

# BOSNIA: THE MAKING OF A POTEMKIN STATE

by Gary T. Dempsey

## **ABSTRACT**

*The article discusses the situation in Bosnia and Herzegovina five years after the signing of the Dayton Agreement. Its main goal - to build a unitary, multiethnic state - is no more realistic than it was the day the war ended. Despite vast American (and international) military, political and economic engagement, the country is still fractured, the national government barely functions, there is no real ethnic reintegration and the economy is in a sorry state of affairs. Moreover, international reconstruction aid and domestic institutions have been plagued by corruption. The West is resorting to increasingly high-handed and undemocratic measures as well as political engineering in order to force ethnic Muslims, Serbs, and Croats to live under the fiction of a single government, thus running Bosnia as a virtual protectorate. The nation-building project does not work. The Dayton Agreement is itself an impediment to economic and political reform because it artificially preserves an environment of perpetual confrontation and political insecurity. Therefore it has not ensured the conditions for a self-sustaining peace.*

The General Framework Agreement for Peace in Bosnia-Herzegovina, drafted at Wright-Patterson Air Force Base in Dayton, Ohio, in November 1 995 and formally signed in Paris on December 14, 1995, halted the bloodiest armed conflict in Europe since World War II.<sup>1</sup> Widely referred to simply as the Dayton Agreement, the document's goal was to build a unitary, multiethnic Bosnian state in the wake of three and a half years of ethnic warfare.

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Half a decade later, that goal is no more realistic than it was the day the war ended. Today, Bosnia is essentially divided into three mono-ethnic regions with three separate militaries. The Bosnian national government exists mostly on paper, and the vast majority of Bosnia's Muslims, Serbs, and Croats still will not vote for each other's political candidates. Ethnic reintegration is anemic, and nationalist political parties continue to dominate the political arena.<sup>2</sup> Moreover, international reconstruction aid and domestic institutions have been plagued by corruption, and the West has begun resorting to increasingly high-handed and illiberal measures to force Bosnia's three rival ethnic groups to live under the fiction of a single government.

That sorry state of affairs should have been expected. According to University of Chicago political scientist John Mearsheimer, "History records no instance where ethnic groups have agreed to share power in a democracy after a large-scale civil war. The democratic power-sharing that Dayton envisions has no precedent."<sup>3</sup>

It would be a mistake, however, to suggest that the Dayton Agreement is without any successes. The fighting has stopped, and so far more than 3,600 pieces of heavy weaponry have been removed under the terms of the Agreement on Armaments Control. Moreover, Bosnia has largely met the requirements of the Agreement on Conventional Armaments, which provides for a 2:1 allocation of weapons between the Muslims and Croats on one hand and the Serbs on the other (Table 4.1).<sup>4</sup>

**Table 4.1**  
**Division of Armaments in Bosnia**

Type of Armament	Muslims and Croats	Serbs
Tanks	273	137
Airplanes	41	21
Helicopters	14	7
Armored Vehicles	227	113
Artillery (> 75mm)	1,000	500
Total	1,555	778

Source: Miroslav Lazanski, "Zbogom Oruzje," NIN, June 21, 1996, p. 22.

But those few successes reveal the Dayton Agreement for what it really is: a complicated cease-fire, not a durable solution to Bosnia's

problems. The country is still deeply fractured, officially divided into two semiautonomous "entities" separated by the Inter-Entity Boundary Line. One entity, the Muslim-Croat Federation, is made up of two rival enclaves that maintain a tense coexistence with each other. The other entity, the Republika Srpska, is almost entirely populated by Serbs. What is less obvious about the Dayton Agreement, however, is that it is part of the problem, yielding results that weigh against a self-sustaining peace and thus the eventual withdrawal of all Western troops.

To the very end, however, nation builders in the Clinton administration continued to embrace the idea that good intentions plus the deliberate application of American political, economic, and military power could transform Bosnia. Indeed, four and a half years after NATO arrived in Bosnia, Secretary of State Madeleine Albright insisted that the Dayton Agreement was still a workable proposition. "Our goal in Bosnia remains a unified, multiethnic state," she told a May 24, 2000, gathering of the North Atlantic Council. "The trends are positive ... (and) NATO's commitment remains strong."<sup>5</sup>

### ***The Road to Dayton***

Bosnia was one of the six republics making up the Socialist Federal Republic of Yugoslavia, which began disintegrating in summer 1991 when the republics of Slovenia and Croatia declared their independence. Germany then paved the way for tragedy in Bosnia by officially recognizing the independence of the two breakaway republics and pressuring the other members of the European Union to do the same. As Misha Glenny explains in *The Fall of Yugoslavia*:

The death sentence for Bosnia-Herzegovina was passed in the middle of December 1991 when Germany announced that it would recognize Slovenia and Croatia unconditionally on 15 January 1992. So distressed was (Bosnian President) Alija Izetbegović by this news that he travelled to Bonn in a vain effort to persuade (German Chancellor Helmut) Kohl and (German Foreign Minister Hans-Dietrich) Genscher not to go ahead with the move. Izetbegović understood full well that recognition would strip Bosnia of the constitutional protection it still enjoyed from the territorial claims of the two regional imperia, Serbia and Croatia.<sup>6</sup>

Germany thought it was helping matters and expected that its recognition would stem the tide of war. Instead, it exacerbated a volatile situation in Bosnia, which had large minority populations of Croats and Serbs. Indeed, when Bosnia's government declared independence from Yugoslavia in March 1992, both Serbs and Croats found themselves living adjacent to Serbia and Croatia, respectively, but governed by a Muslim-led government. War broke

out soon after and was fought among Bosnia's three major ethno-religious groups: Roman Catholic Croats, who made up 17 percent of the population; Eastern Orthodox Serbs, who made up 31 percent of the population; and Muslim Slavs, or Bosniaks, who made up 44 percent of the population. The Croatian and Serbian factions fought to break away from Bosnia and merge their territories with those of Croatia and Serbia, respectively. Bosnia's Muslims, on the other hand, fought to create a single Bosnian state where they would be the largest ethnic group.

Although some of the most ferocious fighting during the war was between the Muslim and Croat factions in 1993 and 1994, the war between them formally ended with the signing of the US-engineered Washington Agreements in August 1994, which created the precarious Muslim-Croat Federation of Bosnia. Thereafter, both Muslims and Croats concentrated their firepower on the Serbs.

In October 1995, following US-NATO bombing the month before, US-led negotiations produced a cease-fire between the warring Muslim-Croat and Serb armies. Several weeks later, a peace agreement was hammered out in Dayton. The resulting peace plan formally ended the war and instituted a new national constitution for Bosnia. According to that constitution, Bosnia is one country with two entities and three co-presidents—one Serb, one Croat/and one Muslim. As part of the settlement, it was also agreed that NATO would deploy 60,000 ground troops in Bosnia to implement the military aspects of the agreement, such as segregating the warring factions and demilitarizing a buffer zone four kilometers wide between them. Twenty thousand of NATO's troops would be American.

### ***Bait and Switch in Bosnia***

In his November 1995 television address making the case for sending US troops to Bosnia, President Bill Clinton assured the American public that the operation he was proposing had a "clear, limited, and achievable" mission and that the total deployment "should and will take about one year.<sup>7</sup> The president also claimed, "If we leave after a year, and they (the Bosnians) decide they don't like the benefits of peace and they're going to start fighting again, that does not mean NATO failed. It means we gave them a chance to make their peace and they blew it."<sup>8</sup> Deputy Secretary of State Strobe Talbott soon after added, "There will be no 'mission creep'—from purely military tasks into 'nation building'" in Bosnia.<sup>9</sup>

Throughout 1996, the Clinton administration continued to lead American voters to believe the one-year deadline was still intact.

Even 10 months into the deployment, State Department spokesperson Nicholas Burns adamantly denied there were any plans not to withdraw American troops from Bosnia on time.<sup>10</sup> As far as Americans were concerned on the eve of the presidential election, Bosnia was a non-issue. Within two weeks of winning reelection, however, the president suddenly announced a change in his Bosnia plan. US troops numbering 8,500 would stay until June 30, 1998, another 18 months. Clinton said the policy shift was necessary to overcome an honest error on his part. "Quite frankly," he explained, "rebuilding the fabric of Bosnia's economic and political life is taking longer than anticipated."<sup>11</sup>

### ***Benchmarks and Mission Creep***

In December 1997, one year into his 18-month extension, Clinton travelled to Bosnia to announce that US troops would not, in fact, be coming home by his second exit date. But instead of setting a third exit date, the president said certain criteria or "benchmarks" would have to be met in Bosnia before US soldiers could hope to return home. The first benchmark was that multiethnic political institutions would have to be created that were strong enough "to be self-sustaining after the military operation." Clinton also stated that an independent judiciary must be created and that the political parties must give up control of the state media, which he called "instruments of hate and venom."<sup>12</sup>

Sen. Robert C. Byrd (D-W.Va.) later noted that requiring that such benchmarks be met before US troops could be withdrawn "reads more like a nation-building strategy," not the purely military tasks the Clinton administration originally outlined in 1995. In fact, claimed Byrd, the idea that Bosnia must first have multiethnic political institutions, an independent judiciary, and a free press before US troops can exit is simply "a formula requiring the completion of a new integrated democratic state. That is what nation building is. I didn't buy on to that. The US Senate has not bought on to that."<sup>13</sup>

