacities,” concluded **Sitarski**.

The session was chaired by **Michael Haltzel**, CTR-SAIS Senior Fellow.





## HOW CAN BOSNIA AND HERZEGOVINA GET ON THE ROAD TO STABILITY AND PROSPERITY?

**Jelka Milicevic**, Deputy Prime Minister and Minister of Finance at the Federation of BiH said that the government has started reforms in the public finance sector, with the goal to reduce deficits and increase public revenues. "We are now in a transition period for measuring the impact of these new laws. We were challenged to stabilize the budget, which we have successfully achieved. Loans have increased by 3 percent, and total deposits stand at 3.1 billion. Deposits in short and long-term savings are at 7.9 billion and have increased by 534 million compared to 2014. The banking sector balance sheet has increase by 6.8 percent, and loans have been increased by 3.9 percent in total deposits. There is also increase of 2.61 percent for business deposits. Debt has been reduced by 1.4 percent."

**Milicevic** continued, stating, "Indicators shows that our economy is dominated by small companies with 87 percent of financial operators are small enterprises, while 10 percent are medium size companies and only 3 percent are large companies. Business activity increased by 0.5 percent in 2015 from 2014, and revenues stand at 41.3 billion, also increased compared to 2014. Net profits in 2015 compared to 2014 increased three-fold, and there is still potential for further development. It is up to us to create incentives for employment and self-employment which will then result in GDP growth."

"We needed to stabilize the budget, which we did it during difficult conditions, as we did not have an arrangement with the IMF. All these indicators show that the measures we took are being recognized," **Milicevic** concluded.



*"There is a need to establish an active relationship between employers and the government," said Milicevic*



*"Revenues increased by a significant 3.8 percent in just 4 months of this 2016 fiscal year," said Goran Mirascic, Advisor to the Prime Minister of the Federation of Bosnia and Herzegovina*

**Goran Mirascic**, Advisor to the Prime Minister of the Federation of Bosnia and Herzegovina said that some microeconomic indicators have been improved even during the recession. "Increase in revenue from direct and indirect taxes is 3.4 percent. Preparations have begun for a new bankruptcy law in the FBiH. Accumulating debt will no longer be continued, and failing to meet financial obligations is no longer allowed. Next steps will include the changing of personal income taxes to include a personal taxation rate that should be neutral, taxing higher incomes more. We are also preparing to establish "one stop shop"

system to allow investors to get everything done in one place. Interoperability will take one to two years and government is receiving technical assistance from the World Bank."

**Ian Brown**, EBRD, Head of Bosnia-Herzegovina office, said that the EBRD is usually focused on private investments, but in BiH this trend is reversed, where the EBRD invests 83 percent in the public sector and 17 percent in the private sector. "There is a macro stability in BiH, with a large diaspora and low fiscal deficit along with a moderate debt levels. The currency is stable and that is a positive sign. The public sector must be downsized and the business climate must be improved (tax regulation; permits and licenses; land registration; labor law implementation; public procurement; rule of law and judicial system). The legal and regulatory framework and its application puts a very high costs on private companies to comply and bear the costs or escape to the grey zone. Reforms are not understood at all levels of government and may be challenged by administrations. Reforms are a challenge to the status quo. Reforms Agenda is sending signal to investors and more importantly, it is moving country towards the EU.



*"The IFC focuses exclusively on the private sector. Currently, we are working on the subnational level to make business licensing easier at the cantonal level. There is a voluntary restructuring aspect as well – companies can approach banks to restructure and avoid bankruptcy. Lack of political will makes reforms difficult," said **Thomas Lubacek**, Regional Manager, Western Balkans, IFC*



*"Privatization could play a significant role in rebalancing the BiH economy," said **Ian Brown**, Head of Bosnia-Herzegovina office, EBRD*



L-R: **Ian Brown**, **Thomas Lubacek**, **Mak Kamenica**, **Jelka Milicevic**, **Goran Mirascic**

## FIGHTING CORRUPTION: BEST PRACTICES AND THE BEST WAY FORWARD

**Peter Ainsworth**, Senior Anti-Corruption Counsel, Criminal Division, U.S. Department of Justice said corruption happens everywhere. He shared example of the GoodYear company that was bribing officials in Kenya and Angola to put their tires on police cars. In order to settle this issue, companies were forced to reorganize and put controls in places to reduce the likelihood of corruption occurring again. These large companies evaluate the likelihood of corruption and will take their businesses elsewhere if there is an extreme risk for corruption.

**Srdjan Blagovcanin**, Chairman of Board of Directors, Transparency International, stated that widespread corruption throughout the public and private sector still remains a major problem in BiH. The country is affected by the most pernicious forms of corruption, which have enormous consequences for its overall socio-economic development and general lack of public confidence in BiH institutions. Public sector institutions, including political institutions, remain weak and prone to the influence of corrupt patronage networks. Political party financing and expenditure lack transparency, while conflict of interest and assets declarations are not effectively implemented and monitored.

"The latest amendments to the Law on Conflict of Interest at were adopted in November 2013 at the BiH level, and represent a significant setback in the legislation. The mechanisms for determining a conflict of interest at the level of BiH and FBiH, and thus ensuring the integrity of public officials, have not been functioning since the new Law on Conflict of Interest of BiH came into force. With these amendments, the Central Election Commission is no longer responsible for the



L-R: Srdjan Blagovcanin, Daniel Serwer, Peter Ainsworth



*"I am asking BiH as a country – how are you creating a risk-free environment? There is no need for more anti-corruption laws, there is a need for the enforcement of existing laws. It is worrying when there are no trails of people who are corrupt," said Peter Ainsworth, Senior Anti-Corruption Counsel, Criminal Division, U.S. Department of Justice*

implementation of this law and instead a new Commission, established at the Agency for Prevention of Corruption and Coordination of the Fight against Corruption within the Department for Conflict of Interest, consisting of a majority of parliamentary members (6 representatives of Parliamentary Assembly and 3 members from the Anticorruption Agency) took over the implementation. FBiH has not yet adopted the amendments and thus has no institution in charge of determining conflict of interest. On the other hand, the Brčko District amended its Law on Conflict of Interest in February 2015, giving the authority

of determining a conflict of interest to the Brčko District Election Commission. However, the Brčko District will need to amend the law again since it is at odds with the Election Law of BiH, which explicitly prescribes the authorities of all election commissions vertically. Another mechanism for overseeing the integrity of public officials – asset declarations – is largely futile since declarations are not publicly available and there is still no authority in charge of verifying the accuracy of declarations,” **Blagovcanin** concluded.

The session was moderated by **Daniel Serwer**, CTR-SAIS Senior Fellow.



*“Transparency International has a corruption reporting office,” said **Srdjan Blagovcanin**, Chairman of Board of Directors, Transparency International*

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## MIRKO SAROVIC RECEIVED THE “2016 CTR-SAIS MEDITERRANEAN BASIN LEADERSHIP AWARD” AT THE RECEPTION HELD AT THE SARAJEVO BREWERY

**Mirko Sarovic**, Minister of Foreign Trade and Economic Relations at the Council of Ministers of Bosnia-Herzegovina received the “2016 CTR-SAIS Mediterranean Basin Leadership

Award” in recognition for his outstanding achievements in promoting business growth and expansion for companies in Bosnia-Herzegovina within the EU market and beyond.

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## RECEPTION SPONSORED BY THE EUROPEAN UNION DELEGATION IN BOSNIA AND HERZEGOVINA

**Renzo Daviddi**, Deputy Head of the European Delegation in Bosnia-Herzegovina said at his opening remarks that the EU is committed to help BiH succeed on the journey to eventually become a member of the EU family.

**Victoria Nuland**, Assistant Secretary of State for Europe and Eurasia delivered a video message for the citizens of Bosnia-Herzegovina and to the participants of “Prospects for Progress” conference.



***Daniel Hamilton**, CTR-SAIS Executive Director, praised the achievements of Minister **Sarovic** and along with **Sasha Toperich**, **Michael Haltzel**, **Daniel Serwer**, and **Mujo Selimovic**, owner of Sarajevo Brewery, presented minister **Sarovic** with the CTR-SAIS 2016 Mediterranean Basin Leadership award*



## “PROSPECTS FOR PROGRESS IN BOSNIA AND HERZEGOVINA” SARAJEVO, MAY 17

### HEALTH REFORM: BEST WAY FORWARD

**Boris Hrabac** and **Senad Huseinagic** from the Institute for Health and Food Safety in Zenica shed light on a number of crucial issues in the BiH health sector. Hospitals in BiH are in a debt of over 500 million KM, risking bankruptcy. All countries in the region are facing a lack of funding, driven by an aging population and expensive new medical technologies. The rate of contribution uniformity across the country contributes to uneven spending. There is imbalanced package of healthcare benefits. The main reform problem is based on two elements – equity and efficiency. They will have to limit certain services, cut costs and introduce reasonable deductibles to be paid by patients. There is not enough solidarity among cantons to cover medical expenditures equally, such as pharmaceuticals.

Payment mechanisms motivate the healthcare staff and facilitate governance of the healthcare sector. People with the same qualifications cannot have the same income. They must be paid differently, depending on their performance, as a motivational mechanism. Management must have the right to hire and fire staff.

“Instability of the political environment provides contradictory ideas about financing and funding healthcare. The European trend for healthcare in the past few decades has been decentralization. A Bismarck-style system has been implemented in Bosnia-Herzegovina since the end of the 19th century. The before-mentioned “big-band reform attempts” would not yield any remarkable benefit for the country health



L-R: **Timothy Johnston**, Program leader for Inclusive Growth and Human Development Southeast Europe and Central Asia, at the World Bank, **Boris Hrabac**, Director, Cantonal Public Health Institute in Zenica, **Senad Huseinagic**, General Director, Institute for Health and Food Safety in Zenica, and **Daniel Hamilton**, CTR-SAIS Executive Director

care system, and major problems would not be solved. Therefore, our strategic choices of a regionally based and decentralized social health insurance system should not be discussed as a serious option,” said **Boris Hrabac** and **Senad Huseinagic**.



L-R: **Johnson**, **Huseinagic**, **Hrabac** debating best ways forward in health sector reforms



## RELIEVE THE BURDEN ON EMPLOYERS BY REDUCING HEALTHCARE CONTRIBUTIONS – HIGH TAXES ON LABOR CONTRIBUTE TO A BAD BUSINESS CLIMATE

“Healthcare funds should not go to the State Treasury – funds will be held by the Treasury if that happens. Increasing participatory fees, motivating staff, and redesigning a solidarity mechanism will all help further reforms. Reforms have started in family medicine (particularly in Mostar).”

“The plan should be to reduce the rate of contributions for employers in order to cut contributions from 25 percent by 10 percent (equating a 10 percent savings on each salary). The burden on employers would be reduced by 416 million KM. We do not need to increase funding but instead increase efficiency within the healthcare system. Efficiency can be boosted by installing IT systems to reduce the number of services a patient realistically needs. Additional financing for the health sector could be collected through a higher PDV rate in order to compensate for a decrease in contribution rates for health insurance. This proposal would enable to achieve a universal insurance coverage in the entire country, as well as equity issues. A lower taxation burden would contribute to higher investment business practices, as well as lower grey market of the work force,” said **Boris Hrabac** and **Senad Huseinagic** from the Institute for Health and Food Safety in Zenica.

**Timothy Johnston**, Program leader for Inclusive Growth and Human Development Southeast Europe and Central Asia at the World Bank, said that there is a significant consensus on key issues regarding healthcare sector reform. Getting agreement on healthcare reform is difficult in many countries because there are so many stakeholders involved. Aging and declining population in a payroll based taxation system means that the costs are



*“New payment mechanisms will motivate staff and help cost containment. Creating competition between hospitals, when patients can choose between hospitals based on services, will improve the healthcare system’s quality and efficiency,” said **Boris Hrabac** and **Senad Huseinagic** from the Institute for Health and Food Safety in Zenica.*



*“There has been a striking progress in electronic records at the primary care level, which is critical for the efficiency and equality of the healthcare sector,” said **Timothy Johnston**, Program leader for Inclusive Growth and Human Development Southeast Europe and Central Asia at the World Bank*

rising but the income base is shrinking. Building consensus among the different cantons in the Federation of BiH will be necessary and there is an increasing willingness to discuss and take seriously reforms. Also, there is a perception a “moral hazard” problem that certain organizations will run up debt and expect to be bailed out.

Cantons and their management must be accountable for quality of care and financial performance. Political instability requires using a lot of energy to prevent detrimental ideas from being implemented.

The session was moderated by **Daniel Hamilton**, CTR-SAIS Executive Director.

## STRENGTHENING THE PRIVATE SECTOR AND IMPROVING THE COMPETITIVENESS OF BIH'S PRIVATE SECTOR

**Mirza Ustamujic**, General Manager Spica Systems d.o.o. Sarajevo, Bosnia-Herzegovina. Spica is a group of companies from Southeast Europe, with offices in Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Macedonia and the UK. Spica group is the regional leader in the field of Time Management and Access Control with a focus on Workforce Management, Supply Chain Management, Sales Force Automation and Asset Management. Ustamujic pointed out that there is a large, complex and inefficient administration, high level of systemic corruption, large burdens for private companies with fiscal and para-fiscal levies and educational system with a lack of harmonization.

“Utility taxes are the highest in the region. In 2012, we had more than 35,000 people with a university education who were unemployed in the FBiH alone, which is six times more than 10 years earlier. The Bologna process was never properly implemented, failing to create a strong link between business and educational institutions,” said **Ustamujic**.

“Bosnia and Herzegovina must resolve structural reforms and continue the process to complete the Reform Agenda and become part of the EU family. This path has no alternative, it is the only way to improve the business climate, support the private



L-R: **Mirza Ustamujic**, General Manager SPICA Systems d.o.o. BiH, **Zlatan Dedic**, General Director, Svjetlostkomerc, **Ruzica Udovicic**, General Director, Aluminij d.d. Mostar, **Sean Parramore**, Advisor, America – Bosnia Foundation



**Mirza Ustamujic**, General Manager Spica Systems d.o.o. Sarajevo, Bosnia-Herzegovina

sector as a locomotive of development, bring investments, open new jobs, strengthen democracy and finally, fight against corruption. Strong cooperation between civil society, business and political leaders is an imperative for success,” said **Ustamujic**.

**Ruzica Udovicic**, General Manager of Aluminij d.d. Mostar, told the audience that Aluminij is the largest export-oriented company in Bosnia-Herzegovina, exporting more than the equivalent of 150 million Euro annually, with a labor force of 850 and more than 40,000 people in Bosnia-Herzegovina and Republic of Croatia belonging to partner companies, dependent on Aluminij's performance. **Udovicic** stressed that the current metal price on the global market is not in favor to this company and that Aluminij is in need of concrete support and understanding from BiH government. She added that strong countries such as the United States and Germany do recognize the importance of aluminum industry so they subsidized the price of the electric energy thus helping the producers. I am pleased to see that the Reform Agenda will address also administrative and tax issues as it is unjustifiable that company advanced in ecological awareness is taxed at higher tax rate for the equipment that elevates the production process to higher level in protection of human environment and protection of employees at work. It is completely illogical that Aluminij pays most expensive electro transfer in the Europe, that should not be the case. Aluminij does not want to export only the raw materials but to create internal cluster to connect the entire production process of aluminum processing in order to sell ready products; construction profiles, electric cables, car wheels, parts for ships and aircraft etc.

**Zlatan Dedic**, General Director of Svjetlostkomerc told to the audience that that teaching young people about being proactive and self-sufficient is crucial for the long term.

"We need to pressure the government to formalize the relationship between the diaspora and the country. That will provide



*"All key players (politicians, business people, scientists, economists) in this process must have a joint vision for the future of Bosnia-Herzegovina. Working strongly together will not be the problem,"*  
**Ruzica Udovicic**, General Manager of Aluminij d.d. Mostar



*"Entrepreneurship should be incorporated into elementary and primary school education,"* said **Zlatan Dedic**, General Director of Svjetlostkomerc

new window of opportunity for economic development of Bosnia-Herzegovina," said Dedic.

"Young people must understand that they need to be proactive and not wait for somebody else to provide jobs to them, but that they can create jobs for themselves. We need to change the public perception that private capital is "something negative", but rather to appreciate and reward quality and successful work. The privatization of state capital was not "a robbery" as in most cases represented in the media. There are plenty of successful privatization stories," said **Zlatan Dedic**.

“The private sector and the entire BiH economy will become more successful if there is a reduction of the burden on labor and investment contributions along with para-fiscal charges; greater private sector participation in infrastructure development; simpler procedures for starting business; a strengthening of public-private partnerships; and a successful fight against corruption,” said **Dedic**.

“The Reform Agenda for Bosnia and Herzegovina for the period 2015-2018 provides a good framework, but the success depends primarily on the willingness and commitment of the government to implement it,” concluded **Dedic**.

The session was moderated by **Sean Parramore**, advisor to the America – Bosnia Foundation, who said in his opening remarks that the Reform Agenda created a great opportunity for the country. “Entities and cantons have on occasion shown a readiness to learn lessons from each other’s experiences. We may yet see some entities and cantons moving faster down the path of market enabling reforms than others. A 13-speed Bosnia-Herzegovina would in my view not necessarily be such a bad thing: As businesses are drawn to the most business friendly environments, inadvertently a competition between entities and cantons in achieving the strongest business-enabling environment may emerge – a race to the top making Bosnia-Herzegovina’s markets open for business.”

## HOYT YEE, DEPUTY ASSISTANT SECRETARY OF STATE DELIVERED CLOSING REMARKS

“I would especially like to thank Sasha and SAIS and America – Bosnia Foundation colleagues for organizing this effort. Not much to add to **Vice President Biden, Assistant Secretary Nuland, Ambassador Cormack, Dan Serwer, Mike Haltzel**, except commend and say that changes you’ve been talking about are not only important but urgent.

“Europe is facing serious challenges since the Balkan wars in 1990s, and even since WWII, with threats from outside, the East/Russia, the South/ISIL, and mass migration. From that perspective, BiH must succeed. We have learned in past few years that countries with weak economies, weak institutions, and high corruption are vulnerable to internal and external malign influences.



