

Balkan Lessons, Learned and Unlearned

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Article abstract

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by

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ABSTRACT

This article examines the peace-building efforts in Bosnia and Kosovo to assess what has been accomplished and what international actors might have learned through the experience. Although in some sense the international operations in both cases have been profoundly successful — violence is absent, new governments have taken hold, and elections are considered free and fair — these successes are heavily qualified. Ethnic tensions remain high, local actors remain resistant to consensual modes of governance, and both places are considered relatively unstable. That is not surprising, as research shows that international peace-building is more successful at addressing immediate security needs than at building effective institutions. But the long tenure of these cases also makes them good candidates for examining the process of transition, to assess both its successes and its enduring challenges.

INTRODUCTION

In December 1995, after the end of a bloody, four-year civil war, Bosnia became the first host of a comprehensive, international state-building effort designed to transform political, economic, and social interactions and create a functioning state. Just four years later the international community intervened in Kosovo with somewhat similar goals, although the final objectives were (and remain) less clear because Kosovo is a province of Serbia rather than an independent state. The fact that the situation remains unresolved, even after years of discussions and negotiations, is pertinent in examining the lessons that can be learned from international efforts in the region. Just as importantly, the thirteen years that have passed between the initiation of state-building in Bosnia and the current condition of both that country and Kosovo provide some indication of what outside actors can accomplish in post-conflict efforts and serve as a cautionary tale of all that cannot be done. Although in some sense the international operations in both cases have been profoundly successful — violence is absent, new governments have taken hold, and elections are considered free and fair — these successes are heavily qualified. Ethnic tensions remain high, local actors

remain resistant to consensual modes of governance, and both places are considered relatively unstable.

But before lessons can be defined we must have some sense of the context in which we frame our analysis. What constitutes success? The question can be quite simple if the absence of violence is the main criteria, or extremely complex if, instead, the broader notion of transformation is applied. There is no clear consensus on when conflict is actually resolved or whether the mere presence or absence of violence is enough to indicate outcome. Numerous scholars have focused exclusively on conflict duration as the measure of success, since presumably ending violence will be the goal of intervention whether motivated by strategic interests or nation-building objectives. Success in this view correlates only to the extent of violence and has no connection to the quality of governance in the target, extent of development, human rights protections, or a variety of other subjective criteria.¹ But to understand international efforts such as those in the Balkans it is important to judge success by both the cessation of violence and the quality of the state that emerges from reconstruction. As a state-building effort, such interventions can only be valuable if an effective state results. Reform became a more important part of the interventionary equation in the last decade of the twentieth century, particularly as the dangers of weak states and the need to protect individuals gained greater weight on international agendas. Normative analyses of intervention focus on the nation-building effort more explicitly than studies looking primarily at violence and emphasize rehabilitation over conflict cessation as the measure of success. These studies suggest that the end of violence and the development of reform are two distinct categories of analysis. Ending conflict establishes "negative peace," which is merely the absence of warfare. Reform and development are considered to be movement toward "positive peace," which is entrenched and self-sustaining.

The goal of nation-building, according to these studies, is to create a peace that is supported by political and social relationships, rationalizes competition, and builds civic identities. Quality reform is assumed to have the capacity to reduce violence in the short and long terms through mechanisms of accountability and inclusion.² Transformation will thus take place across all levels of interaction, changing not only formal structures of governance but also social attitudes and interests. This section of the literature may have contributed the most to separating attention to violence and rebuilding, since it implies that the absence of violence will make development possible. It does not seem to consider, however, that development and reform may themselves create incentives for violence or that change creates tensions and uncertainties that may become manifest in violent forms.

The difficulty of external actors effecting transformation is captured by Edward Luttwak, who argues that outsiders should not intervene for precisely this reason. In the provocatively titled article, "Give War a Chance," Luttwak

