
POLITICAL STABILITY AND ECONOMIC PERFORMANCE IN THE POST-DAYTON BOSNIA, 1997-2006

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ABSTRACT

This paper examines political stability and economic performance of the Bosnian political system in the post-Dayton period and is primarily based on statistical figures released by the United Nations Development Program (UNDP) and state institutions. Study shows that people's confidence in the work of the main legislative and executive institutions in the country is relatively low and that their confidence varies from one ethnic group to another. Furthermore, political attitudes of the elected representatives were non-conciliatory and, therefore the country was characterized by constant institutional instability. At the same time, the country enjoyed a high level of political stability, however, only due to the huge presence of the international community, which secured the country from the escalation of political representatives' disagreements into military confrontation.

Key Words: *Bosnia and Herzegovina, Dayton Peace agreement, political stability, institutional instability, economic performance, political confidence.*

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ÖZET

DAYTON ANLAŞMASI SONRASINDA BOSNA'DA POLİTİK İSTİKRAR VE EKONOMİK PERFORMANS (1997-2006)

Bu makale, Dayton anlaşması sonrasında Bosna'nın politik sisteminin politik istikrarı ve ekonomik performansını Birleşmiş Milletler Kalkınma Programı ve Bosna devlet kurumlarının verilerine dayalı olarak incelemektedir. Çalışmada, bu ülkede toplumun temel yasama ve yürütme organlarının işleyişine olan güveninin görece olarak düşük olduğunu ve bu güvenin etnik gruplar arasında farklılık gösterdiğini iddia etmektedir. Ayrıca, seçilmiş temsilcilerin politik açıdan uzlaşmadıklarını ve bu yüzden ülkeyi politik istikrarsızlığın karakterize ettiğini ileri sürülmektedir. Ancak aynı zamanda ülkeyi askeri çatışmadan kurtaran uluslararası kurumların varlığının bu ülkeye ileri düzeyde bir politik istikrar kazandırdığı ifade edilmektedir.

Anahtar Kelimeler: *Bosna ve Hersek, Dayton Barış Antlaşması, politik istikrar, kurumsal istikrar, ekonomik performans, politik güven.*

INTRODUCTION

Political and economic development typically involves working within the given political and economic framework in order to provide stability and growth. Political and institutional stability is typically described in terms of the absence of violence, governmental longevity, the absence of structural changes. Legitimacy and effectiveness determines, to a large extent, country's economic development. Economic development reflects country's process of capital accumulation, rising per capita income, increasing skills in the population, inflows of foreign direct investment (FDI) and other related social and economic changes.

Bosnian post-Dayton reconstruction has required drastic changes to the pre-war political, economic, social and security sector. The main goal of its reconstruction has been a major shift of the ideology and

operations of the political structure. One of the important factors for a government to function and perform well in a multiethnic society such as Bosnia is consensus and accommodation among the elected political elites who represent various segments of the society. In the Bosnian context the segmented identity deepened during and after the three and a half year long Bosnian conflict. During post-Dayton Bosnia, for the first time in the history of the country, these segments became territorial and politically institutionalized. Bosnian political elites, however, have not been able to reach political consensus on most of the things, which are of the utmost importance for the normal functioning of the state. The absence of consensus about the state itself and absence of consensus regarding the political arrangement of the state are the two most important elements that obstruct political elites' accommodative politics. Thus, Serbs and most of Croats do not consider Bosnia as their state and they would use any opportunity to secede and join their neighboring countries, Serbia and Croatia respectively. As a result of this, country has been suffering from institutional deficiency, political fragmentation, lack of the appropriate conditions for economic revival, significant dependence on foreign economic aid and due to institutional political instability country was not able to attract FDI that is necessary for opening new jobs and reducing very high unemployment rate.

The main purpose of this paper is to study and analyze the nature and intensity of political stability in post-Dayton Bosnia and country's economic performance in the post-Dayton period between 1997 and 2006. Political stability is defined in terms of the absence of violence, governmental longevity, the absence of structural changes and legitimacy and effectiveness of a government.¹ On the other hand macroeconomic indicators such as gross-domestic product (GDP), GDP per-capita, FDI, trade exchange, inflation rate and unemployment rate are taken into consideration in order to examine and analyze the country's economic performance.

¹ See Hurwitz Leon, *Contemporary Approaches to Political Stability, Comparative Politics*, Vol. 5, No. 3, pp. 449-463; Seymour Martin Lipset, *Political Man: The Social Bases of Politics*, London: Heinemann, 1983, pp. 64-86.

POLITICAL AND INSTITUTIONAL STABILITY IN BOSNIA AND HERZEGOVINA

For the whole period of the Dayton Peace Agreement (DPA) implementation, the country has not experienced any type of violence or conflict between the members of the three ethnic groups. This is very important taking into consideration the fact that the primary aim of the DPA was to stop the three and a half year long conflict.

During the first ten post-Dayton years, the country held four regular, free and fair elections at the state, entity, canton and municipality levels of authority. All governments chosen in those elections stayed in power until the end of their term. Therefore, there was no change of regime using violent means such as assassination, coups d'état, revolution, withdrawal of a party from the coalition, loss of a vote of confidence, voluntary resignation of the president or prime minister, etc. Along this line, there was not any structural change in the political system of the country from a democratically elected regime to dictatorship, authoritarianism or military government. Government representatives through the policies that they made and laws they passed were able to maintain the belief that the present and existing political institutions were the best possible ones.

