

**The International Engineering of a Multiethnic State in Bosnia:  
Bound to Fail, Yet Likely to Persist**

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More than seven years after the Dayton Peace Accords brought a halt to the war in Bosnia-Herzegovina, the country's ultimate fate remains uncertain. Despite years of international effort and billions of dollars of outside assistance, Bosnia remains a weak, fragile and deeply divided state on the margins of Europe, as well as an economic basket case. While there can be no doubt that progress has been made, and that Bosnia in 2003 is a much happier place than it was in 1994, the real question is whether sufficient progress has been made to ensure the country's future as a peaceful, democratic state. The recent return to power of Bosnia's three main nationalist parties, the very parties which led the country into and through the 1992-95 conflict, has once again raised the question of whether the Bosnian Humpty Dumpty can be put back together again. In the aftermath of the elections, Bosnia's international High Representative continued to insist that despite the nationalist resurgence, "the foundation for a prosperous democracy is firmly in place" (Ashdown, 2002). Others within the international community, however, were not so sure, and the columnist William Pfaff probably spoke for many when he suggested that the nationalist return to power signaled the failure of the Dayton project, and that it was time to reconsider partition as the ultimate solution to the Bosnian problem (2002).

Bosnia's simultaneous transformation from war to peace, from authoritarianism to democracy, and from socialism to capitalism has indeed reached an impasse, notwithstanding incremental progress in recent years on a number of fronts – including on the return of refugees and displaced persons to their pre-war homes and on the development of state institutions. The manifestations of Bosnia's transformation stalemate, and the associated failure to consolidate an effective Bosnia state, are manifold. Most dramatically, ongoing political uncertainty and instability have had profound effects on economic recovery and regeneration. Despite a \$5.1 billion post-war reconstruction package, self-sustaining economic recovery has yet to take hold in Bosnia. Unemployment is estimated at 40 per cent, and it has become increasingly clear that the doors of most of Bosnia's heavy industries – the country's pre-eminent pre-war employers – are closed for good. Most viable economic activity remains under the firm control of the country's ruling nationalists, who have developed close connections with smugglers and other organized criminal elements, while foreign investors, by and large,

have given Bosnia a pass. Social unrest is increasingly a fact of life in post-Dayton Bosnia, while two out of three young people say they want to start a new life somewhere else. At the same time, low voter turnout in the country's most recent round of elections also signals a growing disillusionment among voters with the political process, and a growing popular disgust with political leaders of all stripes. Ultimately, rather than recovery, regeneration and reconciliation, contemporary Bosnia is better characterized by a dysfunctional political process, a deepening socio-economic crisis, and profound uncertainty about the future.

In this paper, we construct a model of the Bosnian reality, which takes into account the different conceptions of the major actors as causal factors. In this way, we hope to identify functions and dysfunctions generated by the various systems, actors, and policies in Bosnia's transformation process. Our central explanatory problem in this paper is why the international community's project of transforming Bosnia into a pluralistic democracy, market economy, and consolidated state has been largely unsuccessful. We will show that the conventional model predominant among international actors on the basis of which policies are made and implemented, is faulty in a number of respects. The most fundamental of these is the misidentification of ethnic nationalism as the major hurdle to be overcome in the transition to market and democracy. We try to show why the construction of a new Bosnian nation is bound to fail if it is conceived and portrayed as a project opposed to existing national identities. The major policy implication of our argument is that existing national identities, rather than being perceived and treated as obstacles to a successful transition, should be regarded as potential resources. We arrive at this conclusion via an analysis of the major change mechanisms at work in post-Dayton Bosnia. We distinguish between international and national change mechanisms and show how several of these mechanisms combine to generate dysfunctional political and economic outcomes.

Mechanism-based explanation attempts to identify key processes producing particular outcomes. In this sense, it does not differ fundamentally from the normative and policy-oriented approach of the conventional transition model informing the activities of the international community (cf. Bönker/Müller/Pickel 2002). The key mechanisms in this model revolve around standard policies designed to establish liberal

democracy, civil society and market economy. Nationalism and anti-market forces such as crime, underground economies, and corruption are identified as central obstacles to the successful implementation of these policies. Our approach examines whether and how these policies themselves actually produce or reinforce the undesirable outcomes by identifying other key mechanisms overlooked or misinterpreted in the conventional model. Probably the most important and least understood of these is the nationalizing mechanism – the legitimization process that ties the “imagined community” to political and economic institutions (Pickel 2003).

It is important to note that nationalism has not been a negative force in all postcommunist transformation countries. Indeed, it is precisely those countries that have a strong and unified ethnocultural national identity – Poland, Czech Republic, Slovakia, Hungary, Slovenia – that have had relatively successful economic and political transitions and are integrating into larger regional systems. This seemingly counterintuitive fact points to the types of social mechanisms that the conventional view of the Bosnian situation tends to ignore. Thus the central political problem shaping the prospects for a stable state, democratization, and economic reform is not the defeat of ethnocultural nationalisms and the establishment of a Bosnian civic nationalism.<sup>1</sup> Rather, since ethnocultural nationalism cannot be defeated, but at best tamed and channelled, there are only two basic options. First, a permanent territorial division of Bosnia that gives each ethnocultural group its own state. Second, efforts at *politically* integrating the *culturally unassimilable groups*, based on the fact that political legitimacy cannot be had without the recognition of ethnoculturally defined national identities. The first option is anathema to the international community, which has tried unsuccessfully to impose a *multicultural* Bosnian state in opposition to nationalist claims, while in the process reinforcing the three de facto territorially based national substates. The second option has not been given serious consideration in part because it requires the political recognition of three de facto national entities, which contradict the utopian international goal of creating a multicultural civil society in a unified Bosnian state. The second option does not offer any easy solutions, but it is the only one that may produce a viable *multinational*

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<sup>1</sup> For a similar argument with respect to nationalism in Croatia, see Massey, Hodson and Sekulic (2003).

state – itself the single most important precondition for security, democracy, and economic reform.

