

Postwar Political Economy in Bosnia and Herzegovina: The Spoils of Peace

Author(s): Michael Pugh

Source: *Global Governance*, Vol. 8, No. 4 (Oct.—Dec. 2002), pp. 467-482

Published by: [Lynne Rienner Publishers](#)

Stable URL: <http://www.jstor.org/stable/27800359>

Accessed: 03-05-2015 14:45 UTC

REFERENCES

Linked references are available on JSTOR for this article:

http://www.jstor.org/stable/27800359?seq=1&cid=pdf-reference#references_tab_contents

You may need to log in to JSTOR to access the linked references.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <http://www.jstor.org/page/info/about/policies/terms.jsp>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.



Lynne Rienner Publishers is collaborating with JSTOR to digitize, preserve and extend access to *Global Governance*.

<http://www.jstor.org>

Postwar Political Economy in Bosnia and Herzegovina: The Spoils of Peace



Michael Pugh

In postwar Bosnia and Herzegovina (BiH), international and local captains maneuver to assert control and negotiate areas of collaboration. In each of the Croat and Bosniac areas of the Federation and in the Serb-controlled Republika Srpska (RS), the major political elements that took Bosnia into war now also enjoy the economic spoils in their geographical sectors. Central institutions remain weak in BiH, undermined by war entrepreneurs and patrimonial elites that interact with international organs and external capitalist institutions, adapting their clientism to externally imposed conditionalities. A pseudo international “protectorate” is operated through the executive management of the external actors: the Office of the High Representative (OHR) of the Peace Implementation Council; the United Nations; the missions of both the Organization for Security and Cooperation in Europe (OSCE) and the European Union (EU); the International Management Group (an EU-funded body that undertakes reconstruction evaluations); aid agencies; and international financial institutions (IFIs). They provide executive governance that reflects the values and norms of the powers that dominate the global economy.¹ For example, at the end of 2000, the OHR introduced wide-ranging laws and amendments concerning privatization, wages, and financial operations designed to maintain market reforms that would meet the demands of the IFIs for the privatization of public enterprises and socially owned assets.² Indeed, the external actors are drawn into micromanagement in their efforts to implement this vision because they encounter resistance and prevarication.³ Obviously, the clientist and neoliberal mechanisms for managing investment, shares, and profits are dissimilar. But the normative assumptions of the external actors and the interests of domestic elites coincide in extracting profit from public goods and in fostering opportunities from privatization and discrimination against social ownership. In this there is common ground between international and domestic parties as well as friction and resistance.

There has been limited critical research on the political economy of war-torn societies or on the dysfunctional aspects of neoliberalism in peace building.⁴ However, a critical theory perspective shows that the maneuvering and collaboration in BiH highlights not only contradictions in the practice of neoliberalism but also the limitations of a paradigm that configures society as an adjunct of the market. It contests the neoliberal discourse of norms that privilege global markets, the non-interventionist state, and the discounting of political and social dynamics.⁵ Further, external micromanagement stems from seeing collapsed statist economies as the dysfunctional “other,” and from attempts to modify the corporatist systems and “criminal” behavior of local war entrepreneurs. But the external actors juggle between nation building and diminishing the state as an economic actor by privatizing essential services and shifting responsibility for employment and welfare from the state to the individual. This has hardly alleviated a grim social and economic situation that differentiates markedly between participants in the entrepreneurial economy and the excluded poor, unemployed, and welfare dependent.

In the first part of this analysis I present a snapshot of the BiH economy after six years of peace. I then examine the prewar and wartime aggrandisement of nationalists that carried over into the postwar settlements. In the next section I deal with the goals and basic mechanisms of the external “protectors” and the interaction of neoliberalism and clientism, with a particular focus on the privatization process. Finally, I contend that the neoliberal model is dysfunctional in providing the social protection that war-torn societies such as BiH lack.

A Dire Economy

In 2001, six years after Dayton, the economic situation was officially described as “dire.”⁶ The war had reduced per capita gross domestic product (GDP) to about 20 percent of its prewar level, and from this low base the economy then grew by an average of over 30 percent a year until 1999, mainly fueled by the donor programs, but with a gap between the Federation and the less buoyant Republika Srpska.⁷ However, growth at 5–6 percent in 2000/01, on an economic base still approximately 50 percent of prewar levels, was less than half the International Monetary Fund (IMF) projection.⁸ In 2000, donors had to allocate funds to meet the revenue deficit of over U.S.\$360 million, with Republika Srpska having a 73 percent shortfall on expected revenue and the Federation 31.5 percent. The foreign trade deficit remains

at over 60 percent of GDP.⁹ Foreign investment has hardly grown, deterred by lack of local purchasing power, the cumbersome bureaucracy, and the legal and illegal costs of authorizations. The neoliberal discourse refers to an “appallingly low level” of foreign participation in the privatization process (although foreign interests do control 40 percent of Federation bank assets).¹⁰