*“We all have seen this movie before, as BiH has been down the ‘reform’ road many times. Election, government formation, reform effort, elections. Start over. It is now time to break this cycle,” said Hoyt Yee, Deputy Assistant Secretary of State*



There is lot at stake. BiH has a high youth unemployment, low growth, high brain-drain,

low investment. There is no time to waste,” said **Hoyt Yee**.

## WHY REFORM NOW?

“The conditions are good. Leaders are interested in reform, the U.S. and the EU are engaged, the region is moving ahead, and people want it. Along the Euro-Atlantic path in the region, this could be the moment for real change in Bosnia-Herzegovina,” said **Yee**.

“The Reform Agenda is a good start, and we fully support its goals. But its implementation is slow. You need to complete the Reform Agenda in order to move ahead to the next set of reforms that address the root of the dysfunction.

As **Srdjan Blagovcanin** said yesterday, all reform is political, so let’s not avoid it. You need to do not just complete reforms you CAN do, but also the reforms you MUST do. The electoral system needs to meet European standards. Sustainable, effective government that can make decisions and protect and serve it citizens. Dismantle the corrupt patronage system and abuse of state owned companies. That will attract investors, capital, technology, and jobs. The people of Mostar deserve to participate in municipal elections, which they have been denied since 2008. The window of 2016 is closing; a stronger rule of law and democracy would be sign to world that BiH can change,” said **Yee**.

“Elected leaders need to do the job they were elected to do: improve the economy, integration, security; not petty politics,

dividing jobs, consolidating power. Some have cracked the code, do just enough to stay in power, but not enough to change the game. The international community needs to hold them responsible, and demand a more ambitious reform program that addresses what must be changed.

Citizens needs to participate, to help create solutions. Peaceful expressions, even protests, are needed. There is no magic formula, but citizens need to get involved, be part of the change, and not just passive bystanders. At a minimum, they need to be heard, and they need to vote. The road ahead will be difficult, but you will not be traveling alone. The United States has been and will always be one of the greatest supporters and partners to the people of BiH. We want you to succeed,” concluded **Hoyt Yee**.



"MESSAGES FROM THE UNITED STATES GOVERNMENT",  
SARAJEVO "PROSPECTS FOR PROGRESS" CONFERENCE

FOCUS ON REFORMS: A VISION 2020 FOR BOSNIA AND  
HERZEGOVINA



IMPORTANT MESSAGES TO BOSNIA-HERZEGOVINA FROM:

JOSEPH BIDEN, U.S. VICE PRESIDENT  
VICTORIA NULAND, U.S. ASSISTANT SECRETARY OF STATE  
ROGER WICKER, U.S. SENATOR



**Joseph Robinette Biden, Jr.**, Vice President,  
United States of America



**Roger Wicker**, U.S. Senator (MI-R)



**Victoria Nuland**, Assistant Secretary of  
State for Europe and Eurasian Affairs sent  
a video message to the citizens of Bosnia  
and Herzegovina.



THE VICE PRESIDENT  
WASHINGTON

May 6, 2016

Dr. Michael Haltzel  
The Paul H. Nitze School of Advanced International Studies  
The Johns Hopkins University  
1717 Massachusetts Avenue, N.W. – Suite 525  
Washington, DC 20036

Dear Mike:

Please convey my greetings to the participants of the conference “Sarajevo: Prospects for Progress,” co-sponsored by the Center for Transatlantic Relations at Johns Hopkins University SAIS and the America-Bosnia Foundation. This meeting, part of a multi-year project “Focus on Reforms: a 2020 Vision for BiH,” is both timely and appropriately focused.

Two decades ago, you and I were crisscrossing the Western Balkans in the wake of the disastrous wars that engulfed the region in the early 1990s. Looking back, I don’t think that even in our most optimistic moments we would have predicted the progress we’ve seen in the region since then: Slovenia and Croatia members of both NATO and the European Union; Albania a member of NATO; Montenegro about to join the Alliance; Kosovo independent and recognized by more than 100 countries; and Serbia casting its lot with the Euro-Atlantic community. This is truly remarkable.

Progress has not been uniform, however. It is no secret that Bosnia and Herzegovina has not kept pace with its neighbors’ transformations. Nevertheless, despite years of near-stalemate, the country now has a chance to significantly improve the quality of life of its citizens, synchronize its laws with EU standards, and bring the country closer to EU membership through a comprehensive set of initiated reforms.

In my experience, there are forward-looking politicians in Bosnia and Herzegovina who realize that the government and the private sector must cooperate in restructuring the economy, including the transparent and clean privatization of under-performing state-owned enterprises. A reformed public administration and health system are also essential building blocks of a competitive Bosnia and Herzegovina. None of these measures will be easy to accomplish, but I remain optimistic. Leaders and constituencies alike will have to move from narrow communal partisanship to working together in the national interest. Having had the privilege of meeting with citizens of Bosnia and Herzegovina from all backgrounds, I know they are resilient, hard-working, and up to the task.

This conference is an important contribution to these collective efforts. I congratulate the Center for Transatlantic Relations at Johns Hopkins University SAIS and the America-Bosnia Foundation for their initiative and wish your conference every success.

Sincerely,

  
Joseph R. Biden, Jr.



## MESSAGE FROM VICTORIA NULAND, ASSISTANT SECRETARY OF STATE FOR EUROPE AND EURASIAN AFFAIRS

PROSPECTS FOR PROGRESS CONFERENCE - THE UNITED STATES IS  
PROUD TO BE A FOUNDING SUPPORTER OF THIS CONFERENCE

Dobro večer! [Good evening]

- Hello everyone! I wish I could be with you in person at the renowned Sarajevo Brewery. This local treasure represents everything we seek to encourage in Bosnia and Herzegovina - an open business model paired with the best of Bosnian tradition. The United States is proud to be a founding supporter of this conference.

It's so important to Bosnia-Herzegovina's future that there be a real dialogue between government, civil society, and business, and this conference plays a vital role in that. You are here today to energize the process of building a Bosnia-Herzegovina that will serve all its citizens—one that is of the people, by the people, and for the people—a phrase that was coined by our own Abraham Lincoln, but that has universal appeal.

Throughout your journey, the Trans-Atlantic community has stood with you. Already, we're seeing encouraging signs of progress in Bosnia-Herzegovina.

You have signed a socio-economic Reform Agenda, passed new labor laws, and applied for EU membership - all steps that demonstrate your commitment to embrace Euro-Atlantic norms, improve the business climate, and create a stable and prosperous democracy. But there is more work to be done.

It is no secret that for too long Bosnia and Herzegovina has been a country where corruption stalled reforms and enriched

politicians and leaders at the expense of Bosnia's people.

Today, I appeal to leaders and citizens alike to replace old rivalries with cooperation, kick-start prosperity and growth, and embrace inclusive policies that will bring jobs, investment, and clean business practices to the people of this region.

To start, Bosnia and Herzegovina needs to complete the implementation of socio-economic reforms envisioned in the EU Reform Agenda.

And, as soon as possible, Bosnia must tackle structural reforms that address not only the symptoms but the causes of the country's core problems, which are also obstacles to Bosnia's integration with Europe.

All Bosnians want reform to end the systemic corruption that allows crooked politicians to stay in power. The time for this is now. For too long, the people of Bosnia-Herzegovina have been ripped off and jobs and entrepreneurs have been driven out of the country.

Bosnia also needs political reforms to allow its leaders to make timely, wise decisions, so the country can deal effectively with the EU, IMF, World Bank and other institutions trying to help.

Finally, Bosnia needs fresh faces and new ideas to enrich its own society, and an electoral system that meets European standards of democracy and human rights.

All citizens should have the right to run for office, regardless of race or religion. And all citizens should have the opportunity to vote. This fall, political leaders can and should ensure that local elections take place in all municipalities, including in Mostar, where citizens have been deprived of their voting rights since 2008.

The aspirations of the people of Bosnia – democracy, prosperity, and good governance – are universal. The United States has been supporting them here and throughout the Balkans and Central and Eastern Europe for more than two decades. Experience shows that there are no shortcuts.

Success depends on hard work and determination to make the sacrifices and changes necessary to move the country forward.

It is in that spirit – creativity, hard work, and determination – that I encourage participants in today's conference to approach the question of how to improve Bosnia's "Prospects for Progress". We look forward to your good ideas and to working with you to make them a reality.

Thank you and best of luck with the conference!

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## MESSAGE FROM U.S. SENATOR ROGER WICKER (MI – R)

As the co-chairman of the Commission for Security and Cooperation in Europe and chairman of the OSCE Parliamentary Assembly's Committee on Political Affairs and Security, I extend my warm wishes to the participants of the Vision 2020 conference panel on *"Fighting Corruption: Best Practices and Best Ways Forward."* I regret that I cannot join you in Sarajevo due to my commitments as a U.S. Senator in Washington. The United States, as you all know, cares deeply about the sovereignty, stability, recovery, and future prosperity of Bosnia and Herzegovina. Since my first visit there in 1995, the country has made tremendous progress toward establish a government that is stable, democratic, and economically viable.

However, more needs to be done by the international community and Bosnian leaders to sustain this momentum:



In Washington, my colleague Senator **Jeanne Shaheen** and I are among those working to nurture private sector entrepreneurship in Bosnia and Herzegovina. On the 20th anniversary of the Dayton Accords, we introduced the *"Bosnia and Herzegovina-American Enterprise Fund Act"* to grow SMEs throughout the country.

In Sarajevo, the central government must take demonstrative steps to improve transparency and the rule of law. Left unchecked, corruption will hinder Bosnia and Herzegovina's integration into Europe and NATO. Twenty years after Dayton, there is no excuse for corruption and the risk it brings to prosperity for future generations.

The United States should continue to support prosecutors and judges who focus on high-profile corruption and economic crime cases. The United States should

also continue its support for investigative journalism and non-governmental organizations advocating reform.

I congratulate those participating today at the Vision 2020 conference, and I appreciate your work to help eliminate the scourge of corruption causing a political impasse and economic stagnation in Bosnia and Herzegovina. I wish you the best during your conference session, and I look forward to continuing my work with you to ensure a stable and prosperous Southeast Europe.

## IMPROVING THE BUSINESS CLIMATE IN BOSNIA AND HERZEGOVINA, VIENNA, MAY 20

### DIPLOMATIC ACADEMY, VIENNA, AUSTRIA

The conference *"Improving The Business Climate in Bosnia and Herzegovina"* followed the two day's conference *"Prospects for Progress"* held in Sarajevo. The goal of the Vienna event was to share with the Austrian audience achievements made, measures undertaken, and planned next steps in Bosnia-Herzegovina's economic and social reform processes.



On the Vienna conference margins, **Der Standard** published an article *"U.S. tries in Vienna and Sarajevo to push for reforms"* discussing difficult reforms but also hinting country may indeed be soon ready for business.

You can access the article here: <http://derstandard.at/2000037291739/USA-versuchen-in-Wien-und-Sarajevo-bosnische-Reformen-anzuschieben>

Ambassador **Hans Winkler**, Director of the Diplomatic Academy in Vienna, welcomed participants and guests. "Bosnia



Ambassador **Hans Winkler**, Director of the Diplomatic Academy in Vienna



and Herzegovina and the entire Western Balkans are very important for Austria. As you know, we received many of the then-refugees and now proud citizens of Austria that are well educated, and good citizens, paying taxes, and developing their careers in my country. At our Diplomatic Academy, we have special programs dedicated to the Balkans and we host number of events to support the EU integration processes, including economic developments and business opportunities. Austria is, as you know, the biggest investor in the Western Balkans, which is a true testament of our genuine interest for you”, Ambassador **Winkler** told the audience.

**Daniel Hamilton**, CTR-SAIS Executive Director, and **Sasha Toperich**, CTR-SAIS Senior Fellow and Director of the Mediterranean Basin Initiative, summarized their impressions from the recently finished conference in Sarajevo where detailed discussion on various

reforms took place. Everybody in the region is moving faster than BiH. We need to change this, now. “I want to repeat what I said in Sarajevo that I find really essential for Bosnia-Herzegovina: Engage in reforms faster and with full determination. Stop the internal political fighting who will get what part of this small pie you have. Once you are in the European Union, the pie gets much bigger, for you all,” said **Daniel Hamilton**.

We thank the Austrian Marshall Fund Foundation, the Institut Fur Den Donauraum und Mitteleuropa (IDM), the Embassy of Bosnia-Herzegovina in Vienna, and especially the Diplomatic Academy for partnering with us in our effort to push for reforms and give our support for the citizens of Bosnia-Herzegovina. To this end, we are very pleased to acknowledge Austrian Airlines, as the official airline for “*Vision 2020 for Bosnia and Herzegovina*” program, Hamilton concluded.

Austrian Airlines is an official airline of “Vision 2020” for Bosnia-Herzegovina.



## MUJO SELIMOVIC ELECTED NEW CHAIRMAN OF THE MEDITERRANEAN BASIN CORPORATE ADVISORY BOARD AT SAIS

*"In an effort to further boost our team and the attention to Bosnia-Herzegovina reform processes, we decided to appoint **Mujo Selimovic**, a prominent entrepreneur and businessman, and our long standing friend and partner, as the new Chairman of the Mediterranean Basin Corporate Advisory Board – a two-year position previously served successfully by **Slim Othmani**, a prominent businessman and entrepreneur from Algeria who also serves as the president of internationally known CARE think-tank, our partner and organization that is supporting reforms in Algeria,"*



*Slim Othmani and Mujo Selimovic*

*said **Daniel Hamilton**, while presenting a plaque to **Mujo Selimovic**.*

## INVESTORS AND PRIVATE SECTOR PERSPECTIVE: REFORM AGENDA AND DOING BUSINESS IN BOSNIA AND HERZEGOVINA

**Gordan Milinic**, Director of the Foreign Investment Promotion Agency of Bosnia and Herzegovina (FIPA), told the audience about the growing interest of international business delegation interested to learn about projects and possibilities for investments. In the last few month, FIPA held meetings with business delegations from Austria, Germany, Italy, Sweden, Switzerland, Slovenia, Turkey, UAE, Qatar, Pakistan, Saudi Arabia, Brazil and China. Energy and mining projects, possibility to invest in metal/steel, textile, agriculture, food processing, wood, and leather industries were among most interested topics with these delegations. The tourism and real estate markets are also picking up in Bosnia and Herzegovina.

"FIPA has a list of over forty potential investors that announced their investment plans. We also received eleven announcements from existing investors planning to reinvest in energy and mining sector. Fifteen foreign companies operating in BiH in metal, textile, agriculture, and food processing / dairy, are finalizing their re-investment plans. Ten



*L-R: **Sasha Toperich**, **Gordan Milinic**, **Wolfgang Petritsch***

foreign companies will reinvest in tourism and real estate sector," said **Gordan Milinic**.

**Milinic** told us that an Israeli investor accepted the offer to purchase government shares (49 percent) in the iron ore mine "Ljubija" – part of ArcelorMittal. An agreement has been reached between Elektroprivreda BiH (Public Enterprise – Electric Utility of Bosnia and Herzegovina) and the Chinese Gezhouba Group Corporation for the construction of Thermal Power Plant Tuzla (block 7) in value of 772 million Euro.

## IMPLEMENTED REFORMS TO IMPROVE THE BUSINESS CLIMATE

In the FBiH several barriers were removed to simplify the company registration process, to include less paperwork and a basic capital decrease from 1,000 to 500 Euros. In Republika Srpska, the Intermediary Agency for IT and Financial Services represents a “one-stop shop” (the Agency is responsible for court registration, issuance of tax ID and statistic number) and the company basic capital requirement is 0,50 Euro.

“New legislation also allows for a manager to be appointed without being an employee within the company. Also, media jobs now have the same treatment as commercial production. Corporate tax law changes are harmonized with WTO rules. The number of crucial legislations to improve business climate are a work in progress as we speak,” concluded **Milinic**.

**Wolfgang Petritsch**, Ambassador and President of the Austrian Marshall Plan Foundation, acknowledged the achievements made to include solving various bilateral border disputes between countries of the Western Balkans. He congratulated **Mujo Selimovic** on his continued effort to help promote private sector that is also one of the crucial part of the EU Reform Agenda. **Petritsch** won the hearts and minds of the audience with his emotional speech showing his profound care about Bosnia-Herzegovina and the Western Balkans. Frustrations of the international community that Bosnia-Herzegovina’s political elite could not agree on practically anything to improve their country’s political and legal framework created at Dayton twenty years ago, including human rights issues, (Sejdic-Finci ruling by the European Court on Human Rights) is mind-bugling. He

raised the question if Bosnia-Herzegovina can join the EU with the administrative structure it has today. Although efforts to move forward with the economic and social reforms are worthy of support and recognition, they cannot produce required results unless the country is ready to re-invent itself and embark on broader set of reforms, to include political and institutional reforms.

“There is clearly lack of political will to help the private sector expand. This has to change,” said **Wolfgang Petritsch**, who is also a former High Representative for Bosnia and Herzegovina.

“There have been many reform efforts in Bosnia-Herzegovina, and they have all failed. Let us hope this effort will succeed. It would be step in right direction,” **Petritsch** said. He also praised the work of the Berlin Process initiated by German chancellor Angela Merkel in 2014, with the goal of holding annual meetings with heads of state and governments of the Western Balkans to discuss regional cooperation and regional infrastructural projects, among other important issues.

“We are talking about projects that connect this part of Europe with the rest of Europe.” All the countries of the region are too small and they need to create a unified market. The entire European Union has only one third of the population of China, and BiH has only 3.5 million citizens,” concluded **Wolfgang Petritsch**.

The session was moderated by **Sasha Toperich**, CTR-SAIS Senior Fellow.

## IMPROVING THE BUSINESS CLIMATE

**Aida Soko**, Advisor to the Prime Minister of the Federation of BiH, said that the government is focused on improving the business climate and in order to achieve the desirable results, they need to work more intensively and in parallel on two important areas: work on further legislative and regulative reforms to simplify procedures and make doing business in BiH easier and second, to improve business image of the country by presenting achieved and implemented reforms.

