

A CRITICAL ANALYSIS OF NEOLIBERAL STATE-BUILDING IN BOSNIA AND HERZEGOVINA: THE GAP BETWEEN AIMS AND ACHIEVEMENTS

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ABSTRACT: *Despite the long years of the political, economic, and military presence of the international community, with its remarkable amount of aid, Bosnia and Herzegovina (BiH) still suffers from political instability, a lack of economic growth, and high rates of unemployment. The Dayton Peace Accords (DPA), which were signed in 1995 to end the violent war that involved ethnic cleansing and caused unforgettable humanitarian and economic loss, set up highly decentralized state institutions within a divided society. The DPA's vision was based on the neoliberal agenda and strongly emphasized the belief that ethnic harmony and sustainable peace would be achieved only through a reconstruction program involving neoliberal policies. Against the backdrop of this vision, the absence of intergroup cohesion among distinct ethnic collective identities remains a puzzle in the neoliberal state-building agenda of the international community. By highlighting the limitations of state-building as applied to its implementation in BiH, this research aims to plausibly specify the root causes of why state-building initiatives remain ill-equipped to create a higher-level shared collective identity in BiH. To this end, it will critically discuss the (in)effectiveness of the Dayton recipe for BiH for building a functional and sovereign state along with the aforementioned higher-level shared collective identity.*

KEYWORDS: *Bosnia and Herzegovina, collective identity, Dayton Peace Accords, neoliberal restructuring, state-building*

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INTRODUCTION

With its complex structure of conflicting memories along with three primary ethnic and religious collective identities,² Bosnia and Herzegovina (BiH) presents a unique challenge for the international community, which foresees liberal peace aspirations as the sole cure³ for the reconstruction of a war-torn state. The liberal peace prescription for the construction of a functional state envisages that sustainable peace that ensures the co-existence of three different ethnic communities can be achieved only with the transition to and imposition of liberal democracy and a capitalist market economy. It was in this direction that the current state structure of the BiH was tailored by the Dayton Peace Accords (DPA). The vision was to bring peace, stability, and prosperity in conjunction with economic and political transition.

After nearly three decades of implementation, BiH, a deeply divided post-conflict society, still suffers from critical social, structural, and political problems which result in economic poverty and unemployment. The Dayton vision brought about the institutionalization of pre-existing ethnic differences (Mujkić 2016). Ethnic self-identification is still reinforced through sharp intergroup differentiation between Orthodox Christian Serbs, Roman Catholic Croats, and Muslim Bosniaks. Ethnonationalism and ethno-political blocs impede interethnic cooperation between contending groups, while market capitalism further strengthens the logic of ethno-determinism (Hasanović 2021).

Therefore, achieving a higher-level shared collective identity, which refers to people's development of a sense of belonging and emotional significance and loyalty to cultural and sentimental commonalities regarding the shared future of a state, seems to be unrealistic. Moreover, the constitutional reform agenda and state-building initiatives aimed at boosting economic and social development along with ethnic harmony in BiH did not fruitfully strengthen democracy nor guarantee stability and prosperity. The elections in 2018 showed that there are no alternatives to Dayton since it has led to a dependent state lacking self-sustainable state structures. In this respect, Dayton has brought about a state with neither conflict nor peace.

In this context, the absence of intergroup cohesion among the distinct ethnic collective identities of BiH remains a puzzle for the international community,

2 These are the three major ethnic groups in BiH.

3 Here, it is important to note that although not all provisions of the Accords necessarily involve a neo-liberal essence, those who intervened (e.g., the IMF, World Bank, OHR, and USAID), with a view to undertaking a civilizing mission and introducing a liberal peace to war-torn BiH, were equipped with a neoliberal political economy agenda.

which envisaged that ethnic harmony and sustainable peace would only be achieved through a neoliberal reconstruction program. This research argues that the designated neoliberal transition and its implementation in BiH do not adequately respond to the problem of constructing a functional state with an inclusive formula that involves a shared collective identity. There is a vicious cycle here. While a divided society limits the prospects of the state-building process, the DPA, which was inspired by the goals of state-building, is also a factor impeding the formation of a higher-level shared collective identity by reinforcing the continuation of the status quo in BiH. Concerning this, this research will seek to show the limitation of state-building through the gap between the aims and implementation of state-building in BiH. The research aims to plausibly identify the root causes of the ill-equipped nature of state-building initiatives, especially in terms of achieving a higher-level collective identity in BiH.