The proportion of unemployed and people made “temporarily” unemployed by the war and waiting reemployment in September 2001 was estimated at 40–50 percent.¹¹ In 2000, there were 340 strikes and demonstrations, mostly against low pay or nonpayment of wages and pensions.¹² Pensions, although paid more regularly since reforms in late 2000, barely cover the essential minimum for existence. The cost of living, measured as a ratio of earnings against a price index of basic consumables, has steadily worsened as price inflation has burgeoned. This is especially true in Republika Srpska, where annual inflation was over 12 percent in 2000. An estimated 46 percent in the Federation and 75 percent in RS were living in poverty in 2000, and one authoritative source indicates that most people were getting poorer.¹³ The most vulnerable in the Federation were helped by the World Bank’s Emergency Social Fund, but this was not available to the RS, where social workers themselves were often in need of social protection and not even basic social protection rights were being met in 90 percent of the municipalities.¹⁴ Neither the postwar division of spoils nor neoliberal policies appear to have benefited the bulk of the population.

Lineages of Economic Warfare

The spoils of peace cannot be assessed adequately without reference to antecedents in the prewar and wartime periods. Carl-Ulrik Schierup and others demonstrate that in the 1980s, reforming federalists failed to assert centrally directed budget balancing and export-led economic growth against “profoundly authoritarian coalitions” comprising local political elites, bureaucracies, and workers. This struggle ramified trends to corporatism and nationalist quests for jurisdiction over local assets.¹⁵ As Milan Skulić notes, in the two most economically underdeveloped parts of Yugoslavia—Kosovo and Bosnia—the process reinforced traditional patrimonialism, in which a small number of patriarchs dominated the mayoralties.¹⁶ In effect, “structurally embedded economic warfare started years before the manifestly ethnically based political warfare” of the 1990s.¹⁷ This was not a simple process of ethnicity-based appropriation. Divisions between economic liberals, conservative

nationalists, and rural, urban, and small business interests cut across ethnic lines within republics. Profederalists, technocrats, and intellectuals contested the emergence of nationalist political economies.¹⁸ The market reforms and “shock therapy” of the federal prime minister, Ante Marković in 1989–1990 were intended to push integration forward. But in a context of austerity and constitutional impasse, the attempt opened up local claims to protect individual economic rights and manage economic change. Schierup restored the structural parameters of political economy to a central position and opened the way for considering the fusion of politics and economy in wartime and afterwards.

Armed factions and entrepreneurs were remarkably adept at economic diversification in conditions of price distortion, poverty, and economic decline.¹⁹ During the war in Bosnia, socialist enterprises were commandeered to supply funds for the families of workers. War profiteers, such as Ramiz Delalić-Ćelo in Sarajevo, were a new breed of gangster, often of rural origin who acted as “protectors” of the local ethnic group.²⁰ However, economic cleansing did not always follow ethnic lines. For example, Fikret Abdić, the Bosniac tycoon of the huge Agrokomerc poultry business in Velika Kladuša, fought the Bosniac army to maintain control of the breakaway Bihać enclave. Moreover, when not confronting each other, the protagonists regularly cooperated to control lucrative trafficking. Croat entrepreneurs in the pseudo-state of Herceg Bosna sent oil to the Serbs in exchange for the safe passage and humane treatment of Croats trapped in central Bosnia and for Serb arms and ammunition supplied to the Croat Defense Council (HVO).²¹ However, uneven economic distribution was a decisive factor in causing ruptures between profiteers and “regular” military units in each community, thereby weakening morale in the Srpska and Bosniac armies and perhaps forcing the parties toward Dayton.²²

Entrepreneurs adapted to the peace by investing in postwar enterprises and enjoyed privileges that were formerly reserved for state- or party-employed, urban middle-class technocrats (many of whom fled the violence). In Herceg Bosna, for example a former truck driver, Dinko Slezak Dika, dealt in gold, built up a Mostar construction company reportedly worth \$250 million, and became part of the Prlić group, the country’s strongest economic and financial empire.²³ The surviving features of prewar and wartime political economy have ensured the survival of clientism, corporatism, prebendary elites, and nationalist acquisition.

Clientism partly determines the distribution of assets and access to economic gains. The interlocking interests of established Bosniac clans include, for example, the Čengić family (Muhamed, Hasan, Halid, and

Mustafa) and the families of Ismet Ćello, Alija Izetbegović, Mustafa Cerić, and Hized Hadžić.²⁴ Vertically integrated enterprises, controlled by political parties and patrimonies, link the welfare of supporters to economic empires encompassing hotels, casinos, restaurants, banks, tobacco, forestry, telecommunications, energy, and water companies. Jadranka Prlić (the Croat who sold oil to the Serbs), became BiH foreign minister and formed business links with Niko Dodig (owner of a Medjugorje-based oil company) and Marijan Primorac (Mostar bank director). They became involved in construction projects and hotel ownership, held a monopoly in the procurement of computer equipment in Herzegovina, and acquired a holding in the Hrvatska Postanka Banka (HPB) at a remarkably low price.²⁵ A primary concern of prebendary elites is to control rents and government revenues for their own gain. Conflicts of interest count for little in the interlocking of government and racketeering. The head of the Elektroprivreda energy company, Edhem Bičakčić, a crony of Izetbegović, was accused of corruption long before being dismissed by the high representative in February 2001 for diverting public funds into the Party of Democratic Action's (SDA) coffers when he was Federation prime minister.²⁶ Alemko Nuhanović owned a Sarajevo hotel used by illegal migrants in transit to the West and ran the SAB bank that collapsed in 1998 after loans and credits made to business colleagues went unrepaid.²⁷