The process of pacification and integration of Bosnia has been very slow. The outlines of political solutions, which could be established by implementation of the DPA could hardly be distinguished, and for this a prolonged assistance of the world community was necessary. Without it, nothing would have come out of the DPA. Even in the presence of agencies of the world community, actors in the conflict have been constantly avoiding control. There was still no free movement of citizens, no returning of the refugees, joint agencies were just formally constituted. The Croats and the Serbs believed that the creation of the integrated Bosnian state could be avoided, that entities would be able to

secede and that Bosnia as it has been since the DPA is just a “transit station” on the way to secession of entities.²

According to the UNDP Annual Report 2002, 34.1 percent of Bosnian Croats see Bosnia composed of three entities as their paramount interest while 16.5 percent of them would like to see Bosnia as a state of equal citizens and peoples. 35.8 percent of Bosnian Serbs would like to have Serb Republic as an independent state, while 26.9 of them would like to secede from Bosnia and join Serbia. Only 3.4 percent of Bosnian Serbs would like to live in Bosnia as a state of equal citizens and peoples. 57.3 percent of Bosniaks consider Bosnia as a state of equal citizens and peoples as their paramount interest. At the same time 22.9 percent of Bosniaks and only 1.4 percent of Croats and 1.5 percent of Serbs would like to see Bosnia as it was before the war.

Table 1.1.

Paramount Interest of Bosniaks, Croats and Serbs in Bosnia

	Bosniak	Croat	Serb
Paramount Interest of Croats - three entities		34.1%	
Paramount Interest of Serbs - RS as an independent state			35.8%
Paramount Interest of Serbs - secession of RS to Serbia			26.9%
Bosnia as a state of equal citizens and peoples	57.3%	16.5%	3.4%
Bosnia as it was before the war	22.9%	1.4%	1.5%

Source: UNDP Annual Report 2002, *Early Warning System*, 51.

Therefore, Bosnia remains a state without a nation, as almost no progress has been made towards fostering a sense of ‘Bosnianness’ among the country’s divided ethnic communities. The absence of any

² Carevic Mico, “Dayton Challenges: Dream about Secession,” *Aimpress* (March 22, 1997). Retrieved January 10, 2006. <http://www.aimpress.ch/dyn/trae/archive/data/199703/70322-004-trae-sar.htm>.

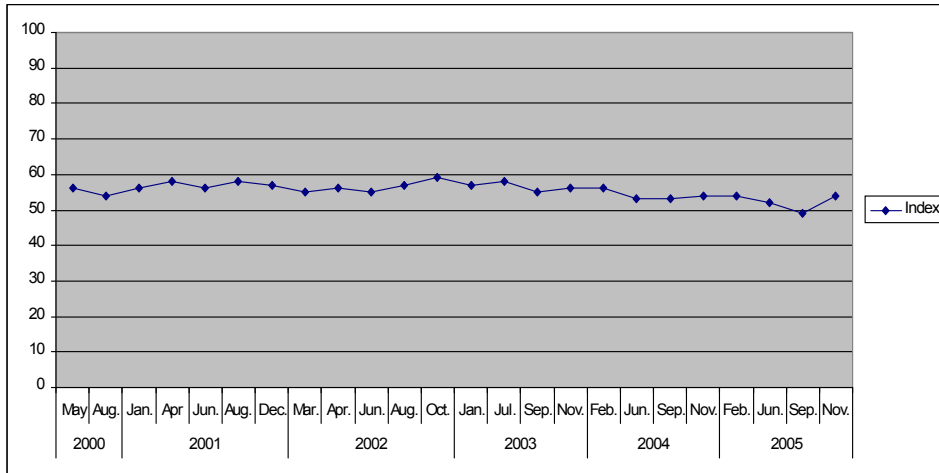
common attachment to the values, goals and symbols i.e. any form of ‘social glue’ holding post-war Bosnian society together has serious implications for the consolidation of Bosnian statehood.³

In such constellation of political events it is expected that Bosnia will suffer from various forms of political instability such as irregular changes of regimes, coups d’etat, frequent demonstrations, strikes, etc. However, since 1996, the country has been politically stable. The government has been functioning, regular and free and fair elections have been held and economic performance has been satisfactory taking into consideration the fact that the country had gone through a long and brutal conflict.

According to a study done by the UNDP which covers the period 2000 until 2005 it can be said that compared with the immediate post war situation there was an evident and very significant progress in political and institutional stability. To say that the country regressed would be incorrect, however, to say that there was a rapid progress would be incorrect as well. The truth is somewhere in between. The graph 1.1 shows that for the period 2000-2005 the country was quite stable.

³ Donais Timothy and Pickel Andreas, “The International Engineering of a Multiethnic State in Bosnia: Bound to Fail, Yet Likely to Persist,” (Unpublished paper), 17-18. Retrieved August 3, 2005. <http://www.trentu.ca/org/tipec/3donaispickel2.pdf>.