argues that interventions add to the damage of warfare and prevent transitions to peace. "An unpleasant truth often overlooked is that although war is a great evil, it does have a great virtue: it can resolve political conflicts and lead to peace. . . . Hopes of military success must fade for accommodation to become more attractive than further combat."³ For Luttwak, the humanitarian interventions so common in the post-Cold War era are "systematically sabotaging war's peace-making potential" because they are disinterested, arbitrary, and inconclusive.⁴ The attempt to be neutral means that no party's interests are served and thus perpetuates festering grievances. By contrast, war is self-destructing because it eventually consumes the fuel it needs to survive. It thus generates peace when left alone to do so, though Luttwak does not comment on the quality of that peace in terms of equity or justice for any party. Joseph Nye has likewise counseled against humanitarian intervention, though for different reasons, suggesting that the US should focus on higher-priority strategic interests and not distract its political or military attention by engaging in operations that do not relate directly to the nation's security needs.⁵ In a slightly different but related vein Kimberly Zisk Marten compares nation-building operations with traditional colonialism and concludes that external attempts at social engineering simply do not work, largely because external actors do not display the necessary commitment. While she does not forswear all intervention she does advocate much more limited kinds that focus only on eliminating immediate violence.

In spite of these perspectives, international interventions with a state-building component remain a relatively constant feature of contemporary international relations. In 2007, the UN added to one of its largest operations, that in the Sudan, by authorizing a second international force to address the humanitarian crisis in the Darfur region. The collapse of states and the impact it has on individual lives is often hard for policymakers to ignore. The length and scope of international efforts in the Balkans make them a useful place to assess exactly what international intervention can offer in terms of its intended goals and, specifically, whether it leads to the positive and stable states that are intended.

Lessons Learned

When the UN and North Atlantic Treaty Organization (NATO) entered Bosnia in 1995 as part of the peace agreement ending the four year war, it signaled a new approach to conflict resolution. The multi-organizational operation was the most comprehensive program of rebuilding ever attempted, with NATO's Implementation Force and subsequent Stabilization Force (IFOR, SFOR) addressing the military aspects, the UN Mission in Bosnia (UNMIBH) focusing on the police and judicial systems, and the Organization of Security and Cooperation in Europe (OSCE) running the overall civilian rebuilding effort. But as this roster suggests, the operation was a many-headed hydra with no single or final authority. Moreover, international actors authorized the intervention because they believed something must be done, but they had little expertise in or

understanding of the challenge they were taking on. As one UN official described it, international actors had no idea what they were doing and so spent 1996 figuring out what to do, 1997 figuring out how to do it, and only began implementing change in 1998.⁶

A few important lessons were learned quickly. First, NATO's military arm was necessary to support the civilian operation. IFOR commanders initially balked at backing up or coordinating with the UN and OSCE, arguing that their task was strictly military. It soon became clear, however, that many civilian reforms could not take place without military backing. Moreover, crucial tasks ranging from resettling refugees and displaced persons to jumpstarting the economy required muscle to force adherence to peace terms and quell any potential violence. Reconstruction and rehabilitation could not move forward without effective security and some threat of force.

Second, allowing the leading war-time actors to control politics and economics was harmful to the prospect of reform. Although elections were held quite quickly (1996), in order to provide some legitimacy for government, most of the candidates who had the capacity to mount campaigns and develop platforms came from the same nationalist parties that had prosecuted the war. The elections merely sanctioned their exclusive messages, therefore, enshrining them within the new political institutions while providing no means to implement reform or develop more moderate political actors.

Partly because these two issues caused a near complete impasse to rebuilding, they were addressed in a meeting in Bonn, Germany, in 1997 that led to a reorganization of the mission. The changes made at Bonn led to a linking of the military and civilian aspects of the operation, meaning that IFOR and then SFOR served as a support force for the UN and OSCE in addition to pursuing strictly military tasks. Just as importantly, the meeting also led to the creation of the Bonn Powers, by which the OSCE's Office of the High Representative (OHR) was authorized to dismiss public officials who violated their legal commitment to support the terms of the Dayton peace accords and to impose laws if Bosnia's legislature was unable or unwilling to do so. The dismissal tool was subsequently extended to include economic leaders as well, as it became evident that their close connection to political leaders led to similar nationalist and exclusionary policies. These changes effectively made the OHR the highest authority in the country, though the extent of their use varied among representatives.