She mentioned positive changes and progress already made. "Just look the Gorazde and Tesanj municipalities, which are truly fantastic success stories. Our goal is to multiply these successes throughout the country. Conferences like these are part of the overall effort to engage business communities to invest in Bosnia-Herzegovina," **Soko** concluded.

**Mujo Selimovic**, MIMS group CEO, thanked SAIS for entrusting him with the chairmanship of the SAIS corporate advisory board for the Mediterranean Basin initiative, and also thanked Ambassador **Petritsch** for his kind words of acknowledgment for his efforts in supporting the development of private sector not only in Bosnia-Herzegovina, but the entire region.

"In many cases, BiH is better than how it is sometimes perceived, and to change this, everyone in the country needs to promote the true situation within our society. No question that we have very high unemployment rates, corruption, and a complicated administration, but this is also true for other countries in transition. If someone invests wisely in BiH, he or she can count of two-digit profits," **Selimovic** concluded.



L-R: **Wolfgang Fengler**, Sector Leader, Finance and Private Sector Development, the World Bank; **Mujo Selimovic**, MIMS group CEO; **Aida Soko**, Advisor to the Prime Minister of the Federation of BiH; **Edin Karabeg**, Sberbank BiH CEO; **Daniel Hamilton** CTR SAIS executive director



**Daniel Hamilton and Mujo Selimovic**

**Wolfgang Fengler** from the World Bank highlighted the nature of BiH's economic imbalances, notably the weakness of the private sector versus the dominance of the public sector. He believes that the country will need to start its "export engine" to grow at higher levels and reach the economic dynamism of other emerging economies. "This would also generate more opportunities for SMEs. With the right policies, it is possible to achieve better development results, especially as the country could exploit its excellent geopolitical position."

## REMARKS BY EDIN KARABEG, SBERBANK CEO, BOSNIA-HERZEGOVINA

**Edin Karabeg**, CEO of Sberbank in BiH, emphasized the necessity of improving the business environment in general, especially for FDI, aside from all political and legal reforms announced and introduced already. "Bosnia-Herzegovina has to recognize that the whole region is in competition for capital (whether it is domestic or international) and, therefore, additional effort has to be made to attract investments and to keep Bosnia and Herzegovina competitive in the future. However, this process cannot be carried by the BiH's institutions alone, but requires support from outside as well. The construction of the highway is of utmost importance for the modernization of the infrastructure and one example of the pillars for potential further investments into this region."

**Valentin Inzko**, High Representative in Bosnia-Herzegovina delivered the closing remarks, emphasizing the serious political challenges in Bosnia-Herzegovina, but



L-R: Valentin Inzko, Wolfgang Fengler, Mujo Selimovic

also the opportunities for investment and the advantages the country has to offer, which he says are far bigger from the short-term problems still visible in the business environment. "There is plenty more to be done, and we are not talking only about the scope, depth, and volume of the reforms, but also about the speed and pace of this effort. This has to be much faster," **Inzko** concluded.

## IRAQ'S ECONOMY: CHALLENGES AND OPPORTUNITIES



CTR-SAIS hosted a one-day conference on the Iraqi Economy and its challenges. Panelists included **Lukman Faily**, Ambassador of Iraq to the United States, as well as various experts on the region. The discussion covered present challenges and possible solutions going forward.



Sasha Toperich and Ambassador Lukman Faily



**Lukman Faily**, Ambassador of Iraq to the United States stated, “when you watch the news, there is always some development in Iraq, whether it is in the security realm, political, or economic. The situation changes daily. We are trying to reduce our financial dependence on oil revenues. Certainly, we will have to go through harsh times to get there, but we are going in right direction. The political class knows that the old model of operating the State is not working and the new model, that talks about the partnership of various types, whether to privatize significant amount of our infrastructure, for example, is coming model. We need lot of work and support for this. It is important for us that the United States and other Western countries help us, mentor us, guide us, so we learn about privatization, private partnership agreements, legislations we need to have to implement them, so we can transform.”

More than 60 percent of our revenues of the last 18 months were reduced due to a fall in oil prices. We know that this fluctuation requires good risk management. There has been some streamlining, significant decision making to reduce the work force, but at the same time that overdependence and sensitivity to oil prices means we need external help. We have been successful proving the concept at least, with the IMF and the WB, with significant support from the United States and other partnership, in making sure that we are able to continue fight against terrorism, stabilize the economy as much as we can, and make sure that the situation is projected in the right manner.

“The Initial approval of the standby agreement with the IMF and the WB, and other projects we have, such as the selling of bonds, all are good signs that we now understand what it means to integrate with the world economy in a financial sense,” said Ambassador **Faily**.



*“We will not be able to deal with things in a timely manner. We were never able to govern ourselves. Dictators have structurally damaged that ability for us. That is the reality and people need to understand that. Our politics needs to refine and become more efficient. Democracy takes time, but we may not have the luxury of time. Keep writing articles in the U.S. to tell us how to manage this issue. We need that support. It’s a painful process but we are determined,” said Ambassador Faily*

“We also know that getting our politics together is a key challenge for us. We move one step forward two steps backwards – nobody is denying that,” he continued. “I am personally not worried about the security. I know that people are determined to get rid of ISIS, and all other security threats, which comes with a high cost, by the way. You can see that in the fight now, for example, in Fallujah, Ambar, Salahaddin, Diyala, Mosul. We are focused on stabilizing the country. We need to have an anxiety mode for us to be able to reform. We need to keep closely collaborating with the United States, right now on the immediate security threat, but longer term a cooperation not only on a State to State basis, but people to people, and business to business,” concluded ambassador **Faily**.

**Michael Delaney**, Assistant United States Trade Representative for South Asia, underlined the importance of the United States - Iraq bilateral relationship. “It is also a very important relationship for me personally. Nearly 10 years ago, I served in Iraq during the difficult time there, and witnessed the resilience and

entrepreneurial spirit of the Iraqi people. I believe that Iraq has a bright future regardless of the present challenges. Addressing Iraq's economic challenges, although less headline-grabbing than the ongoing security operations, is just as important for securing Iraq's future.

"Between declining oil prices and the need for financing ongoing security operations, there has been sharp decline in economic activity since mid-2014. Let us not lose focus on the many potential opportunities that exist in Iraq. I believe that going forward things are not as grim as they appear at first glance. The security situation is beginning to move in the right direction," said **Delaney**.

**Delaney** continued, "opportunities also exist in the non-oil based economy. Prior to 2014, Iraq was experiencing economic growth of around 10 percent as the country continued its uneven transition from a centrally run, to a market based economy. Even now, Iraq is the 54th largest trading partner of the United States, with the bilateral trade amounting to around 6.3 billion dollars, so far in 2016. So, we are on track to finish the year with 12, 13, or 14 billion dollars' worth of trade. The opportunity for growth will unveil itself only with an improved trade and investment regime. I would argue the time is now to do so."

"Foreign companies may be given free land in the Iraqi Kurdistan Region. Foreign staff can enter the Iraqi Kurdish region without restrictions, with an importing license from the appropriate Iraqi Kurdish Region authorities. The law allows for favorable long-term tax and customs duties exemptions for many items. This is why many U.S. businesses look to Iraqi Kurdistan Region as an entry point, or base, for doing business throughout Iraq."



*Michael Delaney, Assistant United States Trade Representative for South Asia*

"Some modest reforms to the Iraqi investment and trade regime, modeled on the 2006 Iraqi Kurdistan Region investment law, would open up numerous opportunities for increased foreign trade and investment in Iraq. To begin, Iraq has vast infrastructure development needs. Prior to 2014, one third of Iraq's budget expenditure was ear-marked for capital projects in infrastructure, energy, health care, and agribusiness.

The cost of Iraq's infrastructure needs surely totals in the hundreds of billions of dollars. Much of this money will have to come from foreign investors. That kind of money is simply not available in Iraq. An important characteristic of a sound investment regime is policy coherence across all ministries," said **Delaney**.

"The U.S. greatly values its economic relationship with Iraq and we look forward to continuing growing and deepening that relationship in years to come. Iraq's current challenges are significant, but the potential opportunities are vast should we choose to seize them," concluded **Michael Delaney**.

## ECONOMIC MOSAIC OF IRAQ

**Noori Abdulrahman**, Chairman of the Board of Investment and Minister of Coordination and Follow-up in the Kurdistan Regional Government, joined the panel from Erbil via webcast. "Investment opportunities in the Kurdistan Region of Iraq is quite promising. This conference is a good opportunity to know more about the potential we have for investments. Although the KRG is waging a fearless war on ISIS insurgency and against terrorism on behalf of the whole free world, and creating vast numbers of refugees and displaced people. This is putting pressure on our fiscal spending, and my government is doing much to secure stability through the diversification of our economy, fighting to eliminate corruption, encouraging foreign and local investments. Kurdistan is open to the whole world, and is a gateway to the rest of Iraq. KRG has the unique opportunity of having a pivotal position among neighboring states. Our investment law is one of the best in the world. We imposed the lowest taxes for both local and foreign companies, with more incentives lined up for investors such as full ownership, reliable infrastructure, and exemption from corporate taxes, cost and fees."

"Prime Minister **Nechirvan Barzani's** road map identifies needed reforms for the next stage of attracting private sector investment. The reform road map has lined up a "Vision 2020" plan, with economic diversification, improving regional connectivity, reforming the electricity sector, enhancing electricity trade, among other measures endorsed," said **Abdulrahman**. "The Industry sector has seen an 18 billion dollar's investment in the last decade alone, and has plenty of room for growth. The Agricultural industry is a second good investment opportunity. We



L-R: James Parks, Joseph Pennington, Noori Abdulrahman (via Skype), Mark Kimmet

need technology to develop and improve our agriculture sector. Thirdly, there is tourism. We have great mountains, plenty of historic places, and many people from neighboring countries who want to visit Kurdistan, as it is a stable and secure region.

**James Parks**, Senior Economic Advisor to the Kurdistan Regional Government, said that Iraq and the KRG have a vulnerable single commodity economy, with 80 percent of single commodity export, along with Algeria, Angola, Iran, Kuwait, Saudi Arabia, Qatar, and the UAE. To establish a diversified economy, the financial sector should act as an engine to reach this goal. In order to accelerate this process, a government needs to run a budget surplus. It is not enough to merely have a balanced budget, in order for governments to use oil rents for consumption spending and public investment, but on the premise that some of these funds find their way to the financial sector. Even if the financial sector receives funding, but there are no investment opportunities, or no structural reforms to accommodate investment, money will simply sit and it will not promote diversification.

"Iraq doesn't have a unified monetary system, the Iraq Central Bank does not operate in Kurdistan Regional Government and that is a problem for both sides. There is a need for some kind of unified monetary system. Issues of monetary unification and issues of sovereignty can be very separate. For example, the EU has a monetary union among the independent states, the United States has a monetary union among sub-sovereign states," said **Parks**.

"Iraq does not even have a unified trade regime for the Iraqi economy as a whole. These types of internal trade barriers are a fundamental problem for the Iraqi economy, particularly if the government wants to diversify. With a solid monetary system, you can build a strong financial sector, but you need credible regulation. Again, the situation is fractured in Iraq, and there is an incomplete regulatory framework. The next step is defining policies how to build the financial sector, but that requires active policy making. Part of the KRG reform road map is developing the Ministry of Finance into a modern institution, and the U.S. is helping. That is right place to start to achieve fiscal sustainability," **Parks** concluded.

**Joseph Pennington**, Deputy Assistant Secretary of State for Iraq Affairs: "I want to talk about three things: reforms, opportunities, and what the U.S. is doing and can do to support Iraq as it attempts to find its economic footing going forward. A couple of months back when **Sasha Toperich** and I talked about the idea of having this conference, I asked myself if it really is the right time to talk about the economy in Iraq with everything else going on, with the challenges, the ongoing ISIL threat, security operations, political turmoil in Baghdad, and the political stalemate in the Kurdistan Region, but in the end, I think it was a right thing to be looking forward."



*"There are no short term fixes to Iraq's economic situation. Private sector growth is key, but it continuous to be hindered by bureaucratic red tape, corruption, a history of state intervention and domination, and the lack of transparency and accountability. So it is critical that the central and regional governments undertake prudent, well-planned reforms to reduce government overhead, increase transparency and address the issue of corruption. We are encouraged that the Al-Abadi government and KRG are moving in right direction, largely so because there is no alternative: the drop in oil prices, the confluence of events that we see on the security side, the raising costs of the war, the humanitarian crisis, etc., it required a new approach," said **Pennington***

"The last time I was in Iraq two months ago, I can tell you that the Iraqis are looking forward. There is a recognition that a corner has been turned in the fight against ISIL and that the process of liberating Iraqi territory is moving forward, steadily, in the right direction.

Stabilization efforts and efforts to allow people to return to their homes are also moving forward: in places like Tikrit, and very soon we will see significant returns to Ramadi and elsewhere," said **Pennington**.

The reforms now underway with the support of the World Bank and IMF are an important first step.

We believe that the government of Iraq and the KRG can and are in fact using this crisis environment as an opportunity to launch reforms that will build the foundation to allow the country to diversify, improve the investment climate, and foster an inclusive economy, said **Pennington**.

“Real reforms to make Iraq competitive in global economy will require a sustained effort and political commitment over a long period of time. Foreign investors, and especially U.S. companies, will only invest in Iraq when they have reasonable expectation that they will be treated fairly, that contracts will be enforced, and that their investments will be protected under the law. Investor confidence is something that must be earned, and that takes time. We talked a bit already about IMF program and we are pleased that the stand-by arrangement was reached. We will help to close Iraq massive fiscal debt and put the country on a better fiscal footing going forward, but we also have to recognize that this agreement, assuming will be approved by the IMF board (which has not happened yet) needs steps from the Iraqi government in order for that to happen. We have to recognize that this is going to be painful, as **Ambassador Faily** alluded to. It is going to require Iraq to reduce its budget, limit investment in the non-oil sector, audit state owned enterprises, and this is difficult. We think privatization will be key. Reducing the high cost of government services and inefficient state-owned enterprises will reduce the opportunity for corruption, let market forces choose winners and losers, increase competition, and increase efficiency. This will ultimately reduce government costs, grow the economy and broaden revenues to ensure Iraq can provide social services, support its military and security efforts, as well as a social safety net,” said **Pennington**.

“Looking at opportunities in Iraq, what this conference is about, I think we can be optimistic in the long-term, that if these reforms are done, the opportunities are going to be there. As the government begins prioritizing its limited resources and decentralizing its economy, there will be opportunities for the private sector to provide services, such as electricity, which Jim [Parks] mentioned, and I would agree that this is a great area of opportunity

– in fact, we have already seen innovation in the electricity sector, particularly involving the KRG and the power purchasing agreements that the government has made with privately owned generators. I think that there is a scope for optimism in industrial capacity and food-processing industry in the agricultural sector. Iraq has a competitive and educated work force, relatively competitive wage structure, so there are elements that would make Iraq naturally competitive in a normal environment. Decentralization of authority will let local leaders decide how to best manage their resources, spur innovation, and encourage experimentation to address problems at the local level,” said **Pennington**.

*“The waste of Flared Gas – an unexploited opportunity for business and a wasted resource. It has also contributed to greenhouse gasses, so there are now two good reasons to address that issue. Iraq is essentially burning resources it desperately needs for the domestic generation of electricity. The World Bank has estimated that using gas to generate electricity could generate as much as 520 billion dollars in revenue by 2035,” said **Pennington***

“The lack of a coherent financial sector is a huge problem, but it is also an opportunity. It offers a potential to build a financial services sector that Iraqis can depend on, or to develop innovated services so that Iraqis can at least use electronic transfers and migrate away from a cash-based economy.

Of course, that requires regulatory framework, which takes a long time to develop, but there are opportunities there,” concluded **Pennington**.

The session was moderated by U.S. Army (ret.) Brigadier General **Mark Kimmet**.



## CENTRALIZATION OR DECENTRALIZATION OF IRAQ'S ECONOMIC AND COMMERCIAL POLICY

**Bayan Sami Abdul Rahman**, KRG representative in the United States stated, “we are in the midst of war and a humanitarian crisis, but it is very important for our people that we consider their economic well-being and that we continue to look ahead to a brighter future for them and their families. If we look at the history of Iraq, the centralization brought only catastrophe, both political and economic. Under the **Baath** regime, the Iraqi economy was devastated, and particularly the economy in Kurdistan. The backbone of the Kurdistan economy up to 1976 was agriculture. About 70 percent of the Kurdistan work force worked in agriculture.

**Saddam [Hussein]** had a very deliberate policy of genocide, destroyed over four thousand villages in Kurdistan and planted minds so that farming was essentially impossible. Kurdistan is rich in natural resources and yet under that totalitarian and centralized regime, none of these resources were used. The Kirkuk oil field was utilized, but the British discovered that a long time ago. Now, centralized control over the economy is well and truly over, anywhere in Iraq.”

“Since 2003, Kurdistan has enjoyed a very autonomous economic period. That is a success we should be looking at. Billions of dollars of investments started to pour in due to the excellent investment law we enacted. A major example proving how well decentralization worked, is actually in the oil and gas sector. Let us not forget that until decade ago, there was no oil industry at all,” said **Abdul Rahman**.



R-L: Justin Carney, Bayan Sami Abdul Rahman, Sami Al-Araji (via Skype). Daniel Serwer

*Decentralization does not and should not mean abandonment. It does not mean we are not part of Iraq's economy. Businesses speak the same language, whether it is in Britain, the United States, Erbil, or Baghdad. Decentralization is certainly the future of Iraq and Kurdistan if we are to have a successful economy. It does not mean the Central Bank of Iraq should abandon Kurdistan to its faith. It does not mean, for example, that when Iraq receives a loan from the IMF or is supported by the WB, that because of decentralization, Kurdistan would receive nothing from those loans. Decentralization means we should all get part of the cake, but it also means that we contribute back to that same cake, that we contribute to the overall growth and prosperity of Iraq, said **Abdul Rahman***

**Sami Al-Araji**, Head of Investment Authority of Iraq, joined the panel from Baghdad via webcast. “Two things come to mind when we talk about decentralization: first, we are still a centralized economy, we have not yet fully moved to a market economy, although we have a program to do so.