Graph 1.1.
 Political Stability Index for Bosnia 2000-2005

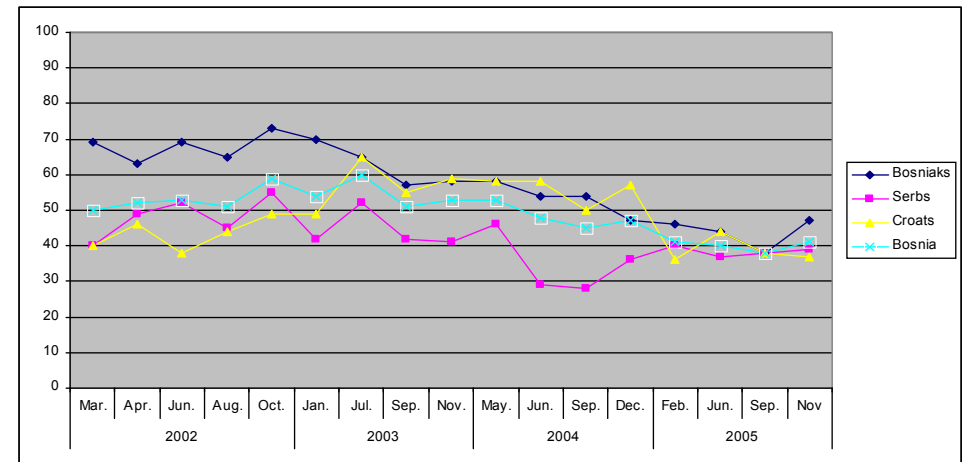


Source: United Nations Development Program, *Early Warning System Research*, Special Edition 2000-2006, 30.

It can be said that since the DPA was signed in 1995 until late 2005, the progress being made by the domestic political elites was slow and, so that, political and institutional stability compared with the progress made by other countries in the region (which are less affected by the war, have nonetheless gone through very difficult and turbulent processes of transition) and with what was expected, Bosnia does seem to be stagnating. In spite of the fact that in the process of the implementation of the DPA reforms were adopted in such areas as defense, the judicial system, public administration, yet, state-level structures such as council of ministers and parliament remained so weak that most important decisions could not be reached by political representatives. The ethnic factor was evident in all areas of public life and the real reintegration of society was yet to begin. Inability to reach consensus on any major social issue disappointed the public and affected the overall sense of political and institutional stability. Following this large percentage of the population claim that the political

situation in Bosnia was getting worse from year to year on one side and the number of those who supported, approved and had confidence in the effectiveness of the Collective Presidency, Council of Ministers and the Parliament diminished from time to another. The following graphs show the Bosnians' approval of the work of the executive and legislative branches of government.

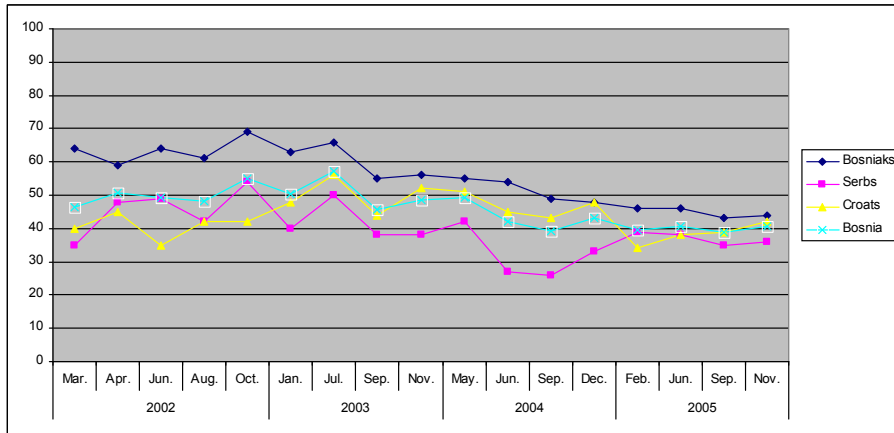
Graph 1.2.
 Confidence in the Work of the Collective Presidency-by Ethnicity



Source: United Nations Development Program, *Early Warning System Research*, Special Edition 200-2006, 37.

Graph 1.3.

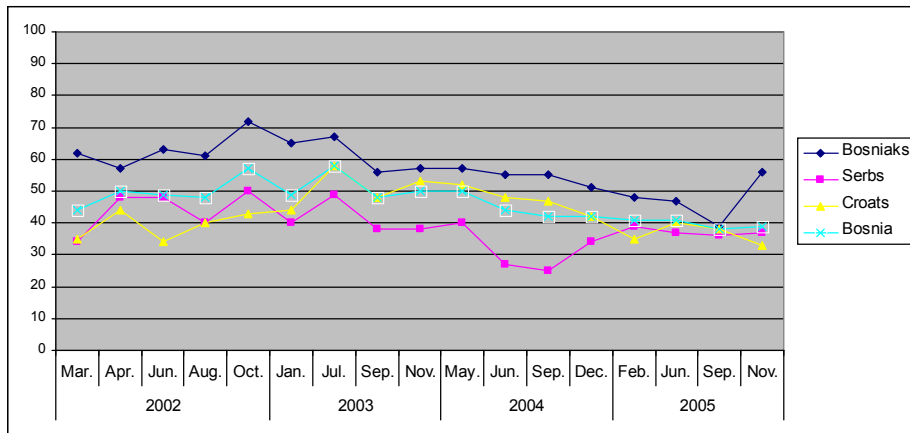
Confidence in the Work of the Council of Ministers-by Ethnicity



Source: United Nations Development Program, *Early Warning System Research*, Special Edition 200-2006, 38.

