

## POLITICAL AND ECONOMIC RECONSTRUCTION IN BOSNIA-HERZEGOVINA

**Caner SANCAKTAR\***

### ABSTRACT

The Bosnian War between 1992 and 1995 prepared proper conditions for political and economic reconstruction of Bosnia-Herzegovina in the disintegration process of Yugoslavia. After the war and great destruction, Bosnia-Herzegovina was reconstructed with the intervention of the USA and the Western European states (especially Germany, the UK, France), and the Dayton Agreement as a very complex and fragmented federation in the political sphere and a periphery capitalist country in the economic sphere. More importantly, the Western states' intervention and the Dayton arrangements created an "international protectoral rule" in Bosnia-Herzegovina under the control and command of the USA, the Western European states and international organizations. This painful destruction and political-economic reconstruction process in Bosnia-Herzegovina is discussed and explained in the article.

**Keywords:** Bosnia-Herzegovina, the Bosnian War, international intervention, international protectoral rule.

### BOSNA-HERSEK'TE SİYASAL VE EKONOMİK YENİDEN YAPILANMA

### ÖZ

1992 ve 1995 yılları arasında yaşanılmış olan Bosna Savaşı, Yugoslavya'nın parçalanması sürecinde Bosna-Hersek'te siyasal ve ekonomik yeniden yapılanma için uygun bir ortam yarattı. Savaş ve büyük yıkım sonrasında Bosna-Hersek, ABD ile Batı Avrupalı devletlerin (özellikle Almanya, Birleşik Krallık, Fransa) müdahaleleri ve Dayton Anlaşması tarafından siyasal alanda son derece karmaşık ve parçalı bir federasyon olarak ve ekonomik alanda bir çevre kapitalist ülke olarak yeniden

---

\* Assoc. Prof. Dr., Kocaeli University, Faculty of Economics and Administrative Sciences, Department of International Relations, Kocaeli-Turkey, ORCID ID: [orcid.org/0000-0002-2272-9498](https://orcid.org/0000-0002-2272-9498), E-mail: [caner.sancaktar@kocaeli.edu.tr](mailto:caner.sancaktar@kocaeli.edu.tr).

yapılandırıldı. Daha da önemlisi, Batılı devletlerin müdahaleleri ve Dayton düzenlemeleri ABD ile Batı Avrupalı devletlerin ve başlıca uluslararası örgütlerin kontrol ve komutası altında Bosna-Hersek'te bir "uluslararası himaye yönetimi" oluşturdu. Makalede, Bosna-Hersek'te yaşanılmış olan bu son derece sancılı yıkım ve siyasal-ekonomik yeniden yapılanma süreci eleştirel biçimde tartışılıp açıklanmıştır.

**Anahtar Kelimeler:** Bosna-Hersek, Bosna Savaşı, uluslararası müdahale, uluslararası himaye yönetimi.

### Introduction

The 1990s was not important only for Yugoslavia and Bosnia-Herzegovina but also for the international politics because the Soviet Union and other European socialist regimes collapsed at the beginning of this decade and adopted capitalism. Undoubtedly, the most bloody and destructive transition process from socialism to capitalism was experienced in Yugoslavia. The Socialist Federal Republic of Yugoslavia (SFRY) composed of six constituent republics and two autonomous provinces could survive until 1991 when a bloody disintegration process began. Especially, Bosnia-Herzegovina and its constituent ethnic groups (Bosniaks, Serbs and Croats) were damaged dramatically in the transition and disintegration process of the Socialist Yugoslavia due to a catastrophic war between 1992 and 1995.

The Bosnian War not only destroyed the Socialist Republic of Bosnia and Herzegovina, which had been one of the six constituent republics of the SFRY, but also prepared social and political conditions for reconstruction. After the war and great destruction, Bosnia-Herzegovina was reconstructed by the Dayton Agreement reflecting the intervention of the USA and Western European states as a very complex and fragmented federation in the political sphere and as a periphery capitalist country in the economic sphere. The intervention and the Dayton Arrangements also created an "international protectoral rule" in Bosnia-Herzegovina under control and command of the USA, Western European states (especially Germany, the UK and France) and international organizations such as NATO, the IMF, the UN, the EU, etc.

The first part of the article explains briefly the Bosnian War between 1992 and 1995 that resulted in a great destruction in the country and prepared condition for the intervention of the USA and Western European states into Bosnia and Herzegovina. In the second part, the reconstruction of the political

and economic spheres in Bosnia and Herzegovina after the war is examined and explained. Finally, the international protectoral rule in Bosnia and Herzegovina founded by the Western intervention and the Dayton Agreement after the destructive war is analyzed in the last part of the article.

### **1. The Bosnian War: Great Destruction and the Western Intervention**

Bosnia-Herzegovina was one of six republic of SFRY between 1945 and 1991. According to the 31 March 1991 census data, published by the Statistical Office of the Republic of Bosnia and Herzegovina, the republic had a population of about 4.4 million of which 43.7% were Muslim Bosniaks, 31.1% Orthodox Serbs, 17.3% Catholic Croats. In addition to these, 7.9% of the population described themselves as “Yugoslav”. This ‘Yugoslav’ group was composed mainly of the citizens from mixed marriages and Bosniaks who felt themselves as “Yugoslav” rather than “Muslim Bosniak” at the beginning of disintegration of SFRY.<sup>1</sup>

After the Croatian and Slovenian declarations of independence, the Bosnian Parliament voted for independence on 15 October 1991. The Serbian Democratic Party (SDP) led by Radovan Karadzic protested the parliamentary decision for independence and established the National Parliament of Bosnian Serbs (NPBS) on October 24. In the referendum, 99.4% of participants voted for independence, and in March 3, the Bosnian Parliament declared independence. As a response to the Bosnian declaration of independence, the NPBS firstly declared foundation of the Serbian Republic (Republika Srpska - RS) and converted itself to the RS Parliament which then proclaimed the unification of RS with Serbia on 27 March 1992.

On the other hand, Mate Boban, the leader of the Croatian Democratic Union (CDU) in Bosnia-Herzegovina, and Franjo Tudjman, the President of Croatia, aimed to unify south-eastern part of Bosnia-Herzegovina with Croatia. For this purpose, Tudjman and Boban met with Milosevich, the President of Serbia, and Karadzic in February and May 1992. In the meetings they agreed to separate Bosnia-Herzegovina between Serbia and Croatia.<sup>2</sup>

---

<sup>1</sup> Tufik Bumazovic, “Bosnia and Herzegovina: Economic Factors and Obstacles of Political Stability”, *Eurasia Studies*, No: 14, Summer-Autumn 1998, p. 35.

<sup>2</sup> Tanil Bora, *Yugoslavya: Milliyetçiliğin Provakasyonu*, Birikim Yayınları, Istanbul 1995, p. 215.

After these bargains, Boban's CDU proclaimed the establishment of the Croat Republic of Herzegovina-Bosnia in July 1992.

Croatian military force in the Bosnian War was composed of militarist groups formed by the CDU and by the Croat Party of Rights founded by Dobroslav Paraga who claimed that unification of Croatia and Bosnia-Herzegovina, just as unification of Germany, was a "natural right of Croat nation".<sup>3</sup> That is to say, Croatian nationalism aimed to create "Greater Croatia" involving Bosnia-Herzegovina, and unification of Germany became an inspiration for this "great aim". The Serbian military groups in the Bosnian War were ex-Yugoslav Army controlled by the Milosevich government, the Bosnian Serb Army led by Karadzic and General Ratko Mladic, Vojislav Seselj's Chetniks, Dragan Vasiljkovich's paramilitary group, Zeljko Rajnatovich's Tigers and Mirko Jovich's White Eagles.<sup>4</sup> All of them formed a nationalist-militarist alliance in order to create "Greater Serbia" involving Serbia, Bosnia-Herzegovina, Montenegro, Kosovo, Macedonia and the Srpska Krajina. It should be emphasized that both the Serbian and Croatian military forces carried out ethnic cleansing against Bosniaks as a brutal method for creation of Greater Serbia and Greater Croatia.<sup>5</sup>

On the other hand, the Party of Democratic Action (PDA) under command of Izetbegovich formed a war government including four ethnically Serb ministers. Also 30% of fighters who defended Sarajevo against Serb Army and other militarist groups were Bosnian Serbs. The Bosniak side's ultimate purposes have been to protect territorial integrity of Bosnia-Herzegovina, Bosniak nation and to found an independent Bosnian Republic.<sup>6</sup> Izetbegovich described the "Bosniak way" as following: "*We are not on the road to a national state. Our only way out is toward a free civic union. This is the future. Some people may want that [to make Bosnia a Muslim state] but this is not a realistic wish. Even though the Muslims are the most numerous*

---

<sup>3</sup> Noel Malcolm, *Bosna*, (trans.) Aşkim Karadağlı, Om Yayınevi, İstanbul 1999, pp. 371-372; Tanıl Bora, *Bosna-Hersek: Yeni Dünya Düzeninin Av Sahası*, Birikim Yayınları, İstanbul 1994, p. 211.