A lack of political will is the main reason for us not embracing these reforms. It takes the will of the parliament to agree on the issues and the price required for the decentralization and transition to a market-based economy. Secondly, since 2008, Law 21 – the “decentralization law” – transferred power from the central government to the provinces. I am not talking about the Kurdistan region, as they have their own government, their own parliament, etc. I am talking about the rest of Iraq. This transfer of power from the central government to provinces has begun late last year and continued this year.”

“An important part is the good management of the budget. We have received feedback from provinces saying “give us the budget and we will manage it better than you [the central government], and there is some truth in that,” said **Al-Araji**.

**Al-Araji** continued, “there are two paths to consider when we talk about decentralization: the economic path, a process that would take about ten years, and the decentralization path, allowing for provinces to make their own decisions without relying on the central government all the time. We have to find balance with what powers should stay in the central government and which ones should not.”

“As far as FDI is concerned, we are relaying on provinces to attract them. Certain provinces are agriculturally very capable, others in the chemical, petrochemical, and oil industries, and yet others in the construction materials industries, such as the Ambar province, for example. In spite of all the difficulties we are going through: low oil prices, the war with ISIL, over three million refugees, we are moving forward with reforms, and the decentralization process, albeit with delays. This is not a

political slogan but the reality. It is true we need to work faster, but the picture of Iraq is solid and we have capabilities and resources to move to a better future for all,” concluded **Al-Araji**.

*With all the difficulties we have, nobody has pulled out from Iraq, in spite of all the problems. This year I have personally signed about 750 MW in electricity, amounting to 7.5 billion dollars’ worth of projects in 2015-2016, said **Al-Araji**.*

**Justin Carney**, Regional Vice-President, Middle East North Africa at Business Impact Network, spent 11 years in Iraq. He was on flight with a group of engineers to go to Halabja in 2005, to look into a water humanitarian project there. “Two things stood out, I did not expect to see green valleys and lush plains, considering the current state of the economy at that time, and the fact that 90 percent of the people were dependent on outside food resources. Secondly, the people. I fell in love with the people. My wife and I were raising our kids in Erbil and Suleiymania, and we have been welcomed with great hospitality and warmth of the people there.”

“In partnership with the research unit at the Ministry of Agriculture in Erbil, we did research to find out why these fertile lands are empty, and we learned that the limiting factor was not the land or the water resources, but we saw the current value chain begins outside country with farmers and processors, then comes down to Iraq where trade happens and then leaves with the profits, which makes it difficult for the meat, poultry, and dairy industries to thrive and get started with such open borders. We invested in a company named Agro Soil, where I was the general manager.

It started in Erbil, where we were added value processors, so had contracts with farmers to grow grains and would purchase and process them at the value, and enter them into already existing markets, said **Carney**.

The session was moderated by **Daniel Serwer**, CTR-SAIS Senior Fellow, who stated, “we already heard some ideas about the decentralization and it seems to me that the devil is in the details; what should stay centralized and what is to be decentralized. Getting it right is going to be extraordinarily important.



*The challenges farmers face is with central government policies: seed registration, for example. It takes eight years to get the hybrid seed from outside to country before it is able to get into the market. This makes it impossible to attract outside seed companies to come and register companies in the country, said **Carney**.*

## IRAQ'S ECONOMY: CHALLENGES AND OPPORTUNITIES, PART II



### DOING BUSINESS IN IRAQ

**Jasim Husein**, Deputy Attaché, Iraq Commercial Office at the Embassy of the Republic of Iraq to the United States, and **Qasim Basry**, executive assistant of the Iraq Commercial Office at the Embassy delivered a presentation on “Doing Business in Iraq”. **Husein** stated that doing business in Iraq is not as frightening as many believe.

“The diversification of the economy is our key priority, and our government is taking significant measures to facilitate private investments. In order to attract foreign investments, Iraq has passed a foreign investment law in 2006, number 13 along with its amendments. As a result of this law, several bodies were created to promote domestic and foreign investments,



*Iraq has focused on developing its natural gas reserves over hundred trillion cubic meters, making Iraq one of the largest natural gas reserves country in the world. Two month ago, Iraq exported the first natural gas shipment in its history, said **Jasim Husein**, Deputy Attaché, Iraq Commercial Office at the Embassy of the Republic of Iraq to the United States*

including a national investment commission, an investment commissions for all Iraqi provinces, as well as a Trade Bank for Iraq.

According to a financial research center in London, Iraq has tripled its oil production in past decade, its GDP was boosted by around 10 percent, and market capitalization has almost tripled. Bank of America and Meryl Lynch stated that the Iraqi economy could triple by 2024. After years of war and sanctions, Iraq needs infrastructural development across all sectors. Therefore, Iraq has tremendous prospects for investments, especially American, in both the short and long term. Unfortunately, with some exceptions, American investors played a minor role in reconstruction efforts and conducting business project. Chinese, South Korean, Japanese, French, Italian, and UK investors have shown more interest and commitment to take advantage of investing in Iraq. They are undertaking a number of strategic projects in Iraq, including the new city of Basmaya, the Karbala oil refinery, the Basra clean water project, and dozens of other strategic projects, including in the Kurdistan Region of Iraq.

*When I came to the United States, I realized many U.S. companies are not aware of the investment opportunities in Iraq. I believe that many U.S. investors are disconnected from the opportunities we have to offer. We encourage U.S. investors to reach out to us, so we can help answer questions and facilitate appropriate contacts in Iraq, said Husein*

**Qassim Basry** stated that the agricultural sector contributes 7 percent of GDP after being supported by the government. "Currently, there are 14 projects available for partnership with U.S. companies in the oil industry, 11 in electricity, 151 in communications, 106 in housing and infrastructure, 21 in transportation, 10 in trade, 127 in tourism, 16 in education, 45 in



ISIS captured Mosul and parts of northern and western Iraq in June 2014. In 2015, ISIS captured 40 percent of Iraqi lands. In 2016, ISIS remains only in 14 percent of Iraqi lands, said **Qassim Basry**, executive assistant of the Iraq Commercial Office at the Embassy

youth and sport, 124 in agriculture, and 151 in health sector – according to the respective ministries. In specific circumstances, foreign entities can also buy or lease land. **Basry** also shared data on the number of documents from U.S. companies that are legalized by the Iraqi Commercial Office: 2944 documents in 2014, 2740 documents in 2015, and 2165 documents in 2016 so far, showing there is a business cooperation. Our office links U.S. companies with Iraqi government entities. We provide U.S. companies appropriate advice along with legalizing commercial document. We also publish tenders both by emails and through the website.



CTR-SAIS's **Mariette Hagglund**, conference project manager with the Iraqi Ambassador **Lukman Faaly**

## BUSINESS CHALLENGES AND OPPORTUNITIES

**Steve Lutes**, executive director, Middle East Affairs, U.S. Chamber of Commerce started with explaining the role of his office. "I have been executive director of our U.S - Iraq business initiative for three years and with that, we work with a variety of companies across all sectors, ranging from the energy, defense and security industries but others as well, from agriculture and food, to health care and consumer products. We have been particularly focused on the topic of food security. Historically, Iraq was the bread basket of Mesopotamia, and there are incredible opportunities here, yet a great deal of the food is being imported from neighboring countries. We have been in conversation with large agro-businesses to examine possibilities.

What the U.S. Chamber looks at is regulatory policy, so our question to the Iraqi government is focused on the game plan when it comes to agriculture and building the sector. Is there an agriculture policy that is looking at subsistence farming, or do you have something that is looking at production and really trying to tackle food security? This is a conversation that we see across all the government and in lot of different sectors: is the game plan based on local drivers and local business, or is it to attract investment in multinationals? Another big sector we have been focusing on is logistics and transportation. There is a great potential going forward."

*We will continue to be a liaison with our friends in the Iraqi government in Baghdad, at the provincial level, as well as up north in the Kurdistan Region. We believe that regardless of the present hurdles (security and governance issues), opportunities are extensive in every sector, said **Steve Lutes**, executive director, Middle East Affairs, U.S. Chamber of Commerce*



L-R: Rebwar Berzinji, Ginger Cruz, Steve Lutes, Sasha Toperich

**Ginger Cruz**, CEO Mantid International LLC, stated that there are huge misconceptions in Washington D.C. about doing business in Iraq. "I hope to inject some reality into the theory. I live in Iraq, we run a company there, we drive to ministries, we get contracts signed. When you are actually there on the ground it is totally removed from the discussion you have here in Washington D.C."

"People are talking about the Green Zone, and I would go there on occasions, but we are living in the real Iraq, and with all due respect to Kurdistan, we do not do much business there, so when we refer to Iraq, we mean just below Erbil, all the way down to Basra, out to Ambar and over to Wassed. that really is the Iraq that does business, the Iraq that speaks Arabic, does not speak English. I think there is a real hangover from American companies who were there from 2003 until 2011, who came in, dealt with other Americans, folks who spoke English, which wasn't the reality on the ground. Iraq has really gone back, especially now in 2016, to businesses, to experts, to people who graduated with advanced degrees from the Baghdad University, who used to run businesses back in the 90s. That is the real business community that needs to be engaged with, as they are the ones that are going to build that future for Iraq."



"The Baghdad and Najaf airports are really expanding. They get about six million passengers per year. For doing business in Iraq there are three types of business you need to know: the first area is the contract with the government and the private sector. There are lots of opportunities to work directly with the Iraqi government. There are deferred payments for up to several years because low oil revenues will just not allow them to pay you, and you have to trust they will pay you, which historically they have done so. They have a decent track record of paying. Currently, there are talks that bonds will be issued as model of payment.

In terms of the consumer market, there are 38 million people who need to feed their families, get things for their homes, get medicines etc. As we always tell people – Iraq needs everything. Because of the sanctions, because of the wars, and everything else, they just need everything," said **Cruz**.

**Cruz** continued, "Iraqis ask all the time: where are the American companies? We sent our troops, spent a trillion dollars to help free the country, invested all this time and energy, and now the Iraqis would like to work with American companies. The issue is that the American risk tolerance is so low, that businesses just do not want to go there, which is understandable, but by the same token, the desire, I believe, is there. If people would understand Iraq a little more, and they had somebody on the inside who could peel the layers and get them to be more comfortable on doing business in Iraq, I believe that there are a lot of opportunities, because the Iraqi commercial force actually prefers American products."

**Rebwar Berzinji**, Founder and President of Pericles Capital, an advisory firm that is mostly specialized in financing, difficult



*"Don't look at the short term – look at the long term. Any place that has gone down has to come back up. Iraq has the human capital, it has the oil, it has the resources, and it has the will to do it. The business community has to take the lead," said **Ginger Cruz**, CEO Mantid International LLC.*

(special situation) distress financing, capital raising, and infrastructure projects. "I was a banker at Rothschild for many years, doing restructuring in the U.S. primarily, and then later at the distress hedge fund out of New York. After the financial crisis happened, I took a break and went back to Kurdistan (I am Kurdish), to help the government on financing matters.

We are focused on trying to give the Kurdistan Region access to the global capital markets, and the ability to finance infrastructural projects. I would like to focus on the importance of credit, for the future of both Kurdistan and Iraq. For every dollar of infrastructure, it is typically funded by two thirds of debt, and the ability to access debt is very critical. It is important to have bankable regions, bankable provinces in Iraq."

"From a credit perspective, if I loan money I need to believe in the ability and willingness to pay me back. The ability to pay me back comes from both a legal perspective, and having the money to actually pay me back. I am hearing a lot about the liquidity crisis that needs to be addressed, but I disagree, I think that Iraq is a solvent country and you can argue that long term assets are larger than the liabilities.

The ability to pass legislation that allows governments and regions to borrow at their own risk is critical, as it distributes the risk away from Baghdad, from the central government. That does not mean Baghdad would not play a part, it would always have a role, but the region would be able to do the same. There is obvious desire to bring in larger projects, but in the current financial environment, during the restructuring, we advise to look at smaller projects, with the motto: “Shrinking to Greatness,” said **Berzinji**.

**Berzinji** continued, “with proper legislation, you can create a local debt market where people can finance projects. I do not want to use Egypt as an example, but rather the Suez Canal expansion, where they issued a “certificate of participation,” paying a nice yield, and this way were able to raise money. Iraq, like other Middle Eastern societies, prefer yield products, which is why they are buying lots of real estate, so there is an opportunity to bring liquidity back to the region and the country to finance these projects.”

The environment has changed; two years ago Iraqi bonds were trading with a six percent interest rate. The reality has changed now. Global capital markets have changed. Today, I can make a 20 – 30 percent investment return on capital in the U.S. energy, where I have laws on my side. So why would I go to Iraq? In this sense, it is important that the undergoing reforms are taken seriously. It is more important to complete smaller ones, right away, and bigger financing will come,” **Berzinji** concluded.

**Sasha Toperich**, CTR-SAIS Senior Fellow, moderated the session.



*Sasha Toperich moderates session*



*The panel discussed vivid ways on how to invest in Iraq and Iraqi Kurdistan*

## ECONOMIC GROWTH AND TRADE COMPETITIVENESS THROUGH JOB CREATION AND SMES

**Marc Tejtél**, Deputy Chief Council for the Commercial Law Development Program (CLDP), U.S. Department of Commerce, highlighted three things: first, that the issues facing Iraq in trying to develop the SMEs, are not happening only in Iraq. Most countries in the region that derive their revenues from hydrocarbons, are trying to do the same thing. CLDP provides technical assistance for the development of SMEs. Secondly, things are happening in Iraq.

**Ginger Cruz** showed that there is a bustling economy – people are doing business. It is essential to create a system that grows SMEs, in particular industrial ones that create jobs. Thirdly, pointing out that the challenges SMEs face in Iraq are well known: challenge number one is infrastructure – electricity and internet, access to finance, and overburdening regulation.

“USAID helped create an Iraq company for bank guarantees, that played an important role, guaranteeing 6,800 loans for small businesses, totaling 48 million dollars.

USAID also helped create an Iraqi company for financing – providing loans for small businesses (24 loans for a total of 28 million dollars), and USAID is working with the Shell Foundation to help create additional financing,” said **Tejtél**.



L-R: Christopher M. Schroeder, Marc Tejtél, Zainab Allawi, Rebeen Pasha

*“In Iraq, state owned companies have a priority in the procurement. Some countries, (Tunisia is an example) are adopting the U.S. system of “set aside for small businesses.” In the U.S., the government decides on a specific percentage of all government procurement that should be reserved for small businesses. If Iraq would enact legislation to enable this, you would give an incentive for foreign SMEs to cooperate with Iraqi SMEs,” said **Marc Tejtél**, Deputy Chief Council for the Commercial Law Development Program (CLDP).*

**Zainab Allawi**, Advisor to Executive Director at The World Bank, stated, “The Future Country Partnership Framework for Iraq will come in December 2016. The three projects that we have now are mostly focused on budget support, transport, and the delivery of basic infrastructure

in the areas mostly afflicted and recently liberated. The World Bank's private sector development section, the IFC, currently has eleven projects in Iraq totaling 1.2 billion. They have tripled their investment and are opening their second office in Kurdistan, along with their present office in Baghdad. During the 2007 – 2012 period, 80 percent of jobs were in the public sector. A third of men and 90 percent of women aged 15 to 64 are neither employed or looking for job. The Middle East region has the highest youth unemployment in the world, recorded at 25 percent, in 2011. The economic losses exceed fifty billion per year, twice the world average.

**Christopher M. Schroeder**, Entrepreneur and author of "Start-up Rising: The Entrepreneurial Revolution Remaking the Middle East," said, "the more I am present in the Middle East, the more I get overwhelmed by the nuance and complexity I discover, and I try to walk humbly and see what happens.



**Christopher Schroeder (left):** "Big corporations will appreciate the changes influenced by young entrepreneurs and will say that if we do not innovate ourselves and appreciate the kind of changes that are happening, one of these young people may end up taking us out, one day."

**Marc Tejtzel (right):** "We are helping the Iraqi government draft laws for technology incubators. We started training managers of technology incubators, and what is important to mention – Iraq is the powerhouse in the Middle East in Research and Development."

This conference is so important in itself as it creates awareness of opportunities. One of the biggest opportunity that we could not even discuss three to five years ago, but is now present in the Middle East and globally, is a near-universal access to technology. I



*Rebeen Pasha moderated the session*

cannot tell you what the Middle East will look like in three years, but I can tell you that by the end of this decade two thirds or more will have smart phones in the Middle East. That will not present merely the mobility and possibility to watch videos, but smartphones have more computing power than NASA had in 1969 to put a man on the moon. It means tremendous amount of transparency and it gives a sense of empowerment."

**Rebeen Pasha**, Founder and President SDH/REBuild Iraq and Middle East Young Entrepreneurs' Dream, moderated the session. He stated that we need an economic discussion not only about diversification, the re-building of the private sector and privatization, but also what would it take to bring about inclusive economic growth and job creation for the vast majority of the population and creating systems that would allow for a supply chain to actually function.

## PRIVATE SECTOR GROWTH – STRENGTHENING THE TRANSATLANTIC PARTNERSHIP

At the last panel, participants shared their experiences of doing business in Iraq. **Jorge E. Restrepo**, Managing Director, New Frontiers International, said that Iraq's legal framework has improved, and that every company needs to be in compliance with both the central government and with the Kurdistan Regional Government's requirements, even if these are different legal regimes. "I am based in Erbil, but often go to Baghdad and Basra for business. We are currently working on active finance deals in Kurdistan Region in housing and hotel industry."

*Most people don't realize that Iraq's legal system is not that rudimentary. It is based on a Franco-Egyptian Law, so most of its foundations are from continental European laws. People should know that a foreigner can have 100 percent company ownership, or that a foreign company can own 100 percent. You will not see that in the most of the Middle East, said **Jorge E. Restrepo**, Managing Director, New Frontiers International.*

The reason why Iraqi business contracts are two or three pages long is because most of the terms of the contracts are codified: for example, the labor law - all of the terms are already written in the law and it is thus likely that the employees are much more protected than the employer in Iraq. You do have secure transactions written in the civil code. We just finished perfecting collateralized property for a finance deal with an American company in the Kurdistan Region.

