Reshaping international priorities in Bosnia and Herzegovina

Part One

Bosnian Power Structures

14 October 1999

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EXECUTIVE SUMMARY

Nearly four years after the Dayton Agreement came into force, the international community finds itself in an increasingly untenable position in Bosnia and Hercegovina (Bosnia). Frustrated by the slow rate of progress, it has been drawn into the intricacies of decision-making at all levels of the Bosnian political system. Despite this intrusive role, however, it has failed to achieve breakthroughs on substantive issues which might contribute to a self-sustaining peace process. Until now, the evolution of international power in Bosnia has occurred haphazardly, in response to events on the ground rather than according to a strategic vision. If international support is withdrawn in the absence of self-sustaining domestic structures, the peace process may falter, and many of the gains made to date will be lost.

Awareness of the urgency of the situation has led to discussions of the importance of "Bosnian ownership" of the peace process. This concept raises an obvious question: to which individuals or local institutions should "ownership" be entrusted? For this to be constructive, it is essential to determine which institutions are capable of taking responsibility for the public good, and distinguish them from those which are a result of the distortions of Bosnian society during the past decade.

The forces at play within Bosnian society are more complex than they first appear. Inter-ethnic conflict may seem to be the dominant feature, and the root cause of resistance to the goals of the peace process. However, ethnic reconciliation represents only one axis of the peace process. The other axis is the transition from a communist to a free society, building an infrastructure of democratic and free-market institutions, laws and traditions from a limited base.

Following the collapse of the former Yugoslavia, three nationalist parties in Bosnia, the Bosnian Croat HDZ, the Bosnian Serb SDS and the Bosnian Muslim (Bosniac) SDA became the local successors to the communist party, taking over its tools of social and economic control. War-time conditions gave them access to still more authoritarian power, through their monopoly on violence and their control of informal economic activity. Nationalist leaders have a strategic interest in maintaining the conditions on which their power depends: pervasive separation; fear and insecurity among the general populace; a lack of democratic accountability; breakdown in the rule of law; personalised control over the organs of public order; and the absence of institutions capable of controlling illegal economic activity. So long as these illegal power structures remain intact, the new institutions created under the Dayton Agreement will not acquire real authority.

The key element of the present power structure is what in the former Soviet Union was called the "nomenklatura" system. One dominant party through its various bodies and committees controls all significant appointments, promotions, allocation of privileges and dismissals. This prerogative of selection covers all of the institutions of State, including the legislature and judiciary, as well as managerial positions in the economy. The all-pervasive infiltration of public institutions by party personnel keeps them subordinate to the party, which maintains loyalty and discipline by excluding dissenting voices from influential positions. The "nomenklatura" system eliminates the separation of powers, irrespective of what the constitution may provide, and severely undermines the significance of the electoral process.

The continuation of these structures means that there is no institutional separation between politics and the economy, whether in the private or public sector. The former communist control mechanisms are mostly still in place. The most important of these are the payments bureaux, which hold a monopoly on all financial transfers, as well as collect and distribute taxes in each region of Bosnia. As a system of ultimate control over the allocation and distribution of productive resources it creates major obstacles to the development of a free market. Also crucial is political control over most large enterprises.

Much international strategy to date has been directed at building institutions which exercise no effective power. This is particularly the case for the joint institutions at State level, which enjoy no support from the Croat and Serb participants. Working directly with the institutions – mediating disputes, building administrative support – will not of itself accomplish a shift in power away from the nationalist regimes. Using the authority of the High Representative to prop them up or bypass them when they become deadlocked also fails to address the real problem.

The prevalence of nationalist rhetoric in Bosnian politics should not deceive the international community into believing that hostility between ethnic groups is the principal obstacle to the peace process. Progress can only be made by dismantling these power structures, and changing the way power is exercised. If the nationalist regimes are motivated principally by the desire to sustain their own power, then their strategic interests are fundamentally opposed to those of the international community. Even though many of the reforms promoted by the international community may in fact have widespread popular support, they will inevitably be resisted by the nationalist parties.

By directing its attention to the structural problems, the international community can begin to work towards "Bosnian ownership" of the peace process. The problems of Bosnia cannot be successfully addressed without the commitment of local people and institutions, working in partnership with the international community. However, it is clearly unhelpful to talk of handing over responsibility for building a State, reintegrating the ethnic groups or modernising the economy to power structures fundamentally opposed to these programmes.

These power structures remain fundamentally incompatible with the rule of law and economic development. It is not surprising, therefore, so see the nationalist regimes entering into a period of institutional crisis. While they may be influential enough to block international programmes, they are far from stable. Changes in the regional context are eroding their sources of external support, while the climate of inter-ethnic hostility within Bosnia is no longer sufficient to mask their inability to deliver basic social services. The crisis is most advanced in Republika Srpska, where the Entity institutions have not functioned effectively for more than 12 months, but is also becoming apparent in Croat-controlled areas and could spread throughout the country as international support is reduced.

As cracks in the nationalist power structures begin to appear, it is not the opposition parties or civil society movements which are rising to challenge them, but expanding criminal networks and growing social unrest. If democratic institutions are not ready in time to take over governance, the result could be state collapse. The deep crisis in governance at all levels is masked at this moment by the support of the international community.

The growing weakness of the nationalist regimes offers both a risk and an opportunity to the international community. There is a growing constituency for fundamental change in Bosnia,

which the nationalist parties are less able to resist over time. The challenge is to build new institutions capable of taking on responsible governance before the old structures collapse. A withdrawal of international support before this is achieved could bring disastrous consequences.

Sarajevo, 14 October 1999

RESHAPING INTERNATIONAL PRIORITIES IN BOSNIA AND HERCEGOVINA

BOSNIAN POWER STRUCTURES

I.   INTRODUCTION

Nearly four years after the Dayton Peace Agreement (DPA) came into force in Bosnia and Herzegovina (Bosnia), the international community finds itself in an untenable position. Frustration with the slow rate of progress has drawn international organisations into the intricacies of decision-making at all levels of the Bosnian political system. However, this increasingly intrusive role is not achieving breakthroughs on substantive issues, or contributing to a self-sustaining peace process. At its last meeting, the Steering Board of the Peace Implementation Council (PIC) remained "deeply worried about the lack of progress". At the same time, the responsible States and international organisations have already begun to transfer scarce resources, both funding and personnel, away from Bosnia to Kosovo and other conflict areas. These factors suggest the need for an urgent reassessment of international strategy and priorities in Bosnia.

This series of three papers is offered as a contribution to the debate. Entitled *Reshaping International Priorities in Bosnia and Hercegovina*, the series is based upon an empirical investigation of how power works in Bosnia. This, the first paper, is a study of the nationalist regimes, entitled *Bosnian Power Structures*, which explores some of the structural elements of power in Bosnia, to provide a more solid base for the development of international strategy. It begins with a study of the power structures which were inherited from Yugoslav communism, before moving to an empirical assessment of the current state of the three nationalist regimes, an examination of the interests which drive them, the instruments at their disposal to sustain their power, and the threats to their power base. It concludes with implications for international strategy. The second paper, to be published in the coming weeks, is a study of the evolution of international strategy in Bosnia from Dayton to the present. It offers an overview of progress in key programme areas, and evaluates the sources of authority at the disposal of the international community, with particular emphasis on the powers of the High Representative. The third paper presents ESI's recommendations for the direction of international strategy in the coming period. It offers an outline of an international programme to develop Bosnian institutions capable of restraining the improper exercise of power.