<sup>4</sup> Malcolm, *op.cit.*, p. 366-370.

<sup>5</sup> See Smail Cekic, *The Aggression against the Republic of Bosnia and Herzegovina*, KULT/B, Sarajevo 2005.

<sup>6</sup> Aliya İzzetbegovic, *Bosna Mucizesi*, (trans.) Fatmanur Altun and Rifat Ahmedoğlu, Yöneliş, İstanbul 2003, p. 42, 143, 188.

*nation in the republic, there are not enough of them [to justify such a political aspiration].”<sup>7</sup>*

Results of the war became very painful for Bosnia-Herzegovina and especially for Bosniak. According to Vladimir Zerjavich, 215,000 persons died in the Bosnian War between April 1992 and December 1995 and that among the dead were about 160,000 Bosniaks, 30,000 Croats, and 25,000 Serbs.<sup>8</sup> The number of injured people is more than 200,000. Most of the casualties and injured are civilians and children. There were more than 10,000 casualties involving about two thousand children in Sarajevo alone.<sup>9</sup> In addition to these casualties, nearly 50,000 women were raped, and 1,200,000 Bosnian people immigrated to many countries during the war. This has been the biggest refugee crisis in Europe after the Second World War.<sup>10</sup>

The adverse social impact of the war on economy and society was equally deep. The economic life and infrastructure in Bosnia-Herzegovina was paralyzed, 417,000 houses were destroyed and the number of unemployed people increased to 700,000.<sup>11</sup> According to the World Bank, about one-third of Bosnia’s health facilities, half of its schools and about two-thirds of its housing stocks were destroyed during the war. Much of the transportation infrastructure and telecommunications systems were destroyed, and in 1997, industrial production index stood at about 10 percentage of its pre-war levels.<sup>12</sup> The GDP decreased by two-thirds between 1991 and 1995, and industrial production was about 10 percentage of its pre-war level. Estimated material damage of the war is about \$50-70 billion and the destruction of productive capacity is about \$20 billion. Monthly wages were ranging from only five to twenty DM, and most of the population was dependent on international humanitarian aid during the war.<sup>13</sup> Unemployment pegged at 50 percentage in the Federation of Bosnia and Herzegovina and at

---

<sup>7</sup> Sabrina P. Ramet, *Thinking about Yugoslavia: Scholarly Debates about the Yugoslav Breakup and the Wars in Bosnia and Kosovo*, Cambridge University Press, Cambridge 2005, p. 15.

<sup>8</sup> Sabrina P. Ramet, *Balkan Babel: The Disintegration of Yugoslavia from the Death of Tito to the War for Kosovo*, Westview Press, Boulder and Oxford 1999, p. 239.

<sup>9</sup> Bumazovic, *op.cit.*, p. 35-36.

<sup>10</sup> Becir Macic, “Civil Society in the Process of Reconciliation in Bosnia and Herzegovina”, in *3<sup>rd</sup> International Balkan Congress: Role of CSOs and Think Tank Institutions in Regional Cooperation in the Balkans*, (ed.) Caner Sancaktar, TASAM Publication, Istanbul 2010, p. 421.

<sup>11</sup> Osman Karatay, *Ba'de Harabi'l Bosna*, İz Yayıncılık, Istanbul 1997, p. 87.

<sup>12</sup> Ramet, *Balkan Babel*, p. 280.

<sup>13</sup> Bumazovic, *op.cit.*, p. 36.

90 percentage in RS in 1996.<sup>14</sup> The Bosnian peoples still suffer from many severe economic problems. For example, unemployment rate is 20.5 percentage and 17.2 percentage of the Bosnian population lives below the poverty line.<sup>15</sup>

As Simon Jenkins, a London Times columnist, noted Bosnia-Herzegovina has become a “*world capital of interventionism*” since the Bosnian War.<sup>16</sup> The USA and Western European countries (especially Germany, the UK and France) were highly interested in the disintegration of Yugoslavia. The first important international meeting about the Bosnian War was held in London on 26-27 August 1992 with the initiative of the British government and participation of over 20 countries.<sup>17</sup> In January 1993, the Vance-Owen Peace Plan was devised by Cyrus Vance and Lord David Owen who had been appointed by the UN and the EU as mediators. The plan recommended division of Bosnia-Herzegovina into ten cantons on the basis of ethnicity.<sup>18</sup> Also Owen-Stoltenberg Peace Plan in July 1993 envisaged division into three parts on the basis of ethnicity.<sup>19</sup>

These peace plans were not welcomed by the PDA since the disintegration of Bosnia-Herzegovina on the basis of ethnicity meant destruction of Bosniak identity and nation. In other words, the PDA regarded territorial unity of Bosnia-Herzegovina as the basic provision for protection of Bosniak nation and identity. These plans encouraged ethnic cleansing and fighting because they envisaged separation of the Bosnian territory on the basis of ethnic majority. Therefore, Serbian and Croatian militarist nationalisms accelerated and intensified their own ethnic cleansing policies in order to boast the number of the regions where they were majority.<sup>20</sup>

After these futile plans, the US and German pressures resulted in cease-fire between Croat and Bosniak forces on 23 February 1994 and the

---

<sup>14</sup> Lenard J. Cohen, “Whose Bosnia?: The Politics of Nation Building”, *Current History*, Vol. 97, No. 617, March 1998, p. 111.

<sup>15</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/bk.html>, (05.02.2018).

<sup>16</sup> David Chandler, “Bosnia: The Democracy Paradox”, *Current History*, Vol. 100, No. 644, March 2001, p. 116.

<sup>17</sup> See Dzermal Najetovic, *Britanska Politika u Bosni i Hercegovini (1992-1995)*, DES, Sarajevo 2008, p. 100-106.

<sup>18</sup> See Kasim I. Begic, *Bosna I Hercegovina Od Vanceove Misije Do Daytonskog Sporazum (1991-1996)*, Bosanska Knjiga, Sarajevo 1997, p. 109-118; Najetovic, p. 107-112.

<sup>19</sup> See Begic, *op.cit.*, p. 157-163; Najetovic, *op.cit.*, p. 124-129.

<sup>20</sup> Malcolm, *op.cit.*, p. 383-384.

## POLITICAL AND ECONOMIC RECONSTRUCTION IN BOSNIA-HERZEGOVINA

Washington Agreement on 18 March. This was an accord on the creation of a Bosniak-Croat Federation, with a further Preliminary Confederation Agreement for a confederation between Bosniak-Croat Federation and Croatia.<sup>21</sup> Izetbegovich became the first president of Bosniak-Croat Federation, Croat Kresimir Zubak and Bosniak Eyup Ganic were elected prime minister and vice-prime minister respectively.<sup>22</sup> The cease-fire and the agreement were products of the US and German governments which forced Croat and Bosniak sides to establish an alliance against Serbia under Milosevich. Thereby, the USA and Germany played a role in bringing the war to an end by creating a strong Bosniak-Croat alliance against Serbs.