### **Bosnia Between Ethnic Nationalism and European Integration**

Despite the persistence of a well-known coordination problem among the various actors that make up the international community, the broader strokes of the international agenda in Bosnia have remained fairly consistent over the course of the post-Dayton peace process. At the risk of over-simplification, international goals in Bosnia, and the means to reach them, can be boiled down to the following four: the regeneration of multiethnicity through facilitating the return of refugees and displaced persons to their pre-war homes, the democratization of Bosnian society through regular elections and efforts to build up domestic civil society, the consolidation of the Bosnian state through the establishment of functional state-level institutions, and the creation of a market economy through familiar neoliberal strategies of stabilization, privatization, and liberalization.

Behind these four primary goals (both in conception and in implementation) lies a particular understanding of the Bosnian reality that the international community has held throughout the post-Dayton period. Even though the Dayton agreement itself expected the parties to the conflict to do the real work of peace implementation, the international community has consistently seen ethnic nationalism generally, and the main nationalist political parties specifically, as the real enemy of peace in Bosnia and the primary obstacle to the return of ‘normalcy’ to the Bosnian political space. In other words, ethnic nationalism has been seen not as a resource to be harnessed behind the transformation project, but as an evil to be suppressed, or better yet, eradicated to make way for market democracy. Bosnia’s rapid-fire post-conflict elections, similarly, can be read not only as attempts to consolidate a democratic process but as repeated invitations by the international community to the Bosnian people to come to their senses and select more rational, constructive political leaders. However, from the very beginning of the peace process, the international community and the main political forces within Bosnia have operated largely in opposition to one another, and this dynamic has fundamentally shaped the evolution of the peace process. In our alternative model of the Bosnian situation, we

examine why the core mechanisms contained in the conventional model either do not operate or produce different effects than those anticipated.

While the myth of a united, coherent international community has been exposed most clearly at the level of efforts to implement these goals, there is little question that the international community wields enormous, if not completely decisive, influence over political and economic affairs in Bosnia. This influence has grown substantially in recent years, with the international community taking on a more direct role in the peace implementation process as it has become increasingly clear that domestic political actors – and specifically the nationalist power structures that have continued to dominate Bosnia in the post-war period – have not bought into the international roadmap for Bosnia’s post-war transformation. In thinking through the nature and structure of international power and influence in Bosnia, it is possible to identify a number of discrete international change mechanisms at work.

Perhaps most dramatically, Dayton effectively transferred macroeconomic policy-making responsibilities from domestic authorities to the international community. Under the terms of the peace agreement, Bosnia’s central bank was to operate for its first six years as a currency board, under the tutelage of an IMF-appointed governor “who shall not be a citizen of Bosnia or Herzegovina or any neighboring state.”<sup>2</sup> As the Bosnian economist Dragoljub Stojanov has suggested, the currency board is a central pillar of the international community’s neoliberal economic transition strategy for Bosnia, which has denied the country “the power to formulate and implement independent monetary, fiscal, price and foreign exchange policies, and policies regarding privatization, incomes, and social welfare” (2001: 46). In Bosnia’s case, the importance of this particular international change mechanism cannot be overestimated. Consistent with the broader international strategy for economic reform in Bosnia, the imposition of a currency board arrangement under international management has effectively precluded an active state

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<sup>2</sup> This arrangement has since been extended beyond the original six-year mandate. The Governor of Bosnia’s Central Bank since its inception has been New Zealand’s Peter Nicholls. Currency boards, which have also been adopted in other transition countries, set a fixed exchange rate between the local currency and a stable foreign currency, with the central bank required to hold enough foreign reserves to match the entire supply of domestic currency in circulation (Hunter, 1998). While currency boards effectively contain inflation and generate public confidence in the pegged currencies, they also prevent the Central Bank from extending credit to either the public or private sector, effectively removing macroeconomic policy-making as a tool of economic management.

role in Bosnia's economic recovery and regeneration, and ensured that any such recovery would be dependent on private economic actors – a strategy that has contributed to economic failure in other postcommunist countries (see e.g. Poznanski 2002).

Beyond prescribing the direct international management of Bosnia's macroeconomic affairs, the Dayton Accords left most other aspects of the peace implementation process in the hands of local parties, with the international community initially expected to play the role of overseer, funder, facilitator, and cheerleader. Even during the early phase of peace implementation, however, the diffusion of Western norms, ideology and policy throughout Bosnian society occurred through a number of channels.

First, the sheer presence of tens of thousands of foreigners, including peacekeepers, aid workers, and international bureaucrats, has without question helped to disseminate primarily pro-Western ideas within Bosnia.<sup>3</sup> Over the past seven years, international spokespersons and officials have consistently spread the message of post-war recovery and reconciliation, the need to move to a market-based economy, and the importance of democratization to all corners of Bosnia. And while Bosnians in recent years may be growing weary of the gap between international rhetoric and the reality on the ground, there seems little question that most Bosnians – at least those not benefiting directly from the country's criminalized political economy – accept that marketization and democratization are necessary elements of the country's transition process.

