# Varieties of State-Building in the Balkans: A Case for Shifting Focus

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# 1. Introduction[1]

One of the more striking changes with the end of the Cold War and the socialist regimes in Eastern Europe and the Soviet Union was the attitude of major powers and their international security and financial institutions – the United Nations, NATO, the World Bank, the EU – toward the state. During the Cold War, the primary threat to international peace and prosperity was said to be states that were too strong – totalitarian, authoritarian or developmental – in their capacity and will to interfere in the operation of markets and the private lives of citizens. Almost overnight, the problem became states that were too weak: unable or unwilling to provide core services to their population and maintain peace and order throughout their sovereign territory. Provoked by the violent break-up of socialist Yugoslavia beginning in 1991 and the concurrent humanitarian crises in Africa (particularly in Sudan and Somalia), this new analysis identified the cause of these new threats of civil wars, famine, poverty, and their spillover in refugees, transnational organised crime and destabilised neighbours, as fragile, failing or failed states. International attention and assistance was thus redirected to building up governmental capacities and institutions as a solution.

This goal of state-building, sometimes erroneously called nation-building,[2] as a remedy and means of conflict transformation, was first articulated by UN Secretary-General Boutros Boutros-Ghali in his 1992 *Agenda for Peace*, a hopeful statement of the role that UN mediators and peacekeepers could play in the new strategic environment. The effect of conflict on development drew the focus of development actors in the second half of the 1990s, and they, too – from the World Bank to the UK's DFID, Canada's CIDA, and USAID – saw the cause as state fragility. The solution, as codified in the 2005 Paris Principles for Good International Engagement in Fragile States, which were adopted in 2007 by the OECD Development Assistance Committee (DAC), was that development donors should "focus on state-building as the central objective" (OECD 2005, 2).

It is one thing to propose an explanation for violent conflict, poverty and new threats to international peace since 1991, but quite another to develop policies and practices of international assistance to reverse state weakness. The results of these state-building interventions have not been encouraging. Indeed, despite many efforts to learn lessons and improve outcomes, most practitioners and researchers concede that there are no successes from which to learn. Many interventions had to be repeated when violence resumed, as in Angola, Liberia, Haiti, Somalia, Sierra Leone and East Timor. A third or more of negotiated settlements since 1990 have failed to create governments that could maintain the peace (Toft 2009). Many other cases of state-building remain in limbo because of the interveners' fear of failure if international military forces are withdrawn, as in the long-running deployments in Cyprus, Lebanon, Bosnia-Herzegovina,

1 Parts of this chapter were first published in Berghof Handbook Dialogue 8 (Fischer/Schmelzle 2009).
2 The term is most commonly used in US public debate, but refers to the same policies and goals as state-building.

Kosovo and the D.R. Congo. Some analysts even go so far as to argue that some instances of state failure, as in Somalia (Menckhaus 2006/2007) or Congo (Englebert/Tull 2008; Eriksen 2009), are a *consequence* of international state-building interventions.

The dominant explanation offered by the research community for these poor results is the model of a stable, effective state that guides those who identify a situation of state fragility or failure and the policies they employ in state-building. That model, they argue, both misunderstands the reality of actual countries, which operate differently and often more effectively than the standard by which they are being judged, and is in conflict with the goals of peace and development that state-building aims to achieve.

The difficulty with this explanation, this chapter proposes, is that it is equally divorced from reality in its assumptions about state-building operations. If we turn our focus away from the problem labelled state failure and onto those individual and organised actors who are making these judgements and designing state-building models and assistance programmes, we do not see one model but great variety: i.e. in the vast number of countries, types of conditions and outcomes of concern to which the label of fragile or failed states is now applied; in the number and type of actors involved in state-building operations; and in their separate goals and respective models of "good governance" and stable statehood.

The current literature has produced important and actionable lessons for improving outcomes by looking at mistaken analysis of particular cases and how they function, but those policy recommendations and remedies will continue to be ignored if they are not also based on what is actually done by those actors and why. I will use the great variation among the seven cases in the former Yugoslavia to illustrate this need for more knowledge and to propose some alternative hypotheses about current outcomes and debates.

## 2. Criticism of the State-Building Model

The most general criticism of state-building is that it measures countries against a single, universal standard based on a normative model of the modern European state that ignores the different histories of state formation in other parts of the world and alternative ways of governing. The state model at the core of "liberal peacebuilding" (see Lidén et al. 2009), as Volker Boege and his colleagues at the Australian Centre for Peace and Conflict Studies argue from their studies of Pacific Island states, is said to be a "western-style Weberian/Westphalian state" based on the history of rich, OECD countries that applies nowhere else in the world (Boege et al. 2008). Most contemporary political orders operate differently, and even more crucially, this critical literature argues, the model may blind us to the ways in which they are effective. Indeed, it may even be the non-Weberian, customary practices in these "hybrid political orders" that are responsible for conflict management and resolution and that keep countries peaceful or able to restore peace when violence does break out [see Volker Boege in

this volume]. Efforts to do "state-building from scratch," as the Boege et al. study of East Timor argues, by contrast actually *generate* political instability and economic crisis, not the reverse.

Another difficulty with this model, as Mushtaq Khan argues, is its disregard for what is possible in poor countries. However laudable or theoretically persuasive the state-builders' model is, it represents the highest international standards for institutions and service delivery without paying any regard to the resources necessary to achieve such standards, let alone sustaining them financially once donors and international organisations depart. For example, says Khan, "stable property rights and a political process based on accountability that does not depend on patron-client networks assume the existence of substantial fiscal resources to make these processes work. These are not available in any developing country."[3] The particular emphasis in the policy literature and practice of state-building on corruption and patronage as sources of state fragility that must be fought receives special criticism from Khan, who argues that this policy not only ignores the historical role of corruption and patronage in the development of currently wealthy countries but also fails to understand that some forms of rent-seeking promote development and public goods, and must be distinguished from those that do not (Khan 2004).