The major nationalist parties divided the spoils of the inefficient and costly Yugoslav Payments Bureaux (PBs) created in the 1950s for social bookkeeping and monopoly control over financial transactions. Each hegemonic nationalist party created its own successor to gain access to funds and control over money flows. For example, the Bosniac PB funded the election campaigns of the SDA.²⁸ As a huge obstacle to the development of a capital market and thus to integration into the global economy, the PBs became top of the "hit list" for the external donors and IFIs. But the commercial banks became just as partisan, notably the Bank of BiH with its close links to the SDA, and the Hercegovacka Banka, raided by the Stabilization Force (SFOR) in April 2001 on suspicion of money laundering for the Croat Democratic Union (HDZ).²⁹

Local nationalists instill fear into voters about the threats to national unity, discriminate against other ethnics, and penalize dissent. For instance, SDA managers dismissed Abdić supporters in Bihać and Velika Kladuša.³⁰ Moreover, nationalist parties in the Federation control the cantonal financial police who are tasked with investigating corruption, money laundering, and economic crimes. This allows the dominant local parties to extract "revenue-raising fines" from businesses and to audit opposition groups on the eve of elections. In July 2000, Ramiz

Dzaferović, director of the Federation Tax Administration, was dismissed by the OHR not only for tax evasion but also for using his position to discriminate against the main political opposition.³¹

Allegiances are thus dominated by a social clientism that is weakly mediated by constitutional accountability, legal norms, and process. Political and economic power is closely interwoven, wealth distribution and access to rights and opportunities are extremely uneven, the privatization of economic activity is poorly regulated, and social provision is partly dependent on clientist patronage. Informal/illegal economies deprive the government of revenue (estimated at \$500 million annually, equivalent to the budget deficit) that could otherwise be used for social protection.³² A “survival”/gray economy, oiled by a high proportion of cash transactions, enables the majority of the population to subsist on diaspora remittances, foreign aid, barter, back pay for demobilized soldiers, and undeclared earnings. There is also a great likelihood of people such as sidewalk sellers being beneficiaries of mafia welfare and employment without necessarily realizing it.³³ Mafiosi extract high returns from smuggling, the taxation of diasporas, and protection rackets. Their niche may be guaranteed by a clientist relationship with politicians of a particular ethnic group, but unlike the nationalist politicians, they parody the ideals of multiethnicity so vaunted by the external executive powers by trading with any ethnic group to protect and further their spoils.

These economies are usually represented as deviations from an ideal standard of market behavior and a menace to the liberal agenda because they are beyond formal external control. To fix the gray and black economies as “criminal” and distorting is part of a discourse that assumes normality and legality are represented by the free market. Ironically, in an investigation into a missing \$1 billion of public funds in BiH in December 1999, former U.S. ambassador Robert Frowick played down the scandal with the argument that corruption also figured in his own country.³⁴ In a welfare vacuum, the gray and black economies clearly perform a service, providing the means of escape, sustenance, and employment. Undeclared work, for example, is part of a survival strategy in BiH, because regulated employment is heavily taxed and legitimate earnings and welfare provision are inadequate even to provide for basic needs. Moreover, these economies are not parallel and competitive, since they overlap and any particular economic unit may be engaged in several forms of activity. Thus, the World Bank’s microcredit incentives in BiH, pitched at small enterprises and valued at between about \$250 and \$1,000 per project, have been criticized as only sufficient to make a sure return if used to buy stock from illegal sources and

resell.³⁵ Collaboration also occurs at the junction between the official and clientist economies.

Governance and Structural Adjustment

Governance of the official economy of BiH is dominated by the presence of international agencies wielding economic resources and executive power over monetary policy and economic development. Executive power and the leverage derived from control over aid flows are used to propel the transition from a centralized economy that privileged public ownership to a market-based system that is expected to allow foreign investment to penetrate the division of spoils. In fact, monetary policy and aid conditionality generated trouble with Republika Srpska until a change of government in the RS in late 1997. But research has shown that conditionality does not work, because aid has limited influence in the dynamics of local political struggles.³⁶ Moreover, the disbursement of aid began slowly and with little coordination.³⁷