A third problem that was evident at this time, but never really corrected, was the lack of coordination among agencies. Although all the organizations operating in Bosnia shared the same goal of rebuilding, they rarely consulted or coordinated with each other. Their efforts were competitive, often duplicating others' efforts, at best, or working in a counterproductive manner, at worst. This problem was not ameliorated by the Bonn changes because although the OHR was in charge of the country he was not in charge of the many organizations

working in it. Each reported to its own headquarters and maintained its own plan and agenda. While this difficulty has been frequently noted, in the Balkans and elsewhere, it remains one of the central problems of international interventions. The mission in Kosovo attempted to resolve the competitive problem with some success, as will be discussed below, but in general the multiplicity of organizations, or multilateral multilateralism as Marten describes it, remains a central weakness of state-building efforts.⁷

In spite of that ongoing problem, however, and in spite of the initial failures, the overall effort in Bosnia improved and had some positive effects. The international community's accomplishments in restoring Bosnia to functioning statehood have been well documented elsewhere, but it is important to note that such crucial things as a unified currency, the border service, and housing law to address refugee and displaced person claims were the direct results of international efforts. So, in an important sense, the civilian reconstruction of Bosnia can be deemed successful. However, it also clear that some changes were quite limited. Most significant efforts at unification have been forced by the OHR and international actors. None really have been developed internally, and Bosnian political parties remain defined by primarily nationalist agendas.⁸ The two ethnic entities created at Dayton as a means of providing ethnic security and encouraging political integration, the Republika Srpska (RS) and the Bosniac-Croat Federation, function to a substantial degree as independent states. The primary goal of an integrated nation has not been met, nor is it likely. Each entity retains its own vision of how the state should look and interprets Dayton quite differently. The Bosnian Serbs, in particular, retain the hope that the RS could still become part of Serbia rather than part of Bosnia.

The different ethnic visions of the state, and their impact on political development, impede stability. World Bank data on political stability and the absence of violence show that Bosnia's progress has been very uneven, with decline or stagnation following an initial gain. Statistics on the rule of law show similar trends. This is significant because Bosnia is currently the longest running example of international state-building and yet the results are decidedly modest. It scores only in the thirtieth percentile of countries for rule of law and approximately twenty-seventh for political stability.⁹ In addition, citizen perception of both economic and political stability is declining and has been doing so for the last few years. Consistent political crisis has soured citizens on their leadership. Sixty-five percent of citizens believed in late 2005 that the political situation was deteriorating and showed declining approval for the country's executive and legislative bodies.¹⁰ Bosnians are also losing confidence in international institutions. Overall, approval ratings for the organizations on the frontline of reconstruction, the EU and OSCE, are declining. Public confidence in international actors and the reforms they are implementing is low and has been falling since early 2004. Only 37.5 percent of citizens now approve of the OHR, and this number is likely to decline still further if its tenure is extended.¹¹

The biggest obstacle to success, however, may be how the different groups see their positions within Bosnia itself. Politicians in the RS have been consistently obstructionist over the decade of reform and many seem to hold a belief that Bosnia's shape might still change, particularly if Kosovo becomes independent. In this scenario, the RS would be Serbia's compensation for letting Kosovo go. Some Bosnian Serbs feel unfairly targeted by international actors and thus lean on Serbia for support. The leaders of the Bosniac-Croat Federation, by contrast, have been more willing to implement reform and thus feel betrayed by the international community's failure to get the RS to follow suit.¹² The European Police Mission is considered laughably ineffective throughout the country and is symbolic both of international failures and continued RS intransigence. Elites and citizens thus feel betrayed, elites because each ethnicity interpreted the Dayton agreements differently and none got what they wanted and citizens because they see a government still afflicted by institutional dysfunction. The economic and refugee issues in particular allow politics to be shaped by group interests and prevent the possibility of cooperation across issues.

Some of these same pathologies are evident in Kosovo as well. In some sense Kosovo started off better than Bosnia because, coming four years later, it provided a chance to apply some hard-learned lessons. From the start, therefore, NATO was integrated into the process of civilian rehabilitation, with the overall mission conceived as having both military and non-military components rather than consisting of two separate and parallel efforts. The United Nations Mission in Kosovo (UNMIK) also had a more unified command structure. The different tasks of reconstruction were organized into four pillars, each spearheaded by a different organization, all of which reported to the head of UNMIK: Pillar 1, police and justice, run by the UN; Pillar 2, civilian administration, also the UN; Pillar 3, democratization and institution building, led by the OSCE; and Pillar 4, economics, led by the EU. This form of organization was certainly an improvement on and a direct result of Bosnia and led to a somewhat more coordinated approach. However, the operation also had three significant problems relating to security, rule of law, and refugee returns