Procedures are in place but you need to know them, and some of them have never been used, so even local officials are not aware of them.



L-R: David Tafuri, Jorge E. Restrepo, John J. Sullivan, Sasha Toperich

**David Tafuri**, Partner at Dentons U.S. LLP, focuses on investments in the Middle East, in particular in Iraq, and he also serves as the president of the U.S. – Kurdistan Business Council and lawyer to the Kurdistan Regional Government, working on various projects both in Iraq and in the Kurdistan Region. "Sectors that are worthwhile investing in are constantly shifting, where investments in defense and security sectors represents new opportunities, and to lesser extent technology, IT, and health care. I think it is the right time to look at the opportunities in the Kurdistan Region in particular. The just-announced mining concession in Kurdistan is one of these opportunities, and capacity building in the government of Iraq is essential. The investment Commission Authority in Baghdad was supposed to run a "one-stop-shop," which never picked up. It must be intact should Iraq like to draw more foreign investments, Tafuri concluded.

*Kurdistan Regional Government is accepting Letters of Expressions of Interests in its first ever Mining Licenses. All seven blocks are believed to hold sufficient mineral deposits for the purposes of commercial extraction, said David Tafuri, Partner at Dentons U.S. LLP, and president of the U.S. – Kurdistan Business Council.*



**John J. Sullivan**, Mayer Brown LLP, former deputy general counsel at the Department of Defense, in 2003 during operation Iraqi Freedom, and former general counsel and later a Deputy Secretary at the Department of Commerce, currently in private sector business, shared perspective on differences between approaching Iraq with a non-U.S. client (with the U.S. lawyer), and the U.S. companies. I have served on the Iraq – U.S. Business Dialogue for over six years now. Our most recent project is a housing project in the south, near Nasiriyah, that we are working for a number of years now. We try to scale, to be of interest to the government in Baghdad, and of a real interest to the provincial government. We are developing a relationship with local people, with a local provisional government and we structured our deal as a template for other investments, we negotiated (it took long time) agreements with provincial government and with the various government ministries in Baghdad, as we are looking to get non-U.S. investors and U.S. government as an investor. OPIC is looking favorably to this and so does the IFC. We have



**John J. Sullivan** (left): "Erbil is really welcoming to the Americans. Doing business is not that much different than if you go to my neighborhood in south Boston, MA. If you would like to invest in a development project and you do not know local councilman or labor union leaders, (and you don't know the police of substation 6 of the Boston PD), you may run into problems. (laughter in the audience).

**Sasha Toperich** (right): "I'll quote you on this one, John! It is wonderful we had this opportunity to get a clearer picture of the economic realities in Iraq and the Kurdistan Region – the challenges and opportunities. Our Center at the Johns Hopkins University is committed to help all of your efforts and contribute to helping people in Iraq to build stable, peaceful, and prosperous society."

also got a U.S. based hedge fund to invest but we have difficulties to allocate international investor still who would join in the project.



## "CHALLENGES OF DEMOCRACY IN THE EUROPEAN UNION AND ITS NEIGHBORS" CTR PUBLICATION LAUNCHED AT THE CENTER FOR EUROPEAN STUDIES (CEPS) IN BRUSSELS

CTR's **Sasha Toperich** and **Aylin Ünver Noi** co-editors of the "Challenges of Democracy in the European Union and its Neighbors" publication, together with **Mario Telo**, member of the Royal Academy in Brussels who contributed the article, "The Conceptual

Challenge to Transnational Democracy in the European Union", joined the book launch, where panelists discussed current transatlantic issues, challenges within the EU, and in its peripheries. The event was moderated by **Hrant Konstanyan**, from CEPS.



L-R: Aylin Ünver Noi, Mario Telo, Hrant Konstanyan, Sasha Toperich



Full house at CEPS book launch

## TURKISH – ASIAN CENTER FOR STRATEGIC STUDIES, TASAM, HELD ITS CIVIL GLOBAL SUMMIT IN ISTANBUL FROM APRIL 20 -22



L-R: **Soli Özel**, Kadir Has University, **Niyazi Nefi Kara**, Member of Parliament and Member of the EU Harmonization Committee, **Emine Bozkurt**, Former Deputy of the European Parliament and IDEA in the Netherlands, **Prof. Sema Kalaycıoğlu**, TASAM, **Yaşar Yakış**, Former Minister of Foreign Affairs of Turkey, Asst. Prof. **Aylin Ünver Noi**, Non-Resident Fellow at CTR-SAIS and Director of the EU Center at the Gedik University.

Yaşar Yakış, Former Minister of Foreign Affairs of Turkey, Niyazi Nefi Kara, Member of Turkish Parliament and Member of the EU Harmonization Committee, Emine Bozkurt, Former Deputy of the European Parliament

and IDEA the Netherlands, Soli Özel, Kadir Has University and Journalist, Aylin Ünver Noi, joined the panel discussion. Sema Kalaycıoğlu from TASAM moderated the discussion.

## MAY THE FORCE BE WITH YOU, CROATIA

CTR's **Sasha Toperich** and **Andy Mullins** discuss the political crisis in Croatia, resulting in the first ever government dismissal by the ruling party that appointed it, and the announcement of early elections, scheduled for this coming fall. The article also promotes

the country's tourism as one of the key sources of income source for the newest member of the European Union.

You can view the article on **Toperich's** Huffington Post Blog, or [click here](#).

## CTR'S SASHA TOPERICH MET WITH THE LEADERS OF CHAMBERS OF COMMERCE FROM IRAQI KURDISTAN

The Kurdistan Regional Government office in Washington D.C. hosted a working meeting to discuss projects that may be of interest to companies and investors from the United States. The Iraqi Kurdistan delegation was led by **Dara Jalil Al-Khayat**, president of the Erbil Chamber of Commerce and Industry, **Serwan M. Mahmood**, chairman of the Sulaimany Chamber of Commerce and Industry, **Ayad H. Abdulhalim**, chairman of the Duhok Chamber of Commerce and Industry, **Sabahaldain Al-Salhi**, president of Kirkuk Chamber of Commerce, and **Abdul Karim M. Al-Attar** and **Sadraddin Kamal**, members of the Board of Erbil Chamber of Commerce and Industry, attended the meeting.

**Aylin Ünver Noi**, as a member of the Advisory Council of the Mediterranean Citizens' Assembly Foundation (MCAF), participated at the MCAF Advisory Council meeting held on May 13 and 14 2016 in Valencia, (Spain).

The Mediterranean Citizens' Assembly (MCA) was founded in 2008 with goal to create a Mediterranean community of peoples with shared democratic values of freedom, peace, respect for cultural diversity and environmental responsibility, through dialogue among citizens of the region has now been transformed into a Foundation based in Valencia.



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***Aylin Ünver Noi**, CTR - SAIS non-resident Senior Fellow participates at MCAF Advisory Council meeting in Valencia*

**Vicente Garcés**, MCAF President and the former deputy of European Parliament moderated the two-day meetings on the challenges facing the Mediterranean countries, and projects proposed by MCA members.



The Refugee Working Group, composed of consultative council and circle members, **Aylin Ünver Noi** (Turkey), **Nikolaos Poutsidakis** (Greece), **Salam Kawakibi** (Syria), **Kamel Mohanna** (Lebanon), **Hassan Balawi** (Palestine), and **Lola Banon** (Spain), discussed issues on regional food policy and refugees.



## EURO-MEDITERRANEAN UNIVERSITY (EMUNI) HELD ITS GENERAL ASSEMBLY AND ANNUAL CONFERENCE IN BARCELONA



GEDIK UNIVERSITY APPROVED AS NEW MEMBER OF THE EURO-MEDITERRANEAN UNIVERSITY (EMUNI) NETWORK CONSISTING OF 129 UNIVERSITIES FROM THE MEDITERRANEAN COUNTRIES.

**Aylin Ünver Noi** participated at the General Assembly and the Annual Conference of the Euro-Mediterranean University (EMUNI) held in Barcelona on 11-12 May 2016.

EMUNI is one of the 6 projects of the Union for Mediterranean (UfM) initiated to promote cooperation on higher education

and research in the Mediterranean. The EMUNI 2016 annual conference is co-organized with ESADE Ramon Llull University and MERID (Middle East Research and Innovation Dialogue). The event hosted over 130 high-profile participants, including heads of international organizations, rectors and vice-rectors of universities, senior



academics and officials as well as policy-makers from 29 countries and international organizations.

**Abdelhamid El-Zoheiry**, President of EMUNI delivered the opening remarks. The keynote speech was given by **Javier Solana**, President of ESADE geo-Center for Global Economy and Geopolitics and NATO former Secretary General and the former High Representative of the Union for

Foreign Affairs and Security Policy. **Solana** emphasized the significance of “*science diplomacy*.” To underline this potential, he gave the examples of Iran’s nuclear deal and two MIT connected physicists who played key roles in the process. The three panels included 18 high-profile panelists who discussed the constructive use of brain circulation to advance scientific cooperation in the Mediterranean and Middle East.

## SASHA TOPERICH VISITS PESHMERGA AT MOSUL FRONT LINES



**Sasha Toperich**, Senior Fellow and the Director of Mediterranean Basin Initiative at CTR SAIS visited Kurdistan in August where he spent a day with Peshmerga military forces along Mosul front lines.



**Sasha Toperich** with Peshmerga General **Ismael Handzar**



With **Falah Mustafa**, Minister of Foreign Affairs at KRG

During his visit to Iraqi Kurdistan Region, Toperich met with number of ministers,

government officials and private sector entrepreneurs.



## FROM TRIBE TO NATION: IRAQI KURDISTAN ON THE CUSP OF STATEHOOD

On October 20, the Center for Transatlantic Relations, in partnership with the Kurdistan Regional Government Representation in the United States, hosted the event: "From Tribe to Nation: Iraqi Kurdistan on the Cusp of Statehood." The event held the name of an article published by **Amberin Zaman**, a Public Policy Fellow at the Woodrow Wilson International Center for Scholars. The report, titled "From Tribe to Nation: Iraqi Kurdistan on the Cusp of Statehood", looked at the hurdles the Iraqi Kurdish independence movement needs to face before it is achievable.

The program started with a moment of silence in honor of fallen Peshmerga, Iraqi and US forces fighting to liberate Mosul. **Amberin Zaman** was joined in the discussion by the Kurdistan Regional Government Representative to the US, **Bayan Sami Abdul Rahman**, and **Hardin Lang**, a national security expert at the Center for American Progress. The panel was moderated by **Sasha Toperich**, a Senior Fellow at the Center for Transatlantic Relations at SAIS.

**Amberin Zaman** stated that the greatest problem hindering independence is Kurdish disunity, and provided several areas where the Kurdistan Region can improve, from economics and politics, to the protection of minorities. Rep. **Abdul Rahman** also provided an update on the ongoing Mosul operation. She said there is an unprecedented coordination between Peshmerga forces and Iraqi Security Forces. She also thanked the United States for providing air strikes, sharing intelligence and leading the humanitarian effort with the United Nations. **Hardin Lang**, who was in Kurdistan two weeks ago, said the KRG is "reaching saturation point in dealing with the humanitarian crisis." Rep. **Abdul Rahman**



L-R: Sasha Toperich, Bayan Sami Abdul Rahman, Amberin Zaman, Hardin Lang



*Amberin Zaman said, "Iraqi Kurdistan is closer to independence today than ever before, despite the war with ISIS and economic challenges."*

also expressed grave concern and said the KRG cannot provide food and water for displaced people fleeing Mosul without the help of the international community. The audience included scholars, Middle Eastern experts, US officials, media and members of the Kurdish community.



## WOLFGANG PETRITSCH DISCUSSES WESTERN BALKANS DURING HIS OCTOBER U.S VISIT



On October 25th, **Wolfgang Petritsch**, the President of the Austrian Marshall Plan Foundation, visited Johns Hopkins SAIS where he exchanged views with U.S. Government representatives, regional ambassadors, and academia and think tank community, on the current and future developments in the Western Balkans.



*Wolfgang Petritsch has been an Ambassador and senior Austrian diplomat throughout his career, serving as High Representative for Bosnia and Herzegovina and was responsible for the 2015 Vienna conference on the western Balkans. He is currently the President of the Austrian Marshall Plan Foundation.*

## SASHA TOPERICH VISITED THE FRONT LINES NEAR MOSUL

**Sasha Toperich** visited the Kurdistan Region of Iraq in early November, where he met with a number of government officials in preparation for the upcoming Kurdistan Region Economic Forum, to be held at CTR SAIS on November 29 (more information at the bottom of this digest).

**Sasha Toperich** also visited the newly liberated outskirts of Bashiqa city, just outside the city of Mosul. He also visited refugee camps where Mosul refugees have arrived. Continued strong humanitarian support will be needed to sustain the influx of refugees, both in terms of food and sanitary materials.

Depending on when the refugees are able to return to their homes, setting up schools inside the refugee camps will be essential for the healing process, and for building a sustainable economy.



*With Peshmerga General **Hamid Afandi**, former Minister of Peshmerga's*

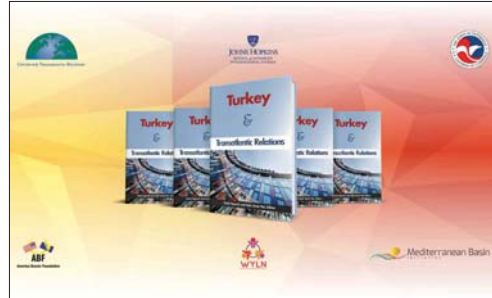


*In front of Bashiqa city, with Peshmerga soldiers. Red flag marks not yet detonated bomb, placed by ISIS on the roads, in the houses, and in the fields*

## WELCOME OUR NEW VISITING SCHOLARS

**Nicolò Branchesi** earned a Bachelor Degree in Public International Law at Åbo Akademi University (Turku, Finland) August 2016, with a dissertation on the compliance of the principle of non-refoulement with the Common European Asylum System, with special regard to the Dublin III regulation. In spring 2016 he participated in an exchange program at the University of Liège (Liège, Belgium) where he completed his minor in European Studies focusing on EU Institutional Law. Since 2015 he is a member of the international committee of the Swedish People's Party in Finland's youth organization. Prior to that he has been working as vice president and talent manager for AIESEC in Finland, in the Turku local committee. Nicolò holds both Finnish and Italian citizenship, he is a native of Jesi (The Marches, Italy) and moved to Finland to embark on his academic career.

**Tea Ivanovic** completed her Master of Arts degree at The Johns Hopkins Paul Nitze School of Advanced International Studies (SAIS) in Washington D.C in May 2016 with a focus on European and Eurasian Studies, and International Economics. She obtained her Bachelor of Arts degree with honors in International Studies from Virginia Tech, Virginia, in 2014, graduating Summa Cum Laude, Outstanding Senior of the Year for the Political Science and International Studies departments, and with Phi Beta Kappa mention. Previously, she was at the financial consultancy Capstone LLC, in Washington D.C where she worked on European financial and banking systems. She also worked at the Institute of International Finance (IIF), focusing on the United States, Europe, and MENA region.



*Turkey and Transatlantic Relations – cover*

We are pleased to announce a new publication “Turkey and Transatlantic Relations” to be published in the spring of 2017.

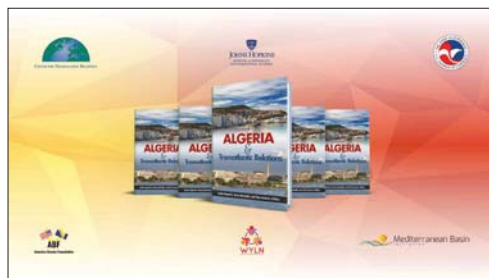


*The Center for Transatlantic Relations (CTR) at the Paul H. Nitze School of Advanced International Studies (SAIS) of the Johns Hopkins University proudly announces a “Turkey and Transatlantic Relations” project to address current outstanding issues and to facilitate a dynamic dialogue with the goal to help foster stronger transatlantic relations. The project will be led by **Aylin Ünver Noi**, Non-Resident Fellow at the Center for Transatlantic Relations SAIS. As part of the project, CTR SAIS will publish a book “Turkey and Transatlantic Relations” in Spring 2017, with chapters from various prominent EU, Turkey, and U.S. scholars.*



**Ali Haddad**, President of The Forum of Entrepreneurs and ETRHB CEO, recipient of our "2016 Mediterranean Leadership Award" and sponsor of the "Algeria and Transatlantic Relations" publication.

CTR SAIS is pleased to announce a new publication "Algeria and Transatlantic Relations" to be published in the spring of 2017.



Algeria and Transatlantic Relations – cover

The United States and Algeria relationship is characterized by mutual respect and cooperation. The U.S. has been supportive of Algerian independence, and both nations are committed to further improving the bilateral relationship through increased trade, education, and cultural partnerships. The two nations are allies in the fight against terrorism, an issue that is of particular importance to Algeria, which went through a black decade (1991- 2001) when the Fundamentalist of FIS (Front Islamique du Salut) set the nation into an era of terrorism, claiming over 100,000 lives. In this volume, we will address Algeria's undergoing reforms to diversify its economy, the formation of a stronger democracy, and its effort to position itself as a pillar of stability in the region.



## BUSINESS OPPORTUNITIES IN IRAQI KURDISTAN



IN PARTNERSHIP WITH



KURDISTAN REGIONAL GOVERNMENT-IRAQ  
*Representation in the United States*



United States - Kurdistan Business Council

On November 29, the Center for Transatlantic Relations, in partnership with the Kurdistan Regional Government and the U.S.- Kurdistan Business Council, hosted the conference “Business Opportunities in Iraqi Kurdistan.”

The whole-day event featured many prominent speakers, including Kurdistan Regional Government representatives and those representing the private sector, and U.S. Department of State. The conference was opened with a moment of silence for fallen Peshmerga and Iraqi forces, introductions by **Sasha Toperich**, Senior Fellow and Director of the Mediterranean Basin Initiative CTR – SAIS, remarks by newly appointed Ambassador of Iraq to the United States, **Fareed Yasseen**, and Kurdistan Regional Government Representative to the United States, **Bayan Sami Abdul Rahman**.

