

Conclusion

Bosnia's Challenge: Economic Reform, Political Transformation and War-to-Peace Transition

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Since the 1995 Dayton Peace Agreement, Bosnia has been undergoing a process of internationally imposed transformation to a democratic political system. This process was initiated by the major international powers (US, Great Britain, France, Germany and Russia) and coordinated by the Peace Implementation Council. The PIC's decisions have been implemented by the UN, NATO, OSCE, Council of Europe, IMF, World Bank and European Bank for Reconstruction and Development. The civilian part has been coordinated by the UN's High Representative for Bosnia, who serves as chief administrator with the mandate to make and enforce law at state and entity level and dismiss Bosnian officials in the event of non-cooperation. Thus, the international community is in fact performing the functions of a sovereign. Bosnia has become a kind of "pilot project for international governance" in the context of a "global domestic policy" (Ehrke 2003:153) which views the establishment of democracy and a market economy as a prerequisite for conflict resolution and violence prevention.

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Assessments of the situation in Bosnia ten years after Dayton are diverse and contradictory. Some see a great deal of positive development, notably Richard Holbrooke, who considers the post-Dayton process to be the international community's biggest success for 25 years (BBC World Service, 21 November 2005); others see very little progress and few indicators of social change. Some feel that Bosnia is already close to Europe; others highlight the continuing distance and lack of European standards. High Representative Paddy Ashdown sees the country as having moved beyond the period of "cold peace", whereas practitioners feel that Bosnian society and the societies of its neighbouring countries still remain immersed in this stage.¹

¹ In the process of finalising this book, on 10 November 2005, the editor received two independent and contradictory messages by different Bosnian cooperation partners: one of them shared the impression that important changes are happening in Bosnia, that the country's identity as a nation state is no longer

The post-Dayton process has been the subject of numerous academic analyses and policy studies in recent years² and especially in 2004 and 2005.³ However, the abundance of literature leaves the reader confused on one key question: how to evaluate the international intervention and post-war assistance in Bosnia in definitive terms. Most assessments draw the paradoxical conclusion that intervention has been sufficiently successful to be worth continuing, but not successful enough to allow Bosnia to take charge of its own destiny.

Obviously, the international community's presence and activities cannot simply be evaluated as "effective" *or* "not effective", as success *or* failure. Assessments depend very much on prior expectations. If these are limited to the absence of war, the assessment will be positive. If they are extended to creating a functioning polity and peaceful coexistence, the answer will be less positive, or even negative. The international mission in Bosnia has been successful in the sense that fighting stopped and was not resumed. Given the violence and atrocities that preceded the mission and led to the death of an estimated 250,000 people (around 6% of Bosnia's population), the persistence of relative peace must be considered a notable accomplishment (Paris 2004:111). This is an important result, given the fact that half of all countries that emerge from war lapse back into violence within five years, according to UN Secretary-General Kofi Annan.

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Ten years after Dayton, there is no direct danger of war in Bosnia, but to characterise the situation as peace would definitely be too optimistic and idealistic. During the post-war period, Bosnian society has been marked by numerous intersecting lines of conflict. Today, for a huge part of Bosnian society, life is still insecure and the future is marked by many uncertainties.⁴ The Bosnian population is still beset with fears and interethnic mistrust which manifest as support for radical nationalists. This was apparent during and after the national elections in autumn 2002. Following the local elections in October 2004, 80% of Bosnian municipalities (99 out of 122) are now governed by representatives of one of the (Bosniak, Bosnian Croat or Bosnian Serb) nationalist parties.⁵

questioned and that it is on its way to EU integration. The other expressed the feeling that there is no progress and that discrimination of minorities and political stagnation are ongoing, and had therefore decided to leave and start a new life in Germany.

² See Bieber 2002a, 2002b; Bose 2002; Caplan 2000; Chandler 1999; Petritsch 2001; Sokolovic/Bieber 2001; Riskin 1999; Schneckener 2002, 2003; Solioz/Dizdarevic 2003; Pentland 2003; Woodward 1999.

³ See Caplan 2005:179-194; Chandler 2004; Solioz/Vogel 2004; Gallagher 2005:132-148; Morton et al. 2004; Paris 2004:97-111; Pugh 2005; Pugh/Cooper 2004; Reiter/Jurekovic 2005.

⁴ This is also reflected by the increasing number of suicides, see Oschlies 2003:94-100.

⁵ See Radio Free Europe/Radio Liberty Balkan Report 37/8, www.rferl.org/reports/balkan-report.

The Dayton Accords created a “peace by coercion” (Schneckener 2003). International organisations initiated important reforms in Bosnia, but each of them had to be pushed through against resistance from political hardliners and could only be implemented by pressure. The international engagement and the Dayton structure contributed to maintaining a “negative peace”. But conflict transformation, in the sense that the stakeholders addressed and started to overcome the root causes of the conflict, did not take place.

1. The International State-Building Strategy – Lessons and Dilemmas

The international community’s strategy in Bosnia faced various dilemmas which, along with other factors, have meant that the Dayton Agreement could not be implemented in full and serious problems of state-building were created. Lessons can be learned from this experience and strategies for peacebuilding need to be reviewed and adjusted accordingly.

Several academics and political analysts have stated that important *obstacles to peacebuilding have been created by the Dayton Agreement itself* (James Lyon in this book; Schneckener 2003; Chandler 1999, 2005). The Dayton Peace Accord (DPA), negotiated under strong international pressure, was the result of compromise. In effect, the DPA recognised the *territorial and ethnopolitical borders established by war and ethnic cleansing*. The ceasefire line was declared to be the entity border. The constitution of Bosnia-Herzegovina describes the ethnic groups living on Bosnian territory – Bosniaks (Muslims), Croats and Serbs – as “constituent peoples” of the BiH state, but the political system is based on two “entities”: the Bosniak-Croat Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS). Although it is made explicit that, from a constitutional perspective, BiH’s division into entities does not follow ethnic principles and the two entities are regarded as “multiethnic”⁶, the new geopolitical structure nonetheless entrenches, to some extent, the “homogenisation” that was the outcome of the war (Schneckener 2002:292). The right of return for refugees and displaced persons to their pre-war areas,

⁶ In July 2000, the Constitutional Court of BiH adopted a ruling requiring the two entities to amend their constitutions to ensure the full equality of the country’s three “constituent peoples” throughout its territory. According to ICG (2002a), this decision offered a means to reform the existing entities within the Dayton architecture and move Bosnia in the direction of making both entities multinational (instead of leaving open the possibility for the Croats to establish their own mini-state).

which is enshrined in the Dayton Agreement, theoretically enables a multiethnic state, cities and municipalities to be re-established. However, following numerous experiences of violence and continuing hostilities between the groups, implementation has been patchy, to say the least. Even if more than a million refugees returned, it is still not guaranteed that this process is sustainable. Return processes, to date, have not shifted or fundamentally changed the “ethnic map”.