For some researchers, however, this normative model of the state is more than unrealistic, it is theoretically faulty. For Francis Fukuyama (2004), the model is promoted by public-choice economists whose understanding of the state is based on neoclassical economic theory and who believe, wrongly, that there is an optimal model of public administration. Their measure of statehood, secondly, is its scope (thus their insistence on privatisation and liberalisation to keep that scope narrow) as opposed to its strength. In fact, argues Fukuyama, there is no optimal set of institutions for most aspects of the state, and little if any transferable knowledge. This conclusion is reinforced by the empirical evidence, he argues (in a conclusion similar to that of Boege et al. 2009), showing that cultural norms and specific country histories are far more important than formal institutions and efficiency calculations in making states effective. The policy inference he draws is that state-building success depends on locally generated demand.

Two other components of the current model of the state, the rule of law and democracy promotion, are based on faulty theoretical assumptions according to Thomas Carothers. The democracy-promotion community, he writes, "embraced an analytical model [...] derived principally from their own interpretation of the patterns of democratic change taking place [in the 1980s]" and "to a lesser extent from the early works of the emergent academic field of 'transitology,' based on the work by Guillermo O'Donnell, Philippe Schmitter, and colleagues on the transition from authoritarian [military] regimes to democracy in Latin America and Southern Europe in the 1980s" (Carothers 2002, 6). Neither pattern included civil war conditions, and both have been empirically discredited in the meantime. Indeed, "with their frequent emphasis on diffusing power and weakening the relative power of the executive branch", democracy-promotion policies are "more about the redistribution of state power than about state-building" (ibid., 17).

3 Comment made at the workshop on "Economic Strategy, Aid Policy, and the State in Countries Emerging from War" at The Graduate Center, City University of New York, 3-4 April 2008.

As for rule of law, which is increasingly seen by international actors as a "solution to the world's troubles" (Carothers 2006, 3) because it is said to be necessary to both economic development and democracy, the empirical evidence suggests that the causal relationship may well be in the opposite direction than the one posited by such policies (ibid., 18-19). Moreover, these programmes are "operating from a disturbingly thin base of knowledge" (ibid., 27). Like Fukuyama and Boege and his colleagues, Carothers argues that the model conceives of the rule of law in institutional terms whereas "law is a normative system" (ibid., 20). This institutional approach consists of "simply rewriting another country's laws on the basis of Western models" – which "achieves very little" (ibid., 25).

Carothers' criticism of the democratisation component of this western standard, i.e. that it ignores the conditions of civil war and countries emerging from civil war, is shared by Roland Paris (2004). For Paris the model, which he labels "liberal internationalism", is a desirable end-state; the reason for it having so little success is its use as a policy of peacebuilding. The very nature of democracy and markets, core elements of the state-building model, presume and reinforce competition and conflict. If state-building interventions do not first lay the institutional bases of democracy and markets, they will inject more conflict into situations where conflict reduction and management are needed first. The model needs supplementing and the process of implementing the model needs to be sequenced. In particular, government institutions must be built before both economic and political liberalisation. Many others argue, along similar lines, that institutions must be built before elections are held – indeed, according to Paul Collier and his co-authors at the World Bank (2003), democracy should be delayed for a decade.

The conflict between state-building and peacebuilding is real, according to Charles Call and his co-authors, but arguably it cannot be solved by sequencing, for it lies in the very governmental institutions that Paris and Collier propose. The meritocratic principles of the Weberian and Western bureaucratic model are in conflict with the confidence-building goals of conflict transformation (Call/Wyeth 2008, 377). The studies on "making peace work" at WIDER, as Tony Addison and Tilman Brück (2009) summarise, identify this tension most blatantly between the goals of development (which necessarily generates conflict) and peacebuilding. Particularly damaging is the empirical evidence on the economic consequences of current state-building policies: very high unemployment, rising inequality, astonishing levels of aid dependence, often over a long period of time, that would appear to be the opposite of state strength, and new, post-war civil and criminal violence provoked by this inequality, joblessness and growing poverty. In place of the early peace dividend that donor assistance and their economic policies argue is necessary for conflict transformation, most of the population in countries emerging from war face worsening conditions.

The reason, as Graciana del Castillo argues (2008), is that development donors and agencies insist on what contemporary economists consider to be optimal policies, but this "development as usual" approach ignores the special needs of the political, security and social transitions that must take place in post-conflict conditions, including employment for ex-combatants, decent wages and public-sector salaries for police, judges and new civil servants. Sadly, as Richard Kozul-Wright and Paul Rayment (2007) demonstrate in their analysis of the seven reasons that

the Marshall Plan succeeded in building the institutions of states in post-war Europe and why the "market fundamentalism" of current policies is failing, this knowledge of the special needs of post-conflict stabilisation and growth has been lost.

## 3. Evidence from the Balkan Cases

The extent of these criticisms of the model used by donors and international organisations both in diagnosis and assistance should raise serious questions about why they persist with a standard that is so unrealistic and with expectations that are so self-defeating. While some more radical critics argue that both critical literature and practice are mired in a problem-solving approach (Lidén et al. 2009; Richmond/Franks 2009; MacGinty 2006), I propose an alternative explanation, namely that external state-builders do not follow a single model. A comparison of seven cases of intervention in the Yugoslav conflicts, for example, reveals great variation – across cases and among the many actors engaged in such assistance. If there were a single model driving standards of judgement and external state-building policies, one would expect to see this model applied in at least the five cases of direct intervention to end the conflict, if not the two peaceful cases of Serbia and Montenegro – yet, we do not.