When NATO's Kosovo Force (KFOR) deployed to Kosovo in June of 1999, its primary task was to ensure the security of all Kosovars and the maintenance of an environment in which the peace terms could be implemented. Troops were immediately faced with the massive and fast return of hundreds of thousands of Kosovar Albanians who had fled the province during the fighting. That alone was likely to increase the perceived insecurity of Kosovar Serbs, who compose a minority of only 10 percent. In addition, however, many of the returnees apparently felt that NATO's presence vindicated their victimhood and provided license to gain some measure of revenge. Kosovar Serbs were subject to harassment, interrogation by the ad hoc Albanian defense force, and, at times, physical violence. NATO was slow to react to this cycle of persecution and revenge and thereby seemed to give its tacit approval, emboldening Kosovar

Albanians and earning the enmity and distrust of Kosovar Serbs. This was a root cause of why Kosovar Serbs left the electoral process, as they believed they could not get a fair hearing given NATO's perceived bias, and gave them a lasting distrust of international motives in Kosovo. This is an important issue to highlight because the provision of security is the rock bottom expectation of international interventions. The failure to provide it in this case had lasting consequences.

The second problem was how to apply the rule of law. Doing so is obviously a primary task of any reconstruction operation, since rule of law is something that is conspicuously lacking in the conflicts that tend to precede reconstruction. The dilemma, however, was what law to apply. Throughout the 1990s the nationalist Serbian government had systematically stripped ethnic Albanians of their legal rights, so the law developed in that period was not useful. But neither the UN nor NATO could write a new law due to constraints of both time and legitimacy. They ultimately decided to revert to the status quo ante law of 1989, but this decision was extremely controversial since it was still Serbian law, albeit less discriminatory. By the time of NATO's intervention the relationship between Serbia and the Albanian majority-minority in Kosovo was so soured, and the demands for Kosovo's independence so loud, that Kosovar Albanians rejected virtually everything connected to Serbia. The impasse was eventually solved by importing international judges to apply the law, thus ensuring some neutrality and establishing a foundation on which to rebuild the legal system. This particular problem may be unique to Kosovo and therefore is hard to count as a lesson learned. However, the challenge of how to apply law in a country where it is lacking is more generalizable, and it is not clear that a consensus has developed from the body of experience to this point. International judges were a necessity in Kosovo, both because of the law controversy and because most local judges had been displaced during the conflict. But they are not used exclusively in all reconstruction efforts, as the international community often wants to avoid the appearance of taking over the judicial process and wants to develop local capacities. In the interest of legitimacy, therefore, it often tries to have local actors run the judicial system sooner rather than later.

The problem, of course, and one acutely experienced in Bosnia, is that local judges are often tied to the same interests and groups that prosecuted the violence and do not provide the objective body needed to move society beyond group-based divisions. But this particular lesson is complex because there is no clear right or wrong. International judges may be more effective over the short-term because they can establish an objective basis for applying law. But they may not provide the basis for developing local capabilities, unless a program of cooperative judging is clearly spelled out, and they may stoke resentments among a local population that sees itself as "run" by outside actors. Exactly how to get effective rule of law is a problem in every case of reconstruction and obviously involves the police as well as the judiciary. But how to combine interna-

tional and local efforts and when to transfer control to entirely local authorities remain difficult questions and ones that have been answered incorrectly in most environments. In dealing with law, previous operations are not always a good guide because the issue is very case sensitive. The role of ethnic or other group identities, the causes of the war, and the perceived legitimacy of judicial processes before the break-down of the state all determine how rule of law should be handled. These factors vary from case to case, however, and prevent the definition of a single effective template.

An equally difficult problem arose with respect to the return of refugees and displaced persons. The combination of the civil conflict and the NATO bombing operation that preceded UNMIK led to the forced migration of approximately one million Kosovar Albanians, so returns were a topic of tremendous importance to the future of the province. European officials took it very seriously, but their effort to ensure the right of return failed to account for the many changes the violence had wreaked on society. Although the UN High Commissioner for Refugees (UNHCR) has a long and effective history of aiding refugees, its rules defined the right of return to adhere only to the actual place from which the individuals came from to begin with. That is, if people were forced to flee from town X they would be returned to town X. Even if their whole family was now living in town Y or if town X now had a different ethnic composition so they preferred to live five kilometers away, the UNHCR would only help them go back to their point of origin. In a theoretical sense, perhaps, this had some logic, if return is defined only as going back to the precise spot where one began. But in a practical sense it caused significant problems — many people wanted to come back to Kosovo but to live somewhere else, because the composition of their village or the placement of their families or the availability of jobs was drastically changed. The UNHCR initially refused to do this and, as late as 2005, was still insisting on point of origin returns. Many officials even within the agency realized the policy was damaging, however, and worked to increase flexibility in later years.

