

WHITHER BOSNIA?

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Table of Contents

I. INTRODUCTION	1
II. THE POLITICS OF IRRESPONSIBILITY	2
III. INTERNATIONAL PROTECTORATE.....	4
IV. CRONY CAPITALISM	5
V. CONCLUSIONS	6
VI. RECOMMENDATIONS.....	7

ANNEXES

ABOUT THE INTERNATIONAL CRISIS GROUP

LIST OF SELECTED ICG REPORTS

LIST OF ICG BOARD MEMBERS



WHITHER BOSNIA?

I. INTRODUCTION

Despite considerable progress since the signing of the Dayton Peace Agreement (DPA) in November 1995 in consolidating the peace and rebuilding normal life in Bosnia and Herzegovina (Bosnia), international efforts do not appear to be achieving the goal of establishing Bosnia as a stable, functioning state, able at some point to run its own affairs without the need for continued international help. Peace, in the narrow sense of an absence of war, has been maintained; progress has been made in establishing freedom of movement throughout the country; joint institutions, including the state presidency, parliamentary assemblies and ministries, as well as a joint command for the armed forces of the Federation of Bosnia and Herzegovina (Federation), have been established.

However, the return of refugees and displaced persons (DPs), one of the key planks of the DPA, has been disappointingly slow, despite considerable international attention to this issue and the application of considerable resources. While joint institutions have been set up, at the state level they barely function, if at all, with the international high representative, Carlos Westendorp, having to intervene and impose decisions in a number of key areas. Institutions in the Federation frequently do not function properly. Bosniac and Croat parallel institutions continue, de facto, to operate, while in cases where joint institutions have begun to function, Bosniac and Croat officials often behave more as representatives of their ethnic groups and political parties than as professional public servants. And while a joint command for the Federation Army notionally exists, in practice separate Bosniac and Croat military formations remain, so that Bosnia still effectively has three military forces representing the three recent wartime protagonists.

In general, mutually-suspicious ethnic parties representing the three principal ethnic groups are dominant. They hold very different perspectives about how the country should look. If they do co-operate at all in implementing the DPA it is

usually only grudgingly and under intense international pressure. The political system, which requires consensus among ethnic representatives, does not function effectively. 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. In this situation economic reforms, such as privatisation, which numerous western advisers and consultants have tried to steer towards a western-style market orientation, are more likely further to entrench cronyism.

This paper weighs up the chances of current efforts to rebuild Bosnia ever producing a stable, functioning Bosnian state. It considers the outlook for Bosnia in present circumstances, and it considers whether there is any alternative to the present pattern of antagonistic ethnic parties failing to govern effectively and depending upon international pressure and intervention for decisions to be taken.

II. THE POLITICS OF IRRESPONSIBILITY

There have been significant positive developments over the past year on the political front, as the monolithic control of hardline nationalist parties has been broken:

- Among the Serbs, the Serb Democratic Party (SDS), which dominated in Serb-controlled areas throughout the war, was defeated in a parliamentary election in Republika Srpska in November 1997, and in January 1998 a relatively moderate coalition government under Milorad Dodik was formed, relying on the support of Bosniac and Croat representatives in the Republika Srpska assembly. This ruling coalition has since consolidated its control in Republika Srpska, although often through far from democratic means, and appears set to strengthen its position in the forthcoming Bosnian elections (although whether it will continue to look for support to Bosniac and Croat deputies is far from certain).
- Among the Croats, while the Croat Democratic Union of Bosnia and Herzegovina (HDZBiH) remains dominant, its virtual monopoly of Bosnian Croat political life has been broken. A split in the party in May 1998 led to the formation of the relatively moderate and pro-Bosnian New Croat Initiative (NHI).
- And among the Bosniacs too, the forthcoming elections hold out the prospect of greater pluralism developing, as non-ethnically based parties stand to increase their share of the Bosniac vote.

Nevertheless, while the development of greater political pluralism and the advance of relatively more moderate parties are welcome and will aid the implementation of the DPA in key respects, the overall effect is not likely to bring Bosnia towards the goal of a functioning state, able to run its own affairs without the need for international intervention. As elaborated in detail in a recent ICG discussion paper on electoral reform entitled *Changing the Logic of Bosnian Politics* (10 March 1998), the current electoral system is fundamentally inappropriate for a multi-ethnic state such as Bosnia, in which mistrust and fear among the different ethnic groups are the defining features of political life.