Another problem has been created by the political architecture established by the DPA, namely that the *entities have highly distinctive political and administrative structures*. The RS has a centralist system whereas the Bosniak-Croat FBiH adheres to a federalist model and is structured in cantons. Above the entities, the Presidency, consisting of a Bosniak, Bosnian Croat and Bosnian Serb representative, is responsible for policy implementation at state level.⁷ On all these levels, different parliaments and decision-making processes exist. “The Bosnian state is composed of two powerful sub-state entities, one of which in turn is composed of ten more or less (usually, less) multiethnic cantons, with one strategic town, Brcko, given a status of its own. Belgium’s infamous system of six governments looks straightforward by comparison”, Nicholas Whyte, Director of ICG’s Europe Programme writes, “but unlike the Belgian structure, the Bosnian arrangement was erected by a series of international agreements and rulings between 1994 and 1999, with very little input from the country’s locally elected representatives, let alone the Bosnian people as a whole. It has now gained a certain level of legitimacy through longevity, but still burdens Bosnia with too heavy an administrative class for such a small country” (Whyte 2005). Bosnia’s state structure has resulted in a government organisation with 760 legislators, 180 ministers, and four separate levels of administration, which in the long run is not sustainable (Kusljagic 2004). There is no prospect for future development for a polity which spends 70% of the public budget on a state bureaucracy, as High Representative Paddy Ashdown rightly stated during the celebration of the 10th anniversary of the DPA.

Yet another problem created by the DPA is that the constitution – based on Annex IV of the agreement – was not viable for state-building and not adapted to the European human rights norms. The High Representative announced some time ago that the Dayton-based constitution is a major impediment to setting up an efficient system of governance and that a process of constitutional reform is necessary if Bosnia wants to join the European Union. The DPA offered an ambivalent solution: a unified state of Bosnia-Herzegovina continued to exist in

⁷ The members of the Presidency are the supreme representatives of their ethnic group and commanders-in-chief of their armed forces, which are still divided. However, they have no power to appoint or dismiss ministers. For a detailed analysis, see Schneckener 2002:293.

formal terms, but its functions were reduced to a minimum. The most important political functions were assigned to the two entities. This created a *first line of conflict* – between a formally overarching but powerless central state and the institutions of the Federation and Republika Srpska – which made future conflicts inevitable.

From the very beginning, there was no will to maintain a common state among the stakeholders who later formed the governments of entities and cantons. The Bosnian Serbs and the Croats formed strong factions who made clear that they were not interested in integration in Bosnia and were not really in favour of delegating power to the central state institutions. Hardliners on both sides made no secret of the fact that they would prefer a tripartite structure which would keep open the door for a move towards separation, whereas Bosniak politicians argued in favour of strengthening the central state structures.

A *second line of conflict* arose between the Bosnian political elites and the international community's institutions: whereas the former were interested "in controlling the rent economy of the imposed peace from within the sanctuary afforded by ethnic (traditional, local) clientelistic relationships, the institutions of the international community represented de facto the (bureaucratic, anonymous) state and thus the dominance of law over clientelistic privileges which, during the war, had supplanted the Bosnian state" (Ehrke 2003:139). The task of holding democratic elections was therefore left to Bosnian society, while the international community controlled the political process. "Democracy" and the "rule of law" were divided between the international community and the local ruling elites, with the result that these two supposedly inseparable elements of modern statehood were locked into confrontation. Three dilemmas arise in this context.

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First Dilemma: Abuse of democratic structures and power-sharing models by hardliners

As some authors pointed out, a serious problem was that political hardliners on all sides remained in power as a consequence of the early elections (Paris 2004:111; Schneckener 2003:66). International organisations initiated important reforms aimed at the renewal and control of state structures (such as media regulation, education, local self-government and recently police reform), but they were constantly faced with the local elites' lack of willingness to cooperate. These elites abused the opportunities afforded by the constitution – based on power-sharing – in order to obstruct the reform processes in many different ways. This was apparent in several fields – from the economy to refugee return, and especially the reform of state structures in the sectors of local self-government,

education and the police. “Under the control of local elites, democracy became a force for ethnic separation (and therefore privileged legal relationships) while an attempt was being made to impose a ‘neutral’ state from outside and above” (Ehrke 2003:140). This confrontation intersected with the first line of conflict, mentioned above, between the Bosnian central state and the entities.

Implementing a power-sharing model under conditions of a semi-protectorate did not lead to political integration. On the contrary, under these conditions democratisation in Bosnia reinforced the power of the most extremist, nationalist parties, who continued to obstruct the implementation of measures in the Dayton Accords that were intended to promote political moderation of the formerly warring groups (Paris 2004:111).

Second Dilemma: Striving for institution-building and creating a “dependency syndrome”

International organisations initiated institutional reform and helped to set up democratic structures. At the same time, the international presence contributed to a situation in which Bosnian elites refused to take responsibility for building functioning institutions, which led to a structure of widespread dependency. Wolfgang Petritsch, the international community’s High Representative in Bosnia until 2002, pointed out that no sense of “ownership” – i.e. a feeling of responsibility for the development of the Bosnian state – was created, with one disastrous consequence: this failure cleared the way for those political forces which are interested in promoting nationalism and creating a general climate of fear to benefit from the situation. He especially criticised the fact that there is a lack of democratic understanding and that no “culture of compromise” has been established on the political level (Petritsch 2001:318). He noticed a “dependency syndrome” as each legal initiative taken by the HR was used as an excuse by the local politicians for not fulfilling their tasks properly. Petritsch observed the dependency syndrome in sections of Bosnian politics as well as in society. It is heightened partly as a result of the provision of humanitarian aid: many people take it for granted that support from abroad will be provided indefinitely and expect the international community to assume responsibility for improving conditions in Bosnia (ibid.:257). Some scholars argue that the international humanitarian aid industry largely replaced the public sector and hindered the development of a local labour market and valorisation of local capacities (Belloni 2001:165; Deacon/Stubbs 1998).

The establishment of a (semi-)protectorate in BiH was an understandable international response to a conflict situation which was viewed as unbearable

and threatening, with local actors unwilling or unable to reach a viable solution. Others have seen the international presence as a sign of neocolonialism (Chandler 1999). It would, though, be inappropriate to subject the international intervention in Bosnia to general criticism. The current arrangements are an “emergency measure, which ... has developed a dynamic of its own which is difficult to control” (Ehrke 2003:126), for it is becoming apparent that this protectorate may be unlimited in terms of its duration and competencies.

On the one hand, it can be argued that the fact that the highest powers (and the right to dismiss elected politicians) continue to lie with the High Representative is hardly compatible with the concept of democratisation; on the other hand, the question which alternative would have been available is not easy to answer. Ultimately, it was the politics of obstruction by the hardliners and old elites (unfortunately legitimised by democratic elections) which forced the international community to take responsibility for more and more sectors of Bosnian politics.