Nevertheless, donor support averaged about \$1 billion per year in the first five years (over 60 percent from bilateral donations). The World Bank group lent \$860 million for the period July 1996–June 2001, mainly for infrastructure, agricultural recovery, and jump-start projects.³⁸ After 2000, however, donor support was expected to decline. The IMF's final standby credit of \$119 million expired in May 2001, and there was also a shift away from assistance for emergency projects conditional on adherence to the Dayton agreements toward development assistance conditional on adherence to structural adjustment (i.e., privatization and other measures to establish a stable business environment). Thus, in May 2000, the World Bank ruled that its future lending would depend on the creation of a business and investment environment throughout a single economic space.³⁹ The IMF's priority had been the establishment of macroeconomic stability to stimulate the private sector and attract inward investment. This was largely achieved by establishing the Central Bank, the convertible mark, low inflation, and, in early 2001, a clearing system to replace the corrupt and partisan payments bureaus. However, without strict budgetary control, efficient tax collection, and structural adjustment, there would be no transition to a market-oriented economy and no extension of the IMF standby arrangement.⁴⁰

Privatization is the main cure prescribed for the ailing public sector enterprises, utilities.⁴¹ State withdrawal from the economy is also presented as a budgetary palliative. The sale of state assets would raise revenue to reduce the 2001 budget deficit, offset the decline in external

financial assistance, and help repay the IFIs.⁴² The policy is pursued through targeted funding, through the manipulation of legislation vested in the OHR, and through conditionalities imposed by the IFIs, the EU, the U.S. Agency for International Development (USAID), and the German Technical Assistance Program, which were tasked with initiating the process. Incentives, training, and the creation of cantonal and national privatization agencies were launched at a cost of \$40 million.⁴³ In the spring of 1997, USAID and other lenders denied credit to inherited state-owned enterprises, but in April 2000 they also withheld financial support for the privatization process when it was deemed to be too slow.⁴⁴ In August 2000, the high representative, Wolfgang Petritsch, amended a Federation law on investment on the grounds that “privatization is a central part of the economic reform that BiH must undergo to bring prosperity and stability to the region.”⁴⁵

Implementation of this aspect of the neoliberal agenda illustrates the interaction between the external market and the survival of corporatism and clientism. For the external IFIs, privatization and the market were non-negotiable conditions of integration that would facilitate the foreign penetration of former Yugoslav resources and markets. But entrepreneurs and nationalist parties were already appropriating state assets and initially hindered the external privatization drive as a threat to their division of spoils. By the end of 1998, only 26 of 1,600 companies in RS and 258 of 1,600 in the Federation had prepared privatization plans.⁴⁶ The OHR controls the sale of the 86 most important state companies in the Federation, but only one had been sold by September 2001.⁴⁷

Žarko Papić shows that “ethnic privatization” was a compromise that emerged after a phase of resistance until about 1998, when nationalist elites sought to control the process, management, and ownership so that they could take advantage of development funds that were conditional on measures toward privatization.⁴⁸ Telecommunications (including broadcasting) and energy (electricity and gas) were divided on ethnoparty lines to provide major sources of revenue for the nationalist parties and their parallel structures.⁴⁹ They followed a “co-capitalization” model, invented by the Tudjman regime in Croatia for the redistribution of government and socially owned assets. Introduced into west Mostar and Croat municipalities, it was copied in Bosniac areas. The process involves the creation of shadow boards that take over enterprises prior to privatization and ensure, through contractual continuity, that existing directors will own the privatized firm. Former state enterprises are commonly allowed to run down; the assets are then stripped, and the property is sold to the shadow board at rock-bottom prices. The

firm is then expected to make contributions to the dominant nationalist party.⁵⁰

Paradoxically, a major privatization scandal concerning the giant Mostar aluminium plant antagonized the moderate Alliance for Change coalition, which came to power at Federation and state levels in February 2001. International executives welcomed the “alliance” (based on the Social Democratic Party and the Bosniac Party for Bosnia) as an alternative to ethnonationalist politics, but then bowed to ethnonationalist privatization. Croatia had taken over Aluminij Mostar in 1996 with an HDZ management led by Mijo Brajković. The management had the enterprise valued at \$84 million, a fraction of its prewar value of \$620 million, although the plant had suffered little war damage and its exports in the first year of revival reached \$85 million. Through a co-capitalization process, Brajković privatized it, with the majority of shares going to the Croat management and to Croat workers. At the same time, Daimler Chrysler of Germany planned to “rescue” the company, and the OHR appointed a team of Dutch auditors. The auditors acknowledged that illegalities had occurred but “for political and practical reasons” recommended that the ownership structure should remain undisturbed. The UK ambassador observed that the ownership structure was illegal and the company scandalously managed. Alliance politicians refused to recognize the audit and demanded that the high representative restore the company to the state, but Petritsch demurred on the grounds that he could only offer counsel.⁵¹

Conclusion

The common explanations for failure concentrate on the local structures and agents and the absence of robust neoliberal policies. The Dayton agreement legitimized an overly bureaucratic structure of governance and an ineffective tax- and revenue-raising system. “Dysfunctional” and “criminal” local elites and their structures have been able to resist the market because external actors have not been consistent and forceful enough in imposing it and because the model of privatization (transferring ownership to workers or to “approved” commercial interests through voucher schemes) was open to corruption.⁵² In September 2001, the high representative, Wolfgang Petritsch, blamed poor economic performance on the lack of urgency and concerted political will in restructuring state conglomerates, privatizing utilities, and promoting a single economic space.⁵³