Second, at the same time, the international community has played a crucial agenda-setting role in the post-Dayton period, particularly given the political paralysis that has persisted within the country's domestic institutions from the very beginning of the peace implementation process. Well before the adoption of a more aggressive international approach to peacebuilding, international organizations were setting Bosnia's reform agenda on everything from the return of refugees and displaced persons to the privatization of state-owned enterprises to the reform of the country's electoral laws. International policy prescriptions have similarly been backed up by a combination of economic carrots and sticks. While conditionality hasn't always been used consistently,

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<sup>3</sup> Admittedly, not all foreigners in Bosnia carry or promote pro-Western views; many Islamic states, for example, have active aid programs which have helped reconstruct many of Bosnia's mosques, and this influence has been noted as a factor in the growing religiosity of many Bosnian Muslims.

the international Peace Implementation Council's Sintra Declaration of 1997 declared unequivocally that "international assistance with economic reconstruction should be conditioned upon full compliance with the Peace Agreement" (cited in Hertic, Sapcanin and Woodward, 2000: 347).<sup>4</sup>

Third, and relatedly, the project-based culture of many international organizations has also acted as another form of conditionality through which Western norms and policies have penetrated the Bosnian political space. The World Bank, for example, has in recent years launched structural adjustment initiatives aimed at facilitating cross-border trade and transportation, fostering a business enabling environment, and promoting social sector adjustment, all of which are aimed at moving Bosnia further along the path of market reform. Even in the non-governmental sector, international NGOs have been criticized for developing a service delivery mode of operation in relation to domestic civil society, with the result that "accountability is re-directed toward the donor and away from the organization's social base, and the idea of participation and empowerment is squelched by the reality of an externally driven process" (Belloni, 174).

Beginning in December 1997, when the Peace Implementation Council broadened the powers of the High Representative "over a potentially unlimited range of subject matters" (ESI, 2000: 25), the international agenda-setting role in Bosnia was bolstered by the ability to both directly impose legislative changes and to actively discipline recalcitrant Bosnian politicians. Over the past several years, dozens of pieces of legislation have been imposed by the international community through the High Representative on issues ranging from citizenship to the Bosnian flag and coat of arms to the establishment of a state border service. Similarly, dozens of directly- and indirectly-elected local officials have been removed from office for anti-Dayton activities, including one member of Bosnia's joint presidency.

More recently, the High Representative's enhanced powers have been brought to bear in support of a multi-faceted state-building agenda, meant to redress the fact that the responsibilities of the Bosnian state were restricted under Dayton to "the bare minimum necessary for [Bosnia] to be considered as a single sovereign country" (Woodward, 1998:

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<sup>4</sup> The Peace Implementation Council, or PIC, is a group of 55 countries and international organizations that oversee Bosnia's peace process. See the website of the Office of the High Representative at [www.ohr.int](http://www.ohr.int).

9). These responsibilities include foreign policy, international trade and debt, customs and monetary policy, as well as immigration, international law enforcement, and air traffic control, plus inter-entity aspects of law enforcement, communications, and transportation. Critically, the Bosnian state has virtually no independent revenue sources, and is therefore almost entirely dependent on transfers from the entities, while defence and national security are similarly entity-level, rather than state-level, responsibilities.

On the one hand, therefore, the international state-building agenda is aimed at eroding the near-sovereignty of the two entities – *Republika Srpska* and the Muslim-Croat *Federation of Bosnia-Herzegovina* – that comprise post-Dayton Bosnia, and undermining the power bases of the nationalist power structures that control these entities. On the other hand, this agenda represents an effort to rationalize the disjointed and disconnected political structures established at Dayton – which include not only two entities but also 10 relatively autonomous Federation cantons, and more recently the special district of Brcko<sup>5</sup> – and to empower the hitherto anemic Bosnian state with some semblance of sovereign authority. In other words, if Dayton recognized *de facto* ethnic partition by legitimizing a highly-decentralized political architecture based partly on ethnically-exclusive enclaves, then the international community has recently set out to re-write Dayton in subtle ways by attempting to re-centralize authority in a number of areas. Since mid-2000, for example, the international community has been pushing for the gradual integration of Bosnia’s armed forces, even though under Dayton defence is an entity-level responsibility. Similarly, there has been a recent push to establish a value-added tax (VAT) at the state level, which would undermine the tax-and-spend powers of the entities, smooth out the distortions caused by multiple and overlapping taxation regimes, and provide the state for the first time with an independent source of revenue. Perhaps most significantly, recently-imposed changes to the entity constitutions require both governments and administrations from the state to the municipal level to include representatives of all ethnic groups in proportion to pre-war demographics. In Republika Srpska, for example, the entity government is now required to be genuinely multiethnic,

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<sup>5</sup> Under the terms of the Dayton Agreement, control over the disputed town of Brcko was left unresolved, with an arbitrator charged with sorting out the issue in the post-Dayton period. The final award, issued on 5 March 1999, established Brcko as a special district belonging to both entities, under the temporary supervision of the international community.

with sixteen ministerial positions divided among eight Serbs, five Muslims and three Croats. Needless to say, these provisions have been portrayed by Bosnia's ruling nationalists, particularly those in Republika Srpska, as a direct threat to 'national' interests.

