



# **THE COSTS AND BENEFITS OF BOSNIA AND HERZEGOVINA JOINING NATO ALLIANCE**

**Denis Hadžović**

**August 2009**

© Copyright Centre for Security Studies, July 2009. All rights reserved. No part of this research can be reproduced, stored in their system which will enable its further download, or transmitted in any form or by any electronic, mechanical means or photocopying or recording audio track or in any other way without fully mentioning the source. CSS welcomes and encourages the use and distribution of the material contained in this research.

## TABLE OF CONTENTS

<b>Introduction</b>	7
<b>1. BiH path to NATO Alliance „Defence system reform“</b>	11
1.1. Situation prior to the defence reform	11
1.2. Previous achievements in the process of the defence reform	12
1.3. Integration into the Euro-Atlantic structures	14
1.4. Partnership for Peace (PfP)	15
1.5. Membership Action Plan (MAP)	16
<b>2. Overview of NATO accession costs</b>	19
2.1. Constraints and dilemmas in relation to support the NATO membership	23
2.2. The economical impacts to the state economy (direct and indirect)	24
2.2.1. Membership costs – contribution to the common NATO budget	26
2.2.2. Costs for the civilian and military representation in NATO	27
2.2.3. Costs for the obligations of our troops joint operations	28
2.2.4. Costs of participation in joint activities of NATO	28
2.2.5. Defence budget balance	30
<b>2.3. Indirect – non military expenditures</b>	33
2.3.1. Political costs	34
2.3.2. Economical costs	34
2.3.3. Social costs	35
2.3.4. Infrastructure costs	35
<b>3. The effects of accession on state economy</b>	37
a) Defence costs	38
b) Foreign direct investments and credit rating	42
c) Production of the weapon and military equipment	48
<b>4. Benefits of NATO membership</b>	51
4.1. Partner countries' support	52
4.2. Conversion of property	53

4.3. Military bases	53
4.4. Removal of negative impacts to the environment	54
4.5. Human resources	56
4.6. Surplus of human resources and their disposal	57
4.7. International engagements	58
<b>5. Social costs and benefits of NATO membership</b>	61
5.1. Social costs of NATO membership	61
5.2. Social benefits of NATO membership	64
5.3. Social dilemmas: for or against the membership?	68
<b>6. NATO membership and its alternatives</b>	71
6.1. Neutrality as an alternative	72
6.2. Military, political and economical aspects	73
<b>7. Closing considerations</b>	77
<b>ANNEX I</b>	79
Research on public positions on Bosnia and Herzegovina joining NATO	
<b>ANNEX II</b>	97
Conference transcript	
<b>Bibliography</b>	111

## **PROLOGUE**

Positive development in convergence to Euro-Atlantic integrations in the region has created positive environment in BiH for implementation of necessary reforms in the security sector. The perspective of joining into Euro-Atlantic structures have contained most important stimulus for initiation of reforms and establishment of the political consensus, that was the basic condition for progress in theses integrations processes.

In the previous period of the BiH democratic development, the EU and NATO have played a significant role in the reform of its security system in accordance with democratic norms. The mutual role of development and security is clearly expressed in these processes.

The successful management in the field of rule of law and security sector is of crucial importance for consolidation of peace, as well as sustainable economic and social development. In case of an inadequate management in these sectors, they will be either under the political or economical influences of elites in power, and for sure will not be able to ensure adequate protection of the state and citizens against terrorism, crimes and other security challenges.

NATO has provided most of the contribution in the establishment of security and defence structures in BiH, which are the basic guarantees of the independent state's functioning. NATO has created conditions for peace stabilization and ensured peaceful and stable environment by its field mission. It is also impossible to measure the contribution made by this military-political alliance in the reform of defence structures, primarily by overcoming the constraints that have stemmed out of the constitutional provisions, apropos transfer of authorities from entities' to state level in this field.

The progress in consolidation of defence sector in BiH is enabled by political agreement, among all, which was achieved in a plan of state integration into Euro-Atlantic structures. The full membership in NATO is defined as one of the priorities of BiH foreign policy in order to achieve peace and stability, both in our countries and in the West Balkans region.

As for the reasons that BiH officials have expressed aiming to the NATO membership, it is undoubted that the dominant role was played by the political and military interests. Considering the political consequences of decisions, especially of those that are reaching into the sphere of national interests, it is necessary to guide ourselves with the comprehensive and economic principle overall. This is especially referred to countries with modest economic abilities, in which category BiH can be placed too. The existing budget limitations, as well as global financial crisis are definitely causing public to consider economic aspects of BiH membership in this military-political alliance. Neglecting this form of public debate was most probably caused by the lack of expert analysis and complexity of clear identification of economic factors on benefits and flaws of such a process. Still, the present stage of progress in BiH in its joining the Alliance imposes the need to actualize these issues and consider impartially the financial indicators related to such an important decision on future of BiH citizens.

Hence, the aim of this research is to contribute to the quality of discussion that should take place in the public discourse of joining NATO and by perception of objective economic indicators it should enable officials to make their political decisions in the best interest of citizens. At the same time, the support of public opinion in the process of creating public policies is very important; hence it requires authorities to pay special attention to the activities of timely and good quality information provided to citizens on these processes.

We hope that this research will serve its purpose and justify an engagement and efforts that are being put into its implementation. I would like to use this opportunity to express my gratitude to the UK Government that has financially supported and enabled this research through its embassy in BiH. I would also like to thank the Centre for Security Studies staff who have participated and provided significant support in the implementation of this research, as well as our associates Prof. Dr. Azra Hadžiahmetović and MA Damir Kapidžić for the consultancy services provided. It is impossible to measure the contribution that was given to this research by the institutions of BiH, especially the Ministry of Defence, Ministry of Security and Ministry of Foreign Affairs, whose representatives I would like to express my deepest gratitude for the time they spared and fruitful cooperation.

The author

## INTRODUCTION

Fundamental purpose of North Atlantic Treaty Organization is guarantee of freedom and security of its members in accordance with the principles of the UN Charter. The Alliance still keeps stability throughout the euro-Atlantic space, but it also develops to meet new security challenges and modern threats, such as terrorism and the smuggling of mass destruction weapon. The Western Balkans countries saw their opportunity to ensure a stable peace in this region after the tragic events during the nineties of 20<sup>th</sup> century in the NATO Development and Expansion Strategy. So, all the countries of former Yugoslavia had launched the process of joining NATO, some faster, some slower, but all with the tendency and aim to become full members of NATO.

The strategic objectives of Bosnia and Herzegovina are membership in NATO and the European Union. The current consensus among all political parties in achieving these goals should mean that Bosnia and Herzegovina may apply for full membership in NATO Alliance after the fulfilling the conditions. Perception of security guarantees is still the dominant determinant of which stands out as the key reason for joining the Alliance. However, the security issue should not squeeze the economical issues out of the main picture, which are directly or indirectly associated with the membership.

One of the facts, that are often ignored nowadays, is that the NATO is apart from being politico-military alliance also an alliance of economies based upon the market principle. If we look into the North-Atlantic Charter we can see that it considers that each member has a functional, developed economy, which in such cooperation module provides possibilities and space to strengthen its economical powers. Hence, the Article 2 of the Contract on NATO clearly calls for social and economical development within the Alliance that is becoming concrete with the cooperation through the Economical Board of NATO. The expression “economical cooperation” does not only consider cooperation in the area of military industry, but it also refers to the entire area of national economy.

If all the new NATO members’ experiences are taken into consideration, it is easy to notice that the Alliance produces effect of security investments. The impact of the “*security umbrella*” and the fact that the participation is being made in the societies of most developed

countries both create the effect of the “*economic desirability*” and lead to the increase of export, strengthening the economy, cheaper loans and at the end results in the increase of living standard for all the citizens. There are also opposite opinions that consider the NATO only in the view of increase of military costs and forcing the purchase of military equipment that does not have an important consumption value in the sphere of national security.

However, the fact that all armies of the world do invest into the modernization of their forces, whether those are NATO members or not, should not be ignored. Also, NATO members are very rational in the consumption of their defence budget resources. The recommendation of the Alliance is that defence budget should not exceed 2% of the GDP. It is also a usual practice (and in most countries legally binding) that there has to be so called *offset* arrangement made at the purchase of the new weapon. It actually means that the manufacturer of the weapon system is obliged to producing the system or its parts in the country that is purchasing it (direct offset), which then provides an opportunity for opening the new working posts and transfer of technology. There is also an indirect offset, which means that the manufacturer of weapon systems or country of purchase is not interested in cooperation in the field of defence industry, but they will arrange the manufacturing of some product within the value that is often higher then the total value of the sold weapon.

The cooperation amongst member states is not exploited only in the economical field. We must not ignore the scientific cooperation or the environmental protection cooperation. The scientific programmes that exist for over 45 years have been recently re-focused to the researching topics, which are the priorities in the anti-terrorist defence or prevention of the other threats to the society. The title of this civilian-scientific programme is „*Security through science*“ and its goal is to contribute to the security, stability and solidarity by using the science. Different types of scholarships are offered to the scientist working for the NATO member states or NATO partner states. Partner states are provided with the assistance in creating the basic infrastructure for computer networking. Entering the NATO provides young experts of different science fields (electrical engineering, political science, law, economics etc.) with open doors for employment within NATO civilian and military structures.

By getting closer to the full membership within the Alliance, Bosnia and Herzegovina will have a need to begin focused debates in the wider publicity on all consequences of such important political decision. In the previous public debates on relationship between Bosnia

and Herzegovina and NATO, the priority was given to the political and security issues, whilst the expert debate on economical dimension was left out. It is the consequence of the lack of researches and analysis of this topic in BiH, as well as very demanding and complex tasks to argument possible economical costs and benefits of joining the Alliance.

NATO Alliance membership itself imposes, amongst others, the professionalization and modernization of the country candidate armed forces. Increasing the armed forces' performance implies indirect and direct benefits, such as better security perception of the country and its surrounding, as well as an increase of investments into the defence area and infrastructure. Hence, the NATO Alliance membership has global, geopolitical as well as geo-economical implication to the member state.

Being said that, this research has a goal to offer arguments and empirical information that should create assumptions for rational discussion on the costs and benefits projection related to the participation in the collective security system, as well as the costs of Bosnia and Herzegovina's integration in NATO. By providing as much as possible impartial information, both quality and quantity ones, we will try to contribute to the better understanding of the process to getting closer to the Euro-Atlantic integrations. We will probably face certain limitations in our work as it was case in the other countries where similar studies were conducted. Some of the limiting factors are related to calculation of the total price of entering NATO Alliance, since some amounts we can not know or exactly foresee, whilst others are depending on budget assumptions. Therefore, each argument that requires exact amount of cost or benefit may be insufficiently supported or reduced to the hypothetical function. Some of the costs and benefits are not subject to the quality quantification, but it will not stop us from considering those through sensible methods.

The process of Bosnia and Herzegovina joining the NATO Alliance will, beyond doubts, have military and political consequences, as well as economical and social. Speaking of the effects of Bosnia and Herzegovina joining NATO it is necessary to recognize positive and negative economical expenses starting from the entry of Bosnia and Herzegovina into NATO. Apart from classification into costs and benefits, these have to be classified into short and long term, as well as direct (material) and indirect (non-material) aspects. Speaking of the membership benefits we have to point out that the process of getting closer to the Euro-Atlantic structures leads to the stabilization of the region, which will then have direct impact

to the promotion of democracy in surrounding. The process of joining Bosnia and Herzegovina, within the strategic expansion of NATO, is closely connected to the future role of NATO in the international relations. Recently joining of Albania and Croatia into NATO, as well as possible future membership of all countries in the region, should be one of the crucial elements of the stabilization process in this shaking area.

## **1. BOSNIA AND HERZEGOVINA PATH TO NATO ALLIANCE: „DEFENCE SYSTEM REFORM“**

### **1.1. Situation prior to the defence reform**

Since the signing of Dayton Peace Accord in 1995, defence was a very sensitive issue in Bosnia and Herzegovina. Number of members belonging to the warring parties was estimated in 1996 to a figure close to 250 000 soldiers. The gradual transformation of defence sector in Bosnia and Herzegovina, mainly lead under the supervision of NATO and OSCE, has slowly lead to its consolidation. This process was moving from disarmament, demobilization and reintegration of forces members within Bosnia and Herzegovina to building the measures of trust and promotion of democratic principles in the defence sector. Peace agreement establishes the existence of separate forces in each of the two entities within the state; one in Republic of Srpska and the other in Federation of BiH. Situation was further complicated in the Federation of BiH, where the army was divided on two components, based on Bosniak and Croat ethnicity. These armies were established with a purpose of defending each of 3 constituent peoples against the other two, and not only from the possible outer aggressor to BiH. Whilst the Presidency of BiH has had powers of the Armed Forces' in BiH (so called existing military structures at a time) Commander, the entities were in control over their army forces components through the entity Ministries of Defence. The Armed Forces of BiH were counting around 46 000 soldiers and have been in possession of the heavy weaponry and equipment in such number that they were able to equip significantly larger armed forces. The entities' governments have taken over an obligation in 1998 to demobilize 30% soldiers. In accordance with this, the Armed Forces of BiH have had around 33 000 professional soldiers at the end of 2001. Further negotiations and established dialogue under the mediation of international officials have lead to the establishment of the improved inter entity trust. Following was issued a decision on the size of Armed Forces with a number of 19 000 soldiers, which should be sufficient to satisfy security needs. In the meantime, the unenviable economical situation in BiH has forced entity officials to furthermore reduce the number of soldiers down to 12 000 members, and shortly after to 10 000 soldiers. Hence, prior to the beginning of defence reforms in 2003 Bosnia and Herzegovina's defence system was burdened with very complex difficulties, whilst the plan of reforms was directed to resolve observed difficulties and defects. Readiness and determination to implement the BiH

defence system reforms was motivated by the need to accomplish higher efficiency of the defence system and creating conditions to getting closer to Euro-Atlantic integrating structures.

## **1.2. Previous achievements in the process of the defence reform**

All these circumstances in Bosnia and Herzegovina at the beginning of 2003 have created positive climate for changes in the defence system, both with the domestic and international officials. Respecting the authority and powers that were invested in him by the International Community, the High Representative for Bosnia and Herzegovina has decided to undertake more concrete measures that should lead to establishment of the more advanced defence system, which is necessary for Bosnia and Herzegovina's joining to the Euro-Atlantic structures. Therefore in May 2003 the High Representative has issued a decision to establish the Commission for Defence Reform. Legitimacy for the work of the Commission was contained in four regulations of BiH Constitution, and one those (Article 2, paragraph 5) prescribes that the state will take over responsibilities that are needed for preservation of sovereignty, territorial integrity, political independence and international subjectivity of Bosnia and Herzegovina and that the additional institutions may be established in accordance with the need to execute these competencies.

These authorities have created legal assumptions to issue the new Law on Defence of Bosnia and Herzegovina that were proposed by the Commission, as well as the amendments to the entities' constitutions and existing relevant entities' laws. Perhaps the most important proposals of the Commission have referred to the establishment of the state high command in defence issues. The unified defence structure of Bosnia and Herzegovina was adopted by the division of responsibilities among the state and entities' institutions. In accordance with this, the Presidency was collectively executing command and control over Armed Forces of Bosnia and Herzegovina in peace, crisis situations and war. The Ministry of Defence of Bosnia and Herzegovina was also established, with a Minister leading operational and logistics chain of command of all the military structures in BiH. The reform in the field of defence, which Bosnia and Herzegovina undertook in 2004 were marked as very important steps on the path to Euro-Atlantic integrations. Political management and public in Bosnia and Herzegovina have expected that the International Community would decide to reward Bosnia and Herzegovina for all the achieved important results by inviting it to become a member in the Partnership for Peace. Unfortunately, expectations have not fulfilled and at the NATO

Summit, which took place in Istanbul in June 2004 the progress was commended, but the heads of countries and governments of the North Atlantic Council member states have once again called upon Bosnia and Herzegovina to achieve constant progress towards the establishment of single armed forces.

Since the expectations of the public have not been fulfilled, the High Representative has used the support of the Steering Board of the Peace Implementation Council in Bosnia and Herzegovina and issued a decision in December 2004 to extend the Defence Reform Commission's mandate. Recommendations of the new (old) Defence Reform Commission have been based upon the two basic changes: creating the *unified defence structure and single armed forces* in Bosnia and Herzegovina under the full functional state command and control; reorganization of the BiH Armed Forces in order to fulfil the state intentions criteria in view of the foreign, defence and security policy, and especially collective defence and security.

These important changes have enabled the development of the unified defence structure in Bosnia and Herzegovina on the state level and removing the entities' powers in this chain. The unified Armed Forces of Bosnia and Herzegovina have been established and mechanisms for powerful command and control were additionally strengthened. The Armed Forces of Bosnia and Herzegovina had 10 000 professional soldiers, 1000 civil servants and 5000 of reserve troops. The establishment of the BiH Ministry of Defence, Joint HQ and Operations Command are the most visible results of the defence reforms, since these institutions have directly contributed to the operational capability and functionality of the BiH Armed Forces. These have also enabled participation of Bosnia and Herzegovina in different programs, such as *Partnership for Peace*. Basic guidelines to lead the defence reform process are the principles of the democratic civilian control over the Armed Forces, achieving the transparency in defence planning, as well as approving and implementing the defence budget considering need to define fiscal limitations for defence. One of the most important achievements in the implementation of reform solutions is the establishment of the Joint Commission for Defence and Security in the BiH Parliamentary Assembly, which is implementing the parliamentary supervision and control over the BiH Armed Forces.

### **1.3. Integration into the Euro-Atlantic structures**

Bosnia and Herzegovina is one of the newest members in the NATO program Partnership for Peace that has joined it in the December 2006. Bosnia and Herzegovina is developing the cooperation, within this NATO structure, emphasizing the democratic, institutional and defence reforms, including the practical cooperation in the other fields. The cooperation of the country with NATO is furthermore determined in the Individual Partnership Program (IPP). Bosnia and Herzegovina is currently implementing Individual Partnership Action Plan (IPAP) in order to deepening cooperation with NATO. In April of 2008 Bosnia and Herzegovina was invited to initiate the intensified dialogue with NATO within the expressed aspirations towards the full membership and the connected reforms. The intensified dialogue represents higher degree of cooperation and better quality communication level on the path of further BiH movement towards NATO. During the next 2 to 3 years it is necessary for BiH to ensure implementation of certain NATO standards and to foresee adequate budget resources in order to fulfil further obligations on the path towards NATO Alliance. At this point this budget represents 1,22% of the BNP, which is far bellow the NATO recommendations in the amount of 2%. This only confirms that the planned budget for BiH AF for 2009 will not be sufficient in order to implement planned goals. The draft military budget for 2009 has required 489.470.000 KM, but the BiH Ministry of Finance and Treasury has limited the BiH Ministry of Defence down to 371.243.000 KM. Serious economical situation and the impact of the global recession are endangering stability of financing of military structures and significantly complicates the wanted direction of integrations into NATO.

Bosnia and Herzegovina is now trying to get closer to Euro-Atlantic standards and institutions. As same as with many of NATO partners, the cooperation degree depends on the country readiness to continue with its democratic, institutional and defence reform processes. The country is also expected to fully cooperate with the ICTY for former Yugoslavia. The fields of cooperation, reform plans and processes of political dialogue are directly exposed to the IPP for Bosnia and Herzegovina, which was jointly harmonized with NATO for the period of 2 years. Key priorities include the development of full democratic control over the armed forces, defence planning and financing, as well as civilian-crisis planning. Apart from providing the reform support, another key goal of the NATO cooperation with Bosnia and Herzegovina is development of the armed forces capacities of the country for cooperation with forces of NATO countries and other partnership countries, especially in the

peacekeeping operations and crisis management operations. Bosnia and Herzegovina is also developing cooperation with NATO allies and partner countries in the line of other areas through the Partnership for Peace (PfP) and Euro-Atlantic Partnership Council (EAPC). Bosnia and Herzegovina has established diplomatic mission in the NATO HQ in Brussels, as well as the liaison office in the Supreme Headquarters Allied Powers Europe (SHAPE). Bosnia and Herzegovina is still implementing wider spectrum of structural reforms with a goal of creating assumptions for the strategic step forward towards the international security efforts that are actively contributing to the creation of peace and stability in the world. Bosnia and Herzegovina is determined to achieve and implement all tasked goals of NATO and Partnership for Peace, especially to ensure the efficient democratic, parliamentary and civilian control over the security sector, increased transparency in planning and defence budget, as well as to achieve more efficient cooperation with NATO in the sense of building the capacities of BiH AF. Bosnia and Herzegovina accepts the concept of the collective security as the cornerstone of its long-term strategy.

#### **1.4. Partnership for Peace (PfP)**

Since joining the programme Partnership for Peace in December 2006, Bosnia and Herzegovina has cooperated with the Alliance's partners to strengthen the security cooperation within the mutually agreed goals. Bosnia and Herzegovina's authorities have signed PfP Status of Forces Agreement (SOFA) with the Allies, in accordance with its national legislation. This agreement has significantly facilitate BiH cooperation "army to army" as well as other practical types of cooperation with the NATO member countries and other Partners, especially those related to the deployment of forces in order to participate in the joint operations and exercises. NATO and Bosnia and Herzegovina are continuously improving the exchange of information fighting against terrorism. The member countries are assisting the country to establish proper antiterrorism capacities and provide advices to improve the existing national apparatus. Bosnia and Herzegovina has placed certain number of soldiers and resources as potentially disposable to PfP activities, especially for the assistance providing operations in disaster relief and humanitarian operations. Engineering units could be available including the supporting equipment, as well as some other units. BiH is ready to create necessary pre-conditions to use the airports in Mostar, Banja Luka and Tuzla, as well as to ensure the flight rights to NATO jets. BiH has also placed at disposal certain number of training facilities, including the Centre for fighting simulation in Manjača

and Centre for peacekeeping operations in Butmir. BiH is also working on establishment of the Centre for Professional Development in Travnik, which should be available in PfP. Although they have not participated as the part of NATO operation, BiH AF has engaged an EOD platoon in Iraq since 2005.

BiH Armed Forces have been working hard to fulfil its obligations defined in the documents of the programme “Partnership” and the implementation rate is over 85%.<sup>1</sup> BiH soldiers are nowadays participating in the peacekeeping missions under the supervision of United Nations, whilst the officers are preparing for their first mission under the NATO command in Afghanistan. Owing it to the achieved results, BiH shall join The Netherlands and Denmark in order to implement the exercise “Joint Effort” in this year. It will be for the first time that such exercise will be implemented outside the NATO member countries, which represents a great challenge and an important recognition for Bosnia and Herzegovina at the same time. This large exercise includes all BiH authorities’ levels, starting from the state level down to local, municipal and ending with the city level. BiH AF are also performing so called peace time tasks, which confirms excellent cooperation between the army and civilian structures of authorities. However, one thing is not following the successful development of the army, and that is modernization. Due to the limited budget, BiH AF does not possess an adequate weaponry and military equipment. Hence, this type of limitations is being compensated by the gradual introduction of modern IT equipment, as well as personnel training in accordance with the NATO standards.

## **1.5. Membership Action Plan (MAP)**

NATO and BiH are actively cooperating in a number of fields especially emphasizing the defence and security sectors reform, and support to the broader democratic and institutional reform. NATO joining process continues in a speed-up pace, whilst the bilateral cooperation is progressively developing in the light of streaming to become a NATO member. Bosnia and Herzegovina has made an important step on its path to entering the full Membership Action Plan (MAP), and the confirmation is existing political consensus in BiH on further progress in the Euro-Atlantic process. Therefore, the BiH Presidency has issued a

---

<sup>1</sup> Miladin Milojčić, Acting Chief of the BiH Armed Forces Joint Command

decision for BiH to apply with the NATO SG to join the full Membership Action Plan (MAP). BiH needs to establish its plans for reforms and the deadlines within the Annual National Programme (ANP), which is a part of MAP. Key fields are political and economical, defence and military, financial, security and legal issues. The important priorities shall be related to the achievement of democratic standards, support in corruption reduction, anti-organized crimes, judicial reform, public administration improvement and promotion of neighbourly relations. NATO allies are providing the feedback on foreseen reforms and asses their implementation. BiH is also now at the second stage of defence reform, and for the implementation it needs to have good quality personnel management. BiH Council of Ministers has adopted the Ministry of Defence Information on Individual Partnership Action Plan of BiH (IPAP BiH) in January 2009 as a part of the MAP. The Ministers have also adopted the Ministry of Defence Information on programmes of cooperation and participation of BiH in the NATO PfP Programme including the Planning and Review Process (PARP), Individual Partnership Plan (IPP) and the Intensified Dialogue (ID/IDD). The state ministries, Directorate for European Integrations and BiH Security and Intelligence Agency (OSA BiH) are also implementing planned activities within their competences, which are parts of IPAI BiH, PARP, IPP and ID programmes, all in accordance with the deadlines defined by the programmes. The Individual Partnership Plan of BiH is the most important document in further progress of Bosnia and Herzegovina towards the Euro-Atlantic integrations. The implementation of IPAP BiH is 85% of completed obligations out of 291 activities, which is a great confirmation of the high level of BiH success in the NATO joining process. The remaining 15% is related to the open issues of the other segments – speeding up the police reform, adopting necessary laws, resolving issues of the state and military property. The high percentage of implementation and obligations derived of the other cooperation programmes, such as PARP, IPP and ID confirm the existence of political consensus in Bosnia and Herzegovina on further progress in the Euro-Atlantic process. Possible scenario of the first membership cycle in MAP points out that NATO is generally satisfied with the progress of reforms in BiH, but considers that the country is, amongst other things, still wasting money on the old and non-useful military equipment and does not make enough progress in the following fields: corruption reduction and anti-organized crimes fighting, judicial reform, improvement of public administration and promotion of neighbourly relations, obligations to cooperate with the ICTY and return of refugees and their property. Apart from this, it will also warn that the process of military personnel reduction must not go in a too fast pace, in order to prevent social tensions. NATO took over the standpoints of the European

Commission and OSCE related to the political pre-conditions and it considers that the political will was not yet shown to provide good quality solution for the issue of refugees' return.