Graph 1.4.

Confidence in the Work of the Parliament-by Ethnicity



Source: United Nations Development Program, *Early Warning System Research*, Special Edition 2002-2006, 3.

Graphs 1.2, 1.3 and 1.4 clearly show that there was a constant drop in support of the work of the three most important state institutions as a result of total lack or pretty small delivery of social services and constant conflict and crises caused by the lack of consensus among the political elites. At the same time, these graphs show that, between the three ethnic groups, Bosniaks had the strongest confidence in the work of these institutions while Serbs expressed least satisfaction regarding the work of the government political elites. As a result of this the determining factors in political life in Bosnia continued to be ethnic politicking and the pursuit of particular and ethnic interests, rather than the country's or the general public's interest.

Since politicians tend to act as ethnic representatives, conflict between them turned into an element of ethnic disagreement. Therefore, any issue not being resolved by negotiation and consensus would eventually lead and result in a political crisis based on ethnic differentiation within the political elite. Unity behind ethnic lines, disregarding political differences per se, was very evident. This had negative impact on ethnic relations more generally and contributed to a growing sense of insecurity and distrust. Therefore, it can be claimed that inter-ethnic instability in the country had to be primarily related to the political crises in the country, which took place in a context of ethnicity.

Bosnia as a state whose basic principle is the protection and promotion of ethnic group interests could hardly produce a decision-making system very different from the one Bosnians had since 1996. Given the serious difficulty experienced in formulating political solutions in the post-Dayton Bosnia supports the fact that change of the present system depends on achieving domestic consensus, which has been lacking for the period between 1996-2006.

Bosnia and its people was a laboratory for the implementation of the DPA that neither the classical nor contemporary political history has witnessed. Namely, the post-war Bosnia functioned as a union of two autonomous and frequently contradicting entities, the governments of which are responsible for the making of all decisions relevant to the daily functioning of the state and its administrative agencies. De jure, the central government has minimal authority and, de facto, hardly

existed as an organized institution. The entities themselves differ significantly in the character and organization of their governance. Serb Republic is a highly centralized entity with all the signs of a classical state, but without internationally recognized independence. There are only two levels of government within RS, the central level and the municipal level. On the other hand, the Federation of Bosnia, although the relatively stronger entity in terms of its economy⁴, is burdened by an extremely fragmented political system, in which the path between the central and municipal levels of government is occupied by 10 cantons, which in fact have the largest authority in the decision-making process and developing respective budgets for their implementation.

Overall, the state apparatus in operation throughout Bosnia is overly massive, defined not professionally but ethnically, and despite a chronic lack of resources for its own functioning represents an enormous burden on the weak economy in Bosnia. The financing of the state takes up a total of 54 percent of the country's GDP, 30 percent of this amount being spent on the salaries of administrative officials.⁵ This is the result of the unique political system of the country, which has fourteen constitutions, the same number of governments and parliaments and 180 ministries and ministers. In comparison with the European average of one public official for every 2000 inhabitants, Bosnia employs one official of the state for every 500 inhabitants.⁶

The political system of Bosnia suffers from a lack of consensus among the political elites that represent the three dominant ethnic groups and was kept stable only by the massive presence of the international community in the country. Hence, despite considerable

⁴ According to World Bank Data, the GDP per capita in the Federation amounts to US\$ 1.453, while it amounts to US\$ 873 in RS. See PEIR, Table 1.3 *Key Economic Indicators 1990-2001*. According to the information of the EPPU, the 2004 average net salary was 272 Euro in the Federation and 216 Euro in the RS. 21 percent of the population in RS live below the poverty limit, whereas this percentage is 15 percent in the Federation. See *Bosnia and Herzegovina- The 2004 Economic Report*, 7 and 47-49. Retrieved July 18, 2005. http://www.eppu.ba/pdf/Economic_report_2004_2406_English.pdf.

⁵ An interview with Dirk Reinermann, Head of the World Bank mission in Bosnia, May 14, 2005. Retrieved September 8, 2005. www.worldbank.org.ba

⁶ A detailed review of the appropriation of funds for the salaries of officers of the state is available in the EPPU publication of *Bosnia and Herzegovina- The 2004 Economic Report*, 20.

progress that was achieved for the first ten post-Dayton years, a complete withdrawal of international forces from Bosnia would have threaten the survival of the system and the state. The lack of the elite accommodation and the effect of elite confrontation are revealed in an extremely high level of distrust among the political elites and continuous imposition of laws by the international community due to inability of domestic political actors to reach consensus on almost all those issues pertaining to the state institutions.

ECONOMIC PERFORMANCE IN POST-DAYTON BOSNIA

Bosnian three and a half year long war caused production to drop by 80 per cent from 1992 to 1995 and unemployment to soar. With an uneasy peace in place, output recovered in 1997-2006 at high rate rates from a depressed base. The konvertibilna marka (convertible mark or BAM)- the national currency introduced in 1998 - is pegged to the euro, and confidence in the currency and the banks and financial institutions and financial services sector has increased. Furthermore, successful implementation of a value-added taxation in 2006 provided a predictable source of revenue for the state and aided bring in gray market activity.