II.   CONTEXT

Over the past few years, the nature of international involvement in Bosnia has changed dramatically, from the limited, one-year intervention foreseen at the Dayton peace talks to the current experiments in international trusteeship. The Office of the High Representative (OHR) and the Nato-led Stabilisation Force (SFOR) have become active players in all areas of Bosnian political, social and economic life. It is now routine for the international community to seek to influence the appointment of presidents and government ministers, the selection of policemen and municipal officials, the development of school curriculums, the allocation of housing, the investigation of political and economic crime, and the content of local media. The OHR drafts and often imposes the bulk of the legislative programmes at

State and Entity levels, from witness protection to property law, from national symbols to privatisation, from telecommunications to administrative fees.

Most observers agree that building peace in Bosnia requires an external authority with powers such as those exercised by the High Representative. But such power also entails enormous responsibility. As the Council of Europe concludes, "Since the High Representative is effectively the supreme legislative and executive authority in the country, this means in the final analysis that Bosnia and Herzegovina is not a democracy."[1] This concentration of international authority is a new development in the international system, and its legitimacy depends upon it being used to create a self-sustaining democracy. The progression from international protectorate to democratic state is no simple matter to achieve, and needs careful planning. Until now, the evolution of international power in Bosnia has occurred haphazardly, in response to events on the ground rather than according to a strategic vision. If international support is withdrawn before the domestic structures of the new State have become self-supporting, the peace process may falter, and many of the important gains made to date may be lost. It is therefore vital that international strategy evolve to a higher level, before resources and attention are diverted elsewhere.

Awareness of the urgency of the situation has led to recent discussions within the international community of the importance of "Bosnian ownership" of the peace process.[2] This concept raises an obvious question: to which individuals or local institutions do we hope to entrust "ownership"? For this to be a constructive strategy, it is essential to determine which institutions are capable of taking responsibility for the public good, and distinguish them from those which are a result of the distortions of Bosnian society over the past ten years, and which must be dismantled in the public good.

At present, political power in Bosnia is concentrated in the hands of local leaders who consistently obstruct or delay the peace process. Following the collapse of the former Yugoslavia, the three nationalist parties in Bosnia became the local successors to the communist party, taking over its tools of social and economic control. War-time conditions allowed them to construct still more authoritarian power structures, through their monopoly on violence and their control of informal economic activity. Nationalist leaders have a strategic interest in maintaining the conditions on which their power depends: pervasive ethnic separation; fear and insecurity among the general populace; a lack of democratic accountability; breakdown in the rule of law; personalised control over the organs of public order; and the absence of institutions capable of controlling illegal economic activity. So long as the power structures built by the nationalist parties remain intact, the new institutions created under the Dayton Agreement will not acquire any real authority.

At the same time, many indicators suggest that the nationalist regimes are entering into a period of deep institutional crisis. Changes in the regional context are weakening their sources of external support, while the climate of inter-ethnic hostility within Bosnia is no longer sufficient to mask their inability to deliver basic social services. The crisis is most advanced in Republika Srpska, where the Entity institutions have not functioned effectively for more than 12 months, but is also becoming apparent in Croat-controlled areas, and could spread throughout the country as the level of international support is reduced. As cracks in

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[1]   Council of Europe Parliamentary Assembly, *Report on the conformity of the legal order of Bosnia and Herzegovina with the Council of Europe standards*, 7 January 1999.

[2]   "Our new approach is 'ownership'.. This implies local ownership not just of assets, but of the problems inherited from communism and the war." Wolfgang Petritsch, *The Future of Bosnia lies with its people*, Wall Street Journal Europe, 17 September 1999.

the nationalist power structures begin to appear, it is not opposition parties or civil society movements which are rising to challenge them, but expanding criminal networks and growing social unrest. If democratic institutions are not ready in time to take over governance, the result could be state collapse.

Without functioning democratic institutions, the concept of "Bosnian ownership" of the peace process may prove to be no more than an abdication of international responsibility. A credible international strategy for institution-building must be based upon a proper understanding of local power structures in Bosnia and how they sustain themselves. The Dayton constitutional structure will remain an empty shell unless international authority can be used to transfer power from informal nationalist party structures to the new institutions. Without a fundamental shift in the way power is exercised, isolated successes by international organisations in Bosnia will not translate into a self-sustaining peace process.

III.   NATURE OF THE CHALLENGE

For some time now, the international community has been aware that the slow progress of many of its programmes is a result of persistent obstruction or low levels of co-operation from the ruling political parties. Removing them from power, or achieving their evolution into more moderate political forces, has become an explicit goal of international strategy. However, despite four years of effort, the nationalist regimes remain deeply entrenched. Their control over the political sphere, including the new Dayton institutions, deprives the international community of local partners who are willing and able to advance the peace process. As a result, the progress which has been achieved to date in Bosnia has been largely a product of international effort and external pressure.

Creating a self-sustaining peace process requires a transformation in the way in which power is exercised, breaking down the accumulation of power in the hands of war-time leaders, and redistributing it among the networks of counter-balancing institutions which make up a functioning democracy. A strategy for achieving this transformation must be built upon a better insight into local power structures and how they sustain themselves. In post-war Bosnia, the real mechanisms of power are hidden from the public eye. In focusing on the work of the parliaments and joint institutions, international organisations in Bosnia often miss the underlying dynamics. This can lead them to make superficial judgements about political actors, applying labels to parties or personalities based only on their rhetorical positions.

The forces at play within Bosnian society are more complex than they first appear. Inter-ethnic conflict may seem to be the dominant feature, and the root cause of resistance to the goals of the peace process. However, ethnic reconciliation represents only one axis of the peace process. The other axis is the transition from a communist to a free society, building an infrastructure of democratic and free-market institutions, laws and traditions from a limited base. While each of these axes in its own right presents formidable challenges, the interaction of the two magnifies the problems immensely. Inter-ethnic hostility is a tool used by the nationalist regimes to maintain their power. While the three ethnic structures are antagonistic at certain levels, their power depends upon the same basic conditions: ethnic separation; public fear and insecurity; a lack of democratic accountability; breakdown in the rule of law; and a lack of institutions capable of controlling illegal economic activity. Sharing a common strategic interest in maintaining these conditions, they work separately but in parallel to sustain ethnic conflict, and to resist the goals of the international community. The implication

is that ethnic reconciliation is dependent on progress in a second axis of the peace process – liberalisation of the economy and society.

IV.   THE LEGACY OF COMMUNISM AND THE BOSNIAN WAR

Following the collapse of the former Yugoslav federation, the three Bosnian nationalist parties – the Serb Democratic Party (*Srpska demokratska stranka* or SDS), the Bosnian Muslim (Bosniac) Party of Democratic Action (*Stranka demokratske akcije* or SDA) and the Croat Democratic Union (*Hrvatska demokratska zajednica* or HDZ) – came to fill the power vacuum left by the fall of the Communist Party. They inherited a political culture in which the party is the natural organ of rule, controlling the institutions of state. By maintaining the system of party rule during the war, they achieved direct control over the administrative organs, the military command, and the management of economic assets.