The Yugoslav cases are particularly instructive because they were so influential in shaping this idea of state failure and its state-building solution initially. Although the explicit interventions during the 1990s (three continue even now) represent only two aspects of the vast state-failure debate – the humanitarian and spillover consequences of violent conflict over the state and post-war state-building operations – the current international consensus that civil wars are a threat to global security was largely provoked by the war in Bosnia-Herzegovina, beginning in 1992 (although then reinforced by the events in Somalia and Rwanda). The subsequent consensus that both international peace and local development depend on complex state-building interventions to build effective and legitimate states also began to emerge with the intervention in Bosnia-Herzegovina, after the negotiated peace agreement of November 1995 – although, retrospectively, one can see partial forays earlier by UN peacekeeping operations in El Salvador, Cambodia and Mozambique, as Boutros-Ghali implied. It culminated in the transitional administration for Kosovo in June 1999 (on which the "state-building from scratch" approach in East Timor was directly modelled months later). Comparison of the Yugoslav cases also has a distinct research advantage in that all seven were originally part of the same country, with the same customary and local political order and economic system, and all have been subject to assistance as new states.

## 3.1 The Label of State Failure

The first thing one can learn from the Yugoslav cases is how inconsistent and political the use of the state-failure label is. The Yugoslav state failed in June 1991 when two of its six federal republics, Slovenia and Croatia, declared independence. But the label adopted by outsiders (first by supportive neighbours, then by diplomats of the European Union and the Conference for Security and Co-operation in Europe (CSCE), finally de jure by the UN in May 1992) was not state failure but the one proposed by the Slovenes in their campaign in Europe and the US to justify international recognition of their independence, in direct violation of the international principle of the territorial integrity of sovereign states. As the EU's ad hoc commission of jurists agreed to rule, Yugoslavia was "in the process of dissolution". Once this camouflage for secession succeeded and fighting began over where the borders of the new states in this territory would be, the EU shifted to the principle of territorial integrity, applied now to the borders of the federal republics in the former state. Any challenge to these borders made with force would be an act of state aggression in violation of the UN Charter. Even Bosnia-Herzegovina and Kosovo are rarely if ever referred to as failed or even fragile states, in contrast to the simultaneous cases in Somalia and Sierra Leone, although clearly the massive international interventions of military forces and civilian administrations to manage both cases and their continued deployment for fifteen and eleven years, respectively, thus far are an implicit measure, at least, of their perceived inability to be fully self-governing and risk of new instability.

## 3.2 The Causes of State Failure

The second lesson one can draw from the Yugoslav cases regards the causes of state failure. The state-building literature tends to accept this label as a description of a local problem in need of repair. The critical debate, as we have seen, is over the best policies for repair. Yet the domestic political conflict in Yugoslavia during the 1980s could never have led to state collapse without (1) the external assistance policies, primarily from the International Monetary Fund (IMF),[4] that first provoked the destabilising constitutional conflict, and that then, as was the case with US, EU, and German actions especially, interrupted the democratic transition taking place and upended the bargaining among leaders of the six republics over a new constitution and elite pact by taking sides in the internal conflict. Even then, the country could have survived, as most members of the UN Security Council insisted, if (2) outsiders had not given assurances to Slovene and Croatian leaders that their requests for recognition would succeed, and, despite full knowledge of the civil war that would follow, also to the leader of one of the three Bosnian nations. Even in Macedonia, which outsiders labelled an "oasis of peace" for a decade (1991-2001) for avoiding war despite a Greek veto that delayed full recognition, the Albanian armed

4 I have analysed this conflict in Woodward 1995. Hartzell et al. 2010 argue the general case.

insurgency that broke that peace in February 2001 and provoked EU, US and NATO intervention was a direct consequence of the same outsiders' actions – the 1999 NATO bombing campaign against its northern neighbour, Serbia, in support of the Kosovo Liberation Army (KLA) and the Kosovar Albanian claims for independence of its province, which then spilled over into ethnic Albanian communities in Macedonia on the other side of that border. Equally, none of the five wars for independence – only Montenegrin separation from Serbia in May 2006 was peaceful – would have been necessary if the international community (the UN or the EU) had had in place, or had devised, a procedure to negotiate secession and to resolve the conflicts over borders among overlapping claims for self-determination peacefully. In summary, state failure and civil war needed outside accomplices.

## 3.3 The State-Building Model(s)

Although it is thus possible to argue that the failure of the Yugoslav state and the subsequent wars had a complex but common cause and, one might deduce, deserved a singular policy of external assistance to prevent or end the violence, external actors varied among themselves and across the seven cases in their explanations for the state collapse and the violence. They also varied in their solutions and related understandings of the state and state-building. The third lesson from a comparison of the Balkan cases is that there is no single standard for judging fragility or failure and no single model of state-building. Three separate patterns occurred among these seven cases, and within each pattern there is further variation.