Bosnia's key economic indicators for the period 1997-2006 showed modest economic improvement. Thus real Gross Domestic Product (GDP) growth since 1997 averaged 10.4 percent per year and an average growth of GDP per capita was 13%. This is relatively high as a percentage, but unsatisfactory taking into consideration low post-war base. GDP is at approximately 60 percent of the pre-war level. In 2006, GDP per capita was only 4.657KM (2.238 Euro)⁷: 8 percent of the European Union (EU) average and around 50 percent of the average for candidates for EU membership (Bulgaria, Romania, and Croatia).

⁷ Central Bank of Bosnia and Herzegovina, Annual Report, 2005.

Table 1.2.
 Bosnia's Economic Indicators and Corruption Rate
 in the post-Dayton Period 1997-2006

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Nominal GDP (in millions KM)	6.562	7.439	8.604	9.433	10.480	11.650	12.170	12.980	14.7	17.9
GDP growth rate in %		13.7	15.6	9.6	11	11.1	4.5	5.5	8.9	13.7
GDP per capita (in KM)	1.562	1.759	2.022	2.209	2.759	3.043	3.151	3.377	3.824	4.657
Foreign Direct Investment (FDI) (in millions KM)	1.83	117.4	324.5	310.1	274.2	551.1	660.3	1.041,9	820.7	660.6
FDI inflows as % of GDP	0,03	1.62	1.77	2.74	2.1	4.05	4.56	7.08	5.65	5.9
Imports (in millions KM)	N.A	6.651	7.579	8.267	8.951	9.177	9.728	10.473	11.91 7	11.91 7
Exports (in KM) (in millions)	N.A	1.168	1.527	2.398	2.480	2.285	2.548	3.280	4.082	5.256
Trade Balance (in KM) (in millions)	N.A	-5.483	-6.052	-5.866	-6.470	-6.892	-7.180	-7.193	-7.834	-6.661
Coverage exports/imports in %	N.A	17.6	20.1	29.0	27.7	24.9	26.2	31.3	34.3	44.1
Inflation rate	N.A	N.A.	6.5	10.1	4.1	2.1	0.6	0.5	3.6	6.1
Unemployment rate	N.A.	N.A.	N.A.	39.7	40.3	40.9	42.0	43.2	44.6	31.1
Unemployment rate adopted for the grey economy	N.A.	N.A.	N.A.	N.A.	22.9	21.1	19.6	21.5	22.1	

Sources: Central Bank of BiH, available at: <http://www.cbbh.ba/index.php?id=36&lang=en>

In spite the fact that flows of FDI showed good results and that there was a major jump in 2004, when total FDI reached 7.08 percent of GDP⁸, however, FDI has been slower than hoped increasing in the first

⁸ United Nations Development Program, Early Warning System Research, Special Edition 2000-2006, 71-91.

ten years after Dayton. In the time between 1997 and 2006, Bosnia was able to attract around KM4.76 billion (approximately 2.9 billion Euros) in foreign investments. However, the number of investments in Bosnia is generally low compare to the other countries in the region. For the sake of comparison, during the same period, foreign investment in Serbia was 4.1 billion Euros and in Croatia was more than 13 billion Euros.

Official unemployment also rose. The labor market was in a very poor shape and there were few signs of progress. Adjusted to take the grey economy into account, the situation looked better, with unemployment estimated at around 20 percent. Trade indicators were extremely worrying. At more than 50 percent of GDP, the trade deficit was too high.

In short, since the signing of the DPA late in 1995 until the late 2006 the Bosnian economy saw progress regarding real GDP growth, industrial production, price stability and public finances and FDI flows. There was relatively little progress in foreign trade, with worryingly high deficits still evident. The only clear loser was the labor market, with official unemployment rising yearly on a regular basis.

To summarize the discussions thus far, it is found that the conditions favoring cooperation among political representatives did not exist in Bosnia. In fact, politicians were not cooperating and consequently they did not take major decisions affecting the society. People had less confidence in the system created by the DPA. Yet, the political system was stable. The country also made relative economic development. How does one explain this paradoxical situation? The answer to this puzzle is in the Office of the High Representative (OHR), which is discussed below.

OFFICE OF THE HIGH REPRESENTATIVE (OHR)

According to Annex Ten of the DPA, the OHR was created to oversee the civilian implementation of this treaty. Initially the role of the HR was very limited and primarily created to only monitor the implementation of the peace agreement. However, after only few months it became very clear that the DPA initially gave the High

Representative (HR) insufficiently strong mandate to deal with obstructive nationalists in furthering the implementation of the DPA.⁹ As a result of this, in December 1997, the Peace Implementation Council (PIC) corrected this deficiency by empowering the HR with so called “Bonn Powers” that authorize him to impose laws and remove obstructionist public officials who do not comply with the DPA and indefinitely prevent them from holding public office in Bosnia (See table 1.4). The PIC decided to empower the HR regarding interpretation of the Agreement on the Civilian Implementation of the Peace Settlement in order to facilitate the resolution of difficulties by making binding decisions, as he deems necessary, on the following issues:

1. Timing, location and chairmanship of meetings of the common institutions.
2. Interim measures to take effect when parties are unable to reach an agreement, which will remain in force until the Presidency or Council of Ministers has adopted a decision consistent with the Peace Agreement on the issue concerned.
3. Other measures to ensure implementation of the Peace Agreement throughout Bosnia and Herzegovina and its entities, as well as the smooth running of the common institutions. Such measures may include actions against persons holding public office or officials who are absent from meetings without good cause or who are found by the HR to be in violation of legal commitments made under the Peace Agreement or the terms for its implementation.¹⁰

⁹ See Dayton Peace Agreement, Annex X.