It is one of the many paradoxes of the post-Dayton peace process that international efforts to democratize Bosnia have been accompanied by a parallel process which has seen both executive and legislative authority increasingly transferred from democratically-elected domestic politicians to unelected international officials. The rapid expansion of international authority in Bosnia has led at least one critic to suggest that "far from becoming a functioning democratic state, Bosnia is little more than a colony of the West run by increasingly arrogant and autocratic international officials" (Carpenter, 2000: 1). Other commentators, conversely, suggest that the problem is not growing international power in Bosnia, but rather that these powers are not sufficiently robust. The result has been what James Lyon has termed a 'dysfunctional protectorate', in which the High Representative can impose but lacks effective power to enforce (Lyon: 2000, 116).

Indeed, despite the fact that the international community is regularly criticized for the intrusive nature of its involvement in Bosnia, one of the real lessons of the post-Dayton process is the uneven nature of international authority. Generally speaking, the extent of international authority in Bosnia weakens as one moves from the political to the economic realms, and from the state level to the local level. While the High Representative has made extensive use of his powers, removing officials doesn't fundamentally alter structures of power and imposing laws is very different from enforcing them. In other words, absent international enforcement powers or the active cooperation of local authorities in enforcing or implementing international edicts, there are major limitations to what can be achieved 'by dismissal and decree' (Bennett, 1999: 291).

The limits of international power in Bosnia have been most apparent in the economic realm, and particularly in the ongoing international effort to both privatize and liberalize the Bosnian economy. While the experience of other post-socialist transition states raises serious questions about the pursuit of rapid liberalization and privatization in

the first place, in Bosnia's case both processes have also been manipulated by the ruling nationalist forces to serve their own ends. The primary international priority on privatization has been to transfer public assets into private hands as quickly as possible, with relatively little attention paid to political implications. The nationalist parties, in turn, demanded – and were conceded – the right to control privatization in areas under their control. The past half-dozen years have subsequently revealed a two-pronged privatization strategy by ruling parties on all three sides of Bosnia's ethnic divide: first, delay the process as much as possible, since under current conditions a state-owned enterprise is as good as a party-controlled enterprise; and second, ensure that whatever privatization does take place leaves former state enterprises in the hands of either the ruling parties themselves or their friends and allies (Donais, 2002).

On liberalization, similarly, the balance of power between international and domestic political forces has enabled the ruling parties to sustain conditions of partial liberalization. While tolerating the liberalization of foreign trade, Bosnia's ruling elites have to date successfully resisted international demands to reduce regulatory, tax, and administrative barriers to free enterprise within Bosnia, largely because the country's divided jurisdictions and dense web of regulatory provisions permit the ruling parties to continue to exercise controlling influence over economic matters.

In the same way that the lack of progress on political reform has led to a more intrusive international role in Bosnia's political affairs, however, domestic foot-dragging on economic reforms has of late also generated a more activist international agenda. The latest international High Representative, Lord Paddy Ashdown, arrived in Bosnia with an aggressive 'jobs and justice' platform, and recently formed a so-called 'bulldozer committee' aimed at, in his words, clearing away "the absurdly complex business regulation in our country" (OHR, 2002).

At the same time as the international community has become increasingly heavy-handed in its methods of promoting change in Bosnia, a somewhat more subtle international mechanism has been at work in an effort to shift Bosnian identities from an ethnic to a continental basis. This effort has taken as its starting point the twin assumptions that ethnic nationalism remains the root of all of Bosnia's current problems and that memories of wartime atrocities remain too fresh to allow the construction of a

‘civic’ Bosnian identity, at least in the conventional sense of a common attachment to a set of political practices, values and institutions associated with a particular state (Ignatieff, 1994: 6). A key element of the international peacebuilding strategy in Bosnia has therefore been to emphasize the ‘European-ness’ of Bosnian citizens, based on the assumption that Bosnians of different ethnicities are united *only* by their common desire to be part of Europe. It is one of the peculiarities of the post-Dayton state-building exercise that efforts to strengthen the Bosnian state have been pitched largely in instrumental terms rather than in terms of conventional civic nationalism. In 1999, for example, an international campaign attempting to drum up popular support for a new Bosnian election law employed billboards suggesting that a new election law was part of Bosnia’s ‘road to Europe’ (and, indeed, passage of a permanent election law was one of the conditions of the country’s accession to the Council of Europe). Similarly, in a single recent speech to the Republika Srpska National Assembly, the current High Representative referred to Bosnia’s ‘obstacles on the road to Europe,’ ‘the next phase of BiH’s journey towards Europe,’ and the need to tackle ‘the underlying problems that all the other transition countries have had to tackle on their way to Europe’ (OHR, 2003). The focus here, as elsewhere, was not on Bosnia ‘becoming’ a state, but rather on Bosnia ‘becoming’ a part of Europe. In this sense, the establishment of a civic Bosnian state is portrayed as a vehicle through which Bosnian citizens may one day reap the benefits of broader European citizenship, rather than as a worthwhile construct in and of itself.

On the one hand, this reluctance to attempt to resurrect any sense of civic Bosnian consciousness is understandable, since the politics of identity are still very much alive, and very much raw, across the country, and there is still little consensus on the question of to whom the Bosnian state really belongs. There are, however, real risks of pitching Europe as the *deus ex machina* of the Bosnian stage, since Europe currently appears as far away as ever for most Bosnians,<sup>6</sup> and the elusive promise of Europe may in any event provide a weak foundation both for the strengthening of the Bosnian state and for the consolidation of a market economy.