The current electoral system favours ethnically-based parties. Most voters, fearful and mistrustful of other ethnic groups, cast their votes primarily on the basis of which party is perceived as being the staunchest defender of the narrow interests of their own ethnic group. In such a situation, electoral candidates of ethnically-based parties are concerned only with appealing to and attracting the votes of their own ethnic group. With their eyes on the next election, they need to demonstrate that they are indeed stout defenders of the narrow ethnic interest. Thus on many issues, politics turns into a zero-sum game, as ethnic leaders strike postures designed to show their nationalist credentials, to the detriment of responsible government.

The success of more moderate ethnically-based parties will result in greater co-operation among representatives of the three main ethnic groups, and is thus welcome. But essentially, these still ethnically-based parties will continue to be constrained by the need to be seen to be defending the causes of their narrow ethnic constituencies. In a system which relies on consensus among mistrustful ethnic leaders, as is the case in Bosnia now, it will thus on many sensitive issues be impossible to reach necessary decisions. In many ways the present situation is reminiscent of former Yugoslavia in the 1980s, after the death of Tito in 1980 and before the seizure of power in Serbia by Slobodan Milosevic in 1987.

The political system bequeathed by Tito depended on the reaching of consensus among the communist leaders (effectively ethnic leaders) of Yugoslavia's eight republics and autonomous provinces. Yugoslavia in the 1980s faced severe and worsening economic ills. The nature of these ills was examined and approaches for dealing with them were devised. Yet the country's leaders were unable to reach the consensus needed to implement the type of far-reaching reforms that were needed to tackle the mounting crisis; at each turn one or other republican (ethnic) leadership blocked action, citing particularly deleterious consequences for their own people. Thus the common good of all Yugoslavs was sacrificed on the alter of the narrowly perceived interests of individual republics, and the result was deadlock.

By the late 1980s Yugoslavia had become a dysfunctional state, unable to cope with its problems, slipping deeper and deeper into crisis. It was in this situation, with the frustration that it engendered, that Milosevic found in the appeal to Serb

nationalism a particularly potent rallying cry. The consequences for Yugoslavia were utterly destructive, as the leaders of the country's other ethnic groups were themselves obliged to respond to the nationalist challenge in kind. As each ethnic group placed the blame for their common ills on the sins of the others, responsible government, and with it effective solutions to those ills, was the first victim.

If the republican leaders of single-party communist Yugoslavia were unable to operate a system dependent on the reaching of consensus, how much less are the ethnic leaders in present-day Bosnia, who are directly accountable to their ethnic constituencies? It was not that the republican leaders in pre-Milosevic Yugoslavia were nationalist extremists -- far from it. Yet constrained to defend the perceived, narrow interests of their republics and ethnic groups, they proved unable to reach the consensus needed for responsible government. Similarly, neither will even relatively moderate ethnic leaders in Bosnia be able to govern responsibly in a system which requires them to rule by consensus, but which also requires them to be responsive to the demands of their narrow constituencies. Thus tinkering with an electoral law which retains the same logic that leads to repeated victories for ethnically-based parties -- even if there is political pluralism among the parties representing each ethnic group -- will not solve Bosnia's basic political problems, and is a wasted effort.

III. INTERNATIONAL PROTECTORATE

The increasingly interventionist role of the international community in Bosnia's political life significantly contributes to the tendency towards political irresponsibility among Bosnia's domestic leaders. At a meeting of the Peace Implementation Council in Bonn in December 1997, the international High Representative was given considerable powers to impose decisions when the Bosnian authorities proved incapable. At the state level, these powers have been used on several occasions, for example to impose citizenship and passport laws, and the design of a common currency. The threat of intervention has also been used to push the authorities into reaching decisions, such as on common vehicle licence plates. Such imposed decisions have been very useful in breaking the log-jam in establishing the attributes and institutions of a functioning state.

At the entity levels, rather than directly imposing decisions, the international community has frequently placed intense pressure on local authorities to frame laws in line with its views of how Bosnia should develop. For example, legislation in the economic sphere, designed to establish the basis for a sustainable recovery and a market economy, has been drawn up with detailed help from international advisors and consultants, and often with pressure on the authorities to take the path desired by the international community. At the cantonal and

municipal levels too, strong international pressure has had to be applied to persuade recalcitrant leaders to fulfil their obligations under the DPA on such matters as establishing joint administrations and police forces and enabling the return of refugees and DPs; and these efforts to twist the arms of unwilling local leaders have tended to have only limited success.