Responding to questions about the administration's decision to make the US troop commitment in Bosnia open-ended, a senior Clinton administration official stated: it is "part of our strategy to convince the opponents (of the Dayton Agreement) they cannot wait us out... If they believe they can outlast the international community, then they will be hard to move."<sup>14</sup> Secretary of State Albright later defended the president's decision: "We set the (original one year) deadline because we believed it. We didn't set the deadline just to fool the American people. That's the last thing we would do."<sup>15</sup> According to the memoirs of the chief US negotiator at Dayton, Richard Holbrooke, however, it was obvious from the beginning that

setting a deadline for US troop involvement would give the Dayton Agreement's opponents in Bosnia the impression that they could "outwait" NATO. "Everyone closely associated with implementation knew this from the outset/" explains Holbrooke.<sup>16</sup>

Outside the administration, advocates of the Bosnia intervention were largely in favor of nation building.<sup>17</sup> Others supported the idea of nation building, but did not think the implementation of the Dayton Agreement went far enough. Writing in the *Washington Quarterly*, for example, journalist Charles Lane said he considered the West's implementation of the Dayton Agreement "insufficiently imperial" for that purpose.<sup>18</sup> Similarly, in the journal *International Security*, researcher Jane Sharp claimed that the West's "unwillingness" to deal forcefully with the Bosnians would greatly hamper nation building.<sup>19</sup> Several critics, however, argued that practical limitations meant adhering to the Dayton Agreement was unlikely to produce a durable peace and some form of partition of Bosnia should be considered.<sup>20</sup> Writing in *Survival*, the quarterly journal of the London-based International Institute for Strategic Studies, for example, Dartmouth College political scientist Robert Pape explained, (It has been said that) Dayton is failing because it allows too much Serbian independence and because the West has not tried hard enough to obtain the real agreement of the local parties and to enforce its integration provisions. The real problem is the opposite: none of the parties will accept the multiethnic Bosnia envisioned by Dayton and nor can they be made to do so... Partition is Bosnia's future and no Western policy can avoid it. Rather than allow ethnic boundaries to be written in blood after (NATO) leaves, the West should help to manage a peaceful partition while it still has troops on the ground.<sup>21</sup>

### ***An Open-Ended Commitment***

By the end of the Clinton administration, the United States had an expensive, open-ended nation-building commitment in Bosnia. There were 4,400 US combat troops still trying to implement the Dayton Agreement, plus more than 400 US support personnel in Croatia, Hungary, and Italy.<sup>22</sup> The US General Accounting Office estimated that Washington had spent approximately \$11.8 billion on the operation: \$9.9 billion for the military aspects and \$1.9 billion for the non-military aspects (Table 4.1).

**Table 4.2**

**Estimated US Costs for Military and Nonmilitary Aspects of Bosnia Peace Operation, Fiscal Years 1996-2000 (Dollars in millions)**

Fiscal Year	1996	1997	1998	1999	2000	Total
Military Aspects	\$2,520	\$2,283	\$1,963	\$1,538	\$1,603	\$9,907
Nonmilitary Aspects	\$560	\$500	\$301	\$295	\$211	\$1,867
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Total	\$3,080	\$2,783	\$2,264	\$2,833	\$1,814	11,774

Source: United States General Accounting Office, *Balkans Security: Current and Projected Factors Affecting Regional Stability*, (Washington, DC, April 2000), p. 86.

According to a high-ranking Western official involved in over-seeing the implementation of the Dayton Agreement, NATO troops will have to stay in Bosnia another 10 years.<sup>23</sup> A senior US official thinks it may take longer. "I'm sure that in 20 years, there will be a multiethnic state (like that called for in the Dayton Agreement, but the) lesson of the last two years is that you cannot force these things. They will just take time."<sup>24</sup> When President Clinton visited Bosnia in December 1997, he asked a group of young Bosnians at a Sarajevo cafe, "What's the most important thing the United States can do?" "Stay!" cried out a young woman. Then a man added, "The next 50 years, please."<sup>25</sup>

The prospect for political and ethnic reintegration is not promising.<sup>26</sup> For starters, Bosnians have no history of independence or sense of shared national identity.<sup>27</sup> Indeed, over the course of the past five centuries Bosnia was, in turn, part of the Ottoman Empire, the Austro-Hungarian Empire, a monarchist Yugoslavia, and a communist Yugoslavia. Moreover, the current international boundaries of the Bosnian state have a flimsy historical legitimacy. They were purely artificial creations, imposed by Yugoslavia's leader, Josip Broz Tito, shortly after he consolidated his power at the end of World War II. The boundaries were meant to be internal lines of political and administrative demarcation within Yugoslavia, not boundaries that separated nations. They were also a deliberate exercise in political gerrymandering to dilute Serbian political influence inside Yugoslavia by minimizing Serbia's size and placing large minorities of Serbs in other political jurisdictions.

Even the core of Bosnia's Muslim elite, who have the most to gain from the implementation of the Dayton Agreement, have not fully embraced the West's vision that multiethnic civil society should

prevail over nationalist ideologies in Bosnia. As the Muslim representative to Bosnia's three-way presidency, Alija Izetbegović, told the second congress of his Party of Democratic Action in 1997, "There is no turning back to a conflict-free and non-national Bosnia. The Bosniak (Muslim) people, now that it has become aware of itself ... will never again give up its Bosniak identity as a nation, and Islam as its spiritual component."<sup>28</sup> Izetbegović added that the best to be hoped for in Bosnia is to "harmonize the unalterable fate of nationality... We will be satisfied if we have Croats in Bosnia instead of Greater Croats, and normal Serbs instead of Greater Serbs."<sup>29</sup> Of course, many Croats and Serbs interpret those words as an argument for their subjugation within Bosnia.

In election after election, moreover, Bosnia's Muslim, Serbian, and Croatian populations have shown themselves unwilling to break with their nationalist political parties, and 85 percent of Bosnians polled say they will not vote for candidates from another ethnic group.<sup>30</sup> Meanwhile, elected Bosnian officials have obstructed everything from designing a national flag and setting up joint institutions to reforming the economy and privatizing state-owned enterprises. On the local level, multiethnic administration in most Bosnian municipalities is a sham. Ethnic minority officials are typically ignored and relegated to the political sidelines. Many have been the targets of death threats and choose to reside in municipalities other than those where they serve so that they can live safely among their own ethnic group.

What is more, during the past five years there has been a constant din of ethnic violence and intimidation throughout Bosnia, including bomb attacks and shootings.<sup>31</sup> The most severe ethnic violence has occurred in and around the divided city of Mostar, where Muslims and Croats still live separately.<sup>32</sup> Mostar Croats continue to use Croatian money — the kuna — rather than the new Bosnian currency. Their mobile phones log on to the network run by the Croatian telecommunications utility, and mail is still likely to bear a stamp of "Herceg-Bosna," the Bosnian Croat zone created during the war.<sup>33</sup> The city is so divided, says Ferid Pasović, general manager of Sarajevska Brewery, that "We sell in east Mostar, but it's easier to sell our beer in Libya than in (Croat) west Mostar."<sup>34</sup> Since 1998, more than 70 incidents in the area have been aimed at preventing Muslims from returning to the towns and villages surrounding Mostar, including an incident in which a group of 25 Muslims trying to return to their homes in Tasovčići was attacked by an angry crowd of Croatian nationalists.<sup>35</sup> During the clash five explosions occurred, two houses were set afire, and a grenade killed one Muslim and injured five others, including two Croatian policemen.<sup>36</sup>

Not surprisingly, postwar ethnic reintegration in Bosnia has been less than encouraging. There were 2.3 million refugees and internally displaced persons when the Dayton Agreement was signed in December 1995.<sup>37</sup> By January 2001, only 235,729 internally displaced persons had returned to their prewar homes and only 339,990 refugees had returned to Bosnia from other countries (Table 4.3).

**Table 4.3**

**Estimated Total Returns, 1999 -2000**

Returnees	1996	1997	1998	1999	2000	Total
Refugees	80,114	111,650	106,000	28,180	14,046	339,990
Displaced persons	102,913	53,160	19,440	29,935	30,281	235,729
=====						
Total	183,027	164,810	125,440	58,115	23,901	575,719

Source: United Nations High Commissioner for Refugees, "Returns Summary to Bosnia and Herzegovina from 01/01/96 to 31/01/01," <http://www.unhcr.ba/Operations/Statistical/20package/T5-RET01.PDF>. (Accessed March 30, 2001).