## 2. OVERVIEW OF NATO ACCESSION COSTS

Bosnia and Herzegovina's democratic development has enabled individual and organized actors, including the NGO Centre for Security Studies to legitimately participate in the creation of public policies. Hence, the Centre for Security Studies (CSS) has decided to contribute to the public debate on economic aspects of joining NATO by conducting the research „The costs and benefits of Bosnia and Herzegovina joining NATO Alliance“. In the previous debates on issues of BiH joining the Alliance main priority was given to the issues referring to the political and security dimension. As far as we are aware, there was no serious analysis conducted on the economical costs and benefits of BiH joining NATO, hence the broader public debate on this significant issue was left out. Therefore, the aim of this research is to initiate argument debate among officials and broader public on the economical consequences of the decision to apply for the full membership in NATO, based on the impartial factors and with no judgments or giving our standpoints.

Speaking of costs and benefits of BiH joining the NATO Alliance we are actually comparing costs and benefits in the collective and individual defence. What is more expensive, cheaper or safer? Certainly there are many aspects that have to be considered, and one of the most important is development of modern and good quality methodology in which the joining process will be treated as a problem that can not be measured in quantity. Similar discussion on this delicate issue took place in all the new NATO member countries. Unfortunately, these were mainly used by the opponents of NATO membership, or army in general, in order to give the arguments related to the high financial investments that are imposed by the joining the Alliance. Such single-sided approach does not provide complete image of the integrations process and creates and effect that may lead to a wrong perception of the calculation on joining costs and benefits.

One of the basic principles is that not all the costs are equally important, as well as that there are differences in costs definitions – *the accounting and economical definitions* that are being often discussed. We can certainly say that there are costs that are of all most no important for the decision making process, such as *average and sunk costs*, whilst the *bordering and opportunity costs* are very important in the decision making. Hence, the most important cost that we need to consider is the *opportunity cost* which is what we might get

instead of what we have already gotten. It simply, but effectively gives true cost of some decision measuring the values of the best alternative that was given up.

The purchase of new equipment, something basic such as rifles, illustrates the economic principle that all costs are not equally important. Equipping the armed forces with rifles represents basic capital cost that each army in the world must afford. Such cost is treated as *an accounting cost*. Economically, this cost is considered differently. In English language it is called *sunk (irreversible) cost*. One-term cost, such as purchase of rifles and ammunition, hence investment into the purchase of special equipment are expenses that the state has to make in order to create adequate defensive capacity and functional army. According to that Bosnia and Herzegovina must modernize and renew its old and wasted military equipment, regardless of it joining the NATO, and it has to harmonize the armed forces structure in a manner that was used by the countries that are still not the NATO members. Hence, regardless of the joining NATO Alliance it is necessary to replace the old equipment, the one of the lower capacity or those that is totally unusable. One of the consequences of the old and broken equipment may endanger human lives of young men and women serving the army.

In the broader sense, if Bosnia and Herzegovina intends to join the NATO, it is also accepting to participate in the collective defence and security system and it needs to count with certain entry costs. Critics keep on emphasizing the total consumption as the main negative factor in the financial terms, expressed through the capital investments and costs. At the same time, they are not paying attention to the time period in which the consumption would take place. In that way, joining the NATO Alliance turns out to be an act instead of the long-term process and the time aspects of payment have to be seriously considered. Citation of the military costs only expressed in the amounts of millions is useless for quality decision making and it does not provide correct costs projection. Basically, those are not true economic costs, but are mainly sunk capital costs – for the purchase of new rifles, ammunition, field vehicles, planes of any production etc. Those basic sunk costs are not important in the decision making process, because those have to be made as the basic capital investments and are irreversible. As mentioned at the beginning, most important costs that have to be considered are the *opportunity*. One of the most important details is that the sunk costs do not include or represent lost alternatives, which is exactly what the opportunity costs do.

Due to the lack of market set price and quantified cost, as well as the quantified profit, there is no sense in speaking individually how much one is ready to pay or believes that should pay for the national defence and joining NATO. So, 1 KM a month or a thousand through the entire life may be too much for certain individual, but at the same time we must not forget that those individuals are enjoying equal benefits of the national defence, and if they are enjoying the benefits, it is logical that they have to bare certain costs too.

Due to the lack of the quantified price that individuals of the society have to pay for the public good guarantee of security, we shall focus to the part of the cost – the commission which has to be paid by the responsible members of the state community. This part of the citizens' participation refers to tax paying. If we observe the tax rates that we are paying for the welfare of collective defence, which is the legal tax that the state is deducting from our salaries, and then we are able to make a calculation, on the individual level, of what is the cost in comparison with the percentage of salary. On the state level, the costs of joining NATO are calculated through the participation of military costs in the state budget, or otherwise on the macro level, which means that we will do measuring in percentage comparing it with the BNP in order to find out how much it costs us a nation. The absolute amounts observed individually are miscalculation of costs. For example, what is 1 million KM for a mission in Afghanistan? Does this mean that Bosnia and Herzegovina cannot afford it? If we are emphasizing total costs of the national defence, joining NATO, purchasing new equipment, costs of the Afghanistan mission, all of these have to be observed in comparison with the BNP as it is being done in other countries. The true, economic costs are not measured in KM. We have already mentioned that opportunity costs of the national defence can be hardly quantified in the alternative economic benefits. The true costs are measured through the alternative economic activities. Each of our selected economic activity is considered as the opportunity cost – we can reach the quantity of a certain product if we reduce the production of some other.

Bosnia and Herzegovina was consuming over 8% of its BNP for the military needs in 1999, whilst today this percentage is only 1, 22%.

The dilemma whether the part of resources for defence will be increased is being imposed as the key issue related to joining NATO. What are the resources needed for an adequate defence, modernization and reaching the standard without endangering the economic stability? If the part of resources for military defence does not reach over 2% of BNP, as

recommended by the Alliance, stability and the growing of the citizens' living standard will not be jeopardized, regardless of the fact whether the total costs of Afghanistan mission or total modernization costs grow etc. However, if it happens that the resources allocated for the military needs start rising out of control, this would then be totally different and undesirable phenomenon. At the same time it is possible that even more resources are available due to joining NATO. Such development may be affected by the reduction in number of personnel engaged in the military structures, transfer of new technologies and knowledges, increase of the human potential as the consequence of more demanding soldiers' education for those who will return into civilian working force. In accordance with this the curve will move upwards and increase the potential profit, which in practice means higher production capacity, more significant economic growth and improvement of the living standard.

Of course, any discussion of Bosnia and Herzegovina and its development strategies needs to be placed within the international framework, since each of our problems, whether it is regional or local, have to be considered in the international context. BiH membership in NATO and EU as well as the regional cooperation are definitely parts of such broader context. The modern security threats and challenges are still placing the factor of security to the very top of international relations agenda. This issue, as an assumption of the efficient division of economic and political relations, has received new dimensions but did not become any less important. Symmetrical threats have been replaced with the asymmetrical ones (terrorism, ecological and technical disasters, organized crimes), which also includes greater risks and potential damages, and are far more difficult to predict. Hence, the security issue is still being imposed as the crucial reason for joining NATO. After the crash of communism, NATO has entered a new epoch in which the collective security has more importance than collective defence. Still, the security issue must not be left out of the big picture of economical issues, which are directly or indirectly connected to it.

The membership in NATO itself imposes professionalization and modernization of the countries candidates' armed forces. Raising the performances of the armed forces implies indirect and direct benefits such as favourable security perceptions of the country and its surrounding, but also the increase of costs related to the investment into defence sector and infrastructure. However, there is no officially developed broader discussion on joining the NATO pact in Bosnia and Herzegovina yet. .

The public is not conducting serious debates on reasons for and against the BiH membership in NATO and the cause for this is either lack of interest or lack of knowledge. Both of these options have their good and bad sides, but this very important issue is being completely ignored by public. The economic consequences are still being considered only from political and military aspects. This may be understandable in the given circumstances where the daily policy, based upon the narrow party interests, is the main determination factor of all the social happenings in BiH. There are reviews, that appear periodically in public, that are mostly focused on the high cost of joining NATO and in this way are stated the reasons for staying outside the Alliance, while at the same time the benefits of membership are not being showed as well as the height of costs in case of no joining the Alliance. Thus, the process of BiH joining NATO will undoubtedly have military and political, economic and social consequences. Speaking of the economic effects of BiH joining NATO, it is necessary to distinguish between positive (benefits) and negative (costs) aspects of BiH joining NATO. In addition to the classification of costs and benefits, it should be placed in short term and long term, as well as direct (material) and indirect (intangible) aspects.

## **2.1. Constraints and dilemmas in relation to support the NATO membership**

There is strong consensus among major political parties on the implementation of BiH membership in NATO, but at the same time the level of public support for membership in NATO remains unclear. Importance of public opinion on matters of defence spending, loss of national sovereignty, uncertainties about the possible benefits and costs are almost not considered seriously at all. Question that should be answered is whether BiH can afford the cost of membership in NATO, or as an alternative, should seek neutrality or demilitarization. Possible effects of these offered scenarios in the entire BiH economy are still uncertain. Unlike membership in EU, joining NATO is still perceived from the military-political aspect. It is very likely that joining EU will have a significant impact on the BiH economy and economic effects of membership in NATO are not much recognizable. The issue is whether the EU membership itself is enough to bring stability and security, i.e. whether there are alternative ways of achieving the same level of security in case of neutrality as a possible scenario. In the first years after independence, membership in NATO was perceived as a confirmation of hiding under the security umbrella of the West, which is considered itself sufficient, regardless of the possible costs. However, after the consolidation of pro-Western

forces throughout the countries of former Yugoslavia, the need to clearly present all possible influences on future member country has become extremely important element. Based on the activities of Ministry of Defence, in the media was much written on the inevitability of a substantial increase in costs for the defence in case if BiH would remain outside the NATO and thus be forced to rely on individual defensive skills. Also, in more or less the same sources, much has been written about the significant savings that could be achieved by BiH joining NATO. Certainly it would be inappropriate to qualify the statements of this kind without arguments, and therefore one of these research goals is to answer and analyze some of the key issues that are imposed in relation to the economic sides of BiH joining NATO.

It is well known that each social, political relationship represents mixture of good and bad characteristics. The same is to be applied for the NATO membership. In order to be invited into NATO, and later on to efficiently develop the membership for the benefit of citizens and society, many of the state ministries and agencies shall have to invest and consume a lot of resources and efforts to achieve this goal. In order to avoid the possibility of politicization, which could provide an opportunity for the interested groups to use or interpret the data in a way that suits them, we believe that the most effective way is to accept a very simple approach that says there are benefits where there are subsidiary costs. If there were costs made in the negotiations with the EU, an appropriate benefit must be estimated as those arising from the EU accession process. Also, if the cost is associated with joining NATO, then the benefits also belong to this process. Although it is probably not ideal, this approach can serve as a starting point for further analysis and criteria for decision-making about the implication of costs and benefits of these two processes.

## **2.2. The economical impacts to the state economy (direct and indirect)**

The cost of security is probably somewhat easier to estimate than benefits, although in fact there are certain difficulties. It is very easy to find if they are "hidden" within the state budget, perceiving them as "strictly" financial costs. But when it comes to costs which understanding is influenced by observations, things are a bit more complex. Suppose that the political costs, which are insufficiently recognized and supported by, or increased level of security threat to the country, are the costs which are much more difficult to define and determine. Similar dilemmas of the inner national issue occur at making external political decisions, in this case of membership in NATO. How would the joining of our country in this

international military organization contribute to the security of citizens of BiH and whether the possible investment will be objectively justified? In what amounts to express the benefits that are not financially quantifiable, respectively their articulation is possible only in abstract notions such as users of public good in the society that provides adequate security.

The direct costs of defence are included all costs that are directly related to the joining the Alliance. These costs include the reforms that must be carried out in the defence sector, in order to achieve optimum capacity required for interaction with NATO structures, and ensure the country's contribution to the tasks of collective defence and NATO's missions. All of these costs certainly represent the "burden" for BiH tax payers and weak economy, but must be provided in the military budget, if there is serious intention to approach achievement of the declared external political objective. The economic circumstances certainly do not go in favour of the additional budget expenditures, and definitely a dilemma arises whether it would be effective and useful to focus these funds to other sectors that are considered vital for the country, such as health, education and social sector and similar.

The division of costs related to integration into NATO, can be classified into direct and indirect, although it is sometimes difficult to distinguish the differences between these. It is difficult to classify them according to importance, as both are intertwined with a number of dependent variables that sets the relative importance of the internal and external policies of the state, the current political agenda or political structure in power. Some costs are acceptable in a particular political or economic situation, but in order to be able to make affordable decisions and plan budgetary funds it is necessary to get closely acquainted with the direct and indirect costs. First, we shall evaluate the direct costs because they are more suitable for gaining insight on the necessary financial implications. Calculation of some costs was made through the assumptions and based on the experiences of other countries and available long-term development plans and activities of the Armed Forces of BiH. We must mention that we ourselves have taken the freedom to make such a broader categorization of direct expenses because we believe that some costs, such as the amount of the budget, can not be seen objectively without the influence of integration. Some countries' studies have used the methodology to classify only direct costs associated with membership of a joint contribution to the budget and the costs of representation at NATO headquarters. Our approach was somewhat broader and is based on the assumption that it is very difficult to distinguish which costs should be represented in this category and not confuse readers.

Therefore, we opted for this extended variant, although we are aware that it can tolerate criticism justified depending on the approach to the calculation of costs.

Direct costs are divided into the following categories:

1. Membership costs - contribution to the common budget of NATO;
2. Costs related to civil and military representation in NATO;
3. Costs related to the obligations of our troops in joint operations;
4. Costs of participation in common activities of NATO (seminars, conferences, joint exercises, the role of "host country", etc.);
5. Maintaining defence budget at a certain level in order to achieve modernization and restructuring of the armed forces to NATO standards;

#### ***2.2.1. Membership costs – contribution to the common budget of NATO***

In the implementation of the joint financing and cost-sharing principles, the member countries have dedicated financial resources that are required for the Alliance's functioning (resources needed for consultations, decision making, programme implementation etc.). NATO member countries are contributing with their national budgets to the Alliance's activities in several different methods, and most important of all contributions reflects in the availability of certain country's armed forces to the NATO missions. Each member state is obliged to extract, within its abilities, certain resources to ensure operability of the NATO joint costs, which are classified into civilian, military and Security Investment Programme. Some of the joint exercises are covered from all three structures of NATO budget, while each of these structures is in a form of an individual contribution of each member country. Membership costs are direct costs and are considered as "extra costs" that will contribute to the above mentioned budget structures.

Bosnia and Herzegovina to the common budget, as well as other members, should be paying the amount on the basis of agreed formula for allocation of costs among member countries. Amount that NATO members are paying into the budget, managed by NATO, in fact represents only a small percentage of their military defence budget. Financial management of the common budgets is made through a special civil, military and infrastructure budgets of NATO. Rules and procedures in financial management are based on openness, flexibility and fairness, and ensure the realization of maximum interest by effectively addressing common problems. None of the member countries are expected to

assume greater financial burden than it would be fair, or even higher share than what can be taken without endangering the national economy. Thus, the military budget of our country should have no problems to afford this cost. The criteria for calculating each country's share in the budget of NATO in principle includes the amount of GDP realized in the country and the purchasing power of citizens. In accordance with these two parameters the so-called payment ability of citizens, key distribution costs for the functioning of NATO structures shall be determined. Usually, less than 0.5% of the country's military budget is paid on behalf of the common expenses for the functioning of NATO structures, so the current parameters for BiH mean that it would be obliged to pay around 1.8 million KM on the annual level. Common fund is used for the proper functioning of the military and civil structures for the costs of enlargement, improvement of the military infrastructure of new member countries, promotion of NATO, for reform of defence with the potentially new member states, etc. In practice so far, BiH has been a user of these common resources in a variety of forms, and as a new member country it would still be able to expect that it would have a part of the investment returned in the form of support from NATO to adjust BiH structure.

### ***2.2.2. Costs for civilian and military representation in NATO***

In order to realize effective communication, consultation and joint decision making among members of NATO, every country that strives the membership should send a number of diplomats, advisers, and military and auxiliary personnel in the headquarters of NATO. The current systematisation by the BiH into NATO anticipates 18 people, of which 1 seat is provided for the Ambassador, 4 seats for the political department, 2 seats for the defence department, 6 seats for the military, of which 4 to 2 in Brussels and Mons, and 5 places in the administrative sector. As for cost, the expenditures of 531,521 KM BiH were anticipated in 2008 for the BiH Mission in NATO, exclusive any capital expenditure. In 2009, by filling in the vacancies, the amount of 316,643 KM is envisaged as expense capital expenditures, which does not include rental of space in the amount of 300,447 KM, as well as the costs of technical secretary, janitor-driver. From these data, the total amount of expenditures BiH Mission to NATO for 2009 is 617,000 KM. Ministry of Foreign Affairs bears the funding for the civilian budget, and funds for the military budget and security-investment program are covered by the BiH Ministry of Defence. It is evident that most of the costs are related to capital expenditures, travel expenses, per diem, accommodation, rental of premises. In the coming period, these costs should include some other benefits for our staff in accordance with the practices of other countries, such as the costs of training and specialization of staff related

to the STANAG, as well as the costs of adequate representation of the country's delegation and cooperation with other military missions, which also represents the official obligation.

### ***2.2.3. Costs for the obligations of our troops in joint operations***

Participation in NATO activities, which are not directly related to Article 5 Agreement on NATO, became one of the primary obligations of member countries. So, NATO members ensure participation of their troops in missions and operations outside the member countries of NATO. Military forces and equipment in the member countries is under the control of the national command, but their parts can be placed at the disposal of NATO for the execution of special military tasks, which are in line with the objectives of the Alliance. The cost of maintaining troops and military equipment, their training and education, are financed from the budget of the defence of each individual member countries. Convergence of BiH to full membership in NATO shall demand an increased participation in NATO peacekeeping operations carried out in the world. The most important engagement, in this field, members of Armed Forces of BiH had through participation in the mission of coalition forces in Iraq. Although not a NATO operation, this was a chance for us to contribute to building peace in the world with some members of the Alliance. The costs of sending two military units are significant in relation to the economic situation in BiH, but the percentage in this case was reduced because half of the cost was subsidized by the United States. Given the commitment of our government to deploy our forces in peace support operations in the future, this will require an additional burden on the already modest budget allocations. However, as long-time users of the international military assistance, we are very aware that it is necessary to support peace operations and in this light there is a clear commitment of our political leadership. According to sources from the Ministry of Defence, the engagement of our units for the destruction of unexploded ordnances (UXO) in Iraq costs 1,150,000 KM within a rotation period of six months. So, for two rotations on an annual basis the cost is 2,300,000 KM. Everything else, equipment and logistics was co-financed by the U.S. Government. Our country participates in various peace operations, incorporated in contingents of other member countries, of which we cover 20% of operating costs, and the rest is of the Alliance.

### ***2.2.4. Costs for participation in joint activities of NATO***

As for the cost of projects of NATO and PfP, these are mainly related to the participation of our representatives at the events organized by NATO / PfP (costs of transportation, accommodation and per diem). In 2005 and 2006, costs on behalf of NATO

and PfP activities on an annual basis have moved around 80,000 KM. In 2007 was somewhat stronger intensity of activities and costs have increased to about 170,000 KM (25 events realized only by IPP and 4 to 5 conferences on an annual basis). In 2008 costs in the name of NATO and PfP activities are estimated at about 950,000 KM (activities in the IPP, about 224 activities in 2008, according to PARP, IPAP and other events such as participation in meetings, conferences and events where the representatives of BiH were invited). In 2009, for costs related to the NATO / PfP activities, are foreseen around 855,000 KM. It should be noted that the overall activities that are conducted within the framework of NATO / PfP activities are co-financed by NATO in the amount of up to 70-80%. In the coming period, based on the experience of members such as Bulgaria and Romania, our participation could be limited to the necessary level of activity with a maximum effect that such activities can provide. At the same time, thanks to the results achieved, this year Bosnia and Herzegovina will be along with Holland and Denmark, to realize exercise "Joint effort". This will be the first time that this exercise is realized outside of some NATO member states, which represents a major challenge for Bosnia and Herzegovina. This exercise requires extensive involvement from all levels of government in BiH by the state through local and municipal to city level. The costs of the exercise "Joint efforts" are approx. 6.27 million KM. In any case, it is impartial to assume that benefits can be drawn from the cost of all this, in terms of training and knowledge gained. Thus, this should be an approach to this expenditure.

The higher intensity activities are expected in the medium term future, which is logical. Around 1.2 million KM is planned for the 2010, while around 2.28 million KM is planned for the 2011 due to the preparation and maintenance of exercise COOPERATIVE Longbow / LANCER 2011. During the 2012 the planned consumption of 1.69 million KM is related to the NATO / PfP program activities. There is still no projection of the expected financial framework of the state budget for the next medium-term period, but it is expected by the end of 2009. Due to financial constraints in the defence budget, the costs for NATO and PfP activities are yet planned with the expected financial support from NATO and partner countries (up to 80% refund for the cost of participation in NATO and PfP programmes). What must be particularly taken into account is to define the priorities of the BiH Ministry of Defence, which must be in complete correlation with the needs and limited financial resources. Only a maximum of good assessment can provide the necessary conditions related to the education of our experts or further consolidation of knowledge and specialization of high-ranking military officials.

### **2.2.5. Defence budget balance**

Price of defence, of course, varies from country to country, as well as the security environment. The reform of the defence forces of Bosnia and Herzegovina has led to a significant reduction in allocation of budgetary funds for the costs of defence. Immediately after the war costs of the defence system were reaching over 8% of GDP, so it was one of the important reasons for the implementation of reforms. Significant stabilization of the defence budget was going on in the period of BiH approaching the PfP, and thus costing was reduced to about 2% of total GDP. As a notable increase in GDP, Bosnia and Herzegovina's allocations for defence were successively increased. Thus, the nominal cost of defence increases since accession of Bosnia and Herzegovina in PfP, but the structure in relation to GDP is reduced to the current percentage of 1.22%. Before the radical defence reform, the budget for the Ministry of Defence of Bosnia and Herzegovina, Federal Ministry of Defence of Bosnia and Herzegovina and the Republic of Srpska Ministry of Defence in 2004 was 321,528,158 KM. The largest part of the overall structure of the budget was related to personnel costs, which was reaching 81.18% of total costs. Other operating expenses amounted to 17.52% of total costs, while the expenses for capital costs were projected up to only 1.3% of total costs. A high percentage of personnel costs in total costs were largely caused due to severance payments because of the reduction of the Armed Forces of BiH, which was implemented in 2004. The share of capital expenditure in the cost structure was very low, so only most prioritized procurement and past of reconstruction were funded. Due to lack of funds, there were no granted funds for research in 2004. The approved budget for the BiH Ministry of Defence, the Federal Ministry of Defence of Bosnia and Herzegovina and the Republic of Srpska Ministry of Defence in 2005 amounted to 274, 016,648 KM, which is about 17% less than the planned needs in 2005. Personnel costs amounted to 77% of the total approved funds, other operating costs were projected to about 20%, while capital expenditures were allocated with the amount of 3% of the total approved funds in 2005. During 2005 lower share of personnel costs was noted, as a result of impairment of the budget and reconstruction of the structure of the armed forces. Significant stabilization of the defence budget was going on between the defence system reform and convergence of BiH to the PfP, and thus costing was reduced to about 2% of total GDP. Bosnia and Herzegovina has successively increased the defence allocation, as an increase in GDP was noted. So, the budget for 2006 amounted up to 140 million euros (278.1 million KM), in 2007 up to 143 million euros (285 million KM), in 2008 up to 166 million euros (324.8 million km), while for the current year the Ministry of Defence has requested additional 25 million euros (49 million KM) to the defence budget,

which should ultimately amount up to 190 euros (371.24 million KM) for 2009.<sup>2</sup> Despite the increase in the nominal amount of the budget, part of the logistics of operating expenses was approved at a lower amount than what was executed in 2008. The most unfavourable situation was with the capital amounts that were reduced by 50% compared to the approved funds in the previous year. Currently, the capital expenditure funds bear the approved resources for implementation of the "Joint efforts" '09 exercise in amount of approx. 700,000 KM for the procurement of other means and equipment. Funds will be invested for the preparation and maintenance of exercise "Joint efforts," contributing to the process of modernization and standardization of our defence system in accordance with the standards of NATO and PfP member states. The basic problem of the defence budget is low level of approved funds in relation to GDP. Since 2006 the approved budget is 1.4% or lower, which is significantly less than 2% as recommended funding level according to NATO standards. It is important to note that even a significant number of NATO members do not comply with these recommendations, so that some countries spend less than 2%, while at the same time countries such as USA, Turkey and Greece exceed this percentage. Although it is known that in BiH there is a generally accepted consensus on joining Euro-Atlantic integration, requests of the Ministry of Defence for appropriate budget do not face the understanding of political elites while making decisions about the structure of the state budget.

Therefore, increasing the budget and budget requirements of the Ministry of Defence of Bosnia and Herzegovina (which can best be seen from Table 1) are directly related to the increased needs of the armed forces to become more compatible with the forces of NATO member states.

**Table 1 – Budget in the midterm period 2006 - 2012.**

	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP	-	-	21.151	24.161	27.584	30.529	33.966 (feb.2009)	Data not updated	Data not updated
The approved budget of MoD BiH	321.5	274.0	278.1	285	324.8	371.24	-	-	-
% GDP	-	-	1.31	1.18	1.18	1.22	-	-	-
MoD BiH budget request - demands	-	-	290.15	334.66	349.6	489.47	474.89	478.17	530.98
% GDP	-	-	1.37	1.39	1.27	1.60	1.39	-	-

Source: Ministry of Defence BiH (MoD BiH)

<sup>2</sup> Defence budget review and GDP in period from 2006 to 2012, BiH Ministry of Defence

What is still a very unfavourable is a cost structure within the defence forces. A very small percentage is allocated for the modernization and research, so we still can not talk about the development budget. The share of personnel expenses reaches up to 70-82% percent of the total budget.<sup>3</sup> It is very important to note that this percentage of personnel costs includes fees, travel expenses, training and development, which means that personnel costs also include travel expenses such as minister's or a general's improvement in some of the missions. Thus, the share of personal calculation of costs in the total defence budget should be taken with certain reservation, since it includes the costs of training, education and other operating expenses. Despite this, cost structure should be re-allocated in accordance with the practices of other member countries where the share of personnel costs is about 50-60% of the total budget.