Several studies have dealt with the state-building initiatives of international actors from different angles in BiH. The analyses range from local ownership (Donais 2009) to the structural flaws of liberal state-building (Richmond–Franks 2009), as well as the EU’s state-building (Dominik 2015; Juncos 2012; Venneri 2010) and democratization (Chandler 2000). However, less attention has been paid to the nexus of state-building and the formation of a higher-level shared collective identity. Therefore, the implementation of state-building in BiH needs to be further investigated regarding the goal of forming a higher-level shared collective identity. This research contributes to the literature by expanding the issue beyond the structural problems of the DPA by employing a different framework of analysis, as well as reviewing and analyzing primary and secondary sources. These include relevant country reports and publications. The development indicators were obtained from the Work Bank database since accurate and official data for BiH is provided by the World Bank Group. Therefore, all the relevant data for the research are publicly available. The research also utilizes a literature review as a data collection method, as this helps to build the necessary body of knowledge and contextualize it within the larger body of literature.

First, the research will shed light on the conceptual framework of state-building to provide the necessary background for reflecting on the relevant literature that enlightens the liberal inspiration and thinking behind the state-building experience in BiH. Then, it will analyze the historical background of the disintegration of the Socialist Federal Republic of Yugoslavia (SFRY). This is valuable in terms of presenting the peculiarities of BiH as impediments to constructing a functional state with an inclusive formula of a shared collective identity. After this, it will critically address the essence of the Dayton vision for the reconstruction of a functional state of BiH, including neo-liberal

restructuring programs, stabilization, liberalization, and privatization. In this way, it will highlight the interconnection between neo-liberal restructuring and institutionalized ethno-nationalist division, which helps illuminate the limitations of the envisaged state-building in respect of forming a shared collective identity and eliminating barriers to inter-communal trust and respect. Finally, the article will conclude by illuminating the gap between the premises of state-building as a concept and its potential for producing concrete results in BiH.

STATE-BUILDING AS A CONCEPTUAL FRAMEWORK

“Liberalism had become a kind of magic dust that, if spread within states and economies, would produce harmony and prosperity at the international level” (Mac Ginty 2010:394).

In the post-Cold War era, state-building initiatives that envisage the building of a liberal peace, democratization, and stabilization in post-conflict societies have become one of the priorities of the international actors on the global governance agenda. Lemay-Hébert (2013) argues that the definitive feature and starting point of liberal peace is the belief that liberal states are much more peaceful and less prone to internal or external conflict than illiberal states. Fukuyama (2004) asserts that weak or failed states are one of the most severe problems for the international order. In the same line, Krasner (2004:87) argues that poorly governed weak states have repercussions for international security because they lead to conflict. While Bosnia is not an instance of a failed state, it is a far cry from a consolidated and functional state (Donais-Pickel 2003). It represents neither a total failure nor a solid example of a functional state according to the vision of state-building that regards the state as ensuring political and economic stability, along with the presence of democratic institutions, a competitive market economy, and lasting peace.

This kind of vision – seeing illiberal and ill-administrated states as a problem for the international order – has aroused the ‘liberal’ inspiration to reconstruct peace in post-conflict illiberal states based on the model of liberal democracy and an open market economy in which human rights, the rule of law, and good governance are assured. The envisaged inspiration has guided the creation of liberal and democratic post-conflict societies in the periphery. Therefore, state-building is regarded as an innate response to state failure and civil conflict (Marten 2004; Paris 2004; Rotberg ed. 2010).

Because it envisages the imposition of a liberal market democracy, state-building is correlated with ‘neo-imperialism’ or ‘neo-colonialism’ by critics of

the concept (Harvey 2010; Mallaby 2002). The Western imposition of state-building, it is argued, prevents states from developing real ties to their citizens that would result in the formation of a higher-level shared collective identity at the state level (Kaplan 2009:470). This is because, as MacMillan (2013:1049) points out, the hegemon deploys coercive intervention to impose the liberal international order.