In July 1994, the Contact Group involving the USA, Germany, the UK, France and Russia announced a plan aiming to divide Bosnia-Herzegovina into two mini-ethnic states, a Croat-Bosniak Federation and a Serb region on the basis of 51% to 49% territorial split. The Bosniak and Croat sides under the Contact Group's pressure accepted this most recent plan. However, although Milosevich accepted and put pressure on the Bosnian Serbs to settle on the terms of the plan, Karadzic rejected a 51-49 percentage territorial split and demanded access to the Adriatic Sea and a Serb corridor joining Serbia with the Srpska Krajina.<sup>23</sup>

Finally in late August of 1995, after overrunning of safe areas of Srebrenica and Zepa by Serb forces in July 1995 and mortar attack on Sarajevo, NATO under leadership of the US army initiated a three-week campaign of airstrikes against the Serb forces. The airstrikes resulted in the cease-fire and eventually led to the "General Framework Agreement for Peace in Bosnia and Herzegovina" so-called the "Dayton Agreement". The Agreement including 11 Articles and 12 Annexes signed by Izetbegovich, Tudjman and Milosevich in Paris on 14 December, and witnessed by the EU, the USA, the UK, Germany, France and Russia.<sup>24</sup> In this way, the painful fighting period ended and the painful reconstruction period started for Bosnia-Herzegovina.

---

<sup>21</sup> See Begic, *op.cit.*, p. 165-197, 181-187; Najetovic, *op.cit.*, p. 138-141.

<sup>22</sup> Aydın Babuna, *Bir Ulusun Doğuşu: Geçmişten Günümüze Boşnaklar*, Tarih Vakfı Yurt Yayınları, İstanbul 2000, p. 207.

<sup>23</sup> Begic, *op.cit.*, p. 199-210; Najetovic, *op.cit.*, p. 145-149.

<sup>24</sup> *The General Framework Agreement for Peace in Bosnia and Herzegovina*, [http://www.ohr.int/?page\\_id=1252](http://www.ohr.int/?page_id=1252), (21.01.2018).

## 2. Reconstruction in Political and Economic Spheres

Intervention of the Western states (especially the USA, Germany, the UK, France) and the Dayton Agreement reconstructed Bosnia-Herzegovina (BH) as a very complex and fragmented federation in political sphere and as a periphery capitalist country in the economic sphere. BH, according to the Dayton Agreement, is composed of two entities: The Federation of Bosnia and Herzegovina (FBH), so-called the Bosniak-Croat Federation and the Serbian Republic (Republika Srpska - RS). Also there is Brcko District as a self-governing administrative unit under “international supervision”. Each entity has its own constitution, assembly, presidency, government and judiciary. Different from the RS, the FBH also includes ten cantons of which five are Bosniak, three are Croat and two are ethnically heterogeneous cantons. Each canton has its own constitution, assembly, government and judiciary. Cantons can enter into agreements with states and international organizations, with the approval of the FBH Assembly and the BH Parliamentary Assembly. Also both the FBH and the RS have authority and right to sign agreements with other states and international organizations. Agreements signed by the president of the FBH or of the RS enter into force only for the FBH or the RS if they are ratified by the BH Parliamentary Assembly.<sup>25</sup>

According to the BH Constitution which has been formulated within Annex 4 of the Dayton Agreement, the central state apparatus consists of four joint institutions: A three-person presidency, bicameral parliamentary assembly, council of ministers and judiciary. The BH Presidency is composed of one Bosniak and one Croat members elected directly from the FBH and one Serb member elected directly from the RS. Chairmanship of Presidency which adopts the Presidency Decisions with consensus rotates every eight months.<sup>26</sup> The BH Parliamentary Assembly is bicameral legislative power composed of the House of Representatives and the House of Peoples. The House of Representatives involves 42 representatives of whom 28 are elected

---

<sup>25</sup> See *Constitution of the Federation of Bosnia and Herzegovina*, <http://www.ohr.int/ohr-dept/legal/laws-of-bih/pdf/001%20-%20Constitutions/FBH/FBH%20CONSTITUTION%20FBH%201-94%20and%2013-97.pdf>, (02.11.2017) and *Constitution of the Republika Srpska*, <http://www.ohr.int/ohr-dept/legal/oth-legist/doc/rs-constitution.doc>, (02.11.2017).

<sup>26</sup> *Constitution of Bosnia and Herzegovina*, Article V, 1-3, 5, <http://www.ohr.int/ohr-dept/legal/laws-of-bih/pdf/001%20-%20Constitutions/BH/BH%20CONSTITUTION%20.pdf>, (02.11.2017).



## POLITICAL AND ECONOMIC RECONSTRUCTION IN BOSNIA-HERZEGOVINA

from the FBH and 14 from the RS by popular vote on the basis of proportional representation. The House of Peoples involves 15 delegates of whom 5 Bosniaks and 5 Croats are elected by the FBH House of Peoples and 5 Serbs are elected by the RS National Assembly. All legislation requires the approval by majority vote, which must include one-third of the votes of members from the territory of each entity.<sup>27</sup> Chairman of the BH Council of Ministers is nominated by the BH Presidency and endorsed by the BH House of Representatives, and then ministers are nominated by chairman and approved by the BH House of Representatives. No more than two-thirds of all ministers can be appointed from the territory of the FBH.<sup>28</sup>

BH judiciary involves Constitutional Court, State Court and War Crime Chamber. The Constitutional Court has jurisdiction to decide about dispute that arises between the two entities, between BH and the entities, and between institutions of BH. It is composed of nine judges of whom three are appointed by the president of the European Court of Human Rights (ECHR), four by the FBH House of Representatives and remaining two by the RS National Assembly. Each nation of BH is represented by two judges in the Court. Three judges appointed by the president of the ECHR shall not be citizens of BH, Serbia, Croatia or Montenegro.<sup>29</sup> The same procedure was formulated for seven judges of the Constitutional Court of the FBH: Two judges are Bosniak, two are Croat and three are appointed from foreign countries other than Serbia, Croatia and Montenegro.<sup>30</sup>

The Bosnian central state institutions, explained above shortly, are responsible mainly for foreign policy, foreign trade, customs, monetary policies, finances of the institutions, international financial obligations, state budget, immigration, refugee, asylum policy and regulation, international and internal law enforcement, international transport and communications, regulation of inter-entity transportation and air traffic, inter-entity infrastructure such as communications and energy.<sup>31</sup> However, the central state does not have independent sources of revenue and so greatly relies upon transfers from the FBH and the RS because the two entities, which have authority for tax and customs administration, retains all customs and tax

---

<sup>27</sup> Ibid., Article IV, 1-4.

<sup>28</sup> Ibid., Article V, 4.

<sup>29</sup> Ibid., Article VI, 1-4.

<sup>30</sup> Bumazovic, *op.cit.*, p. 49.

<sup>31</sup> *Constitution of Bosnia and Herzegovina*, Article III, 1.

revenue collected on their territory.<sup>32</sup> Thus, according to the BH Constitution, the FBH shall provide two-thirds and the RS one-third of the revenue required by the budget of BH.<sup>33</sup>

When we look at the economic sphere, we see that the capitalist economic system is based on private property, private sector, free market economy, capital and labour relations have been constructed in Bosnia-Herzegovina under the control of the USA and Western European states (especially Germany, the UK and France). First of all, after great destruction because of the war, the Office of the High Representative (OHR) has coordinated efforts for repair and rebuilding of Bosnia's infrastructure such as roads, railways, bridges, airports, telephone networks and utilities since 1996. Physical repair and rebuilding of the country was financed under \$5.1 billion of international assistance between 1996 and 1999.<sup>34</sup> However, the EU Customs and Fiscal Assistance Office's report in 1998 showed widespread corruption and abuses in BH. Some reports claimed that one billion dollars of international assistance has been misappropriated during five years after the Dayton Agreement.<sup>35</sup>

The World Bank, the IMF, the European Bank for Reconstruction and Development (EBRD), the European Commission, the UN Development Program (UNDP), the US Agency for International Development (USAID) and the International Management Group (IMG) have become the key players in Bosnia's economic reconstruction and transition to capitalism since the end of the war. These international economic actors prepared and launched the "Priority Reconstruction and Recovery Program" in order to reconstruct Bosnian economy according to principles of market economy. In order to finance this program, five donor pledging conferences were organized jointly by the World Bank and the European Commission between December 1995 and May 1999. In total, these conferences provided about \$5.25 billion for reconstruction and recovery of the Bosnian economy and infrastructure. The Western great capitalist powers reached an agreement about the Bosnian post-war economy: Rebuilding infrastructure damaged greatly during the war and completing the "transition from socialism to capitalism".<sup>36</sup>

---

<sup>32</sup> Elizabeth M. Cousens and Charles K. Cater, *Towards Peace in Bosnia: Implementing the Dayton Accords*, Lynne Rienner Publishers, Boulder and London 2001, p. 88.