Such tactics by the international community may be useful in securing the passing of legislation necessary to establish Bosnia as a functioning state, and in promoting implementation of the DPA. However, that they are needed merely serves to emphasise how far Bosnia is from having an institutional framework and a political system in which Bosnians can themselves take decisions responsibly. Indeed, that the international community is present and able to put forward, or even impose, solutions, actually discourages responsible government by the Bosnian leaders. The country's ethnic leaderships are able to devote themselves to striking postures as defenders of the narrow ethnic causes of their ethnic constituencies, safe in the knowledge that they will not have to take responsibility for the serious business of getting Bosnia on its feet and running the country effectively. Ethnic leaders have the power to wreck and spoil efforts to get institutions functioning, laws passed, refugees returned etc., but they do not have to take responsibility for the consequences, as the international community carries on the thankless task of micro-managing the country.

As long as Bosnia has a political system which favours ethnically-based parties, and which requires them to govern on the basis of a consensus that they can rarely reach, then the international presence will be required indefinitely. The alternative? An international withdrawal; a period of hapless efforts to make an unworkable system work; frustration; the search for scapegoats, to be found among the country's other ethnic groups as well as among the international community which had failed the country. Amid this frustration and disappointment, the resort to a nationalist alternative would be as obvious as it was in 1987 when Milosevic claimed to offer Serbs a solution to their frustrations in former Yugoslavia. It is unlikely that Bosnia could survive such a scenario a second time.

IV. CRONY CAPITALISM

International micro-managing of the country leaves the ruling ethnic parties and their friends plenty of scope to pursue their own self-enrichment. In a sense, this should not be surprising, as the experience of several other former communist countries in transition has shown the tendency for political influence to be a means for business figures ("tycoons" in the popular parlance of many East European countries from Croatia to Russia) to build their empires. Privatisation of former state or, in the case of former Yugoslavia, socially-owned assets, has

often resulted in politically well-connected individuals gaining control of enterprises. Privatisation is a vital component of the transition to the free market. However, a change in the structure of ownership does not necessarily lead to improvements in management or to the injection of much-needed new investment. Privatisation does not of itself lead to deep restructuring of enterprises.

As has often been the case, and as the aftermath of the recent Dubrovacka banka scandal has revealed in Croatia, what happens is that cronies of the political elite gain control of assets, which they exploit for their own aggrandisement, in a web of political influence and favours, docile banks and corrupt business practices. It would be naive to expect it to be otherwise in Bosnia, where corruption is endemic and even expected, and where some members of the political elite and their cronies have long been exploiting their positions for their own economic gain. Given the political risk associated with Bosnia, foreign investment is likely to remain limited for some time, while the voucher privatisation method adopted in the initial phase of privatisation will afford plenty of opportunities to local tycoons to gain control of assets, to the benefit of themselves, but not of the economy.

In some ways the situation is especially bleak in Bosnia, as the breakdown in the rule of law during the war led to the criminalisation of a substantial part of economic activity. Numerous politically connected business figures, in some cases simply Mafia gangs, have already made fortunes out of the wartime opportunities for smuggling, arms trading etc. It is just such people, with their political and business connections who are likely to be best placed to take advantage of the privatisation process to gain control of those assets which still offer the prospect of profit. Since the end of the war the habit of paying taxes and customs duties has yet to take root. The sterling efforts of the EU's Customs and Fiscal Assistance Office to Bosnia and Herzegovina (CAFAO) in this regard could bring results if given adequate support.

V. CONCLUSIONS

As long as a large international presence in Bosnia is retained, peace and a semblance of normal life can be maintained. The forthcoming elections will probably result in a greater pluralism within the political life of the three main ethnic groups. However, neither these elections nor future elections under an electoral system resembling the present one, with the overwhelming advantage it gives to mutually suspicious ethnically-based parties, are likely to produce authorities capable of governing responsibly without the need for international arbitration, pressure and intervention. It is a system which relies on consensus, but which ensures the election of mutually-suspicious ethnic leaders who will

rarely be able to reach a consensus. While more moderate ethnically-based parties might be able to co-operate somewhat more effectively, on sensitive issues the same basic problem would remain, leading to the same kind of paralysis that afflicted Yugoslavia in the 1980s.

For the time-being, while further modest advances in normalising Bosnian life and in implementing the DPA are likely, these advances and effective government in general will continue to depend on a significant, active international presence and involvement. Bosnia will continue, in certain key respects, to resemble an international protectorate. The local authorities, relieved of the need to govern responsibly, will be able to continue concentrating on defending the narrow interests of their ethnic groups, fighting a rear guard action against the implementation of the DPA and spoiling efforts to establish Bosnia as a functioning state. Meanwhile, some among them, together with their cronies in the business and criminal worlds, will continue to take advantage of the opportunities afforded by political power to enrich themselves, abusing the economic reform process along the way so as further to increase their corrupt economic might. Necessary economic restructuring will in the process be stunted, as will Bosnia's long-term economic recovery. But a dissatisfied, still impoverished and frustrated population will continue to vote for the ethnically-based parties which are responsible for their problems, as the fear of other ethnic groups will remain the overriding concern.