The expansion of the liberal international order is conveyed by promoting externally assisted state-building. In this respect, Chandler (2010) argues that state-building means developing and exporting the main pillars of good governance. Paris and Sisk (eds. 2009) define state-building as the construction of capable, autonomous, and legitimate institutions with the goal of achieving peace, prosperity, and development in societies emerging from civil conflicts. Sisk (2013) regards state-building as a specific component of peacebuilding aimed at improving government capacities and institutions to ensure sustainable security, peace, and development. In this sense, state-building initiatives impose the Western interpretation of social, economic, and political structures, envisaging neoliberal transition (Paris 1997). However, the externally imposed neoliberal transition process, which refers to the plethora of state-building initiatives employed to achieve self-sustaining peace through states' transition to liberal democracy and an open market economy, involves contentious and complex issues for international actors, including the peculiarities of each state.

The multi-faceted characteristics of the initiatives include three simultaneous yet separate social, political, and economic transitions (Paris–Sisk eds. 2009). First, it is argued that the effective reconstruction of peace activities is assured through the involvement of a wide range of international actors as well as humanitarian organizations (Newman 2009). Accordingly, the deployment of significant resources is necessitated for liberal peace, which yields a liberal epistemology of peace (Richmond–Franks 2009). Second, international organizations such as UN Peacekeeping, the UNDP, and other financial and national institutions have engaged in the construction of post-conflict states (Richmond–Franks 2009). They assume the leading role of 'curing' fragile post-conflict states. Third, the economic and political power redistribution in Bosnia and Herzegovina was implemented in close alignment with this agenda of neoliberal transition, foreseeing the Bosnian transition as the key to the regional stabilization of the Western Balkans.

While state-building foresees market democracy as a remedy for post-conflict societies, there are side effects of this approach. Therefore, state-building initiatives are referred to both as prescription (Bhuta 2008) and experiment (Bonneuil 2000; Milton-Edwards 1998) at the same time. The case of BiH, where state-building has been an ongoing process for some institutions, has posed

a puzzle for the neoliberal state-building agenda because of its multinational character and legacy of the civil war that prolonged efforts at social and political engineering.

State-building initiatives are described as those that envisage the empowerment of local authorities in line with conventional sovereignty (Krasner 2004). From this definitional standpoint, the designated role of external powers is rather limited. This has led to both cleavage and paradox in the Bosnian example. Since local actors pursue ethnic-driven state-building agendas, initiatives are prone to be undermined by ongoing local contestation in Bosnia because of diverging local interests (Keranen 2013:355). In this respect, identity differentiation is highly likely to be manipulated and utilized for political gain. The paradox that arises here is the ambiguous situation of Bosnia regarding its formal international legal status and its *de facto* status under international administration (Chandler 2006:18).

State-building, as briefly elaborated within this conceptual framework, emphasizes the development of liberal democracy and open market economy in the periphery while paying rather superficial attention to the formation of a higher-level shared collective identity. While the nation-building literature precisely engages with the issue of the creation of higher-level shared collective identity, the main state-building literature leaves profound space for state-building aspirations, its flaws, and possible ailments. The relevant work on state-building initiatives and ethnic conflict has dealt with the issue from different angles, but less attention has been paid to the nexus of state-building and the formation of a higher-level shared collective identity.

Some valuable scholarly works create a basis for connecting state-building initiatives with identity formation in BiH. Lovrenović (2016) handles the issue from a historical perspective by utilizing historiography, while Keranen (2014) explains the construction of a specific sense of belonging in BiH through the ethno-symbolist approach. In his multi-theoretical research, Kostić (2007) focuses on the societal security dilemma and reconciliation while explaining the bridge between state-building initiatives and the construction of identity in BiH. However, state-building implementation in BiH needs to be further investigated regarding the formation of higher-level shared collective identity. To this end, after presenting brief historical background about the foundation of BiH, the following part of the research will highlight the social, political, and security aspects of Bosnia which represent a unique example of a stalemate caused by the quagmire of liberal peacebuilding.

HISTORICAL BACKGROUND

At the dawn of the end of the Cold War, the political context in the SFRY turned into a bitter arena where elite struggles arose over the future of the Yugoslav system. The harsh disagreements stemmed from sharp divisions between reformists and conservatives in the League of Communists of Yugoslavia. The latter had contending ideas concerning the need for the reform of political and economic structures from the 1960s onwards (Gagnon 2010:25). While reformists favored more reliance on market mechanisms and decentralization, conservatives argued that this would damage the socialist system by fomenting nationalism. The 1967–71 period saw the adoption of constitutional amendments that oversaw the political and economic decentralization of the state and recognized, therefore, the nationalist aspirations of the six republics (Meier 2005). Within the limitations of a decentralized structure, Tito's successful management of the development of an efficient federal model based on the equal representation of the republics succeeded in pacifying the competition caused by nationalist aspirations mainly between Belgrade and Zagreb until Tito's death in 1980 (Finlan 2014).