From the above it can be seen that the share of personnel costs in the defence budget represents a significant component of its height. Also, with the broader social aspects, it can provide an answer to whether the Armed Forces are too large, too expensive or poorly paid compared with the rest of society. All variables related to access to this issue are possible, which can have direct consequences for the amount of defence budgets. What is indisputable is that Bosnia and Herzegovina must modernize its armed forces, even if it decides not to join NATO. This will certainly consider significant costs. Therefore, it is necessary to calculate how these costs will amount if BiH should become member of NATO or if it keeps the status quo. For this dilemma, perhaps we can use the example of Slovenia. In the case of Slovenia, the direct impact of the modernization of the army joining NATO was estimated at about 0.1% of GDP, while personnel costs increased due to the professionalization for some 0.4%.

In the analysis of the costs of defence of Bosnia and Herzegovina it is also important to mention that the necessary changes have still not been made to legislation which should regulate the status of reserve (through recognition of it in the Labour Law, Law on salaries and fees, etc.) which is a prerequisite for the adoption of the Rules of reservists Armed Forces of BiH. Concept development and implementation of the reserve is a multi-year process. Due to the failure to adopt necessary regulations in the current and next fiscal year there are no

---

<sup>3</sup> Miladin Miložić, Acting Chief of Joint Command of BiH Armed Forces

planned funds for the reserve team. In the proposed funding from 2010 till 2012, in the first phase of 2011 around 1.3 million KM is planned, and in the 2012 about 3.16 million KM for reserve training.

When determining the course of the military budget, one must take into account its existence. When there is a lack of funds for the army, the first and most important element of the military budget that suffers is the acquisition. If the Armed Forces are in excess of staff and it consumes a disproportionate part of the military budget, probably there will be an attempt to divert money from the acquisition. It may look like the best possible solution for a short period, but for a longer period such an approach brings the difficulties in implementing activities to the armed forces. Such a reallocation of budgetary resources must be particularly taken into account, in order to keep it bringing into question the commitments within NATO, because the other members of the Alliance will not look favourably on the non-fulfilment of joint plans due to internal problems that BiH faces with.

### **2.3. Indirect, non-military expenditures**

As already mentioned in the previous section, membership in NATO is not strictly a political decision with distinct consequences on the defence segment. There are some dimensions of NATO integration in addition to political and military influences (explicit or implicit), which are treated as part of the country's commitment to the integration process. Economic cooperation is one of the aspects arising directly from the Washington Agreement. There is a close connection between economics and security, which is adequately defined by Marshall's Plan: creating a safer environment for the development of safety and economy. Perceiving the commitment to NATO, we must be aware that joining the Alliance can not be easily realized. It is not easy, for any country, to deal with various forms of corruption, authoritarian practices, disrespect of the Rule of law, abuse of the voters' free will, market distortions, disrespect of the minority rights, personal rights, freedom of the media etc. Joining the Alliance demands from all countries to meet these conditions and reach the level of democracy which is based on the principles of liberal democracy. Both institutional capacities and overall social conditions must be created in order to achieve these goals that will then allow implementation of comprehensive reforms. For a country that is committed to the full membership this automatically means an increase of costs that often can not quantify the exact financial indicators, but are irrefutable and indispensable. Thus, we come to the

costs that we name direct and indirect, which are related to the political, economic, social and infrastructure costs.

**2.3.1. Political costs.** There are many arguments/controversies regarding *the nations' reduction of the sovereignty* conditioned by making the collective security decisions by the Alliance. In this regard, Bosnia and Herzegovina would not have had a significant problem considering the involvement of the international community in the security sector in the period from the war to date. There is also awareness of the political elite that for a small country with limited financial resources, in terms of modern non-conventional threats, it is impossible to provide security to citizens with only relying on domestic resources. Another cost could be *a lack of public support to authorities' structures* as a result of dissatisfaction with the participation of our troops in the NATO mission in dangerous areas of the world. For example, Slovenia and Italy were forced to withdraw its troops from Iraq because of the pressure from the public, while other countries such as Poland have reduced the number of troops. The public in Croatia has refrained from supporting the membership due to fear of losing foreign tourists, which may be the fact associated with installing the NATO base in the country. These costs can be much more sensitive and more pronounced in cases of possible loss of troops in missions in Afghanistan, Iraq or elsewhere. Bosnia and Herzegovina is perceived by the international organizations as a state with legal and institutional issues. These problems cause often unreasonable and unnecessary political discussions among the parties involved in the political life of our country on daily basis. Fulfilling NATO and EU standards *in the electoral process and judicial reform creates additional costs* imposed by fulfilling out the criteria for membership in NATO. Significant reforms in the judicial system aimed at increasing of the effectiveness of the rule of law and implementing legislation require high costs, but at the same time bring great benefits to all segments of society.

**2.3.2. Economic costs.** Regardless of the somewhat favourable macroeconomic situation, a country that has 25% of the population living below the poverty line, strongly expressed disproportion in the distribution of wealth and a large deficit of budget and trade, can not easily provide *financial resources for security and achievement of NATO standards*. Significant costs are associated with *the implementation of comprehensive reforms*, not only for the purpose of integration into NATO, but also within the EU aspirations. We should mention the costs for restructuring and further liberalization of the economy, promoting business, improving the system of social and pension insurance, health reform, education,

public administration, etc. It is realistic to expect a reduction in the level of grey economy and rationalize spending on all items budget expenditures as a result of system improvement, but arranging these sectors also implies considerable engagement of material and human resources. What may be beneficial is that we could count on considerable help from NATO and EU member states in these endeavours.

**2.3.3. Social costs.** The fight against corruption, organized crime, trafficking in arms, narcotics and human trafficking is one of the biggest challenges for the authorities of Bosnia and Herzegovina. According to many analyses, the biggest social problem in the country is exactly the lack of adequate capacity to fight against these scourges. Transparency International's corruption perception in the Index for 2008 ranks Bosnia and Herzegovina as the last country in Central and Eastern Europe, and positions it on the 92<sup>nd</sup> place of 180 countries in the world. Due to its importance and impact on the general public, the segment of social costs and benefits will be subject of detailed analysis later in the study.

**2.3.4. Infrastructure costs.** The concept of collective security involves *the use of civilian infrastructure* for NATO purposes. There is no doubt that investment in improving infrastructure, telecommunications and energy require huge capital investment, but they are at the same time an essential factor for the development of each country and it is therefore necessary to carry it out independently of the requirements for membership in NATO. Many of these investments can not be done impartially, without the support of foreign donors. These will be accessible if the support to capital investments is justified by joining such an international organization like NATO. It should be borne in mind that some of the most important countries of potential donors are at the same time holders of activities within NATO, and therefore one can count on their good will in solving such a large request. Thus, the only thing by which these costs vary is the speed at which their realization will be approached. Therefore, in consideration of the context of NATO integration, we will place these in the group of indirect costs. It should be borne in mind that the return of these investments is more than certain, and is reflected in the development of the economy, better prerequisites for attracting foreign investors, improving trade and tourism, increase of safety in traffic, etc. These assumptions are based on concrete indicators of the NATO member countries, which have joined in the last decade. For example, the experience of Poland and Bulgaria (countries with technical and financial capacities better than those available to our

country), show that their plans of infrastructural development would have consumed a far greater period of time if there was no membership in NATO and the EU.

### **3. THE EFFECTS OF ACCESSION ON STATE ECONOMY**

Although the joining of Bosnia and Herzegovina to NATO has a reflection on the different segments of society, the importance of special factors related to economic aspects of integration. Bearing in mind that NATO is not just a military alliance but also political, it is necessary to point out the effects, which as a guarantee of security, has the economic performance of a country. Of course, the impact of integration into NATO is reflected differently from country to country, depending on its (none) development, structural adjustment, the situation in the security sector and needs to make the necessary adjustments, as well as financial considerations related to the integration process into NATO. It is necessary to emphasize a mixture of political and economic benefits from the integration upon the insight into the experiences of countries that have recently joined NATO. We are pointing this out because of difficulties in the separating only the economic aspects from joining. Cost-benefit analysis of a country's integration into NATO therefore shows the direct and indirect effects, measurable and immeasurable, fixed and variable, reversible and irreversible. As we said at the outset, there is no methodology or quantitative evidence on which basis we can determine the exact cost of this integration. But what we can determine with certainty, based on analysis of basic economic parameters, and the previous theoretical discussion, is that there is a connection between the joining membership in NATO and the growth and development of the country, pointing out that this correlation is positive. This stems primarily from the fact that countries in the process of integration into NATO must make a number of reforms, not just in the security sector but also the overall political, institutional and economic environment. Another reason lies in the explanation that membership in NATO itself is a positive signal on the implementation of necessary reforms, the direction of movement of a country in ascending orbit, increased security of the business environment, and hence economic growth. It is also necessary to emphasize the process of integration into the EU, which followed the process of NATO enlargement to new members. This aspect of analysis gives us additional arguments for the reservations on the isolated assessment of the economic effects of the NATO integration process. In fact, experience shows that country's reform related to EU and NATO integration have had reciprocal positive effects on each other. So, for some countries the NATO membership had stimulating influence on the reform process of EU integration and vice versa. This general rating leads to the need for careful analysis of the conclusions drawing about the cost of integration and total

economic impact since integration in NATO. This is the reason of our emphasizing of this aspect in our analysis, given the status of Bosnia and Herzegovina in the context of integration in NATO and the EU. Necessary reforms cost, but also benefits of reform and integration process in the EU and NATO are indisputable. Hence, we will once again emphasize the need to make distinction of costs and benefits in the short and long term period. In an attempt of conception of the main directions for analysis of Bosnia and Herzegovina's integration into NATO potential economic effects, we consider particularly important to pay attention to the following:

- Defence costs
- Foreign direct investment and the country's credit rating
- Production of arms and military equipment

*a) Defence Costs*

The experience of other countries in the process of joining NATO show a high degree of correlation of foreign investment and growth in GDP - growth of defence expenditures follows the growth of GDP. If we observe the 17 NATO members prior to 2004, we can see that increased investment in defence took place in 7 countries, whilst 9 countries had to reduce the cost of this type. Out of 7 new NATO members from the 2004, 6 countries had to increase expenditures for defence. So, there is no safe sign that membership in NATO itself increases or decreases the costs of this type.

**Graph 1 - Comparison of costs of defence with the old, new and non-NATO members**

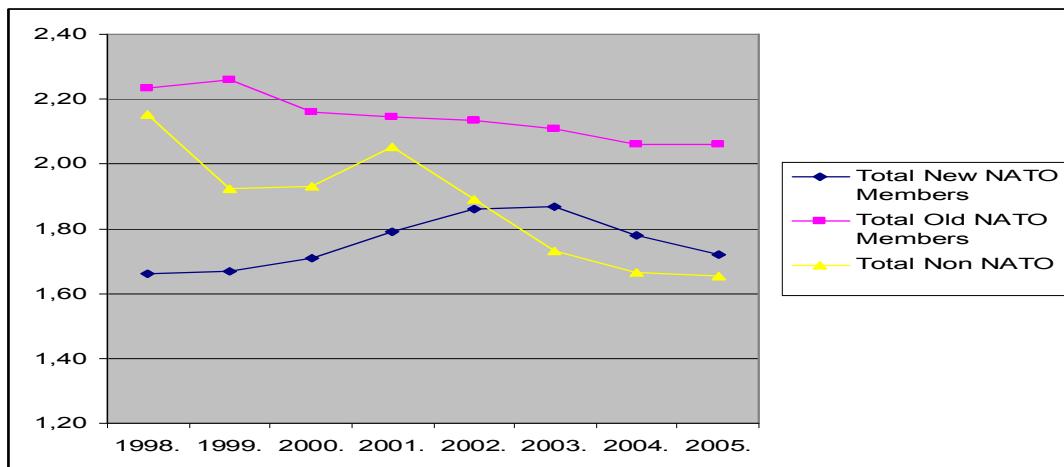


Table 2 shows us that the process of joining NATO was accompanied by the growth of GDP

**Table 2 – GDP growth rate (% of changes in comparison to the previous year)**

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Czech R.</b>	4,9	5,0	5,8	6,4	6,4	4,5	3,6	1,9	2,5	3,6	1,3	-0,8
<b>Poland</b>	5,2	5,6	6,5	6,2	3,6	5,3	3,9	1,4	1,2	4,3	4,5	5,0
<b>Hungary</b>	3,4	2,6	1,3	3,9	4,1	4,8	4,2	4,4	4,1	5,2	4,2	4,9
<b>Estonia</b>	6,2	6,4	7,1	11,2	10,2	8,3	7,2	8,0	7,7	9,6	-0,1	5,4
<b>Latvia</b>	6,2	7,2	10,2	11,9	10,6	8,7	7,2	6,5	8,0	6,9	3,3	4,7
<b>Lithuania</b>	6,3	7,5	8,8	7,7	7,9	7,3	10,3	6,9	6,6	4,1	-1,5	7,5
<b>Slovakia</b>	6,2	7,0	8,7	8,5	6,6	5,2	4,8	4,8	3,4	1,4	0,0	4,4
<b>Slovenia</b>	4,0	4,6	6,1	5,7	4,1	4,4	2,8	3,7	3,1	4,1	5,3	3,6
<b>Romania</b>	5,8	5,9	6,0	7,9	4,2	8,5	5,2	5,1	5,7	2,1	-1,2	:
<b>Bulgaria</b>	6,2	6,0	6,2	6,3	6,2	6,6	5,0	4,5	4,1	5,4	2,3	4,0

Source: Eurostat

Growth costs of defence followed by GDP growth has enabled countries in the process of joining the NATO to nominally spend more for defence without a significant increase in the share of military expenditure in GDP.

**Table 3 – Defence costs in GDP %**

	1998	1999	2000	2001	2002	2003	2004	2005	2006
U % BDP –a									
<b>Czech R.</b>	1,9	2	2	1,9	2	2,1	1,9	2	1,7
<b>Poland</b>	2	1,9	1,9	2	2	2	2	2,1	2
<b>Hungary</b>	1,5	1,7	1,7	1,8	1,6	1,7	1,5	1,4	1,2
<b>Estonia</b>	1,1	1,3	1,4	1,5	1,7	1,7	1,7	1,6	1,6
<b>Latvia</b>	0,6	0,8	0,9	1	1,6	1,7	1,7	1,7	1,8
<b>Lithuania</b>	1	0,9	1,4	1,3	1,4	1,4	1,4	1,2	1,2
<b>Slovakia</b>	1,8	1,6	1,7	1,9	1,8	1,9	1,7	1,7	1,7
<b>Slovenia</b>	1,4	1,3	1,2	1,4	1,5	1,5	1,5	1,5	1,6
<b>Romania</b>	3	2,7	2,5	2,5	2,3	2,1	2	2	1,8
<b>Bulgaria</b>	2,3	2,5	2,5	2,7	2,7	2,6	2,4	2,4	2,3

The data indicating that the process of NATO enlargement, especially from 2004 had an impact on changes in military expenditure in non-member countries is showing that the faster dynamics reduce these expenses in non-member countries of NATO than in the new member states.

**Table 4 - Costs of defence (percentage of GDP) in countries outside the NATO membership (ending with the 2005)**

	1998.	1999.	2000.	2001.	2002.	2003.	2004.	2005.
<b>Albania</b>	1,20	1,20	1,20	1,30	1,30	1,40	1,40	1,40
<b>Armenia</b>	3,50	3,70	3,60	3,10	2,70	2,70	2,70	2,70
<b>Austria</b>	1,00	1,00	1,00	0,90	0,90	0,90	0,90	0,90
<b>Azerbaijan</b>	2,40	2,60	2,30	2,30	2,20	2,40	2,60	2,50
<b>Belarus</b>	1,40	1,30	1,30	1,40	1,40	1,30	1,40	1,20
<b>Bosnia and Herzegovina</b>					4,30	2,80	2,30	1,90
<b>Croatia</b>	5,50	4,30	3,00	2,60	2,40	2,10	1,70	1,60
<b>Cyprus</b>	3,50	2,00	2,10	2,30	1,60	1,50	1,50	1,40
<b>Finland</b>	1,50	1,30	1,30	1,20	1,20	1,40	1,40	1,40
<b>Georgia</b>	1,10	0,90	0,60	0,70	1,00	1,10	1,40	3,50
<b>Ireland</b>	0,90	0,80	0,80	0,80	0,70	0,70	0,60	0,60
<b>Macedonia</b>	2,20	1,80	1,90	6,60	2,80	2,50	2,50	2,20
<b>Malta</b>	0,70	0,70	0,60	0,70	0,70	0,70	0,70	0,70
<b>Moldova</b>	0,60	0,50	0,40	0,40	0,40	0,40	0,40	0,30
<b>Serbia and Montenegro</b>	4,40	4,50	6,00	4,70	4,80	3,80	3,30	2,60
<b>Sweden</b>	2,10	2,00	2,00	1,90	1,80	1,70	1,60	1,50
<b>Switzerland</b>	1,20	1,10	1,10	1,10	1,00	1,00	1,00	1,00
<b>Ukraine</b>	3,40	3,00	3,60	2,90	2,80	2,80	2,60	2,40
<b>Total Non NATO</b>	<b>2,15</b>	<b>1,92</b>	<b>1,93</b>	<b>2,05</b>	<b>1,89</b>	<b>1,73</b>	<b>1,67</b>	<b>1,66</b>

Although this trend of reduced participation of defence in GDP is a feature of both old and new members of NATO, it is worth of mentioning that their total expenditures of this type is greater than of the new member states and non-member together. We can have a look in the following table at trends in average defence spending as a percentage of GDP for these three groups of countries.

**Table 5 – Average allocation for defence in GDP %**

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Old NATO members</b>	2,23	2,26	2,16	2,15	2,13	2,11	2,06	2,06
<b>New NATO (1999, 2004) members</b>	1,66	1,67	1,71	1,79	1,86	1,87	1,78	1,72
<b>Non NATO members</b>	2,15	1,92	1,93	2,05	1,89	1,73	1,67	1,66

In the context of this analysis it is possible to determine that increasing expenditure on defence is followed the period prior to joining NATO. Since joining NATO, defence expenditures are following the trends of the old Member States and are reducing the share in GDP. Also, NATO membership does not automatically mean higher costs - although the recommendations is spending 2% of GDP for this purpose, prospective members can be

flexible in costs planning in line with the economic situation. Defence costs increase is determined by the needs to modernize the defence sector, and at the same time by reduction of their share in GDP, which indicates that the programs of modernization are more determined by internal economic conditions and budgetary considerations than by the membership in NATO. Therefore, it is very important for BiH to make a financial assessment of the necessary reforms in the security sector (military modernization, equipment, education), to program the military budget with specific line items and projected costs and to determine the dynamics of this type of costs in accordance with economic growth. This stems from the fact that the reorganization and transition of defence sector had financial implications in all countries. It is very important to mention the analysis of the costs of participation in international operations, as an integral part of the analysis on economic effects of membership in NATO. We shall quote a successful example of Slovenia - the costs of this type grew rapidly after entering the country's membership in NATO. However, it is worth mentioning that Slovenia participates in the operations of the EU and the UN, which costs are shown collectively with NATO missions.

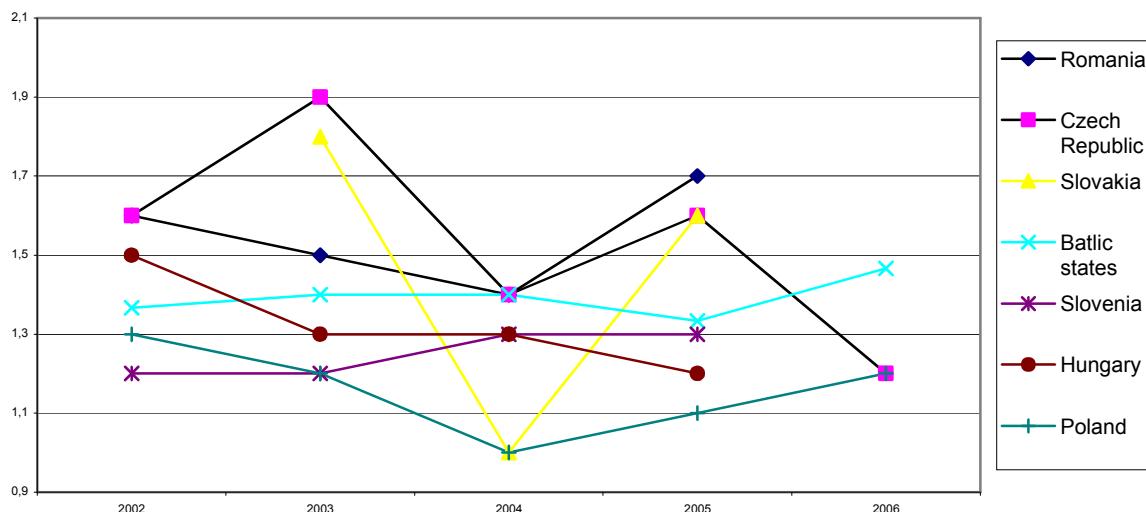
**Table 6 – Costs of Slovenia's participation in military operations (millions of €)**

Year	Amount
2003.	57,6
2004.	66,8
2005.	91,4
2006.	106,1
2007.	117,7
2008. (pl.)	150,1

Threefolded higher cost of 2008 in comparison with the 2003 was investment in improving the position of Slovenia at the international level and increase of economic development. In assessing the effects of these costs we need to bear in mind the country's possibility to use participation in international operations. This implies that weapons and equipment should be replaced and soldiers trained by NATO standards. All this requires the costs, and investments of this kind must be planned in the defence budget. However, the indirect positive effects of these investments are shown in the following: possible participation of countries in post-conflict reconstruction, opening opportunities for product placement of domestic arms industry, military equipment and services, and the fact that every national economy provides goods and services for international military or peacekeeping operations. Finally, we can make a conclusion - there are no clear indications that NATO

membership significantly increases the growth of public expenditure for defence. Let's look at trends in the defence costs of several new NATO members in Graph 2.

**Graph 2 –Defence expenditures trends of several new NATO members**



What are the experiences of these countries state? Convergence to the membership has facilitated the adjustment of social and economic systems to changes in the global security level. Quantification of the economic (and political) effects of national security at the individual or collective basis would show the arguments for NATO membership. Modern security and defence sector, as well as the supporting financial considerations (the costs and benefits) are speaking in favour of NATO integration.

**b) Foreign direct investments and credit rating**

BiH joining NATO is a guarantee of prosperity and stability, and moreover, the membership in NATO is sending positive signals to investors, as well as it affects the credit rating of the country. BiH membership in NATO is not only a foreign policy priority, but it shall also create conditions for developing countries, and open business opportunities for BiH companies. Increased security that NATO membership carries is good for trade, but it also affects the growth of foreign investment. For example, in countries that joined NATO before they became EU members (Czech Republic, Poland and Hungary), foreign investments were doubled, and in the very year that Romania joined the NATO, it had an increase of foreign investments by 141 percent. In addition to mutual trade, member states can work with NATO as an organization that has an official list of suppliers, which are the companies only from

member countries, and all the transactions are carried out through specialized agencies of NATO, which is also a great opportunity for our economy.

Thus, entry into full membership of NATO will enable BiH companies to participate in tenders for procurement of goods and services that the NATO may require in any of the member countries. This is also an opportunity for domestic companies to get involved in the modernization of the armed forces according to NATO standards. The value of goods and services that were provided to NATO in the last year was more than 1 billion euros, while the value of delivered goods was 256 million euros; services 700 million and 46 million were worthy equipping programs that the U.S. Government directly enters into with other countries. The largest part of NATO's need for goods and services in the last year was for operations in Afghanistan and Kosovo. Once that Bosnia and Herzegovina joins NATO, its companies will also be able to compete in tenders that are published by NATO Logistics Agency NAMSA.

They can do it now as well, but only if it comes to products that are not produced in member countries or if they have a company HQ in one of the member countries. Direct impacts on the BiH economy are also making statements that the joining of Bosnia and Herzegovina to NATO is too expensive in relation to the benefits it brings. If Bosnia and Herzegovina is left out from NATO collective security system, it would need five times more military airplanes, three times more tanks and two and a half times more people in active military system. It would be a huge burden for the economy. In contrast, membership in NATO means fewer soldiers, weapons and equipment and the level of security that no one but NATO can provide.

Membership in NATO will enable Bosnia and Herzegovina to finance the defence needs no more than 2 percent of the budget, which is significantly lower share of those that neutral countries have. Impact of NATO on the economy of the state will bring many benefits such as increased credit rating and raising the general level of security with the beneficial effect on the inflow of foreign direct investment.

It is impossible to analyze the effects of NATO integration without a clear definition of the relationship between the national security of the country and its development. Let's

recall the importance of foreign direct investment (hereinafter FDI) which is considered a key factor in the analysis of growth and development in transition countries.

They influence the development of the country in many ways - as a source of necessary funds, the determinant of increased employment and exports, the covering for external account deficit, holder of the new technologies, knowledge and so forth. Detailed assessment of investment feasibility includes a number of different determinants as the basis for determination of investors. According to S. Laall, FDI key determinants of the host country are related to:

1. Economic conditions (market, resources, competitiveness)
2. Political environment (economic policy, private sector, trade and industry, FDI policy)
3. Investment strategies of foreign companies (the perception of risk, location, resources, integration, transfer)

Of course, the relative importance of individual determinants depends on the nature of investment, whether it is facing more domestic or export market, and so forth. But what is particularly important to emphasize in the context of our analysis is the perception of risk with all its aspects - security, political, economic. Typically, the perception of risk is based on political factors, macro management, labour market factors and political stability. Hence the direct connection of security and economic growth, through creating the environment for investment.

What are the ways that reflect the risk to economic growth? In response to this question it is important to bear in mind the different risk components. Quantified and appreciable risks are related to economic, financial and exchange rate risk. Components that are judged more qualitatively and with difficulties are in regard to the assessment of political, cultural, legal, regional and global risks. In addition to written reports and information from financial markets, different measurement and ranking are used nowadays. Commonly used quantitative methodology of calculation and assessment of financial, economic and political country risk is "International Country Risk Guide – ICRG". It contains 22 variables which are divided into 3 categories - political, financial and economic risk. Creating the composite ICRG risk index allows the ranking of 140 countries on a monthly basis and furthermore up to 21 countries annually.