VI. RECOMMENDATIONS

In order for Bosnia to avoid developing along the lines described above, so that the international community can at some stage withdraw from Bosnia, leaving a stable, functioning state, ICG recommends the following key changes:

- For the time-being a heavy international presence and involvement in Bosnia will continue to be necessary, to underpin the peace, promote the reintegration of the country, and build a stable, law-governed state. However, the primary goal of this continued international involvement must be to prepare Bosnia for the time when Bosnians themselves will take over the reins and run their own country. This means including Bosnians in deliberations on all aspects of the rebuilding of the country; it means allowing and encouraging Bosnians to take the initiative in building structures conducive to their needs. Above all, Bosnians must be required to take responsibility for building their own future, rather than being spectators as structures and systems are built which might look impressive in other countries, but which do not meet Bosnian needs at all.

- As argued in the ICG paper on electoral reform, entitled *Changing the Logic of Bosnian Politics*, it is essential that an electoral system be devised which encourages voters not to vote purely on ethnic lines, and which requires candidates to seek support from the entire electorate, and not just from their individual communities. Such a system needs to acknowledge the desire of Bosnia's three main ethnic groups for ethnic security. As long as authorities at entity, cantonal and municipal level continue to be primarily ethnic authorities, under the control of representatives of the majority ethnic community in each particular area, members of minority communities will continue to feel insecure; even with the massive international presence in the country, relatively few refugees or DPs have been willing to brave the return to areas in which they would be in a minority. Living under the rule of the ethnic leadership of another ethnic community, minorities are uncomfortable even when the ethnic leadership concerned is relatively enlightened.
- ICG proposes an electoral system in which the proportions of elected representatives from each ethnic group are fixed in advance. This idea of building the ethnic key into elections should not be disturbing; after all, under the present system elections resemble a census. With the proportions of representatives of each ethnic group thus fixed, each voter would then have multiple votes, for representatives of each ethnic community. Thus a Bosniac candidate would need to be responsive to the wishes of Serb and Croat voters as well as Bosniac voters, and so on. Elected representatives would have to change their pattern of behaviour, needing to look for support from the entire electorate, and not just from their own ethnic segment of it. Such a system would provide an enormous boost to responsible governance for the benefit of the whole country.

Bearing in mind that the experience of corruption and political cronyism has been a prominent feature of the transition of most former communist countries, it is probably unrealistic to expect to stamp it out altogether in Bosnia. Nevertheless, Bosnia should be able to learn from the experiences of other countries which have embarked on economic transition earlier, and thus limit at least some of their mistakes.

- Strenuous efforts need to be taken to crack down on criminal elements in the economy. This means, where necessary, arrests and legal proceedings. It means that efforts need to be stepped up to ensure the independence of police and judiciary. It also means undermining the sources of criminal wealth, especially through measures to ensure payment of taxes and customs duties, and to crack down on smuggling. In this regard strong support needs to be given to CAFAO, including the provision of security by SFOR, to enable CAFAO and the local authorities to go about their work effectively and without fear.

- While the framing of laws on privatisation and the financial sector are vital elements in the transition process, it needs to be acknowledged that of themselves these do not amount to a deep restructuring of the economy. In order to limit the development of the type of crony capitalism which has been revealed in several other transition countries, it is vital that laws on banking regulation are applied strictly, so as to prevent politically-connected business tycoons from using their connections to abuse banks in their efforts to finance the building of their business empires. Ensuring that banks operate correctly is not just a matter of passing good laws; it is about a culture of professionalism and sound business practices, and ultimately it is about officials, especially in the central bank, having the will to ensure that regulations are adhered to, even if it means standing up to political pressure.

- Privatisation needs to be accompanied by real restructuring of enterprises if Bosnia's economic recovery is to be sustainable. This involves more than changing ownership structures; management techniques need to be changed, up-dated and improved; and new investment is required. The consultancy role of the international community needs to go well beyond the privatisation process itself, in order to train and equip Bosnian managers to face the challenges of a market economy. As much as possible, direct, private sector involvement needs to be encouraged. The extension of existing guarantees to potential foreign investors, to counter the perception of Bosnia's high political risk, would thus have great benefits, both in building a healthy economy, and in limiting the development of the type of crony capitalism which has brought such discredit to economic reform elsewhere in Eastern Europe.

Sarajevo, 9 September 1998