Nevertheless, from 1980 onwards, the inefficient economic system combined with the global economic recession aggravated pre-existing divisions among the republics. The deepening crisis was followed by contending deliberations about whether the future of the Yugoslav system should be as a confederation, a loose federation, or, instead, re-centralized. No common ground for reconciliation between the parties could be found, leading to violent clashes of elites for control over and access to power resources (Gagnon 2010). As a result, elite factions began to align themselves with their own 'ethnicity' to claim political power. By converting their discourses from 'Yugoslavism' to 'ethnic identity,' elites that previously searched for options to ensure the survival of the SFRY became the main villains of the dissolution of the SFRY. Remarkably, it is worthwhile highlighting that although 'ethnic hatred' is usually given as the reason for the dissolution, it did not play the leading role. Rather, it was the political disputes of the elites that caused both ethnically motivated hate and the dissolution of the SFRY.

The Bosnian referendum of 1992, when Alija Izetbegović became president, was a definitive turning point regarding the curtailment of multi-ethnicity and multi-culturalism. Having rejected the results of the referendum, and in conjunction with propaganda that depicted Izetbegović as an Islamic fundamentalist, the Bosnian Serbs mobilized their armed forces, leading to Europe's most violent conflict since World War II (Knežević 1997). As an internal and international struggle between Serbia, Bosnia, and Croatia, the

complex nature of the conflict hindered effective processes of intervention and negotiation (Roubini 2012). By the time NATO became involved, there had already been huge humanitarian and economic losses, leaving a war-torn country in need of reconstruction and rehabilitation with a traumatized community whose traumatic experiences would be transmitted to the next generation(s) (Lovrenović 2016).

Investigating the source of conflict in Bosnia reveals that ethnoreligious tension played an essential role in generating the conflict. Consequently, each ethnic group considered religion a means of shaping and securing their own ethnic/religious culture and tradition. In that sense, ethnic and religious differences became the key factor and tool for fomenting hate and hostility in communities. One of the characteristics of the Bosnian war was the systematic destruction of mosques, graveyards, and other religious and cultural monuments. “Of those, 1284 were Islamic sacred and other objects, 237 Catholic, and 30 Orthodox” (Bublin 1999:243). Correspondingly, this stimulates social memory, which is strongly associated with religion. Moreover, it has cultivated inter-group tension (among ethnoreligious groups) and interrupted the potential integration of groups into a political collective identity associated with BiH, the aim of which was to unite all of the ethnic groups around a religiously tolerant neutral position.

THE DAYTON PEACE ACCORDS AND THEIR ETHNONATIONALIST POWER-SHARING MECHANISM

The neoliberal recipe of Dayton Peace Accords (DPA) envisaged “liberal democracy and peaceful co-existence based on the market economy in BiH” (DPA 1995). Since the Constitution of BiH⁴ is Annex 4 of the DPA, this would both mean ending the conflict and reconstructing the Bosnian state. Therefore, DPA became the most important international tool – after military measures – of state-building, as the construction of capable and legitimate institutions would assure peace, prosperity, and development after the civil conflict. Based on this initiative, DPA foresaw a state structure with two entities and the Brčko District,⁵ Republika Srpska (RS), comprising 49% of the territory, and

4 For details of the *Constitution of Bosnia and Herzegovina* see <http://hrlibrary.umn.edu/icty/dayton/daytonannex4.html> [Last access: 02 02 2020]

5 The autonomously administrated Brčko District, which was established in 1998, is under the control of the two entities, RS and FBiH.

the Federation of Bosnia and Herzegovina (FBiH) with 51% of the territory. To assure power distribution between the partly autonomous FBiH and RS, DPA designated a very complicated multi-layered structure of administrative and institutional systems incorporating four layers of administrative units (European Commission 2019). It recognizes a state within another state with a highly decentralized administrative/political structure. In this way, the division based on ethnonationalism was sealed by the DPA. Such a division laid the ground for the maintenance of the nationalist wave in politics.