Such explanations ignore the structural problem with the market strategy itself. To begin with, this strategy assumes that social protection

will follow market imperatives. Along with a reduction in humanitarian aid, the dire economic situation, and the discarding of social functions by privatized enterprises, the strategy contributes to social stress. For example, privatization entails job losses. The IMF demands “greater flexibility” in the hiring and firing of workers and is critical of “overly generous entitlements” in maternity benefits, for employment termination, and for war veterans.⁵⁴ When the Zenica steel works is privatized, half of the 2,000 workforce is expected to become redundant.⁵⁵ Employment creation comes well down the list of criteria for lending by USAID (behind “quick start,” exploitation of local raw materials, export potential, and exclusion of war criminals).⁵⁶

Since 1998, in response to various developmental crises, economists in the IFIs have signaled general reforms to mitigate harmful impacts of economic liberalization. In May 2000, the World Bank’s country assistance strategy for BiH included strengthening the social safety net. The Bank approved a \$14.6 million credit, repayable over thirty-five years, for educational development and welfare policies for the most vulnerable.⁵⁷ But this represents only about a third of the sum committed to merely managing the privatization process. Economic growth and employment will continue to be led by the private sector, and association with the EU will emphasize export-led policies and the business market.

But as developmentalists have argued, markets acquire value only if they meet local needs.⁵⁸ The IFIs have substituted “poverty reduction strategies” for “structural adjustment programs” in dealing with developmentalism. Although raw neoliberalism has been softened, developmentalists show that this has not changed the macroeconomic conditionalities or provided additional and adequate means to sustain public social services, employment, and local productive capacity. Reformist poverty reduction strategies have had little overall effect on reducing poverty and have been censured for being “blind to the crucial role of basic social services.”⁵⁹ In the context of social development critiques since the mid-1990s, alternative strategies emphasize global redistributive mechanisms and local economic self-reliance with public regulation of external corporations and controls on the flow of capital and investment.⁶⁰ BiH has some similarities with poor countries targeted for developmental assistance, and its ethnic divisions and clientist structures are not the only traditions operating on the political economy. External policies might have nurtured protection of local production and sufficiency in a mixed economy with an emphasis on self-sustaining cooperative ventures, the public aspects of infrastructural reform and social services, and improved and regular pay for public sector workers. In

many contexts, investment in public/cooperative ownership and welfare would be appropriate alternatives to mafia welfare and warlord control of social assets.

War entrepreneurs have been well placed to capitalize on a pattern of economic activity under market rules while resisting foreign investment by levying formal and informal premiums. Entrepreneurs in BiH have secured the spoils of peace by transferring the clientist system into the postconflict political economies and by accommodating the conditionality imposed by external “protectors” within the processes of privatization and deregulation. It is less a case of foreign carpetbaggers replacing local elites, than one of internal-external economic coexistence, in which the elderly, the unemployed, middle-class technocrats, and those in public services are squeezed.⁶¹ The consequences of neoliberal intervention thus include the reinforcement of interlocking government and business, and the siphoning of privatized public assets into private pockets.

Officials and independent experts have called for measures to demolish existing power structures, to create a business-friendly environment, and to fulfill the EU’s Road Map requirements to facilitate integration into the euro economy.⁶² Such solutions imply “more of the same,” overlooking the contradictions in promoting democracy and deregulation through an unelected, authoritarian executive. Above all, the executive engineering overlooks the extent to which market forces contribute to poverty, social division, and corruption and enables war entrepreneurs to evade responsibility. The BiH economy is in the hands of capitalist patrimonies that manipulate the economy for political or prebendary gain, collaborating with international actors where they see benefits. Admittedly, constant intervention and the exercise of conditionality by the international agencies require constant effort by internal elites to circumvent the external rules. But local reactions and resistance to the external influences make the “manifest destiny” of an integrationist neoliberal economy a flawed vision. The political economy of BiH is unlikely to sustain human needs without some analogue of collective provision for employment, welfare, and public services to protect the populations from clientism, mafia welfare, and neoliberal priorities. Structural adjustment and reformist poverty reduction have not delivered economic or social justice to the majority of the peoples of BiH and Kosovo. 🌐

Notes

Michael Pugh is director of the Plymouth International Studies Centre, University of Plymouth, UK, and editor of the journal *International Peacekeeping*

(Frank Cass, London). He has published articles on peacekeeping, humanitarianism, and peace building. His latest edited book is *Regeneration of War-Torn Societies* (2000).

1. For the normative assumptions of peace builders, see Roland Paris, "Echoes of the Mission Civilisatrice: Peacebuilding Operations in the Post-Cold War Era," *Review of International Studies* (forthcoming).

2. OHR, Economic Task Force Secretariat, "Economic Reform and Reconstruction in BiH," vol. 4, no. 1 (January 2001), p. 1.