<sup>33</sup> *Constitution of Bosnia and Herzegovina*, Article VIII, 3.

<sup>34</sup> [http://www.ohr.int/ohr-info/gen-info/default.asp?content\\_id=38612](http://www.ohr.int/ohr-info/gen-info/default.asp?content_id=38612) (09.04.2001).

<sup>35</sup> Cousens and Cater, *op.cit.*, p. 95.

<sup>36</sup> *Ibid.*, 88-90.

## POLITICAL AND ECONOMIC RECONSTRUCTION IN BOSNIA-HERZEGOVINA

BH's external debt had increased to \$3.4 billion by 1995 from \$1.9 billion in 1991. In 1995, BH became full member of the IMF and used a loan to clear arrears of \$50 million. One year later, BH reached an agreement with the World Bank in which Bosnia's debt of \$625 million was rescheduled over 30 year period. Also BH came to terms with the Paris Club of creditors in October 1998 to reduce its debt by 67% to \$528 million in total. In December, BH compromised with the London Club of commercial creditors to reduce its debt by 86% to a total of \$394 million. In return for these agreements on debt servicing, Bosnian government accepted neoliberal policies designed by the IMF and the World Bank: Privatization, tight monetary and fiscal policy, liberalization of external trade, reduction in importation duty and quota, curtailing expenditures including social services.<sup>37</sup>

The OHR's economic role in BH has been very vital and effective since 1996 because its major economic task is to assist the various international actors such as the IMF, the World Bank, the EBRD, the IMG and the European Commission for implementing neoliberal reforms in BH and completing Bosnia's transition process to capitalism. In order to achieve this vital task, "*the OHR established and led an Economic Task Force to discuss and plan courses of action, and to coordinate the political and operational aspects of economic reconstruction as well as policy recommendations that were being made to the State (BH) and both entity authorities.*"<sup>38</sup> Also, Sectoral Task Forces were established together with the World Bank and the EU for rebuilding Bosnia's infrastructure in various areas such as road and rail links, housing, education and health, water, electric power, gas and telecommunication. The OHR prepared Quick Start Package including major legislation about foreign trade and investment, the Central Bank, customs tariffs and privatization. The BH Parliamentary Assembly adopted this package which provided the legislative framework to enable Bosnia's transition to capitalism.<sup>39</sup>

The BH Constitution created by the Dayton Agreement has declared that "private property", which is basic prerequisite for mode of capitalist production relations, and "market economy", which is framework of capitalist

---

<sup>37</sup> Ibid., 93-94.

<sup>38</sup> Ian Oliver, *War & Peace in the Balkans: Diplomacy of Conflict in the Former Yugoslavia*, I.B. Tauris, London and New York 2005, p. 152.

<sup>39</sup> Ibid., 153.

production relations, will be protected and promoted.<sup>40</sup> In accordance with this economic preamble, an exclusive privatization, which is one of neoliberal economic policies formulated and spread over world-wide by the Western states (especially the USA and the UK) since 1980s, was launched in BH in 1998 especially under monitor and directives of the IMF, the World Bank, the EBRD and the OHR. All of these foreign actors and major donor states have seen the privatization of Bosnian economy as a priority for the new state founded after the collapse of the Socialist Yugoslavia. Thus, the two entities of BH have passed legislation and established agencies in order to regulate privatization, capital markets, banking and corporate conduct. The BH Parliamentary Assembly adopted the law on privatization only after the OHR imposed it by a decree in July 1998.<sup>41</sup>

At the beginning, privatization process was slow because political division between ethnically-based political parties made agreement on economic policy very difficult.<sup>42</sup> However, under demands and pressures of the Western states and the IMF, privatization of the Bosnian enterprises, banks and estates has been accelerated since the beginning of the 21<sup>st</sup> century. As a result, 68.31% of enterprises have been privatized until 2009.<sup>43</sup> The most advantageous groups of privatization process have been bureaucratic-technocratic ruling elite and black marketers who had made great illegal money during the war.<sup>44</sup> Privatization process produced a petty Bosnian capitalist class which is dependent greatly on the Western states and giant international companies.

In order to foster free market economy, private property and private sector and to accelerate integration of the Bosnian economy into the capitalist world-economy system, BH became full member of the IMF, the World Bank, the EBRD, Central European Free Trade Agreement, and observer member

---

<sup>40</sup> *Constitution of Bosnia and Herzegovina*, Preamble.

<sup>41</sup> Cousens and Cater, *op.cit.*, p. 95.

<sup>42</sup> Tülay Sobutay and Cem Akgün, *Bosna-Hersek Ülke Etüdü*, İstanbul Ticaret Odası Yayınları, İstanbul 1998, p. 77-79.

<sup>43</sup> Tanja Boskovska and Petra Klanjsek, "The Former Yugoslav Countries' Model: The Case of Bosnia, Croatia, Macedonia, Monte Negro, Serbia and Slovenia", in *How Are Different Capitalist Systems Coping With The Current Crisis?*, (ed.) Janez Prasnikar, Casnik Finance, Ljubljana 2009, p. 197.

<sup>44</sup> Francine Friedman, *Bosnia and Herzegovina: A Polity on the Brink*, Routledge, London 2004, p. 99.

## POLITICAL AND ECONOMIC RECONSTRUCTION IN BOSNIA-HERZEGOVINA

of the World Trade Organization<sup>45</sup> In addition, preferential export regimes with the USA, the EU, Norway, Canada, Japan and Australia were formed.<sup>46</sup>

This transition process to capitalism and integration into the capitalist world-economy system unavoidably opened the Bosnian market to the giant international companies of the Western capitalist countries. Numerous foreign investment-supporting tools were created by the laws on foreign investments passed in 1998, 2001 and 2003. These laws have given important rights and supports to foreign investors such as in 5-year tax deduction relief with 20% or more share of company assets, as well as 100% tax relief for re-invested profits. Thanks to these rights and supports, foreign investments in the Bosnian market amounted to €4,008 million in December 2007. Within total foreign investments in BH, Austria had the largest share with €929 million in 2005, €1,190 million in 2006 and €1,294 million in 2007.<sup>47</sup>

Furthermore, rapid economic liberalization demanded especially by the IMF, the World Bank and the EU reduced import duty and quota. This policy increased dramatically import from the Western countries and thus caused a sharp decrease in domestic industrial production of the Bosnian economy. Industrialization process in Bosnia-Herzegovina began after the socialist revolution, and the Bosnian economy with mining, food, timber and military-related production was heavily industrialized before the collapse of YSFC and the bloody destructive war. However, industrial production reached only 30% of its pre-war volume level. This sharp decrease in industrial production was not only a result of the war, but also a result of great increase in import related to the reconstruction efforts and reduced tariffs demanded by the IMF and the Western governments.<sup>48</sup>

---

<sup>45</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/bk.html>, (05.02.2018).

<sup>46</sup> Nada Jankovic, "Reconstruction of Bosnia and Herzegovina and the Balkans", in *International Balkan Congress: Interaction among the Balkan Nations*, (ed.) Caner Sancaktar, TASAM Publication, Istanbul 2009, p. 237.