BiH consists of three constituent people within the state. “In the Preamble to the Constitution, Bosniaks, Croats, and Serbs are described as constituent peoples.” The three-person Presidency accommodates a Serb from RS as well as a Bosniak and a Croat who are chosen from the FBiH. The House of Peoples consists of 15 delegates – “two-thirds from the Federation (five Croats and five Bosniaks) and one-third from the Republika Srpska (five Serbs)” (DPA 1995, Annex 4). The Bosnian system is seen as more confusing when it is considered that the majority of delegates of the House of Peoples from all constituent groups have the power to veto parliamentary decisions to protect their ethnic-based national interests. This can be regarded as leeway for the ethnopolitical blocs to claim political credit. Accordingly, the ethnonationalist power-sharing mechanism formulated by DPA has generated an ethnicity-first political structure, which motivates each ethnic group to pursue their parochial interests rather than BiH’s broader national interests. As a result, the weakness of the multi-ethnic parties has impaired the building of mutual trust and empathy between constituent groups, which impedes the desired process of reunification. In this regard, the neoliberal restructuring program, which initially aimed to produce ethnic harmony around a shared collective identity, further aggravated pre-existing ethnonationalist divisions institutionalized by Dayton.

The Functional State of BiH envisaged by DPA

The DPA was not only a classic peace contract but also a blueprint for building a new functional state (Torsti 2003). To facilitate the neoliberal transition from a war economy to a peace economy and from a command economy to a market economy, the Reconstruction and Recovery program was formulated with the involvement of Bretton Woods and the European Bank for Reconstruction and Development (Gültekin 2011). The neoliberal prescription for post-war Bosnia was intended to protect private property and promote a market economy to generate general welfare and economic growth (DPA 1995, Annex 4). There was a strong conviction behind the international community’s rationale that

peace and sustainability could only be secured through economic growth and development (Türkeş et al. 2012). In this sense, state-building in BiH should be regarded as the simultaneous transition from war to peace and from socialism to capitalism (Donais 2005:4).

The neoliberal nature of the transition in BiH should be contextualized as occurring within the third wave of neoliberal globalization in the aftermath of the Cold War. Through the successive waves of neoliberal globalization that followed the 1970s crisis of capitalism, a set of neoliberal economic policies known as the Washington Consensus was propagated by international financial institutions (IFIs) such as the World Bank and IMF, which penetrated the economic policy agendas of developing countries (Öniş-Şenses 2005:263). IFIs have prescribed structural adjustment programs comprising financial and trade liberalization, deregulation, and privatization (Donais 2005:58). The Washington Consensus has been implemented in post-socialist and post-conflict states as shock therapy, which refers to the immediately adopted rapid policy reforms designed to anchor states in the capitalist world, as proposed by Sachs (1995). Therefore, Bosnia's post-war political economy reforms were mainly comprised of the main tenets of the Washington Consensus, based on the notion of minimal state intervention with a principal role in securing law, order, and macroeconomic stability (Öniş-Şenses 2005). It is no surprise that international policy regarding BiH was tailored along the lines of the Washington Consensus, given the hegemonic neoliberal paradigm, especially among the IFIs (Donais 2005). At the same time, faced with the mass collapse of the Eastern bloc, the West had no choice but to use the prescriptions of the Washington Consensus (Gültekin 2011). Therefore, the adoption of this approach was based on a one-size-fits-all strategy, which ignored BiH's unique situation as not only a post-conflict but also a post-communist state with its corresponding idiosyncratic social pathologies (ibid.).

Nearly 30 years after the implementation of DPA, the BiH is still suffering from its neoliberal transition into a self-sustainable and self-governing functional state, which should supposedly involve different ethnicities cohabiting under a shared collective identity. Economic indicators, the gross domestic product (GDP) growth rate, and unemployment levels have demonstrated that the reconstruction and recovery program has achieved only modest economic improvements despite ongoing international development assistance and aid amounting to around \$550 million annually (World Bank 2020b). The GDP growth rate, which serves as the basis for comparatively measuring the growth of the economy annually in the state, was growing at a considerably faster pace (averaging around 14%) until the world financial crisis of 2009 (World Bank 2020a). Since then, the growth rate has been dramatically lower at an annual average rate of 1.7% (World Bank 2020a). In addition, unemployment rates are fluctuating between 20 and 25%, on average

(World Bank 2020c). Accordingly, the implementation of a neoliberal agenda has not met high expectations, especially concerning employment generation, sustainable development, and the existence of a viable economy.