### 3.3.1 Slovenia and Croatia: The Weberian Model

Intervention in Slovenia and Croatia aimed to secure their independence by negotiating the withdrawal of the Yugoslav army and, in the case of Croatia, replacing it with United Nations peacekeepers while negotiations over the rights of minority Serbs in a new Croatian state (eleven percent of the population) could take place. The model of the state receiving international assistance was thus Weberian in its most basic sense: establishing the new states' monopoly over the use of force within their claimed territories. This required two United Nations missions in the case of Croatia because order was being imposed in border areas that were inhabited (for more than four centuries when Serbs from Ottoman territories were invited to defend Habsburg territory) by Serbs who wanted, if Yugoslavia ended because states were recognised on the principle of national self-determination, to belong instead to a state with fellow Serbs (Serbia). After two Croatian military operations in 1995 expelled the UN protection forces – sent to protect these Serbs while outside mediators toiled (unsuccessfully) – a short-term state-building operation, the UN Transitional Administration for Eastern Slavonia (UNTAES), was established to implement an agreement negotiated for the one remaining area of the four.

But it, too, treated the state in this minimal Weberian and also Westphalian sense: recognising full Croatian sovereignty over this territory, its mandate was to restore Croatian government control by integrating local Serbs into joint police forces and holding local and parliamentary

elections. Whereas Slovenia was accorded full Westphalian sovereignty within days of its secession, Germany did require of Croatia, in exchange for pre-emptive recognition of Croatian independence in December 1991 (in defiance of its commitment to await a decision by an ad hoc EU arbitration commission), that its parliament adopt a revision of its constitution (drafted by German lawyers) to guarantee minority rights – but neither Germany nor the EU acted to require its implementation (and it has never been implemented).

### 3.3.2 Serbia and Montenegro: Regime Change and Compliance

Although two of the Yugoslav republics, Serbia and Montenegro, remained at peace and could not have been said to be cases of state failure when they formed a new federal republic of Yugoslavia after the international recognition of Bosnia-Herzegovina in May 1992, intervention did occur. Its aim, however, was regime change in Serbia on the argument made by Slovene, Croatian and Bosnian leaders and accepted by the US and EU that its president, Slobodan Milosevic, was responsible for the break-up of Yugoslavia and their three wars of independence (and also posed a threat of war against Kosovo, Montenegro and Macedonia). Economic sanctions and political isolation beginning in 1992 could thus be labelled a state-destroying, not state-building set of policies, although their guiding idea had actually been to end the war in Bosnia-Herzegovina by changing leadership in Belgrade and to force the democratic transition of an authoritarian state through popular anger and elections.

One component of this external pressure on Milosevic was also support for Montenegrin independence. (Montenegrin political parties were split on whether to remain in the new federation with Serbia or to leave as well.) But because there was no war over Montenegro, international action could not negotiate or force the withdrawal of the Yugoslav army. The methods had to be economic. Sanctions were removed from Montenegro and, following a plan devised by an independent economic research institute in Brussels and supported financially by the US, EU and the international financial institutions (IFIs), a process of separation began by replacing the Yugoslav dinar in Montenegro with the Euro and reforming the relevant government institutions. Thus, partial state-building policies for economic liberalisation were applied in Montenegro even before it became an independent state, although their purpose was achieving regime change in Serbia.

When Serbian voters defeated Milosevic at the polls in September 2000, the international goal of regime change changed to one of ensuring compliance with other EU and US demands. Sanctions and partial isolation were kept in force in order to compel Serbian cooperation in arresting and delivering persons indicted for war crimes in the wars in Croatia and Bosnia-Herzegovina to the International Criminal Tribunal for the former Yugoslavia (ICTY) in The Hague. With Milosevic defeated, however, the purpose of external support for Montenegrin independence had evaporated and the EU moved to reverse its position on independence by requiring the two governments, Serbia and Montenegro, to form a confederation, called a State Union. Hardly a standard western model, the goal was to ease EU diplomacy (foreign economic and security policies) by creating only one international interlocutor in place of two (and possibly, some argued, to gain some control over the

criminal trafficking of persons, drugs and other illicit goods into the EU, which they accused the Montenegrin government of directing). This reversal in the Westphalian component of sovereignty for Montenegro delayed the domestic process of state-building, particularly its democratising elements, for another three years – until the clear failure of this (imposed) State Union was resolved by a Montenegrin referendum on independence. As for Serbia, international military intervention in support of the majority Albanian population in its southern province, Kosovo, in 1998-99, also sharply constrained the Westphalian aspect of the Serbian state until a decade of external mediation over Kosovo's status – and thus Serbia's constitution – failed and the Kosovo leadership, in 2008, declared independence. Whereas EU negotiations in 1991 had proposed regional autonomy for both Serbs in Croatia and Albanians in Serbia, external policy on both Weberian and Westphalian aspects of sovereignty toward Croatia and Serbia was thus the opposite.

### 3.3.3 Bosnia-Herzegovina, Macedonia and Kosovo: Intrusive, Post-Conflict State-Building

The interventions in Bosnia-Herzegovina, Macedonia and Kosovo, by contrast, are every bit as imposed and disregarding of local traditions and bases of sustainable peace as the critical literature decries. That is, in all three cases the model for their independent states was drafted by outsiders, either US government lawyers (from the State Department and the National Security Council) or US and EU diplomats – it was not even translated into local languages at the time (and in some provisions, not even translatable). The goal of the constitutions was to end wars between parties (three in Bosnia-Herzegovina, two in Kosovo and two in Macedonia) who were engaged in a bitter contest over the kind of state and borders they sought. The choice of state model by external actors, as for Slovenia and Croatia, was to support politically the sovereignty claims of the party these outsiders favoured and then to impose a *fait accompli* of minority rights on the others.