Third Dilemma: Striving for economic transformation and fostering war economies

A dilemma emerged also in the field of recovery and economic transition. Bosnia-Herzegovina is undergoing a *complicated process of transformation in several dimensions*. The transition from war to peace is taking place against the background of the transformation of the old communist social and economic system to democracy and a market economy. The international actors were aware of this problem.⁸ But it seems that the international intervention strategy did not adequately address these interlinking dimensions. The equation “*Democratisation + Market Economy = Peace*”, which has been the guiding principle of international intervention, did not match Bosnian reality. On top of this, the regulations which have been introduced by the international community in the economic field have not provided an adequate solution to the economic problems which evolved from the legacies of the socialist past and the loss of production capacities and distortions caused by the war.

Opinions vary on the extent to which the economic motives of the ruling elites were responsible for the outbreak of war in former Yugoslavia. However, there is no doubt that the economic dimension developed a tremendous dynamic as the war continued. The war itself created numerous sanctuaries for local brokers and “entrepreneurs of violence”, as well as space for new social

⁸ Wolfgang Petritsch (2001:11) noted that this process of radical change has been set back by the war.

hierarchies. With the increasing importance of internal borders, intra-state (cross-border) trade and the illegal exchange of goods also became more significant. Criminal networks emerged which profited from the war. A self-perpetuating cycle emerged between a declining economy, “income opportunities” at newly drawn borders, mafia structures and commercial interests in the war. Although the war had ethnopolitical objectives, it also afforded an opportunity for local elites on all sides to enrich themselves. The economy became a “predator economy” in which the warring factions appropriated the other sides’ property through blackmail, plunder and expulsion.⁹

In the immediate post-war situation, a number of simultaneous challenges arose for Bosnia:

- 1) the *political transformation of the old communist structures* (the Titoist system of socialist self-management) *to democracy*
- 2) *economic transformation on three levels*: a) from a communist to a capitalist philosophy; b) from an underdeveloped to a self-sustaining economy, and c) from a war to a peace economy.

Given the complex set of problems facing Bosnia, the objectives pursued by the international community – “democracy and a market economy” – were little more than abstract principles. They were quite inadequate as a response to the web of political and economic interests which evolved over the course of the war. The formation of a civil-war economy in Bosnia coincided with the first stage of its market-economic transformation. Unlike the situation in other ex-socialist societies, the transition to a market economy in BiH did not involve the enrichment of the old elites from what remained of the old system of economic governance (as in Russia or China); instead, it benefited new elites which procured advantages for themselves through illegal markets and methods (Ehrke 2003: 136).

The privatisation of social property took place in the political vacuum caused by war. The process of privatising the former state-owned firms and social property was marked by large-scale corruption. Privatisation has been recommended by many economic experts “as a mechanism for freeing the productive assets of a transition society from the ‘dead hand’ of socialism”, and as a means “to de-politicise economic life and to provide the basis for economic

⁹ According to Ehrke, this contributed to the long duration of the Bosnian war. Groups profiting from the war on all sides had a strong interest in its perpetuation, albeit at a low military level. They had no interest in major battles which could determine the course of or even end the war. “Seen in this light, the lengthy siege of Sarajevo was not only part of a strategy of conquest; it was also a permanent business venture” (Ehrke 2003:135).

recovery and growth” (Donais 2002:2). But the privatisation process clearly failed in both dimensions. Timothy Donais, an analyst from York University, states: “What international advisors originally envisaged as an apolitical, rapid and orderly transfer of assets from public to private hands has become a corrupt, ethnicised, and protracted struggle for power, which has done little to stimulate economic growth or promote inter-ethnic reconciliation.” On the contrary, economic transition “has exposed rifts not only between the goals of the international community and local political actors but also among international agencies. It has ultimately produced little in the way of concrete benefits for ordinary Bosnians” (ibid:1).¹⁰

The division of society into profiteers and losers of the war has left an indelible imprint on post-war Bosnia; there has also been a massive influx of resources from abroad. In the period following the war, Bosnia benefited from huge international aid programmes. According to reports published in 1999, as much as a billion US dollars have disappeared from public funds or been stolen from international aid projects through fraud. Consequently, an Anti Corruption Unit has been established by the OHR. In the view of economic experts, Bosnia’s war economy has been replaced by a rent economy fuelled by international reconstruction aid, with the same local elites profiting from the continued existence of illegal structures as they control internal distribution. At the same time, post-war Bosnia has become one of the most important hubs for drugs, human trafficking and prostitution.¹¹ Finally, the transfer between international aid and emerging shadow economies has contributed to a political economy which has been unable to attract foreign direct investment.¹²

¹⁰ The sale of Sarajevo’s well-known Holiday Inn is a case in point. After a privatisation deal which transferred majority control of the state-owned hotel into the hands of a local businessman for a fraction of its value, the building became a symbol of the new situation in Bosnia, “where corruption is rampant, and where well-connected insiders of the ‘right’ ethnicity can gain control of key state-owned assets for a song while the vast majority of the population remains destitute” (Donais 2002:1). The Holiday Inn deal was ultimately annulled after protests from international officials and an investigation by the local financial police. But this was only the tip of the iceberg of a process which was marked by many similar scandals.

¹¹ Reports on forced prostitution of women in Bosnia-Herzegovina have put this issue back on the agenda (Stability Pact for SEE 2003; Ludwig Boltzmann Institute 2001; Böhm 2000; Human Rights Watch 2002). They revealed that these criminal structures were also supported by the demand from international staff – members of military organisations like NATO, but also from UN and non-governmental aid agencies.

¹² Pöschl (2005:154) argues that Bosnia, like most of the countries in the Balkans, has only attracted investment in sectors which produce for internal markets and consumption, such as telecommunications, electricity, refineries, petrol stations, breweries, tobacco and construction material. Very little direct investment has been made in those sectors which have to compete in other international markets such as the EU (e.g. the automobile or accessories industry). Investments resulting in internationally networked production have been relatively rare; one example is the cooperation with the Italian textiles industry.

The local conflict parties' continued support for ethnic segregation should not only be seen as an expression of ethnopolitical ideology and power interests. There is strong evidence that striving for "perpetuating the 'mafia-type' war economy by other means" has played a part, and this is reliant on the sanctuary provided by the ethnic community: a polity based on ethnic community and solidarity allows a wider scope for semi-legal or illegal business activity than a legal and bureaucratic state with its anonymous organs, as Ehrke (2003:137) points out. The old elites do not only obstruct Bosnia's development because they cling to their political influence and impede reform, but also by actively encouraging the prolongation of the civil-war economy: "Given the poor prospects for the formal economy, the control over local clientelistic relationships ... combined with the availability of international rents are more secure and lucrative businesses than risky self-transformation into a class of market-oriented capitalists" (ibid.:146).

Lesson: The war did not only produce losers but also winners who developed an interest in the continuation of conflict and interethnic tensions. Peacebuilding strategies have to address political transformation and economic development simultaneously.