The key element of this system is what in the former Soviet Union was called the "nomenklatura" system, which existed throughout communist Europe. The party through its various bodies and committees controls all significant appointments, promotions, allocation of privileges and dismissals. This prerogative of selection covers all of the institutions of State, including the legislature and judiciary, as well as managerial positions in the economy. The all-pervasive infiltration of public institutions by party personnel keeps them subordinate to the party, which maintains loyalty and discipline by excluding dissenting voices from influential positions. In a career to political power, individuals may move regularly between party positions, executive offices and management boards of socially owned enterprises. Thus, when this paper discusses 'power structures' in Bosnia, it refers to the huge bureaucratic hierarchy of personnel which spans all important institutions, creating a centrally directed party apparatus.[3]

The "nomenklatura" system eliminates the separation of powers, irrespective of what the constitution may provide, and severely undermines the significance of the electoral process. The party controls not only who is permitted to stand for election, but also their future career path, as well as the degree of authority permitted to the electoral body.   The former Yugoslavia had a plethora of elected legislative bodies of various kinds, and was constantly reforming its electoral systems.[4] Yet the public was well aware that real political decisions were not taken in the parliaments, leading to widespread cynicism and apathy towards the democratic process. Much the same situation exists in post-war Bosnia.

The "nomenklatura" system creates a feudal-type hierarchy, with the party leaders controlling appointments to committees and important offices, which in turn control appointments to the lower ranks. This hierarchy gives rise to powerful vested interests within the party, leading to a high degree of institutional inertia and opportunities for corruption.   In the former Yugoslavia, this was most apparent in the area of economic management, where the party hierarchy allocated investments according to a process of internal bargaining, leading to a highly irrational distribution of industry. The hierarchy allows the party to protect itself from political challenge. It does not, however, necessarily allow the senior leaders to impose their will down the party hierarchy, if that involves weakening the local influence of the party

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[3]   In Bosnia, many of the *aparatchiks* remain in place from before 1991, and have transferred their loyalty to the nationalist party. They may not be party members, nor have any ideological or emotional affiliation with the party. However, so long as they are aware that the party dictates their continuing employment and their future prospects, the structural effect is the same.

[4]   Leonard Cohen, *The Socialist Pyramid – Elites and Power in Yugoslavia* (Mosaic Press, 1989), Ch.4.

apparatus. The party structure therefore not only prevents the growth of pluralist democracy; it also makes structural reforms in the economic or administrative sphere very difficult to implement. This explains why, for the international community, the dividing line between political obstruction and bureaucratic incompetence can be difficult to discern.

The continuation of the command economy means that there is no institutional separation between politics and the economy, whether in the private or public sector. The former communist control mechanisms over private economic activity remain largely in place. The most important of these are the payments bureaux, created in the 1950s to manage socially owned resources through monopoly control of the financial sector. Originally a single system run from Belgrade, the former Office of Social Bookkeeping has split into three separate institutions in Bosnia.[5] In each area, the payments bureau holds a monopoly on all financial transfers, and collects and distributes taxes. As a system of ultimate control over the allocation and distribution of productive resources, it creates major obstacles to the development of a free market. As well as a lucrative source of revenue through fees, the nationalist parties use the payments bureaux to assist or hamper businesses according to their political affiliation. One study found that the "non-transparency and credit-creation capabilities of the Payment Bureaus give those controlling these organisations a tremendous amount of potential power."[6] There are also a range of other regulatory tools for controlling private business, including the allocation of premises, licensing and inspection regimes, import/export licenses, and tax assessment, operating as a barrier to market entry and ensuring that political connections are required for commercial success.

In the public sector, the parties control all socially owned companies through their management boards. This gives them direct influence over scarce employment. As many towns in Bosnia depend on a single socially owned manufacturing enterprise for most of their employment, the enterprise management is often the highest point in the local political hierarchy. Despite recent reforms, the parties also control the allocation of apartments, which in a situation of housing shortage is a potent political tool. Many judges, administrative officers and other key public figures have been allocated apartments abandoned by refugees and displaced persons, which they continue to occupy at the will of the party apparatus. In most urban centres in both Entities, the administrators and policemen responsible for implementing the property laws are the beneficiaries of illegal reallocation of apartments.

In addition, each nationalist regime has its secret police forces, funded from non-transparent sources, which together with the regular police forces are used for internal surveillance and political control. These secret police forces are often the only forces with genuine investigative capacity, both in terms of experience and equipment. The armed forces continue to occupy the special status of the Yugoslav People's Army (JNA) in the former Yugoslavia, with access to both political influence and revenue sources through control of defence industries. Veterans of the last war enjoy the same privileged status that veterans of World War Two and partisans enjoyed under Tito.[7] Veterans' associations, as well as being powerful lobby groups in their own right, operate as a private security service in certain areas.

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[5] Formerly *Sluzba drustvenog knjigovodstva* (SDK), these three offices are now called ZAP and ZPP in the Croat and Bosniac areas respectively, and SPP in Republika Srpska.

[6] USAID, *Payments Bureaus in Bosnia and Herzegovina: Obstacles to development and a strategy for orderly transformations*, Sarajevo, 15 February 1999.

[7] According to the World Bank and European Commission, veterans have the lowest unemployment rate of any group in Bosnia: *1996 – 1998 Lessons and Accomplishments – Review of the Priority Reconstruction Program*, p.16.

As well as the communist inheritance, the circumstances of war in Bosnia enabled the nationalist parties to develop more authoritarian methods of political control, some of which continue to the present. The collapse of the State caused a breakdown in the rule of law. Threats or improper influence over sitting judges, as well as the loss of qualified personnel, rendered the judicial system largely ineffective. Following Dayton, local police forces were filled with demobilised soldiers loyal to local political leaders. Control over the police and judiciary allowed the nationalist parties to conduct their own political and economic activities with impunity, as well as to harass political opponents and returning minorities. In the economic sphere, the war-time conditions – lack of freedom of movement of people and goods, collapse of the banking sector, the barter economy, the sanctions regimes, the arms trade, international humanitarian aid – created the ideal environment for the growth of black-market trade and organised crime. The nationalist parties funded both their political and military activities by controlling the movement of fuel, tobacco, alcohol and foodstuffs. At the end of the conflict, some local militias transformed into organised criminal networks to preserve lucrative enterprises, retaining close links to political structures.

The communist legacy and the war-time power structures provide the nationalist regimes with the means for obstructing most international programmes in Bosnia. Their opposition to international goals is not ideological in nature, but strategic. The parties have a fundamental interest in preventing structural reform of public institutions and the economy. Paradoxically, however, the structural inefficiency of the public sector in Bosnia is becoming an increasing threat to the nationalist regimes. The war-time economies in all three areas were heavily dependent on external financial support. As these funding sources dry up, the nationalist parties are struggling to maintain funding for public sector salaries, pensions, health care systems and other public services. This leads to increased public discontent from within their own ethnic group, and a danger of fragmentation through factional disputes.

All three regimes use nationalist rhetoric as a political tool to prevent public disapproval developing into organised political opposition. The parties exaggerate the threats posed by other ethnic groups to maintain the group solidarity of their constituencies. Ethnic hostility enables the parties to present their authoritarian rule as necessary in defence of the group. The greater the climate of fear and insecurity, the slower the development of political pluralism. The local media are an effective tool to accomplish this. The nationalist press constantly recycles war stories and emotionally charged historical material, using cultural and religious symbols to reinforce ethnic identity. Moderate political leaders who emerge within the group are described as traitors and collaborators with the enemy. The nationalist party is presented as the "natural" defender of the ethnic group. Developments which threaten to erode nationalist party authority – such as minority return, multi-ethnic institutions, or even basic economic reforms – are portrayed as threats to the ethnic group. Thus, in SDS, SRS (Serb Radical Party or *Srpska Radikalna Stranka*) and HDZ political rethoric, the international community is often accused of pursuing an agenda which threatens the physical security ("territorial integrity") of the ethnic group. A period of extreme nationalistic rhetoric from local politicians and media is therefore not necessarily a sign of real inter-group hostility. On the contrary, it usually indicates that the nationalist parties are protecting their position against internal dissent.