In contrast to Slovenia and Croatia, however, the resulting imposition is not a Weberian state, even in the sense of the minimal criterion of governmental monopoly over the use of force, or a Westphalian state in the sense of sovereign independence from outsiders with respect to domestic affairs. Outsiders still, in 2010, control military power. In Bosnia, they also controlled police power until mid-2008 and monitor it to this day. In Kosovo, they will continue to oversee police and judicial power for an unspecified period into the future. The formerly NATO-led military deployments are now EU-led, but remain on the ground to deter local opposition to these externally imposed constitutions and international decisions. While NATO replaced the Yugoslav security forces that were required to withdraw from Kosovo, as did UN peacekeepers in Croatia, NATO did not implement its 1999 "undertaking" for disarmament and demobilisation with the KLA nor, in Macedonia, did it disarm and demobilise the Albanian insurrectionists. In a camouflaged step toward Kosovo independence (and in violation of the UN Security Council Resolution 1244 of 1999 that authorised the NATO deployment, KFOR, but recognised the territorial integrity of Serbia while granting Kosovo extensive autonomy within it), the KLA was retained as a renamed 'civilian protection force' until it could assume the role of national army

upon independence (declared, nine years later, in February 2008). By contrast, NATO did eventually require the three warring armies in Bosnia-Herzegovina to integrate into one unified army under a central command and civilian defence ministry in 2005, a decade after the war ended, which reversed the non-Weberian provision of the Dayton Accord that had left control over army and police to the three warring parties in their respective regions (Croat, Bosniak and Serb). Although the reversal was a demand by the Bosniak authorities in Sarajevo against the continuing opposition of the other two, one could hardly say, any more than in Macedonia, that the government had an uncontested monopoly on the legitimate use of force over its entire territory.[5] Indeed, initially, as in Kosovo, the goal was an American commitment at the peace talks to "train and equip" a new Federation (Bosniak-Croat) army to deter and be able to defeat the Bosnian Serb army within their common territory, not an all-Bosnian, inclusive army.

One might interpret the massive UN and EU investment in a Bosnian border service or, in all three cases, in building a border police, training customs officials and supplying technologically sophisticated surveillance and communications hardware as being driven by a Weberian model of the state, at least if one were unaware of its purpose and primary authority. In fact, the programmes aim to build, for the EU's Office for Justice and Home Affairs, a capacity to manage EU regulations on migration and against criminal trafficking in drugs, people and other illicit goods through the Balkans to 'Europe proper'. The widely noted underinvestment in building the judiciary in each country would reinforce this interpretation. Similar is the dramatic violation of Westphalian sovereignty in the case of Macedonia in not allowing the country to use its name in any international communication, or to join international organisations such as NATO and the EU where Greece has a veto, until it accepts a different name for its state because the Greek government argues, for domestic reasons, that it has no right to call itself "Macedonia". Yet the effect of this name dispute on the internal conflicts in Macedonia over its identity and statehood has the potential, but without intention, to be state-destroying, not state-building, and it certainly does not contribute to conflict management and transformation as is said to be the goal of state-building (Vankovska 2007). As for Kosovo, at the time of this writing, in contrast to the quick UN recognition to membership of Slovenia, Croatia and Bosnia-Herzegovina, less than one third of the UN member states have recognised its unilateral declaration of independence. It thus remains unclear what model of statehood will eventually result.

The external state-builders in these three cases, moreover, conceived of conflict resolution and prevention of its recurrence as a matter of constitutional reform by which governments would be required to grant local political, administrative and fiscal autonomy to minorities and to guarantee cultural rights and proportionality in public offices. The terms demanded by outsiders in the Dayton Accord for Bosnia-Herzegovina, Ohrid Agreement for Macedonia and Ahtisaari Plan for Kosovo provoked strong opposition from the governments and majority

5 Bosniak authorities viewed the continuing struggle over the locus of control for the police forces as an even greater threat to the state than the army, whereas opposition from the Croats and Serbs was so great that the EU chose its strongest form of conditionality, refusal to sign a Stabilization and Accession Agreement, until they conceded to unification. A European Stability Initiative report (ESI 2007) analyses the many perspectives.

populations on two grounds: firstly, that they would create the bases for further separation and potential collapse of their state by institutionalising ethnically defined political rights and, secondly, that they would create immensely complicated and fiscally unsustainable governmental structures. Although designed by Americans and Europeans, these are neither Western models, where minority rights are insistently defined individually, nor Weberian models of centralised, meritocratic bureaucracies. Indeed, the international demands and their justifications are also inconsistent across the three cases. They required extensive decentralisation in Kosovo and Macedonia, but have been working hard to reverse the powers granted by the Dayton Peace Accord, in 1995, to local and entity governments in Bosnia-Herzegovina and to build a strong and capacious central government instead. At the same time they insisted that such decentralisation would *not* be fiscally unsustainable, as the local opposition claimed in Kosovo and Macedonia. By contrast, it was argued that centralisation in Bosnia-Herzegovina was necessary *because* the fiscal burden and duplication of functions of so many layers of government was unsustainable.

## 3.4
## Variation in Policies toward Existing, Local Structures

In some ways the most striking variation in the international approach to the seven Balkan cases is in the attitude toward the pre-war, pre-conflict institutions. The critical literature rightly accuses international state-builders of failing to appreciate local structures and customs that differ from their own ideas of effective and legitimate states but that may be equally or more effective for managing conflict, more appropriate in terms of local resources for development, and more legitimate.