In a variety of different methodologies and institutions that directly or indirectly involved in assessing the risk of the country, we need to mention credit rating as assessment of the government possibilities and willingness. Although each rating agency has its own methodology for the allocation of state credit rating, common thing for all of them is that they are based on macroeconomic indicators, with emphasis to determine the ability and willingness of the state to service the external debt. Thus, apart from economic indicators, political factors play an important role in determining the stability (risk) of the country. For example, Moody's agency includes four groups of indicators in the country's risk assessment:

1. Economic power
2. Institutional forces
3. Financial power of government
4. Risk susceptibility

Their assessments for BiH were:

- 29 March 2004 - B3 to positive outlook
- 17 May 2006 - B2 with stable outlook

Standard & Poor's represents the leading agency that provides financial reports of trends in the markets and is the main source of credit ratings, indicators, investment research and evaluation of risk. Their methodology reflects the opinion of analysts on the future readiness and willingness of the government to service the market and its financial obligations in full and on time. The state is ranked on a scale from 1 (best) to 6 out of 9 analytical categories:

1. Political risk
2. Income and economic structure
3. Economic growth prospects
4. Fiscal stability
5. State debt burden
6. Outside budget and unplanned activities
7. Monetary flexibility
8. External liquidity
9. External debt burden

Their assessment of the BiH on 22 December 2008 was B + with stable outlook. What does the experience of new NATO members tells? Let's see FDI review (million dollars) in selected countries.

**Table 7 - FDI flows, millions of USD**

Country	1999.	2002.	Index 2002.	Rang	2004.	Index 2004.	Rang	2006.	Index 2006.	Rang	Total inc.	Rang
Czech Republic	17.552	38.669	220	3	57.258	148	11	77.459	135	7	441	7
Hungary	23.260	36.223	155	8	62.585	172	8	81.760	130	8	351	10
Poland	26.075	48.320	185	5	86.366	178	7	103.616	119	10	397	9
Estonia	2.467	4.226	171	6	10.064	238	3	12.663	125	9	513	6
Latvia	1.795	2.751	153	10	4.516	164	9	7.532	166	5	419	8
Lithuania	2.063	3.981	192	4	6.388	160	10	10.938	171	4	530	5
Slovakia	3.188	8.529	267	1	20.910	245	2	30.327	145	6	951	2
Slovenia	2.682	4.112	153	9	7.590	184	6	7.452	98	11	277	11
Bulgaria	2.402	4.074	169	7	9.057	222	4	20.707	228	1	861	3
Romania	5.671	7.798	137	11	20.522	263	1	41.000	199	3	722	4
Croatia	2.562	6.031	235	2	12.349	204	5	26.812	217	2	1.046	1

To make a comparison, it is important to bear in mind the following:

- 1999 Poland, the Czech Republic and Hungary have joined NATO
- 2002 The Višegrad group of 7 countries received an invitation for NATO membership
- 2002 All 10 countries received an invitation for membership in the EU
- 2004 they are ending negotiations on membership in NATO and EU
- 2006. The two years of experience of most countries in NATO and EU
- 2007. The remaining two become members of NATO-EU

Therefore, all observed countries can be classified into 3 categories:

I - countries that have become members of NATO in 1999 and EU in 2004

II - countries that have become members of NATO and EU in 2004

III - countries that have become members of NATO in 2004 and EU in 2007

The longest experience with membership in NATO has Poland, the Czech Republic and Hungary. During the monitoring period of 8 years total growth of FDI in these countries amounted to 350 - 450%. From 7 countries that were invited to join NATO in 2002, three of them (Estonia, Slovakia and Romania) have recorded the highest growth in FDI during

finalizing negotiations on membership. In two countries (Lithuania and Slovakia) the largest increase in FDI was in the period approaching NATO and EU membership 1999-2002. We shall mention Croatia, as a country outside the EU and NATO in the observed period, as an example with stable high growth in FDI (over 200%) which was followed by time sections of the analyzed period. It is necessary to emphasize improving of Croatia's ranking level from the period when it was invited for membership in NATO and the EU (2005), which has ultimately marked the monitoring period with greatest growth in investment of 1046%. For the purposes of analysis of this type of connection we shall mention the connection between membership in NATO and the EU. Detailed insight into the experiences of countries that first entered the NATO and then EU and the countries that became members of NATO and the EU at the same time, tells us that it is difficult to separate the effects of membership in both the integration on the flow of FDI. Thus, for example, the Czech Republic, Hungary and Poland recorded the highest growth of FDI in the period after joining the NATO. The same characteristic applies to Bulgaria and Romania. Of countries that were simultaneously received both in NATO and the EU - only the Baltic countries recorded significant growth of FDI in the first years after joining. Given the aforementioned determinants of investment, with significant participation of political risk, we were able to see that there other factors affecting the trends of FDI. We can make a conclusion from careful analysis that most of the other determinants are related to reforms in the context of EU membership. That is the reason for our statement that it is difficult to differentiate the effects of membership in NATO and EU membership on the growth of investment activities in the country. Membership in the EU determines more FDI – pre-joining stage of EU membership with the adjustments of economic, legal and institutional environment has positive effects on the growth of investment even several years before admission. Membership in NATO has a significant positive impact on investments in countries where it is reducing security risks. However, by examining the experiences of countries - new members of NATO, we came to the conclusion that this integration significantly contributes to increasing the country's credit rating - essential indicators of the level of confidence in the functioning of the country's government. We recall that the credit rating assessment is of a particular importance for investment activity, as well as the trends of interest rates and alike. The experience of Bulgaria and Romania are saying that NATO membership significantly raised their credit rating, which can be explained by the significant growth of investment in the period after admission. Similar characteristics apply to Lithuania. The fact that this has not happened in Slovenia and Estonia, says that the impact of NATO membership is different from country to country. But with all

of these reservations, we can conclude that NATO membership significantly affects countries with low credit ratings (in terms of increase) than the countries with higher credit ratings. Hence the conclusion that the economic effects of membership in NATO are far more important for countries with initial worse economic performance.

*c) Production of the weapon and military equipment*

In the analysis of economic effects related to the field of production of armaments and military equipment (military industry) we consider that it is especially important to point out to sometimes high expectations of economic benefits from the military industry. We should bear in mind that benefits in this area depend on the structure and the participation of military industry in the total national industry. What can we conclude from experiences of some countries, new members of NATO? Bulgaria, for example, in assessing the cost of joining NATO has highly ranked establishment of a new industrial base - a dedicated production. The restructuring of this industry had political, social, technical and financial aspects. Modernization of existing and launching new production has turned Bulgaria into an important partner for companies from NATO countries. It has successfully realized the strategy of conquering market niches with products with which it had a competitive advantage. We believe it is important to mention example of Slovenia, upon an insight into the assessment of the economic effects of NATO membership. Although it did not have a significant own production previously, Slovenia has placed assessment of opportunities and potential benefits of this industry in the context of depending on competitiveness of companies in dedicated production. Experiences of these two countries with different starting positions speak of the need to place the military industry in the context of the business market with the economic repercussions of such a determination. Namely, it is necessary to have significant investment to modernize and increase the competitiveness of military industry, which can bring benefits to the country if this sector has significant participation in the country's economic development. Military industry is nowadays one of the most profitable industries - the world's largest manufacturers and exporters of arms and military equipment are the United States, United Kingdom, France, Germany and Russia. This branch carries a high employment rate and significant profits. We recall that in the early nineties military industry was the most important export branch of Yugoslavia. Annual export values were measured by billions of U.S. dollars, and the country was among the 6 largest arms exporter in the world. With a huge budget support, Yugoslavia was ensuring funding for the

duplication of the capacity of military industry - mostly located in areas of Bosnia and Herzegovina and Serbia. Production was mainly in accordance with the Yugoslav and Russian standards. According to estimates, today are used 10 to 20% of capacity, production is less diverse, technologically at a lower level, subsidized, takes place in the enterprises of small and medium-sized, partially directed at civilian programs and partially privatized, with a modest international cooperation limited to a few companies . Given the importance of the transformation of the sector to estimate the economic effects of accession of BiH to NATO, we want to draw attention to several important facts for future engagement in this area:

- Reducing the need and capacity will reduce domestic production
- Export markets are small, but growing - especially for traditional weapons
- Lack of political agreement at the national and regional level
- The existence of administrative barriers related to taxation, ownership transformation, and export procedures
- Significant financial difficulties (outstanding claims and debts are high)
- International circumstances (control of the international community)

Although they are facing the same problems and commitments, the two entities, in accordance with authorities, have issued two separate programs - in FBiH "Trends of development of military industry", and in RS "Project for the conversion of surplus production capacity dedicated to the civilian program". Strategic commitment of both governments' documents is aimed at:

- Faster development of the sector through the modernization
- Conversion to civilian program
- Improvement of existing programs and development of new
- New technologies and improving the quality
- Market orientation and competitiveness as a criterion of business
- Technical and personnel training

With what kind of economic characteristics are the governments entering this ambitious program? Today there are 10 companies operating in FBiH in the field of military industry with 1963 employees. The share of state capital is 51% and 49% is privatized by the PIF (Privatization and Investment Fund) and small shareholders. There are 13 companies in

the area of RS, put of which 11 companies are treated by the conversion program (one company is in bankruptcy and the other with predominantly private ownership). The RS government estimates that it is possible to perform conversion to civilian production programs (for 3 of those the government estimates conversion as unnecessary) in 8 out of 11 companies. In 8 of these companies there are 1337 workers employed, 3 of them are 100% state ownership, the share of state capital in the other 5 is 62-65%. Total estimated losses of 10 companies in FBiH amount up to 10 million KM, and in the RS only two manufacturers have recorded a positive financial result of operations. With 10 million KM to cover the losses and the necessary funds for the modernization of the FBiH, as well as an estimated 12.3 million KM for the conversion in RS, we believe that it is important point out to significant financial reflection of government programs. We need to add to this the fact that today's dedicated production does not participate significantly in Bosnia and Herzegovina exports. Careful analysis brings us to the conclusion that the orientation in military programs for cooperation with countries outside the NATO alliance, is made mostly with countries that have the means of Russian production and with the countries that were created upon disintegration of Yugoslavia. Modest results in civilian programs are realized with companies from NATO member countries. This suggests the need for radical changes to adjust to the production up to NATO standards, switching to a new and demanding markets, significant investments in personnel, organizational and technical training in order to eventually achieve a satisfactory level of competitiveness in today stricter operating conditions.

## **4. BENEFITS OF NATO MEMBERSHIP**

The costs of the joining NATO and the EU processes in most cases can be somehow defined and quantified, whilst the measurability benefits of membership is far more demanding task. Defining a methodology that will provide a formula under which to perform comparisons of costs and benefits of membership will be one of the most difficult tasks of research. These are actually the restrictions that prevent us from applying the same approach that we used for defining the costs, when we want to make calculation of benefits. The impossibility of quantifying and dependence on many political, economic and organizational factors, leads us in a position to observe the benefits in a much wider context. Benefits that can be expected from membership in NATO, in terms of economic impact, are the general or intangible. Nevertheless, there are some direct benefits in a period of time which are shown in the reduction of military expenditures as a result of military personnel reduction, favourable conditions for the purchase and sale of military equipment and signing offset arrangements. Becoming a member of an elite group of countries that share common democratic values within the system of collective security certainly brings some general benefits that the exact indicators can not show. Random contribution is reflected in accelerating the process of democratic reforms and improvement of security in the stability, both at the internal and external planning. At the same time, building better neighbourly relations related to the common aspirations to the membership, directly affects the prosperity of the Southeast Europe region. More specifically, as a full member of NATO, Bosnia and Herzegovina can participate in solving the problem of possible ethnic or border disputes from more respectable external political positions. These benefits are mainly used by wider population, which has difficulties to perceive the overall benefits and pays much more attention to addressing the costs which require such „security investment“. Living under the umbrella of NATO may represent an important fact for the quality of life of ordinary citizens, but they seem to often ignore it.

These intangible benefits also reflect positively on the national economy in less obvious forms. Political and military security is certainly the most important factor of the assessment on desirable business environment. Risk reduction leads to increase of country's credit rating, which directly affects the reduction of interest rates. Since the credit rating and security assessment of the country are the main determinants related to investment decisions, hence there is a noticeable positive impact of membership in NATO at the FDI (Foreign

Direct Investment). There are other significant economic benefits, such as improving the technical and human resources, ability to increase production and exports of weapons, infrastructure development, increasing trade, investments related to offset agreements, etc.

In any case, all the benefits are temporary and potential, and it is up to every country, including Bosnia and Herzegovina, to use its resources to ensure maximum benefits from the process. It is important not to cherish the illusion that membership in NATO itself can solve all our domestic and economic problems. Or to expect that NATO member countries will work to the detriment of their national interest to ensure prosperity for Bosnia and Herzegovina. But what the true benefit of membership is that it leaves the possibility for better positioning and promotion of national interests and it is up to the state officials' competencies to articulate those interests in accordance with the best social, political and economic interests.

For the purposes of the subjected research, we have tried to define some fields in which Bosnia and Herzegovina can expect support on its integration path and which of the NATO members have previously provided support to the potential aspirants of full membership.

#### **4.1. Partner countries' support**

Since the beginning of defence reform in BiH, and especially the establishment of defence institutions at the state level, the transition process for defence system that member countries of NATO and PfP, as well as other partner countries have provided financial and material support, is continuously carried out. Additional programs of cooperation and assistance should be mentioned in addition to financial donations. On a bilateral basis, the U.S. have donated about USD 37.88 million through the FMS program of cooperation in respect of furnishing the facilities of Ministry of Defence and Armed Forces, quartermaster's equipment, telecom-computer equipment, equipment for helicopters and the like. In 2009 the Republic of Turkey has donated telecommunications equipment in an amount of about 511.000 KM. It is necessary to mention the assistance project of NATO Trust Fund for the project of care for demobilized staff, co-funding of regional NATO Peace Support Operations Training Centre (PSOTC) in Butmir, co-funding of NATO and PfP member states, the cost of transport and accommodation up to 80% for our representatives participation in the NATO and PfP programs and activities. The interest in providing financial and other support through

programs was expressed to help Bosnia and Herzegovina in this and coming years in further reform and development of the defence system on its path towards Euro-Atlantic integration.

## **4.2. Conversion of property**

Between 4 and 5 million KM is spent a year for physical security of the non-perspective facilities of BiH AF. There are 174 non-perspective facilities in Bosnia and Herzegovina today, and about 800 soldiers of the Armed Forces of BiH are engaged in the daily security. Soldiers are providing only physical security in order to preserve these facilities from robberies and decadence. In such way millions of KM was spent irrationally and unnecessarily, which in this difficult economic situation could be certainly utilized in a better way. One example of how much money is lost due to non-exploitation of military non-perspective facilities is barracks "Jajce", situated in attractive location overlooking Sarajevo, which represents a potentially interesting object for foreign investment. Solving or possibly selling this non-perspective facilities would achieve a significant source of revenue, both for Ministry of Defence and the community. Besides the direct costs that the ministry is spending on security of mainly ruined facilities and large space of the unused land, indirect damages are much higher. These facilities could and should be placed into function, on economic grounds, as soon as possible for social benefits, and the staff should be hired for the appropriate professional tasks related to fulfilling the armed forces' mission, rather than just for the security of non-perspective facilities. Reformed structure of the armed forces has no need for so many facilities, infrastructure and other areas that are still in possession of the Ministry of Defence. Conversion of the property into civilian purposes shall ensure redistribution of financial assets that are now unnecessary burdening already limited military budget. Received funding in the event of any sale on non-perspective facilities can be invested in high living quality standards of personnel employed in the defence. This especially applies to providing official housing for the Ministry of Defence and Armed Forces BiH in line with projections related to the prospective locations that will be in operation during the next period.

## **4.3. Military bases**

There are strong links that require a different approach to national sovereignty in the collective security among member states of an alliance. The first step is not only the compatibility of its own armed forces with other member countries of the military-political

organization, but also the active defence cooperation and giving special privileges in the interest of collective security. Therefore, it is realistic to expect that military bases of the Alliance will be stationed in Bosnia and Herzegovina. Unlike some other countries, in Bosnia and Herzegovina this issue will cause more controversy with regard to the fact that military personnel of NATO and EUFOR at later stage have been present in our country for many years. As an example of the positive impact of NATO bases on the local economy we can use economic impact studies from 2006 that was conducted by the NATO Airborne Early Warning & Control Force E-3A Component. It documents the favourable financial impact in the amount of 262.4 million Euros, which corresponds to the NATO air base in the German town of Geilenkirchen, the neighbouring municipalities and cities within a radius of 200 kilometres with a total of 450 000 inhabitants.<sup>4</sup> The overall impact of the respective air base on the overall economy of the Federal Republic of Germany has amounted to 417.8 million euros. The main effects include increase in construction projects and employing a larger number of staff including their incomes and contributions, services rendered, contracts related to construction and maintenance of the Base. Careful measurement that includes the creation multiplier it has been calculated that 140.7 million euros is spent on staff, whilst 71.6 million euros is related to the various contracts and services. The Base was employing 3154 workers, many of which were of local origin, and the total number of indirect jobs generated reached a number of 1774, which generated 50.2 million euros. Thus, the effect of base can be very positive if enough attention is paid to the negative impacts. In case of Geilenkirchen, there were local community complaints related to unbearable noise. The outcome to the mutual satisfaction was found in changes of some flights routes.

#### **4.4. Removal of negative impacts to the environment**

NATO does not impose any obligations to member countries concerning measures for protection of nature and the environment in military activities, but such a practice is left as a choice to each individual member country. When a military exercise is carried out by NATO in the territory of certain country, there is a tendency to respect all statutory measures for protection of nature and the environment that the host country shall provide to NATO headquarters. Hence, the so called protection factor against adverse impact of military operations on the nature and the environment will be commensurate with the quality of the

---

<sup>4</sup> [www.e3a.nato.int/html/economic\\_impact/main.htm](http://www.e3a.nato.int/html/economic_impact/main.htm)

prescribed laws and other binding documents of the host country, but the practical result will depend largely on the tradition of democratic society in which citizens have full confidence in the impeccable work of inspection services. The negative effects that could be linked with the activity of NATO units can be effectively and efficiently removed by the quality of the host country legislation. Quality management system is able to minimize or completely compensate such environmental impacts. Ministry of Defence has no established system of environmental management and due to very limited financial and human resources, the principles of nature and environment protection in military activities can be carried out in a very elementary form, which is still very far from the practice of the countries of Western democracy. Although this situation is not surprising, if one takes into account the recent history of our region, what concerns is related to poor communication of MoD BiH with citizens and associations of civil society. Experiences of environmental associations are that the work of inspection services is slow, and low quality reports on the state of the environment are obtained only after the legal deadline for submission of information several times exceeded. NATO is currently in phase when there is broad agreement that the established system of environmental management is a vibrant tool for military organizations, and that the current socio-economic situation of its implementation seems imperative. On the other hand, the scope and the planning, implementation and evaluation of the Environmental Management System was left to the capacities of each army. There is an exceptional opportunity for BiH through this purpose to provide adequate change in its system of environmental protection because the old NATO members' practice is to provide new countries with all necessary assistance in this sphere. Germany can be currently considered as a model and a leading country in the application of environmental standards and requirements of the military system, but the Federal Parliament has imposed such an obligation to its armed forces recently in 2000. Currently, low standards of protection of nature and environment, and non-transparent work of state institutions represent a significant threat to the already endangered ecological system of BiH. It is necessary to preserve the ecological balance of the system by making access to relevant legislation, and membership in NATO is the ideal occasion and opportunity for such a legislative framework. Convergence to environmental standards of NATO members and cooperation with them is a long-term benefit for Bosnia and Herzegovina. In practice, this would lead to the more active and efficient policy in the assertion of national interests, because disorganization and lack of transparency in this respect can cause unforeseeable consequences for future generations.

#### 4.5. Human resources

In order to facilitate the process of transformation and modernization of the armed forces during the first two years of membership, NATO will financially assist development projects of so called “initial armed forces’ capacity”. Initial capabilities are related to fulfilling the criteria of interoperability. Simply put, interoperability means that the armed forces of a country can receive, send or exchange information with other members of the Alliance, while command and communications systems must be compatible in order to participate effectively in joint operations. After two years of help with interoperability, NATO will continue to assist Bosnia and Herzegovina to complete modernization of the armed forces, or to acquire the full ability - *mature capabilities*. Of course, such preparations of the armed forces are primarily related to the optimization of the number and composition of human resources. BiH armed structures and the diplomacy will be facing imminent problem of structuring its employees who will represent Bosnia and Herzegovina in NATO headquarters, commands, and various committees. Fulfilment of conditions imposed by NATO in light of the harmonization and collaboration in the implementation of joint activities and unhindered communication shall require high level of training from both members of the defence structure and other officials. In practice, this means that all staff involved in the process of integration must be ready to meet the high educational and technological standards that exist in the member states of NATO. This may primarily mean bridging the language barriers necessary to communicate with members of their rank within NATO forces. For example, the eliminatory factor for members of the Republic of Hungary Armed Forces in the process of restructuring of military forces was the knowledge of English. Of course, each member of the armed forces is expected to have a degree of linguistic communication in accordance with its position and function. Further requirements are referred to the improvement of communication skills and information related to the use of NATO liaison system, as well as the level of technological knowledge necessary for the use of sophisticated military equipment in the possession of armed forces. All of the above will require highly knowledgeable and professional members who are able to operate within the international environment. At the same time it will represent a significant contribution to the labour market, where the military structures can absorb high-qualified personnel, which could well contribute to the civilian labour market. The process of education, which in addition takes place in accordance with best international practice, is certainly the biggest capital that a country can

have, because the world is rapidly moving towards the era of knowledge that greatly exceeds all other recognized values.

#### **4.6. Surplus of human resources and their disposal**

NATO trust fund for Bosnia and Herzegovina was founded by NATO member states and other donors to assist the authorities in the process of reintegration of redundant military personnel and officials in the Ministry of Defence BiH. The main donor countries in the Fund for BiH are the Netherlands, United Kingdom and Croatia (which at that time was not a full member of NATO), with the total amount of 5.83 million euros. NATO/PfP Trust Fund gives the overall contribution to the efforts of Bosnia and Herzegovina to maintain peace and stability, foster economic recovery, reduce unemployment and generate income. For this purpose, this project should enable an easier reintegration into civilian life of those persons who have been dismissed in the recent process of defence reform, as well as persons that were released during demobilization in recent years. International Organization for Migration (IOM) on the basis of gained experience has become the agency for project implementation of NATO/PfP Trust Fund for Bosnia and Herzegovina. There were 2845 persons who were declared redundant in the Ministry of Defence until the month of July 2008 who have registered with IOM. Out of this number, 2.566 users were declared redundant in 2004 and 279 in 2007. Out of 1.399 users with the projects approved, 883 of them have received specific help. Approximately two thirds of the approved projects are related to agriculture, a quarter of the total number of projects does not include work related to agricultural activities (evenly distributed on the jobs that are in the initial phase and the expansion of existing business activities), and 5% refers to the employment category and 2% on education. As it can be seen, Bosnia and Herzegovina, although not full member of NATO, is receiving assistance by using funds to help the care of demobilized staff. NATO expresses a high level of understanding and support to its partners in bridging the problems faced on the way to NATO integration. We should bear in mind that there is anticipated release of 2.700 soldiers during the 2010, whose professional contracts will expire due to the age limit of 35. Although the Ministry of Defence and other government structures are considering their release to be as painless as possible, including their involvement in civic life, social and economic situation indicates that BiH in this case that may again seek the help of NATO.

#### **4.7. International engagements**

It is important to mention the new concept in the strategy of NATO enlargement, which is related to the involvement of military forces across national borders. The former NATO concept and Alliance members' defence ministers' agreement, adopted at the NATO summit in Istanbul 2004, implied the availability of eight percent of the land forces of a national contingent for military operations outside the motherland. In the meantime, demands for increased NATO military forces on the ground have significantly increased, due to expansion of existing military missions and new crises. BiH, as a country that has achieved remarkable progress in reforming the structure of the defence, found itself in a situation that must demonstrate its good will and contribute to building peace and stability in the world. Based on the decisions of BiH Presidency and Parliamentary Assembly of BiH, in 2005 unit of the Armed Forces of Bosnia and Herzegovina for the destruction of UXO, which consisted of 36 members, has been sent to peace support operations "Iraqi Freedom" in Iraq. For the purposes of maintaining the connection and coordination of activities between the command structure of BiH Armed Forces and the coalition forces, two liaison officers were sent to USCENTCOM in Tampa, Florida - United States, as well as one liaison officer with the Multinational command for Iraq (MNC-I) in Baghdad. Mission of the unit was to destroy unexploded ordinance by using explosives at arranged and secured dedicated sites. The unit has performed the mission in accordance with the Rules of Engagement - ROE, defined by the Minister of Defence of BiH. Logistical support and security of units on the move during labour were provided by coalition forces in Iraq. During participation in the mission in Iraq, the unit was carrying out assigned tasks in a professional way achieving significant results in the destruction of over 400,000 pieces of various UXO types. So far, eight six-month rotations have participated. The eighth rotation was sent in August 2008, which means that there were total of 310 soldiers who participated in the mission in Iraq. During the last rotation, the infantry has joined unit and at the end of 2008 both units were withdrawn from the structure, since the need for their engagement stopped. Engaging members of the Armed Forces of Bosnia and Herzegovina in peace support missions clearly expresses commitment of Bosnia and Herzegovina that as a responsible member of the international community it wants and can provide a contribution to the joint efforts to establish and preserve peace and stability in the world. In addition to improving relations with the coalition partners, the participation of our units as part of coalition forces in the mission in Iraq, shows and demonstrates concrete progress made in Bosnia, which is directly connected with the process

of implementation of defence reforms. All this contributes the credibility of Bosnia and Herzegovina at external political agenda, while at the same time participation in these and similar missions opens up the potential for engagement of our business companies to enter into business arrangements on reconstruction of the country where the situation has stabilized. Of course, this convenience opens up as a possibility, but not the rule. What we can learn from the experiences of other countries is that some countries have taken better advantage of their participation in similar missions, from the aspect of its national economic interests, while some governments have failed to provide a similar arrangement. Although this in any case can not and should not be a criterion for deployment of military forces in peace-keeping missions, we should bear in mind that the organization, in which we participate, is also gathering the largest countries in the world that will certainly take a significant part in the reconstruction of the country or region.