V.   PROFILES OF THE NATIONALIST REGIMES

Although the three nationalist regimes share a number of key structural features, there are important differences between them, both in their origins and in their evolution since the war.

The Serb SDS and the Croat HDZ were both instrumental in establishing the de-facto independent statelets of Republika Srpska and the Republic of Herceg-Bosna respectively, under the direction of their political sponsors in Belgrade and Zagreb.[8] By contrast, the main Bosniac party, the SDA, fought a defensive campaign throughout the war to prevent the dissolution of the Bosnian State, to avoid being left with a non-viable Bosniac enclave surrounded by hostile neighbours. This basic strategic profile remains relevant, and can lead the nationalist parties to behave in quite different ways. The Dayton Agreement was signed by the three warring parties because of the overwhelming international pressure brought to bear on them. It did not necessarily alter their long-term agenda. There are elements in the Serb and Croat leadership which treat the Dayton Agreement as a step towards achieving their ultimate territorial ambitions, much as many of the internationally negotiated cease-fires during the conflict were treated. The presence of an overwhelming international force has prevented the SDS and its ally, the SRS, and the HDZ from pursuing their territorial ambitions by means of force. However, hard-line leaders may be waiting out the period of international involvement before returning to their war-time agenda.

A.   HVO-controlled Areas of the Federation

Of the three areas, the Bosnian Croat HDZ-HVO (*Hrvatsko vijece obrane* or Croat Defence Council) is the purest example of the transformation of communist structures into a one-party, nationalist system with authoritarian control over all political, social and economic affairs in its territory. It is also the most serious instance of illegal parallel institutions undermining the proper constitutional structures. The parallel state of the Croat Republic of Herceg-Bosna, created in 1993 with the involvement of the Croatian Ministry of Defence, remains intact, and the HDZ works to prevent the establishment of any Federation institutions capable of limiting its autonomy. Because the Croat leadership denies the continued existence of Herceg-Bosna structures, their inner workings are concealed from international scrutiny. The fact that the international community does not recognise the legitimacy of these institutions has also inhibited study of how they operate.

Despite several international diplomatic initiatives and numerous agreements,[9] the Croat leadership has done little to dismantle Herceg-Bosna institutions. A new government of the "Croat Republic of Herceg-Bosna" was appointed in June 1996, and over the subsequent year worked to increase the independence of its financial institutions and budgetary systems. Moderate (and less influential) Bosnian Croats from Central Bosnia were delegated to the institutions of the State and the Federation, while real power remained in the parallel Herceg-Bosna government under the leadership of Capljina strongman Pero Markovic. Hard-line personnel were located in strategically important border areas, such as Drvar in the north and Stolac in the south, with the task of rendering minority return impossible.[10] At the time, HDZ leaders openly told international officials that "the Herceg-Bosna side could not accept a

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[8]   In June 1993, the leaders of Croatia and Serbia agreed in Geneva on a Union of three Republics in Bosnia – in practice a Greater Croatia and Greater Serbia.

[9]   The 1994 Washington Agreement first established the Croat-Bosniac Federation. A further Agreement on the Establishment of the Federation made at Dayton on 10 November 1995 stated that the Herceg-Bosna structures were to be dissolved within 30 days of the passage of legislation necessary to establish the new Federation institutions. OHR has led several efforts to disband Herceg-Bosna institutions, most notably in early 1996 and early 1998.

[10]   Both the HDZ strongmen in Drvar, Drago Tokmakcija, and in Stolac, Pero Raguz, were removed from their posts by the High Representative in early 1998, following organised violence against returnees and campaigns to deter Croat displaced persons from returning to their original homes. Both Tokmakcija and Raguz continue to wield considerable unofficial power.

common financial system, because such a system did not allow the Bosnian Croats to finance their own army and to follow up on their own social obligations in the long term."[11]

Parallel Herceg-Bosna budgetary systems still operate, using Croat-controlled cantons to conduct revenue collection. The Herceg-Bosna government continues to meet regularly under the title of the "Croat Community of Herceg-Bosna", or through meetings of HDZ cantonal governors and prime ministers. These meetings, held in a low-profile way so as to avoid international attention, discuss all key governance issues in HVO-controlled areas, including setting budgets and fiscal policy. It is only in these forums that the balance sheets of Croat-controlled public companies and social funds are reviewed. It is here that HDZ-appointed directors of Federation administrative bodies, including the customs administration and the financial police, are called to report.[12] The Herceg-Bosna payments bureau (ZAP) continues to control Croat economic activity. There are separate Croat public utilities and social services, most notably the electricity and telecommunications utilities (*Elektroprivreda Herceg-Bosna*, *Herceg-Bosna PTT*), the social insurance funds, and the lucrative forestry administration (*Sume Herceg-Bosne*). The Croats retain an aggressively segregated education system, using a Herceg-Bosna curriculum and textbooks donated from Croatia.

As a result of these parallel institutions, the Federation of ten Cantons exists only on paper. Cantons with a mixed Croat-Bosniac population do not function as single units. Despite years of international efforts, there is no joint seat for the government of the Hercegovina-Neretva Canton in Mostar. The Interim Agreement on the City of Mostar, adopted in 1996, is not implemented. Cantons with a dominant Croat majority do not participate in the Federation structure, and their areas of responsibility under the Federation constitution, including education and health care, are centralised in Mostar. The Hercegovinian Cantons 8 (West Hercegovina) and 10 (Livno) do not recognise decisions of the Federation Constitutional Court. Croat enclaves in Central Bosnia are recognised as legal institutions in their own right, which pay taxes and social security contributions directly to Mostar and which, according to the company statutes, are shareholders in the electricity utility *Elektroprivreda Herceg-Bosna*.[13] Croat municipal offices retain Herceg-Bosna symbols and titles.[14] Even Croat parts of Bosniac-majority municipalities maintain separate structures. In Doljani and Sovici, two strategically important Croat villages in the municipality of Jablanica, a single public building houses the HVO, the police, a Mostar-financed health centre and school, and a separate "municipal" administration.

Political rhetoric from HDZ leaders about further "cantonisation" is therefore deceptive. The core of this strategy is to divide formally the last "mixed" Bosniac-Croat cantons, which are in practice already divided, and then join all Croat territory together in a single entity. This ambition is supported by a continuing policy of ethnic engineering, encouraging Croats to abandon their homes in Central Bosnia and Posavina and relocate permanently to the Croat strongholds in Southern Hercegovina. In the past year, the HDZ has begun construction of

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[11]   ECMM Report, May 1996; Chief of HDZ Mostar, Jadranko Topic.

[12]   See for example the invitation to the third session of the Co-ordination of Governors/Deputy Governors and Presidents/Deputy-Presidents in Vitez, 15 March 1999, sent out by Federation President Ivo Andric Luzanski.

[13]   This company has several shareholders which do not legally exist, including the "Municipality Mostar" (in fact, there is a city of Mostar with six municipalities), the Municipality Uskoplje (the HVO-controlled part of Gornji Vakuf), and so on. Despite this, the company received substantial international reconstruction aid and credits from the World Bank. *Statut javnog poduzeca elektroprivreda hrvatske zajednice Herceg-Bosne d.o.o. Mostar*, Mostar, travnja 1998, page 10.