The third dilemma points to an important lesson that can be learned from Bosnia: the war did not only produce "losers" but also "winners" who developed an interest in the continuation of the conflict. The beneficiaries of the war are not willing – not because of ideological limitations but based on rational economic calculation – to transform themselves into actors in a modern market economy or bureaucratic state. The strong electoral support for ethnic/nationalist parties among relevant sections of the population therefore cannot simply be viewed as an expression of political immaturity or poor democratic awareness. Admittedly, deep nationalist conviction may be the overriding factor in some cases. But fears have also been an important factor and they are rooted in the lack of physical and economic security. Lack of security therefore is the main political resource of the leading nationalist parties (Chandler 2004:243). It has also to be acknowledged that, in some circumstances, supporting these parties may be a rational political act for many citizens. Firstly, during the dissolution of the Yugoslav state and the disappearance of federal compensation mechanisms, "ethnicity itself became the remaining (albeit illusory) point of reference for individual security", appearing to offer many people "a modicum of protection". Secondly, the ethnically segregated informal economy is still an important income source for a significant part of the population. The country faces a situation in which "the use

of ethnic and political relationships is a key element of many people's survival strategies" (Ehrke 2003:143).

To sum up, international assessments did not sufficiently reflect the complicated tension between "rational" and "non-rational" dimensions of the war and its dynamics.¹³ Moreover, international organisations had no convincing answers for Bosnia's economic problems and transition. The guiding principles of international intervention, establishment of democratic structures and a market economy, did not pave the way for conflict transformation.

The international community, in attempting to solve the Bosnian knot¹⁴, faces a vicious circle. It has attempted to establish democracy as a means of immunising society against civil war. So far, however, this has been largely unsuccessful, as democratic values are not especially prevalent. At the same time, it is difficult to educate the Bosnian population in these virtues while it is still being denied its democratic right of self-determination. The question is whether democracy, as an "import from outside", can succeed, especially in a permanent semi-protectorate. It is even doubtful whether, in light of the economic dependencies described above, this project can succeed at all. The key prerequisite for successful democratisation is "the establishment of a 'formal economy' which can provide a relevant majority of the population with an adequate income irrespective of personal, ethnic or 'mafia-type' dependent relationships", but as Ehrke (2003:149) notes, "this fails on account of the continuation of the civil-war economy controlled by the old elites – albeit pushed underground".

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Lesson: External intervention has to be coherent, prioritised and coordinated with the local stakeholders. Security sector reform should be one of the first priorities. Efforts for reconstruction, regeneration and development have to be linked with peacebuilding and democratisation strategies.

The DPA-based constitution, the contradictory political structure and the continuation of a war economy have been major obstacles to effective peacebuilding strategies. But there was also a *lack of coherence* which marked

¹³ OSCE interpreted votes for political hardliners during the national elections as a lack of capacity to make a rational choice and a consequence of traumatisation. The dangers associated with interpreting nationalist voting mainly as the result of backwardness or traumatisation have been outlined by Chandler 2004:242-244.

¹⁴ Former HR Petritsch stated that "themes of political, economic, social and cultural relevance are determined by the primacy of ethnicity. The emphasis on linguistic, cultural and religious differences, their elevation to the exclusive political paradigm, is the real 'Bosnian' knot" (Petritsch 2001:11).

international intervention from the very beginning. An important problem resulted from the fact that in the initial post-war period, intervention in Bosnia was marked by a *massive military presence with insufficient political authority* until the international community's High Representative acquired the "Bonn Powers" in 1997.¹⁵

According to Mirza Kusić, Bosnia's Ambassador to the UN, the divided and bureaucratic command and control arrangements for UN military action (UNPROFOR) during the war were a disaster (Kusić 2004). Overlapping agendas of the international actors participating in DPA implementation presented a real impediment in the first phase of the post-Dayton process. Poor coordination amongst key international peace implementing agencies such as the World Bank, UN, EU, OSCE and OHR caused tensions and lowered effectiveness of assistance programmes in that period. It took almost five years until the PIC took initiative for coordinating the activities of international, bilateral and civil society organisations. Poor participation, especially in the decision-making process, of local authorities contributed to the dependency syndrome. Based on this experience, the Ambassador points out that interventions have to be "well planned, with clear objectives and milestones, with clear division of responsibilities amongst the international actors involved. It is also important to have local authorities and stakeholders involved ASAP" (ibid.).

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In addition to this, a *lack of coherence also in the field of reconstruction and regeneration*¹⁶ marked the first years of international effort, while poor knowledge about the local situation (e.g. in the field of refugee return) could be observed which contributed to the waste of energy and resources. The European Stability Initiative (2000:44) criticised the absence of political criteria in the granting of international funding for reconstruction and regeneration in the first phase after the war. Other analysts have observed a mismatch between the volume of funds which suddenly became available and the capacities of the organisations that were supposed to spend these funds and implement projects. The conflict between an *abundance of organisations* which appeared on the Bosnian scene all at once and their *unclear mandates and competencies* was another problem. Moreover, the international governmental organisations' tendency to "outsource" services to NGOs (which meant that the NGOs provided services for them) and a

¹⁵ Since then, the HR has performed both an arbitration function and held a mandate for sanctions (with the right to dismiss ministers from their posts); his mandate also includes legislative powers, in case the former warring parties and newly created parliaments and governments are unable or unwilling to achieve viable solutions which contribute to the joint development of Bosnia-Herzegovina.

¹⁶ Pugh (2000a:2) defines peaceful regeneration as a self-sustaining "process of social, political and economic adjustment to, and underpinning of, conditions of relative peace in which the participants, not least those who have been disempowered and impoverished by violence, can begin to prioritise future goals beyond their immediate survival".

lack of accountability on the part of the international and Bosnian agencies also proved problematical (Woodward 1999).

A lesson that can be learned from Bosnia is that intervention measures have to be prioritised and harmonisation is needed between different areas of reconstruction and regeneration; these include political, economic, social and security-related aspects. The lesson to be learned is that *security sector reform should not be the last but one of the first priorities*. Without a functioning judiciary and police, democratisation and economic recovery will not take root. Security is a prerequisite for development. In this respect, there were huge deficits in the international peacebuilding strategy: “It took six years in Bosnia and Herzegovina to understand that the rule of law should have been the first thing. If the rule of law is not established very swiftly, it does not take long before criminality infects every corner of the society, obstructing the process of stabilisation and corrupting every attempt to create decent government and a healthy society. It is also vital to start ASAP on major structural reforms: from reforming law enforcement agencies to transforming the armed forces, from reforming civil service to structural reforms that will restart the economy. Without a functioning economy, social unrest is likely to grow into chaos” (Kusljugic 2004).

Moreover, international intervention did *not systematically link strategies for reconstruction, economic regeneration and development with peacebuilding and democratisation efforts*. All too often, “reconstruction” was misunderstood as a mere technical (material) question of rebuilding housing and repairing infrastructure and there was a particular lack of community-building approaches. Although some positive examples have been reported – such as UNHCR’s support for return and regeneration politics in Prijedor and Dvar (Chigas/Ganson 2003) – these are an exception rather than the rule. There was no systemic approach which would combine political transformation, economic reconstruction and development strategies with peacebuilding strategies.