<sup>47</sup> See Dzevad Zecic and Nino Serdarevic, "Bosnia and Herzegovina as Focal Point in Linking Asian and European Capital Markets: Socioeconomic Analysis and Recommendations", in *2<sup>nd</sup> International Balkan Congress: Socioeconomic Cooperation and Development in the Balkans*, (ed.) Caner Sancaktar, TASAM Publication, Istanbul 2010, p. 48-57.

<sup>48</sup> Cousins and Cater, *op.cit.*, p. 91.

### 3. International Protectoral Rule in Bosnia and Herzegovina

After the war and great destruction, an international protectoral rule was constructed in Bosnia-Herzegovina under the domination of the Western states, especially the hegemonic leadership of the USA. This protectoral rule is a product of the Western states' intervention and the Dayton Agreement which was formulated by the USA.

The Dayton Agreement confirmed central role of NATO in the reconstruction of Bosnia-Herzegovina. Under the Dayton Agreement, NATO committed itself to deploy the Implementation Force (IFOR) with the aim of securing and implementing the Agreement. Annex 1A of the Agreement assigned responsibility for security to the IFOR.<sup>49</sup> It replaced the UNPROFOR on 20 December 1995, had a maximum strength of 60,000 troops from 35 countries involving 16 NATO members, plus Russia, Central and Eastern European countries, and others. On 20 December 1996, the IFOR was reorganized as the Stabilization Force (SFOR) and its size was reduced to 32,000 troops and then 12,000. Its main task was defined as to stabilize the peace.<sup>50</sup> Since its formation, the SFOR has been the military force of the international protectoral rule and controlled significantly the political and social life in BH. For example, in October 1997, the SFOR seized control of four Serbian television transmitters after the Serbian Radio-TV criticized NATO by comparing it with the Nazi Army that had occupied Yugoslavia during the Second World War.<sup>51</sup>

On 2 December 2004, the European Union Force (EUFOR) took over the military mission from the SFOR under name of the Operation EUFOR ALTHEA, as a part of the EU Common Security and Defence Policy. It was declared that the goal of the EUFOR is to maintain a secure environment for implementation of the Dayton Agreement and support capacity-building and training of the BH Army. The EUFOR troops level had been decreased from 6.200 in 2004 to 1.600 in 2007 and 600 in 2012. Currently the EUFOR in Bosnia-Herzegovina also can be reinforced by troops from the NATO Mission in Kosovo (KFOR) and additional Over the Horizon Forces involving four battalions from Austria, France, Germany and Italy.<sup>52</sup>

---

<sup>49</sup> See *The General Framework Agreement: Annex 1A*, [http://www.ohr.int/?page\\_id=63245](http://www.ohr.int/?page_id=63245), (25.08.2017).

<sup>50</sup> <http://www.nato.int/sfor/docu/d981116a.htm>, (11.04.2017).

<sup>51</sup> Cohen, *op.cit.*, p. 109.

<sup>52</sup> <http://www.euforbih.org/eufor/index.php/about-eufor/background>, (10.12.2017).

## POLITICAL AND ECONOMIC RECONSTRUCTION IN BOSNIA-HERZEGOVINA

In addition to the EUFOR, there is also the EU Police Mission (EUPM) launched on 1 January 2003.<sup>53</sup> Also the UN International Police Task Force (UNIPTF) began to operate in BH after the Dayton Agreement. The UNIPTF has been responsible for ensuring rule of law and also training, reforming and monitoring the Bosnian police forces since 1996.<sup>54</sup> That is to say, the Bosnian police force is operating under the control of the EUPM and the UNIPTF, but not the control of elected Bosnian government.

NATO Headquarters Sarajevo constitutes NATO's current military presence in BH.<sup>55</sup> Shortly after the Dayton, the US government started the Train and Equip Program for Bosniak and Croat armies. Within framework of this program, the Bosniak-Croat Army has been supplied by the USA with armaments involving main battle tanks, self-propelled artillery and armoured personnel carriers since 1996.<sup>56</sup> The Train & Equip Program did not only alter the balance of forces in favour of the Bosniak-Croat Army against the Serb Army, but also reinforced the US military presence and political hegemony in the region. Notably since 1996, the USA has created a strong military and political hegemony over the Bosniak-Croat side by implementing the Train & Equip Program and deploying NATO-led IFOR/SFOR.

The UN High Commissioner for Refugees (UNHCR), that began to operate in Bosnia-Herzegovina in 1991, is the lead agency with regard to the implementation of the Dayton Agreement's Annex 7 (Agreement on Refugees and Displaced Persons),<sup>57</sup> and so, works to facilitate the return of refugees and internally displaced persons. The Delegation of European Union to BH has played a key role in implementation and coordination of external assistance to BH under the mandate of the Dayton Agreement since 10 July 1996.<sup>58</sup> OSCE launched its operations in BH on 18 December 1995. Annex 1B and Annex 3 of the Dayton Agreement assigned responsibility for regional

---

<sup>53</sup> See [http://eeas.europa.eu/archives/csdp/missions-and-operations/eupm-bih/index\\_en.htm](http://eeas.europa.eu/archives/csdp/missions-and-operations/eupm-bih/index_en.htm), (10.12.2017).

<sup>54</sup> Oliver, *op.cit.*, p. 154.

<sup>55</sup> [http://www.ohr.int/?page\\_id=1236](http://www.ohr.int/?page_id=1236), (12.04.2017).

<sup>56</sup> Oliver, *op.cit.*, p. 151-152.

<sup>57</sup> *The General Framework Agreement: Annex 7*, [http://www.ohr.int/?page\\_id=63261](http://www.ohr.int/?page_id=63261), (12.04.2017).

<sup>58</sup> See <http://www.eubih.eu/eu-delegation-eu-special-representative-in-bih>, (02.07.2017).

stabilization, elections, governmental and human rights institutions to the OSCE.<sup>59</sup>

Other important foreign players of the international protectoral rule in BH are the UN Centre for Human Rights (UNCHR), the UN Special Reporter, the UN Expert on Missing Persons (UNEMP), the UN Mission in Bosnia and Herzegovina (UNMBiH) including the UN Civil Affairs and UNIPTF, the Council of Europe, the Office of Ombudsperson, the European Community Monitoring Mission (ECMM), and the International Committee of the Red Cross (ICRC). These actors' major tasks are monitoring, protecting and improving human rights, minority rights, political and individual freedoms, the rule of law, political stability, social peace, democracy and solving inter-entity and inter-nation problems in BH. To achieve these major tasks, the OHR is responsible for coordinating and assisting their efforts. For this purpose in 1996, the OHR established two organ in which these international actors meet and discuss: the Human Rights Coordination Centre under chairmanship of American Peggy Hicks and the Human Rights Task Force headed by the High Representative.<sup>60</sup>

The Peace Implementation Council (PIC), which was established by the London Conference on 8-9 December 1995 and comprises 55 countries and agencies, comes together at ministerial level in order to review progress and define goals of implementation of the Dayton Agreement. Its executive body is the Steering Board working under chairmanship of the High Representative in BH. Members of the PIC Steering Board which nominates the High Representative are the USA, Germany, the UK, France, Italy, Russia, Canada, Japan, Presidency of EU, the European Commission and Organization of the Islamic Conference (OIC) which is represented by Turkey. The Steering Board provides the High Representative with political guidance and the High Representative, under this guidance, chairs weekly meetings of the ambassadors of the PIC Steering Board members in Sarajevo.<sup>61</sup> The Board in April 2000 indicated the OHR's role in economy by stating that the High Representative "*should use his full powers to remove*

---

<sup>59</sup> See *The General Framework Agreement: Annex 1B*, [http://www.ohr.int/?page\\_id=63249](http://www.ohr.int/?page_id=63249), (26.08.2017); *The General Framework Agreement: Annex 3*, [http://www.ohr.int/?page\\_id=63253](http://www.ohr.int/?page_id=63253), (26.08.2017).

<sup>60</sup> Oliver, *op.cit.*, p. 154.