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<sup>6</sup> Author interview with Mark Wheeler, Bosnia Project Director, International Crisis Group, Sarajevo, 26 March 2003.

At the same time, the international discourse around Bosnia's European future has been pitched in starkly binary terms. Bosnians have been told they can either choose reconciliation, marketization, democratization, and gradual integration into Europe, or they can choose ethnic nationalism, economic backwardness, and a marginal existence as Europe's backwater. As Carl Bildt, the first international High Representative, has argued in a broader context: "the region's fundamental choice is between becoming even more Balkan, in the worst sense of the word, and becoming more European, in the best sense of the word" (Bildt, 2001: 158).

Herein, therefore, lies the central paradox faced by the international model for Bosnia's postwar transformation: the Dayton project cannot succeed without the cooperation of both the Bosnian Serb and Bosnian Croat communities, yet the international approach has directly threatened what these communities perceive to be their core interests. For the better part of the past seven years, the international community has endeavoured to distinguish the 'good' moderates from the 'bad' hardliners, and to promote the former and marginalize the latter. In other words, "implicit in a lot of international thinking is the idea that the international community will be able to hand over responsibility to domestic institutions only once it 'finishes the job' of driving the war-time nationalist parties from office" (ESI, 2001: 6). This approach has produced limited results, largely because the either/or approach that has fostered profound insecurity among Bosnia's Serb and Croat communities has manifested itself in continued electoral support for hardline nationalist parties.

Ironically, therefore, the international attempt to eradicate ethnic nationalism from Bosnian territory by re-mixing communities, installing 'ethnically-blind' market mechanisms, and building up multiethnic state-wide institutions at the expense of monoethnic ones has if anything allowed ethnic nationalism to continue to flourish in Bosnia. Because of the largely oppositional nature of the international project vis-à-vis dominant domestic political forces, the ruling nationalists have been able to mobilize resistance to this project on the grounds that it poses a direct threat to their community's 'national' interests, if not to their very existence. As the following section discusses in greater detail, they have also been able to harness international economic transition

strategies for their own purposes, and in ways that undermine the stated purposes of such strategies, namely the establishment of a functional Bosnian market economy.

### **The Nature of the Current Social Forces in Bosnia**

Any analysis of domestic Bosnian politics in the post-Dayton era must begin with an understanding of Bosnia's 'unconsolidated stateness,' and the political dynamics which this has generated. Stateness, as Linz and Stepan have defined it, refers to the degree to which a consensus exists – internally and externally – on both the territorial and social limits of a given state. A stateness problem exists, therefore, "when there are profound differences about the territorial boundaries of the political community's state and profound differences as to who has the right of citizenship in that state" (1996: 16).

Clearly, the Bosnian conflict arose from competing visions of stateness among the country's three main ethnic communities, and while the Dayton Peace Accords stopped the killing, they did little to reconcile these visions. As Susan Woodward has argued, because the peace agreement failed to resolve the core issues around which the war was fought, each side in the conflict "is still fighting the war for statehood; only their means of securing territory and national survival have changed" (1997: 29).

Throughout the post-Dayton period, therefore, the main domestic political mechanism at work in Bosnia has been the ongoing struggle among Bosnia's three main nationalist power blocs, and the international community, over the country's ultimate post-war configuration, demographics, and institutions. For Bosnia's Serbs, granted under Dayton the largely autonomous entity of Republika Srpska (RS), the post-conflict challenge has been to consolidate the sovereignty of this entity, maintain its overwhelmingly Serb character, and obstruct efforts to invest any real authority in central Bosnian institutions. And while the voices calling for the incorporation of the RS into a 'Greater Serbia' have grown quieter in recent years, there remains a substantial political consensus among Bosnian Serbs that the RS should remain as autonomous as possible within the Bosnian confederation.

Unlike their Bosnian Serb counterparts, Bosnia's Croats found themselves in the post-Dayton period without an entity to call their own, but rather as partners in an unwieldy and fractious federation with Bosnia's Muslim community. Under the

leadership of the Croatian Democratic Union (HDZ), the Bosnian Croat branch of former Croatian President Franjo Tuđman's nationalist movement, the Bosnian Croats (the smallest of Bosnia's three ethnic groups) have pursued a consistently obstructionist line because of their perceived vulnerability, regularly calling for a 'third', Croat-majority, entity within Bosnia and periodically withdrawing from participation in government institutions. Despite significant political changes in neighbouring Croatia, which have deprived hard-line Croats in Bosnia of powerful backers in Zagreb, the HDZ largely remains "an anti-Dayton political party, whose goals and strategic interests are fundamentally opposed to those of the international community" (ESI, 1999: 10).

For their part, Bosnia's Muslims are the most conflicted and least politically united of the country's three major ethnic groups. Despite a visible split between moderates and hardliners, most continue to see the ideal outcome of the Dayton process as a Muslim majority within a multiethnic state, and the Bosnian Muslim political elite, largely centred around the Party for Democratic Action (SDA), has actively pushed for the return of displaced Bosnian Muslims to their homes of origin in both Serb-controlled and Croat-controlled areas. Of all three of Bosnia's main nationalist parties, it is the SDA and the Bosnian Muslim political elite revolving around it which could have been expected to be the strongest supporters of the post-Dayton state-building project, since it resembles quite closely the vision of a multiethnic Bosnia that the SDA-led government fought for during the war years. Yet the influence of nationalist hardliners within the party, combined with the fact that the SDA has grown increasingly corrupt over the past few years, has rendered the party a decreasingly useful ally of the international community in the ongoing struggle to construct a civic Bosnian state.