[14]   In the municipal building in Jajce, the signs on the office doors as at August 1999 state: "Croat Republic of Herceg-Bosna, Jajce government" (poglavarsto Jajce).

more than 1,500 new houses in the strategic Stolac and Capljina municipalities for Croats from Central Bosnia who agree to relocate. It has offered unrelenting resistance to the return of Bosniac and Serb displaced persons to Hercegovina, refusing to begin implementation of the housing laws. In Stolac and Capljina, not a single decision on a return claim has been issued in accordance with the Federation property laws until today. Where displaced persons return to reconstruct their damaged housing, they are not allowed to reconnect to public infrastructure. Using soldiers in civilian dress or the veterans' associations, the HDZ has been clearly identified as responsible for organised violence against minority returnees.[15]

The independent functioning of Herceg-Bosna is possible only because of financial support from Croatia, in particular from the Ministry of Defence. The amount of these transfers is not reported to the Croatian parliament or reflected in any official budget, but is clearly very large.[16] According to a recent report from the Organisation for Security and Co-operation in Europe (OSCE), the HVO received some 142 million DM from the Croatian Ministry of Defence, which was spent on undisclosed "operational costs". The pension and education systems, as well as the salaries of Croat politicians and military officers, receive significant subsidies from Zagreb.

The HDZ appears from the outside to be an extremely disciplined and unitary party. There is no real division between the civilian and military leadership, and one could equally describe the HDZ as the political wing of the HVO, or the HVO as the army of the HDZ. Since 1998, power in the HDZ has been concentrated among a relatively small number of individuals linked to the logistics arm of the HVO, who now hold key positions in the party, the military and the management of socially owned enterprises and social services. These include Jelavic, an HVO member and former Federation Minister of Defence, General Stanko Sopta, who was suspended on the order of SFOR in August 1998, and Mijo Brajkovic, former Mayor of West Mostar and presently director of the aluminium plant in Mostar. The leadership maintains close personal contact with politicians in Croatia, particularly the powerful faction which originates from Hercegovina. Foremost among these are Croatian President Tudjman's two closest advisors on Bosnian Croat affairs, Croatian Deputy Minister of Defence Ljubo Cesic-Rojs and Domestic Affairs Advisor Ivic Pasalic. Both have played a growing role in decision making within the Bosnian HDZ following the rise of Ante Jelavic to the party presidency. According to Western sources, numerous companies in Hercegovina where Cesic-Rojs is a member of the board are fronts for HVO and Croatian intelligence. All these individuals are also linked to the most important financial institution of Herceg-Bosna, the Hercegovacka Banka.[17]

Following Ante Jelavic's election as party president in May 1998, he carried out a purge of Croat personnel in key Federation and municipal institutions. Croats who had shown themselves to be co-operative with the international community on issues which touched the fundamental interests of Herceg-Bosna were replaced. Anyone demonstrating obstructionist credentials was promoted. This pattern continues, with periodic attempts to "cleanse" the police, the army, cantonal ministries and other public institutions, particularly those in customs and tax administrations where international reform is beginning to show results. The party maintains tight control over its functionaries. Thus, on 16 July 1998 HDZ Secretary General Marko Tokic wrote to all municipal and cantonal boards of the HDZ: "I order that

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[15]   See UN IPTF, Policing Response to the Jajce Incidents, September 1997.

[16]   An official figure of 690 million kuna given by the Croatian Government in 1998 certainly represents only a part of the sum.

[17]   In September 1999, Ivica Karlovic, the former Chief of Finance in the Ministry of Defence became director of the Bank: Globus, 24 September 1999.

cantonal and municipal HDZ officials follow these instructions when communicating with international community representatives….. Cantonal officials should by in all cases require the presence of an official from the HDZ Central Office when having a meeting with representatives of any international organisation's central office

The most extreme element within the Croat power structure is the veterans' association HVIDRA. Founded by indicted war-criminal and honorary chairman Mladen Naletilic, known as "Tuta", it has begun to play an increasingly prominent role since Jelavic became party leader, mobilising crowds in protest against minority returns and the implementation of the property laws, and threatening Federation tax inspectors and financial police in HDZ-controlled areas. HVIDRA controls various funds intended for veterans' and invalids' benefits, and is reputed to be a substantial property holder. There is evidence to suggest that it controls the allocation of Bosniac apartments in West Mostar.[18] As well as being a powerful institution in its own right, HVIDRA is used by the HDZ for extremist rhetoric and strong-arm political tactics.[19] This allows the leadership to adopt a more moderate rhetorical tone for the benefit of international observers whenever expedient, while leaving HVIDRA to threaten political opposition.[20]

In sum, the HDZ is an anti-Dayton political party, whose goals and strategic interests are fundamentally opposed to those of the international community. Its conduct and its rhetoric remain entirely consistent with its war-time aims of Bosnian Croat independence. At the same time, its drive towards maximising Croat autonomy also serves as a strategy for maintaining its own political power, often at the expense of the people it purports to represent.

However, in recent times the HDZ-HVO structures are showing signs of a growing instability. The flow of funds from Croatia appears to be diminishing, putting strain on Herceg-Bosna institutions. Recently, the hard-liner Ivan Bender was appointed head of the Mostar pension fund and began to campaign for Croat municipalities to pay their outstanding contributions. In Canton 10, problems of economic mismanagement have compounded a fiscal crisis, eroding the unity of the cantonal HDZ which split fighting over diminishing resources. Already in 1998 Croat displaced persons in Drvar protested against the HDZ for failing to meet its promises. The 1999 school year started with a shortage of Croatian school textbooks. There are increasing problems with financing separate media and paying public service and military salaries. Certain prestige building projects in Mostar have been halted, as has the construction of new Croat housing in Southern Hercegovina.

There are also many reports on the strength of organised crime in the Mostar area, controlling trade in stolen cars from Western Europe, cigarette smuggling from the East, and over the last year, a thriving arms trade into Kosovo. Local commentators suggest that, having used these illegal networks for military and economic ends during the war, the HDZ in some parts of the country is now hostage to the criminal underworld, both because of threats of violence and for fear that the war-time role played by key HDZ figures will become public. This makes the HDZ impotent to tackle the most pressing social problem in its territory, to collect taxes and

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[18]   In July 1999, HVIDRA director Zoran Prskalo issued a document stating: "We annul the Decision on use of the apartment.… We are kindly asking you to vacate the apartment within a period of one week and to bring the keys to the HVIDRA Central Office in order for us to avoid undertaking any other measures."

[19]   See for example the open letter issued by HVIDRA on 23 June 1999, protesting against implementation of property laws: "For the last time we are warning the relevant institutions, courts, ministries and police that we shall use all means to protect war invalids, even means which are not befitting for Hvidra".

[20]   According to the former Director of the West Mostar Pension Fund, Bozo Misura, Jelavic told him in February 1998 that unless Misura transferred a lump sum of 5 million DM from the Fund to HVIDRA's account, Jelavic "would burden him with HVIDRA and the other associations". Globus, 14 August 1998.

establish even a semblance of a state of law. The underlying weakness of the Herceg-Bosna institutions is becoming more apparent as external support is reduced.

In a key speech in Capljina in October 1998, Jelavic himself acknowledged the problem, and accurately described the political role played by the Bosnian HDZ: "Assistance from Croatia is something that we cannot survive without, and we thank President Tudjman for making that clear, explicitly and resolutely, to the international community. We from the HDZ are responsible for diverting that assistance from the Republic of Croatia to settle pensions, invalid benefits and other compensation for the victims of the Homeland War." If political and economic developments in Croatia make this support unreliable, the parallel structures of Herceg-Bosna would no longer be able to function effectively.