3. Yves van Frausum, "Diagnostic of External Constraints in BiH," Private Sector Development Task Force, Sarajevo, spring 2000; Marcus Cox, "Strategic Approaches to International Intervention in Bosnia and Herzegovina," manuscript from Third International Security Forum, Zurich, 19–21 October 1998.

4. But see Nebojsa Vukadinović, *La reconstruction de la Bosnie-Herzégovine: Aide internationale et acteurs locaux*, Les Études du CERI, no. 21 (Paris: Centre d'Études et de Recherches Internationales, December 1996); Roland Paris, "Peacebuilding and the Limits of Liberal Internationalism," *International Security* 22, no. 2 (1997): 54–89; Paul Collier, "On the Economic Consequences of Civil War," *Oxford Economic Papers* 51, no. 1 (January 1999): 168–183; David Chandler, *Bosnia: Faking Democracy After Dayton*, 2d ed. (London: Pluto Press, 2000); Jens Stillhoff Sørensen, "Balkanism and the New Radical Interventionism: A Structural Critique," *International Peacekeeping* 9, no. 1 (spring 2002): 1–22.

5. See Andrew Herod, Gearoid O'Tuathail, and Susan Roberts, eds., *Unruly World? Globalization, Governance and Geography* (London: Routledge, 1998); Béatrice Hibou, *The Political Economy of the World Bank's Discourse from Economic Catechism to Missionary Deeds (and Misdeeds)*, Les Études du CERI, no. 39 (Paris: Centre d'Études et de Recherches Internationales, March 1998); Angus Cameron and Ronen Palan, "The Imagined Economy: Mapping Transformations in the Contemporary State," *Millennium* 28, no. 2 (1999): 267–288.

6. OHR press release, "High Representative and PIC [Peace Implementation Council] Steering Board Call on Alliance Government," 13 September 2001.

7. International Monetary Fund, *Bosnia and Herzegovina: Selected Issues and Statistical Appendix*, (Washington, D.C.: IMF, 26 June 2000), pp. 10, 18.

8. On debt servicing and GDP see *ibid.*, p. 18; *Central Bank of BiH Report*, Sarajevo, September 2000; USAID, *Country Profile*, August 2000.

9. International Crisis Group (ICG), "Bosnia's Precarious Economy: Still Not Open for Business," Report no. 115, Sarajevo/Brussels, 7 August 2001, pp. 1, 35, note 179. Deutschmarks and Bosnian convertible marks have been converted at the rate, on 1 January 2002, of 2.21 DM/KM = U.S.\$1.

10. *Ibid.*, p. 22.

11. There is no accurate figure for the size of the working population. BiH Central Bank, Sarajevo, "Economic Indicators," *Statistical Bulletin* no. 3 (January–September 2001), p. 8.

12. ICG, "Bosnia's Precarious Economy," pp. 6–7.

13. Using the UNDP's definition of *poverty* in BiH as an inability to afford 65 percent of the cost of a group of items required to keep a family of four at a minimum subsistence level. ICG, "Bosnia's Precarious Economy," p. 6.

14. If the unemployed, the laid off, and their families are included, the estimate of those in need of social protection in 1998 was over 60 percent and 70 percent in the Federation and RS, respectively. Independent Bureau for Humanitarian Issues (IBHI), "Transition of the Policy and System of Social Protection in the Federation of Bosnia-Herzegovina: Second Preliminary Study of Problems and Proposals for Changes," Discussion Paper, Sarajevo, September 1998, pp. 11, 31–32; "Social Protection System and Policy Transition in the Republika Srpska: Preliminary Study of Problems and Proposed Changes," Discussion Paper, Banja Luka, September 1998, pp. 6–7, 26, 37.

15. Carl-Ulrik Schierup, "Prelude to the Inferno. Economic Disintegration and Political Fragmentation of Socialist Yugoslavia," *Migration*, no. 5 (1993): 5–56; Schierup, ed., *Scramble for the Balkans: Nationalism, Globalism and the Political Economy of Reconstruction* (Basingstoke: Macmillan, 1999), pp. 36–39; Branka Magaš, *The Destruction of Yugoslavia: Tracking the Break-up, 1980–1992* (London: Verso, 1993), p. 97; Dragomir Vojnić, "Disparity and Disintegration: The Economic Dimension of Yugoslavia's Demise," in Payam Akhavan and R. Howse, eds., *Yugoslavia, the Former and Future: Reflections by Scholars from the Region* (Washington, D.C.: Brookings Institution, 1995), pp. 75–111; Susan Woodward, *The Balkan Tragedy: Chaos and Dissolution After the Cold War* (Washington, D.C.: Brookings Institution, 1995), chap. 3.

16. Cited in Schierup, "Prelude to the Inferno," p. 244. See also Jens Stillehoff Sørensen, "The Threatening Precedent: Kosovo and the Remaking of Crisis," MERGE paper on Transcultural Studies 2/99, Umeå/Norrköping, 1999.