<sup>61</sup> [http://www.ohr.int/?page\\_id=1220](http://www.ohr.int/?page_id=1220), (10.12.2017).



## POLITICAL AND ECONOMIC RECONSTRUCTION IN BOSNIA-HERZEGOVINA

*obstacles that choke economic growth and deprive the citizens of jobs and a fruitful economic life.”<sup>62</sup>*

The OHR has been the most important apparatus of international protectoral rule in BH since its foundation in December 1995. It works under the leadership of the High Representative of the International Community in BH. The High Representative is nominated by the PIC Steering Board and endorsed by the UN Security Council. High Representative’s major duties and authorities are monitoring implementation of the Dayton Agreement, coordinating activities of civilian organizations and agencies in BH, participating in meetings of donor organizations, reporting periodically on progress to the UN, the EU, the USA, Russia and other interested governments and organizations, providing guidance to the UN International Police Task Force in BH.<sup>63</sup>

The OHR is also focusing on issues such as refugee return, judicial, educational and media reform, protection of human rights, establishment of the state institutions, integration of BH into Europe and reconstruction of economy. In 2000, the PIC Steering Board agreed that the OHR should create a judicial commission to supervise reforms in the RS, the FBH and the cantons.<sup>64</sup> Its budget is about €5,3 million. Contributions to the OHR budget break down as the EU 54,3%, the USA 22%, Japan 10%, Russia 1,2%, Canada 3%, the OIC 2,5% and others nearly 7%.<sup>65</sup>

Among the most important milestones in the process of implementation of the Dayton Agreement and construction of international protectoral rule in BH was the PIC Conference convened in Bonn in December 1997. *“Elaborating on Annex 10 of the Dayton Peace Agreement, the PIC requested the High Representative to remove from office public officials who violate legal commitments and the Dayton Peace Agreement, and to impose laws as he sees fit if Bosnia and Herzegovina’s legislative bodies fail to do so.”<sup>66</sup>* The Bonn Conference also gave authority to the High Representative to take action against any public actor who is not abiding by

---

<sup>62</sup> Cousens and Cater, *op.cit.*, p. 132.

<sup>63</sup> *The General Framework Agreement: Annex 10*, Article II, [http://www.ohr.int/?page\\_id=63269](http://www.ohr.int/?page_id=63269), (09.04.2017).

<sup>64</sup> Cousens and Cater, *op.cit.*, p. 132.

<sup>65</sup> [http://www.ohr.int/?page\\_id=1139](http://www.ohr.int/?page_id=1139), (15.02.2018).

<sup>66</sup> [http://www.ohr.int/ohr-info/gen-info/default.asp?content\\_id=38612](http://www.ohr.int/ohr-info/gen-info/default.asp?content_id=38612), (10.12.2012).

the Dayton Agreement and measures for ensuring implementation of the agreement.<sup>67</sup>

The High Representatives<sup>68</sup> since December 1995 have acted just like “colonial governors” who take decisions and implement policies without taking into account the Bosnian society’s demands and who are accountable to his colonialist state but unaccountable to the Bosnian society. That is to say, all of the High Representatives have been accountable to the Western states but unaccountable to the Bosnian people for their own performance. In BH, policies are devised and conducted by the OHR in close cooperation with the USA and the EU, but not by Bosnian parties, politicians, elected representatives, assemblies, non-governmental organizations and intellectuals. Rather than deriving policy from local concerns and needs, the legislative process has been driven by the technical and administrative experts in Brussels and Washington. Policies have then been imposed through the international the OHR. Thus, since the Dayton Agreement, not one piece of substantial legislation has been devised, written and enacted by the Bosnian politicians and parties themselves. The process of state-building and democracy-promotion in BH has been carried out not by Bosnian representatives accountable to Bosnian citizens, but by externally-appointed bureaucrats, technocrats and diplomats who are accountable especially to the USA and the EU. At the same time, the local actors are denied the political autonomy to reach their own compromise solutions and assume accountability themselves.

That is to say, in the contemporary Bosnia-Herzegovina, policies are devised and conducted by the OHR in close cooperation with the USA and the EU, but not by political parties, politicians, elected representatives, assemblies, non-governmental organizations and intellectuals of Bosnia-Herzegovina, as David Chandler explains as follows:

---

<sup>67</sup> Cousens and Cater, *op.cit.*, p. 131.

<sup>68</sup> The High Representatives in Bosnia-Herzegovina since December 1995 have been respectively Carl Bildt (December 1995 - June 1997, from Sweden), Carlos Westendorp (June 1997 - July 1999, from Spain), Wolfgang Petritsch (August 1999 - May 2002, from Austria), Paddy Ashdown (May 2002 - January 2006, from United Kingdom), Christian Schwarz-Schilling (January 2006 - July 2007, from Germany), Miroslav Lajcak (July 2007 - March 2009, from Slovakia) and currently Valentin Inzko (since March 2009, from Austria). [http://www.ohr.int/?page\\_id=1153](http://www.ohr.int/?page_id=1153), (08.02.2018).

## POLITICAL AND ECONOMIC RECONSTRUCTION IN BOSNIA-HERZEGOVINA

*“In the course of ‘exporting democracy’, rather than deriving policy from local concerns and needs, the legislative process has been driven by technical and administrative ‘experts’ in Brussels and Washington. Policies have then been imposed through the international Office of the High Representative in Bosnia... Locally accountable political leaders then must accede to these demands, under the threat of being dismissed on the grounds of ‘obstruction’. There has been a trend towards granting external administrative powers greater and greater remits of authority. This process is reflected in Bosnian example where close international oversight was intended to last for one year only until the first state elections in September 1996. However, ten years on from Dayton, not one piece of substantial legislation has been devised, written and enacted by Bosnian politicians and civil servants... There would appear to be a clear international consensus that, for state-building and democracy-promotion to be a success, rule by externally-appointed bureaucrats is preferential to rule by Bosnian representatives accountable to Bosnian citizens... At the same time, local actors are denied the political autonomy to reach their own compromise solutions and assume accountability themselves... Bosnian and Kosovan political representatives who have been elected are accountable to international overseers rather than to their voters, reducing political institutions to irrelevant talking shops. In this context, elections are not a judgement on government policies; in fact, the inverse relationship is in play.”<sup>69</sup>*

The international protectoral rule is very apparent especially in the RS. The seat of the Serbian government was forced by the OHR to move from Pale to Banja Luka. The IMF and the OHR economic packages prevented the RS from raising independent revenues from Western states and institutions. In July 1997, the OHR dissolved the RS National Assembly and overruled the Constitutional Court to force new elections. The OHR then organized the election of a governing coalition that excluded the SDP. Furthermore, in March 1999, the High Representative dismissed the newly elected president of the RS, Nikola Poplasen, and prevented the vice-president, Mirko Sarovic, from assuming his duties. In November 1999, the High Representative dismissed nine mayors along with other local officials from the PDA, the SDP and the CDU. The High Representative has power to suspend local assemblies

---

<sup>69</sup> David Chandler, “Balkan Statebuilding: Governance but not Government”, in *International Balkan Congress: Interaction among the Balkan Nations*, (ed.) Caner Sancaktar, TASAM Publication, Istanbul 2009, p. 169-171.

and replace them with executive boards run by international appointees. In 2000, Poplasen's Serbian Radical Party was banned by the OHR from competing in the local, entity and state elections. Also, the CDU's ten candidates were removed by High Representative Petritsch from their cantonal assemblies and so their seats were left vacant.<sup>70</sup> In March 2001, the High Representative dismissed Ante Jelavic, the president of the CDU, from the BH Presidency.<sup>71</sup> 59 elected and appointed officials at entity and municipal level were dismissed by High Representative Paddy Ashdown in June 2004. In addition to these, in December 2004, Ashdown prevented Milorad Dodik from running for the post of the prime minister of the RS.<sup>72</sup>

As explained above, three of the BH Constitutional Court's nine judges and three of the FBH Constitutional Court's seven judges are appointed by the president of the ECHR. These judges shall not be Bosnian, Serbian, Croatian or Montenegrin citizens. Furthermore, the Dayton Agreement established a Central Bank that was to be led for its first six years by a foreign governor appointed by the IMF. According to the Article VII of the Constitution formulated within Annex 4 of the Dayton Agreement, the Governor of the Central Bank shall not be a citizen of BH or any neighbouring state (Serbia, Croatia and Montenegro) and can cast tie-breaking votes on the Governing Board of the Bank.<sup>73</sup>

In order to coordinate their activities, the foreign players of the international protectoral regime in BH come together within the Board of Principals established in 2002 and meets once a week in Sarajevo. Currently permanent members of the Board of Principals are the OHR, the EUFOR, the EUPM, NATO Headquarters Sarajevo, the OSCE, the UNHCR and the DEC. Also the World Bank, the IMF and the UNDP are regular participants at the Board of Principals.<sup>74</sup> It means that, the real decision makers in Bosnian polity and economy are not elected politicians and representatives of Bosnian peoples, but unfortunately these foreign members of the Board of Principals.