¹⁰ See Office of the High Representative, Peace Implementation Bonn Conclusions. Retrieved December 16, 2005. http://www.ohr.int/pic/default.asp?content_id=5182

Table 1.3.
 High Representative’s Decisions by Topic (January 1997-December 2005)

Area	97	98	99	00	01	02	03	04	05	Total
State-level Matters	1	6	7	7	3	28	14	12	18	96
Economic Field	-	8	2	29	5	15	11	6	3	79
Judicial Reform	-	-	3	4	7	44	31	30	30	149
Federation	-	4	5	1	2	30	4	19	1	66
Removals/Suspensions	-	6	32	28	14	21	7	6	34	148
Media Restructuring	-	2	3	5	3	5	-	-	-	18
Property Law & Return	-	3	38	12	20	10	11	-	4	98
War Crimes Indicated	-	-	-	-	-	-	18	85	1	104
Total	1	29	90	86	54	153	96	158	91	758

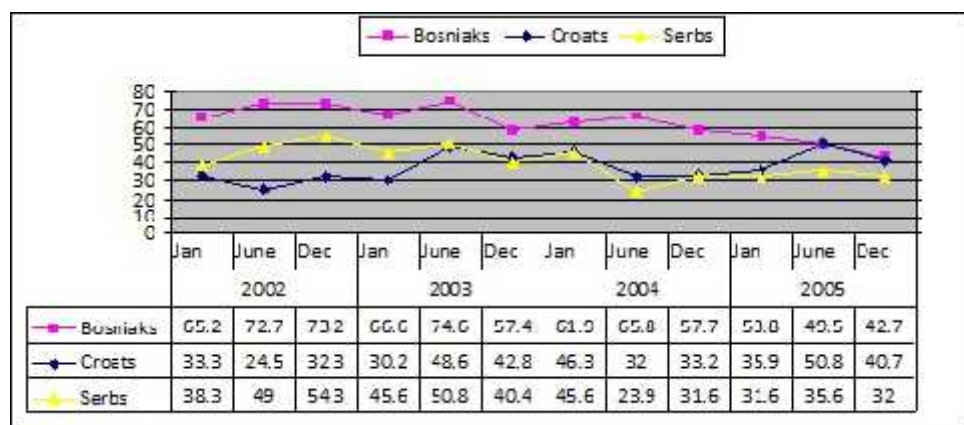
Source: High Representative’s Decisions; available at: <http://www.ohr.int/decisions/archive.asp>

This firm policy testifies to the use of HR’s sweeping powers. As shown in Table 1.4, the HR took unilateral decision on almost all issues of major importance. After his enhanced powers, the HR decisions reached a high level of 158 in 2004. These issues ought to have been taken by local politicians, which they could not because of a permanent conflict among them. Unfortunately, these decisions did not have immediate or lasting benefits and they did not make Bosnian leaders take responsibility for running their own country.¹¹ Most Bosnian people perceived these firm moves by the International Community as their clear expression to engage in a new program whose “clear aim is to

¹¹ ESI, *Reshaping International Priorities in Bosnia and Herzegovina: Part Two: International Power in Bosnia*, Berlin: ESI, 2000; and *Reshaping International Priorities in Bosnia and Herzegovina: Part Three*.

weaken the national parties and remove the warlords".¹² Some Bosnians, especially among Bosniaks, not only approved the use of the intrusive powers by the HR, but also asked the International Community to exercise even more influence in the country going to the extent of making Bosnia a protectorate.¹³ However, the third HR, Wolfgang Petritsch, argued that the protectorate would only increase dependency and hamper the recovery of Bosnian sovereignty.¹⁴

Graph 1.5. Confidence in the work of the OHR by ethnicity (in %)



Source: UNDP Annual Reports 2002, 2003, 2004 and 2005.

Graph 1.5 shows that Bosniak confidence in the work of the OHR varied from the high 74.6 percent in June 2003 to as low as 42.7 percent at the end of 2005. Croat and Serb support of the OHR was lower than that of Bosniaks and varied from 24.5 percent in June 2002 to 50.8

percent in June 2005 for Croats and from 54.3 percent in December 2002 to 23.9 percent in June 2004 for Serbs.

It would have been impossible for the normal functioning of the country without the role played by the international community embodied in the person of the HR. In the application of his authority, the HR demonstrated his two most important functions: the legislative authority and the right to remove elected officials and officers of the state from their respective posts for different violations of the laws and regulations of the DPA.

Table 1.4.
 Number of officials removed by the High Representative from their respective posts according to the ethnicity

Year	Bosniaks	Croats	Serbs	Total
1998	-----	4	2	6
1999	9	11	12	32
2000	8	7	13	28
2001	1	10	3	14
2002	5	10	6	21
2003	1	1	5	7
2004	-----	-----	6	6
2005	-----	2	1	3
Total	24	45	48	117

Source: Office of the High Representative, available at: <http://www.ohr.int>

Table 1.5 shows that the HR removed 117 officials in the period 1998-2005, including 24 Bosniaks, 45 Croats and 48 Serbs. The table shows a trend in decreased number of officials removed from one year to another. While the HR removed 32 officials in 1999, only 3 officials were removed from their positions in 2005.