What is important to note, however, is that most of those displaced persons and returning refugees resettled in areas where they would be in the ethnic majority. Only about 160,000 had actually returned to areas where they would be in the ethnic minority.<sup>38</sup> Over the same time period, more than 80,000 Bosnians moved from areas where they were in the ethnic minority to areas where they would be in the ethnic majority.<sup>39</sup> That means that by 2001, only 80,000 more Bosnians were living as ethnic minorities as when the war ended in late 1995. Those figures also illustrate that minority returns really account for only a small fraction of the total number of people actually uprooted by the war. Moreover, many who have returned across ethnic lines have ventured only a few kilometers from the Inter-Entity Boundary Line.<sup>40</sup> Even more telling, nearly 30 percent of the Croats who lived in Bosnia when the war ended have since left the country.<sup>41</sup> The remaining Croats now form only nine percent of Bosnia's population, or about half their prewar numbers.<sup>42</sup>

Such facts do not point toward the reintegrated Bosnia that the Dayton Agreement envisions, but toward ethnic separation. As Kevin Mannion, former field officer of the UN's International Management Group in Bosnia, explained more than four years ago: "Returns of refugees are not going to happen, so why set impossible goals? We're trying to recreate something here that never really existed and most people never really wanted."<sup>43</sup> More recently, in an

issue of Foreign Affairs, Harvard University professor of international affairs Stephen M. Walt pointedly asserted that "NATO has been unable to craft a workable formula that would secure peace and permit its forces to withdraw," and "by rejecting the possibility of ethnic partition and insisting that the long-term goal be a democratic and multiethnic Bosnia, the United States has committed outside forces to Bosnia for years to come."<sup>44</sup>

Still, some analysts cling to the idea that the West is successfully undoing the consequences of the Bosnian war. "Movement across the inter-entity boundary ... has never been so free," says one observer.<sup>45</sup> But the fact of the matter is that most of the people who are now crossing ethnic lines are either Muslims returning to the Brčko area, which is a special NATO-occupied municipality in eastern Bosnia that is part of neither the Muslim-Croat Federation nor the Republika Srpska; Serbs and Croats returning to Sarajevo, which has always been the most cosmopolitan city in Bosnia and, not coincidentally, where they have the best chance of finding employment because most international and aid organizations are based there; and refugees returning to designer villages, which are being built from the ground up by the West to increase the official numbers of "minority returns." What is more, most of the minority returns to the more rural areas of Bosnia are tolerated by the local majority only because the returnees tend to be elderly and thus pose no long-term demographic threat; that is, they are beyond child-bearing years and not expected to live much longer anyway.<sup>46</sup> All the supposed progress in returns, therefore, belies the fact that Bosnia's rival ethnic groups still largely do not want to live with each other. In the Brčko-area village of Velika, for example, Muslim refugees returned only because NATO troops are there. When asked by an American reporter if they thought civil war would resume if the troops left, their answer was bluntly matter-of-fact. They said, "Of course."<sup>47</sup> Their response raises the chilling question: Is the West actually building a nation in Bosnia or is it re-creating the conditions for another round of ethnic cleansing after the international aid money dries up and Western peacekeepers depart?

### ***Washington brings Democracy to Bosnia***

Despite overwhelming evidence of hardened animosity and entrenched ethnic separation, Washington has resorted to increasingly high-handed and undemocratic measures to force Bosnia's Muslims, Serbs, and Croats to live under the fiction of one government. "Our job," summarizes America's top nation builder in Bosnia, Jacques Klein, "is to turn a province into a country—sometimes, whether the people like it or not."<sup>48</sup> Similarly, in the Muslim-Croat Federation, the lack of cooperation between Muslims

and Croats drew the following response from another high-ranking Western official: "I don't care. I am simply not interested in who does not want the Federation: this is a concept we will implement... We dictate what will be done."<sup>49</sup>

Today, thousands of aid workers, soldiers, and international diplomats run Bosnia as a virtual protectorate. According to the Soros Foundation's Sarajevo office, there are about 18,000 civilian nation builders in Bosnia.<sup>50</sup> Moreover, there are 20,000 troops from around the globe. Together, this legion of foreigners oversees reconstruction, provides security, and decides on everything from what churches may be constructed to what Bosnia's passports should look like.

### ***High Handed High Representative***

With a staff of more than 300 specialists at his disposal, the top nation builder in Bosnia is Austrian diplomat Wolfgang Petritsch.<sup>51</sup> Known as the High Representative, Petritsch is the international official in charge of implementing the Dayton Agreement for the Peace Implementation Council—the multinational body overseeing the peace plan.<sup>52</sup> In December 1997, the Peace Implementation Council met in Bonn, Germany, and granted the Office of the High Representative a broad mandate to make decisions for Bosnian officials if they missed any Western-imposed deadlines. The Peace Implementation Council also gave the Office of the High Representative the power to dismiss elected Bosnian officials who resist the West's efforts at nation building.

According to Spanish diplomat Carlos Westendorp, who was the High Representative at the time, his office did not need the Peace Implementation Council's approval to begin making decisions for the Bosnian people or dismissing elected officials. In fact, the month before the Peace Implementation Council meeting in Bonn, Westendorp told the Bosnian newspaper *Slobodna Bosna*:

"You see, if you read Dayton very carefully ... Annex 10 gives me the possibility to interpret my own authorities and powers. Therefore I do not need anything new, in the legal sense... If they want to give this to me in writing of the Bonn conference it would be the best, and if not, I am going to do it anyway."

Westendorp went on to assert, if Bosnia's elected officials cannot agree about some decision, for example the passports, the license plates, the flag ... I will stop this process of infinite discussions. In the future, it will look like this: I will give them ... a term to bring a certain decision, that is to agree about some decision. If they do not, I will tell them not to worry, that I will decide for them.<sup>53</sup>

When asked how Bosnia's elected officials might react to his decrees, Westendorp told the paper, if they "show resistance towards the implementation of these decisions, and if they block Dayton systematically, I will ask for the resignation of those who are not cooperative." More bluntly, in a December 1 1997 interview with the Belgrade daily *Nasa Borba*, he explained to Bosnian officials, "So, if you do not agree, do not worry: I will do it for you. If you don't agree systematically, worry not again: I will liberate you from this duty."<sup>54</sup>

### ***Undemocratic Measures***

After the Peace Implementation Council meeting in Bonn concluded, Westendorp returned to Bosnia and began to rule by fiat. In 1998, when Bosnian authorities could not agree among themselves, Westendorp imposed a national flag, the music for a national anthem, a national currency design, and common automobile license plates.<sup>55</sup> He also exercised his power to dismiss elected Bosnian officials, removing Dragan Cavic, the number-two man in the hard-line Serbian Democratic Party (SDS), from his Republika Srpska assembly seat for making inflammatory statements about the crisis in Kosovo.<sup>56</sup> Westendorp also sacked Mehmed Alagic, the Muslim mayor of the western town of Sanski Most, and Drago Tokmacija, the acting president of the Croatian Democratic Union.<sup>57</sup> By August 1 1999, Westendorp had removed 13 Bosnian officials from power and imposed 46 different laws and executive orders.<sup>58</sup>

Westendorp's dominion over Bosnian politics did not end there. According to the *Economist*, "Westendorp's power to meddle politically would make a coup-rigging CIA operative envious."<sup>59</sup> Indeed, the magazine reported that the election of Milorad Dodik to the prime ministership of the Republika Srpska (was virtually engineered by Westendorp's) office, which had a whip on the floor of the Serbian parliament when it happened."<sup>60</sup> Moreover, Westendorp's staff directly participated in securing the outcome it wanted. As columnist Michael Kelly later recounted in the *Washington Post*:

"(Momčilo) Krajišnik's hard-line SDS and their allies, who control 39 of 83 seats, and the speaker's chair, had adjourned parliament late Saturday night and left the building in the hands of Dodik and 41 other ... moderates. This left the moderates one vote shy of a majority. The missing vote was held by a member who had left early to drive to Zagreb... When (Westendorp's deputy) heard about Dodik's situation, he requested NATO troops to intercept the missing delegate on the road and return him to the parliament. Now holding a one-vote majority, Dodik's supporters reconvened the parliament and voted in a new government while Krajišnik's forces slept."<sup>61</sup>

In August 1999, Austrian diplomat Wolfgang Petritsch replaced Carlos Westendorp as the High Representative for Bosnia. In his last speech before turning over the reins of office, Westendorp offered Petritsch some insight into the nature of nation building in Bosnia;

"My successor Wolfgang Petritsch, to whom I wish all success, has said that much can be achieved by a kind word. With this I agree, but would wish to quote from (a) famous historical figure, who said not just that much could be achieved with a kind word, but a kind word and a gun. This figure was Al Capone. Joke!!! I've been here too long... I actually prefer Teddy Roosevelt's "Walk softly and carry a big stick." The gun or the stick in this context is the continuing presence of (NATO's Bosnia) Stabilization Force and the international community."<sup>62</sup>

By November, Petritsch used his "stick" and fired 22 elected Bosnian officials, including two leading figures in the principal Croatian and Muslim parties. Alexandra Stiglmayer, a spokesperson for Petritsch, told a news conference: "The dismissed officials are not the officials that Bosnia needs."<sup>63</sup> Petritsch himself told Bosnian voters the removed officials "had blocked your road leading to a better future."<sup>64</sup> To protect them from being tempted to vote the wrong way again, he added that he would ban the removed officials from running for political office in the future. Petritsch assured his sceptics that Bosnians "don't believe in them-selves," they "want me to do their job for them."<sup>65</sup> On September 8, 2000, he sacked another 15 public officials.<sup>66</sup>

In a further move, Petritsch placed a new draft election law before Bosnia's national parliament. Among other provisions, the law would require political candidates in the future to petition for nomination signatures outside the area where they are running for office. In other words, a party that draws support from a specific ethnic group will not even be able to appear on the ballot. In typical fashion, Petritsch indicated that he may simply impose the law if Bosnia's rival-groups do not enact it.<sup>67</sup>

The imperious actions of Petritsch and Westendorp have caused many Western observers to express concerns. Some question the correctness of the methods used. "It troubles me," con-cedes one Western official. "I mean, here we are with (thousands of) foreign soldiers demanding that a country do what we want."<sup>68</sup> Still others worry that the High Representative's power does not always bring competence. In 1998, for instance, thousands of passports approved by High Representative Westendorp had to be destroyed after a glaring grammatical error was discovered in the Serbo-Croatian case endings.<sup>69</sup> Another concern is that the High