## **5. SOCIAL COSTS AND BENEFITS OF NATO MEMBERSHIP**

The process of BiH joining NATO will undoubtedly have military and political, as well as economic and social consequences. Therefore, it is necessary to ask what the expected positive (benefits) and negative (costs) of joining NATO, from the aspect of BiH society. In this research we will use the experiences of other East European countries that have become members of the Alliance through the past ten years, in order to more clearly identify these aspects. Primarily, it is necessary to clarify what is the role of society in the process of accession and further membership in NATO. Here we are primarily thinking of the degree of positive perception and trust of the population in the NATO and its activities. Social approval, the degree of trust and willingness to accept the costs of membership can be checked by the polls. Prevailing public opinion is a guideline for the political leaders who have a responsibility before the voters for the implementation. Informing the public about NATO and its activities, and creating a positive image are key roles in attracting population. Another important aspect is the benefit of membership, which in any case needs to overrule the costs. The following research will focus on the social costs and benefits of the accession of Bosnia and Herzegovina into NATO.

### **5.1. Social costs of NATO membership**

1. The first generally accepted social cost is more of hypothetical nature and is a result of the historical origin and purpose of NATO. Article 5 of the North Atlantic Treaty says that the attack on one member is considered an attack on all members, who are then obliged to react. This would mean that Bosnia and Herzegovina in such situation needs to join the defence of an attacked member country, with all the social consequences. We have to emphasize that NATO has only once acted in accordance with this article throughout its existence, after the terrorist attacks on the United States in 2001.

2. Much more realistic costs are associated with an increase in budget funds for the armed forces during the accession process and meeting NATO standards. BiH as a country with limited resources would have to divert resources from other priority areas, which could affect the social welfare of its citizens. Enlargement experiences of the last ten years in

Central and Eastern Europe show that the country, once it achieves membership in NATO, increases its military expenditure for a period of a few years, as a rule. This increase is a short and in several years time it may come up to a noticeable reduction of military budgets. By focusing on smaller member countries of NATO (Baltic countries, Slovakia and Slovenia), among which we can classify BiH too, it is noticeable that the increase of military expenditure in percentage is larger and longer. Citizens should not be seriously concerned with this cost, because growth of the military budget can be largely compensated by the economic benefits of Euro-Atlantic integration, as shown in the experience of other countries.<sup>5</sup> Notwithstanding these projections, authorities will have difficulties to justify even short-term increase in military budget, since the citizens of Bosnia and Herzegovina do not want perceptible increase of the defence budget. In addition, people do not consider the defence and security spending priority in the allocation of state budget.<sup>6</sup>

3. Another negative effect represents a real possibility of the death of one or more of our soldiers tasked in NATO missions. For the society and community, this represents a serious burden and a possible barrier to participation in the missions of the Alliance. In Bosnia and Herzegovina 53% of citizens do not support the participation of armed forces in international peacekeeping missions, and there are up to 40% of those who support it. Furthermore, almost two thirds of citizens will accept only participation in missions of humanitarian character, versus the remaining third, which approves some kind of combat mission.<sup>7</sup> Taking this information into account, the death of BiH soldiers could cause disagreement of society with the international peace missions. Germany and other members are faced with great difficulties to explain public the reasons for the participation of their troops in peacekeeping operations around the world, especially when these involve the use of military force. Thus, in Germany, which until now has lost 30 soldiers in Afghanistan, this issue becomes very sensitive, especially during elections. The new member states of NATO have cumulatively lost 32 soldiers in Afghanistan, where Romania leads with 11 and Poland with 9<sup>8</sup>. However, this issue has not caused major public outcry in these countries so far. But, Polish losses of 23 soldiers in Iraq have caused some of the commotion. This may indicate that there is a certain tolerance towards the death of a small number of troops on international assignments.

<sup>5</sup> NATO Press release: PR/CP(2009)009

<sup>6</sup> CSS-a poll

<sup>7</sup> Anketa CSS-a

<sup>8</sup> <http://icasualties.org/oef/>

4. Bosnia and Herzegovina is not considered as a terrorist target and the terrorism threatens her only as a transit country to Western Europe. The question is whether participation in NATO missions "linked BiH to the West" and if it becomes a possible new target for terrorists? On one hand it is necessary to distinguish a terrorist attack on the territory of BiH and the attack on the citizens and property outside of the country, and on the other hand, the attack of the other foreign terrorists and attack of the so-called "domestic" or "home-grown" terrorists. It is considered that the terrorist attack on the territory of BiH is unlikely to happen, and the main danger is attacks that are possible on the BiH citizens and property abroad. This danger, which usually represents an attack on Bosnia and Herzegovina as part of the "West" is still somehow predictable. Namely, the main target of the determination is going through a negative media exposure in countries where the attack is possible, and it is possible to avoid it with the deliberate diplomacy.

5. A purely budgetary cost of the media-information campaign about NATO is directed towards BiH public. Most of the public believes that the media does not devote enough attention to the process of integration into the NATO<sup>9</sup>, which can be verified by frequent classification of joining NATO under the broad media (and political) compound "Euro-Atlantic integration". Information campaign, which should last several years throughout the country, would aim to inform citizens about what NATO is and what is the place and purpose of BiH in the Alliance. Such a campaign was launched in Slovenia in 2001, two years before a referendum on joining the Alliance. The campaign consisted of news programs and brochures, public lectures, telephone info-line, and website. The result was primarily issues and open discussions on accession to NATO, but it ultimately led to a great response to the referendum and firm decisions on membership. We would like to mention that the referendum on joining NATO is not a commitment, but some countries such as Hungary and Slovenia, have decided for it on the basis of their internal assessment.

6. The referendum was already mentioned, and such a cost would be related to possible referendum on joining NATO. BiH citizens currently do not support the calling of a referendum, and 47% of them believe that a referendum on this issue is not required (versus 37% who support it). This result and the transfer of decision-making to representative bodies

---

<sup>9</sup> CSS poll

may also be the result of a lack of citizens' awareness, or the current media-negative connotations of the term "referendum", which is often tied to the secession of some parts of BiH.

## **5.2. Social benefits of NATO membership**

1. Basic and historical benefits of NATO membership is reflected in restricting the possibility of attack on the member state from outside, so that an attack on one member could initiate a military-political response of all members. This category is of special importance to some new members, especially the Baltic countries, where the public is at risk of possible future expansion of Russia. When it comes to BiH, this aspect may not be fully applied, since there are no real military threats abroad. Public opinion confirms this view by stating the crime (52%) and corruption (46%) as the greatest threat to the country's security, and economic and social factors (29%) far ahead the possibilities of war renewal in former Yugoslavia and the ethnic conflict (both 28%). These last two categories, which may include a military dimension, are only partially of an inter-state character. Further, as all the surrounding countries have more or less committed to Euro-Atlantic integration, there is a little likelihood that membership in NATO and the invocation of Article 5 of North Atlantic Treaty could be applicable in the case of Bosnia and Herzegovina.

2. Of greater importance to BiH is an increased effort that would, by joining NATO, eventually be invested in the fight against organized crime and corruption, previously identified as major threats to the security of the country. Through the accession process, and by adjustment of armed forces to NATO standards, transparency will increase and the issue of accountability and sanctions for any abuse would be regulated, primarily in defence structures, and then in the other structures of authorities. As far as for the fight against corruption and crime on the state level, the experiences of other countries are two folded. On the one hand, the reduction of direct military threats to the state allowed some states to focus on other security threats. Some countries however have not decided to strengthen the fight against crime and corruption, despite initiatives of the Alliance and its members. The experience of Bulgaria, which joined NATO in 2004 shows that membership in the Alliance, does not necessarily reduce corruption and crime. Bulgaria has regularly demonstrated that it is not capable of and that it has no necessary political will to confront these problems,

especially during the past two years. It is necessary to mention that the majority of the population believes that BiH, from the safety aspect, must first become a member of the European Union, while less than a third preferred membership in NATO. The question is whether the increase in the fight against crime and corruption can be effectively carried out under the auspices of the EU or NATO?

3. In the long run joining NATO and the institutionalization of security in the broader interregional context strengthens the preconditions for the consolidation of democracy. There are two crucial moment: on one hand the process of institutionalization of the security sector encourages and necessarily leads to the adoption of laws and regulations concerning the much broader spectrum of society. Thus, the potential member countries are obliged to review national legislation and make it compatible to NATO standards, in order to enable and facilitate the operation within the Alliance. There may be examples of state laws on confidentiality of information, transportation of hazardous materials, border security, civil-military cooperation in disaster areas, etc. All the member states of the Alliance had to go through this process of harmonization of national legislation. The second element concerns enabling of local human resources, who have previously dealt with the military aspects of security sector to focus on other aspects of security, such as economic, social and human security. Switching the focus to these security aspects would have a direct impact on the sense of security for the population, and would contribute to achieving the positive results in the fight against corruption and crime. All together, the effects of institutionalization of security by joining NATO can be measured through increased political stability in the country and the political climate and culture that would be directed from discussion on the existential threats to the technical aspects of security.

4. Strengthening regional cooperation is one positive aspect of the accession to NATO, and the other is condition of joining the Alliance. Through the NATO Membership Action Plan (MAP), whose purpose is to prepare countries for membership, is stressed the need for government to solve its international conflicts in a peaceful manner while respecting the principles of the OSCE, and to strive for good neighbourly relations.<sup>10</sup> Good neighbourly relations contribute to reducing security threats, and strengthen economic, military, cultural and other forms of cooperation. In particular, this aspect relates to the signing and maintaining

---

<sup>10</sup> <http://www.nato.int/docu/pr/1999/p99-066e.htm>

a wide field of bilateral and multilateral agreements, starting with the customs and visa regulations, cultural cooperation, up to the exchange of confidential information. However, this issue can be of sensitive nature, especially when it comes to national minorities who live outside the mother country. As a successful example of cooperation, we can specify relations between Hungary and Romania, who during the process of convergence to membership in NATO and the EU have fundamentally changed and acquired a friendly format. Bosnia and Herzegovina also has a need to strengthen good-neighbourly relations, especially with the Croatia and Serbia, considering the fact that a lot has been done at this level in recent years.

5. Strengthening the rule of law, human rights and minority rights is another indirect social benefit of accession to NATO. The rules of implementation of the MAP claim the obligation of states to respect and strengthen the rule of law and respect for human rights.<sup>11</sup> Also throughout Eastern Europe, where ethnic minorities have been consistently marginalized over the previous system of government, the need for establishment of minority rights was emphasized. NATO requires from future member countries to respect and act according to norms and principles advocated by the OSCE.<sup>12</sup> This aspect creates a broader normative-legal framework in which the positive aspect is reflected in the strengthening of civil rights and security of all citizens.

6. Positive impact on living standards of citizens is the aspect of joining NATO, which is certainly the hope of a large number of BiH citizens. Half of people said that safety is a basic assumption of economic, social and political development of the country. At the same time 18% of respondents expected an absolute, and 38% partial economic prosperity and development of the country by gaining membership, compared to 13% of respondents who expect little economic benefit. When it comes to foreign investments, 24% of citizens consider that there will be an increase in the short period, 40% said the same but in the long term, and less than a fifth of people believe that there will not be an increase in foreign investment.<sup>13</sup> It is interesting to make a comparison with the test of public opinion in Slovenia, where citizens have generally expected little economic benefit from joining NATO.<sup>14</sup> Experiences of countries in Eastern Europe show that there was an actual increase of GDP in the period after the acquisition of membership in NATO, and in almost all states,

<sup>11</sup> <http://www.nato.int/docu/pr/1999/p99-066e.htm>

<sup>12</sup> Barany, 2003 - The Future of NATO Expansion

<sup>13</sup> CSS poll

<sup>14</sup> <http://nato.gov.si>

sometime more sometime less.<sup>15</sup> However, the question is whether these positive economic trends can be attributed to membership in NATO alone? In fact, the same countries have joined the European Union (which is attributed with much greater economic stimulus) in a given period, and at the beginning of this millennium there was a sudden expansion of the world economy. The fact that during the past year, with the beginning of the world financial crisis, there has been noticeable, even dramatic fall in GDP in all new member states proves the significance of these factors. If we continue to focus on marginal cases, i.e. the Czech Republic, Hungary and Poland, which joined first NATO and then EU, we can see that there has been a fall of GDP upon joining the, while the membership in the EU itself has contributed an increase of living standards. However, due to a span of just a few years, and the overlap of the accession process in both organizations, it is impossible to definitely separate the economic impact of these two processes. When it comes to Bosnia and Herzegovina the situation is very similar, both processes are occurring simultaneously and trends in the global economy are also reflected in the living standard. BiH is currently regarded as a country for speculative investments and with a high risk of fulfilling credit obligations.<sup>16</sup>

7. One of the key benefits of joining NATO refers to the military profession itself. Prestige of soldiers on the territory of BiH and the Balkans through the history was particularly expressive. Soldiers (we would like to point out "our own" soldiers) were regarded as heroes, liberators, and in almost every respect idolized. Throughout the last Yugoslav wars the picture of soldier has drastically changed, including the image of "our own" soldiers. Soldiers and their commanders have become killers of the civilian population, implementers of ethnic cleansing and the perpetrators of mass crimes. Decreasing prestige of the military profession has contributed to falling apart, nationalism and extreme weakening of the armies in the former Yugoslavia. So, nowadays only 18% of the citizens of Bosnia and Herzegovina have full, while 31% have partial confidence in the Armed Forces of BiH. On the other hand, 35% of citizens have no high confidence in the Armed Forces of BiH, and 12% of citizens believe that our armed forces are not necessary. For any army, these figures, which represent the support among the population, would be devastating. This situation is specific to Bosnia and to some extent, but less emphasized, to the neighbouring Balkan countries and Eastern Europe. Membership in NATO opens the possibility of partial restore of

<sup>15</sup> NATO Press release: PR/CP(2009)009

<sup>16</sup> [www.cbbh.ba](http://www.cbbh.ba)

prestige and social status of the military profession. By the equal participation of BiH troops in NATO missions, together with soldiers of other member countries, and informing the public about their tasks, it is possible to improve the population's perception of the Armed Forces of BiH.

### **5.3. Social dilemmas: for or against the membership?**

For membership in NATO, there are certain conditions that must be fulfilled in addition to those from North Atlantic Treaty and they are specified in cooperation with each country through the MAP, and before that in the "Intensified Dialogue" and the Partnership for Peace. Also, NATO is interested to receive in membership the state of those whose population largely accepts and supports the membership.<sup>17</sup> According to CSS poll, Bosnia and Herzegovina meets this requirement. Around three quarters or 73% of citizens support the accession of BiH to NATO, while 27% of citizens do not support or oppose membership. We must mention that there is no consensus within the country about this matter, and that the citizens of the Republic of Srpska in significantly greater extent oppose membership in NATO. This fact can be a problem for future efforts of joining. The fact that NATO integrations are not top priority is supported by data that citizens would primarily direct tax funds into achievement of membership in the EU (49%), for regional cooperation (30%) and only 12% for NATO. It is also necessary to emphasize that CSS poll shows that a large number of citizens did not have the opportunity to hear different opinions about the process of integration into NATO, as well as about the Alliance. This is not surprising if we see that the poll shows that two thirds of citizens never or occasionally monitor developments in the security-defence sector, and only 8% of BiH citizens actively monitor these activities. It is believed that NATO is simply not a great priority, or that membership in the European Union would automatically mean meeting the conditions for membership in NATO. According to some estimates, a large number of BiH citizens do not understand the difference between these two institutions, by classifying them under the broader term of "Euro-Atlantic integration." We can say that the BiH public did not discuss the issues of NATO integrations. Most of the BH citizens' positions, except for those very general, must be taken with a touch of reserve. The citizens of Bosnia and Herzegovina (the public) cannot be blamed for such situation, but the fact that membership in NATO, as an object of public and public reasoning,

---

<sup>17</sup> Barany, 2003 - The Future of NATO Expansion

has not evolved into a social issue. There are several reasons for this: 1) lack of sufficient information on NATO, 2) lack of sufficient interest in NATO membership as the benefits are not clear; 3) under-developed social-democratic order, and the public that does not understand its own role in the state, 4) incompetence and indifference of the media, as a key information transmitters, to launch a public debate on NATO membership. Therefore, one of the ways out of this situation is a comprehensive, long-standing and constant information campaign about NATO and membership of BiH in NATO. Through a period of two years it will probably be possible to raise citizens' awareness of the membership in NATO, and allow them to express their critics on this issue, as well as to provide views that could serve political leaders in the further process of NATO integrations.



## **6. NATO MEMBERSHIP AND ITS ALTERNATIVES**

The admission of Bosnia and Herzegovina to NATO will certainly be no simple or easy task. It is necessary to understand that the process of certain country's admission to NATO does not depend only on the state or the military, but also on all of its citizens and other entities that will actively participate in these processes. What is indisputable is the fact that in every country, which strives to these processes, there are those who oppose it, considering admission into an organization, such as NATO, unnecessary and superfluous. While certain structures believe that Bosnia and Herzegovina should not have its armed forces, but it should be demilitarized, and to be committed to resolving conflicts peacefully, there are those who are opposing admission into this organization because of some personal, moral or some other similar reason. Both would be right if NATO today was what it was during the Cold War, or if it would make decisions without the consent of all member states. Those who believe that Bosnia and Herzegovina should be a demilitarized state often use example of Iceland as an argument, who is a member of NATO but does not have its own armed forces. What is not taken into account when making such comparison is that Iceland is one of the founders states of the of NATO, and that the international conditions that ruled 60 years ago looked very different from the time in which we live today. A similar conclusion applies to the current armed forces that have quite a different purpose and mission of those we were accustomed to in the past system. It is certain that the Armed Forces of BiH in today's world can not be seen through the prism of any of the events from 1990 to today. Modern armed forces in Europe are no longer used in the traditional defensive purposes, as direct conventional threats that the army would be able to respond to no longer exist. Modern armed forces today protect the interests of the state in many other ways, either through active participation in multilateral processes to build peace and security, through passive or preventive military action or even at political or economic plan. In this context, the role of the Armed Forces of BiH today is certainly not simply for defence purposes, much less all-conquering, but should be viewed as an important factor in internal and external policies of the country. The admission of Bosnia and Herzegovina to NATO is one of the ways that all potential conflicts and crisis situations may be prevented and resolved democratically, rather than with military means. Nowadays, NATO is primarily political rather then military organization. This is the basic assumption that must be borne in mind in order to be able to think at all about a better future, where NATO will be appearing as a guarantor of peace and

security in BiH, region and beyond. As arguments for non-admission of Bosnia and Herzegovina in NATO are often listed attitudes that will lead to increased scale of basic human rights violations or possibilities for the country to become a target of the terrorist attacks. International environment in which we live probably will not be immune to this issue but no one can give a guarantee that we will be isolated from such cases in the case non-admission in NATO. Moreover, membership offers certain instruments that can influence that those undesirable situations are avoided, or if something would already happen to be able to provide more adequate responses. Considering the participation of our members in peacekeeping missions, which causes a significant dose of public suspicion toward membership in NATO, we should bear in mind the fact that it is personal decision of each individual, at the final instance. Each member of the professional armed forces has voluntarily decided for the profession they deal with, and therefore they had to be aware of the risk that it may carry. We would certainly be able to devote much more space to these and similar arguments, as well as different views about the negative and positive consequences of the membership of Bosnia and Herzegovina in NATO, but we think we have covered the most important dilemmas that occur in political and public inhabitancy. In some considerations we can hear positions towards the option of state's neutrality as opportunity for positioning in international relations. Therefore, we will partially try to find adequate arguments that could be related to such possible scenario.

## **6.1. Neutrality as an alternative**

Declaration of military neutrality means that the great powers recognize and guarantee the neutrality of the country which has declared it. Bosnia and Herzegovina is a small country surrounded by NATO and EU member states in the broader context and self declaration of neutrality would mean the absence of an objective perception of the political environment. The case of Switzerland or Sweden is totally different from the case of our country. These are states with centuries of stability and neutrality, which is recognized by all the international factors. BiH certainly could not count with the same treatment by the great powers. Bosnia and Herzegovina would theoretically be able to join the EU, and stay out of NATO, as it was done by the countries such as Ireland, Austria, Finland, Sweden, Malta and Cyprus. The EU membership itself is a solid guarantee for security and economic development. However, we should not forget that the EU has autonomous common security and defence policy and its own military forces, so far underdeveloped. Although the admission into NATO would decrease chance for conventional and symmetrical attack to the state of BiH, theoretically it is

increasing its exposure to new trans national and asymmetric threats such as, for example, international terrorism and organized crime. From this perspective it would be desirable to remain neutral and not participate under any international military coalitions working to ensure peace and security in the world. But if we look at it hypothetically, can we say with certainty that Austria is more immune from its neighbours, say Hungary, to modern threats? It is probable any serious analyst would not dare to give such a safety assessment. We should not ignore the fact that these countries, despite declared neutrality, are participating in numerous world peace missions providing their contribution through logistic support, whether in transport, medical services or similar activities. Therefore, we can rightfully ask ourselves whether it is possible to speak of military neutrality in general at the international scene in the modern international environment. In the present circumstances, declaring the military neutrality of Bosnia and Herzegovina would be premature political decision and it would cause very negative foreign policy consequences for our country. The international community has invested a lot in the construction of our defence system and such a decision would certainly represent a very negative perception of our country, especially in relations with the United States and some major European countries that have taken the highest burden of support.

## 6.2. Military, political and economic aspects

BiH membership in NATO is probably the best economical solution than any other alternative to ensure the quality of the security environment to the citizens. It requires significantly less financial resources to achieve professional standards of the armed forces and more credible international position in the system of collective security. In addition, examples of new NATO member countries show that the perception of security attracts investment and facilitates development of the economy. We must not neglect the strengthening of political goodwill, and improving the position of our country in the consideration of bilateral and multilateral issues of international politics. Membership in NATO for Bosnia and Herzegovina is necessary for security, political and economic reasons and we will once again recall its main features, with the consecration of a larger space to economic elements:

**Security and military reasons.** BiH admission to NATO would put itself in position where the guarantee of its security is provided by the most powerful military alliance in the world. Being a part of collective security system, BiH would have some of the military most influential countries in the world for the closer allies, including the United States. In the

present circumstances it is clear that BiH can not independently provide the necessary level of security to its citizens because it does not have the political, defence and economic assumptions.

**Political reasons.** Bosnia and Herzegovina, as a NATO member, would consolidate its democratic path and development. Membership in NATO, as an alliance of developed democratic countries represents a very important symbolic step forward in building the democratic potential of any country. By joining this alliance, BiH would ensure itself the necessary political stability and a solid basis to build friendly relations with neighbouring countries, as well as European and world powers. Membership in the military alliance of Western democracies would further affirm the democratic aspirations and capacities of BiH. All countries of the former Eastern Block have become members of NATO prior to entering the EU. With this in mind, we can conclude that admission to the North Atlantic Treaty Organization should contribute to accelerated integration into the European Union. All countries in closer and farther environment (except for Serbia in the current political circumstances) have clearly set NATO membership as their primary foreign policy objective.

**Economic reasons.** Membership in NATO creates the necessary assumptions for economic stability and growth of foreign investment. The fact that a country is member of the Alliance is an evidence of its full political and economic stability, which encourages potential investors to freely invest in its economy. Experience of Eastern European countries that went through a transition during the 1990s illustrates to us that FDI has experienced a huge rise after the admission of these countries in NATO. Any decision about not joining the NATO would lead to a dramatic increase of defence costs. Bosnia and Herzegovina would be forced to independently guarantee security to its own citizens, and it would be necessary to develop a far wider range of military capabilities and thus to invest a lot of significant financial resources. By entering the system of collective security, the Armed Forces of BiH could specialize and professionalize in accordance with the needs and shared responsibilities within NATO, thus this would relieve the domestic budget. Membership in the Alliance and the opportunities that will open on the economic plan for the new state is more than desirable. Thus, modernization of the armed forces does not imply a mass purchase of U.S. products, such as some opponents tend to promote membership (e.g. the Poles retained AK47 rifle after joining NATO), or a drastic increase in military budget (a small country like the Czech Republic have even profited from membership: while the Czechs allocated 2% of its GDP to

the military budget, they were retreating about 1.5 times more from the common budget of NATO).

Membership in NATO has not changed, for example geographic location of Poland, but in the perception of investors after joining NATO the acceptability of the state has received a whole new connotation. As for the BiH circumstances, membership in NATO would not move BiH from the Balkans, but it will preserve it from the "Balkanization". In theory, we can find a lot of coincidences in the connection between membership in NATO and increased inflow of foreign investment. Security climate includes political stability, respect for private property and law enforcement. All these arguments are closely linked with the requirements for a particular country to become a full member of NATO. Membership in NATO, for countries that joined the Alliance, has made an expansion of foreign investment, thus in some countries such investment has increased three times. The reasons for these positive changes should be sought in the political and security stability, which stands behind the Alliance as a guarantee that capital and investors' money is invested in a safe region. Only safe Bosnia and Herzegovina, as a member of NATO and the EU, may become economically developed and prosperous country that will increase its wealth, as well as living standard and social security of its citizens. It is known that the own sense of insecurity often leads to increased feeling of social insecurity. This type of uncertainty often causes asocial, and in some cases extreme behaviour of individuals and hence the society. In contrast, a stable economic situation contributes to the sense of social security, reduces social tensions and constitutes a safer society. In practice this means more resources for social programs and other social benefits provided by the state. Political stability that guarantees membership in NATO is a positive signal to foreign investors. Large investments generally come from companies that come from member countries of NATO. Experience shows that the important companies are following the policy of NATO. What is most important, when it comes to investing, is the fact that the investment decisions are made very quickly, and for NATO member countries there is no need to carry out the analysis of the security situation, which lasts one or more years. Under the security umbrella of NATO, which was established shortly after the end of World War II, Europe has managed to build a prosperous and integrated economy, based on the principles of liberal democratic order. As unstable and limited resources country, political and economic prospects of BiH are in fast integration into Euro-Atlantic structures. If things go in the opposite direction, we may not feel consequences in short-term, but in long-term the negative effects will take affect of such a tribute to a political

decision. Therefore we can say that BiH does not have much choices and alternatives. Membership in the EU is realistically still quite far, and the status quo would get us away even from the opportunities that this first step on the Euro-Atlantic integration provides us with. If we do not take advantage of the opportunity to get involved in global processes, and do not take advantage of NATO member countries favourism in the open-door policy for membership, we risk remaining on the margins of social development which could have unforeseeable consequences for generations to come. Therefore, it is inevitable that we look, with a lot of critical attention, at all possible costs and benefits that carries the decision on the joining the Alliance of successful and modern countries, which allow their citizens the greatest possible measure of protection of human rights and other civil freedoms. This research was also aimed to make its modest contribution to the quality of public debate on this very important external political issue which is also of an extreme importance for the future of all citizens of Bosnia and Herzegovina.