Lesson: Nation-building requires more than setting up democratic elections and state structures: good governance and accountability are a prerequisite. Therefore, an international long-term commitment is required.

“Nation-building” (Reljic 2003) was an important item on the international agenda. If we understand this concept primarily as establishing government structures and democratic elections, the process in Bosnia can be regarded as successful. Yet for effective nation-building, “good governance” and especially

government accountability are a prerequisite. In this respect, nation-building in BiH cannot be regarded as a success story. On the Bertelsmann Foundation's Transformation Status Index, the country is still ranked 38th in 2005 – behind Serbia-Montenegro (33rd), Turkey (34th), Senegal (35th), Sri Lanka (36th) and Albania (37th); it is ranked 65th in its management performance (behind Afghanistan, Morocco, Bangladesh and Malawi).¹⁷

Ten years after Dayton, it must be concluded that Bosnia is still an “unfinished state”. But to assume that Bosnia will possibly remain an “unfinishable state”, as some have argued¹⁸, would definitely be far too pessimistic, cynical and not a viable path for the international community. The global picture of ethnopolitical wars shows that a ten-year period is a very short timeframe. As Mirza Kusljagic points out: “Winning the peace following a military intervention is measured in decades. It cannot be done – as was initially claimed in Bosnia and Herzegovina – in a year or two. ... Building the hardware of the state, its institutions, can be done relatively quickly. But changing the software, the minds of its citizens, takes a very long time ... because these things cannot be imposed from above” (Kusljagic 2004). An important lesson from Bosnia is that once a decision for intervention has been taken, a long-term commitment is required. To demand fast results and withdraw from responsibility if these are not achieved would repeat a pattern that has often been applied in post-war zones and can be classified as a “high-noon syndrome” (Wulf 2005:10).

2. Civil Society and Peacebuilding – Potential and Limits

In pre-war socialist Bosnia – unlike the situation in other constituent republics of ex-Yugoslavia – there were virtually no elements of a civil society. Civil society organisations only had the chance to emerge during and after the war. As the historian Ivan Lovrenovic has pointed out, after the war in Bosnia the entire cultural and media scene developed a massive momentum. He regarded this as an expression of the “inherent ability of Bosnian society to become an

¹⁷ The Bertelsmann Transformation Index (Bertelsmann Foundation 2005) analyses and evaluates development and transformation processes in 119 countries. BTI assesses the status of “democratisation” and “market liberalisation” and evaluates actors' performance in managing these changes. The quantitative data are outlined in two indices: the Status Index and the Management Index.

¹⁸ CIA director Stephen Mayer and the US journalist William Pfaff expressed this opinion. William Pfaff, in an article titled “Time to concede defeat in Bosnia-Herzegovina” (International Herald Tribune, 10 October 2002) stated that the DPA was unable to establish the basis for a modern state and left Bosnia as a “political artifice” with a dim political future. He suggested uniting RS with Serbia and the “Croat parts” of the Federation with Croatia, and that a new state should be formed from the “Muslim territories” under international guarantees or as an independent republic.

integral part of the modern world with its liberal values” and “a contrast to the primitive ethnocratic model which informs political life in post-Dayton Bosnia-Herzegovina” (Lovrenovic 1998:205).

In the Dayton Peace Agreement, the civil-society level was largely ignored. From 1998, with the support of international organisations, more funding was given to projects undertaken by CSO actors in the hope that the entrenched fronts at political level could be broken open by encouraging development at the grassroots.¹⁹ In this way, the DPA’s top-down approach was supplemented, to some extent, with a bottom-up approach (Schneckener 2003:61). This has been welcomed as a long-term international commitment to democratic transition in Bosnia, but it could also be seen as expression of a more disillusioned approach to democratisation (Chandler 2004:240).

The somewhat ambitious expectations of the international organisations were not fulfilled. So far, peace endeavours at the grassroots level do not appear to have exerted any direct or real impact at the top political level (Track I). However, some interaction is occurring between approaches at grassroots level (Track III) as well as with mainstream society, as the articles in this book and other studies show.²⁰ There are still deficits as regards the development of civil society. Important CSO actors were (and partly still are) infected by ethnic politics and the ethnic divide. But through the international community’s support (from the EU, OSCE and NGOs), some alternative political actors and CSOs have emerged. The development of a “civil sector” (Ismet Sejfiija) at least created some space in Bosnian society to develop interethnic cooperation and alternative thinking on social development which is not led by nationalist ideology or religious fundamentalism. Moreover, it is apparent that the public discourse has changed as far as responsibility for war crimes is concerned. The media have huge influence and can take responsibility in this process. Cooperation between associations such as trade unions, and also inter-religious initiatives, can play an important role in changing or influencing the discourse as well.

Lesson: Civil society approaches and peace constituencies across all levels of society are needed in order to overcome cultures of violence and ethnic separation.

¹⁹ The NGO Information and Support Center (CIP), established in 1997 with support from the Helsinki Committee of Human Rights and the Office for Democratic Institutions and Human Rights of OSCE (ODIHR), provides information on around 300 non-governmental, non-profit and non-political organisations in Bosnia (see www.geocities.com/cip_sarajevo/onama-eng.html). For an overview of all international and local NGOs working in Bosnia, see also the website of the International Council of Voluntary Agencies (ICVA) www.icva-bh.org and ICVA’s annual directories.

²⁰ For an overview of civil society peacebuilding and its significance for international organisations, see Belloni 2001 and Fagan 2005.

Civil society actors have influenced the shift in the public discourse, as is shown by the contributors to this book. Public debates in Bosnia and the neighbour countries on individual and collective responsibility for the past, for instance, have been raised by CSO actors both in Bosnia and Serbia, and not by the international mechanisms (ICTY) or official Bosnian politics. Civil society actors are also needed to overcome cultures of violence and establish norms of tolerance, putting pressure on institutions to overcome prejudices and enemy images as well as raising awareness for collective responsibility for the past in order to counteract collective amnesia and lethargy.

Initiatives which are dedicated to peacebuilding and conflict transformation or human rights monitoring and which are based on civil engagement are still rare in BiH. However, this does not mean that they do not exist. At least a couple of innovative initiatives have been established in recent years and have contributed to creating space in society for cross-entity and cross-border engagement, debates and programmes beyond the “ethnic” lines and nationalistic discourses. Even if these endeavours have not been powerful enough to create an entire new political culture, they were important steps towards a culture of dialogue. They have created the impetus for public debate on the past and motivated young people to take responsibility as citizens in their communities and engage for inclusion instead of exclusion and a separatist approach. Some NGOs have also developed strategies to monitor and control corruption, both in state institutions and society.²¹

Many of the CSOs funded and supported by the OSCE and other international institutions are still very distant from ordinary people. This problem has been widely described (Chandler 2004 and James Lyon in this book). The international community’s mistake was to assume that by promoting the NGO sector in general, a civil society would emerge. As a consequence, it has largely neglected key civil society actors such as the media, trade unions, faith communities, women’s groups and youth organisations and their interests and needs, and has disregarded the opportunities for citizens’ participation in the political and social process. Increasing the number of NGOs which have emerged in post-war Bosnia (mostly in the urban areas) is certainly not a guarantee for further development of “civil society”, and, as some argue, could actually make state-building and institutional development more difficult by absorbing skills and manpower which are needed in these fields (Schneckenner 2003). Quality is needed instead of quantity. Much more could be done in order

²¹ See Transparency International BiH 2004. In order to reveal corruption both on state and non- state level see Stability Pact Anti Corruption Initiative, www.spai-rslo.org.

to channel international aid so that it serves those stakeholder groups which want to participate pro-actively in regeneration and the construction of a new society. This means that cooperation partners have to be selected carefully and supported according to their needs; to this end, funding schemes need to be better attuned to the specific needs and dynamics of the local actors so that activities can be planned over the longer term.