17. Schierup, "Prelude to the Inferno," p. 8.

18. Woodward, *The Balkan Tragedy*, pp. 86, 100.

19. See Mats Berdal and David Malone, eds., *Greed and Grievance: Economic Agendas in Civil Wars* (Boulder: Lynne Rienner, for International Peace Academy, 2000).

20. John Mueller, "The Banality of 'Ethnic War': Yugoslavia and Rwanda," paper prepared for the American Political Science Association conference, Washington, D.C., 31 August–3 September 2000, p. 34; Xavier Bougarel, *Bosnie: Anatomie d'un conflit* (Paris: La Découverte, 1996), p. 126.

21. Marijan Puntarić, "Tri Hercegovačka Kralja ulija?" (Three Herzegovinian kings of oil), *Slobodna Dalmacija* (Split) 21 September 2001. [OHR trans.].

22. Bougarel, *Bosnie: Anatomie d'un conflit*, pp. 130–131.

23. Neven Katunarić and Marijan Puntarić, "Prlic i partnari sada Peru Robu u Pistom Moru Makarske Rivijere" (Prlic and his partners now launder money in the clean sea of Makarska River), *Slobodna Salmacija* (Split), 24 September 2001, [OHR trans.].

24. "Hoće li Bakir Izetbegović odgovarati pred sudom?" (Will Bakir Izetbegović be put on trial?) *Dani* (Sarajevo), 6 August 1999, p. 16; "Abeceda korupcije," (The ABC of Corruption) *Dani* (Sarajevo), 27 August 1999, pp. 16–21.

25. Prlić was subsequently deputy minister for trade and economic affairs. The chair of the House of Peoples called for his removal after a financial audit of the Foreign Ministry discovered that illegal activities had occurred in 2000. The Prlić empire is estimated to be worth U.S.\$1.3 billion. BiH Media Roundup (Sarajevo), 18 October 2001; Katunarić and Puntarić, "Prlic i partnari."

26. "A gdje su indijanci, Kauzlarichu?" (Where is the red indian, Kauzlarichu?) *Dani* (Sarajevo), 27 August 1999, pp. 16–21; "High Representative

Removes Former Prime Minister Edhem Bičakčić," OHR press release, Sarajevo, 26 February 2001.

27. "Bosnia's Corrupt Elite Grow Fat on Human Cargo," *The Observer* (London), 27 January 2001; ICG, "Bosnia's Precarious Economy," p. 32.

28. USAID, *Payments Bureaus in Bosnia and Herzegovina: Obstacles to Development and a Strategy for Orderly Transition*, final draft (Sarajevo: Economic Reconstruction Office, 15 February 1999), pp. 90, 101; International Advisory Group, *Functional Analysis and Strategic Implementation Plan: Transformation of the Payment Bureaus in Bosnia and Herzegovina* (Sarajevo, July 1999).

29. "Abeceda korupcije," (The ABC of Corruption) *Dani* (Sarajevo), 27 August 1999, pp. 16–21.

30. OHR, Human Rights Department, "Discrimination in Employment," background paper by Agnes Picod (Sarajevo, January 1999); interview with Agnes Picod, OHR, Sarajevo, 30 September 1999.

31. "Removal of Ramiz Džaferović," OHR press release, 28 July 2000; ICG, "Bosnia's Precarious Economy," p. 11, annex B.

32. Peter van Walsum (OHR Economics Division), cited in "UN Envoy Says Officials Involved in Corruption," UN wire, 17 August 2000, online at <http://www.unfoundation.org>; "Smuggling Operation in Trebinje," Open Broadcast Network (Sarajevo, 8 January 2000).

33. Xavier Bougarel, "Ten-Year Chapter of Errors: Mixed Motives in the Balkans," *Le Monde Diplomatique* (Paris), September 1999; "Kako I gdje je skršena milijarda," (How and where have the millions gone?) *Dani* (Sarajevo), 20 August 1999, pp. 18–19; "Otkriti i napasti temelje kriminala I korupcije," (Attack the roots of crime and corruption) *Oslobodjenje* (Sarajevo), 18 September 1999.

34. R. Jeffrey Smith, "In Bosnia, Free Enterprise Has Gotten Way Out of Hand," *International Herald Tribune*, 27 December 1999, p. 5.

35. Interview with Azra Hasanbegović, president, Udruženje Žena BiH, Mostar, 20 September 1999.

36. Peter Uvin, "The Influence of Aid in Situation of Violent Conflict," report of the Informal Task Group on Conflict, Peace and Development Co-operation, Development Assistance Committee, Paris, OECD, September 1999.

37. IMF, *Bosnia and Herzegovina*, p. 12; Nebojsa Vukadinović, "Économies d'après-guerre entre reconstruction et transition," *Relations Internationales et Stratégiques*, no. 28 (winter 1997): 47–62.

38. The World Bank, *Bosnia and Herzegovina: Priority Reconstruction Projects Update* (Washington, D.C., June 1998); World Bank, "Country Brief: Bosnia and Herzegovina" (2000), online at www.inweb18.worldbank.org/eca/ec (accessed 26 January 2001).