These three issues proved to have a decisive effect on the most crucial ingredient for Kosovo's stability: relations with the Kosovar Serbian minority. Their handling helped create both distrust and fear, as Serbs believed (with some justification) that NATO would not protect them, that the UN favored the Kosovar Albanians, and that Serbs were being left in vulnerable situations when Albanians were not. Success in Kosovo was further hampered by the lack of a decision on the region's final status, a problem that still cripples progress there today. The international community began trying to build a state in Kosovo in 1999, but for many years, it did not have an independent state to work with. Kosovo remained a part of Serbia while international actors dithered over what its eventual status would be, even though practically it was treated as independent and was run by international authorities rather than Serbian ones.

Two years of negotiations on Kosovo's final status ended in deadlock in December 2007, as was widely expected. The culmination of talks increased tensions both in the region and concerning the region, with the local conflict between Serbs and Albanians causing a rift between Russia, the traditional protector of Serb interests, and the US and Western European nations who were more willing to consider Kosovar independence. That division, domestically and internationally, has only gotten worse since Kosovo's unilateral declaration of independence in February 2008. Although 47 states have recognized Kosovo, controversy about its future continues, particularly as Russia has tried to use Western recognition as a justification for its intervention in Georgia in August 2008.

Partly because of the ongoing dispute, the European Union and UN have been slow to deploy the operations designed to help the area build state institutions, and the entity designed to oversee transition is described as "a shell."¹³ The International Crisis Group reports that the uncertainty has led to a widening of ethnic tensions and increased the prospect that the region will eventually be partitioned. Serbian authorities have increased their presence in the area north of the Ibar River, where no Kosovo institutions function. The Kosovar-Serb population is concentrated in that area, which lies on the Serbian border and has been unofficially linked with Serbia since 1999 — taking its orders from Belgrade, answering to Serbian officials, and using Serbian currency.

Partition would have serious consequences not only for Kosovo but for the wider Balkan region, where numerous groups, particularly in Bosnia, have been agitating for ethnically drawn borders for over a decade. For now the UN remains the interim authority but that will likely change by the end of 2008, and it remains unclear as to who will take over and how. The best-case scenario would be for full deployment of the authorized EU mission, but if that fails, local authorities will obviously step into the vacuum. The prospects for a managed, unitary transition will then fade, as may be happening already, and the threat of violence will increase.

The implementation of state-building in both Bosnia and Kosovo thus leaves much to be desired. It has created quasi-states more than anything else. Perhaps the most important lesson to emerge from either case, however, is that some understanding of final outcome should be established early on. Kosovo's case is rare because the international community does not often intervene in places that are part of, but not independent from, other countries. It holds some relevance for the current UN operation in Darfur, however, which is analogous to Kosovo in being a region rather than a state.

Larger Lessons

There are some bigger lessons to be learned from these cases beyond their immediate impact on each country/province. As mentioned when discussing Bosnia, the data suggest that political stability has actually declined over time. After an initial sharp jump it decreased and then stagnated. That result is not at all unique to the Balkans, but it is particularly significant because these are some of the longest-running examples of internationally managed rebuilding. Bosnia is the lengthiest, and if thirteen years of international involvement doesn't produce improving government, even if progress is incremental, it does not bode well for international state-building overall. Moreover, the UN Development Program's ratings of political and economic stability are also poor.¹⁴ The actual numbers have been declining over the last few years, and public confidence has fallen with them. Most citizens have a relatively pessimistic view of the future. Importantly, they often blame NATO and the UN if not for making things bad, at least for making them no better. Perception of the local populace is important, as it relates directly to the 'hearts and minds' notion of rebuilding. You need the support of the local people in order to establish legitimate and effective new structures. But the evidence suggests that long-running international efforts have in fact had the reverse effect, losing hearts and minds, even when people were initially inclined to be supportive, and leading to declining results in both statistical measures and local morale.