Lesson: Civil society building and state-building have to proceed as parallel processes.

Having reviewed the post-war period and the situation in today's Bosnia through the lens of the contributions in this book, it may be concluded that civil society must develop in a complementary way and not in confrontation to state-building. This means that both local CSO actors and decision-makers at the diverse political levels have to cooperate much more closely. There is still a lack of cooperation between political authorities and CSO actors in BiH.

A developed civil society – based on the willingness of citizens to take on individual responsibility for the community – is, firstly, an important basis for controlling and containing the activities of the state; secondly, it also forms the basis for a system of values and norms which can guarantee social cohesion, transcending ethnicity and stereotyped ways of thinking. Political decisions can only be implemented if they can count on a broad consensus in society. Consensus largely depends on the existence of a lively civil society which debates and critically reflects politics. Therefore an important challenge for the politicians and state authorities in Bosnia and in the countries of former Yugoslavia is to regard CSO actors not as elements hostile to the state but rather as a partner. The international community should encourage state authorities to actively support civil society building.

International support can help to foster cooperation in both dimensions. *Firstly*, it should focus on those CSO initiatives which are likely to develop a sense of individual responsibility to engage *in* community and *for* community issues. *Secondly*, it is important to avoid the emergence of a situation in which CSO actors replace activities and tasks that should be the responsibility of the state and thus relieve the state's institutions of the need to reform towards pluralist, democratic and tolerant structures (e.g. in education and youth promotion). *Thirdly*, special emphasis should be given to supporting initiatives aimed at community development and cooperation with the administration or its reform efforts (e.g. the school system and vocational training). Above all, we must ask whether “the extension of autonomy and local self-government may well create

more fruitful conditions for the growth of civil society alternatives” (Chandler 2004:225). But – of course – fostering local self-government and decentralisation of powers can only be successful if, at the same time, strong state structures exist and norm-setting and control can be provided from the national state level. *Fourthly*, support for initiatives to develop CSOs and community-building in rural areas is crucial. To move forward in the process of overcoming cultures of violence and providing the basis for “healing” means calling on both politics and society to change and is only possible if the interaction of both levels is a given. Fostering “peace constituencies” (Lederach 1997:94) across the levels, between state and non-state actors, therefore remains an important task for international sponsors.

Lesson: CSO actors cannot compensate for the distortions and deficits of state-building and lack of economic development.

To accuse civil society approaches of failure or a lack of effectiveness on account of the election victories of the nationalist parties would be unfair and would have devastating political consequences. As long as nationalists in all parts of Bosnia are supported by political alliances from abroad – the government of Serbia-Montenegro or even Russia, for example – Bosnian policy will not change. Positive developments on civil society level will not be able to counteract these trends. Moreover, CSOs cannot compensate for the deficits and distortions which mark the state-building process and economy in post-war Bosnia.

In the end, it should not be overlooked that despite many obstacles which have been described by authors in this book, *some alternative political forces* emerged in the Bosnian political arena and were successful during the 2000 elections. The 2002 national elections and the local mayoral elections in 2004 have been seen as a backlash, since nationalistic forces have gained ground again in recent years. Experts from the International Crisis Group have rightly pointed out, however, that despite this disappointing situation it is important to bear in mind “that support for two of the three nationalist parties, the Croatian Democratic Union (HDZ) and Serb Democratic Party (SDS), decline[d], but the latter faced its most serious challenge to date from the moderate Alliance of Independent Social Democrats (SNSD). This was sufficient to undermine its longstanding claim to be the natural party of government in ‘its’ entity, Republika Srpska (RS). Moreover, the votes of returnees and potential returnees, voting in absentia, have begun to affect politics, permitting Federation-based parties to claim 17 percent of the seats in the RS National Assembly in the October elections” (International Crisis Group 2002b:Summary). There is no linear development towards more

tolerance, but alternative political powers do exist – and need to be factored in as actors and potential partners. This observation gives cause for hope.

The entry of new parties into the system can improve the opportunities for conflict transformation as they may be able to break old monopolies, provide a space for the increasingly numerous and powerful voices of those who wish to adopt a more inclusive approach and counterbalance the power of political groups that favour particular ethnic, cultural or religious programmes (Fitzduff 2004:4). Such approaches are possible, as is apparent from the initiative launched by the Mayor of Tuzla, Jasmin Imamovic, which aims to stem the tide of emigration among young people. The Social Democratic politician has dubbed his project *Nova Energija BiH* – new energy for Bosnia-Herzegovina. It brings together academics, the business community and artists in a network to encourage people to return. In August 2005, he invited hundreds of Bosnian engineers, artists, pharmacists, IT specialists and fashion designers from ten countries to attend a conference in Tuzla which explored how jobs and innovative approaches could be created in Bosnia. With support from a Norwegian organisation, a Centre for Business and Innovation has been established and a “3-T” strategy (tolerance, talent and technology) launched. A network of diaspora Bosnians in Scandinavia, Britain and Austria has emerged.²² The Mayor’s commitment to a modern multiethnic state and dynamic civil society bears witness to his visionary ideas, but often collides with reality and – despite ten years having passed since the war – has met with vigorous opposition.²³ International support should therefore continue to focus on the alternative political actors and engage them as alliance partners in efforts to build a modern Bosnia that is committed to European values.

Lesson: Use the potential of youth in post-conflict regeneration and create perspectives for young people in order to prevent further outbreaks of violence.

Special emphasis must be placed on supporting youth work. Over recent years, a wide range of activities by and for youths and young adults has been developed in Bosnia-Herzegovina which can make a lasting contribution to peacebuilding. They include projects aimed at empowerment, improving life chances and developing peace skills, supporting young people’s self-organisation and

²² See www.omladina-bih.net/bos/main.htm.

²³ “The reforms here are not happening fast enough”, according to Imamovic, who also comments that “defending our multiethnic approach is a constant struggle”. Quoted in Caroline Fetscher, *Der Mut der Minderheit*, in: *Der Tagesspiegel*, 2 October 2005, B7.

establishing related youth networks. Almost all of them work under extremely difficult conditions. Youth projects run by independent groups still receive negligible support from the state's official youth, cultural and education policy and often have to rely completely on financial support from foreign donors (Fischer/Fischer 2004). It is therefore important to strengthen linkages between CSO actors and local administration. They should be encouraged to undertake joint efforts to bring about reforms and improvements in school education and especially in vocational training.