The reasons usually given – state-builders' lack of local knowledge, their assumption of a *tabula rasa* of local authority after war, or their decision to seize the moment as a rare opportunity for fundamental transformation to a liberal market economy and western state – would be hard to sustain for all of the Yugoslav cases. Located in Europe, the country's highly modern professional army was central in the southern defence of NATO (Woodward 1995, 25-26) while its passport was accepted in more countries than any other. Yugoslavia's economy was never centrally planned, was fully open to the world economy as a member of the IMF and World Bank from 1949, had an association agreement with the European Community from 1961 on, and was a full member of the General Agreement on Tariffs and Trade, GATT – predecessor of the World Trade Organization (WTO) – by 1965, after implementing all of the liberalising reforms required. The largest Bosnian firms, in particular, were highly competitive conglomerates, particularly in capturing Middle Eastern markets. Its property structure was not state-owned but socially owned and worker managed – the most extreme form of democratic participation in the economy, public services and local government in the world. Local neighbourhood associations (*mesne/mjesne zajednice*) in towns and cities ensured an unusually high level of service delivery to the very smallest unit through a mixture of democratic participation and volunteerism. The preferred fate of all of the post-Yugoslav governments is to

be members of the European Union, thus one can assume that their governments would have chosen independently to transform their socialist institutions accordingly.

In line with their Weberian/Westphalian model for Slovenia and Croatia, external actors did not interfere with domestic institutions and customs, with the exception of the formal demand for Croatian constitutional reform on minority rights that it was left to implement or not as it chose. There was no assumption of a *tabula rasa* but also no need to be knowledgeable about local institutions. There was also no assumption of a *tabula rasa* in the other three cases – explored in *section 3.3.3* – but there state-builders treated the same pre-war institutions and customs as one of the primary causes of war and thus as necessary targets of fundamental transformation. The attitude, in fact, was one of slash and burn.

For example, the local populations (especially in Bosnia-Herzegovina) were viewed as being burdened by a legacy of communist authoritarianism and centrally planned economies, as if they had been the Soviet Union, and, thus, had to be forced to become democrats and create market economies. This ignorance of the pre-war system – including those aspects of pre-war governance capability that were very successful and had also been of no concern to these outsiders in their policies towards Slovenia and Croatia – appears thus to be more explicitly ideological than in state-building outside Europe. For example, the highly effective accounting system and globally competitive public enterprises of the socialist period had to be replaced on the grounds, international administrators argued, of corruption and enabling wartime leaders to amass private wealth and post-war power. Governmental reform for rapid and extensive trade liberalisation and privatisation of public-sector firms were required by the IFIs, the US Treasury, the EU and most bilateral donors even though their economies produced primarily for the Yugoslav, domestic market – except those large conglomerates. A currency board was imposed on Bosnian monetary policy and chaired by a non-Bosnian appointed by the IMF for an initial period of six years, based on the view that Bosnian authorities could not be trusted. Although the goal of these state-building interventions was conflict transformation, the orthodox macroeconomic stabilisation policies required as a condition for credits and loans had the effect in all three cases of centralising but weakening governmental capacity in the economy, the destabilising economic outcome of jobless growth – rates of 40 to 70 percent unemployment in the first post-war decade – and the prospect of long-term aid dependence, trade deficits and meagre tax revenues, despite the fiscally expensive, complex political orders designed by outsiders to respect minority rights and their priority on sophisticated border services, police reforms and modernised militaries. Sarajevo industrialists complained loudly about the economic disaster caused by the internationally required privatisation and break-up of their renowned enterprises, but to no avail – despite evidence from investigative journalists of widespread corruption in the foreign-managed privatisation process.

By contrast, the wealthiest and most stable of all the new EU member states, Slovenia, never conceded to a complete neoliberal model, quietly retaining instead significant characteristics and capacities from the socialist period, such as an industrial policy and the accounting system that outsiders sought to destroy in Bosnia-Herzegovina. On some international rankings of

corruption, Croatia fares worse than Serbia or Bosnia-Herzegovina,[6] but it was still approved for EU membership, projected for 2011. These rankings include the crony privatisations by the Tudjman regime of the immediate post-independence years.

As an objective of peacebuilding, these imposed political orders in Bosnia-Herzegovina, Kosovo and Macedonia have failed to gain any domestic legitimacy, according to a very large body of literature (e.g. FES 2005; Kostic 2007). The social and economic outcomes of the state-builders' policies provide no peace dividend, particularly when compared to Slovenia and Croatia. Whereas donors funded "multiethnic" projects (cooperation between people identified as belonging to different ethnic groups) in Bosnia-Herzegovina as means of reconciliation and refused aid to those which were not, Bosnian villagers chose instead, against donor protest, to rebuild the socialist-period community centre first, apparently as their way to restore symbolically and physically a sense of social stability and community. Citizens also informally revived their neighbourhood associations, abolished by the internationally drafted peace agreement, because, as anthropologists discovered in research on social capital after the war (World Bank 2002), these forms of local cooperation were the most effective and legitimate means of reconciliation, not the artificial and ethnicising policies of the donors. Because, according to post-war field research (Pickering 2007), genuine contact and tolerance across the ethnic divide continued to occur, as before the war, at the workplace, the high rate of unemployment[7] also meant an opportunity lost by state-builders for reconciliation. Macedonians complain as well that the power-sharing principles of the imposed Ohrid Accord have only enabled the leaders of the dominant (ethnically defined) political parties to hide and protect their illegal economic activities and wealth, rather than to appreciate the decades of coexistence on which they could rebuild post-war stability (Vankovska 2007).