A second broad lesson relates to economic development. In both Bosnia and Kosovo the formal economy is declining while informalization and corruption are increasing. One of the most interesting examples of international state-building's difficulty in limiting the informal economy is Bosnia, where thirteen years of international effort have led to a growing informal sector. Even though the country's control over corruption seems to be increasing, so is informalization. The World Bank estimates that the informal economy equals 34 percent of GDP and rising and that it accounts for most job creation. This situation has arisen partly because of the difficulties of the business environment, which, "while modestly improving in recent years, remains characterized by high barriers to market entry for new businesses, proliferation of bureaucratic interference and virtually no formal market exit."¹⁵ The cost and difficulty of doing business in the formal sector are high, so most people prefer to go informal — entrepreneurs would rather pay bribes than negotiate the arduous and more costly regulations. Moreover, among those who do have licit firms, 47 percent stated that the legal system was seldom or never honest and 45 percent felt that decisions were seldom or never enforceable.¹⁶

The role of the legal system is important to formalization because its ability to guarantee terms impacts how businesses work. If owners don't expect to be protected within the legal system they have no incentive to follow rules themselves. It is smarter to use cheaper and simpler informal means since the risk is

no greater. The incentives for doing business legally are thus very low. The connection between political and criminal actors likely has an indirect effect and is made easier by the enduring ethnic control over politics. Although some judges may be connected to criminal networks, they are more likely simply guided by nationalist identifications and therefore by the political-criminal nexus of the politicians they are affiliated with. Decisions are based on identity rather than law and provide no basis for a reliable regulatory environment.

Information is readily available in the case of Bosnia, unlike many others, and allows a glimpse into how state-building reforms may boost informal activity. One reason for Bosnia's level of informality, the highest in the region, is that structural reforms have not taken hold. As in many cases of state-building, donors initially gave large amounts of money that spurred good growth based on reconstruction and aid. As the emphasis shifted from reconstruction (housing, humanitarian aid) to structural and administrative reforms, donors' interest waned, meaning that reforms to institutionalize and provide long-term stability have been very slow. Moreover, once the aid began to decrease Bosnia was left with few companies capable of surviving on their own without infusions of capital. Many of those that started up in the post-conflict period were direct products of nation-building assistance. Although businesses initially appeared to do well they were dependent on the infusion of international money. When that was not available, they had little independent capacity to function. The legal creations were thus unsustainable and folded quickly, helping to account for the later rise of informality.

A second reason for Bosnia's problems is that some of the privatization reforms spearheaded by international actors had negative effects. Unfortunately, they are representative of what often happens in the course of external state-building. The early privatization of small-scale businesses led to diluted ownership and weak corporate governance, conditions that made it easier for individuals to make informal deals and link themselves with networks outside the regulatory limits.¹⁷ At the same time, privatization of the large, state-owned enterprises has been slow and is still incomplete, so large economic opportunities remain limited. Finally, the Bosnian government has not enforced many of the reforms that did take place, particularly labor market regulations such as minimum wage and wage determination rules. Informal interactions therefore offer a more flexible environment at the same time that incomplete reforms create more opportunities for informality.

The rise of informality thus comes from a combination of factors which can be directly and indirectly attributed to international state-building efforts. Donors did not provide the money necessary for important changes, which combined with the lack of government efficacy and interest in enforcing changes that did take place to stymie informalization. This shows the complicated intersection between political and economic reforms. Some positive economic changes

could not take place because the government created through international state-building had neither the interest nor the ability to enforce the policies that were created. On one level, given Bosnia's complicated political structure that involves fourteen different administrative entities, it is likely that the central government did not have the capacity to enforce the rules as established. On another level, it is also likely that some members of the ethnically defined entity governments preferred not to enforce the rules because doing so would impact networks that they benefit from personally.

It is difficult to overemphasize the importance of this interplay between the political and the economic. State-building efforts are often criticized for not doing enough or for not providing enough money. That is indeed a problem. But what is often overlooked is the fact that the changes state-building does make are often toothless, unable to implement or enforce the policies that are necessary to sustain them. Bosnia is instructive in this regard. Although it is the longest-running example of state-building it shows a trend away from rather than toward desired economic reforms. Although it has increased its control over corruption, it also sees increasing informality and an enduring link between political and criminal actors. International state-building can create governmental structures but it cannot give them authority. Some of the problems in the economic realm, therefore, stem from the fact that political reforms may seem positive on paper but often provide no capacity for (or perhaps officials have no interest in) effective rule. This may be viewed as the result of a failure of will on the part of nation-builders or the result of a failure of capacity. Either way, it suggests that external state-building produces deficient governments.