Although not all the youth policy approaches described in this book are likely to impact on government policy, they nonetheless have great symbolic significance and help to overcome apathy. Some of them have helped to bring about change in the political agenda (education reform), especially at local level (inclusion of youth policy demands). But whether these initiatives will have any impact on migration and the catastrophic brain drain remains to be seen. Ultimately, the question whether young and well-qualified people play a role in shaping Bosnia's future will depend substantially on the further development of the country's economy.

3. Bosnia's European Future – Prospects and Challenges

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There is a hope that “the pull factor of European integration does make a difference”, as Nicholas Whyte, ICG's Europe Programme Director, states. He sees “Bosnians of all backgrounds collaborating on the common project of their country's European future” and argues that “the framework has moved from the nineteenth century game of territorial aggrandisement to the twenty-first century game of integration” (Whyte 2005). UN Ambassador Mirza Kusaljugic shares this view. He is convinced that “the hope of getting into NATO and the EU has now become the main driving force of reform in Bosnia and Herzegovina” (Kusaljugic 2004). The prospect of closer EU association and integration has created a lot of hope and expectations among the CSO community and intellectuals as well.

Some Bosnians are more cautious, notably the writer Ivan Lovrenovic. He also thinks that the prospect of European integration can be an incentive for things to change. He noticed a “change of discourse” among the leaders of some of the nationalist parties in Bosnia who toned down their sharp nationalist voices and started sending out pro-European messages. But according to him this does not necessarily mean “that they have finally registered the message that they themselves should find the optimal solutions” (Lovrenovic 2002). He urges the European Union “to forge a common vision of the region's future” and he argues

that such a vision has to be developed soon in order to avoid a situation in which “the deviant social, political and cultural relations and ideas” that have already “come to shape the current generation of Bosnia-Herzegovina’s children and young people” gain more and more acceptance (ibid.).

By beginning talks with the EU in November 2005, Bosnia entered the era of Brussels – but at the same time, it cannot be said that it has left the era of Dayton behind. As Edward Joseph, an International Herald Tribune analyst, states, the lesson from this decade-long struggle to implement the Dayton Agreement is that national sovereignty remains supremely important. “The motive and means to wage a massive war may be gone, but the concept that drove it, the desire for ethnic dominance, is alive. And so is the risk of more violence, albeit at lower levels, should the EU or NATO forces withdraw. Those who have promoted EU accession as a panacea for the country’s ills have missed this crucial point. Indeed, the great misunderstanding about European Union membership is that it somehow renders borders, and the ethnic issues that make them so sensitive, irrelevant. It does not. The EU accession process provides a basis of order and institutional reform, but it does not erase nationalist passions. Bosnia’s Serbs, Croats and Muslims all want to take the road to Brussels, but too many would prefer to be alone at the wheel” (Joseph 2005).

Awareness has been raised among the international actors that the “Frankenstein” structure created by the DPA needs to be changed in order to transform BiH into a functioning parliamentary democracy. Information on a US blueprint for reform of the Dayton structure was launched in November 2005.²⁴ The plan retains the “entity” halves but would strip them of most of their powers, which would be vested instead in a strong central government based in Sarajevo, answerable to a national parliament whose main lower house were to double in size. Leaders of the main governing and opposition parties travelled to Brussels in order to negotiate the draft and on the tenth anniversary of the Dayton agreement on 22 November, representatives of the Bosniak, Croat and Serb community signed an accord in Washington to overhaul Bosnia’s constitution. Bosnia also began talks in Brussels on greater integration with the European Union. But while the champagne corks are popping, it is useful to assess the situation and to realise that Bosnia still is a deeply divided country: “While Bosnians all share a dream of what ‘Europe’ means, they still don’t share a concept of what ‘Bosnia’ means” (ibid.).

²⁴ It was reported that the plan has been designed by Donald Hays, a former US State department official who served for four years in BiH as deputy to Paddy Ashdown.

Bosnia's future challenge lies not only in adopting the 35 chapters and 80,000 pages of the document that spells out the requirements of EU membership, but rather in the revision of the Dayton constitution. Moreover, a true compact to share power among the Bosnian Serb, Bosniak and Croat community is needed. The Washington constitution deal is an important step forward, but it is only a step. Important elements have been left open until March 2006, and even if they are finalised then, implementation will take years. "The hard work will have to continue, with determined US engagement and a European representative in Sarajevo who retains serious powers. Without either, the hopes of four million Bosnians will be dashed and the country will remain a "project", not a viable state, for at least another decade" (ibid.).

Bosnia is already a "pilot project of global domestic policy", based on the EU's model (Ehrke 2003). The European Union has taken more and more responsibility in this process, for instance by taking leadership regarding security issues in EUFOR. By 2005, it was routinely involved in every level of Bosnian policy development and implementation, and annual BiH government work plans were being drawn up to meet the comprehensive requirements of the Stabilisation and Accession Process. This means that international assistance has shifted from the "ad hoc, unaccountable, and largely unfocused, rule of the Peace Implementation Council" (Chandler 2005), but reforms in Bosnia and processes of transition are still guided by international initiative, input and pressure. In essence, Bosnia is already a virtual member of the EU. This offers the opportunity to dismantle its conflict economy as well. However, the challenge for the EU is to develop a systemic approach which takes account of all the different dimensions of transition in Bosnia and other countries of former Yugoslavia, instead of assuming that democracy-building, the development of a market economy and peacebuilding are synonymous or automatic and mutually reinforcing processes.

First Challenge: Transformation of a war economy into a peace economy

Transformation from a war economy to a peace economy is a prerequisite for Bosnia's European future. To date, at least four different economic cycles exist in parallel, sometimes overlapping or interconnecting (Pugh 2000b, Ehrke 2003):

- a) the "intervention economy": this flow of resources from the international community covers budget deficits (in the RS more than 70%, and in the Federation more than 30%, of state revenue)
- b) the mafia economy: a completely unregulated arena for criminal activities
- c) the subsistence economy, which supports around half the population,



especially in the rural regions, and

- d) the formal economy of employers and workers who produce goods or services for the domestic or foreign markets and who pay social contributions, taxes and excise duties.

In addition, there is a grey area of “shadow economy” which overlaps with the above mentioned categories and consists of economic activities which do not generate taxes and social contributions. An important task for the future will be to *reduce the mafia structure and shadow economy* and to *increase the formal economy*. Another important task will be to *overcome corruption* in the state apparatus (especially police and administration) and the judiciary. Corruption negatively affects economic development by evading obligations to the state and causes loss of trust in public institutions.

Moreover, even ten years after Dayton, the social dimension is still unresolved. Pensioners find it almost impossible to survive on the tiny pensions which amount to just one-third of their previous wages, and the unemployed often quickly descend into poverty. Refugees and returnees – especially those who re-migrate to rural areas – are often faced with a total lack of economic perspectives. This contributes to the “Bosnian knot” which means that the “ethnic” issue, as a “power” issue, dominates daily life. Establishing social policies is a prerequisite to break through this vicious circle.