Representative's power seems to know no limits. As one top aide has admitted, "We do not know what we can't do."<sup>70</sup>

### ***Political Engineering***

In addition to the High Representative, other Western authorities have used questionable tactics with regard to the democratic process in Bosnia. The extent of that activity first became evident with the September 1997 municipal elections. According to the New York Times:

In many towns foreign officials disregarded the election results somewhat and ordered that the minority groups have enough seats on the local council to feel secure that the government would not abuse them... Distributing power this way runs counter to the Bosnian political philosophy of winner take all... It also, foreign officials concede, violates Bosnian law. But the 1995 Dayton Peace Agreement supercedes all Bosnian laws and increasingly Western governments are interpreting that agreement to impose their views of how the country should be run."<sup>71</sup>

Specifically, in the towns of Vareš, Novi Travnik, Kreševo, Gornji Vakuf, Žepče, Foča, Prozor-Rama, Srebrenica, and Stolac, the Organization for Security and Cooperation in Europe chose the mayors itself and disregarded the local election results to create city councils with more ethnic diversity.<sup>72</sup> In Sarajevo, Western authorities decided that although the Muslim Party for Democratic Action won 70 percent of the city council seats, the mayor should be a Croatian and a member of the Social Democratic Party.<sup>73</sup>

Western authorities have shown contempt for the democratic process in Bosnia in other ways as well. When Republika Srpska president Biljana Plavšić broke with the hard-line SDS in 1997 and espoused a moderately pro-Dayton line, Western officials openly favored her political ambitions. When she dissolved the parliament and called for new elections, the Republika Srpska's constitutional court ruled her actions illegal. Western authorities simply overruled the court's decision and began to organize elections anyway. When the parliament backed the court's decision and declared that Plavšić's dissolution of the parliament was illegal, Western officials ignored that as well.<sup>74</sup> US State Department spokesperson James Rubin claimed that "challenges to (Plavšić's) actions are not legally valid," and that Serbs who fail to comply "are too stupid to realize that ... a failure to follow through on the international community's demands will only make their people suffer."<sup>75</sup>

Armed NATO forces, backed by Apache helicopter gunships, then helped Plavšić purge policemen loyal to the hard-line SDS from stations in and around her stronghold of Banja Luka in northwest

Bosnia. A short time later, NATO forces seized four important television transmitters controlled by the SDS after their operators refused to stop airing anti-Plavšić propaganda and criticizing the international organizations involved in implementing the Dayton Agreement. By December 1997, the Clinton administration had initiated an \$88 million loan package aimed directly at strengthening Plavšić's support.<sup>76</sup> "It is crucial that the people who support Plavšić see there are benefits from doing so. This money is very carefully targeted; these are her towns," explained one senior administration official.<sup>77</sup> Other kinds of US support were given to Plavšić as well, and tens of millions of additional dollars came in from European sources. Correspondent Philip Smucker described the nature and extent of the support in the pages of the Washington Times:

"Mrs. Plavšić's party was inundated with Western help, both direct and indirect. Funding came from the Organization for Security and Cooperation in Europe, the US government, and the European Union to provide jobs and infrastructure... NATO's Stabilization Force also provided satellite links for a pro- Plavšić TV station and beamed television pictures from a special US airplane."<sup>78</sup>

As the September 1998 elections approached, however, Plavšić faced a tough re-election challenge from hard-line Serbian Radical Party (SRS) candidate Nikola Poplašen. Secretary of State Albright traveled to Bosnia two weeks before the election to try to buy more support for Plavšić.<sup>79</sup> Highlighting the economic benefits Bosnian Serbs would receive if they voted the way Washington wanted, Albright explained that the election offers a "clear, consequential choice," in which Bosnian Serbs "can decide whether this country will be a country that prospers from trade and investment or a country that stagnates in isolation."<sup>80</sup>

### ***Signs of a Backlash***

International officials began to panic when it became clear that Plavšić would be defeated by Poplašen and that hard-liners had won many other races. "It does not look good... This is not what the international community wants," exclaimed one Western official.<sup>81</sup> Following the close of polling, the Organization for Security and Cooperation in Europe, the international body that supervised the elections in Bosnia, abruptly postponed releasing early results, prompting allegations by Serbs of Western vote tampering.<sup>82</sup> The OSCE also disqualified nine Poplašen allies running for either the Bosnian national parliament or the Republika Srpska assembly for violating election rules by appearing in television interviews over the election weekend.<sup>83</sup>

What is worse, Western officials began discussing the option of disregarding the election results altogether. Speaking anonymously,

one Western diplomat said that extreme measures were a possibility. Specifically, he suggested that High Representative Westendorp might turn Bosnia into an outright protectorate.<sup>84</sup> Another plan considered would have divided the Republika Srpska into five cantons, thereby salvaging a political stronghold for Plavšić.<sup>85</sup> Although neither plan was adopted, Plavšić's allies still hoped that the West would do something to return them to power. Prime Minister Milorad Dodik, for example, noted that under the constitution, Poplašen would have two attempts to form a coalition government in the Republika Srpska assembly. If he failed, fresh elections will have to be held. "I expect a parliamentary crisis here and hope for more support from the US," said Dodik.<sup>86</sup> On March 5, 1999, Poplašen was removed from power by High Representative Westendorp for "ignoring the will of the people."<sup>87</sup>

The overall failure of Washington's votes-for-dollars scheme, however, was not surprising. Indeed, toward the end of her campaign Plavšić complained that hard-liners were naturally exploiting Serbian fears of foreign manipulation, "blam(ing) us for too much cooperation" with Washington.<sup>88</sup> Washington tried to put its best spin on Plavšić's defeat, claiming that the election produced a "mixed bag" because Bosnian Serbian nationalist Momčilo Krajišnik was not re-elected to Bosnia's collective presidency. US special envoy Robert Gelbard, for example, claimed that "movement among the Bosnian Serbs was totally in favor of those who support implementation of the Dayton Agreement and against the hard-liners, including the really important victory of (Socialist Party of Republika Srpska leader) Živko Radišić over Momčilo Krajišnik."<sup>89</sup>

But Gelbard's analysis was either strangely ill-informed or boldly misleading; it ignored the fact that Krajišnik's defeat was not a repudiation of his nationalist politics by Bosnian Serb voters, but a reaction to his ties to organized crime and possible involvement in the murder of a senior Serbian police chief.<sup>90</sup> Gelbard also ignored the fact that Krajišnik would not have been defeated without the 200,000 or so votes his competitors received from Muslim refugees living outside the Republika Srpska. That practice of packing the voter registration rolls with voters who live elsewhere has been one of the continuing ways the West has tried to manage the outcomes of Bosnia's elections. Indeed, instead of requiring voters to register where they currently live, the OSCE has strongly encouraged voters to register where they lived before the war. A sizable minority of Bosnian voters, and virtually all those who have left the country, have done just that. The result is vote dilution, especially by those now living abroad who have no intention of ever returning to Bosnia.

The Poplašen affair, however, was far from over. Though he was removed from the Republika Srpska presidency by High Representative Westendorp, Poplašen still served in the leadership

of his political party, the SRS. On October 5, 1999, Westendorp and the OSCE sent a joint letter to the SRS that demanded Poplašen and two others be removed from party leadership positions or the SRS would be prohibited from fielding candidates in the next round of elections.<sup>91</sup> The SRS refused to comply and it was subsequently banned altogether from participating in the April 2000 municipal elections.<sup>92</sup> That unprecedented move clearly demonstrated the extent to which the High Representative's power to control Bosnian politics had grown. The SRS may have been an ardently pro-nationalist party, but it was not an insignificant political actor without popular support. It had won the previous presidential election in the Republika Srpska and held 13 percent of the seats in the Republika Srpska Assembly.<sup>93</sup>

### ***Nationalists Continue to Dominate***

Despite the disqualification of the SRS, the April 2000 municipal elections reconfirmed the nationalists' grip on power. In the Republika Srpska, the nationalist SDS took all but a handful of municipalities, and in Croat-controlled regions, the ruling Croatian Democratic Union (HDZ) captured every Croat-dominated municipality. In Muslim-controlled areas like Tuzla the nationalist Party for Democratic Action (SDA) lost some ground to the opposition Social Democrats, but that movement was not necessarily indicative of a backlash against Muslim nationalism. Instead, it was a backlash against corrupt Muslim nationalism. As the Christian Science Monitor rightly reported:

"A raft of ugly corruption scandals involving top officials undoubtedly hurt the ruling Muslim party (SDA), which had dominated not only political life but also the economy, the civil service, and the media in Bosnian Muslim-populated areas. Recently, the Tuzla canton's former prime minister (an SDA member), as well as its top justice and health officials (also SDA members), received prison sentences for pocketing state funds. Fraud cases are under way against dozens of others in the SDA."<sup>94</sup>

In the face of such contrary evidence, High Representative Petritsch still managed to claim, "All the signs are that the people of Bosnia and Herzegovina are slowly turning away from the old wartime political agendas, which were determined by ethnicity, and towards those political parties that have taken up issues of everyday concern to the country's citizens."<sup>95</sup>

Bosnia's November 2000 national elections struck a further blow to the West's self-delusion that the fractured country was progressing toward a self-sustaining peace. The nationalist SDS retained a big lead in the Republika Srpska, crushing the Western-backed Independent Social Democrats of Milorad Dodik.<sup>96</sup> In the Muslim-

Croat Federation the Muslim nationalist SDA had a strong running and the Croatian nationalist HDZ won overwhelmingly in areas populated by Croats. The HDZ also said it no longer recognized the authority of Western officials running Bosnia and it organized a referendum demanding a separate Croatian entity in Bosnia.<sup>97</sup> Three months later, the HDZ declared the Muslim-Croat Federation dead.<sup>98</sup> Its top leaders were promptly sacked by High Representative Petritsch.<sup>99</sup>

### ***Education and Media Controls***

The West's nation-building mission in Bosnia has not been limited to manipulating the political process. Deputy High Representative Jacques Klein, Washington's highest-ranking civilian nation builder in Bosnia, says the international community must overhaul the educational system there as well. According to Klein, Bosnians do not understand their own past: "Their history is either a nationalistic history, a Marxist interpretation of history, or what's worse, is an anecdotal history. 'My grandfather told me,' 'my uncle told me.' That means their leaders are making political decisions based on very false historic premises."<sup>100</sup> Thus, says Klein, the West must undertake to relieve Bosnians of their ignorance.