Ambassador **Yasseen** said “at present times we are united to defeat ISIS. One of the most heartwarming images I had in my mind is now famous picture in Iraq with Iraqi



L-R: *Sasha Toperich, Bayan Sami Abdul Rahman, Fareed Yasseen*

PM Abadi and KRG President Barzani, with Iraqi Army and Peshmerga together united in this effort. I would like to remind people that the first major defeat of ISIS was done by Peshmerga in Kobani”. He added: “Iraq is a wonderful country. I invite US companies and investors to come visit and see for themselves both Iraq and Iraqi Kurdistan”.

In spite of all problems we are facing today, Kurdistan region is still a good bet for investments. It is clear we need to implement



our economic reforms, diversify the economy and give the private sector much greater role, as an engine of the economy. Work on these fronts already began, as you will learn today from our speakers. Time to visit and invest Kurdistan is now, said **Bayan Sami Abdul Rahman** in her opening remarks.

Minister **Ali Sindi** in his keynote address walked the audience through said: challenges are high yet opportunities are high too. There are important untapped economic potentials through private sector development.

Companies that invest in Kurdistan has the opportunity to diversify but also to expend their business in the region. Services and the service sector can become engine of KRG competitiveness and ability to join the global value chains. KRG has a potential to become a platform for transit and logistic services in the region given its proximity to large markets. It is a win-win scenario for not only Kurdistan Region, but for Iraq and all other regional neighbors.

Agriculture in particular represents an opportunity for investments, even though it has been subjected to numerous shocks. Since the 1920s, Iraq depended on Kurdish wheat production and other agricultural products. In fact, the last time Iraq exported wheat was in 1958, and has since been an importer. International partners find it very encouraging that the KRG has adopted a two-track roadmap approach for the next three years: fiscal consolidation and adjustment in the short term and structural economic reforms in the medium term. Good prospects are there, through our agriculture rehabilitation program, said Minister **Sindi**.



*Ali Sindi, Minister of Planning in the Kurdistan Regional Government: the resilient military forces are "in coordination with Iraqi forces and coalition forces led by the United States, [we] will defeat ISIS, in a war that was imposed [on us], and being conducted by the Peshmerga forces on behalf of the whole world and humanity." So far, more than 11,000 Peshmerga forces have been murdered or wounded, side by side with Iraqi forces.*



*L-R: Sasha Toperich, Sibel Kulaksiz, Ali Sindi, Joseph Pennington, Michael Delaney*

**Joseph S. Pennington**, Deputy Assistant Secretary for Iraq Bureau of Near Eastern Affairs, State Department; **Sibel Kulaksiz**, Senior Economist, Global Practice for Macroeconomics and Fiscal Management at The World Bank Group, and **Michael Delaney** Assistant U.S. Trade Representative for South Asia, focused on economic reforms and development. The panel was moderated by **Sasha Toperich**, Senior Fellow and Director of the Mediterranean Basin Initiative CTR – SAIS.

Panelists discussed the trade and investment framework agreement, the U.S investment opportunities in the oil and gas sector of Iraq, but most private sector investment opportunities were in Iraqi Kurdistan, which **Delaney** stated “will return to the status quo” following the war against ISIS.

**Kulaksiz** reinforced the World Bank Group’s commitment to supporting the KRG government in implementing the reforms in the next three years, by providing technical assistance and working with different institutions of the KRG to address long-standing structural issues and tapping into opportunities for increasing the private sector’s share, economic diversification, financial sector reforms, and better use of public services.

**Joseph S. Pennington** emphasized the difficulty to invest in an environment that is currently less than optimal because of the fight against Daesh (ISIS), and applauds the roadmap undertaken by the KRG in coordination with the World Bank Group and international partners. The United States has provided over a billion dollars to those displaced by the violence over the past two years.

Revitalizing Agriculture: Bread Basket of Iraq and Beyond, with **Abdulstar Majid**, Minister of Agriculture and Water Resources in the Kurdistan Regional Government, **John Nash**, Expert on Agricultural and Trade Policy, and **Steve Lutes**, Executive Director of Middle East Affairs at the U.S. Chamber of Commerce, was chaired by **Rebeen Pasha**, Founder and President of MyeDream Erbil. The agricultural history of the Kurdistan region is rich, as it is the first agricultural hub in the world, stated Minister **Majid**. Foreign techniques and technologies are needed to improve the current agricultural sector. **Steve Lutes** stressed the importance of creating networks and developing relationships with organizations and trade associations.



*Upwards of 70% of rural population is employed by the government, drawing labor from the agricultural sector and dampening its development. The oil and gas sector led to a huge influx of dollars, causing an appreciation of the real exchange rate, leading to exports being relatively cheap, and indirectly harming the domestic agriculture sector. **John Nash**, expert on Trade and Agricultural Policy*



L-R: Rebeen Pasha, Abdulstar Majid, Steve Lutes, John Nash

With the assistance of the World Bank, KRG is committed to reforming its Electricity Sector, Deputy Minister **Hogar Shali** stated. The electricity distribution sector is experiencing losses of 35 percent, of which 10-12 percent are technical losses.

Because of a high demand, the KRG is unable to provide 24h access to the population.

“There is a plan by the Ministry of Natural Resources to have all stations [to be] operated with natural gas by the end of 2017, and 2018. Two plants (one in Erbil and one in Suleymania) already operate on natural gas, but other locations do not as there is no pipeline to reach them.

The distribution sector is ready to be privatized. Government subsidies for the electricity are currently at 93 percent. “We spent about 3.3 billion dollars in 2014 in the electricity sector and we only collected 250 million dollars,” says **Shali**. In 2016, natural gas was used instead of gasoline to reduce costs to 1.8 billion dollars, while at the same time reducing subsidies to 84 percent.

From 2007, we increased electricity generators, but demand grows at an annual rate of 15 percent, making us the third largest electricity consumer in the world (after the U.S. and Canada).

For a population of 4-5 million people, we consume more than 3000 MW of electricity.

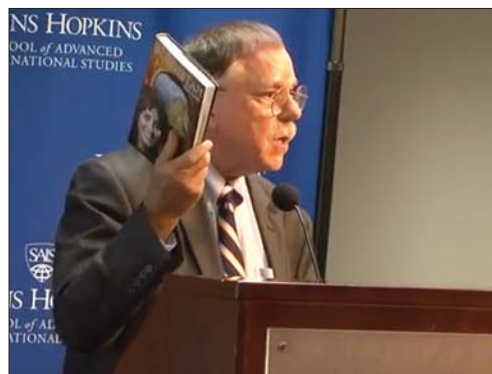
The KRG is keen on having more involvement of the private sector going forward. In order to achieve that, it is important that people start to get good electricity and that the financial sector is viable so investors can come in, as our first short-term phase of reforms. Investments would focus on efforts to reduce losses, enhance revenues, contain leakages, and provide good supplies. Developing institutional capacities and restructuring will be important parts of the reforms. Regulators will be needed, as the private sector takes a lead in the electricity sector. In the third phase, the private sector will overtake the industry.

*To reduce overall losses in the electricity sector, the government decided to introduce “Smart Meters”. We will soon have a pilot project to determine the type of “Smart Meters”, most applicable for Kurdistan. The tender then will be prepared in which all international companies can participate, **Hoger Shali**, Deputy Minister for Electricity.*

Control systems will also need to be replaced as the ones in use now are relatively simple. Project studies for much larger projects will be created pretty soon. In 3-4 years, a better generator infrastructure will need to be in place.



L-R: **Sasha Toperich**, **Hoger Shali**, **Mikul Bhatia**, KRG USA representative



**Layton** stated that Kurdistan has more biblical sites than anywhere in the world, and described it as “potentially the greatest tourism destination in the world”

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**Douglas Layton**, author of the Kurdistan Tour Guide, urged to look at opportunities instead of problems when it comes to investing in Kurdish tourism. Before ISIS came to the region in 2014, Kurdistan was known as one of the most secure regions in the world, and National Geographic and the New York Times had named Kurdistan as a top 20 tourist destination, and USA Today as a top 30 tourism destination.



The KRG Mission in Washington D.C hosted a reception, sponsored by the U.S.- Kurdistan Business Council, where an award was presented to CTR's **Sasha Toperich**, for his commitment to Kurdish investment projects and to **Joseph Pennington**, for his huge support for Iraq and Iraqi Kurdistan.



**Joseph Pennington** receives recognition at the KRG USA office for his outstanding support for Iraq and Iraqi Kurdistan

## U.S. DIPLOMAT RECEIVES MEDITERRANEAN LEADERSHIP AWARD

**Nicholas M. Hill**, former Deputy Chief of Mission at the United States Embassy in Bosnia and Herzegovina, received the 2014 Mediterranean Leadership Award for his outstanding service in Bosnia and Herzegovina. During his tenure in Sarajevo, **Hill** served as Charge d'affairs for over 18 months before the arrival of **Maureen Cormack** as U.S. Ambassador to the country in January 2015.

Previously, **Hill** served in Belgrade, Zagreb, and Budapest. He currently serves as Minister-Counselor for Economic and Scientific Affairs at the U.S. Embassy in Tokyo, his third posting in Japan. A career member of the Senior Foreign Service, **Hill** also served as Deputy Chief of Mission in Ulaanbaatar,



L-R: **Nicholas M. Hill** and **Daniel Hamilton**

Mongolia, and earlier in his career served other assignments in Washington, New York, and Montreal.





**U.S. CHAMBER OF COMMERCE**  
International Affairs



“While politics is a topic often discussed and analyzed here at our University and at our Center, I urge you all to focus on your economies, and on possible projects where we can work on together, on reforms that have been completed or are expected in your countries in order to attract more investments, and on ways on how to boost cooperation, and the obstacles that are preventing you to do so. Share your success stories, your experiences, your failures, your concerns and your challenges. We are here to help you move forward, for your economies to reach new heights, and for your citizens to have the life they deserve,” said **Sasha Toperich**, director of the Mediterranean Basin initiative at CTR – SAIS. **Toperich** also announced two book projects at CTR: “Algeria and Transatlantic Relations” and “Turkey and Transatlantic Relations.”



*Sasha Toperich opens Fourth Annual Transatlantic Economic Forum*



*Mujo Selimovic, Chairman of the Corporate Advisory Board of the CTR – SAIS Mediterranean Basin initiative*



“We need to work together to achieve ever-lasting stability, to create more jobs and to improve education. We need to eradicate corruption and support independent judiciaries, so that we all feel safer and protected by the Law. In doing so, we will attract more U.S investments and further strengthen our transatlantic relations. We need more transatlantic

partnerships, with the United States, on all levels. And this forum indeed is a great opportunity to highlight the importance of the larger Mediterranean Basin, so that we enter 2017 with a fresh start for us all, and make progress we can be proud of, until our next meeting here at SAIS or somewhere in the region” **Mujo Selimovic** stated in his keynote address.

## DOING BUSINESS IN THE MAGHREB

“GDP growth in the Kingdom of Morocco in period of 2011-2015 was 4.3 persen, with inflation below 2 percent and FDI inflow growth of 10.8 percent. The unemployment rate stood at 9.7 percent in 2015,” says **Younes Lahrichi**, Investment Promotion Manager at the Moroccan Investment Development Agency (AMDI). Morocco does not impose capital restrictions for foreigners, offers free repatriation of profits and capital for non-residents, and no need to set up a joint venture with local companies in order to conduct business in Morocco.

Morocco is working to position itself as the gateway to Africa and African markets, and to becoming a hub for foreign companies wanting to do business in Africa. By 2050, Africa’s economy is expected to be close to 10 times bigger than it is today. Six of the world’s ten fastest-growing economies in the world over the last decade have been in Africa.

This vision was laid out by the His Majesty King Mohammed VI, and included a number of state level visits to other African nations.



Morocco has signed nearly 5,000 bilateral agreements with 40 joint commissions running. In 2015, Morocco was the second biggest investor in Africa with 800 million Euros with Moroccan investors investing 62 percent of their financial portfolio in African continent.



*“The United States is the third most important trading partner of Morocco, after France and Spain, and Morocco is the 72nd trading partner to the U.S.,” says **Younes Lahrichi***

Algeria recently hosted a three day’s major economic conference hosting thousands business representatives from African nations with idea to further develop business ties. “The idea of the transatlantic relationship is an excellent way forward – we cannot develop in an isolated manner, and I don’t think just about Algeria, but Algeria within the Maghreb union. It is how I see it – we need to work for the benefit of all Maghreb countries, we need

to have a Maghreb union, a common voice (even if we don't share always same positions, nor have the same level of the economic development, or democratic transition), and a common vision. Political process in the Maghreb countries is on different levels, some with more and some with less stability and we must walk hand in hand, so we can develop global relations," stated **Hafida Benchahida**, Algerian Senator.



*I just attended the "Mediterranean Dialogue" meeting held in Rome. Apart from the representatives of the countries of Mediterranean, **John Kerry**, US Secretary of State delivered an important speech about importance of the US relations with the Mediterranean. Minister **Lavrov** of Russia attended as well. There is no room left for conflict, but only to install the dialogue: economic exchange, solidarity, trust, and confidence with shared prosperity based on shared security, says Senator **Hafida Benchahida***



*"One can offer fantastic laws and economic conditions but there is also the human, political and social-economic aspects to take into account," states Senator **Hafida Benchahida***

**Hisham Fahmy**, CEO AmCham Egypt Inc., walked the audience through stages of events and development in Egypt. The country hosted many Fortune 500 companies, seeing Egypt as a regional hub. The American Chamber of Commerce accounts to 2000 members, companies both from the United States and from Egypt. Exxon Mobil, which has been in Egypt for 100 years, exports to 45 countries out of Egypt. Appachi oil, Egypt's largest investor, annually places nearly a billion dollars in oil and gas explorations, among other ventures. Coca-Cola manufactures its secret formula in the free zone in Egypt, one out of three places where it is manufactured, exporting to 43 countries from Egypt.



**Hisham Fahmy** presented many investment opportunities in Egypt



Egypt signed a QIZ (Qualified Industrial Zones) tripartite agreement with the United States, in which Egyptian exports

can enter the U.S free of taxes and tariffs, as long as they contain at least 10 percent Israeli products.

*"Egypt has gone through many challenges but emerged as more resilient. The government took a very bold decision and started radical reforms: cutting subsidies, in gas and oil, introducing a value added tax, civil services reforms (With 7 million civil servants, Egypt has the highest number of bureaucrats per capita in the world), and others. When the government presented the reform program to the IMF, it took a few months of discussions, but now we have an IMF agreement of 12 billion dollars, for a three-year reforms period. Egypt is a stable country surrounded by a very unstable region. We are three times bigger than other countries in the region, face three times more challenges, but also three times more opportunities," Hisham Fahmy concluded.*

## DOING BUSINESS IN THE BALKANS



**Michael Haltzel**, CTR-SAIS Senior Fellow, emphasized the crucial role of the private sector to serve as an engine for development, but also as an industry that will, through profit making motives, know how to cross artificial communities, and ethnic and national lines.

General (ret.) **Michael Barbero** is part of a U.S. company investing in marble production in Kosovo, a project valued at

100 million Euros, opening 40 quarries with two production facilities. Kosovo has outstanding, and in some cases very unique natural resources. It also has outstanding human potential, a young work force driven to succeed. In addition, it has good telecommunication infrastructures, widely spoken English, and rapidly improving road structures; overall, it is well-positioned to export goods. There is also a plan for railroad infrastructure investments.

We are seeking incentives in Kosovo to attract more investments, such as tax breaks on the import of heavy machinery and the establishment of free zones. Kosovo has visionary politicians, who understand these needs, which is very encouraging, but it does not have one-stop-shops or clear investment path processes yet, and investors need to be patient and creative.

**Edin Karabeg**, CEO Sberbank in Bosnia and Herzegovina, argued that the markets of the Balkan region are still suffering from the global economic crunch of 2008. "Bosnia and Herzegovina and its authorities have to recognize that the whole region is competing for capital. In our globalized world, the attractiveness of investments in Bosnia and Herzegovina is low, due to low returns. Bureaucracy is creating additional operating costs, and reducing the opportunities for a return on investment. Therefore, the government needs to introduce reforms as soon as possible to prepare the Bosnian economy for EU candidate status, and make it a competitive environment for future investment. There are huge challenges ahead for local authorities. The application for EU candidate status is an important step in the right direction. However, only cooperation among countries in the region will help them to overcome the current status quo," said **Karabeg**.



We invested more than 500 million euros to finance the private sector in Bosnia and Herzegovina, and created several thousands new jobs in the country, through our bank employing 420 people in Bosnia and Herzegovina, said **Karabeg**



*It is thanks to the direct support of the U.S Department of Commerce, the U.S Ambassador to the Republic of Kosovo, Greg Delawie, and the tireless engagement with the Kosovo government that we achieved success, said **Barbero***

**Ilija Studen**, CEO Student Holding, who is from the Brcko district (northern Bosnia and Herzegovina, bordering Croatia and near Serbia), and as such has an excellent geographical location, with a good infrastructure, and a limited bureaucratic red tape compared to other locations. "I lived and worked in Brazil where, like our friend in Egypt suggested, bureaucracy is an issue to be addressed. With this in mind, we developed a concept for such capacities to work for the entire region. We took two leading European companies as partners in the sugar industry, where we contributed



The Western Balkans are economically well-connected through bilateral agreements; two countries are members of the EU – Slovenia and Croatia, others are members of CEFTA –practically creating a free trade zone. There are also bilateral free trade agreements between Bosnia and Herzegovina and Turkey, and between Serbia and Russia. Thus, when you think about Bosnia and Herzegovina, it is a good hub location for all these markets, says **Ilija Studen**

to the overall development of a now strong food industry in Bosnia and Herzegovina, able to supply the region. Bosnia and Herzegovina's duty system is very clear, and the currency – connected to Euro – stable, with a steady and good banking sector," says **Studen**.

Bosnia and Herzegovina has a huge potential to further develop agriculture sector that is ecologically clean and acceptable by the international standards. In agriculture sector we have a strong cooperation with Croatia and Serbia, **Studen** concluded.