## 3.5 Explaining the Variation

Most analysts have no difficulty arguing that international administration and directive state-building were necessary in Bosnia-Herzegovina, Kosovo and Macedonia because the countries were incapable of doing the task themselves – whether they are labelled as such or not, de facto they are considered to be failed or fragile states. Yet all seven post-Yugoslav cases experienced civil war, five directly, and the level of violence in Croatia was immensely greater than in either Kosovo or Macedonia. All had the same socialist past. All were parts of the same state with its developmental, welfare and national defence capacities, its rational-legal administration and its highly educated population and professional class, that is, features usually associated with a

6 For example, in Transparency International's Corruption Perceptions Index data on the percentage of firms that regard corruption to be a major constraint on investment (reported in the World Bank Investment Climate Survey of 2005; see Leggett 2007, 126/Fig 92). The official version of the Leggett report (UNODC 2008, 92) states that "according to the [European Bank Reconstruction and Development's] 2005 Transition report Croatia was among the few transition countries (together with Hungary, Azerbaijan and Armenia) in which corruption in 2005 was higher than in 2002".

7 Unemployment was down to 29 percent in 2007 according to the first post-war labour survey, but another 30 percent or more were working in the grey, informal economy and 57 percent of the "labour-capable" were described as "inactive or discouraged" (Bosna i Hercegovina 2008; UNDP 2007, 12).

western Weberian/Westphalian state. Why would international policies, models and corresponding outcomes differ so greatly?

Two plausible explanations have wider application in the debates on state-building. The first is strategic. Although international assistance is widely criticised for its selectivity according to the strategic interests of the major powers, the measures are whether states choose to intervene at all and the difference in resources between the privileged and neglected, not in the kind of state-building policies pursued when action does occur. Whereas all of the Yugoslav cases are considered privileged in that literature, the difference in state-building policies and models among them can be attributed to a different strategic calculation, the national interests and cultural prejudices of the major powers involved in these cases. Overall, the closer to Western Europe culturally and historically, the more Weberian and Westphalian the state-building policy and vice versa. One might argue, with Mark Duffield, that Europe and the US were using their state-building policies to revise the "hard sovereign security frontier" between North and South that protects "the Western way of life" by accepting Slovenia and Croatia while relegating the others to the condition characterised by Graham Harrison as "contingent sovereignty" in "governance states" where external actors (the World Bank in Harrison's case) become permanent authors of state transformation (Duffield 2007, 2; Harrison 2004). Or one could argue that the greatest influence on outsiders' choice of sides and preferred constitutional designs and reforms was domestic politics in Europe and the US, shaped by ideology, public-relations campaigns and diaspora communities. Why else, for example, would the ruling of the EU's Arbitration Commission in January 1992 that Slovenia and Macedonia met the conditions for independence, but Croatia and Bosnia-Herzegovina did not, have no influence on the decision to recognise Croatia, and soon thereafter Bosnia-Herzegovina, but not Macedonia? Yet in terms of possibilities for improving state-building outcomes globally, this first, strategic explanation is a pessimistic one because research findings on what works and what does not are unlikely to influence domestic politics in the relevant major powers for each case.

The second plausible explanation is economic, corresponding to variation within Yugoslavia that parallels these three patterns. The wealthiest, most industrialised and export-orientated economies were Slovenia and Croatia. Falling income and rising unemployment in Serbia during the 1980s had been pushing it out of the wealthier north toward the poorer south of Montenegro, Bosnia-Herzegovina, Kosovo and Macedonia. The three emerging states where interventionist policies and imposed state-building occurred were the poorest areas in the socialist period, with the highest unemployment, lowest export-earning capacity and need for investment from northern firms and federal transfers to fund welfare commitments and subsidise public expenditures. Perhaps it is not surprising that along with Serbia and Montenegro, which fought against the secessionists in 1990-91 on largely nationalist grounds (that Serbs would no longer be able to live in one state as had been promised at Versailles in 1919), Bosnian and Macedonian leaders strongly opposed the break-up of Yugoslavia before June 1991 because of what they would lose materially.

The global pattern of association between poverty and violent conflict is robust and high, although there is much debate about the causal relationship. The more than 40 quantitative

indexes that now measure state fragility and failure, and thus candidates for external state-building of some kind, also emphasise socio-economic indicators such as poverty, declining economic growth, and insufficient resources for health care, education and related public services to reach the Millennium Development Goals. Does the Balkan comparison suggest that state-building policies are more intrusive and dismissive of local traditions and institutions, the poorer the country? If the economic institutions and policies in any external state-building model are most in conflict with the needs of stable peace and conflict transformation, as the critical literature argues and the Balkan cases confirm, does state-building (as some research suggests) actually make countries worse off? The Yugoslav comparison does demonstrate that the greater the level of local control allowed over the choice and pace of institutional change and economic policy, the more locals chose a mixed system of old and new in a gradual transition and the more stable and resilient the outcome appears to be.

# 4. Debates to Improve State-Building in Light of the Balkan Experience

In a series of papers produced in 2007-2009 for the OECD DAC Task Force on Fragile and Conflict-Affected States (and its newest component reflecting "partnerships" with recipient countries, the International Network on Conflict and Fragility, INCAF) as a follow-up to the 2007 Paris Principles that declared state-building to be its central objective, the "central challenge for donors" is identified as the need to replace their focus on the state with an understanding that state fragility is a *relationship* between state and society, one in which the primary cause of stability and resilience is legitimacy, and vice versa. Donors must, therefore, "recognize that what they consider to be the most effective and legitimate form of state-building is not necessarily considered legitimate by domestic actors" (Bellina et al. 2009, 4). Thus, no matter what model is preferred, intervention will have a "negative impact" if "the content of a state's policies is heavily influenced by external actors" (ibid.) and the government does not respond to citizens' expectations (Jones et al. 2007), because both weaken state legitimacy.