## **7. CLOSING CONSIDERATIONS**

If we try to look at the arguments that are presented in this study without prejudice, we will have an impression that the benefits of membership in NATO are more expressed in relation to costs arising from it. This somewhat subjective assessment is based mainly on the experiences of countries in Central and East Europe that became members of NATO and has made considerable progress in political, military and economic spheres. For a small country, which is geopolitically and geo-strategically positioned in the Western Balkans, the potential risks in the construction of self-security sector are still too much of burden. From the point of views expressed by public, it would be more effective and desirable if BiH could join the European Union and seek its economic prosperity and security in the military-political sphere within this European family. Unfortunately, such a preferred scenario is not consistent with real political options and it represents somewhat utopian view of international order. What Bosnia and Herzegovina has in its external political perspective is a real chance to integrate in the Alliance in foreseeable time, provided to continue fulfilling the agreed obligations and if the overall political atmosphere is going in favour of this intention. At the same time we need to bear in mind that this could be a rational way that almost all new EU member states followed (except Cyprus). Thus, these countries have first become full members of NATO and then applied for full EU membership. It also means that integrations into NATO and EU are compatible and fulfilling conditions for membership in NATO is also creating conditions for faster integration into the EU. Bosnia and Herzegovina needs both military-political stability, and even more the economic stability. It is generally accepted that integration into the EU is considered from the aspect of economic stability, but one should not neglect the fact that the military and political security are preconditions for economic progress. Also, there is a very important segment of economic cooperation, which we mentioned in this research, since NATO is not an organization that relies only on military and political cooperation, but it also has an economic element fairly represented. As we have already presented, in order to have proper external assessment related to political integration into NATO, it is essential to impartially examine all options available to us. Perhaps one of the main arguments that we have offered at the beginning of the research and that refers to what is offered as an alternative if we decide to take a political course that excludes membership in NATO as a possibility. Is there a better way to articulate our foreign policy goals and ensure the prosperity of citizens with no involvement in the organization that is still based on the highest postulates of liberal democracy that currently exists in the world?



## **ANNEX 1**

### **Research on public positions on Bosnia and Herzegovina joining NATO**

Research in the framework of this study was conducted to get answers to two questions: (1) what is the position of the citizens of Bosnia and Herzegovina on the issue of membership in NATO? (2) What are the factors associated with economic aspects of NATO integration? The main interest of this study represents the knowledge and positions of citizens on BiH joining NATO in general, as well as the insight into thoughts of BiH citizens for the same issue. Collecting data through research questions about Bosnia and Herzegovina's joining NATO is the issue that has so far been neglected as a subject of research in BiH, and one of the goals of this research is the comparison of research results with similar researches in Southeast Europe. Information about the views and positions of BiH citizens on joining NATO was collected through survey questionnaires, and the conclusions are based on the answers of the 1500 respondents surveyed. It has been noted that 73% of BiH citizens have positive attitude regarding membership of BiH in NATO, while 27% have declared negatively on the accession of BiH into NATO. As particularly important factors that explain the reasons for joining NATO are expressed positions of citizens related to the increased security by inclusion in the system of collective defence. The research was also conducted to determine the difference between supporters and opponents of BiH accession to NATO, as well as to confirm or reject the set criteria based on which the results for and against were analyzed. Also, this analysis shows that integration into the NATO alliance has not only military but also strong political and economic component, and that society enters NATO as a whole, not just the Armed Forces. Therefore, we should expect that the wider parts of society shall engage in the public debate on NATO integrations. Parallel to the process of research, we believe that public debate of opponents and those who support accession of BiH to NATO will be initiated, and hopefully this study will have some impact to it. Therefore, given the lack of information available to general public on this topic, the Centre for Security Studies wishes to, through this methodological approach, give their scientific and research contribution to quality public discussion.

At a time when Bosnia and Herzegovina is on its way to NATO, and the time to admission in full membership is becoming shorter and less likely, we can still observe a certain passivity of public on the issue. One of the most important factors that influence the

shaping of public opinion are positions those people who have different approaches to almost every social, political, economic and social issues in the BiH society, including the accession of Bosnia and Herzegovina to the NATO. In this context, the Centre for Security Studies has conducted research that would define the position of the citizens of Bosnia and Herzegovina on accession to NATO, as well as their perception of NATO in the economic circumstances. The research results showed that a large number of citizens support the accession of Bosnia and Herzegovina to NATO, but also a part of the citizens are committed to calling a referendum on the accession of Bosnia and Herzegovina to NATO. This means that a broader public discussion is needed in order to present the citizens with complete, accurate and impartial information about the benefits and costs of admission of non-admission to NATO, as well as opportunities of other security systems and cost of their development. The lack of a broader discussion on this subject and the lack of research are reasons why we believe that we should initiate a broad public debate which will have as a result serious consideration of the opportunities of BiH admission to NATO. In early March 2009, Centre for Security Studies has launched a survey of BiH citizens' positions on various aspects of membership of Bosnia and Herzegovina in NATO. *The research was part of the project "NATO: The costs and benefits of BiH joining NATO"*, whose implementation was enabled by the British Embassy in Bosnia and Herzegovina. We use this opportunity to express gratitude for the multiple help of British Embassy in BiH, representatives of all institutions who participated in this study, and the citizens of Bosnia and Herzegovina who have participated in the poll. We hope that research results will help you in further work, both in a way to provide necessary information, and to help you communicate with those who think the same, similar or different about this very important issue for the citizens of BiH.

The aim of this study was to identify information on the views and positions of the BiH citizens on accession to NATO, as well as their perception of NATO in the economic circumstances. Research in the framework of this study was conducted to obtain answers to two research questions. (1) What is the position of the citizens of Bosnia and Herzegovina on the issue of membership in NATO? The second research question, we will try to answer in this paper, is the following: (2) what are the factors associated with economic aspects of NATO integration? We shall make an effort, within this research, to determine which internal and external factors are associated with economic aspects of NATO integration. The research was conducted on the method of personal interviews on a representative sample of the adult population in Bosnia and Herzegovina (18 + years), the sample size  $N = 1500$  of accidentally

selected subjects, stratified by region and size of settlements, according to census 1991. Each examination unit conducted a random selection method of “walking in the steps” (random walk technique), and at each address one “main” respondent was chosen from the household, who was at age of 18 and older. We have analyzed the following among the BiH citizens: the main assessment of threats to the citizens' safety, monitoring the development of security-defence sector, the positions of citizens on the NATO and economic aspects of NATO integration. The survey was carried out in a period of time from 1 April until 30 April 2009. We have used the standard Statistical Package for Social Research (SPSS) version 16.0. for analysis of the results.

Total number of respondents that have properly and fully completed questionnaires was the 1500. The average age of respondents was  $30-34 \pm 2.57$  (SD), and most of respondents were at age from 18 to 24 years, making a total of 481 (32.1%).

Of the total number of respondents ( $n = 1500$ ), there were 761 (51%) women and 735 (49%) men. Participants were: Bosniaks 713 (48%), Serbs 536 (36%), Croats 175 (12%) and others 62 (4%). Bosniaks ( $n = 1500$ ) had 47% women and 49% men, Serbs had 39% women and 34% men. Croats had 15% women and 9% of men, and respondents who declared themselves as other were women 5% and 4% of the male sex.

Among respondents, 68% of them had secondary school education, 27% of respondents had college and high school graduates and 8% of those with primary, while there were only 0.7% of those who had no education. Employment is represented in a very high level of 47% of respondents, 28% of those who attend secondary school or university, unemployed were 18% and 7% of retired persons.

- Poll and study of the BiH citizens' position on accession to NATO has dealt with several issues. The first three questions relate to the general security of citizens.

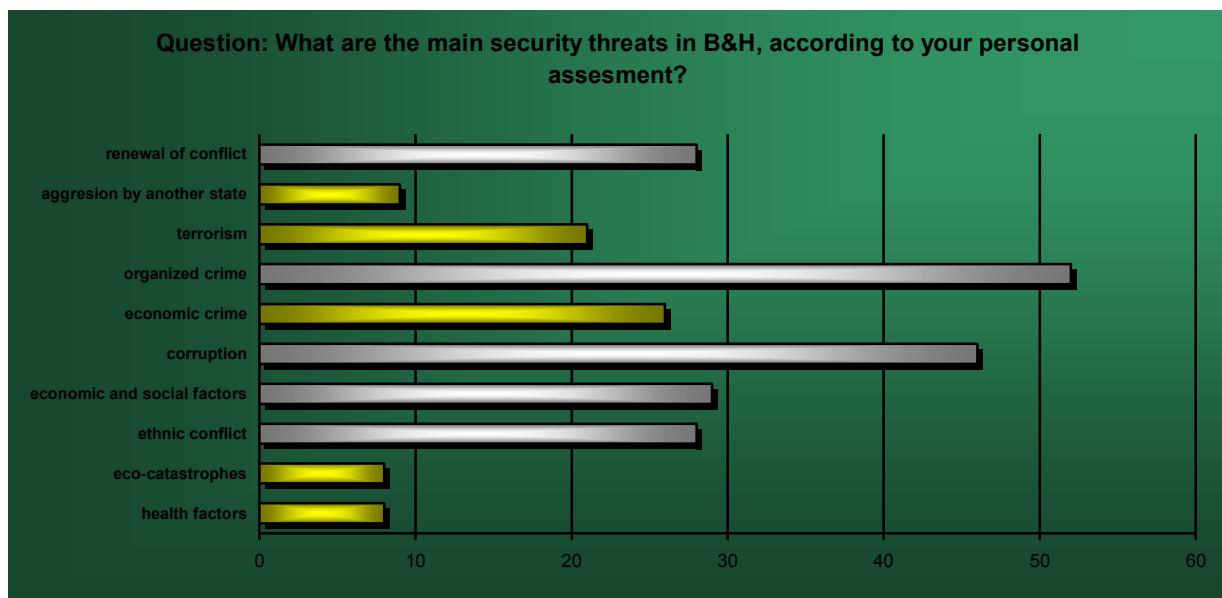
Q1: Analysis of survey results shows that the majority of respondents 51% felt safe in their residence, while 17% of citizens feel very safe in their residence. Demographic variables are not explicitly linked with responses, although in the sample the percentage of response selection “very secure” and “secure” increases from 14% of those with higher and high education to 35% with the elementary education. It was also noted that 14% of women feel

unsecured than men, who said the same in 9%. Still, 24% of respondents said they felt unsafe, and 5% felt very unsafe. According to the responses, 24% Bosniaks felt safe in their residence, while 20% of Serbs and Croats 6% have a sense of security in their place of residence. Question asked in this form does not consider the economic side of this issue, so in that sense it is possible to question a favourable assessment of the security of citizens in the place of residence.

Q2: When asked what is that mostly influences their sense of security is most people (37%) responded that the police activity has the most influence on their sense of security, while 34% felt that the personal protection of citizens is “safer” than others. It is interesting that a slight majority of Bosniaks and Croats believe that most police activity affects the sense of security, while most Serbs believe that personal protection and police activity equally affect the sense of security. Research shows no significant differences among the Bosniaks and Croatian age groups who believe that most police activity affects their sense of security. While one part of the Serbs, aged 18-24, considers that the personal protection is main sense of security in 14%, the second half of 18-24 considers that it was still police activity in 10%.

Q3: The greatest threat to the security of our country, in the opinion of respondents, is organized crime 52%, corruption 46%, socioeconomic factors 29%, renewal of war in former Yugoslavia 28% and ethnic conflicts 28%. (Chart 1) High homogeneity in terms of the first two factors that threaten the security of our country is expressed in a sample of Bosnia and Herzegovina, and there are minimal differences among respondents with completed secondary education and higher or university education. Regional perceptions of organized crime and corruption suggest that there are high levels of these activities observed in Una-Sana, Tuzla, Zenica-Doboj, Canton Sarajevo, Banja Luka, Doboj, Pale and Trebinje. Therefore, it is interesting that the citizens themselves assess the level of the presence of organized crime and corruption in BiH as high, which is confirmed by examination of opinion through polls. Perception of the presence of organized crime and corruption is increasing, and most citizens believe that the lack of severe sanctions for corruption and lack of political will, as well as incompetence of authorities to prevent corruption are mostly responsible for such situation.

Chart 1:

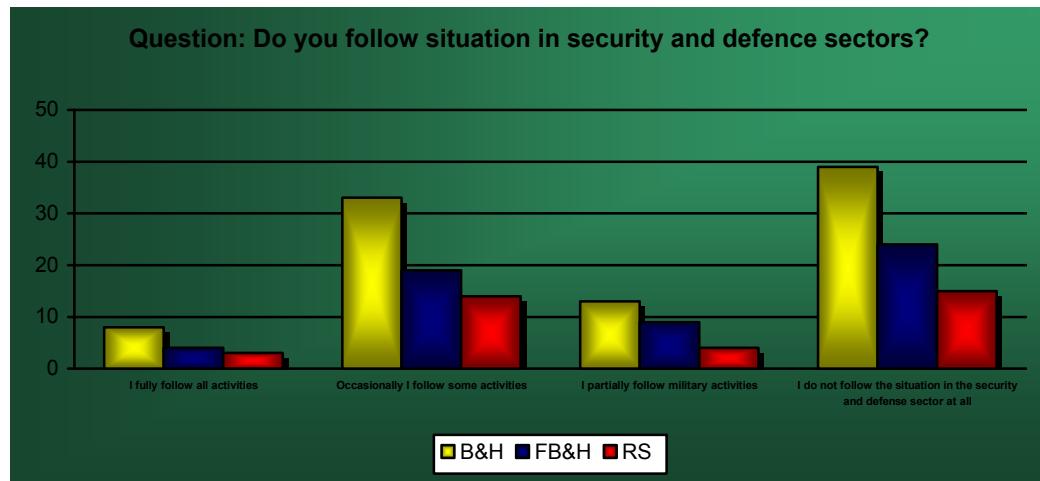


Q4: The next question was: "Do you think safety is the basic prerequisite for economic, social and political development of the country?" Half of the people 50% said that security is a basic assumption of economic, social and political development of the country, while 35% of citizens believe that security is only partially important factor in development of a country. Citizens therefore believe that further work in the field of security can accelerate the entry of Bosnia and Herzegovina to NATO. Hence, it is of strategic importance for BiH to achieve membership in NATO, since BiH has no sufficient economic resources so that it can use its own forces to achieve the high level of national security. Entering the security system such as NATO, together with bilateral and multilateral cooperation with countries in the region, supported by 30% of the citizens of Bosnia and Herzegovina, will not only achieve the high level of their own security, but further affirm as one of the factors of security and stability in the Southeast Europe.

Q5: The respondents also provided answers about the awareness of situation in security and defence sector. Most people in Bosnia and Herzegovina, 39% said they do not follow the situation in the security-defence sector, while 33% of people occasionally and 13% partially follows some of the activities in the security and defence sector (Chart 2). Only 8% of the citizens of Bosnia and Herzegovina are fully following all activities. Younger respondents, aged 18-24, have mostly shown higher percentage of interest on the situation in the security and defence sector. Moderate interest is more or less equally shown in other age groups. Men, as expected, are more interested in this problem than women. There are 5% of

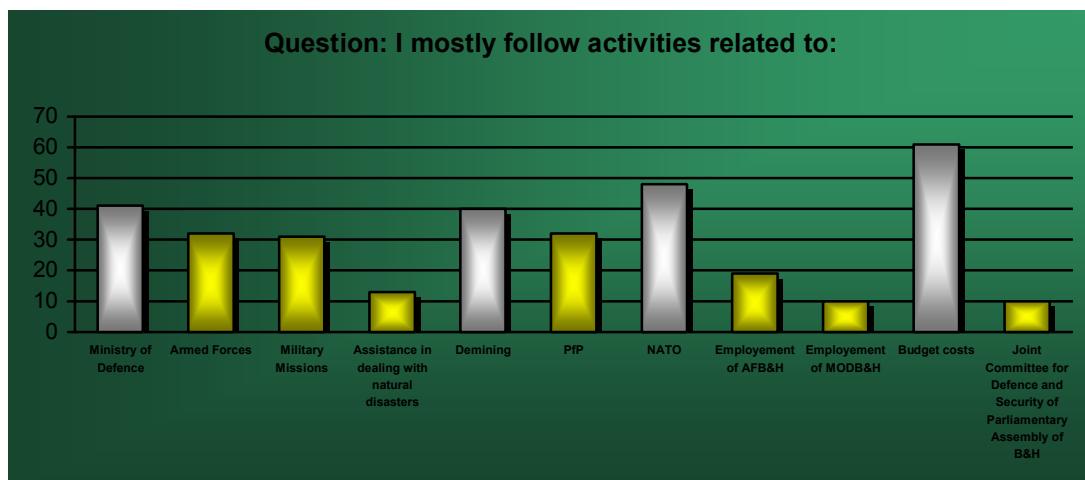
fully interested men, and only 2% of women in BiH, while the response “I occasionally follow some of the activities” was chosen by 18% of men, compared with 15% of women. It is also interesting to emphasize that out of regions and cantons in BiH, 15% of RS citizens have responded that they do not follow the situation in the security and defence sector, while in FBiH 24% of citizens do not follow the same.

Chart 2:



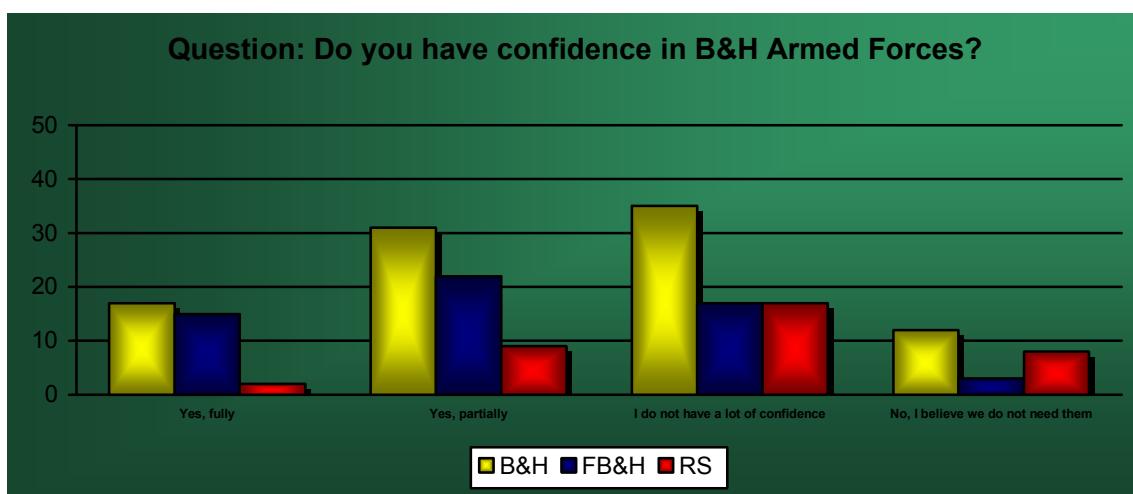
Q5a: Generally speaking of the citizens who follow the situation in security and defence sectors, we have gathered information that show us that BiH citizens are mainly following activities related to budget costs 61%, activities of BiH joining NATO 48%, BiH Ministry of Defence reform 41% and de-mining 40% (Chart 3). The least interest was expressed for activities related with staffing the Ministry of Defence, as well as for the activities of the Commission for Defence and Security in the BiH PA, in total 10%.

Chart 3:



Q6: The trust of citizens in the Armed Forces of Bosnia and Herzegovina was analyzed, as well as jobs and tasks that citizens consider the most important and useful in the Armed Forces of BiH. Respondents were asked to answer whether they have confidence in the Armed Forces of BiH (Chart 4). As we can see 35% of the citizens of Bosnia and Herzegovina does not have high confidence in the Armed Forces of BiH, and there are 12% of people who believe that our armed forces are not necessary. The lowest ratings were in female individuals with secondary education 26%, then 14% in persons 18-24 years of age and 7% of the citizens of Banja Luka who do not have full confidence in the Armed Forces of BiH. However, according to this institution citizens have a slightly positive attitude. This is a medium rating that does not indicate low confidence but not too high. On the other hand, full confidence in the Armed Forces of BiH expresses 17% of respondents, and 31% of respondents assess that it has partial confidence. Citizens between 35-39 years show increase of partial confidence to 10%, as in almost all cantons. As far as ethnicity, the greatest confidence comes from Bosniaks, 12% have expressed full trust in the Armed Forces of BiH while 19% partial confidence. It is interesting that women in Bosnia and Herzegovina have expressed higher confidence in the Armed Forces (17%) than men 14%. Confidence in the BiH Armed Forces in the Republic of Srpska, as opposed to the Federation, has somewhat different dynamics. The results, in fact, say that the citizens of RS showed significantly less confidence in the armed forces than citizens in the Federation, including that 9% of citizens of the RS believe that we do not need Armed Forces. Of the total number of respondents, only 2% of RS citizens have full trust in BiH AF, while in the Federation there are 15% of such citizens.

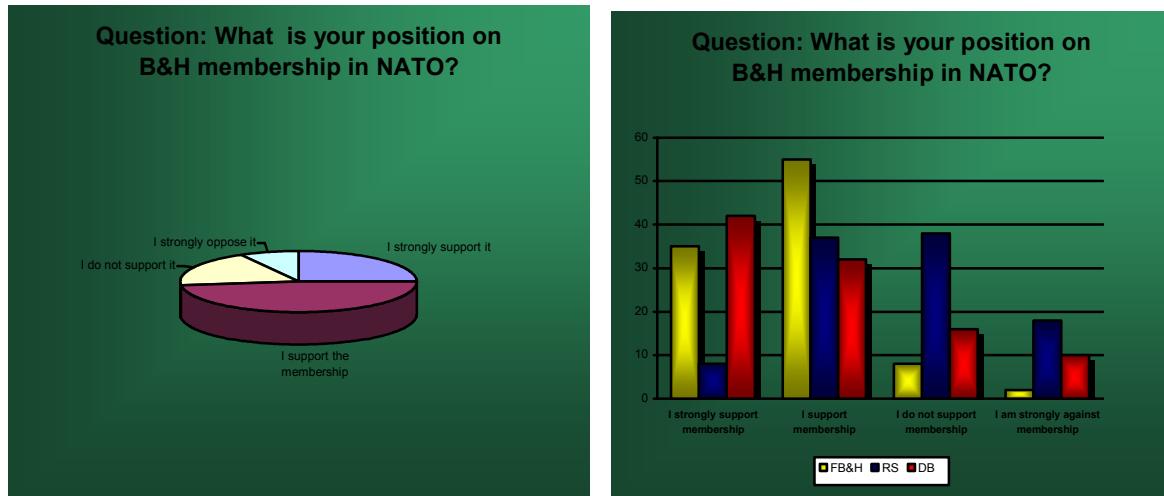
Chart 4:



Q7: In order to find out what are the duties in BiH AF that citizens consider the most important and most useful, 46% of responses to this question was directed at the preservation of sovereignty and territorial integrity, 20% de-mining, and 17% to relieve civilians and 10% participation of the BiH AF in peace operations around the world. It is interesting to mention that entity perceptions of the citizens' indicate that 33% in FBiH and 12% in RS of people consider the preservation of sovereignty and territorial integrity of the most important and useful work of the Armed Forces of BiH. It is rarely expressed by persons with elementary education 2%, slightly more often those who have completed high school and higher 13%, but mostly are those with secondary school education 30%.

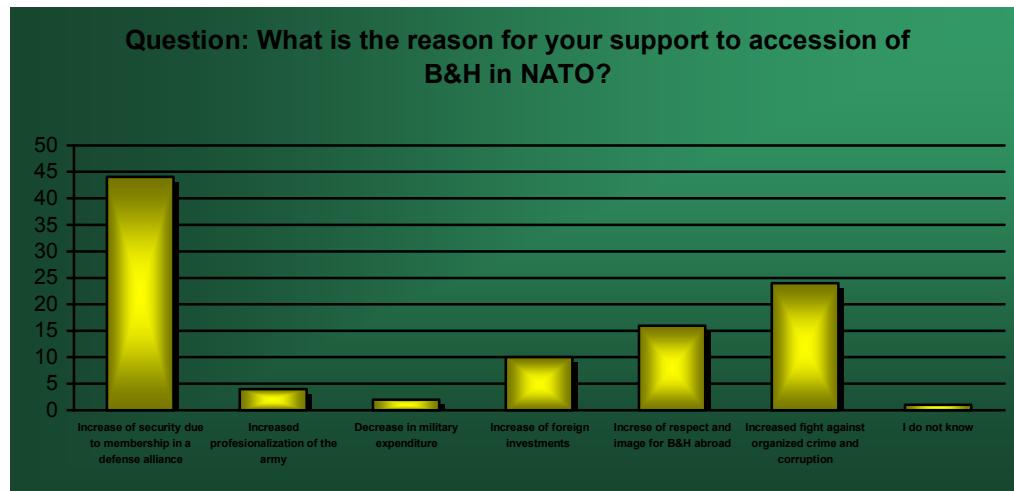
Q8: When it comes to membership in NATO we can conclude, with a great degree of security, that the position of respondents in Bosnia and Herzegovina is positive. The results obtained are sufficiently convincing and are enabling us to draw a reliable conclusion on the fact that about three quarters or 73% of the sample tested in BiH supports the accession to NATO, while 27% of the citizens of Bosnia and Herzegovina does not support or opposes NATO membership. This data should be one of orientation marks for political parties in defining their position on NATO integration. The sample shows a clear positive correlation between age of respondents and their support for the accession in NATO. We can conclude that a large part of the younger population has expressed great interest in this issue. There is almost equal number of young people who support accession to NATO in age groups 18 to 34 and it ranges from 49% to 53%. It is interesting to mention that there is a somewhat higher percentage of older respondents who strongly support joining NATO and it ranges from 25% to 37%. Of course, dissent is shown in the opposite trend. However, while a positive position regarding membership of BiH in the NATO in FBiH has 89% of the citizens, we can see that the corresponding percentages of 44% in the RS significantly lower. We can conclude that there is a consensus of support of the accession to NATO, because the absolute majority of citizens in Bosnia and Herzegovina support membership in NATO. So, NATO remains an international organization in relation to which BiH citizens have a positive attitude, with the percentage of those who do not have confidence in it. One of the main reasons for high support of citizens for accession to NATO is perception of potential threats, which is constantly changing since the end of the war, so that people are still experiencing the renewal of war in the former Yugoslavia (28%) and ethnic conflicts (28%) as a real threat.