**Dusko Knezevic**, CEO of Atlas group in Montenegro (active in the banking, finance, and real estate sectors), said his country benefited from advanced legislations and structural reforms that are aligned with EU standards, and from excellent relations Montenegro has with the countries of the region. Montenegro created "Porto Montenegro", built and invested by Peter Munk, a Canadian billionaire, and has now been sold to a Dubai financial group belonging to Sheikh Maktoum. "We also brought to Montenegro the Abu Dhabi financial group belonging to Sheikh Hazza. SOCAR, (State Oil Company of the Republic



Atlas group is the main stake holder in the Montenegro stock exchange, with Borsa Istanbul as the main partner. Montenegro has a low corporate tax, standing at 10%. E-commerce is booming for foreign companies since there is no currency risk, with foreign banks in Montenegro strongly linked to Western countries, says **Knezević**



(Right) U. S. Brigadier General (ret.) **Michael Barbero** sharing his experience in investment in Kosovo



*Montenegro is popular for foreign investors as a country that uses the Euro, even if it is not yet part of the EMU. We have 16 banks, 80 percent of which are foreign.*

of Azerbaijan) is investing several millions in tourist resorts along the Montenegrin coast, and Qatar Diar Investment Fund is also present in Montenegro."

"We also support strong education. I am the President of the Mediterranean University in Montenegro, established 10 years ago and operating with six faculties. We received an accreditation license from YÖK (Higher Education Council of Turkey), with plans to organize English language programs in Turkey, as we have a very good connection between Montenegro and Turkey through Turkish airlines."



## TURKEY: UNLOCKING THE POTENTIAL



**Khush Choksy**, Senior Vice President of Middle East and Turkey Affairs at the U.S. Chamber of Commerce, moderated the panel. “Turkey has a humongous strategic importance to Europe and to the United States. It is a natural bridge between the east and the west, it is a NATO partner, in fact it has second largest number of troops in the NATO, after the United States, and has a custom union with the EU. The U.S business footprint in Turkey is both large and small. US footprint has well over 1,000 companies ranging from health care, information and communication technologies, to engineering, infrastructure, logistics, aerospace, automotive, defense and consumer products, both multinational and smaller companies. There is a robust private banking sector in Turkey, combined with very diverse economic base both in traditional manufacturing, textile, steel but also in emerging sectors.



*Turkey has been through a series of political challenges. That's no secret. But there has been remarkable resiliency from the Turkish economy, and I think it is that resiliency that defines Turkey more than any other characteristic in terms of its economic performance in 2016. With all regional and internal challenges, Turkey has managed to grow at 3 percent, a higher growth rate than of its neighbors, said Choksy*



L-R: Michelle Small, Sean Mulvaney, Mustafa Ilbeyli, Khush Choksy

We see the relationship growing also in technology and IT start ups,” said **Choksy**.

The bilateral trade volume should reach 18 billion dollars this year, and we have not yet scratched the surface when it comes to bilateral U.S – Turkey trade opportunities, as there are plenty untapped potentials for cooperation.

*The U.S. Chamber of Commerce is the largest business association in the United States and the world. We represent 300,000 U.S. companies directly and through over 2,000 State and local Chambers, we represent in total over 3 million U.S. companies, said Choksy.*



We are home to the U.S. – Turkey Business Council established 4 years ago, a bilateral business council based upon enhancing the commercial relationship between the U.S and Turkey, with over 40 U.S. companies dedicated to enhancing the bilateral relationship. We are strong advocates of the bilateral trade relationship, both supportive of Turkey's custom union with the EU and its accession to the EU, and also the U.S. – Turkey free trade agreement. We have prepared a report that outlines benefits of such free trade agreement between the U.S. and Turkey, said **Choksy**.

**Mustafa Ilbeyli** of ISPAT, an organization charged with enhancing Turkey's economic image overseas, attracting investments in Turkey, addressing problems of investors, but also laying ground for new investments in Turkey, showed a "Why Invest in Turkey" presentation. Turkey is the 17<sup>th</sup> largest economy in the world, and between 2002 and 2015 growth has been steady at 4.7 percent. IMF projections show Turkey's growth going upwards, ahead of competition. This success is based on very strong macroeconomic indicators.



Turkey's GDP more than doubled in last 13 years with forecast to bring it to 2 trillion in coming years. Shares of domestic consumption, investment expenditure and exports have increased, said **Ilbeyli**

We have doubled income per capita in the last 13 years, and the distribution of wealth has been much more equitable, with a considerable strengthening of the middle class. Apart from the Customs Union

agreement with the EU, Turkey also has free trade agreements with 27 countries.

Turkish airlines has been awarded the title of best European airlines for five years straight. Investors need to know that they have access to excellent flight connections worldwide, and Turkish airlines provides just that. Turkey is not just known as a manufacturing hub, but also as the headquarters for executive management. Coca-Cola is operates to 90 countries from Turkey for over 20 years now, Microsoft manages 80 countries, Intel does so for 67 countries, and the IFC for 52 countries.

*There is no differentiation between foreign and domestic companies, no restrictions on foreign ownership, and companies can bring possible legal disputes to the international court if they are not satisfied with Turkish court rulings. Profit made in Turkey can easily be transferred to anywhere in the world, and foreign real estate purchases are allowed in Turkey. Investment protection treaties exist with 75 countries, and double taxation agreements with 80 countries. Nowadays, it takes only six days to set up company in Turkey, says **Mustafa Ilbeyli**.*

For investors in the manufacturing sector, there are tax deductions and tax exemption incentives. In many cases, the government will finance parts of employee salaries, and will also provide training support. "We have free trade zones that provide tax deductions and exemptions, and with organized industrial zones, you will get better incentives due to the infrastructure already in place. Technology development zones are growing in Turkey and there are innovation incentives as well. Project-based investment (for projects of 100 million dollars and above) is a new government venture through the Ministry of Economy. If the Turkish economy needs a proposed project and if it is approved by

the government, investors will receive close to three times their return on investment, concluded **Ilbeyli**.

**Sean Mulvaney**, Associate Director of the Global Government Relations and Public Policy at Procter & Gamble Company, said that the company is proud to be part of bringing consumer branded products to average citizens, improving their quality of life for 180 years, starting in Cincinnati, Ohio. P&G is a global company with over 70 billion dollars in sales in 180 countries and operations in nearly 70 countries and about 5 billion consumers using their products.

“We make our products close to consumers, with 65 brands across categories of goods. 35 percent of our annual turnover comes from emerging markets, including Turkey. We have foreseen Turkey will grow tremendously so we have invested over 700 million dollars in the Turkish economy. We have two world class manufacturing sites along with a general sales office. There is a large aspirational middle class in Turkey, and the average age of the fast growing population is 30. We brought 19 out of 65 brand portfolios in the Turkish market, and we produce about 60 percent of our products in Turkey. Over 20 percent of our production in Turkey is exported to the central Asian republics, the Middle East, and the Balkans. P&G employees 700 people in Turkey and overall, in our entire global structure, we have 20 Turkish directors and Vice Presidents. Turkey has a skilled competitive labor force, producing more than 600,000 university graduates each year. We are proud to say that at least one our products is present in 95 percent of Turkish households, **Mulvaney** concluded.

“Last year, Turkey was the biggest recipient of our funds, with investment of 1.9 billion dollars, and it looks like Turkey will be the biggest recipient of our funds also in 2017,



*Michele Small, Director and Head of the Washington D.C. Representative Office of the European Bank for Reconstruction and Development (EBRD), said that the EBRD has 385 active projects in Turkey. Founded in 1991, EBRD is owned by 65 countries, three inter-government institutes with the U.S. as a single largest shareholder of the Bank*

with 95 percent of our projects in the private sector. Initially, we have invested 37 percent in the financial institution sector, only to shift the focus to industry, commerce, agriculture business, infrastructure and energy. EBRD typically invests a maximum of 35 percent of project costs, and mobilizes capital, either in terms of equity or as a syndicated partner under our umbrella, so that syndicated banks can share our preferred status. We do not compete with commercial investors – we are pleased when we can move on from the country to leave it to private sector and commercial bank. For every Euro, we invest, we mobilize 3, and that is how projects gets funded. In Turkey, we are looking to invest in energy efficient and renewable energy to support energy reforms. In the infrastructure sector, we are looking to improve the quality with plenty of PPP initiatives. We also look to increase the private sector competitiveness and innovations. We have so far supported two airports, two sea ports and one road project under PPP initiatives. We had great successes in the agricultural sector in Turkey, as the 7th largest agricultural producer in the world, with need to further promote market-oriented policies. To this end, EBRD has signed the MOU with the Ministry of Food, Agriculture, and Livestock. We are also looking at the capital markets and we will be supporting the deepening of this sector as well,” **Small** concluded.



*L-R: Mehdi Bendimerad (on behalf of Ali Haddad), Dusko Knezevic, Hon. Robert Aderholt (AL-R), Driss Alaoui (on behalf of Andre Azoulay), Ilija Studen, Hisham Fahmy, and Vildana Selimbegovic*

## CTR SAIS 2016 MEDITERRANEAN LEADERSHIP AWARD CEREMONY

### CONGRATULATIONS TO:

#### **Andre Azoulay**

Senior Advisor to King Mohammed VI of Morocco

#### **Husni Bey**

CEO, HB Group, Libya

#### **Hisham Fahmy**

CEO, AmCham Egypt INC, Egypt

#### **Ali Haddad**

President, The Forum of Entrepreneurs  
CEO, ETRHB, Algeria

#### **Dusan Knezevic**

President, Atlas Group  
President, Mediterranean University, Montenegro

#### **Ilija Studen**

President, Studen & Co. Holding, Bosnia and Herzegovina



*Enhancing regional cooperation, free market trade, and the promotion and support of democratic values; freedom of expression; understanding and embracing the differences amongst us all, is the goal of this platform at SAIS, one of our country's finest universities," said Robert B. Aderholt, U.S Member of Congress (R-AL)*

"I was happy to receive this award three years ago, along with the **Muhammed Al-Mugariaf**, first Libyan post-Gadaffi president of the General National Congress, **Rifat Hisarcıklioğlu**, head of Turkey's Union of Chambers and Commodity Exchange, and my colleague, Senator **Jeanne Shaheen**. All of you, our esteemed guests and friends, are standing here for the very same reason - your outstanding contribution to bringing our people closer together, to develop business ties across the Atlantic, and to foster stronger regional partnerships," said **Aderholt**.

**Aderholt** stated, "the stability and prosperity of the Mediterranean region is important to all of us, and events like these provide important platforms for people from the countries of the Mediterranean region to come together and create friendships, to address issues of mutual concern, but also to tell stories worthy of acknowledgment, in an effort to bring us all closer together."

"The Balkans, North of the Mediterranean, and North Africa (Maghreb) countries in the south, are going through sets of reforms and transitions that, once completed, should create strong pillars for enhanced commerce. Better investment laws, one-stop-shops, and



smaller but more efficient governments, are but a few milestones your countries need to achieve, for the betterment of your citizens," said **Aderholt**.

The congressman said, "privatizations of state owned enterprises, diversification of economic dependence on oil and gas, are but a few efforts where U.S. companies and experts can help and be a part of in your countries."

*"I was glad to learn that the SAIS Center for Transatlantic Relations will publish two new books in 2017, one on Algerian, and the other on Turkish Transatlantic Relations, as part of an effort to bring us closer together, and that they will host a number of conferences and events to discuss important issues that need to be addressed in 2017 and beyond," said Aderholt.*

"**Andre Azoulay** of Morocco, **Husni Bey** of Libya, **Hisham Fahmy** of Egypt, **Ali Haddad** of Algeria, **Dusan Knezevic** of Montenegro and **Ilija Studen** of Bosnia and Herzegovina, congratulations on your "2016 SAIS CTR Mediterranean Leadership Award," concluded **Aderholt** before opening the ceremony.



**András Simonyi**, CTR - SAIS Managing Director delivered the closing remarks.





**U.S. CHAMBER OF COMMERCE**  
International Affairs



## REFORMS: WHAT HAS BEEN DONE AND WHAT STILL NEEDS TO BE DONE

"We have completed many reforms in the past 15 years to create a more open economy, and investment climate in Algeria," said **Mehdi Bendimerad**, CEO, SPS- Système Panneaux Sandwichs and the Vice President of Le Forum des chefs d'entreprises (FCE), Algeria. Algeria has made it easier to start a business, by minimalizing capital

requirements from around 1,000 dollars to almost no minimum capital required. From the 6 months needed to get a construction permit, it now takes less than 14 days to obtain one. Commercial taxes have been significantly reduced, and Algeria has introduced an advanced accounting system, which has made paying taxes much easier.



"The purpose of this Transatlantic Economic Forum is to share and exchange information on what is ahead in terms of investment projects, FDI, and economic reforms; to share best practices, and lessons learned, with old and potentially new partners alike," says **Samy Boukaila**, CTR-SAIS Mediterranean Basin Fellow who moderated the panel "Reforms: What Has Been Done and What Still Needs To Be Done".

By eliminating the minimum threshold for loans and enforcing contracts by introducing a new civil code by computerizing the courts through an electronic case management system, access to loans is made much easier. A new investment code article in the constitution protects the freedom of enterprise, trade and industry, and thus makes the private sector stronger.



The Algerian budget deficit goal of 3 percent is within reach, as the current deficit is 4-4.5 percent of GDP. "Today, 114 US companies are active in Algeria, which make a good return on investment, as there is huge potential in the largest country in Africa, with 7 bordering countries, a Free Trade Agreement (FTA) with the EU and excellent relationships with other African countries. We are focused on developing partnership in Africa and through this strategy we can improve GDP growth both for Algeria and for the African countries," said **Bendimerad**.



*"In Croatia, 68 percent of GDP is generated from state-owned companies. The government has recognized this as a challenge, and is working to de-politize the management of these companies, and to privatize state-owned companies," says Josko Paro, Ambassador of Croatia to the United States. This huge structural problem needs to be tackled in order to improve output and tackle corruption.*

Through the institutional framework of the Mediterranean Partnership (the Barcelona Process), we can certainly catch up the good winds of the Maghreb countries, which includes all we talked about: enhancing the Rule of Law, Competitiveness, and the removal of tariffs and barriers. Instability in Africa and the terror attacks in Europe cause feeling of jeopardy, along with a growing feeling in Europe that the very cultural and political identity of Europe is questioned by these pressures. Europe is biggest world provider of humanitarian assistance. Building security away from our borders, working towards building economies in North Africa, enhancing the dialogue, should be the goal through the Barcelona Process.

In Croatia, we fought the grey economy with a simple solution, a Fiscal Cashier instrument, (provided by the government) a small mobile device that everyone who comes to the market has to have and everyone has to issue a bill, being directly connected with the Ministry of Finance. In the fisheries every fishing boat is equipped with a computer, so that no one is able to fish more than allowed, and if they do so, the penalties in place are high. Therefore, the rule of law helps increase competitiveness, concluded **Paro**.



High rates of unemployment, social disparities, problems of transparency and corruption were all ingredients for the political disorder that followed. Countries of North Africa and the MENA region have comparable aspirations and similar challenges, with a very young population, the average of which is less than 25 years old. Feelings of injustice and exclusion, with no freedom of speech, was a problem for the governments. The rise of extremism is the result of the defect of thinking in the region and the region's policies. Fragile democracies, renewed totalitarianism and order through savagery (ISIS), are the new realities for some countries in the region.

"Morocco invested much to maintain its stability through its political system. The Monarchy existed for more than 13 centuries and is not just a political system that arrived a few decades ago. That is the guarantee for our stability. We never opted for one political party system, but for many, some from the left, center, and right. We have a new constitution from 2011, voted by the people, representing a road map for the political, economic, and social spheres. One of the first things we put forward in our new constitution is a so-called "family code", granting equality between men and women, marriages, and divorces, issues that were difficult for the entire Arab societies, not just for Morocco. The new constitution also reformed human rights and religious matters, opting for moderate Islam and pluralism in our society, built from centuries to the present day," concluded Alaoui.



The countries of North Africa, "[We] share the same culture and values, language, religion, and even the same dreams," says **Driss Alaoui**, Charge d'Affairs of the Moroccan Embassy to the United States



*"With the Arab Spring, people were seeking change. After years of reforms, both political and economic, the newly adopted [Moroccan] constitution is among the most progressive in the world," said Alaoui.*



"Last week, Tunisia organized one of the most successful business event in the past six years, the Conference on Economic Support and Investment, pledges were made for 34 billion Tunisian dinars (which accounts to about 15 billion dollars), 146 projects presented by the government, part are public, other private, and yet others Public Private Partnerships (PPP)," said **Faycal Gouia**, Ambassador of Tunisia to the United States.



"When the Arab Spring was initiated in Tunisia, we did not seek any leadership nor did we think that the movement would spread elsewhere. We only wanted to say enough to a dictatorship that lasted many decades, to seek change, reforms, and progress, for democracy, politics, and social life. The Tunisian people that went to the streets demanded political change, and requested dignity and liberty. The growth rate during the 15 years of Ben Ali was over 6 percent, where today it is 1.5 percent. This shows that the country is going through real reforms. The last five years we focused on political reforms, having a few elections, and finally electing the President, the Parliament and adopting one of the most progressive constitutions reflecting the aspirations of the Tunisian people. Now our task is to successfully implement the most difficult social and economic reforms. Most recently, the Parliament adopted the investment law," concluded **Gouia**.

## THE MEDITERRANEAN BASIN: THE LARGEST GLOBAL TOURISM DESTINATION

Our office is mostly responsible for business coordination with businesses from all of Bosnia Herzegovina, and tourism is a vital part in building up the image of the country abroad. Mediterranean countries of the EU, such as Greece, Malta, and Croatia have tourism represent between 18-30 percent of their annual GDP. Bosnia and Herzegovina's tourism represents only 9.5 percent. We have potential, and we are trying to catch up to the region. In 2030, we are expecting close to 500 million tourists to the Mediterranean region.



The ministries of tourism are on the entity levels, and both governments have committed to offer tourists more possibilities for a longer stay in Bosnia and Herzegovina, and a wide variety of niche destinations. Through investment and infrastructure improvement, Bosnia and Herzegovina has the potential to greatly increase tourist influxes from around the world, said **Mladen Filipovic**, Head of Regional Representative Office in Austria of Republika Srpska, BiH.