Right now, schools in Muslim-, Croat-, and Serb-dominated areas teach their pupils divergent versions of language and literature, but the differences are perhaps greatest in the teaching of history, in particular the causes and conduct of the Bosnian war. Muslims in Zavidovići blocked a highway after the Croatian authorities prevented their children from being taught the Muslim curriculum. Croatian pupils in Bugojno cram into a makeshift classroom because the Muslim authorities have barred schools teaching them the Croatian curriculum.<sup>101</sup> Some Western nation builders want to create a historical commission, headed by a foreigner, to write an official uniform account of the war for the classrooms of Bosnia.<sup>102</sup> Other experts recommend leaving all discussion of the war out of the textbooks entirely.<sup>103</sup>

In an October 1998 report to the UN's secretary-general, High Representative Westendorp announced that his office was working on the implementation of the "Textbook Review Project" to remove "offensive materials" from textbooks used in primary and secondary schools in Bosnia.<sup>104</sup> Bosnian and international experts were assembled to study school textbooks to "identify and eliminate elements likely to induce intolerance and ethnic hatred."<sup>105</sup> A project committee recommended that the term "crime" be replaced by "mistake" in a sentence printed in a grammar textbook used by 14-year-olds in Sarajevo. The committee decided that children traumatized by the war might read into the word "crime"

connotations of wartime culpability and suggested that "mistake" might be less inflammatory. When the recommendation became public a major row developed. Muslim critics lambasted Westendorp for seeking to whitewash the past in pursuit of cosmetic ethnic reconciliation. But Westendorp said in a statement that the textbook reviews "are essential in creating the country envisaged in the Dayton Peace Agreement: a Bosnia and Herzegovina in which all its citizens feel fully accepted and respected regardless of their place of residence or their ethnic affiliation."<sup>106</sup> By August 1999, a spokesperson for the High Representative announced, "Offensive and objectionable terminology will no longer be included in the textbooks... Deletion of items is to be completed by the start of the new school year."<sup>107</sup> In all, there was a 24-page list of phrases, paragraphs, and even whole pages that were deemed "offensive and objectionable." Teachers were then instructed to find them in every textbook and make sure students could not read the words anymore.<sup>108</sup>

Even this level of control has not satisfied Bosnia's nation builders. In April 1998, the Office of the High Representative created a media commission that has the power to shut down or fine radio stations, television stations, and newspapers it decides are engaging in reporting or editorializing that hinders the implementation of the Dayton Agreement. Called the Independent Media Commission, the body has an annual budget of \$2.7 million, financed in part by the United States.<sup>109</sup> The IMC is headed by a non-Bosnian, and half the 30-person staff is made up of foreigners.<sup>110</sup> A US State Department official has admitted that "there are obvious free-speech concerns," but Western diplomats hesitate to characterize the commission as a censorship organ.<sup>111</sup> On April 14, 1999, however, the IMC ordered Kanal STV in the Republika Srpska off the air. According to the commission, Kanal S TV committed a "serious violation" when it aired an appeal from Sarajevo University students requesting their fellow citizens to join them in a protest against NATO's air strikes against Yugoslavia.<sup>112</sup> But the IMC is not limited to punishing media it does not like: it also has the authority to mandate certain coverage. Indeed, during NATO's air strikes, the commission required, "under direct order," Bosnian Serbian television to carry a Serbian-language address by Secretary of State Madeleine Albright defending the NATO action.<sup>113</sup>

Following the April 2000 municipal elections, the IMC found five Bosnian TV broadcasters in violation of its "Code on Media Rules in Elections" and fined them. According to the IMC's enforcement panel, four of the stations were fined for violating the commission's rule on media silence, which forbids airing election-related material on election day. TV Bel was ordered to pay a fine for broadcasting contentious news on election day and reporting that Croats were

boycotting the polls in the towns of Gornji Vakuf and Žepče. RTV BiH was fined because its news program announced that the SDS would be holding a press conference. ATV Banja Luka was ordered to pay a fine for reporting that two Republika Srpska politicians were being omitted from the vote registers. And HRTV Herceg-Bosna was fined for broadcasting on its early evening news a statement made by the HDZ.<sup>114</sup>

In the months leading up to Bosnia's October 2000 presidential elections, the West again tightened its control over the media. High Representative Petritsch, for example, summarily dismissed the board of governors of the main Bosnian Serbian television station, RTRS, and appointed a new one.<sup>115</sup> "This decision is a direct result of the continued failure of the Republika Srpska Government and the RS National Assembly to adopt new legislation for RTRS, in order to bring it in line with international standards for public broadcasting," he announced.<sup>116</sup> But Petritsch's move was also likely an expression of the West's increasing anxiety that the nationalists would win most of the elections yet again.

### ***Bosnia's Economic Calamity***

Shortly after the Dayton Agreement halted the fighting in Bosnia in late 1995, the World Bank announced it would raise \$5.1 billion in reconstruction aid. Concerned with securing large pledges from the United States and other Western governments, bank officials claimed that the breakaway Yugoslav republic was intent on privatizing its economy as soon as possible. Bosnia was expected to respond quickly to privatization, explained the bank's director for Central Europe, Kemal Dervis. "This is not an economy like the former Soviet republics," he assured sceptics. "Yugoslavia was halfway to the market when the war started."<sup>117</sup>

### ***A Failure to Privatize***

Five years and billions of dollars in reconstruction aid later, Bosnia has yet to privatize any significant part of its economy.<sup>118</sup> In fact, officials at the International Finance Corporation, an arm of the World Bank, reported in late 1998 that the number of privatized companies in Bosnia was negligible. "It is closer to zero percent than one percent," explained Richard Rutherford, the principal investment officer with the International Finance Corporation in Europe.<sup>119</sup> Since then, nearly every privatization effort has run into controversy, and now 14 different, and sometimes competing, privatization agencies exist.<sup>120</sup>

One privatization plan was designed to cover about 2,000 small properties and businesses, such as apartments, shops, and hotels.

The idea was to issue vouchers to the public, which could be used either to buy state-owned apartments or to buy shares of state-owned businesses. But that plan has been mired in scandal and disputes between Muslims and Croats over the share of vouchers each will receive to pay off more than \$4 billion in war debts and back wages owed the veterans of their respective armies, which fought against each other from 1992 to 1994.<sup>121</sup> US diplomats have blamed the leading Bosnian Muslim party, the SDA, for possible interference in the bidding process, and the furor has led the main privatization agency to cancel 34 future tenders. The US Agency for International Development, which has spent more than \$30 million in US taxpayer money laying the groundwork for privatization, has suspended financial support for the Muslim-Croat Federation's program. Many American officials now doubt whether the entity's Muslim majority is truly dedicated to economic reform. Indeed, according to one senior US official, the Bosnian Muslims "have been tremendously obstructionist in blocking ... transparent, honest privatization laws ... because they find it a lot easier to sit back and enjoy the benefits of international economic aid ... (and) because they basically believe in state control and party control."<sup>122</sup> "If you want to know the reason why things have moved slowly, it is because the political parties are still deeply entrenched in everything... They are not interested in real privatization," says US diplomat Robert Barry, head of the OSCE mission to Bosnia.<sup>123</sup>

Without large-scale privatization there is little prospect for self-sustaining economic growth and direct foreign investment in the Muslim-Croat Federation. Indeed, the entity's tiny private sector accounted for 58 percent of total profits made in 1998, while state and mixed state-private ownership companies accounted for 88 percent of all losses.<sup>124</sup> The situation in the Republika Srpska looks even worse, because privatization laws have not even been fully enacted. This dismal outlook is worsened by the prospect that Bosnia must begin repaying the principal of its foreign debt in 2002.