Chart 5:



Q8a: On the question “What is the reason for your support of BiH accession to NATO”, the answers obtained are shown in Chart 6. As we can see, the citizens of Bosnia and Herzegovina in terms of attitudes about the reasons why they support the accession of BiH to NATO are mostly committed for increase of security by inclusion of Bosnia and Herzegovina in the collective system of defence 44%. Thus 42% of citizens agree with it in the Federation of BiH, 48% of the RS citizens and 60% of the Brčko District. 46% of men and 42% of women, and as for the ethnic point there are 44% Bosniaks, 41% of Serbs, 46% of Croats and 51% of others believe in the increased security by inclusion of BiH in a collective system of defence. Increase in the fight against organized crime and corruption takes second place. 24% of respondents, or a quarter, decided for it, and they believe that increasing of the fight against organized crime and corruption is the main reason why people support the accession of BiH to join NATO. This claim is chosen by people who are 60 years and over even 58%, as well as men 46%. The reason why citizens support accession to NATO also applies to the possible growth of image and reputation of BiH in the world, and this is expressed by 16 of %citizens. This attitude is more often shown by citizens of the Federation of Bosnia and Herzegovina 17% compared to the RS 14%. We note also the high level of 16% and 26% for age groups 18-24 and 25-29.

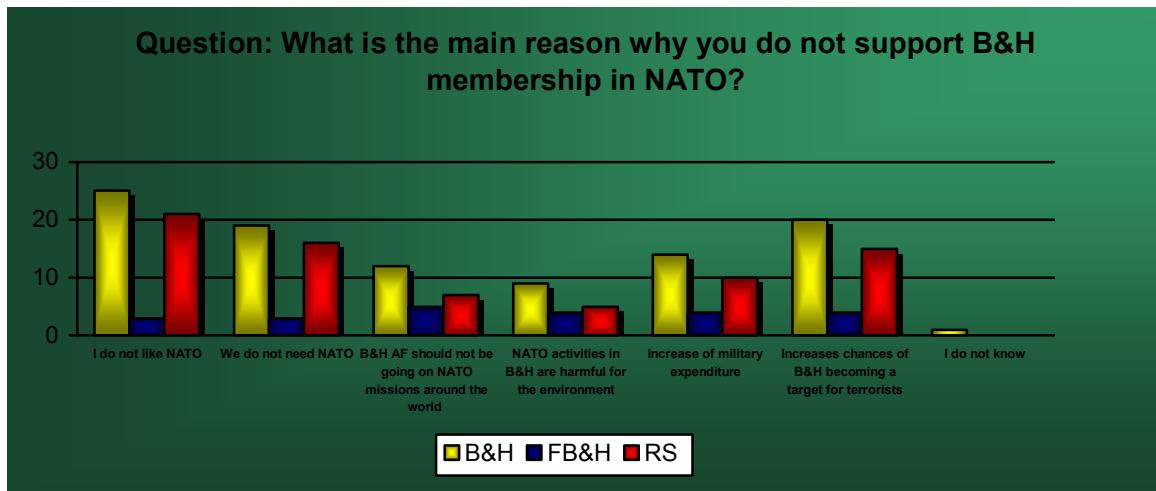
Chart 6:



Q8b: The chart 7 is showing why people do not support NATO membership for BiH. When asked which is the main reason why they do not support BiH membership in NATO, we have obtained the following results: the largest number of respondents 25% does not like NATO, while other reasons are “we do not need NATO” 19%, “the soldiers of the armed forces of Bosnia and Herzegovina should not go to the NATO missions” 12%, “NATO activities in Bosnia endanger the environment” 9%, “increase in military spending” 14%, “more likely for BiH to become targets of terrorists” 20%, “I do not know” 1%.

Thus, one fourth or 25% of respondents in Bosnia and Herzegovina states that the main reason why they do not support the accession of BiH to NATO is because they do not like NATO. 28% of citizens of the RS do not like NATO, and 21% believe that NATO is not necessary, and they also mention possibility of more likely to become target of terrorists. Also, responses show us that 9% of citizens believe that soldiers should not participate in military missions (including combat operations) outside the country, which is absolutely unacceptable for them, because more than half of people 53% stated that the departure of BiH Armed Forces in peacekeeping missions around the world is not supported, because it does not only endanger the lives of soldiers, but primarily because of increased opportunities for BiH to become a target of terrorist threats. Although accession into NATO reduces the chance of attack of some state against Bosnia and Herzegovina, its exposure to new threats is theoretically increasing such as, international terrorism.

Chart 7:



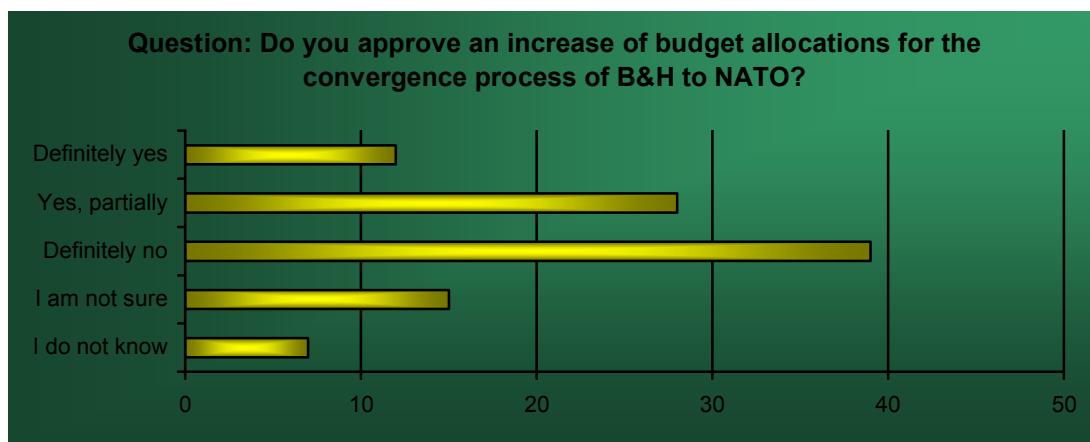
Q9: When citizens were asked to assess whether BiH will become a member of NATO and in which period, the majority of respondents, 36% answered yes in more than 5 years, while 25% considers it will take 2-5 years. Still, 15% of respondents expressed the view that Bosnia and Herzegovina will never become a NATO member. It is important to emphasize that our citizens believe that our country needs accession in NATO in the period of 5 years, and it is dominant and stable. However, it was noted that the entity perceptions of citizens indicate that only 7% of respondents in FBiH believe that Bosnia and Herzegovina will never become a member of NATO, while in the RS as many as 27% of respondents believe the same. With the higher age, people believe that in less than 2 years Bosnia and Herzegovina will become a member of NATO. This answer was chosen by 13% of people in the age group of 55-59 years, while younger categories have few percents less (4% in the category 25-29 years and 5% in the category 18-24 years).

Q10: When it comes to budget funds allocated for the defence, the situation is quite different. The question: "Do you believe that funds of 324 million KM allocated in 2008 from the budget are sufficient for the successful functioning of the defence sector", 36% of respondents assesses that it is even too much, while 31% believe that is enough. Very small percentage of respondents, 17% is of those who have decided for the option that funds of 324 million KM are insufficient for the successful functioning of the defence sector. Similar to the previous, slightly less than 17% of respondents were undecided. Thus, most citizens of Bosnia and Herzegovina assess the existing budget as satisfactory for the normal functioning of the defence sector. Most of the respondents in the RS 50% and 27% of the Federation believe that

too much funds are set aside. The biggest criticism towards this issue demonstrated 47% of Serbs, Croats 30% and 28% of Bosniaks.

Q11: The opinion of the majority of citizens, when asked “Do you approve increased spending of budgetary funds for the process of convergence of Bosnia and Herzegovina to NATO” is that they agree in certain degree with this hypothetical position, according to data listed in chart. Nearly a third of respondents are convinced that by joining NATO BiH will have to set aside much greater resources for defence needs and military budget than from what was the practice so far, and 39% of citizens do not approve an increase of budget means for the process of approaching of Bosnia and Herzegovina to NATO. Only a very small number of respondents 12% absolutely approves, while 28% of them only partially approve an increase of budget funds and believe that joining NATO will lead to its considerable limitations.

Chart 8:



Q12: According to research results, we have concluded that the citizens of Bosnia and Herzegovina believe that gaining of full membership in NATO will increase the economic prosperity of the country. The largest percentage of people, 38% think that by acquiring full membership in NATO will partially increase the economic prosperity of the country, while 18% are confident that Bosnia and Herzegovina will absolutely increase the economic development of the country by its membership in NATO. According to research, 13% of citizens believe that there will certainly be not economic prosperity for the country by its accession into NATO. Thus, the greatest motivation for membership in NATO in Bosnia and Herzegovina is a belief that membership in NATO will have beneficial impact on economic growth and living standards.

Q13: The question “Do you believe that NATO membership would contribute to the increase of foreign investments in BiH”, 40% of respondents believe that in the long term there will be an increase in foreign investment by accession of country in NATO. 24% of respondents have agreed with the proposed statement that membership in NATO in the short term will contribute to increased foreign investment in Bosnia and Herzegovina. Approximately one fifth of the respondents, 20% believe that there will be no increase in foreign investment, while 17% of respondents did not want to respond to this issue. As the results are showing, economic growth would be one of the leading arguments for joining the Alliance. Membership in NATO would be a signal to foreign investors that the country has achieved stability, and that their investments are safe. Of course, in order for BiH to become more attractive destination for investors, it is necessary, above all, to reduce the political risk of the country.

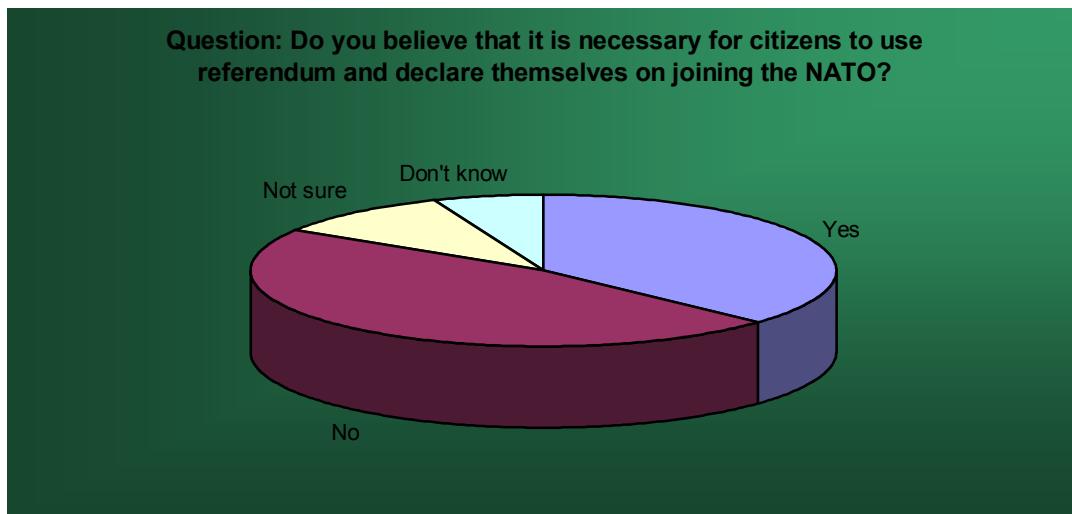
Q14: The largest number of respondents in Bosnia and Herzegovina 53% believes that members of the armed forces do not need to participate in international peacekeeping missions around the world. At the same time 40% of respondents state that they are supporting departure of the BiH AF to peacekeeping mission. With increasing educational level increases the percentage of those who believe that armed forces should participate in peacekeeping missions, 38%, 43%. However, the situation is different in each entity. Hence, a bit over a fifth of the respondents, 22% in the RS thought that members of the BiH AF should go to peacekeeping mission in the world, while in the Federation a little more than half of respondents, 51% will support their departure to peacekeeping missions. Three-quarters of the respondents, 70% in RS and 42% in the Federation does not support the involvement of the BiH AF in peacekeeping missions in the world such as Iraq, Afghanistan, etc.

Q15: In addition to 40% of respondents who support the departure of the BiH AF in peacekeeping mission in the world, but the position 61% of respondents is that engagement of the BiH AF in peacekeeping missions in the world should be just of a humanitarian character. Only 3% would agree with combat mission, while 27% of respondents believe that both combat and humanitarian character and should be part of the BiH AF participation in peacekeeping missions.

Q16: Most citizens of Bosnia and Herzegovina evaluate the media writing about the BiH approaching NATO integration as insufficient - 56%, while those who believe that the media pays enough attention is 35%. Only 6% of respondents could not express opinion on this issue, and 3% of the respondents were not sure. Positions of citizens in both entities are fairly uniform in terms of attention that media devotes to BiH convergence to NATO integration. It is definitely higher number of people who think that there is not enough attention, 61% of them in FBiH and 50% in RS. Young people in age group of 18-24 years believe that the media does not report enough, 34% of them, and the percentages decrease up to 4% among older from 55-59 years. There is no doubt that the accession of Bosnia and Herzegovina to NATO is a question on which there is still no official significant controversy and media debate. The fact is that Bosnia and Herzegovina differs significantly from other countries in the accession process (or that have recently joined) to NATO, and whose public was divided over the issue. This confirms the result of this research in which there are 56% of citizens who have expressed a negative opinion on the issue of media reporting on Bosnia and Herzegovina's accession to NATO. The public does not have enough information about what NATO really is and the fact that NATO is not only military but also political alliance.

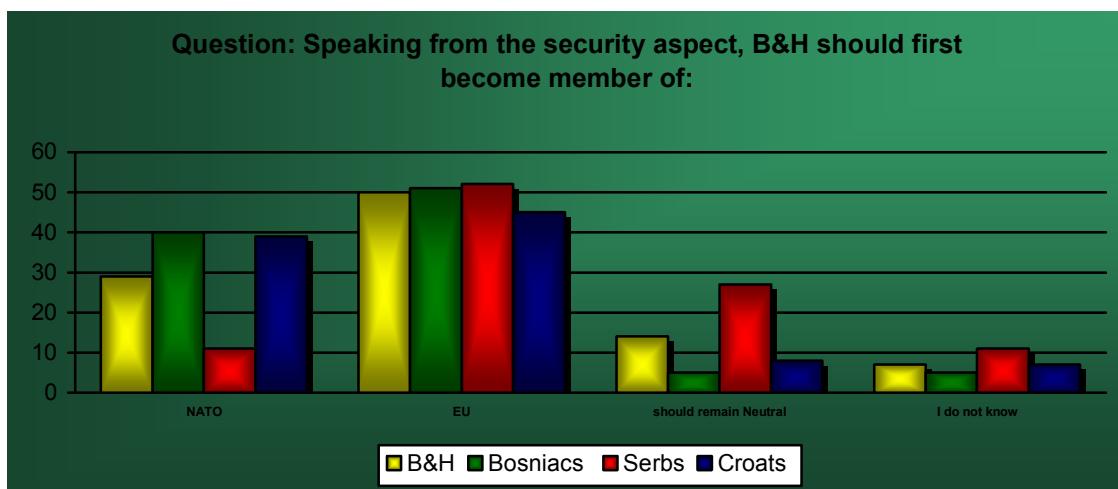
Q17: Support for NATO is very high in Bosnia and Herzegovina, which shows that there is a long-term stable public support for membership in NATO. The results obtained are sufficiently convincing and are enabling us to draw a reliable conclusion on the fact that about three quarters or 73% of the sample subjected to poll in Bosnia and Herzegovina supports the accession to NATO, while 27% of the citizens of Bosnia and Herzegovina does not support or oppose membership in NATO. However, as far as for the question on the need to call for referendum on BiH joining NATO, part of respondents, 37% think that the referendum is needed, while 47% of respondents were against the referendum (or believe there is no need for it), which is a kind of additional confirmation on the opening of a broad public debate on this issue. However, if the referendum is called, only then will we get a true picture of the citizens' position on this very important issue.

Chart 9:



Q18: Approximately 50% of citizens believe that from the security aspects, Bosnia and Herzegovina must first become a member of the EU. Number of people who believe that Bosnia and Herzegovina should first become a NATO member is 29%, and there is only a small percentage (14%) of those who believe that neutrality is the best solution for Bosnia and Herzegovina when it comes to the security aspect. It is interesting that an insignificant minority of Bosniaks 5% and 8% of Croats believe that Bosnia and Herzegovina should remain neutral, while 27% of Serbs believe that neutrality is the best solution for the country.

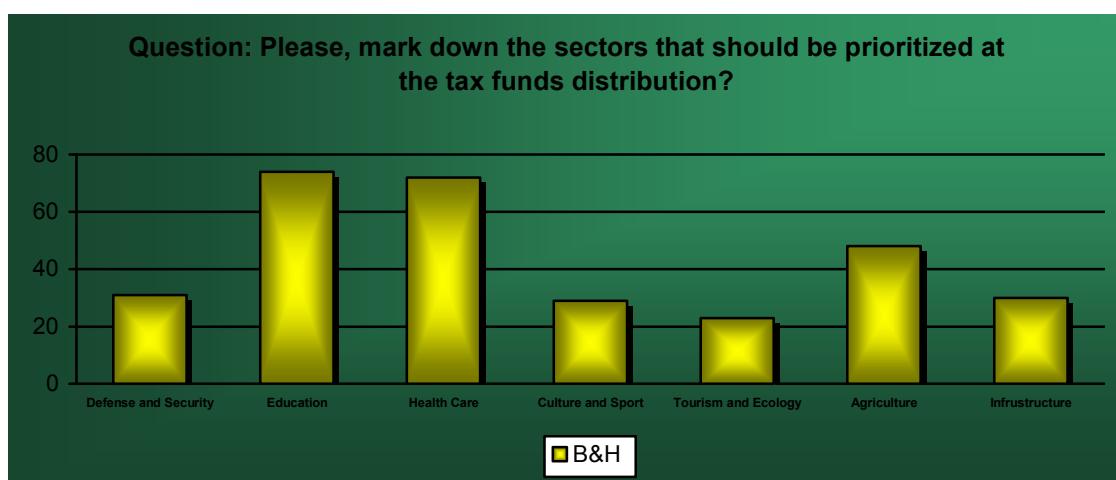
Chart 10



Q19: When asked about who may benefit from the aspect of tax consumption, as far as for the integration, the majority of the citizens of Bosnia and Herzegovina, 49% gives priority to the EU, followed by cooperation with neighbouring countries, 30% and 12% of those who believe we should give priority to NATO integrations. These percentages reflect the current support of the citizen to the EU. We can make a conclusion with a high degree of certainty that the position of respondents on this issue in Bosnia and Herzegovina is positive, because the obtained data are sufficiently convincing and it enables us to draw a reliable conclusion on the fact that half of the sample subjected to poll in Bosnia and Herzegovina and gives priority to the EU, both from the aspect of consumption of tax funds and from the aspect of security in relation to NATO integration.

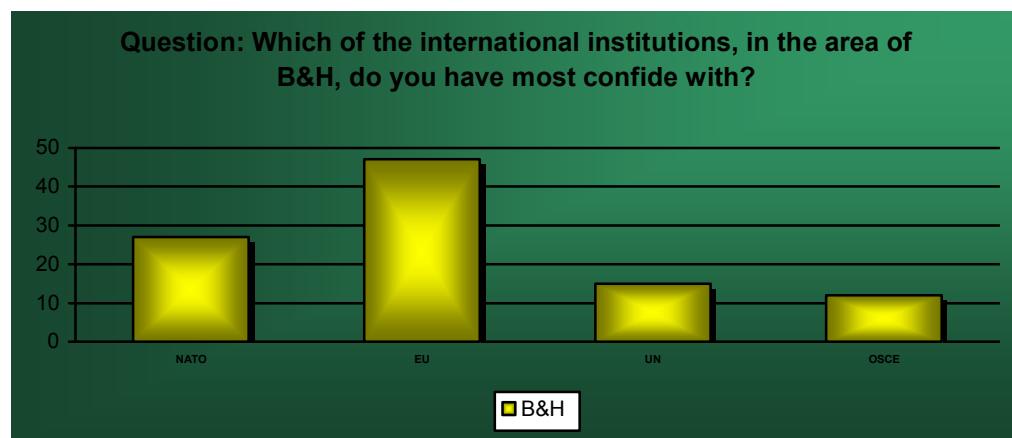
Q20: Responses to the question on the distribution of state budget gives one kind of direct image of social development priorities in the minds of citizens. The results obtained by answers to this question provide a number of interesting, but in a way logical and expected conclusion. In connection with the tax funds distribution priorities, the largest number of respondents, 74% considers that education should be a priority when it comes to the allocation of state budget, the health sector with 72%, and agriculture in third place with 48%. Fourth priority is defence and security 31%, infrastructure 30%, culture and sports 29%, and tourism and ecology of 23%.

Chart 11



Q21: The respondents were asked for their principle opinion on which of the international institutions in Bosnia and Herzegovina they have the most confidence in? In response to a question, most respondents opted for the EU, even 47%, and less of them 27% opted for NATO as a factor of safety in which citizens have the most confidence. Third place was given to the United Nations with 15%, while there are 12% of citizens who have the highest percentage of confidence in OSCE as a factor of safety. According to the obtained results, we can conclude that the orientation towards the West, i.e. the EU and NATO is the best way to improve the security of our country.

Chart 12





## ANNEX 2

### Conference transcript

Bosnia and Herzegovina, as a country that is already in the second phase of the transition process, is coming to a point of accession into the security and economic integration. Dilemmas and debates that are related to questions of accession in such integrations are associating economic costs and benefits that the security integrations bring. As the accession of BiH to NATO is becoming more likely to happen, and the time for reception into full membership is becoming shorter, intensive controversies on this issue are arising, and these are causing large interest of public. The attention is mainly directed on the political and security implications of possible NATO membership, while a serious debate on economic dimension of this relation has been left out. The consequence for this, amongst all, is the lack of research and solid proof on possible economic costs and benefits of BiH accession to NATO. The main findings of CSS research team have been presented at the regional conference that took place in Sarajevo on 9 July 2009 under the title "*Costs and benefits of BiH joining NATO*". The aim of this conference was to evaluate economic indicators, besides political and military aspects of joining NATO. In addition, the results of the CSS poll on public opinion were also presented at this conference, as well as comparative experiences of some countries on these issues. Speakers at the seminar were eminent international and domestic experts in the field of defence and security and Euro-Atlantic integrations, while the participants were representatives of the executive and legislative institutions of power in BiH, representatives of the IC, academics, representatives of NG sector and media. This publication contains short survey of the speeches that were given throughout the conference.

The conference was opened by Mr. Denis Hadžovic, Secretary General of the CSS that has addressed the conference participants in appropriate words. At the beginning of the presentation, he had informed that the regional conference is a part of the project of research studies conducted by the CSS titled "Costs and benefits of BiH joining NATO". In addition, the conference is another in a series of activities in which civil society is trying to make their contribution to building a more secure environment in BiH. He had expressed his views on the need to encourage public debate on this topic, so that when voting on the defence budget one can bear in mind one more comprehensive approach that covers the whole range of short

and long-term economic indicators. He had mentioned that the research results of CSS will be presented, which were aimed to use an impartial scientific analysis to indicate the estimates of potential costs of membership, but also to point out the benefits that it brings. He had particularly emphasized the importance of looking at joining NATO as specific investment, which ultimately should provide security, stability and social well-being. In discussions on NATO mainly political and security motivations for joining are emphasized, while the economic benefits are generally neglected or are being perceived through the prism of EU accession. He had expressed the view that these two political objectives should be strategically considered in parallel and that we should achieve maximum economic and social benefits for the citizens of this country.

#### **SELMO CIKOTIĆ, BiH MINISTER OF DEFENSE**

In his address Minister Cikotić said that it is possible to consider a wide range of economic and financial aspects related both with the state approaching the full membership, and with functioning of the state within the membership after becoming a full member. He had stressed out that it is very important that there is a consensus of relevant state and political structures on the European identity and Euro-Atlantic future of BiH. He had mentioned that the progress of the state of BiH to join NATO at the same time is the process of building state structures and institutions. Thus, the benefits or profit from the very specific commitments and previous trends of the state of BiH to join NATO are already present. He had also stressed out that the NATO is a club with a relatively high membership fees. In further presentation, he had referred to the positive economic experience of the new members of NATO, and expressed hope that the same are applicable in BiH, which has good comparative advantages. He presented the view that the progress of BiH towards NATO can be a generator of strengthening stability and economic cooperation, both within the state of Bosnia and Herzegovina and in the region. He had introduced the attendees with the fact that full membership means accepting some significant investments related to the modernization of AF BiH, but he also said that there is a constant tendency to make better spending, in addition to being required to spend more. He had also commented on the participation of our units in peace support missions, and pointed out that we already have professional, essential and human quality within our AF, with which we can be completely equal with other NATO members in participation in these operations. At the end he noted that the state of BiH as a whole moves toward NATO membership, and not just the Ministries of Defence, Foreign Affairs, Security and Finances, which seems to be the impression in public sometimes. He

reminded those present of the fact that the actual activities within NATO began the moment when we become a full member.