B.   Republika Srpska

During the war, the SDS leadership had two explicit objectives: to establish an ethnically pure Republika Srpska in the largest possible portion of the territory of Bosnia; and to prepare Republika Srpska for unification with Serbia. By 1995, these objectives had been achieved to the maximum extent possible by military means, and were institutionalised in the Dayton Agreement through the autonomy of the Serb Entity. However, the power structures in Republika Srpska were inherently unstable, and began to disintegrate following the loss of external support from the Federal Republic of Yugoslavia. By 1997, factional disputes within the Serb leadership had led to the collapse of the SDS party-state system and to a deep institutional crisis which continues until the present. As a result, the Banja Luka-based government of Milorad Dodik, and indeed the Republika Srpska Entity itself, is only viable with continuing international support.

By the time of the Dayton Agreement, the SDS war-time project was substantially complete. In the territory controlled by the Army of Republika Srpska (*Vojska Republike Srpske* or VRS), fewer than 2 per cent of the original non-Serb population remained, and almost all mosques, Catholic churches and other traces of non-Serb culture had been destroyed. Republika Srpska was economically and institutionally linked with the Federal Republic of Yugoslavia, using the Yugoslav Dinar as currency. Its payments system was linked to the central bureau in Belgrade, making it in practice one system. Public utilities, including electricity and telecommunications, were integrated with the Serbian system. All public services, in so far as they functioned, were segregated from the rest of Bosnia, and the school curriculum and textbooks were provided by Yugoslavia. SDS leader Radovan Karadzic, speaking before the Republika Srpska National Assembly in the spring of 1996, described Republika Srpska as "a state which the government bodies and citizens are bound to preserve and – at a favourable political moment – integrate into the motherland Serbia, that is, Yugoslavia".[21]

Power in Republika Srpska was held by a small group of war-time leaders, most notably the SDS party leaders Radovan Karadzic, Momcilo Krajisnik and Biljana Plavsic, who centralised key ministries and public institutions in the area of eastern Republika Srpska between Bijeljina and Pale. Demobilised soldiers and para-militaries were organised into special police forces, operating throughout Republika Srpska as a private security service of the Pale leadership. The SDS leadership controlled the lucrative black market trade in alcohol, cigarettes, fuel and coffee, through a network of companies based in Pale and Bijeljina. Local SDS party leaders exercised tight control over local economic activity, and corruption was

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[21]   UNMIBH, Bosnian Serb Radio News Summary, 1 April 1996.

endemic. The autonomy of these power structures was maintained through an aggressive ideology of isolation, which included not only a refusal to permit minorities to return to Republika Srpska, but also a rejection of foreign assistance.

However, it is now apparent that these power structures were always unsustainable, and without the context of a "Greater Serbia", were founded on an illusion. They consisted of several phantom institutions with no identified source of revenue, such as the "Serb Sarajevo" urban development project, or the Serb Sarajevo University. Transfers from Yugoslavia had already begun to decrease by the time of the Dayton Agreement, as a result of the split between Slobodan Milosevic and the Pale leadership, and decreased rapidly with the economic decline of post-war Serbia. Economic activity in Republika Srpska, other than black market trade, was at a standstill, and poverty became endemic, exacerbated by the fact that many thousands of urban Serbs from Federation cities were relocated to villages and rural areas. At the same time, the corruption of the Pale leadership, using misappropriated public funds and profits on criminal activity to pay for their own security services, became increasingly blatant, contrasting starkly with the poverty of ordinary Serbs. Following its military losses in 1995, the morale of the VRS was low. The indictment of key members of the Pale leadership by the International Criminal Tribunal for Yugoslavia (ICTY), together with their removal from formal positions of power and enforced international isolation, also affected public morale.

The weakness of the SDS power structures led in 1997 to the defection of Biljana Plavsic, Karadzic's successor as President, and the relocation of the capital from Pale to Banja Luka. If there was a motivation for Plavsic's coup beyond political opportunism, it seems to have been concern about the viability of an internationally isolated Republika Srpska, bearing in mind the fate of the Serb Krajina Republic in Croatia. Plavsic's speeches during 1997 reveal an awareness that, without Milosevic as patron, Republika Srpska was dependent on the international community for economic and military security. Plavsic sought to gather public support by naming the figures in the SDS responsible for corruption. She described the way the SDS party-state functioned: "A part of the population are not paying customs, they are not paying taxes, they are robbing the state. This is why you have no salary, no pension… I would no longer allow phone calls telling the judges what to do. I would not disconnect electricity when somebody says something unpleasant about me."[22] Overall, the Republika Srpska public remained largely passive during this struggle.[23] Plavsic relied heavily on international assistance to accomplish her coup, including at times physical protection. Importantly, the VRS played no significant role in these events, and Plavsic was able to appoint her own people to the military command.[24]

Since then, the international community has based its Republika Srpska political strategy on strengthening the loose anti-Pale coalition in the National Assembly (Plavsic-Dodik), and maintaining the political isolation of the SDS. International reconstruction aid was offered to

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[22]   Extract from a public speech by Plavsic on 7 July 1997 in Banja Luka

[23]   The one serious challenge which Pale mounted in September 1997 relied on reinforcements brought in by the Serb Radical Party from Serbia, and stopped by Plavsic's police with the support of SFOR before entering Banja Luka. A similar public indifference attended Poplasen's attempt to organised public resistance to his dismissal by the High Representative, and also the SFOR arrests of indicted war criminals in Prijedor, Zvornik and Foca.

[24]   On 20 June 1997, the Head of the General Staff of the VRS, Pero Colic, announced: "The armed forces will fulfil their moral obligation to defend Republika Srpska, and implement decisions of the authorised state institutions." Colic was shortly afterwards dismissed by Plavsic. Since then, a number of high-ranking VRS members, including the Chief of Staff who sided with Plavsic, have been arrested on behalf of the ICTY, with no real reaction from the army, showing its decline in political influence.

Republika Srpska in significant quantities for the first time. International officials campaigned in subsequent elections in support of Plavsic and Dodik, informing the Serb public explicitly that international aid would not continue if the SDS returned to power. In 1997, international organisations successfully wrested control of Serb Radio-Television away from Krajisnik, backed by SFOR operations against television transmitters. Police loyal to Plavsic were assisted by SFOR in dismantling smuggling operations controlled by her political opponents. When Plavsic lost the Presidency to Nikola Poplasen, leader of the Serb Radical Party, in the September 1998 election, the High Representative manoeuvred to weaken and then dismiss Poplasen.

The isolation of a war-time nationalist regime by local actors with international support has been one of the most significant developments of the peace process. However, the deep institutional crisis in Republika Srpska which precipitated these developments has not been resolved. The Dodik government remains extremely weak. It holds a slender majority in the National Assembly, dependent on Bosniac representatives. The parliamentary majority does not confer real authority, both because the Assembly itself is largely powerless, and because there is no genuine co-operation with the Bosniacs, who are excluded from the government and institutions of real influence (such as public corporations) and support Dodik only because of strong pressure from the international community. Dodik has not had the financial resources or the authority to build effective bureaucratic institutions at Republika Srpska level. Lack of economic activity and a weak fiscal system means the government has little tax revenue. It cannot maintain an effective military force. It has no budget to repair or improve public infrastructure. It has reneged on promises to build new housing for displaced Serbs. Public sector salaries and pensions are being paid months in arrears, if at all. In the past months, delegations of citizens from Srebrenica and other towns have been going to Banja Luka to plead for relief from the catastrophic economic situation.[25] Because it is powerless to stop the deterioration of living conditions, the Dodik government is unable to attract public support.