Bosnia's ongoing stateness dilemma – which has played out most dramatically on issues such as the return of war-displaced citizens to their homes of origin and the struggle to establish viable state institutions – has also ensured that issues of territory, ethnicity, and identity have remained front and centre in Bosnian political life. More specifically, the ongoing dispute over the nature of the Bosnian state has been played out repeatedly (if inconclusively) at the ballot box, and has helped ensure the fairly consistent return to power of nationalist political forces. For their part, the nationalists have only been too willing to maintain a certain degree of ethnic tension as a means of fostering

ethnic solidarity, and it is probably no coincidence that violent inter-ethnic incidents increase during election campaigns. As Ivan Ivezkovic has suggested, “extreme ethnochauvinists in the Yugoslav space … although situated on the opposite sides of the barricades, sustain each other through their confrontation and share objective common interests against the moderates in their own camps” (1999: 70).

A second crucial domestic mechanism at work in post-Dayton Bosnia over the past decade has been the progressive fusion of economic and political power within ethnically-exclusive areas, a dynamic that runs precisely counter to, and has in some ways co-opted, international efforts to liberalize, privatize, and marketize the Bosnian economic space. This trend has been intertwined in complex ways with what Peter Singer has termed ‘the criminalization of the Bosnian body politic.’ As he notes, “instead of the expected shift from ethnic nationalism and war to political pluralism and economic liberalism, there is only a tightening vise of corruption and cronyism” (2000: 31).

The gradual consolidation of economic power in the hands of Bosnia’s three main ethnic power blocs, who operate sophisticated networks linking the nationalist parties with state-owned enterprises, the financial system, paramilitarized veterans’ groups, and powerful elements within Bosnia’s underground economy, has been ongoing since Yugoslavia began to disintegrate in the late 1980s. Wartime links between nationalist parties and organized paramilitary groups – for whom ethnic cleansing was both an economic and a political exercise – strengthened the ties between political elites and increasingly influential criminal elements, many of whom made the successful transition from paramilitary activities to the management of underground criminal and smuggling networks at the war’s end. As one US Government report noted in 2000, in the post-war period a new symbiosis has emerged between those at the top of Bosnia’s largely criminalized political economy and the country’s political elites. In other words, “having used illegal networks for military and economic ends during the war, political parties are now inseparable from criminal organizations” (GAO, 2000: 14).

At the very least, what has emerged in the post-war period is a complex web of alliances between mafia and criminal formations, nationalist political parties, and elements of the old socialist nomenklatura. These alliances, which have collectively maintained control over much of the economic and political power in Bosnia throughout

most of the post-Dayton period, have benefited from the very slow restoration of the rule of law, their ability to manipulate liberalization and privatization processes for their own ends, and ongoing tension across ethnic dividing lines. The interests of the ruling alliances in sustaining these conditions, which provide a cover for the ongoing operations of a criminalized political economy and ensure a level of uncertainty sufficient to keep traumatized and fearful electorates united behind their nationalist protectors, are diametrically opposed to the interests of the international community in reforming the economy, establishing the rule of law, and promoting reconciliation.

Beyond the obvious reason that economic power is also political power, the ruling parties are driven by a number of motivations in their efforts to maintain control over economic activity. One widely cited motive, hardly unique to Bosnia or to states in transition, is greed. As the International Crisis Group once noted, “in a system infused with corruption and cronyism, the one major respect in which many in power share a united purpose across the ethnic divide is in their determination to take advantage of the numerous opportunities for personal enrichment” (1998: 5).

An additional explanation relates to the ongoing stateness issue discussed above. For the ruling parties on each side of the ethnic divide, the merging of economic and political control is a means of generating the necessary resources to continue to fight for the rights of ‘their’ constituent people. This explanation may to some degree simply be a convenient cover allowing senior party leaders to enrich themselves. It is, however, also the case that the HDZ, for example, has used its considerable economic leverage – including control over one of the country’s most profitable industries, Aluminium Mostar – to finance parallel (and illegal) governmental structures that have persisted throughout much of the post-Dayton period.

In the context of Bosnia’s unfolding peace process, the combined implications of these two predominant domestic mechanisms – the ongoing stateness struggle and the merging of economic and political power in the hands of nationalist-controlled networks – have been considerable. First, this situation has effectively precluded the emergence of any coherent domestic constituency for economic reform, since the ruling nationalists have little interest in pushing a liberal reform agenda and sufficient power to marginalize those who do. Despite declarations of commitment to the reform process by political

parties spanning the political and ethnic spectrum, Bosnia's political elites, and particularly its nationalist elites, have in practice fiercely resisted giving up their economic prerogatives. This resistance has been particularly marked in the area of privatization, where the process has been deeply compromised by the actions of domestic political actors. Unlike in other post-socialist transition contexts, therefore, where international mechanisms have complemented domestic transformation mechanisms, in Bosnia's case international and domestic forces have become locked in a power struggle which has effectively stalled the reform process.