However, to assume that the converse is true – that by regulating the Bosnian economy more effectively and “cleaning up its act”, social coherence would automatically be established – is also wide of the mark. What is true, however, is that a reform of current economic conditions and relations in Bosnia is one of the major challenges for local and international actors with an interest in a lasting peace. This process is vital to offer future generations, and especially the large numbers of young people who are excluded from the formal labour market, prospects for the future.

Second Challenge: Opportunities for young people and opening the EU’s doors to workers from the region

An important challenge is the provision of economic perspectives and professional opportunities for young people. If it turns out that the economic adjustment processes demanded by the EU and the international financial institutions do not make Bosnia internationally competitive, enabling it to export its goods and services, it will be almost impossible to offer young people any prospects for the future. This applies to the other Western Balkan countries as well, especially Serbia-Montenegro, including Kosovo. So it is essential to develop and deliver



training opportunities which equip young people from these regions with the skills required by both the domestic and the international labour markets. This process can be supported through stipend programmes. But changes in the EU's visa policy are also needed. A recent report of the International Crisis Group (2005) points out that EU visa policy towards the Western Balkans contributes to the ghettoisation of the region and undermines Balkan efforts for reform and stability. ICG advocates "liberalising the limited-term visa regime, primarily for students, business people and tourists, and making the application process simpler, faster and less painful".²⁵

Furthermore, economic analysts working in the field of peace research have called for the European countries' borders to be opened to workers – especially young people – from the Balkan region, based on a new migration strategy. It must be recognised that "this region belongs unequivocally to Europe and that migration is in everyone's interests", says the Hamburg-based peace researcher Peter Lock (2005:4). According to him, migration – as history bears out – is a growth factor; and indeed, in light of the EU's ageing population, it is urgently required. The current policy of self-imposed isolation is encouraging the emergence of mafia-controlled markets and a shadow economy without having any significant impact in terms of curbing migration. The EU must thus open its doors and offer young people an opportunity.

Third Challenge: Fostering Regional Integration

Lock also calls for "a shift away from the regulatory orthodoxy of neoliberalism" and for a *common, protected internal market* for the territories of the former Yugoslavia, with job creation as a key priority – for "unless we overcome the horrendous levels of unemployment, which increasingly affect young people, by offering the opportunity for migration to the EU as well as local employment, the Western Balkans ... will remain a simmering hotspot which sooner or later will explode into further violent catastrophe and contribute to the expansion of trans-national criminal networks" (ibid.). One argument in favour of this proposal is that a well-performing internal market could, over time, defuse the emotionally charged political significance of individual statehood. Furthermore, the appeal exerted by an open door to Europe could help to "finally fill the black hole in Europe's map", as Lock points out: "Without this step,

²⁵ The report examines the current visa regime with regard to Albania, Bosnia-Herzegovina, Macedonia and Serbia and Montenegro including Kosovo. It highlights the policy's deficiencies that jeopardise the objective of enhanced European integration and damage the countries' European prospect and hopes for eventual EU candidate status. "The current system is breeding resentment by making the majority pay a high price for a criminal minority" (ICG 2005:Executive Summary).

Europe will remain an opportunistic project with no real long-term prospects” (ibid.).

Fourth Challenge: Accepting limits of international responsibility

However, for the EU too, there is a clear limit to its responsibility and the scope of its intervention. Conflict transformation includes *justice and healing* which cannot be introduced through social engineering by outsiders but are tasks for Bosnian society itself. External assistance can merely provide a framework and better conditions in which such a process can happen. UN Ambassador Mirza Kustjugic (2005) makes it clear that there will be no sustainable peace in Bosnia and Herzegovina unless truth about committed war crimes is established and justice for the victims is served. He points out that “as long as the key perpetrators are still at large, it is difficult to even talk to the victims, to convince them that reconciliation is necessary in Bosnia. Karadzic and Mladic are more dangerous as symbols to those who were followers of that very specific project, which is still alive; ... ICTY cannot do that. Unless we target the instigators who are still comfortably sitting in their chairs and in cabinets, we will not tackle the problem. ... Without starting this process, it is difficult to imagine a functioning, sustainable, not to say European, Bosnia-Herzegovina.”²⁶

According to Mirza Kustjugic, a reconciliation process is needed as a basis for long-term stability. This is “a fragile, long-lasting and cumbersome process” which is not possible without “national catharsis”, by self-examination of objective and unquestionable facts. But this process can only be successful if certain conditions are guaranteed: an “environment without fear, xenophobia or collective guilt”, an “atmosphere of dialogue and understanding, and forgiveness as the most noble of all human virtues”. Considering the report of the Special Commission of the Government of Republika Srpska on the massacre in Srebrenica which was presented in 2004, and the reaction of the general public, Kustjugic states “that a possible turnaround is beginning to happen in the collective conscience of the peoples of Bosnia and Herzegovina: from denial to acceptance of responsibility, from *a priori* blaming ‘the others’ to admitting one’s own blame, from general and impersonal remorse to redemption, and eventually all the way to catharsis”.

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²⁶ Input by Mirza Kustjugic at a Commemorative Event held at the Museum of Jewish Heritage, initiated by the Carnegie Council on Ethics and International Affairs, in cooperation with the Academy of BiH, 13 July 2005. www.cceia.org.

The agreement of the Bosnian stakeholders to move beyond Dayton has provided a better basis for Bosnia's future development. The beginning talks with the European Union can provide an additional incentive for political reforms. But prospects for EU accession are definitely no shortcut to peace. Pressure from society is needed in order to push the political forces to build a united state and identity Bosnia-Herzegovina. Civil society actors have to get actively involved in domestic politics and cooperate more closely with political alliance partners in order to enhance positive social change. Change will not be achieved unless the population is willing to vote for democratic political alternatives and stops to support nationalist forces. An important prerequisite for this is economic development. Improving economic conditions – overcoming mafia structures, corruption and shadow economies and fostering the formal sector – can make an important contribution to building a stable polity. At the same time, relationships have to be (re-)build and the individual level – including questions of identity and psychosocial consequences of the war – must not remain unaddressed.

All the above mentioned challenges – political transformation and state building, economic development and transformation of relationships – have one thing in common: They can only be achieved in a regional context. First of all, the Bosnian state can only develop, if negative external influence (i.e. from neighbouring states) providing incentives for obstruction and separatist movements will stop. Secondly, regional integration in the field of trade and economic development is a “must”. Thirdly, cross-border cooperation of civil society actors and municipalities is urgently needed. Finally, it should be acknowledged both by the governments in the region and the international actors involved that providing an attractive perspective for future generations in the region of former Yugoslavia is one of the key challenges for the present. It is important to accept that targeting youth is not a “soft issue”, primarily to be addressed through social work and peace education, but has to be considered as a “hard issue” at the core of international security and development policy.

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