---

<sup>70</sup> See Chandler, "Bosnia: The Democracy Paradox", p. 114-119.

<sup>71</sup> Matjaz Klemencic and Mitja Zagar, *The Former Yugoslavia's Diverse Peoples*, ABC-CLIO, Santa Barbara, Denver and Oxford 2004, p. 323.

<sup>72</sup> David Chandler, "Building Trust in Public Institutions? Good Governance and Anti-corruption in Bosnia-Herzegovina", *Ethnopolitics*, Vol. 5, No. 1, March 2006, p. 86.

<sup>73</sup> *Constitution of Bosnia and Herzegovina*, Article VII, 2.

<sup>74</sup> *Board of Principals*, [http://www.ohr.int/?page\\_id=1236](http://www.ohr.int/?page_id=1236), (12.02.2018).

### **Conclusion**

The most dramatic and bloody result of disintegration process of Yugoslavia was the Bosnian War that did not only damage Bosniaks but also the Bosnian Croats and Serbs. It is a big mistake to consider the Bosnian War as a “clash of civilizations, cultures, religions or ethnicities” because it was a “clash of Serbian, Croat and Bosniak ruling elite” whose ideological basis was anti-communism and nationalism. The Serb ruling elite aimed to found Greater Serbia under the leadership of Milosevich, and also the Croat ruling elite aimed to create Greater Croatia under the leadership of Tudjman. In this way, both the Serbian and Croatian forces under command of Milosevich-Karadzic and Tudjman-Boban respectively attacked Bosnia-Herzegovina in order to realize the “greater aims” of nationalist anti-communist Serb and Croat ruling elite. On the other hand, the Bosniak ruling elite under the leadership of Izetbegovich and the PDA aimed to maintain unity of Bosnia-Herzegovina against the nationalist-militarist projects of “Greater Serbia” and “Greater Croatia”. Another important aim of the nationalist anti-communist Bosniak ruling elite led by the Izetbegovich government was to protect and develop “Muslim Bosniak identity” through founding an independent Bosnian Republic. These different aims of the three sides unavoidably resulted in war and great destruction in Bosnia-Herzegovina.

The war and bloody destruction created proper conditions and opportunity for the Western states’ intervention under the leadership of the USA and for reconstruction of Bosnia-Herzegovina under the control of the Western states (especially the USA, Germany, the UK, France) and international organizations. Intervention resulted in the Dayton Agreement which had been formulated by the US government and signed by the three fighting sides. The international intervention and the Dayton Agreement stopped the war, but in the meantime, reconstructed Bosnia-Herzegovina and created an “international protectoral rule” in the heart of Balkans.

After the war and great destruction, BH was reconstructed by the Western states’ intervention and the Dayton Agreement as a very “complex and fragmented federation” in political terms and as an extremely weak “periphery capitalist country” in economic terms. That is to say, BH has been integrated into the capitalist world economy as a periphery capitalist country. Extremely weak and miserable position of BH within capitalist-world economy system makes its economic and social development impossible. In addition, extremely complex and fragmented political-administrative

structure and authority division among the central government, the two Entities (the FBH, the RS) and ten cantons within the FBH makes fusion and cooperation among Bosniak, Serb and Croat nations within BH very difficult.

Although the intervention and the Dayton Agreement stopped the war and civilian casualties, it did not bring an end to instability in BH and did not contribute to the general reestablishment of confidence and cooperation among Bosniaks, Serbs and Croats. On the contrary, rearrangements based on the Dayton Agreement intensified and institutionalized the ethnic, regional, political and economic divisions among Bosniak, Croat and Serb nations of BH. Consequently, drastic tension and conflicts among the three constituent nations of Bosnia-Herzegovina unfortunately still continue. For example, the International Crisis Group has warned that in the FBH “*disputes among and between Bosniak and Croat leaders and a dysfunctional administrative system have paralysed decision-making, put the entity on the verge of bankruptcy and triggered social unrest.*”<sup>75</sup>

The intervention and the Dayton Agreement also created an international protectoral rule without a real basis in the Bosnian society and little popular legitimacy. Twenty-three years after the intervention and the agreement, the Bosnian state and regime still lacks the support of the Bosnian society and social-political legitimacy because of its “protectoral character”. Foreign actors of the international protectoral rule in Bosnia-Herzegovina are the OHR, the EUFOR, the EUPM, the UNIPTF, NATO, the OSCE, the UNHCR, the DEC, the World Bank, the IMF, the IMG, the USAID, the EBRD, the UNDP, the Council of Europe, the Office of Ombudsperson, the UNCHR, the UN Special Reporter, the UNEMP, the UNMBiH, the ECMM and the ICRC. Most of them come together within the Board of Principals in order to coordinate international protectoral rule in Bosnia-Herzegovina under control and directives of the Western states, especially the USA, Germany, the UK and France.

International protectoral rule in BH does not stimulate Bosnian citizens to feel like ones, thus they still identify themselves according to their ethnic and religious origins. As a result; unfortunately the “international protectoral rule” established and implemented by the Western states and the

---

<sup>75</sup> *Europe Report, No 209: Federation of Bosnia And Herzegovina - a parallel crisis*, International Crisis Group, 28 September 2010, <http://www.crisisgroup.org/en/regions/europe/balkans/bosnia-herzegovina/209-federation-of-bosnia-and-herzegovina-a-parallel-crisis.aspx>, (08.07.2013).

## POLITICAL AND ECONOMIC RECONSTRUCTION IN BOSNIA-HERZEGOVINA

Dayton Agreement restricts Bosniak, Serb and Croat peoples' capacity to discuss and take decisions about their vital issues, undermines "political power" and "self-management ability" of Bosnian citizens, and also hinders development of political negotiations among Bosniak, Serb and Croat peoples in Bosnia-Herzegovina.

### BIBLIOGRAPHY

BABUNA, Aydın, *Bir Ulusun Doğuşu: Geçmişten Günümüze Boşnaklar*, Tarih Vakfı Yurt Yayınları, İstanbul 2000.

BEGIC, Kasim I., *Bosna I Hercegovina Od Vanceove Misije Do Daytonskog Sporazum (1991-1996)*, Bosanska Knjiga, Sarajevo 1997.

BORA, Tanıl, *Bosna-Hersek: Yeni Dünya Düzeninin Av Sahası*, Birikim Yayınları, İstanbul 1994.

\_\_\_\_\_, *Yugoslavya: Milliyetçiliğin Provokasyonu*, Birikim Yayınları, İstanbul 1995.

BOSKOVSKA, Tanja and KLANJSEK, Petra, "The Former Yugoslav Countries' Model: The Case of Bosnia, Croatia, Macedonia, Monte Negro, Serbia and Slovenia", in *How Are Different Capitalist Systems Coping With The Current Crisis?*, (ed.) Janez Prasnikar, Casnik Finance, Ljubljana 2009, pp. 195-127.

BUMAZOVIC, Tufik, "Bosnia and Herzegovina: Economic Factors and Obstacles of Political Stability", *Eurasia Studies*, No. 14, Summer-Autumn 1998, pp. 20-51.