In fact, despite recent international efforts to accelerate the reform process, some commentators have suggested that Bosnia's evolving economic system is closer to feudalism than to capitalism. As Paul Stubbs has argued, for example,

Rather than witnessing a process of democratization, pluralism and a move towards a well-regulated, open, market economy, it is probably more accurate and useful to see contemporary [Bosnia] as a 'virtual' or 'neo-feudal' state in which power is concentrated locally, in mini-states, based on patronage, influence peddling, and mafia-like elites (2001: 101).

In many ways, this clientelistic, criminalized economy is self-reinforcing, in that nationalist control of the economy and resistance to reform keeps the state enfeebled, undermines the formal social safety net, and leads citizens to turn to localized nationalist 'godfathers' for subsistence. This popular dependence on local elites, in turn, helps sustain electoral support for the nationalists, therefore justifying their determination to maintain the status quo.

At the same time, Bosnia's unresolved stateness issue has buttressed nationalist support by ensuring that ethnicity remains the sole relevant criterion of social organization within the country. Memories of wartime atrocities, combined with profound uncertainty about the future, fears about a return to open conflict, and recent moves by the international community which undermine the 'national rights' of Bosnia's ethnic communities, have played into the hands of nationalist political formations and allowed them to continue to portray themselves as the most credible defenders of the narrow interests of their ethnic group. In other words, politics in post-Dayton Bosnia remains zero-sum, and far from a situation in which all of the country's ethnic communities work together towards common goals.

In important ways, therefore, Bosnia remains a state without a nation, as almost no progress has been made towards fostering a sense of Bosnian ‘nation-ness’ among the country’s divided ethnic communities. As noted above, while the international community has been focusing on a largely instrumental vision of Bosnian stateness as a path to Europe, Bosnia’s nationalist political elites have a deep interest in ensuring that ethnic notions of identity don’t give way to civic notions of identity, as such a move would undermine their own political bases of support.

This absence of any common attachment to the values, goals, and symbols of a multiethnic Bosnian state has serious implications not only for the consolidation of Bosnian statehood but also for the consolidation of a market economy. For as the transition process in other East European contexts has demonstrated, market economies are inevitably grounded in far more than formal market institutions such as stock markets or trade regimes. As Carl-Ulrik Schierup has suggested, echoing Karl Polanyi’s much earlier warnings about the dangers of self-regulating markets,

A functioning capitalist economy is fundamentally dependent on political regulation and on historically established and morally sanctioned cultural institutions. Left to unbridled dominance, fundamentalist liberal principles of pure gain and market driven social self-regulation will sooner or later devour the institutional and moral ground for their own accomplishment (1999:5).

In other words, a basic sense of political community – encompassing social trust and civil norms, a fundamental set of shared values, a broad consensus on the balance between freedom and responsibility and between the single-minded pursuit of self-interest and a commitment to the broader social good, and an overall level of respect for the rule of law – is a core characteristic of any successful market economy (cf. Linz and Stepan, 1996: 252-253). Absent such socially-accepted norms of behaviour, backed by the rule of law, even the most elegantly-constructed market institutions may fail to take hold in transition societies (Stiglitz, 1999). The real obstacle to the establishment of a market economy in Bosnia, ultimately, may lie less in the establishment of formal institutions – which has been the primary strategy of the international community to date – than in the absence of any form of ‘social glue’ holding post-war Bosnian society together.

Finally, the reform stalemate that has persisted over some seven years of determined international peacebuilding efforts and the increasing visibility of Bosnia's corrupt and criminalized political economy have combined to produce a strong sense of disillusionment among ordinary Bosnians with politics in their country. This is, perhaps, another important change mechanism within the Bosnian political space, whereby a dysfunctional political system and a growing socio-economic crisis leads individuals to seek ways to exit the political process. Beyond the massive wartime exodus of Bosnians, many of whom will never return, close to 100,000 young people – many of them well-educated and politically moderate – left the country between 1996 and 2001 (UNDP, 2002: 42). Similarly, surveys indicate that two out of three young people would leave Bosnia if given the chance. As the High Representative noted late last year, “the haemorrhage of the young and talented poses perhaps the greatest long-term threat to this country.” (cited in Ahmetasevic and Harbin, 2002). Popular disillusionment with the political process is also reflected in voter turnout figures from the October 2002 elections, which were by a significant margin the lowest of any of the country’s numerous post-war polls. Such trends are a sobering reminder to those within the international community who continue to insist that Bosnia is firmly on the path of reform that many Bosnians have long ceased to believe them, and are now voting with their feet.

### **Conclusion**

The central explanatory problem in this paper was why the international community’s project of transforming Bosnia into a pluralistic democracy, market economy, and consolidated state has been largely unsuccessful. The short answer is that international conceptions of the Bosnian situation have failed to grasp the centrality and implications of the stateness problem. As a result, international authorities in Bosnia have attempted to impose a set of state institutions and policies that are informed by idealized models of multiculturalism, civil society, democracy, and market economy but have little foundation in Bosnia’s multinational reality. Referring to the international community’s conception, actions and policies as the major international change mechanisms, we examined their interaction with a variety of local change mechanisms. We saw how the international change mechanisms produced or reinforced internal change mechanisms

that effectively counteract and undermine international goals. What appears as dysfunctional from the normative-political viewpoint of international actors is functional for the political and economic elites of the three national groups. Functional of course is not a normative judgment on our part but refers to how existing structures actually work. Let us review the major mechanisms we identified.