As a result, power has by default been decentralised to the municipal level, where it remains in the hands of war-time leaders and local power structures. Many municipal authorities are still controlled by the SDS and SRS, although they are not necessarily more obstructive than those nominally loyal to Dodik. Local authorities negotiate directly with the international community. They support or obstruct international programmes depending on the state of local politics and their dependence on external support. In Modrica, for instance, where the local leadership has been in place since 1990 and is in full control of the local economy, internationally reconstructed houses have been vandalised, and assessment visits by minorities are met with organised resistance. Even in Banja Luka, the power base of political moderates, there has been no progress in minority return, nor on important symbolic matters such as the reconstruction of destroyed mosques. The presence of candidates representing displaced persons in municipal assemblies has had no measurable impact on the way local regimes function.

It is ironic that Republika Srpska, the end product of the Bosnian Serb war-time project, is now heavily dependent on the international community for its continued survival. Only direct budgetary support from foreign States enables the Dodik government to maintain its current, inadequate bureaucratic structures. Of its 1998 budget of KM 442 million, 76 million (17 per cent) came from foreign grants and credits. This contrasts with KM 62 million in international support towards the Federation budget of 718 million (9 per cent), even though

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[25] Press conference in Banja Luka by Dragan Jeftic, Vice-President of Srebrenica Municipality, 22 September 1999.

the Federation budget excludes health care and education, which are Cantonal competence.[26] The presence of SFOR troops, particularly in strategic locations such as Brcko, offers Republika Srpska military protection against the two Federation armies, now far stronger than the VRS. Perhaps most importantly, the Dayton Agreement and its constitutional structure preserves Republika Srpska autonomy, guaranteeing its territorial integrity and allowing the remnants of the SDS-built power structure to qualify for international assistance.

This analysis highlights the urgency of an institution-building strategy in Republika Srpska. By focusing only on power struggles and personalities within Banski Dvor, the seat of Republika Srpska institutions in Banja Luka, the international community has overlooked the structural crisis. While Dodik has been kept in power through a variety of artificial means, the central institutions have continued to deteriorate. There has been no attempt by the international community to build the structures that Dodik would require in order to govern the Entity effectively, or to implement the Dayton Agreement. If international support were to be withdrawn, the process of decentralisation of power to local warlords would accelerate, and the normalisation of political life in Republika Srpska would be retarded indefinitely.

This analysis also highlights the disturbing question of whether the international community is propping up a structure which is itself the source of the problem. Republika Srpska's position within the Bosnian constitutional structure presupposes continued ethnic separation and Serb political autonomy. It is now clear that, without support from Yugoslavia, Republika Srpska is not viable as an independent political unit. If the international community were to achieve its reform agenda – opening Serb areas to minority return, creating a democracy in which absent displaced persons and refugees are truly represented, and making Bosnia into a single economic space – the structure of Republika Srpska would be clearly inappropriate. The issue of whether the weakness of local power structures creates an opportunity to transfer functions to the Bosnian State to increase its viability will be considered later in this series of papers.

C. ABiH-controlled Areas of the Federation

The Bosniac power structures in the areas controlled by the ABiH[27] and the SDA-led *Coalition for a United and Democratic Bosnia* are more complex and less unitary in nature than those in Croat areas. It is therefore more difficult to offer a general analysis. Its war history and its strategic interests have led the SDA to support the State of Bosnia, and therefore to co-operate more consistently with the agenda of the international community. The SDA exhibits a greater diversity of opinion within its ranks than the other nationalist parties, and includes voices supportive of Dayton implementation as well as xenophobic elements. The isolation of Bosniac pockets from each other during the war led to the development of localised power structures which are formally part of the SDA, but operate with a high degree of autonomy. As a result, the central SDA leadership is not always able to control cantonal and municipal authorities, which may be as obstructive as those found in Croat- and Serb-controlled areas. Analysis of the evolution of Bosniac power structures shows that fragmentation of central authority can have contradictory effects: towards encouraging political pluralism, but also towards replicating authoritarian power structures at a local level.

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[26] USAID, BiH Economic Update, 1999 – first quarter, 22 April 1999, p.25.
[27] The Army of Bosnia and Herzegovina (ABiH) has evolved from a multi-ethnic army at the outset of hostilities in 1992 into a mainly Bosniac army.

Some foreign observers avoid this complexity by attributing a false equivalence to the three nationalist parties, in the name of impartiality. Others interpret Bosniac politics only from the perspective of their war-time status as the sole defenders of a multi-ethnic ideal. Both generalisations are misleading.

Most of the leaders of the SDA remain committed to preserving the integrity of the State of Bosnia. Despite the radicalising effect of the war, the party leadership continues to reflect in certain quarters the multi-ethnic ideal which was prevalent in civil society in Sarajevo and Tuzla at the outset of the war. More importantly, its support for the Bosnian State is driven by strategic considerations. It retains a fear of collusion between Croatia and Serbia in pursuing their territorial ambitions, and of being corralled within a partitioned state. To most of its leaders it remains preferable to take the benefits of international support, in the expectation of establishing itself as the majority community within a multi-ethnic state. The Bosniac public also retains a powerful wish to regain the Bosniac-majority areas lost during the war, particularly in the Drina valley. A key element of the SDA agenda is therefore a return to the pre-war dispersal of the Bosniac population throughout the territory of Bosnia.

At the same time, the SDA leadership is wary of getting too far ahead of the Croats and Serbs in the implementation of the peace process, for fear of losing its independence and compromising its bargaining position. There is a tendency on the part of the SDA leadership towards double standards, such as insisting on the return of Bosniacs to eastern Republika Srpska while refusing to allow free return of Serbs to Sarajevo. While it is generally safe for Serbs and Croats to return and live in Bosniac-controlled cities, they will face widespread discrimination in finding employment or establishing a business. As a result, while implementation of the Dayton Agreement is more advanced in Bosniac areas, it often occurs only at the pace permitted by the SDA. All these factors make the policies pursued by Bosniac leaders more difficult to predict than those of their Serb or Croat counterparts.

At the centre of the SDA power structure is the person of the party-founder and war-time Head of State Alija Izetbegovic, who has cultivated a Tito-like image as war-time protector of his people. His personal influence continues to be substantial, and is perhaps the most important unifying factor in the SDA. Other individuals have also built up strong power bases, including Federation Prime Minister Edhem Bicakcic, who controls the lucrative public utility companies. These individuals are at the top of a hierarchy which still closely resembles the post-communist power model described in the first part of the paper. The SDA retains tight control over public institutions through the selection of personnel, continues to exercise political direction over socially owned companies, and controls the allocation of housing. It is particularly skilled at offering support to international reform programs while at the same time manoeuvring to retain its power base. Thus, in preparing for the process of privatisation in Bosniac areas the SDA has planned to retain control of strategic assets through the use of privatisation investment funds set up by its veterans associations.[28] The SDA retains a powerful internal surveillance capacity through its intelligence agency, the Agency for Information and Documentation (AID), an illegal parallel institution funded through undeclared income from public utilities. It also relies on Bosniac veterans associations and disbanded paramilitary groups, such as the Green Berets, which continue to be influential at local level in parts of Central Bosnia.

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[28]   The first Privatisation Investment Fund, SIB-ARINVEST dd Sarajevo, was established by the BiH Alliance of Military War Invalids, and licensed by the Federation Commission for Securities on 6 October 1999. Alija Izetbegovic announced that he would provide the first DM 1 million in capital, and informed Bosniac veterans that it was their "patriotic duty" to invest their privatisation vouchers in the Fund.