### ***An Entrenched Socialist Legacy***

Another obstacle to economic growth in Bosnia is the legacy of bureaucratic socialism. The same functionaries who ran things before the war are still running things today.<sup>125</sup> Other remnants of the socialist era — onerous taxes and regulations — also continue to thwart business start-ups and foreign investment. "Things are still so rigidly controlled here that many businessmen can't get off the ground even if they have money and ideas/" explains one reconstruction expert.<sup>126</sup>

Take the case of Morgon Sowden for example. Sowden, a British citizen, founded the popular Internet Cafe in Sarajevo but was forced

to close his business after confronting exorbitant taxes, burdensome bureaucracy, and multiple layers of regulations. As the Los Angeles Times reported:

"Already well-versed in doing business in Eastern Europe after a stint in Prague, Sowden took an early gamble on Bosnia. Arriving just a month after the war ended, he expected hardships... What he did not expect was layer upon layer of bureaucracy and the seemingly deliberate way the government had of making it impossible and expensive to do business. Make that governments, plural. In its post-war development ... Bosnia has created jurisdictions at the city, canton, entity and state ... levels, each of which has some form of taxation and regulatory powers. Because it's all new, laws at different levels sometimes contradict one another and are extremely complex. As a consequence, Sowden recently found himself hit with a retroactive tax bill going back to 1996. Authorities simply changed their minds about whether a particular duty was applicable to his business... He was also assessed a payroll tax equal to a full 85 percent of his employees' salaries and seven taxes on alcohol totalling roughly 20 percent, and he must pay 36 to 51 percent tax on his profit annually—in advance... Rather than continue to fight the bureaucrats and lose money, Sowden has decided to hand the popular cafe over to his 25 employees and walk away."<sup>127</sup>

Another small business owner, New Yorker Bethany Lindsley, opened up Sarajevo's first Tex-Mex restaurant, but she too complains of cost-prohibitive taxes and reams of regulations that do not allow her to make changes as simple as paying her employees weekly instead of twice monthly. "These problems are not from the war," she explains. "It's communism."<sup>128</sup>

Large businesses, too, bemoan communist-era obstacles. McDonald's Europe complains that Bosnia's communist legacy has overpriced Sarajevo real estate. Most of the property is still controlled by the government, it says, and in some cases the Bosnian government charges prices higher than in downtown Geneva.<sup>129</sup> Klaus Dieter Stienbach, who ran Bosnia's Volkswagen plant in the 1980s, says Bosnia's customs and tax forms are identical to the ones he filled out more than a decade ago. "Everybody is living and thinking in the past," he says.<sup>130</sup>

Until very recently, even Bosnia's communist-era Payment Bureau, which collected and distributed taxes, performed treasury and audit functions, and gathered statistical data on the economy, existed. A 1999 US government report explained that the Payment Bureau directly and indirectly cost the Bosnian economy more than \$197 million a year.<sup>131</sup> That was some five percent of Bosnia's gross domestic product. The bureau "makes possible bureaucratic

intervention into all aspects of business life/ the report said. Its activities "add no or little value in a free-market system, and create major obstacles to the development of free markets, and the financial intermediation process that supports free markets."<sup>132</sup> "You've got to be crazy to invest in this country where it is a given that if you obey the laws you're going to lose money," explains the OSCE's Robert Barry. "If the (economic) reform doesn't come," he adds, "if I were a(n international) donor, I wouldn't be putting money down a rat hole."<sup>133</sup>

### ***The West Is Rebuilding Socialism***

Bosnia's ongoing failure to implement a viable privatization plan and to reform multiple layers of taxes and bureaucracy has had a disastrous economic impact. Although Bosnia's economy is estimated to have grown 11 percent in 1999, most of that so-called growth reflected an influx of millions of dollars in international aid and the purchasing and employment power of the civilian army of nation builders working there, not an expanding national economy.<sup>134</sup> Bosnians may be building bridges and roads with aid money, but that activity only masks the underlying sickness of their economy. "There's really no economic growth," admits Peter Hanney, head of private business development for the Office of the High Representative. "There's no job creation."<sup>135</sup>

The reality is that Bosnia is in an economic coma. Most state-owned businesses are struggling to stay open. Many are completely dormant. Unemployment, which fell immediately, after the war, is no longer improving significantly. Of Bosnian workers, 60 percent are unemployed today, but the actual unemployment rate may be as high as 80 percent in some areas.<sup>136</sup> Meanwhile, 50,000 to 60,000 of the Bosnians who are employed work for one of the 463 reconstruction and humanitarian organizations currently operating inside the country.<sup>137</sup>

Bosnia's resistance to privatization and bureaucratic reform, of course, was well known in December 1997 when President Clinton informed American taxpayers that they would have to pay for an open-ended military presence in Bosnia. The question today is: What have billions of dollars in aid and five years of military occupation produced? Ironically, after fighting the Cold War for 40 years, the United States now finds itself preserving and subsidizing the institutional remnants of a defunct communist state. As one US official noted, "The goal is not to rebuild a socialist economy" in Bosnia.<sup>138</sup> Unfortunately, that is precisely what has been happening, in fact, a recent economic study of 155 nations ranked Bosnia the 14th least-free economy in the world, just ahead of countries such as Syria, Iran, Cuba, Iraq, Libya, North Korea.<sup>139</sup>

## ***Ethnic Politics and the Economy***

The primary obstacle to privatization in Bosnia has been political foot-dragging. Many Bosnian officials are resisting privatization in order to protect a highly bureaucratic system of jobs and privileges, as well as to keep control away from their ethnic rivals. In most cases the heads of Bosnia's major state-owned enterprises are also members of the local ruling political party. For example, the main utility in the Muslim-Croat Federation, Elektroprivreda, is run by Edhem Bičakčić, vice president of the main Muslim party, the SDA. In the Republika Srpska, the major public utilities and largest companies are run by SDS leaders. In Brčko, for instance, the local telecommunications company is headed by SDS president Mladen Bošić, the local furniture factory is run by SDS official Boško Maričić, and the Brčko Electric Company is run by a former SDS chairman.<sup>140</sup>

## ***NATO Funds the Nationalists***

Ironically, because so much property in Bosnia is still, government-owned, NATO peacekeepers are paying millions of dollars in rent for buildings and land that are winding up in the coffers of Bosnia's nationalist political parties. In fact, the United States, Great Britain, Germany, and other NATO countries may be paying as much as \$40 million a year to rent space from government-owned companies in Bosnia.<sup>141</sup> That money is then pocketed by the nationalist party that happens to exercise control over the local or regional government and its institutions. "Every important manager of these (government-owned) companies is appointed by the political parties," explains UN economist Didier Fau, and "they do what they are told."<sup>142</sup>

Still, NATO officials claim that they pay rent only to private companies. But an October 1998 report in the New York Times found that "interviews with company and local government officials, as well as financial experts working for Western governments in Bosnia ... indicate that much of the (rental) money is going to the Bosnian ... governments, which funnel it to political parties."<sup>143</sup> Some examples of rental payments made by NATO allies include the following:<sup>144</sup>

The Bosnian company that received the most rent from the United States was paid \$1.4 million for space at a coal-processing plant. The company's director says that the company is owned by the government of the Muslim-Croat Federation;

The US Army reports that it paid about \$744,000 in rent for space at a private mining site. But the mine's director says that the company is owned by the government of the

Muslim-Croat Federation, and that the rental payment was nearly three times what the US Army claims;

The headquarters of the British army in Bosnia is located in an unused sheet-metal factory near the town of Banja Luka. The financial director of the factory says that the factory is owned by the government of the Republika Srpska;

In the town of Šipovo, the deputy mayor says that all the rent paid by British forces for an abandoned textile factory was transferred directly from the factory's bank account to the government of the Republika Srpska;

German army records show that it paid \$2.5 million to rent warehouses from a Sarajevo company owned by the government of the Muslim-Croat Federation.

What is puzzling about NATO's rental payments to government-owned companies in Bosnia is the obvious contradiction. NATO allies are effectively subsidizing the very nationalist political parties that Western civilian officials consider the principal obstacles to peace in Bosnia. Civilian money, too, has played a role in entrenching the power of Bosnia's nationalist politicians. Indeed, postwar money distributed by the OSCE for elections made its way into the pockets of some of the most notorious war criminals in the Balkans. Vojislav Šešelj and his associates are said to have received more than \$450,000, and the Party of Serb Unity, which was founded by the infamous Željko "Arkan" Ražnjatović, gladly took away \$195,000.<sup>145</sup>

### ***Fraud and Corruption***

By mid-1999, the United States and other major powers agreed to provide the last instalment of the World Bank's \$5.1 billion Bosnia reconstruction program, to which Washington had already contributed more than \$1 billion.<sup>146</sup> On May 18, 2000, the World Bank announced a new country assistance strategy that would distribute an additional \$300 million over the next two to three years.<sup>147</sup> Unfortunately, allegations of corruption began surfacing soon after the first aid dollars began flowing into Bosnia back in 1996.<sup>148</sup> Indeed, just six weeks after the Dayton Agreement was signed, the Western media were reporting that local Bosnian authorities were trying to impose arbitrary "taxes" on humanitarian agencies delivering aid to refugees. "Anything we buy, we have to pay a war tax of 10 percent. We have built housing for refugees, and they're telling us, 'you have to pay for the water and electricity that your refugees are using,'" said Kevin Mannion, a field officer for the UN's International Management Group, the agency that would go on to oversee much of the World Bank's spending in Bosnia.<sup>149</sup> We're

trying to tell them, 'Don't be so corrupt, or at least don't be so open about it,'" explained one agency head who dealt extensively with municipal officials. "Every time you go into a place with a development project, the first thing the mayor wants to know is when he gets his new Mercedes."<sup>150</sup>

Several months later, the Washington Post reported that it was commonplace to skim the river of aid money streaming into Bosnia. The World Bank, for example, is funding a health project through a Bosnian company that is buying medicine at two to three times the market price, a senior Western aid official said. The difference, he said, is going into Bosnian pockets. Bosnian officials are (also) trying to tax every aid project they can find. The European Union, for example, is giving Bosnia millions of dollars' worth of equipment. In theory, the EU should not have to pay customs duty on the goods. But Bosnia's Customs Department is unwilling to process the goods quickly and suggests instead that the EU contract with "private" Bosnian companies, run coincidentally by off-duty customs officials, to clear the paperwork. All, of course, for a hefty fee.<sup>151</sup>