Internationally based mechanisms:

- exercise of overall political authority in the hands of High Representative (refugee return; electoral law; removal of elected politicians)
- macroeconomic policymaking in the hands of international community (currency board)
- construction of civil society through variety of Western NGOs (multiculturalism, pluralism)
- Europeanization (European integration conditional upon successful political and economic transformation)

Locally based mechanisms:

- unbroken political resistance to the international agenda by nationalist elites and parties with strong electoral support
- progressive fusion of economic and political power within ethnically-exclusive areas (alliances between mafia and criminal formations, nationalist political parties, and elements of the old socialist nomenklatura)
- reinforcement of national identities that are threatened by the international agenda and its inherent dichotomies (either civic or ethnic; either multicultural or nationalist; either free market or criminalized socialist)
- exit from political process (low electoral turnout; emigration of young)

As the title of our paper suggests, we fear that the stalemate described above will continue for the foreseeable future. Since ultimate political authority is in the hands of the international community, significant change would have to be initiated there, in both conception of the situation and policies. Accepting a permanent division of Bosnia into

sovereign mini-states, as some commentators have advocated (Pfaff, 2002), is one alternative that would accept the three national identities as the major source of political legitimacy. It would be the *de jure* ratification of the results of ethnic cleansing – an unfortunate outcome, though one that might be considered superior to the results of continued stalemate. However, it is not the only conceivable alternative. As multinational states such as India and Canada show, a stable democratic state does not require the extinction of nationalist claims, movements and parties. Thus the stateness problem can be dealt with even in the absence of one overwhelming nationalism that effectively marginalizes and/or assimilates minority nationalities in the state. The formation of a “state-nation,” as Linz and Stepan call it in contradistinction to a nation-state, is a political arrangement the legitimacy of which does not depend on one common ethnocultural identity. Nor does it depend on the kind of civic nationalism and multiculturalism that Western powers propagate as the core of a liberal democratic society. As the case of Quebec illustrates, it is possible to be nationalist and federalist (and liberal-democratic) at the same time. Multinational federal states are potentially less stable than one-nation dominant (federal or unitary) states since in the former national identities can always be mobilized against the federal state. Stepan (2002) has analyzed the specific mechanisms that strengthen or weaken such multinational states. While it is beyond the scope of this paper to discuss these mechanisms in greater detail, this broader line of analysis has several important implications for Bosnia’s current situation.

First, it is becoming increasingly clear that the Dayton peace process cannot succeed without the active cooperation of two of Bosnia’s three main ethnic groups, namely the Serbs and Croats. The current reform stalemate has exposed the limits of international power, and unless the dynamic of confrontation is reversed Bosnia appears destined to remain divided, dysfunctional, and destitute.

More than seven years after Dayton, therefore, it may be time for the international community to begin to engage Bosnia’s three main ethnic communities in a serious discussion about the balance between individual and group rights, about the legitimate concerns of the country’s Serb and Croat minorities about being dominated by the larger Muslim community, and about the future development of Bosnia as a multinational, as opposed to a civic, state. These discussions will inevitably be slow-going and difficult,

since they would go to the heart of the original – and as-yet-unresolved – conflict, but the very process would go a long way towards convincing Bosnia’s minorities that their concerns are legitimate and that they need not fear the development of a reasonably effective Bosnian state. Pursuing such a path may ultimately hold more promise than the current international course of re-writing the Dayton Accords by stealth, a strategy which, by undermining Dayton-guaranteed ‘national’ rights in the process of building up a functional Bosnian state, seems destined to perpetuate nationalist resistance and further the current reform stalemate.

At the same time, the focus of international efforts should be on incentives rather than impositions, geared towards slowly putting Bosnia on the path of European integration. As the European Stability Initiative has argued, “international assistance will be needed over a long period, but should become more like the help offered to other weak but sovereign states in the region: technical and financial assistance in support of domestic reform efforts, backed by strategic use of political and economic conditionality, but without the protectorate powers” (2001: 5). In parallel, and as part of ongoing discussions about defining Bosnia in multinational terms, the international community should abandon its binary approach to the problems of peacebuilding and market-building. Instead, the focus should be the possibilities for overlapping, mutually inclusive identities. In other words, instead of the futile attempt to convince Bosnia’s Serbs (or Croats) that they must abandon ethnic nationalism in favour of European continentalism, it should be possible to be a Serb (or a Croat), a Bosnian, and a European at the same time.

This still leaves the difficult question of how to deal with the corrupt nationalist power structures that have recently been returned to power across Bosnia. Yet an explicit acknowledgment of the existence, and the legitimacy, of three separate ‘national’ interests in Bosnia has the potential to create some separation between the nationalist power structures from their core constituencies. Put differently, if the predominance of nationalist politics is reduced by recognizing, rather than assaulting, core national interests, then greater attention can be focused on questions of organized crime and corruption, and on how the interests and actions of the ruling elites on these issues are directly opposed to the interests of the population at large.

Ultimately, it is incumbent upon an international regime that explicitly acts as the social engineer of new economic and political orders to deal with the stateness problem – in Bosnia and elsewhere – based on a realistic conception of the situation. If territorial division of Bosnia into sovereign nation-states is unacceptable to the international community, then it may be necessary to move beyond a narrow and misleading view of nationalism and attempt to facilitate and strengthen those social and political mechanisms that move a multinational society forward.

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