CEKIC, Smail, *The Aggression against the Republic of Bosnia and Herzegovina*, KULT/B, Sarajevo 2005.

CHANDLER, David, "Balkan Statebuilding: Governance but not Government", in *International Balkan Congress: Interaction among the Balkan Nations*, (ed.) Caner Sancaktar, TASAM Publication, İstanbul 2009, pp. 155-179.

CANER SANCAKTAR

\_\_\_\_\_, “Bosnia: The Democracy Paradox”, *Current History*, Vol. 100, No. 644, March 2001, pp. 114-119.

\_\_\_\_\_, “Building Trust in Public Institutions? Good Governance and Anti-corruption in Bosnia-Herzegovina”, *Ethnopolitics*, Vol. 5, No. 1, March 2006, pp. 85-99.

COHEN, Lenard J., “Whose Bosnia?: The Politics of Nation Building”, *Current History*, Vol. 97, No. 617, March 1998, pp. 103-112.

COUSENS, Elizabeth M. and CATER, Charles, *Towards Peace in Bosnia: Implementing the Dayton Accords*, Lynne Rienner Publishers, Boulder and London 2001.

FRIEDMAN, Francine, *Bosnia and Herzegovina: A Polity on the Brink*, Routledge, London 2004.

IZZETBEGOVIC, Aliya, *Bosna Mucizesi*, (trans.) Fatmanur Altun and Rifat Ahmedođlu, Yöneliş, Istanbul 2003.

JANKOVIC, Nada, “Reconstruction of Bosnia and Herzegovina and the Balkans”, in *International Balkan Congress: Interaction among the Balkan Nations*, (ed.) Caner Sancaktar, TASAM Publication, Istanbul 2009, pp. 235-239.

KARATAY, Osman, *Ba'de Harabi'l Bosna*, İz Yayıncılık, Istanbul 1997.

KLEMENCIC, Matjaz and ZAGAR, Mitja, *The Former Yugoslavia's Diverse Peoples*, ABC-CLIO, Santa Barbara, Denver and Oxford 2004.

MACIC, Becir, “Civil Society in the Process of Reconciliation in Bosnia and Herzegovina”, in *3<sup>rd</sup> International Balkan Congress: Role of CSOs and Think Tank Institutions in Regional Cooperation in the Balkans*, (ed.) Caner Sancaktar, TASAM Publication, Istanbul 2010, pp. 421-430.

MALCOLM, Noel, *Bosna*, (trans.) Aşkim Karadađlı, Om Yayınevi, Istanbul 1999.



## POLITICAL AND ECONOMIC RECONSTRUCTION IN BOSNIA-HERZEGOVINA

NAJETOVIC, Dzermal, *Britanska Politika u Bosni i Hercegovini (1992-1995)*, DES, Sarajevo 2008.

OLIVER, Ian, *War & Peace in the Balkans: Diplomacy of Conflict in the Former Yugoslavia*, I. B. Tauris, London and New York 2005.

RAMET, Sabrina P., *Balkan Babel: The Disintegration of Yugoslavia from the Death of Tito to the War for Kosovo*, Westview Press, Boulder and Oxford 1999.

\_\_\_\_\_, *Thinking about Yugoslavia: Scholarly Debates about the Yugoslav Breakup and the Wars in Bosnia and Kosovo*, Cambridge University Press, Cambridge 2005.

SOBUTAY, Tülay and AKGÜN, Cem, *Bosna-Hersek Ülke Etüdü*, Istanbul Ticaret Odası Yayınları, Istanbul 1998.

WOODWARD, Susan L., “The West and International Organizations”, in *Yugoslavia and After: A Study in Fragmentation, Despair and Rebirth*, (ed.) David A. Dyaker and Ivan Vejvoda, Longman, London and New York 1996, pp. 155-176.

ZECIC, Dzevad and SERDAREVIC, Nino, “Bosnia and Herzegovina as Focal Point in Linking Asian and European Capital Markets: Socioeconomic Analysis and Recommendations”, in *2<sup>nd</sup> International Balkan Congress: Socioeconomic Cooperation and Development in the Balkans*, (ed.) Caner Sancaktar, TASAM Publication, Istanbul 2010, pp. 47-59.

### Internet Sources

*Constitution of Bosnia and Herzegovina*, <http://www.ohr.int/ohr-dept/legal/laws-of-bih/pdf/001%20-%20Constitutions/BH/BH%20CONSTITUTION%20.pdf>, (02.11.2017).

*Constitution of the Federation of Bosnia and Herzegovina*, <http://www.ohr.int/ohr-dept/legal/laws-of-bih/pdf/001%20-%20Constitutions/FBH/FBH%20CONSTITUTION%20FBH%201-94%20and%202013-97.pdf>, (02.11.2017).

CANER SANCAKTAR

*Constitution of the Republika Srpska*, <http://www.ohr.int/ohr-dept/legal/oth-legist/doc/rs-constitution.doc>, (02.11.2017).

*Europe Report, No 209: Federation of Bosnia And Herzegovina - a parallel crisis*, International Crisis Group, 28 September 2010, <http://www.crisisgroup.org/en/regions/europe/balkans/bosnia-herzegovina/209-federation-of-bosnia-and-herzegovina-a-parallel-crisis.aspx>, (08.07.2013).

*Board of Principals*, [http://www.ohr.int/?page\\_id=1236](http://www.ohr.int/?page_id=1236), (12.02.2018).

*The General Framework Agreement for Peace in Bosnia and Herzegovina*, [http://www.ohr.int/?page\\_id=1252](http://www.ohr.int/?page_id=1252), (21.01.2018).

*The General Framework Agreement: Annex 1A*, [http://www.ohr.int/?page\\_id=63245](http://www.ohr.int/?page_id=63245), (25.08.2017).

*The General Framework Agreement: Annex 1B*, [http://www.ohr.int/?page\\_id=63249](http://www.ohr.int/?page_id=63249), (26.08.2017).

*The General Framework Agreement: Annex 3*, [http://www.ohr.int/?page\\_id=63253](http://www.ohr.int/?page_id=63253), (26.08.2017).

*The General Framework Agreement: Annex 7*, [http://www.ohr.int/?page\\_id=63261](http://www.ohr.int/?page_id=63261), (12.04.2017).

*The General Framework Agreement: Annex 10*, [http://www.ohr.int/?page\\_id=63269](http://www.ohr.int/?page_id=63269), (09.04.2017).

[http://eeas.europa.eu/archives/csdp/missions-and-operations/eupm-bih/index\\_en.htm](http://eeas.europa.eu/archives/csdp/missions-and-operations/eupm-bih/index_en.htm), (10.12.2017).

<http://www.eubih.eu/eu-delegation-eu-special-representative-in-bih>, (02.07.2017).

<http://www.euforbih.org/eufor/index.php/about-eufor/background>, (10.12.2017).

<http://www.nato.int/sfor/docu/d981116a.htm>, (11.04.2017).

POLITICAL AND ECONOMIC RECONSTRUCTION IN BOSNIA-HERZEGOVINA

[http://www.ohr.int/ohr-info/gen-info/default.asp?content\\_id=38612](http://www.ohr.int/ohr-info/gen-info/default.asp?content_id=38612),  
(09.04.2001).

[http://www.ohr.int/ohr-info/gen-info/default.asp?content\\_id=38612](http://www.ohr.int/ohr-info/gen-info/default.asp?content_id=38612),  
(10.12.2012).

[http://www.ohr.int/?page\\_id=1139](http://www.ohr.int/?page_id=1139), (15.02.2018).

[http://www.ohr.int/?page\\_id=1153](http://www.ohr.int/?page_id=1153), (08.02.2018).

[http://www.ohr.int/?page\\_id=1220](http://www.ohr.int/?page_id=1220), (10.12.2017).

[http://www.ohr.int/?page\\_id=1236](http://www.ohr.int/?page_id=1236), (12.04.2017).

<https://www.cia.gov/library/publications/the-world-factbook/geos/bk.html>,  
(05.02.2018).