¹² Habul Emir, "Cutting the Lizard's Tail", *AIM Sarajevo* (December 3, 1999). Retrieved March 18 2005. <http://www.aimpress.ch/dyn/trae/archive/data/199912/91291-005-trae-sar.htm>

¹³ Pecanin Senad, Lovrenovic Ivan, Curak Nezuk and Stojic Mile, "Deset teza za Bosnu i Hercegovinu," *Dani*, no.139 (January 28, 2000). Retrieved February 1, 2006. <http://www.bhdani.com/arhiva/139/t391.htm>.

¹⁴ Petritsch Wolfgang, "Ovo nije nasa zemlja," *Dani*, no.144 (March 3, 2000). Retrieved February 1, 2006. <http://www.bhdani.com/arhiva/144/t447.htm>.

A paralysis of the political system, which Bosnia suffered in the immediate post-war period made the authority of the HR crucially significant for establishing freedom of movement throughout the country, introduction of joint identification documents and state symbols (a passport, national coat of arms, flag¹⁵ and anthem¹⁶ etc¹⁷.) and the prevention of obstruction to the return of refugees and displaced persons by means of a removal of the officials undertaking such obstructions.

It can be stated that for the period between 1995-2005, Bosnia witnessed substantial opposition to its political institutions and even to its very existence. The bulk of this opposition came from the Serb Republic political elites that vetoed and stopped any decision that would strengthen the central institutions. As a result of this the HR had to pass 48 different laws that local politicians were not able to agree upon and pass them in the parliament. This shows the discrepancy and disunity among the domestic political elites primarily caused by the Serb politicians who tried and used all possible means to slow the normal functioning of the country and to preserve the current division of the country into two autonomous, almost independent, entities that have the insignia of the sovereign states.

The Collective Presidency of the country can be taken as an illustration of the problems the common institutions were facing in their work since Dayton and the Collective Presidency may serve as a typical example of how the other institutions on the level of Bosnia, such as the

¹⁵ Law on the Coat of Arms of Bosnia and Herzegovina and Law on Flag of Bosnia and Herzegovina were adopted by the Parliamentary Assembly of Bosnia and Herzegovina at the session of the House of Representatives on June 6, 2002 and at the session of the House of Peoples on May 25, 2002, "*Official Gazette of Bosnia and Herzegovina*," no.19/01 (August 3, 2001).

¹⁶ Law of Anthem of Bosnia and Herzegovina, adopted by the Parliamentary Assembly of Bosnia and Herzegovina at their session of the House of Representatives on February 10, 2001 and at the session of the House of Peoples held on May 23, 2001. "*Official Gazette of Bosnia and Herzegovina*," no. 19/01 (August 3, 2001).

¹⁷ Hymn of Bosnia and Herzegovina, by Dusan Sestic was first accepted by the Office of the High Representative and then by the delegates of the House of Representatives of the Parliamentary Assembly of Bosnia and Herzegovina by voting (of 31 delegates 28 delegates voted for the hymn). The hymn was accepted as the symbol of unification of peoples in Bosnia and Herzegovina.

Council of Ministers and the Parliament, were operating. Almost every session of the Presidency, Council of Ministers and the Parliament was the reflection of distrust, intolerance and political disagreement. There were, admittedly, some breakthroughs related to currency, freedom of movement and passport, but that was mainly the result of the great pressure applied by the international community. The member of the Presidency from the Serb Republic, Momcilo Krajisnik, was constantly refusing the introduction of passports and for that very reason the citizens of Serb Republic suffered significantly as they were not able to get their passports in the Serb Republic. In addition to this there was also a great difference in the pace of rebuilding and development between the two entities, where the Serb Republic was in a rather unfavorable position, because the government authorities of the Serb Republic did not attend the donation conferences. As a result of this the Serb Republic received only 2 percent of the donated funds and the Federation got the remaining 98 percent. However, as the time went on this has improved -although not significantly- mainly due to cooperative behavior of politicians coming from the Serb Republic.

As a result of such policy taken by the international community, Bosnia became a country that was not able to function independently and create its own policies. Therefore, Haris Silajdzic, the former Prime Minister and President of the Party for Bosnia, in his rating of the DPA implementation, stated that: "Bosnia as it is now is too strong to die, but too weak to function as a self-supporting state",¹⁸ which is a fair assessment of the situation in the first ten years after the DPA was signed. Decisions made by the HR merely replaced the lack of consensus among the domestic political elites and without this direct involvement of the international community many decisions wouldn't have been possible to be made and as a result of that the system would have been blocked and not able to function.