The SDA retains the links to Islamic states which were developed during the war to break the arms embargo, although the extent of continuing support through these channels is not known. The individuals responsible for co-ordinating external support to the Bosniac military during the war remain influential. An important faction is led by the former Deputy Minister of Defence, Hasan Cengic, who was obliged to resign his position in 1996 as a precondition for the US-sponsored Train and Equip programme for the Federation armed forces, because of his war-time links with Iran. Cengic continues to play a prominent role in the party and the Federation parliament, has an important political network in the SDA-controlled Cantons and has built up a private business empire. There are also a number of Mujahedin communities still present on Bosnian territory, particularly in Zenica-Doboj Canton around Maglaj and Zavidovici. Although the numbers of Mujahedin are not large, their psychological effect in intimidating SDA opponents is substantial. There are also other active political organisations which are specifically Islamic in character, including the Active Islamic Youth and radical sections of the clergy, who exercise some political influence in Central Bosnia and other areas. However, these are more nationalist than religious in character, and there is no indication of a general rise of Islam as a political force in Bosnia.

The development of Bosniac power structures during the war has led to a complex regional structure. Certain pockets were isolated before a centralised Bosniac political and military command had been established. These formed their own citizens' militias, which were subsequently incorporated into the ABiH, but retained a degree of autonomy. Local power structures formed around war-time leaders, who became SDA strongmen. Examples include the Veladzic family in Bihac, the former Mayor of Bugojno, Dzevad Mlaco, the dominant Bosniac Mayor of East Mostar, Safet Orucevic, and a range of groups in the war-time enclaves of Central Bosnia (Travnik, Visoko, Tesanj, Maglaj). On this level, obstruction to implementing the provisions of the Dayton Agreement is substantial. Power structures in Sarajevo and Tuzla each retain a quite separate character. In Sarajevo, despite the enormous exchange of population, remnants of the pre-war civil society survived, offering a constituency for more moderate political forces, both within the SDA and in SDA coalition partners, such as Haris Silajdzic's Party for Bosnia and Hercegovina (*Stranka za Bosnu i Hercegovinu* or SBiH) and in the opposition Social Democrats. Tuzla retains the only important, non-nationalist administration in the country, under the strong leadership of the charismatic Social Democratic Mayor Selim Beslagic. However, in both Sarajevo and Tuzla, prominent communities of rural Bosniacs displaced from eastern Republika Srpska provide a power base for the SDA. The party, while remaining ideologically committed to work for their return, also serves them by helping them retain control of minority housing, thus undermining the rule of law and the return of refugees.

On the whole, there is a higher level of responsible governance in Bosniac areas, and signs of institutional weakness are less pronounced. There is a degree of dispersal of power among independent institutions. The judiciary and administrative authorities in Sarajevo responsible for implementing the property laws have become less responsive to SDA political pressure. The Federation Financial Police have begun to challenge public corruption within SDA-led cantons, although they lack the resources to deal effectively with the problem.

As with Republika Srpska and Herceg-Bosna, the Bosniac power structures remain heavily dependent on support from the international community. Key public services, such as the judiciary and police forces, are severely under-resourced, and ill-equipped to deal with the growth of organised crime. While the level of direct budgetary support is lower than in Republika Srpska, international reconstruction assistance makes up a large part of economic activity. In addition, the presence of so many international organisations, paying generous

local salaries and spending freely on apartment rental and consumables, provides an enormous boost to the economy in Canton Sarajevo. The communist bureaucratic structures remain ineffective to deal with pressing social and economic problems.

VI. IMPLICATIONS FOR INTERNATIONAL STRATEGY

This study of how nationalist power structures function in post-war Bosnia carries important implications for international strategy. Some of these will be mentioned briefly here, and others discussed in more detail in the following two papers in this series.

First, the prevalence of nationalist rhetoric in Bosnian politics should not deceive the international community into believing that hostility between the ethnic groups is the principal obstacle to the peace process. All ruling parties use national rhetoric to a greater or lesser degree to isolate and repress alternative political voices, and justify their own rule. This is equally true of internationally supported "moderates", such as the Dodik government in Republika Srpska. Although post-war reconciliation is a real issue, it is a long-term aspiration which is less urgent than dealing with the dysfunctional political and economic systems that exist within each ethnic group.

Second, the nationalist regimes in Bosnia have built power structures which incorporate the legacy of communism, and which depend on war-time social, political and economic conditions. They work to sustain these conditions, in order to preserve their own power. Their strategic interests are therefore fundamentally opposed to those of the international community. Even though many of the reforms promoted by the international community seem manifestly in the public good, and may in fact have widespread popular support, they will meet with resistance from the nationalist parties for as long as the underlying strategic conditions remain in place. Oligarchs are not easily beguiled by foreign assistance into dismantling their own regimes.

Third, if resistance to the international agenda is a product of structural features of the post-war environment, then international strategy based on seeking out political moderates is addressing only a superficial aspect of the problem. Because the international community has become a powerful ally in the path to political power, those who wish to enlist its support will obviously be more moderate in their rhetorical tone. However, the key political battles concern control over power structures which are themselves the source of the problem. If internationally supported "moderates" and opposition parties were to achieve electoral success, there is no reason to expect that they would by themselves be able to carry out the required structural reforms. Even if they were disposed to attempt a reform agenda, it would be resisted by powerful vested interests and undermined by the overall governance crisis. This is one lesson of the international experiment in promoting the Dodik government in Republika Srpska.

Fourth, international strategy must begin from the current reality of power in Bosnia. Much international strategy to date has been directed at building institutions which, for the reasons outlined in this paper, exercise no effective power. This is particularly the case for the joint institutions at State level, which enjoy no support from the Croat and Serb participants. Working directly with the institutions – mediating disputes, building administrative support – will not of itself accomplish a shift in power away from the nationalist regimes. Using the authority of the High Representative to prop them up or bypass them when they become deadlocked also fails to address the real problem. International strategy must become targeted at dismantling the existing power structures. There are precedents, including the international

campaign against the Karadzic SDS faction. The international community must study the methods by which the nationalist regimes sustain their power, and use its authority to disrupt these systems. Only in this way will the space be created for successful democratisation and institution-building programmes.

By directing its attention to the structural problems, the international community can begin to work towards "Bosnian ownership" of the peace process. The problems of Bosnia cannot be successfully addressed without the commitment of local people and institutions, working in partnership with the international community. However, it is clearly unhelpful to talk of handing over responsibility for building a State, reintegrating the ethnic groups or modernising the economy to power structures fundamentally opposed to these programmes.

The final and perhaps most important lesson which emerges from this study is that, while the national regimes remain influential enough to block international programs, they are far from stable. Bosnia is entering into a deep crisis in governance, which for the moment is masked by international support. This crisis is furthest advanced in Republika Srpska, which has suffered from the collapse of its principal institutions, but is also becoming apparent in the Federation. Without their international sponsors, the nationalist regimes do not have the institutional capacity to deal with the many pressing problems of post-war Bosnia, and will suffer from increasing levels of public discontent. However, the weakness of the nationalist regimes is not leading to political pluralism. Instead, the threats to their power are factionalism, institutional decay, organised crime and social disruption.

The weakness of the nationalist regimes offers both a risk and an opportunity to the international community. There is a growing constituency for fundamental change in Bosnia, which the nationalist parties are less able to resist over time. The challenge is to build new institutions capable of taking on responsible governance before the old structures collapse. A withdrawal of international support before this is achieved could bring disastrous consequences. The remaining two papers in this series will be directed towards the development of new strategies and the analysis of the necessary structural changes required in international institutions to effectively implement them.