This proposed shift away from the heavily criticised state model to the methods used by state-builders, whether donors, INGOs, or military and civilian administrators, resonates with an older set of debates in the 1990s that also raged over the Balkan cases. Were the inadequate outcomes a consequence of state-builders' being insufficiently assertive and intrusive – "not colonial enough" as Simon Chesterman concludes (2004, 12) – or is a "light footprint" that puts local governments in the driving seat, in the words of Lakhdar Brahimi's hopes for the Afghanistan mission in 2001-2002, more effective? This debate has probably been waged longest and strongest over Bosnia-Herzegovina, but with neither side conceding.

The debate would seem to have been resolved by two rhetorical developments in the last decade. The first was the effect of research on international state-building, together with practitioners' experience of persuading most institutional actors who do intervene, such as the UN peacekeeping department and development programme, and the OECD DAC/INCAF, that context matters. Success depends on adapting best practices and goals to the "specifics of a conflict" (Ahmed 2005) and the particular local context (Engberg-Pedersen 2007) in which one is acting. The second was substantial push-back from governments in the global South, which are either the targets of such labels of failure and state-building interventions or are sensitive to them elsewhere, which has led to a growing call, particularly in UN forums, for "ownership" – that is, to give countries themselves more control over the process of state transformation. But the variation in the Yugoslav case, although it might appear to have been, is not evidence that this lesson has been learned. That policy variation was not a response to local realities and needs.

Another debate that seemed to have been resolved by researchers, such as Dani Rodrik (2007) on the economy and Fukuyama and Carothers on the state – that a variety of institutional forms can serve the same function equally well and, therefore, should, for reasons of institutional embeddedness and legitimacy, be chosen locally – also does not survive comparison with the Yugoslav case. This privilege of local choice was decided on economic grounds – the wealthier the countries, the greater their freedom to choose and the less imposition, and vice versa.

A third debate is on whether a strategy of state-building is even possible – the polar positions may be represented by Fukuyama, who says no for the reasons discussed above (see *section 2*), and Ashraf Ghani and Clare Lockhart (2008), who argue that the problem lies with disagreements among the external actors, but that they can be persuaded to agree on the core functions of any post-conflict state and thus improve effectiveness substantially. This, too, should be settled by research showing that all peacebuilding is local politics (Cousens/Kumar 2001), but the Yugoslav cases demonstrate that this finding also applies to the interveners, among intervening parties and in their choices of strategic partners and enemies locally. State-building assistance is provided by a large number of autonomous agents, most of whom represent bureaucracies with standard operating procedures of long standing and many of whom are in competition – for resources, leadership, national interests, recognition or policy preferences. The primary focus among intervening parties in the last decade, in fact, has been to improve outcomes by creating forums for aid coordination, policy coherence, whole-of-government approaches and integrated missions in recognition of this multiplicity and competition, but with little success.

Finally, the debate on priorities and sequencing discussed above, by contrast, has been overtaken by the changing reality of peacebuilding mandates, which are becoming ever more complex and which have responded to calls for improvement by adding ever more tasks to an international mission. Yet this also can be said to have begun with the Bosnian case, where the mandate and powers to design reforms, impose legislation and vet elected politicians and state officials have increased exponentially over time, including continuing external pressure (particularly from the US) for sweeping constitutional reform of the initial, negotiated (Dayton) constitution. The same increase over time in competencies, tasks and benchmarks occurred in the Kosovo mandate. Neither has been a success.

# 5. Conclusion: A Case for Shifting Focus

Where does the comparison of the seven Yugoslav cases leave those who still hope for improved practice? I propose that the great variation among these cases of external state-building interventions for peace demonstrates the need to focus more on the actual policies, goals and varying choices of those driving this state-building agenda and practice, not only on characteristics of the target countries. The Yugoslav comparison suggests three aspects that do not receive sufficient attention in the current literature on state-building.

The first is analysis of the causes of state failure in a particular case, and above all the role of external actors and their policies, in relation to proposed state-building solutions. The Yugoslav cases demonstrate clearly that external assistance policies played a major, perhaps decisive, role in the collapse of the Yugoslav state and in the violence of the process of creating new states in its territory. Those same policies were then applied as supposed solutions to the conflicts. Focusing solely on changes in the target country without altering the external policies that made a country initially more vulnerable to collapse, civil war or economic decline, as the Bosnian case illustrates best, is not a recipe for success. This means, however, that the external actors themselves need to alter their practice accordingly.

Second, context matters for external actors as well. The same actors choose different approaches and policies under different conditions. While the causes of variation were political-strategic and economic in the Yugoslav cases, we can benefit from research from other cases, and especially from comparisons. Institutional actors concerned about moral hazard, such as the IMF, will not discuss their local adaptations, while others such as UN programmes and agencies or the World Bank, who are required by their charters to work with governments, are constrained in their room for adaptation. Some development donors, however, do show signs of learning from one case to another; this adaptation needs to be analysed and recorded by objective researchers for its practical implications. More research on the relation between specific external actors' policies, programmes and operations and their outcomes in a country might expand the perception of possibility and provide useable evidence on the conditions under which particular approaches and programmes seem to work.

Third, the economic difference among the Yugoslav cases casts a different light on the definition of state weakness and external state-building policies. Is state failure or fragility defined by a country's unwillingness or inability to control its territory and provide public services, as is claimed, or is it defined by a country's vulnerability to state-building interventions of the kind that are intrusive, dismissive of local realities and possibly destabilising? Why, as many locals argue, do such interventions begin with an internationally fielded needs assessment instead of an assessment of local capacities that would play to a country's strengths, not its weaknesses? If this reality is only a measure of international power politics, as some critics argue (Duffield 2007;

Abrahamsen 2000; Bilgin/Morton 2002), then there is no room for improvement. If, on the other hand, it is actually a measure of economic capacity and its social and political consequences, external actors should be ready to ask whether state-building is the appropriate response.

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