39. The World Bank, *Bosnia and Herzegovina*; World Bank, "Country Brief."

40. IMF, *Bosnia and Herzegovina*, p. 12; IMF *News Brief*, no. 01/46, "IMF Completes Final Bosnia and Herzegovina Reviews, Approves U.S.\$119 Million Credit Tranche," 25 May 2001.

41. IMF, *Bosnia and Herzegovina*, p. 15.

42. *Ibid.*, p. 12.

43. Final Report of the Privatization Monitoring Commission, May 2000, cited in ICG, "Bosnia's Precarious Economy," p. 18, note 80.

44. Interview with Mike E. Sarhan, director, Economic Restructuring Office, USAID, Sarajevo, 16 September 1999.
45. OHR press release, Sarajevo, 18 August 2000. See also issues of *Privatization News*, Agency for Privatization in the Federation of BiH, Sarajevo.
46. "Private Sector Development," progress report of the Private Sector Development Task Force Secretariat, Sarajevo, September 1999.
47. OHR, BiH Media Roundup (Sarajevo, 20 September 2001), online at www.ohr.int.
48. Interview with Žarko Papić, Independent Bureau for Humanitarian Issues, Sarajevo, 30 September 1999; "Ethička privatizacija: neograničene mogućnosti prevare," (Ethnic Privatization: unlimited possibilities for cheating) *Dani* (Sarajevo), 6 August 1999, pp. 20–21.
49. For example, the SDA controls utilities such as the PTT, Elektroprivreda, and Energoinvest, *Dani*, 6 August 1999, pp. 16–19; European Stability Initiative (ESI), "Taking on the Commanding Heights," (Berlin and Brussels, 3 May 2000).
50. Interview with James Lyon, ICG, Sarajevo, 29 September 1999. For Eronet and the HDZ, see ICG, "Bosnia's Precarious Economy," p. 26.
51. UK ambassador Graham Hand in "Privatizacija Aluminija je potpuno kriminalna" (The Privatization of Aluminij is completely criminal) *Dani* (Sarajevo), 24 August 2001; "Njemacki Daimler Chrysler hoće kupiti Aluminijum Mostar" (German Daimler Chrysler wants to purchase Aluminij Mostar) *Jutarnji List* (Zagreb) 28 August 2001; "Politicki rat buziran na Mostarski Aluminijum" (Political War over the Mostar-based Aluminij), *Večernji List* (Zagreb) 31 August 2001; "Scimnjiva Privatizacija Aluminijuma" (The Suspicious Privatization of Aluminij), *Nacional* (Zagreb), 6 September 2001.
52. ICG, "Bosnia's Precarious Economy," pp. 2, 17–19; IMF, *Bosnia and Herzegovina*, p. 14.
53. OHR press release, "High Representative addresses UN Security Council," 24 September 2001.
54. IMF, *Bosnia and Herzegovina*, pp. 14, 17.
55. OHR, BiH Media Roundup (Sarajevo, 31 August 2001).
56. Interview with Mike E. Sarhan, director, Economic Restructuring Office, USAID, Sarajevo, 16 September 1999.
57. UN wire, "Bosnia-Herzegovina: World Bank Announces Assistance Strategy," online at www.unfoundation.org (25 May 2000).
58. Caroline Thomas, *Global Governance, Development and Human Security* (London: Pluto, 2000), p. 113.
59. *Ibid.*, pp. 93–109; Susan Willett, "Insecurity, Conflict and the New Global Disorder," *Institute of Development Studies Bulletin* 32, no. 2 (April 2001): 35–45. Only 10 percent of OECD development assistance goes to basic social services. German NGO Forum World Summit on Social Development, "Putting Basic Services in the Centre of PRSP," online at www.earthsummit2002.org/wssd5/wssd5r8g.htm; NGO Caucuses, "NGOs Call on the UN to Withdraw Endorsement of 'A Better World for All,'" online at www.earthsummit2002.org/wssd/wssd5/wssd5NGOs.htm (28 June 2000).
60. See, for example, The Earth Charter Initiative, "The Earth Charter" (Costa Rica, March 2000), par.10c, online at www.earthcharter.org/draft/charter.htm. Global redistributive mechanisms include donor states meeting the UN target of 0.7 percent of GDP for development assistance, implementation of

fair trade principles as elaborated by the Fairtrade Association, and currency speculation taxes.

61. Phil Wright, "Sanctions and Yugoslavia: From Stalin to NATO," paper presented at the conference "The Yugoslav Crisis," University of Bradford, UK, 24–26 March 2000.

62. Letter dated 22 February 2002 from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina to the Secretary-General, Annexed Report for 26 August 2001–19 February 2002, UN Doc. S/2002/209; ESI, "Taking on the Commanding Heights," Discussion Paper (Berlin, Brussels, 3 May 2000). But the ESI has veered to the view that "imposing" solutions is increasingly questionable. ESI, "In Search of Politics: The Evolving International Role in Bosnia and Herzegovina," Discussion Paper (Berlin, Brussels, Sarajevo, 1 November 2001).