The dismal state of Bosnia's economy led to socioeconomic protests in 2014. Belloni and Ramović (2020) argue that the rule of the Social Democratic Party, which was patronaged for the neoliberal policies of the international actors, gave rise to the socioeconomic context that led to the protests. Daniela Lai (2020) regards the protests as a vehicle for potentially bridging inter-group divisions. Although their potential has been widely acknowledged as bridge-building among different ethnic groups, it is necessary to point out that inter-group divisions and ethnopolitics are primarily employed at the institutional and political level to mobilize people for political ends (Gilbert–Mujanović 2015). Moreover, the reason for the demonstrations was economic inefficiencies and social injustice rather than any desire to settle the problems arising from a lack of inter-group cohesion between ethnicities. For this reason, the prospect of creating a higher-level shared collective identity was limited in the long term. Nevertheless, the protests reminded international actors of the need for change.

Repercussions of the neoliberal restructuring program for the ethnically divided society of BiH

The main pillars of the neoliberal restructuring program in BiH were stabilization, liberalization, and privatization. These pillars defined the macroeconomic stabilization and market-friendly environment by eliminating market-distorting conditions in favor of a self-regulating market and privatization of the public sector (Donais 2005). However, the adoption of these main pillars only caused further polarization on ethnic grounds within society. The international actors ignored the sociological aspects of the reconstruction process and the need to reconstruct trust among different ethnic identities and reunify citizens who were traumatized and exposed to insecurity within society.

To rapidly implement the neoliberal transition, international actors cooperated with the domestic political elites (Türkeş–Gökgöz 2006). On the other hand, since the domestic elites depended mainly on international aid and support to maintain their hegemony, they agreed to cooperate in expediting the process. In this respect, the transition process legitimized the local ruling elites and nationalist elites (Kapidžić–Stojarová eds. 2021; Kapidžić 2020) and the old socialist nomenklatura on all three sides of the ethnic divide of BiH. As a result, it largely implied the exclusion of ordinary citizens. Furthermore, the flow of international aid in exchange for the imposition of neoliberal policies has

strengthened the latter's control, thereby consolidating their power and division of control over power resources. Moreover, this also reinforced the maintenance of the status quo in BiH, which became a highly aid-dependent state.

The privatization process has explicitly been on the main agenda of the transition. Donais (2002) argues that the privatization of the public sector was primarily associated with the depoliticization of economic life and thus the limiting of the power of local political elites. As asserted by Djurasovic (2016), privatization should clip the government's role and accelerate the emergence of the private sector. However, the collaboration between international actors and local elites has empowered nationalist parties to control the privatization process. Each ruling party from the ethnic divide has followed the rationale that public assets should be transferred into either their hands or those of their ethnic allies (Donais–Pickel 2003).

For example, sales of real estate were carried out based on ethnic lines (The Office of the High Representative Sarajevo 2000). Therefore, the privatization of apartments accelerated ethnic homogenization on a territorial basis, further disconnecting interaction among different identities, perpetuating domestic disintegration, and underestimating the difficulty of rebuilding a multi-ethnic state. The concomitant privatization of enterprises also occurred through an ethnicization strategy. Since enterprises were regarded as critical funding sources for political parties, financial and ethnic considerations were involved in their privatization (Türkeş et al. 2012). In some cases, ethnic parties disapproved of potential buyers because of their ethnicity, while in others, close alliances within the same ethnicity played their part. In most cases, the 'right' ethnicity combined with the 'right' political connections opened the way to obtaining state-owned assets. Nevertheless, some vivid examples of enterprise privatization showcase ethnic biases. For instance, Bosniak nationalist parties publicly disapproved of Croatian and Serbian potential buyers during the privatization of Energopetrol, a major oil distribution company (Andréasson 2007). Meanwhile, the process of the privatization of the Sarajevo Holiday Inn is an example of the work of an ethnic alliance between the elites. The hotel, valued at about \$10-15 million, was purchased for \$3 million (Donais 2002) by Bosniak Nedim Čaušević, who had strong political connections with the Federation Privatization Agency.