By 1997, it was becoming clear that rampant fraud surrounded the international aid program. Millions of dollars of international aid sent to Bosnia to finance reconstruction and to bolster the shattered country's fragile peace had gone astray. Much of the money, reportedly, had "been siphoned into private organizations and personal bank accounts by corrupt members of the Balkan state's multiethnic leadership."<sup>152</sup>

Western officials, too, were becoming more concerned with the situation. "There's no clean accounting, there are no open accounts. It's deplorable," lamented one Western diplomat in Sarajevo, adding, "It's really a miserable situation in which everyone is hiding how much they are spending because they are in effect preparing for the next war."<sup>153</sup>

By July 1997, allegations of fraud and corruption had become such a problem that British foreign secretary Robin Cook traveled to Sarajevo to discuss those and other issues with Bosnia's collective presidency. On the eve of his arrival, reports were circulating in the Bosnian capital that as much as \$150 million of World Bank assistance was missing. During his meetings with Bosnia's three presidents, Cook said that the rampant corruption had to stop, and he cited their failure to publish proper accounts of where two and a half years of international aid had gone. "You must understand that neither our patience nor our resources are unlimited," he told them pointedly.<sup>154</sup>

Cook's scolding apparently had little effect. By March 1998, a delegation of Bosnian parliament members informed British officials and auditors that "nearly \$600 million in aid given by the United

States, the European Union, and the United Nations had been embezzled since the Dayton Agreement was signed. Much of the fraud was conducted with the foreknowledge and cooperation of ministers and senior government officials in Bosnia, they added. They also reported that "tens of millions" of dollars sent to Bosnia for industrial reconstruction had gone into the pockets of government officials, mafia bosses, and criminals.<sup>155</sup>

In November 1998, US officials admitted that politicians in Bosnia tolerated corruption. "Corruption exists," said US diplomat Richard Sklar, adding that "all three national (army) corps tolerate corruption. Perhaps some politicians are corrupt."<sup>156</sup> A few months later, the Office of the High Representative admitted that its anti-fraud unit discovered that \$100 million was lost to domestic corruption between 1996 and 1999.<sup>157</sup> It was also discovered that Bosnian Muslim leader Alija Izetbegović ignored the corruption of his son Bakir — one of Bosnia's wealthiest and most powerful men — who was found to be involved in shady dealings, most involving his role as head of the City Development Institute, which oversees occupancy rights for some 80,000 publicly owned apartments in Sarajevo.<sup>158</sup> Bakir also owns 15 percent of Bosnia Air, the state airline, and takes a cut of the extortion money paid out by local shopkeepers to Sarajevo gangsters.<sup>159</sup> Other examples of government corruption in Bosnia include the following:<sup>160</sup>

- Western diplomats say they have seen evidence that the former prime minister of the Tuzla canton diverted an estimated \$30 million in public funds to his friends, squandering it on bad loans, needless painting of government buildings, overpriced pharmaceuticals, and official cars;
- The mayor in the city of Sanski Most diverted public funds to help build a racetrack and to back family members opening a bank. One Western diplomat said the mayor "ran the city like it was his own factory or property."
- Three officers of the Bosnian national bank transferred \$7.4 million in public funds to a Croatian bank, where it disappeared. Meanwhile, Croatian officials in Stolac are involved in a stolen-car market and smuggling ring;
- Scores of municipal officials who control Bosnia's border crossings routinely take bribes to let cigarette smugglers in; the practice has cost the government an estimated \$100 million in taxes, according to federal officials and European Commission experts.

On August 17, 1999, nearly four years after NATO arrived in Bosnia, the New York Times reported that up to \$1 billion in public

funds and international aid money had been siphoned off by Bosnia's Muslim, Croatian and Serbian leaders.<sup>161</sup> The Muslim-Croat Federation, the greater recipient of Western dollars, denied that foreign-aid money had been stolen. The entity's government then established a commission to investigate corruption. The commission, composed primarily of American lawyers, studied the nature, causes, and consequences of corruption. On the basis of its analysis, the commission claimed that the New York Times "exaggerated" corruption concerning international aid, but recommended not taking any legal action against the newspaper and admitted that "domestic corruption in Bosnia is very real."<sup>162</sup> Foreign editor Andrew Rosenthal said the New York Times stood behind its reporting.<sup>163</sup>

In November 2000, it was revealed that Bosnian prime minister Edhem Bičakčić managed an illicit public fund that secretly disbursed tens of millions of dollars in tax receipts to favored companies, political allies, and Muslim veterans of the 1992-95 Bosnian war.<sup>164</sup> Although the fund was ostensibly established to create jobs, an official audit found widespread corruption and irregularities that extended to the top levels of the government. In 1997, the fund disbursed \$39,500 in so-called "loans" to the Muslim-Croat Federation's president, Ejup Ganić, and to his cabinet. In 1998, \$290,000 in "loans" were made to the defense ministry and another \$39,500 went to Ganić and his associates.

Despite all their liberties with public funds, Bosnian officials continue to ask Western taxpayers to send them aid money for new government programs. In fact, more than four and a half years after the Dayton Agreement was signed, President Ganić appealed for \$1 billion in additional aid and loans. "We have been spending money to keep the peace," he said. "Now we need money to build the peace."<sup>165</sup> The new proceeds, he explained, would be used to reengineer Bosnian society by paying refugees about \$5,000 per family to return to and repair their prewar homes. Refugees returning to villages would also get a few cows or sheep and a tractor for every 10 households. In urban areas, returning refugees would be given money to build multiethnic factories and small businesses.

### ***Naive Expectations***

When US Army General John Sylvester returned to Bosnia in 1998, after a two-year absence, children at a school for refugees sang him a song. "I was expecting the Bosnian version of Mary Had a Little Lamb/" he would later recall, but instead the chorus ran, "we live only for revenge, to kill all the Serbs who have taken our families away from us."<sup>166</sup> Deputy High Representative Jacques Klein thinks there is a way to reduce this kind of hatred. Holding up a bright yellow-

and-blue T-shirt featuring the Western-imposed Bosnian flag, Klein told reporters in October 1 999 that he was seeking \$1.2 million to distribute 300,000 of them to Bosnia's schoolchildren. "We need to build a consensus, especially among the young people ... that they have a future here," so T-shirts that read "Our Flag, Our Country, Our Future" should be passed out to all the kids.<sup>167</sup>

Klein's T-shirts-for-peace program is only one of dozens of nation-building projects that have been proposed or carried out with the use of US taxpayer money. Another is the open-air Arizona Market in eastern Bosnia. Outside the market's entrance is a sign paying tribute to American generosity and good intentions. The sign reads: "Our thanks to the US Army for supporting in the development of this market."<sup>168</sup> Unfortunately, the sign is no longer a source of pride at the nearby US military base. It has instead become an embarrassing symbol of wasted aid money because the market has become one of the largest havens for car thieves, drug traffickers, prostitutes, and tax cheats in the Balkans. The Pentagon funded roughly \$40,000 of the market's start-up costs, and Western officials originally promoted the site as a cradle of local entrepreneurship that would hopefully provide an economic springboard for the rest of the country.<sup>169</sup> Today, the market is a den of criminal enterprise.

Other American nation-building programs have cost the US taxpayer as well. The US Agency for International Development, for example, has been forced to sue 1 9 Bosnian companies to recover some \$10 million in bad loans. The loans, ranging from \$100,000 to \$1 million, are part of a \$278 million revolving credit line established in 1 996 by USAID to help kick start the Bosnian economy. One of the deadbeat companies is Hidrogradnja, one of the largest companies in Bosnia today. USAID, which has not made its total losses public, also had \$4 million in the Bosnia and Herzegovina Bank in Sarajevo. The bank stole tens of millions of dollars from international agencies and 1 0 foreign embassies. The money, investigators say, was loaned to fictional businesses or given out as personal loans to friends of the two owners.<sup>170</sup>

Even Washington's program for removing land mines from the Bosnian countryside has been subject to corruption, including theft and contract rigging. Since 1 997, the United States has contributed \$3 million worth of mine-detection machinery, vehicles bomb-sniffing dogs, and other equipment to the Bosnian Demining Commission. The equipment was supposed to be loaned to demining firms and returned when they completed their demining contracts. But much of the equipment was never returned, giving those firms that kept it an advantage in materiel when bidding for new contracts. Not surprisingly, the firms that kept the equipment have been linked to the Bosnian government, officials who manage the country's demining program.<sup>171</sup>

## ***“E Pluribus Unum Not Catching On”***

Despite the circumstances, the Clinton administration insisted that US policy would not be changed on Bosnia. "There will be no revision of the Dayton Accords," proclaimed Secretary of State Madeleine Albright in 1998.<sup>172</sup> Washington's unwillingness to rethink the Dayton Agreement may, however, be making things worse. Indeed, although its goal is to create a unitary, multiethnic Bosnian state, the Dayton Agreement actually attaches a premium to voting along ethnic lines. That pattern has been repeated in election after election as voters cast ballots for hard-liners or self-styled pragmatic nationalists to counterbalance the actual or perceived political power of their ethnic rivals, who, in turn, vote for nationalist candidates for the same reason. Such circular logic is built into the Dayton Agreement because it requires three ethnic groups, each of which fears the political ambitions of the other two, to operate under the fiction of a unified state. The political foot dragging and stalemates brought on by upholding that fiction have crippled Bosnia's economic recovery and perpetuated the central role of nationalists in the political discourse. In other words, the Dayton Agreement is itself an impediment to economic and political reform because it artificially preserves an environment of perpetual confrontation and political insecurity. Indeed, as Susan Woodward, a fellow at the London-based Centre for Defence Studies, points out:

The Bosnian Muslims won their independent state, but they control less than one-third of the territory, including almost none of the external borders. The Dayton constitution ... declares that this state continues "the legal existence under international law as a state" the former republic of Bosnia and Herzegovina, but it also obliged the Bosniaks to give up their power base in the offices and powers of the former republican government, to merge with Bosnian Croats in the Federation entity, to accept a weak common government, and to share power with two parties who oppose a single state. The Bosnian Serbs gained their own republic, but its existence was under daily challenge — by Bosniak leaders who denounced its legitimacy the moment Dayton was signed, and from the internationally supported right of return to prewar communities and the electoral rules allowing absentee balloting... Finally, the Bosnian Croats gained recognition of their right to self-determination in the power-sharing arrangements and joint defense of the Federation, but they have been denied a separate republic within Bosnia and were obliged to dismantle their wartime Croatian Republic of Herzeg-Bosna (an order they man-aged. to ignore despite their repeated promises to comply).<sup>173</sup>

In a similar vein, Brookings Institution scholar Michael O'Hanlon observes, the Dayton Agreement "keeps Muslim hopes for-

resettlement of refugees and ultimate reintegration of the country unsustainably high and therefore keeps the Serbs on edge and paranoid about losing wartime gains."<sup>174</sup>

Turning to even more intrusive and illiberal nation-building practices is the answer according to some, most notably High Representative Wolfgang Petritsch, who wants what he euphemistically calls "more energetic implementation" of the Dayton Agreement.<sup>175</sup> But that recommendation does not resolve the core issue: There is no *raison d'etat* that holds the Bosnia nation-building project together. On the one hand, Serbs and Croats do not identify the Bosnian state the Dayton Agreement envisions as indispensable to their interests, and in many cases they believe that it is a threat. Bosnia's Muslims, on the other hand, find the idea of a Bosnian state indispensable, but have little practical ability to effectuate that goal under the Dayton Agreement. Any internal or external attempt to increase Muslim authority, however, will make Bosnia's Serbs and Croats feel less secure, and any attempt not to increase that authority will leave the Muslims feeling vulnerable. Much of Bosnia's political obstruction, and thus economic stagnation, is a by-product of this security dilemma, and until Bosnia's rival factions feel safe behind the barriers of self-rule and their own laws — that is, have a *raison d'etat* — it will continue.

### ***An Impossible Fairy Tale***

A failure to understand the dynamics of Bosnia's security dilemma has also led to nation-building programs that are counterproductive to both democracy and civil society. Nongovernmental organizations and international organizations like the OSCE have made a cottage industry of underwriting and publicizing cross-community cooperation and highlighting it as an alternative to ethnic separation. Unfortunately, their actions politicize the activity making it more threatening. As Leeds Metropolitan University political scientist David Chandler points out.

The people whose lives involve cross-entity cooperation do not necessarily want to turn everyday activity into a political movement. The moment these actions become politicized they become an implicit threat to the status quo and create a backlash to a perceived threat that did not exist previously. As an experienced senior democratization officer related: "I'm surprised they tell us anything anymore. Inter-entity contacts are very common with businesses, etc. If I were a businessman I wouldn't report it... because it just creates problems." ... People want to cross the Inter-Entity Boundary Line ... but without drawing attention to themselves and

without their actions being seen as threatening to the security of others.<sup>176</sup>

An added feature of the Dayton Agreement is that there has been little tendency to limit or roll back the powers of Western nation builders. Instead their powers over the past five years have grown, considerably. The chief US negotiator of the Dayton Agreement, Richard Holbrooke, says that this approach has been a success because "there have been no US or NATO fatalities from hostile action" in Bosnia.<sup>177</sup> But the fact that Bosnian Muslims, Serbs, and Croats are not killing peacekeepers in the streets is not evidence that they support the Dayton Agreement or the West's increasingly imperious nation building. Rather, it is reflective of the fact that a widespread sense of powerlessness exists among Bosnia's populations, an observation that is confirmed by Bosnia's declining voter turnouts.<sup>178</sup> The West's nation-building programs have reinforced that sense by consistently and progressively disempowering the Bosnian people and their representatives, and by closing off any and all alternatives. In other words, the notions of democracy and self-government are being eroded by the very army of nation builders sent to help. Indeed, the West's implementation of the Dayton Agreement through dismissals, political regulation, and media controls has done little to reassure political majorities that their interests will be taken into account. Instead, at the national, entity, and local levels, a clear pattern has emerged of political majorities not making policy.

Western nation-building efforts in Bosnia have also bred a culture of dependency. American business consultant Claude Ganz estimates that up to one-third of Bosnia's economy directly depends on foreign spending there.<sup>179</sup> Christopher Bennett of the Washington and Brussels-based International Crisis Group says, "It's surreal. Every day, more foreigners pour in to do every conceivable task, and the more they do, the less the Bosnians do themselves."<sup>180</sup> Bosnian foreign minister Jadranko Prlić agrees, noting that Bosnia is suffering from a "syndrome of international community dependency," in which local leadership largely does nothing significant on its own.<sup>181</sup>

Resentment has been another by-product of the West's increasingly imperious nation building. A leader of the opposition Socialist Party of Republika Srpska, for example, says the results of the 2000 municipal elections show that the people "do not want a protectorate" and that Serbian politicians who collaborate with the West "do not have the majority of support from Republika Srpska citizens."<sup>182</sup> Though they are the main beneficiaries of US dollars and diplomacy, Bosnia's Muslims have also expressed some bitterness. In a May 1998 interview, , Deputy High Representative Klein criticized all Bosnian politicians for their lack of cooperation.

But Bosnian Muslim leader Izetbegović wrote an open letter condemning Klein's comments. "I was amazed by the amount of your arrogance," wrote Izetbegović; the Dayton Agreement did not establish a protectorate in Bosnia and "you are not the protector."<sup>183</sup>

What complicates the matter of nation building still further is that Bosnia has no tradition of free markets, property rights, and the rule of law. Even former High Representative Carlos Westendorp finds that problematic. Indeed, says Westendorp, "the international community can do a lot of things, but you cannot produce entrepreneurs and people who really have a free-market economy mind."<sup>184</sup> Klein is even more blunt in his assessment of the Bosnian situation: "It's just a great old commie system that hasn't changed."<sup>185</sup> "The leaders on all sides have learned the words to use: free enterprise, Western-style economy, dynamic, efficient," explains a French investment entrepreneur in Bosnia. "They say these things with great passion, but that is superficial. Nothing has changed from the days when this was a communist country."<sup>186</sup> To make matters worse, where commerce exists in Bosnia, much of it tends to be criminal in nature. Indeed, Western officials estimate that 40 to 60 percent of Bosnia's economy is now based on black-marketeering, which has fueled the rise of a wealthy criminal class that wields enormous political influence and opposes changing the status quo.<sup>187</sup> More ominously, a growing relationship exists among criminal gangs, corrupt politicians, and members of wartime security institutions, who profit from the fact that the Dayton Agreement perpetuates a security dilemma in Bosnia. Indeed, by simultaneously denying the Croats their own state, depriving the Muslims of a unified Bosnian state, and granting the Serbs a state within a state, the Dayton Agreement makes it nearly certain that legal jurisdiction and law enforcement issues fall victim to public controversy and political resistance.

As the nation-building effort in Bosnia makes clear, nation building involves more than heavy outside interference and a pliant civilian population. Domestic factors as well as the unintended consequences and contradictions of nation building itself can have a severely limiting effect. But the most overwhelming barrier to nation building can occur when the real and perceived security threats that led to conflict in the first place remain unresolved by the nation builder. That situation not only perpetuates a chronic atmosphere of political uncertainty, but also encourages aberrant political and economic activity. As such, the Dayton Agreement's muddled answer to the question "What kind of Bosnia should there be?" has virtually ensured that the conditions for a self-sustaining peace are not really being created.

## Notes

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16. Richard Holbrooke, *To End a War* (New York: Random House, 1998), p. 362.
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19. Jane M. O. Sharp, "Dayton Report Card," *International Security* 22, no. 3 (Winter 1997-98): 101-137.
20. See Ivo Daalder, "Bosnia after SFOR: Options for Continued US Engagement," *Survival* 39, no. 4 (Winter 1997-98): 5-18; Mearsheimer; Henry Kissinger, "Limits to What the US Can Do in Bosnia," *Washington Post*, September 22, 1997, p. A19; Kay Bailey Huchinson, "The Bosnia Puzzle Needs a New Solution," *New York Times*, September 11, 1997; and Michael O'Hanlon, "Bosnia: Better Left Partitioned," *Washington Post*, April 10, 1997, p. A25. For competing views on the stabilizing effects of partition, see Chaim D. Kaufmann, "When All Else Fails: Ethnic Population Transfers and Partitions in the Twentieth Century," *International Security* 23, no. 2 (Fall 1998): 120-156; and Radha Kumar, *Divide and Fall? Bosnia in the Annals of Partition*, (New York: Verso, 1997).
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