Bosnia and Herzegovina is trying to establish itself as a niche tourist destination, with a lot to offer the whole year around for a range of tourism interests,” said **Mladen Filipovic**.

“In 2015, the direct contribution of the tourism industry to North Africa was about 40 billion dollars, and the total contribution (direct and induced) was over 85 billion dollars. In terms of employment, the [tourism] industry has a direct employment of about 2.7 million, and is expected to grow at a rate of 5.2 percent until 2025. The total employment topped 6.2 million in 2015, and is expected to grow at a rate of 11.3 percent to reach about 7.5 million employed [in 2025]. The total investment in the tourism industry is about 12 billion dollars, reaching 20 billion dollars in 2025,” stated **Samy Boukaila**.



*“Economic incentives are given to the private sector to develop the tourism sector, both on the coast and in the Sahara. A significant collaboration between North African countries could be of a great contribution to tourism in Algeria, and the region,” says **Samy Boukaila**, CTR-SAIS Mediterranean Fellow.*

## AMERICA – BOSNIA FOUNDATION LAUNCHES THE VIDEO: “HISTORICAL TOURISM: WALK THROUGH THE CENTURIES IN BOSNIA AND HERZEGOVINA”

“Bosnia and Herzegovina has been a top performer in recent years in terms of tourism development; tourist arrivals have grown by an average of 24 percent annually from 1995 to 2000. In 2015, Bosnia and Herzegovina surpassed 1 million arrivals and had an increase of 21,5 percent in arrivals since 2014, and an increase of 25.2 percent increase in overnight stays from 2014, with an estimated 58.6 percent of tourists who came from foreign countries.

According to an estimate of the World Tourism Organization, Bosnia and Herzegovina will have the third highest tourism growth rate in the world between 1995 and 2020,” said **Dejan Radmilovic**.



*“You will see artifacts and sites from a country with an amazing yet turbulent past, situated on the borders of Western and Eastern Christianity, the site of a vital Medieval kingdom where an indigenous Bosnian Church co-existed with Catholic and Orthodox faiths, then became a part of the Ottoman empire for over 400 years, and in the 19th century was absorbed into the Austro-Hungarian empire. During this reign the catalyst for the WWI, the assassination of Duke Franz Ferdinand, happened in Sarajevo - and shortly after that, its incorporation into Yugoslavia after the end of WWII. Bosnia and Herzegovina gained its independence from Yugoslavia after a tragic and bloody struggle, but it has come far since then, truly morphing into a modern country, whose sights are aimed at the future and progress,” said **Dejan Radmilovic**, Chairman of the Supervisory Board of the America - Bosnia Foundation*



"The European region's solid growth in arrivals in 2007 was due in significant part to Southern and Mediterranean Europe's strong performance. In particular, Bosnia and Herzegovina was among the stronger players with a growth of 20 percent. In 2013, the World Economic Forum reported in its Travel and Tourism Competitiveness Report that Bosnia and Herzegovina was the world's eighth friendliest nation towards tourists," concluded **Radmilovic**.

"The Mediterranean region is a leading tourist destination. It receives 1/3 of total international tourism, and its growth has been faster than the growth in other sectors of the economy in some Mediterranean countries," said **Aylin Ünver Noi**, CTR-SAIS Non-Resident Senior Fellow.



**Aylin Ünver Noi**, CTR - SAIS non-resident Senior Fellow moderated the discussion

Terror threats, political and social instability, economic and financial crisis, the absence of travel facilitation and confidence of foreign investors, poor marketing and promotion. We need more solidarity against threats, more cooperation and more investment for the development of this important sector in the Mediterranean," says **Aylin Ünver Noi**.

*"Turkey has taken steps to facilitate the travel of citizens through bilateral agreements with many countries, which lift visa requirements and connect direct flights to and from 243 international destinations in 117 countries. Health and conference tourism are among the steps taken by Turkey to diversify and increase the types of tourism it has to offer. Turkey is the most popular medical tourism destination, with more than half a million medical tourists annually. In terms of quality, Turkey is rated the third best medical tourism destination after the U.S and Germany," said **Aylin Ünver Noi**, CTR-SAIS Non-Resident Senior Fellow.*



## BOSNIA AND HERZEGOVINA: REFORMS IN PROGRESS

“The way we [the IMF] sees enhancing infrastructure is through increasing public spending on infrastructure, in a way that it encourages the business community to come in and expand the space, and for the economic potential of the country to be expanded. Higher growth rates can then be achieved in the future without overheating the economy,” says **Nadeem Ilahi**, Mission Chief for Bosnia-Herzegovina and Deputy Chief European Department at the International Monetary Fund (IMF).

The goal of the new three-year IMF program for Bosnia and Herzegovina is not to reach high growth rates in the immediate term, but rather to expand the potential of the economy to become more efficient and productive in the medium and long terms. “The other angle that we are coming at it, is labor market and employment. This is a country with very high unemployment in the twenties [percent], and very high youth unemployment in the forties [percent], essentially a system where there are not enough jobs being created for young people who are graduating from university, and who are in many ways the engines of a new economy you could be setting up in Bosnia,” states **Nadeem Ilahi**. A very important part of the reform agenda that the IMF supports, is the improving of the functioning of the labor market, and the first step are new labor laws that are adopted, and are now being implemented through branch agreements.

“We are beginning to change the economy in Bosnia and Herzegovina, and at the end of three years, we may not be done, but this can be an important country for attracting investment and creating jobs for its people,” concluded the IMF Mission Chief for Bosnia and Herzegovina, who also stated that this reform agenda is promising because aside



L-R: Moderator Edward Joseph, Zlatan Dedic, Nadeem Ilahi, Ajka Barucic, Zeljka Cvijanovic



“There is a need to improve and increase the infrastructure in the country [Bosnia and Herzegovina], a transformation away from high public employment and wage bills, towards a more productive capital investment,” says **Nadeem Ilahi**,

from the introducing of certain reforms by the IMF, the World Bank, Europeans, and other partners, this agenda is largely “home-implemented by the governments of Bosnia and Herzegovina,” says Ilahi.

*“The reform agenda is a domestic product. What is implemented from the reform agenda is the work of all levels of government, and we want to cooperate and harmonize not only the legislation, but also our practices and other activities,” says **Zeljka Cvijanovic**, Prime Minister of Republika Srpska, Bosnia and Herzegovina.*

"This [the implementation of reforms] is also confirmation that the decentralized structure of the country is no obstacle to reforms and development, if activities are well coordinated and if we understand the importance of working together," says **Cvijanovic**. The ongoing reforms defined by the reform agenda focus on several areas: public finance and taxation, fiscal sustainability, business climate and competitiveness, labor market, health and social welfare, rule of law and good governance, and public administration. "All governments at the two levels have enacted their action plans for the implementation of these reforms, which are regularly monitored with the EU. In Republika Srpska (RS), 51.4 percent of the activities have been completed, 47.3 percent are ongoing, and only 1.4 percent remained unrealized. In addition, many of the reforms scheduled for 2017 and 2018 have already been initiated, showing our commitment and determination to the reform processes," states **Cvijanovic**.



*We come united [for the reforms], from all levels of authority, we know exactly what our tasks are, and we know that many things depend on what we achieve under these reforms, which gives us more impetus and possibility to prosper," says **Cvijanovic***



The RS Prime Minister explained that besides the private sector, growth can be generated by large enterprises owned by the government, who are important employers in the country, but they remain stuck in "old business habits." "The government needs to change their business operations, habits, or attitudes in order to provide more incentive for reform," concludes **Cvijanovic**.

The reforms can bring prosperity if implemented on time and in their full capacity. The implementation of the reforms requires a deep commitment, and it requires courage and responsibility for the achievement of the objectives so that the reforms do not merely remain a wish list on paper. Bosnia Herzegovina needs to adopt a clear vision, working hard to implement significant changes in the business community, building a new value system, and a different way of thinking and acting," says **Zlatan Dedic**, CEO of Svjetlostkomerc d.d.

Even though 80 percent of state-owned companies have been partially or completely privatized, state capital continues to dominate the Federation of Bosnia and Herzegovina, mainly in the infrastructure, telecommunications, and railways sectors. Between 1994-2015, 6 billion Euros have entered Bosnia and Herzegovina in FDI, a small amount compared to its neighbors. However, we should congratulate the government of the Federation of Bosnia and Herzegovina because the privatization process has started again. The fight against corruption has made progress, and sends the message that the state is dealing seriously with this problem, which is a very good message for potential investors to create a better environment for investment in Bosnia and Herzegovina, concluded **Dedic**.

“The average unemployment rate for youth in the European Union is at 18 percent in July 2016, which is three times lower than in Bosnia and Herzegovina. As a result of this, the general population, and especially the youth, are leaving the country. The World Economic Forum placed Bosnia and Herzegovina on the 134th place in terms of the capacity to retain talent, out of 138 countries,” said **Barucic**.

Nevertheless, reforms are now being undertaken to combat this brain drain of the youth. The youth is in one of the six areas of reforms currently being undertaken in both entities of Bosnia and Herzegovina, namely in the labor market reforms.

**Barucic** said, “measures implemented are incentives for employment and self-employment. The Federation of Bosnia and Herzegovina already started implementing this program, which is focused on private sector employment, to subsidize minimum wages and taxes that come with these wages. Its aim is to bring young people without previous work experience, into the labor force and provide them with work experience, by paying for the employee



*With the passing and adoption of several new laws, the youth of Bosnia and Herzegovina are now part of the decision-making process, in the form of councils, on the local level, cantonal-level, and entity level. The establishment of these umbrella organizations is a huge step forward,” said **Ajka Barucic** from the Institute for Youth, KULT*



during the first year of his or her employment, and the company is then obliged to keep the employee during their second year. In Republika Srpska, there are also measures planned to be implemented for persons seeking employment.

## SECURITY AND MILITARY COOPERATION SAFEGUARDING THE MEDITERRANEAN

“Most of this conference has focused on economics, which is much easier in a secure environment. This panel focuses on military and security cooperation in the region, and we will take a look at the current security situation, and potential opportunities and challenges in the Mediterranean,” said **Hans Binnendijk**.

**Binnendijk** suggested that, “when you look at the complexity of the topic, we need to break it down in a few smaller parts. We



*We need to think how we can use Western institutions to bring stability in the Mediterranean region, said **Hans Binnendijk**, CTR – SAIS Senior Fellow.*



have three North African countries: Morocco, Tunisia, and Algeria, where there is unrest but a degree of stability. The question is, what can we, as a transatlantic partner, do to enhance this situation? Secondly, Libya and Syria, who are in various stages of warfare, which is to a degree being exported to the Mediterranean region, Europe, and the U.S. Here, we need to see how we can bring peace, and what can we do to maintain it? The third category is Egypt, where the US has seen this country as an important partner in North Africa and the Middle East, is seen as critical to peace in the Middle East, and has tremendous strategic potential. In the Balkans, the situation has improved greatly in the last several decades, yet there are still severe security issues. Finally, we have Turkey, who has tremendous pressures from a security standpoint.”



*“The Mediterranean is posing a critical test for NATO, the U.S., and the EU. Their involvement will be critical for the region’s stability, which has been a complex issue for hundreds of years,” said **Fatmir Mediu**, Former Minister of Defense, and Head of Republican Party of Albania*



“EU membership remains the main goal for Balkan countries, but EU fatigue for new membership has raised a lot of skepticism. The diverse ethnic and multi-religious region of the Balkans is especially vulnerable to threats from extremist groups such as the Islamic State. The Western Balkans is one region, and we need to work together,” said **Fatmir Mediu**.

“We need to increase defense spending, for example, Albania spends only 0.75 percent of its budget, which is not acceptable. Cybersecurity is an issue overlooked in the Western Balkans, but poses a serious threat to the nations’ defense systems. Greater efforts should be made to educate the population, and an open conversation with local religious leaders,” said **Mediu**.



*“Before 2011, most of the Tunisian budget was reserved for education, and the defense doctrine was based on territory security and development efforts. The situation was stable, aside from trade union demonstrations. The Arab Spring that started in Tunisia in 2011, was directed at employment, dignity, and freedom, with the challenge to defer from acts of violence and instead hold peaceful demonstrations,” said **Abderrahim Makri**, Colonel, Assistant Attaché of Tunisia*

“This turning point necessitated a series of revisions for the Tunisian security doctrine, to adapt to new security challenges, and address emerging threats. Instability in the south, in Libya, caused the displacement of hundreds of thousands of people to our country. The birth of ISIS and the pledge of allegiance of smaller terrorist groups to it, resulted in multiplied attacks against our soldiers and people,” explained Makri.





"Everyday life including education, political, and cultural processes in Tunisia are functional, terrorists are stranded in the mountains inside a military zone between Tunisia and Algeria. The southern border is equipped with surveillance cameras, protected by specially trained forces. However, the rate of unemployment remains unchanged, and the dire social situation weighs heavily on the security situation. This is important, as Tunisia's security situation directly affects Europe, which is located close by. Tunisia has invested heavily in anti-terrorism measures, at a high cost for the social situation. Tunisia cannot face this multitude of challenges alone, and needs the support of friendly countries," said **Makri**.



**Fathi Noah**, former foreign policy adviser to first GNC president **Muhamed Al-Mugariaf**, and **Adulkarim Mgeg**, Deputy Director of the Higher Committee for Major Tourism Investment Projects in Libya, could not attend the Forum due to heavy fighting in Tripoli at the time. They have sent a written statements distributed to the Forum's participants.

At the time of this writing, just a few days before the Forum, there are sounds of clashes with light, medium and heavy

weapons by various militias in Libya's capital, Tripoli, a city on the Mediterranean coast, with a population of 3 million. This is not uncommon. The sounds of firing and explosions occur every night. The security situation is becoming more fragile as militia members increasingly resort to kidnapping, extortion and murder, largely because various government institutions are delaying salary payments to more than 200,000 militias due to a shortage of funds. In the first half of November alone, there were 19 corpses found in the streets of Tripoli.

Not only has the security situation deteriorated in Tripoli, but the economic conditions have become increasingly dire. Libya's main source of revenue, oil exports, were hit hard and production fell from about 1.5 million barrels per day to less than 400,000 barrels in August 2016. This was mainly caused by militias supposedly protecting oil facilities and terminals in the central oil region, which shut down the exports in continuing attempts to force huge payments by the government.

Consumer prices have skyrocketed, and a lack of liquidity is forcing people to stand long hours in front of banks to receive part of their salaries whenever liquidity is provided by the Central Bank. Besides a lack of liquidity and high inflation, medical supplies also doubled or tripled in price, and shortages of supplies has made for serious health problems.

## SOME POSITIVE DEVELOPMENTS IN LIBYA

Two positive events took place the past few months: the army of General Hafter, fresh from near total control in Benghazi and a siege of Derna, swept into the central oil region and forced the militias to flee without bloodshed or damage to oil facilities. He immediately turned over the control to the National Oil Company, pre-empting western threats for him to withdraw. This has allowed exports to rapidly rise to 600,000 barrels/day. An agreement with militias controlling western oil pipeline appears to be imminent possibly

increasing exports to 1 million barrels/day.

The second is the fight to liberate Sirte from the control of ISIS. This has been largely successful, aided by over 100 missions by the U.S Airforce but not without heavy casualties to the forces assembled by the GNA in an operation carried out mainly by Misrata. Casualties ran into over 700 killed and more than 3,000 injured. While ISIS was forced to concede territory in both Derna and Sirte, it is ready to cause chaos in other cities like they did in Iraq and Syria.

## WHAT CAN THE U.S. DO?

**Dismantling the Militias:** There can be no solution to Libya's critical problems without dismantling the militias, establishing a strong central government with a standing army, police force and intelligence services. Without dismantling the militias, UN efforts to bring peace to Libya failed. It will continue to falter. When the US Embassy evacuated in August 2014 in the middle of the fight for the control of Tripoli International Airport (which resulted in the total destruction of the airport facilities and more than 20 passenger jets) not a single bullet was fired after the warring militias were threatened by the embassy as its long convoy drove out to Tunis. The U.S Embassy for Libya continues to operate from Tunis until now. This illustrates the power that the US can exert on these militias with simple threat of action.

Logistical and material support for establishing armed forces by assisting with training programs in coordination with European partners, and arming a presidential guard force to protect Tripoli and the government.

Diplomatic pressure on foreign governments interfering in Libya's affairs and funding and

arming warring factions. Foreign meddling is responsible for perhaps half of the problems of Libya and has been since 2011.

Pressure and sanctions on political leaders who continue to oppose peacemaking efforts.

Concerted efforts of forensic intelligence to track financial transactions of those politicians and others who pilfered billions of dollars of national assets outside Libya to fight corruption.

The ultimate solution is to recognize that the entire region needs a **Marshall Plan**



*Michael Haltzel, CTR - SAIS Senior Fellow delivered closing remarks for the Fourth Annual Transatlantic Economic Forum 2016*

to bring development and investments to Libya and especially its southern neighbors and other countries in Central Africa, to create jobs and fight the illegal immigration

into Europe, and to combat the threat of radical groups and weapons and drug trades, concluded **Fathi Noah** and **Abdulkarim Mgeg** in their written statements.

## CTR-SAIS FELLOW TEA IVANOVIC ATTENDS CONFERENCE IN ERBIL, IRAQI KURDISTAN



L-R: **Nahro Zagros** (Soran University), **Tea Ivanovic** (WYLN Advisor), **Cynthia Dillon** (radio host of 'International Dialogues'), **Hewa Belisane** (Soran University)

On December 14th 2016, CTR-SAIS Fellow **Tea Ivanovic** attended the conference "Tolerance, Life; Terror Threats and the Experience of Co-Existence in the Kurdistan Region" held in Erbil, Iraqi Kurdistan. The conference was organized by the Ministry of

Culture, and the Ministry of Higher Education and Scientific Research, and inaugurated by Prime Minister, **Nechirvan Barzani**; Soran University's President **Muslih Mustafa** and Vice President for Scientific Affairs **Nahro Zagros**.



Happy Holidays and best wishes for a successful and productive 2017! **Tea Ivanovic** and **Andy Mullins**

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