Because of the strong influence of the international factors and as the time went on the domestic political elites in the central state

¹⁸ Silajdzic Haris, "Memorandum on change: The Dayton peace accord- a treaty that is not being implemented," *Bosnia Report*, The Bosnian Institute, no.13/14 (December 1999-February 2000), 2. Retrieved November 10, 2004.
<http://www.bosnia.org.uk/bosrep/decfeb00/dayton.cfm>

institutions such as the Collective Presidency, Council of Ministers and Parliamentary Assembly had a little opportunity to develop policy proposals independent of the OHR. Since the policies had been made outside of Bosnia, the policy-making process was not regulated by the Constitution and the country's politicians but by the international community. In such political milieu and under the HR's administrative guidance, consensus was obligatory and opposition was seen as an illegitimate obstruction. The HR instructed the parties that: "The DPA is not a la carte menu where you can choose what you like. It was, and remains a package deal where full implementation is what counts... The time for political trench-warfare over prestige or details is over".¹⁹

This meant that disagreements and confrontations between the OHR and the various political parties were much stronger than the ones among the representatives of the parliamentary parties and therefore not open to constitutional challenge. As a result of this, no major decisions were made in the Council of Ministers and not so many laws were passed in the House of the Representatives, respectively, during the first few years of the DPA implementation without the full or substantial interference of the HR. For instance in 1997, only eight laws were passed and five decisions were made in the House of Representatives at the state level while in 1998, after the introduction of the 'Bonn Powers' that number dropped even more. Thus, in 1998 only four laws were passed and seventeen decisions, mostly related to the international associations, were made.²⁰ These were the first laws and decisions made by the Bosnian parliamentarians after the war.

The HR as the final interpreter of the civilian implementation of the DPA could not be challenged on the grounds of vital interest or any other clause of the Bosnian Constitution. Hence, the democratic mandates obtained by the three main national political parties in the elections counted for little against the mandate of the HR as the final interpreter of the democratization process. This shows that the International Community played a predominant role in policy

¹⁹ *Office of the High Representative Bulletin*, no. 25 (November 15, 1996). Retrieved July 22, 2005. http://www.ohr.int/ohr-dept/press/chronology/bulletins/default.asp?content_id=4950.

²⁰ Parliament BiH, These laws include: border tariffs, budget, immunity, official gazette, foreign debt, central bank, council of ministers and traveling documents.

formulation in the post-Dayton era. However, it has to be acknowledged that after three and a half years of fighting and animosity resulting from it, the presence of a strong third party had been a necessity in order to bring these parties together and to try to build and reform the country for a better future. It was unrealistic to expect from the domestic political elites to come together for the negotiation table and discuss the possible future of the country without the presence of a strong third party represented by the OHR.

According to the fourth HR, Paddy Ashdown, so far Bosnia may be considered as one of the relatively few successful international interventions in terms of bringing peace to the country that went through the bloodiest conflict in Europe since the end of World War II. Bosnia's success was not yet assured and still can be lost if the international community could have left the country without finishing the job.²¹ For Ashdown, all three ethnic groups were cohabiting (emphasis added) peacefully rather than cooperating enthusiastically and economy was growing albeit from a very low base.²² During the first ten post-Dayton years, the country achieved an average economic development reaching 60 percent of its pre-war GDP per capita. However, compared to other Balkan countries and republics of the former Yugoslavia, Bosnia was at the bottom of the scale (See table 1.2). Ashdown claimed that without more international engagement Bosnia would have remained a dysfunctional space within Europe.

One of the major reasons for this state of affairs laid in the fact that Bosnian political representatives were not ready for dialogue due to lack of mutual trust. Hence, the most important reform in the coming phase had to be to restore the process of mutual trust among different ethnic groups in general and their respective politicians in particular.²³ Hence, the main factor to achieve political stability was due to the huge and decisive presence of the international community as embodied in the

²¹ Ashdown Paddy, "Leaving the work unfinished," *International Herald Tribune* (April 4, 2007); Ashdown Paddy, "Don't declare 'mission accomplished' in Bosnia yet", *The Independent* (March 30, 2007).

²² *Ibid.*

²³ Interview with Nikola Spiric, Chairman of the Council of Ministers of Bosnia on Radio and Television of Bosnia and Herzegovina (RTVBiH), April 3, 2007 (private archive).

OHR. Thus, many decisions that could not be jointly reached by the domestic political elites in the process of political reforms had to be imposed by the HR. Hence, development that was achieved in the post-Dayton Bosnia, to a large extent, had to be considered as externally induced. As a result of this, Bosnia is not a fully independent and self-sustainable country and due to the huge and very active presence of the international factors, most notably the office of the HR with his sweeping powers to make decisions and pass the laws, Bosnia can be considered as an artificial country whose future existence without the presence of the international community would be questionable.

CONCLUSION

We can summarize the findings of this paper by saying that the elite political attitudes were non-conciliatory and, therefore the country was characterized by constant institutional instability. At the same time, the country enjoyed a high level of political stability, however, only due to the huge presence of the international community, which secured the country from the escalation of political representatives' disagreements into military conformation. Memories of the three and half year-long war created such an environment where ethnic hatred among masses and distrust among politicians prevailed in the country for the past decade. Conflict in Bosnia happened to be along ethnic and religious lines and since these cleavages represented group identity, which mutually reinforce one another it has been almost impossible after the war to build such a political situation conducive for the normal functioning of the state apparatus. Finally, the type of political parties that dominated post-war Bosnia's political life and created a political culture of ethno-nationalism was an obvious unfavorable factor for institutional stability. Therefore, the conventional definition of political instability is not applicable to artificial countries such as Bosnia and, consequently, it has to be redefined and measured in terms of jointly taken decisions by the domestic political elites in the Collective Presidency, Council of Ministers and Parliament.

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