In addition, Bosnia has had difficulty separating political and criminal activity. The lack of effective procurement laws in the first six years of the state-building effort meant that it was easy for Bosnian officials to misuse funds, a problem which has not been effectively remedied. Transparency remains very low because of the profusion of administrative layers. Few elements of the economy are centralized, allowing economic power to dovetail with political connections and remain in the hands of unofficial 'mafias.'¹⁸ The unpredictability of the legal and policy environment discourages investment and prevents the emergence of a competitive business environment.¹⁹ Perhaps the most troubling consequence, however, is the erosion of morale and of confidence that the rules have meaning. This is particularly troublesome when politicians are closely linked with corruption. Most respondents in World Bank surveys fingered monopolies as the greatest obstacle in the business environment and noted the need to separate business activity and public service.²⁰ Virtually all economic activity is controlled, directly or indirectly, by politicians and their cronies. Honest people are thus discouraged from pursuing legal interactions and encouraged to view the government as illegitimate.

The confluence of politics and economics is hardly surprising. Many of

those currently in positions of power in Bosnia come from the same parties that established nationalist power structures over both politics and economics. This is particularly true in the RS, where Serb Democratic Party politicians have firm control over most major public companies and services. While the OHR has demanded statements supporting reform, to date it has been ineffective in eradicating the political-economic nexus. Customs evasion is a significant problem and occurs with the collusion of the very entity officials who are delegated to enforce customs policy. They use this power to enforce adherence to party interests rather than applying rules in a standard fashion and work to preserve the control of firms with party connections or that provide party support. The business community considers the customs administrations in both the RS and Federation to be extremely corrupt, a fact which has not improved with time.²¹

The levels of informalization and the failure to separate political and criminal activity both serve to undermine the legitimacy of government and help perpetuate ethnic antagonisms. These problems are not unique to the Balkans but affect nearly every internationally managed project of state-building. People prefer to deal in the illicit economy because the opportunities are better and more flexible. They have no reason to regard the emerging political or judicial systems as anything other than useless and corrupt, and the whole effect is to build a context of impunity. Citizens feel separate from their government and believe they will be treated unfairly, so they do whatever they can to survive. The government, for its part, has no effective accountability to its citizens and so does whatever it wants to succeed.

The biggest lesson to emerge, therefore, is that long-running nation-building operations seem to lead to declining returns. Both in terms of observable and measurable improvements but also, crucially, in terms of domestic confidence and perception. Citizens in the Balkans believe that international organizations have done little to help their respective areas. They resent their presence and are suspicious of the political structures that international actors helped create. Life is still quite tough for Bosnians and Kosovars and many of the promised improvements have not materialized, which is why there is still a high potential for the resumption of violence in both contexts. In truth, international actors have not changed very many of the pathologies they set out to alter. Instead, they have perpetuated permissive contexts for corruption, ethnic division, bad government, and violence. State-building has not shown an ability to counteract this, either in the Balkans or elsewhere.

While this essay has discussed some specifics of nation-building's weaknesses, the overall problems are inherent to transition, not to internationally led state-building in particular. The literature on transition raises all the red flags that are at the root of the problems discussed here — mass mobilization combined with weak institutions in the absence of legitimacy helps create fragmented political power. When you add ethnic divisions to that mix, it can be even

more toxic. The problem is not that state-building is doomed to fail, rather, that international actors have not paid ample attention to the problems that are likely to arise, nor understood how decisions made in the objective comfort of international offices can seem quite different when applied in a context charged with group-based demands and insecurities. The challenge, therefore, is to recognize these realities and learn how to define the possible pitfalls more effectively in order to craft different responses.