**ŠEFIK DŽAFEROVIĆ- BiH PARLIAMENTARY ASSEMBLY, VICE PRESIDENT OF THE JOINT COMMISSION FOR DEFENCE AND SECURITY**

In his introduction delegate Džaferović had pointed out that today's conference should explain the citizens of BiH and others what are the costs and what the benefits of joining NATO are. He referred to the work of the BiH PA Joint Commission for Defence and Security, which gave a very significant contribution to the process of defence reform. He had mentioned that the Commission was actively involved in all the accession stages and provides support to the BiH MoD in the implementation of reforms. He had emphasized that the process of integrations can not be observed in a black and white context, but it has to include numerous and layered analysis, as well as patience of those who are leading this process. He had informed the attendees that the Commission directly informs all delegates of BiH PA as well as legislative representatives on the issues that need to be addressed. He had stressed out that the same method is used to actively monitor situation in police agencies that operate within the BiH Ministry of Security. Mr. Džaferović has mentioned that the experience from the countries in surrounding that are the PfP and NATO member countries, as well as lessons learned and knowledge of the actual situation in the sector, over which they have parliament jurisdiction, made the Commission an essential factor in this transition period. The Commission in its activities keeps on reminding all relevant BiH institutions of the commitments and it wants to bring the level of responsibility for BiH path NATO up to an even higher level. He had informed those present of the future obligations of the Commission members, especially with the need to resolve the surplus weapons and ammunition that represent a security threat to the citizens. He had expressed his belief that BiH PA through its joint commission continues to provide strong support to efforts of convergence to NATO and European integrations, but pointed out that along the way we need support of the entire BiH society, and help of our friends outside of BiH. At the end he said that joining NATO is not just a security issue, but a very important economic question of how on both the expenditure and on the revenue of the country.

**JAN BRAATHU, AMBASSADOR OF NORWAY IN BIH**

The Ambassador of Norway has pointed out his pleasure for being able to speak of such an important topic. In his opinion, NATO is considered as a military alliance in the

public discourse, but at the same time it is being considered as a political forum for cooperation and joint decision making. Partnership through dialogue and cooperation, as well as strengthening of transparency and mutual trust are important NATO goals. He had emphasized that the NATO is founded on mutual values, such as democracy, rule of law and respect for human rights. These are the values that we all want to protect because these will contribute to the overall security. The security and international cooperation are prerequisites for the sustainable economic development. NATO contributes to the stability and overall security, promotes comprehensive political and security environment, which is favourable for economic growth and foreign investments. As such it is difficult to measure the economic aspect, but we should not underestimate or neglect it. NATO involves costs, obligations, as well as path to membership that is demanding. In case of Norway, the overall costing price for joining NATO was far lower than standing alone, isolated or neutral. The collective defence is simply highest price of the efficient defence method. We need to be careful and prevent ourselves from falling into a trap “by knowing the price for all and value of nothing”. All those who insist on calculation of costs and benefits should primarily think of NATO as an investment to democratic order and economic progress. He had emphasized that in case of Norway, benefits were positioned with far more importance in comparison to costs.

## SESSION 1

### ZORAN ŠAJINOVIĆ, ASSISTANT BiH MINISTER OF DEFENCE FOR INTERNATIONAL COOPERATION

In his address, Mr. Šajinović pointed out that the way to NATO is already prescribed and well-trodden by the old members of the Alliance and the present members, which have joined the Alliance in the past decade. He informed the attendees that the BiH had implemented some 150 events within the IPP in the past year, but for the most part of these activities we had the participation of members of the BiH Armed Forces and the MoD. He added that these statistics should definitely change for the benefit of participants from other institutions. Mr. Šajinović mentioned that the MoD is currently working on the implementation of partnership goals as a result of participation in the PARP process that is primarily focused on achieving interoperability of defence and security system of BiH with NATO systems. He commented on the defence budget that will likely be reduced due to revision and expressed the hope that this reduction will not jeopardize the planned activities to meet obligations related to NATO. He also commented on the costs structure that must change as are converging to the full membership, since the largest part is spent on personnel

costs at present. Mr. Šajinović pointed out that the costs of the IPP program are not so great due to the fact that at this stage our participation in the implementation of the program is largely funded by NATO. He noted that it is very important to support our political ambitions and goals for the MAP application with concrete results. In further part of the presentation he introduced the attendees with concrete activities carried out by the BiH MoD in terms of interoperability, training and development of special capabilities of our armed forces. Thus, the commitment that the special abilities of our forces need to be built on the destruction of UXO, de-mining and certain capacity in terms of infantry in the field was expressed. He noted that MAP is the next step in the process of integration into NATO, and pointed out that it is very important for BiH to impose itself as a credible partner. He informed the attendees that the MAP expands the scope and content of relations and cooperation of partner countries with NATO, because it is divided into chapters that include political and military resources issues, as well as security and legal issues. At the end of his speech, he informed the attendees of the NATO recommendations that the alliance members needs to train about 40% of its forces to participate in collective security operations, and that 8% can be effectively engaged in operations. Therefore, the decision of the MoD to develop the defence review, which should make a comprehensive analysis of the current situation in BiH defence system, and define what are the necessary capabilities in the BiH AF, consistent with established objectives in the strategic documents, security threats, missions and tasks of the BiH AF. He pointed out that this is a huge activity and the largest project that this establishment in the BiH MoD must do in current and coming year.

#### ZORAN PERKOVIĆ, ASSISTANT BiH MINISTER OF FOREIGN

At the beginning of his presentation, Mr. Perković emphasized that the conference is considering one of the most important issues, not only to BiH as a state, but also for the MoFA as an institution that has its tasks in the implementation of obligations on BiH path to NATO integrations. He then referred to the importance of political and overall framework in terms of atmosphere in which these processes are taking place. He emphasized that BiH joining NATO is one of the strategic foreign policy goals, but not the only one. In addition, there is full membership in the EU, liberalization of visa regime which is current issue, further development and stabilization of regional relations, cooperation with neighbours etc. Still, according to him the accession of BiH into full NATO membership is the most important strategic goal of our country. He commented on titles in certain media that question existence of political consensus in view of this strategic goal and NATO membership. Speaking of BiH

MoFA contribution to the integrations process, he emphasized that it is impossible to point out work of a single ministry, because all of these institutions are mutually working on completion of accession conditions. He emphasized the participation of MoFA representatives in development of Presentation document, document of BiH IPAP, as well as other documents and completion of obligations that stemmed of the need to fulfil various conditions. In addition, representatives of the Ministry have actively participated in the work of NATO Coordination Team in the BiH Council of Ministers. In further presentation, he mentioned that there has been personnel and technical upgrade of the BiH Mission in NATO HQ Brussels, which was one of serious issues for years. In order to complete such task, there were changes made on internal documents and the number of engaged personnel in the mission was increased. Hence the assumptions for successful mission work were created. At the same time, there were changes made to the Rulebook on organization, which has significantly increased number of positions for such jobs in BiH MoFA, as the special department for NATO and PfP was established. At the end of presentation, Mr. Perković mentioned that BiH MoFA continuously provides BiH Ambassadors residing in NATO member countries with instructions on very clear and precise tasks in view of lobbying for any of the NATO accession stages.

#### EMIR BIJELIĆ, CSS RESEARCHER

In the introductory part, Mr. Bijelić introduced those present with the goals of research, which preliminary results he intends to present. He pointed out that the goal was to collect and analyze information related to the process of accession of Bosnia and Herzegovina to NATO, with special emphasis on the economic costs and benefits of joining. This research should serve decision-makers in BiH to properly consider the overall political, social and financial impacts associated with the process of joining NATO. He mentioned that one fact which is often ignored is that the NATO is not only political-military alliance, but also an alliance of economies based on market principle. However, in his opinion in public debate about relations between Bosnia and Herzegovina and NATO priority was only given to political and security relations. Once he referred to the economic effects of accession of Bosnia and Herzegovina to NATO, he mentioned that we need to distinguish between positive and negative economic costs. He also said that joining NATO does not need to be comprehended as an act, but as the long process in which the temporal aspect of the investment must be taken into account. Mr. Bijelić pointed out that there is no quantified price that society or individuals must pay to join NATO, and that costs are little easier to estimate

than benefits. In the continuation of the presentation, he spoke of direct indicators related to the direct costs that must be incorporated in military budgets, as well as costs that BiH had so far in connection with the implementation of activities within the PfP program. He also spoke of the height and trends of military budgets in BiH and the need for adequate allocation of funds for these purposes. During the presentation, he further commented on the problems in defining the benefits of membership that are not easy to define because these are mostly of psychological and hypothetical character. But what is indisputable is that they permeate all segments of society and promote democracy in all of its aspects. When presenting the benefits of membership, researcher Bijelić used the experiences of countries that have joined NATO in the last decade, and who have made significant economic progress. Greater inflow of foreign investment is just one of the indicators of economic development. At the end of the presentation, attendees were presented with the results of a public opinion survey conducted on issues related to the joining of Bosnia and Herzegovina to NATO. It is very important that citizens give full support to the membership, so 73% of citizens believe that the political decision on joining the Alliance is correct and necessary.

## SESSION 2

### ZVONIMIR MAHEĆIĆ, INDEPENDENT RESEARCHER, ZAGREB

Mr. Mahećić evaluated the process of Croatian accession to NATO in the period since 2001 when this country joined the PfP, up to 2007 when full membership perspective opened for Croatia. In this period the Croatian Government decided to implement Communication strategy for joining NATO, which in his opinion did not meet expectations. Also, he pointed out similar concerns about the costs that the Croatian public was faced with and calculation of various provisional amounts of savings that were far from the real indicators. In further presentation he referred to a similar study, which he made as an associate of the Institute for International Relations in Zagreb. It was demanding too, from the aspect of how to measure what cannot be measured or how to determine cost and benefits of joining. Mr. Mahećić pointed out that there were 25 elements identified in these studies that were classified in 4 sectors: a national consensus, functioning and organization of defence structure, international relations, and operations and the impact on the economy and finances. Regarding the public support according to Mahećić, it ranged from 30% in 2003 up to 60-70% just before the summit in Bucharest 2008, when Croatia received an invitation for membership. During his presentation, special attention was dedicated to economic indicators of Croatian military

budget, and budget trends of the old and new member states of NATO. He drew the attention of those attending to the false allegations that European countries that are not NATO members are spending less for defence. He had specially referred to of FDI that needs to be analyzed with care, because even these cannot easily and properly reflect on a consequential connection with the membership. It is therefore very important to distinguish between “Greenfield” investments and investments in the purchase of property or existing business. In addition to his address, he stressed out the fact of very complicated effects of separating memberships in NATO and the EU, because these processes mostly take place simultaneously. At the end of the presentation, Mr. Mahećić had once again emphasized the importance of quality of a national strategy for communication with the public, which must be based on transparent discussion and concrete and verifiable indicators. Otherwise, such positive intention can cause counter consequences that will make it difficult for authorities to issues these very important political decisions.

JELENA RADOMAN, RESEARCHER OF THE CIVILIAN-MILITARY RELATIONC CENTER, BELGRADE

Ms. Radoman too had presented similar project that was implemented in the Civilian-military Relations Centre in Belgrade, where she came from. At the initial part, she had pointed out to the motives and results that were involved in the current implementation of the projected titled “Economy and security”. There are 4 motives defined, out of which one is related to security theory, second with the security costing price, third with the debates in Serbia on economic price of integrations and final one was related to the establishment of dialogue between business and security communities in the country. Speaking of the public support to Serbia joining NATO, she pointed out that it is on a very low level of only 26,1%, while at the same time 50% of respondents believe that Serbia should refrain from such policy. She also mentioned the fact that there was Assembly Resolution issued in 2007 that had placed certain moratorium on any public discussion or debate on favourism of our Serbia’s membership in NATO. This Resolution defines neutrality as very general, while refraining of joining the existing military alliances is Serbia’s strategic orientation and policy. She emphasized that serious analytics disagree with this decision, since it is not based upon the relevant facts and validity of such concept. Continuing the presentation, she referred to the problems in calculation of economic parameters on how to implement economic theory to calculate price of security. Ms. Radoman also pointed out dilemmas related to the costs and benefits of accession to the EU and NATO, as well as the conditional policies related to these

processes. Consideration of these issues in Serbia is impossible to separate from the issue of Kosovo, which plays very significant role in the process of joining NATO. Speaking of the business community's attitude towards security, she pointed out obvious lack of interest and understanding of the army problems and somewhat more expressed interest in the judicial and police reforms.

#### BISERA TURKOVIĆ, CSS DIRECTOR

At the beginning of her presentation, Ambassador Turković presented the reasons that have guided us to use Slovakia as comparative example for BiH. She stated that there are similarities expressed between BiH and Slovakia in size and population, similar political problems, but of course there are differences. Slovakia has expressed commitment for membership in NATO upon its independence in 1993, but had a significant delay in the European and NATO path in the period since 1994-1998. Slovakia has been waiting 11 years for admission to NATO. As in the case of BiH, there was a declaration of expressing the will of the government, but what was lacking for membership in NATO and the EU was the specific activities that would follow this declaration. At the same time, neighbouring countries, the Czech Republic, Poland and Hungary, have continued with the political and economic transition, with the aim of joining the Euro-Atlantic structures and were much more successful than Slovakia was. Only with the change of government in 1998 comes to positive developments, but they were still not formally specified. After the 2002 Summit in Prague, Slovakia was invited to become members of NATO, and of course, after a positive evaluation of the MAP. Only upon completion of remaining obligations Slovakia became a member in 2004. In continuation of presentation, Mrs. Turković put forward stated the reasons why the new reform government took even 6 years to achieve its mandated objectives. In the meantime, while Slovakia was dealing with its internal problems, new membership conditions were in force, so in 1999 the new instrument called Membership Action Plan (MAP) was installed, and it contained somewhat more demanding conditions for the membership than it was the case before. She had also pointed out mutual characteristics that mark cases of BiH and Slovakia, and which are related to their political leaders who did not understand long-term consequences of non-accession to Euro-Atlantic integrations. It is recognizable in cases of both countries that political leaders cared more of the preservation of their own power than for the interest of state and citizens. In all these periods, Slovakia public was supporting integrations processes and by voting for implementation forced its authorities to speed up on the path to NATO and EU. International Community did not immediately accept their new

government, but it was patiently waiting to see some concrete results of their work. At the end, Mrs. Turković pointed out the position that BiH also deserved faster accession to NATO not for its politicians, but for its citizens who deserve to live in a country of prosperity and security.

### SESSION 3

#### MODERATOR: ANKICA TOMIĆ, HEAD OF DEPARTMENT FOR INTERNATIONAL COOPERATION OF THE BiH MINISTRY OF SECURITY

The moderator of the 3<sup>rd</sup> session and at the same time presenter of the role and activity of BiH Ministry of Security in the process of joining NATO was Mrs. Tomić. At the beginning, she gave the information that the role of the Ministry in this process is significant, and that within IPAP there 9 important chapters that are in the competence of this Ministry. She had emphasized the importance of team inter-resource work to complete conditions, since the cooperation and coordination are two things that are basis for the successful institutional work. During the presentation, she referred to the importance of the Agreement on exchange of confidential information with NATO and Agreement on status of Armed Forces. Almost all sectors and organizational units of the Ministry are involved in completion of these obligations, hence it is important to inform as many members of police forces as possible on the processes of NATO integrations. Those present were introduced with a significant number of obligations that the Ministry is conducting in relation to the cooperation with ICTY, police reform, fight against corruption and organized crimes, human trafficking and illegal migrations, border security, fight against terrorism, crisis management and response planning for extreme situations, as well as issues of safety protection. Mrs. Tomić referred to the police reform process, which is stalled due to the fact that members of independent board for selection of police managers have not been appointed, which is consequently leading to no appointments for the new managers to replace those whose mandates are soon expiring. At the end of presentation, she introduced those present with the programs of cooperation that the Ministry is successfully implementing in the international scene, especially cooperation with neighbouring countries.

#### IMRE VARGA, AMBASSADOR OF HUNGARY IN BiH

First speaker in this session was Ambassador Imre Varga, who initially said that he will feel free to give a review from the perspective of his country regarding the situation of BiH in the field of Euro-Atlantic processes. He reminded the attendees that Hungary became

NATO member in 1999, during the first wave of NATO enlargement to the East. This was preceded by national political decision made 10 years earlier that a strategic commitment is Hungarian membership in NATO and the EU. Referendum on joining NATO has shown that 75% of citizens support this decision. He expressed his government's full commitment to provide support to BiH in its efforts to become involved in this military and security integration. Unfortunately, his opinion is that there is a delay in the implementation of the strategic objectives defined for this year. In addition to domestic problems, Ambassador Varga spoke of some external factors that contribute to this slowdown, such as enlargement fatigue with some member states, their internal problems, economic recession and the like. He stressed out that some internal problems affect such relations with some external factors, which is primarily reflected in the delay of transformation of the OHR into the EUSR. He also praised the progress that BiH has made so far in the defence sector reform, but more involvement will be needed for a further step up and submitting the application, especially involvement of representatives of legislative authorities. He emphasized that the general experience is that membership in NATO has contributed to strengthening the European perspective and membership. Ambassador Varga expressed his government's commitment to give unreserved support to the entire region to meet the conditions necessary for membership in NATO as soon as possible. At the end of the presentations, he mentioned that despite the support of other countries, each country must solve its own problems and with clear commitment express what it wants and how it wants to proceed. He pointed out hope that BiH will demonstrate the necessary maturity and overcome the current problems, because all countries in the region move forward, and it would not be desirable to be located in the back of integration process.

CATHERINE HETT, WEST BALKANS COORDINATOR, PUBLIC DIPLOMACY DEPARTMENT, NATO HQ BRUSSELS

Next speaker was Ms. Hett who had emphasized several important aspects from the NATO perspective. BiH should become NATO member first, but this depends only on the BiH decision makers. She had repeated that there has been progress in the cooperation within IPAP and that this was noted in February of current year. So, according to her, there is commitment, but there are still challenges in finding the political consensus. Possible lack of it could cause negative effect. Fields that were rated as positive are regional cooperation and general defence reform process. Still, since 2008 there has been a slight delay in achieving the political consensus and emphasized that it is necessary to work more to achieve it, since it

was there since the beginning of defence system reform. Furthermore, she pointed out that it is very important to keep all options open, and to preserve the achieved progress. As far as for the coming activities, she mentioned challenges that are related to informing the public, where it is important to keep in mind that it is not only military structures accessing NATO, but also all other institutions. At the end, Ms. Hett stated that NATO can be observed as a certain insurance policy, whilst assessing the parallel processes of joining the EU and NATO as very good, since both institutions provide long-term perspective.

BAKIR SADOVIĆ, ADVISOR IN THE NATO AND PFP DEPARTMENT, BiH MoFA

BiH MoFA representative Mr. Sadović informed those present on establishment of the working group in the BiH Council of Ministers for development and implementation of NATO Communications Strategy. He presented Strategy goals related to increase of the levels of knowledge in information in the entire public on NATO in order to achieve citizens' support for accession in the Alliance. He gave the experiences of other countries when it comes to the implementation of the Strategy, especially those that refer to parts that were negatively perceived by citizens. The Strategy itself is based upon polls of public positions, carried out by institutions of authorities, and according to which 71% of respondents looks at NATO in positive light, while 74% of all respondent supports BiH membership in NATO. He emphasized that these results are correspondent to the poll conducted by CSS, according to which 73% of citizens supports the membership. In further presentation, he emphasized the importance of the synergy and cooperation that should be achieved by both governmental and NG sector in order to mutually achieve a goal on informing the public. In his opinion, more attention should be paid in informing and attracting citizens of the Republic of Srpska, where the percentage of support is significantly lower. However, some expressed opinions say that it can be considered as satisfactory. At the end of presentation, he referred to the obligations that are put before the working group in the coming period. Those are primarily implementation of the Strategy action plans in order to increase to support percentage, although we must not be unrealistic and seek for greater support.

Secretary General of CSS, Mr. Hadžović gave closing argument. He thanked all the speakers who contributed to the successful implementation of this conference and the achievement of set goals. He expressed special gratitude to the guests from region and NATO HQ Brussels, as well as NATO members who have shown their unreserved support to BiH efforts to keep up with Euro-Atlantic integrations. This is especially significant at the time of economic

recession and internal political problems of BiH. He expressed his hope that our institutions would learn some lessons from all the words spoken with good intentions, and to have more serious approach in completing the obligations on further improvement of cooperation with NATO. Mr. Hadžović believes that messages of this conference are very clear. It is positive that all institutional representatives have recognized the need to work harder on informing the citizens and that it is necessary to have adequate cooperation with members of civilian society in order to do so. Second message was that consensus was achieved on the need for more promotion of the fact that it is entire society entering NATO and not only the military structures. Mr. Hadžović believes that the presentation of BiH Minister of Defence and his assistant was encouraging, as we were able to hear that the Ministry has a vision and capacities to implement BiH intentions to become full member of NATO. Finally, SG thanked all participants and announces that the research on economical aspects of BiH accession to NATO shall be distributed to all relevant actors. He also expressed hope that this research will have a purpose in the achievement of one of the most significant BiH foreign policy priorities.



## **BIBLIOGRAPHY**

The White Book of Defence of Bosnia and Herzegovina, June 2005.

Bulletin NATO / PfP Trust Fund program for help to redundant staff in BiH, Bulletin No. 7, July 2008

The Bulletin of the Ministry of Defence and the Armed Forces of BiH, No. 1 April 2009.

Irena Mladen, Elitsa Markova, NATO's Enlargement and the Costs for Bulgaria to Join NATO, Final Report Euro-Atlantic Partnership Council-NATO Individual Fellowship, 1999-2001

Interview with Mr. Zoran Šajinović, Assistant Minister for International Cooperation, Department for International Cooperation, Ministry of Defence BiH, conducted on 25 May 2009

Interview with Mr. Momir Brajić, Head of Department, Minister-Counsellor, Department of NATO and PfP, Sector for Multilateral Affairs, Ministry of Foreign Affairs, conducted on 2 April 2009

Interview with Mr. Bakir Sadović, Adviser, Department of NATO and PfP, Ministry of Foreign Affairs, conducted on 2 April 2009

Interview with Mr. Miroslav Cabo, Assistant Minister for Finance and Budget, Department of Finance and Budget, Ministry of Defence BiH, conducted on 25 May 2009

Interview with Mrs. Alma Hadžić, acting Head of the Department of Budget Planning, Division of Finance and Budget, Ministry of Defence BiH, conducted on 25 May 2009

Interview with Mr. Samir Agić, Assistant Minister, Department for Protection and Rescue, the Ministry of Security of BiH, conducted in June 2009

Interview with Mr. Mevludin Džindo, Specialist for coordination and organization, the Department of International Cooperation, Ministry of Security of BiH, conducted on 24 April 2009

Interview with Mr. Ahmet H. Omerović, Assistant Minister for Policy and Plans, Department for Policy and Plans, Ministry of Defence BiH, conducted in May 2009

Interview with Mr. Nihad Dervišević, Sector for Policy and Plans, Ministry of Defence BiH, conducted on 23 March 2009

Luka Brkić, Costs of NATO Integration-Case Croatia. Faculty of Political Science University of Zagreb, 2009.

The concept and procedure: System of planning, programming, budgeting and execution (SPPBE), Ministry of Defence BiH

Ministry of Defence and Ministry of Economy, Labour and Entrepreneurship, Instruction on the manner and conditions of application of offset programs, Zagreb, 2004

The Bulletin of the Ministry of Defence and Armed Forces of Bosnia and Herzegovina, 15 November 2008.

Paul Gallis, P. Belkin, C. Ek, J. Kim, J. Nichol, and S. Woehrel, CRS Report for Congress: Enlargement Issues at NATO's Bucharest Summit, March 12, 2008

The policies on transition and care of redundant staff of the Ministry of Defence and the Armed Forces of BiH, Sarajevo, October 2008

The rules on transition and care of redundant staff of the Ministry of Defence and the Armed Forces of BiH, Sarajevo, July 2009

The Program of transition and care of redundant staff of the Ministry of Defence and Armed Forces BiH "perspective", Sarajevo, March 2009

The Path to Partnership for Peace: Report of the Defence Reform Commission, September 2004

R. Nicholas Burns, The Road to Prague: New Democracies want to join NATO, April 17, 2002

Route Avulyte, Cost-Benefit Analysis of NATO Enlargement: Challenges and achievements of Lithuania, Columbia University School of International and Public Affairs, 2001

Study on NATO Enlargement, NATO in 1995

Tatjana Karaulac, Country risk, foreign direct investment and NATO, Centre for High Economic Studies, Belgrade, November 2008

The Employers Association of Bulgaria in cooperation with the Centre for Liberal Strategies, Economic Benefits for Bulgaria from joining NATO, Sofia, 5 October 2001

Thomas S. Szayna, RAND report, "Study on NATO Enlargement, 2000-2015, Determinants and Implications for Defence Planning and Shaping, 2001

Vlatko Cvrlila, Croatia and NATO. Zagreb: Center for Political Research, 2004.

Baranya Zoltan, The future of NATO Expansion: Four Case Studies, Cambridge University Press, 2003

Websites:

<http://www.mod.gov.ba/files/file/dokumenti/finansije/B%20-%20budget%20MO%20-%20novi%20snimak.pdf>

<http://www.svevijesti.ba/content/view/25535/215/>

<http://www.svevijesti.ba/content/view/28122/215/>

[www.e3a.nato.int/html/economic\\_impact/main.htm](http://www.e3a.nato.int/html/economic_impact/main.htm)

<http://www.nacional.hr/clanak/29605/u-morh-u-zadovoljni-proracunom-za-2007>

<http://www.nacional.hr/clanak/11335/ulaskom-u-nato-hrvatska-ce-profitirati>  
<http://www.nezavisne.com/nedjeljne/vijesti/35086/Miladin-Milojcic-Bh-vojnici-spremni-su-za-Avganistan.html>  
<http://icasualties.org/oef/>  
<http://www.nato.int/docu/pr/1999/p99-066e.htm>  
<http://www.nato.int/docu/pr/1999/p99-066e.htm>  
<http://nato.gov.si>  
[www.cbbh.ba](http://www.cbbh.ba)  
<http://www.revizija.gov.ba/bs/audit-rep/izvj-saibih03.asp>

Newspapers articles:

Dnevni Avaz  
Nezavisne Novine