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Endnotes

1. See Patrick Regan, "Threat and Repression: The Non-Linear Relationship Between Government and Opposition Violence," *Journal of Peace Research* 33 (1996), pp. 273-87; Patrick Regan, *Civil Wars and Foreign Powers* (Ann Arbor, MI: University of Michigan Press, 2000); Paul Collier, Anke Hoefler, and Mans Soderbom, "On the Duration of Civil War," *Journal of Conflict Resolution* 41, no. 3 (2004), pp. 253-73.
2. Albrecht Schnabel and Ramesh Thakur, eds. *Kosovo and the Challenge of Humanitarian Intervention* (Tokyo: United Nations University Press, 2000); Stephan John Stedman, Donald Rothchild, and Elizabeth M. Cousens, eds. *Ending Civil Wars: The Implementation of Peace Agreements* (Boulder, CO: Lynne Rienner, 2002); John Paul Lederach, *Building Peace: Sustainable Reconciliation in Divided Societies* (Washington, DC: United States Institute of Peace Press, 1997); John Paul Lederach, "Civil Society and Reconstruction," in Chester A. Crocker, Fen Osler Hampson, and Pamela R. Aall, eds. *Turbulent Peace: The Challenges of Managing International Conflict* (Washington, DC: United States Institute of Peace Press, 2001); Louis Kriesberg, *Constructive Conflicts: From Escalation to Resolution* (Boulder, CO: Rowman and Littlefield, 2003); and Krishna Kumar. *Rebuilding Societies After Civil War* (Boulder, CO: Lynne Rienner, 1996).
3. Edward Luttwak, "Give War a Chance," *Foreign Affairs* 78, no. 4 (1999), pp. 36-44.
4. Edward N. Luttwak, "Stay Home," *Foreign Affairs* 79, no. 2 (2000), pp. 186-89.
5. Joseph Nye Jr., "Redefining the National Interest," *Foreign Affairs* 78, no. 4 (July/August, 1999); and Kimberly Zisk Marten, *Enforcing the Peace* (New York: Columbia University Press, 2004).
6. Interview with Kishore Mandhyan, United Nations Mission in Bosnia and Herzegovina, Sarajevo, Bosnia, August 2000.
7. Marten, *Enforcing the Peace*.
8. International Crisis Group (ICG), "Bosnia's Stalled Police Reform: No Progress, No EU," *Europe Report* No. 164, September 2005.
9. World Bank Governance Indicators, found at: <http://www.worldbank.org/wbi/governance>.
10. United Nations Development Program, "Early Warning Report — Kosovo," Report # 11, July-September, 2005, pp. 9-11.
11. United Nations Development Program, "Early Warning System," III *Quarterly Report, BiH* July-September, 2005, found at: <http://www.undp.ba/index.aspx?PID=36&RID=51>. There is some difference among ethnicities. Croats are the only group to gain confidence over the last year and now have the highest approval rating for the OHR.

12. International Crisis Group, "Bosnia's Stalled Police Reform: No Progress, No EU," *Europe Report* No. 164, 6 September 2005.
13. International Crisis Group, "Kosovo's Fragile Transition," *Europe Report* No. 196, 25 September 2008.
14. United Nations Development Program (UNDP), "Early Warning System," II *Quarterly Report, BiH*, April-June, 2005; United Nations Development Programme, "Early Warning Report: Kosovo," Report #11, July-September, 2006.
15. World Bank, "Bosnia and Herzegovina — Economic Memorandum," Report No. 29500-BA, 2005, p. 11; see also World Bank, "Bosnia and Herzegovina — Labor Market Update: The Role of Industrial Relations," Report No. 32650-BA, 2005.
16. World Bank, "Bosnia and Herzegovina-Economic Memorandum," Report No. 29500-BA, 2005, p. 76.
17. World Bank, "Bosnia and Herzegovina — Economic Memorandum," Report No. 29500-BA, 2005; see also International Crisis Group (ICG), "Bosnia's Precarious Economy: Still Not Open for Business," *Europe Report* No. 115, August, 2001.
18. The political-economic nexus is particularly acute because Bosnia's 14 administrative units include five different levels of government: state, entity, canton, city, and municipality.
19. World Bank, "Bosnia and Herzegovina: Diagnostic Studies of Corruption," 2001, found at: <http://www1.worldbank.org/publicsector/anticorrupt/Bosniananticorruption.pdf>.
20. *Ibid*, p. 18.
21. Foreign Investment Advisory Service (FAIS), "Commercial Legal Framework and Administrative Barriers to Investment, March 2001, p. 146; ICG reports.