The most well-known and ongoing example of the ethnicization of the privatization process involved Aluminij Mostar. The ruling Croat-nationalist HDZ party adopted a process of co-capitalization, which meant that Croatian companies would be encouraged to invest heavily in Croat-controlled areas of FBiH. Accordingly, the majority share of ownership of Aluminij Mostar was divided between its Croat workers and those of Croatia's TLM Šibenik. Despite

the mixed-ethnic composition of Aluminij's workforce before the war, the company's workforce was replaced with an overwhelmingly Croat workforce after privatization. Therefore, the privatization process also paved the way for ethnic discrimination in employment.

... [Aluminij's management] *fired us because we were **Serbs or Muslims**. I don't say I am a dismissed worker; I say I am **a Serb** worker, and that's why I was asked not to return to work.* (Interview with a former employee of the Aluminij factory (Amnesty International 2006:46))

This institutionalized fragmentation along ethnic lines has also contributed to ethnic discrimination against returning refugees by local authorities. The return of refugees and displaced persons was aimed at creating a multi-ethnic country within the international community. Such an attempt in relation to a solidified ethnic division was, however, a paradoxical one since ethnic partition opened the way to local discrimination against minority ethnic returnees (Phuong 2002). Local obstructions included authorities' refusal to evict the illegal occupants of the dominant ethnic community from the properties of minorities (Jansen 2006). Even when returnees were entitled to repossess their properties, they faced employment-related discrimination, especially if they belonged to a minority group (ibid.). They were also subject to local obstructions, including illegal fees for registering for an electricity or telephone connection, as well as being charged for paying the gas bills of the wartime occupants (ibid.). Therefore, the return of refugees did not bring about the flourishing of intercommunal harmony, respect, and trust. On the contrary, the persisting politics of ethnicity reproduced the ethnic\religious cleavage between communities, thereby aggravating ingroup differentiation and intergroup discrimination among them.

In this respect, the vision formulated by the DPA escalated ongoing polarization based on ethnic divisions within society. The competing political perspectives of the different ethnic groups consolidated the polarization, which is the root cause of the stalemate at the decision-making level of Bosnian politics. Although the international community perceived the DPA as an agreement that ended the conflict and brought sustainable peace, it appears that it has only transformed the war from a hot conflict into a politically fierce ethnic struggle, which is usually referred to as an 'ambivalent peace.'

In this context, the winners of the ethnic homogenization were local political actors who gained ethnic-based support in the elections (Karolewski 2009). When ethnic cleavages are established, political conflict becomes more common since elites can exploit politicized identities to exercise

influence over society by constructing new concepts, beliefs, theories, and myths in the name of ethnonationalism. Therefore, ethnicity/religion-oriented parties attempt to canalize their society into ingroups, which are hostile to outgroups. Moreover, each ethnic group pursues its own interests first and foremost. Respectively, Bosnian Serbs aspired to preserve their given status and to maintain the status quo in resistance to the centralization of the State. Bosnian Muslims advocate a more centralized and strong state, as well as the abolishment of the ethnic-based territorial partition. On the other hand, Bosnian Croats aim to form their entity. Therefore, they also resist the centralization of the state, like the Serbs.

CONCLUSION

This research was designed to illuminate the gap between the premises of state-building as a concept and its achievements in the form of concrete results using the case study of BiH. Overall, the state-building initiative, as envisaged by the DPA, of transforming a war-torn country into a functional and sovereign state and ensuring neoliberal principles remains challenging. BiH continues to present a unique challenge and puzzle to the international community's neoliberal agenda, which predicted that neoliberal policies would rapidly and simultaneously engender economic and political transition along with intergroup cohesion in BiH. In contrast to these expectations, BiH still suffers from economic and political setbacks, as well as a lack of intergroup cohesion between distinct ethnic identities. Ethnopolitics seems to be the engine behind the current political structure of the state. Moreover, the current state structure is suitable ground for the aggravation of pre-existing cleavages within society. Dividing lines based on rival identities (ethnic/religious) strongly hinder the potential for a shared collective identity in BiH. The nationalist wave in politics and the absence of multi-ethnic parties have impaired the building of mutual trust and empathy between ethnic groups. In this context, achieving a shared collective identity seems to be unrealistic. Accordingly, it becomes evident that the envisaged neoliberal transition and its implementation in BiH do not adequately address the problem of constructing a functional state with an inclusive shared collective identity. The current political dynamics of BiH lead to two entities, one state, and no shared vision for the present and future, with three different and conflicting memories, three different collective identities, and three different perspectives about the state, all aggravated by neoliberal economics and ethnonationalism. The neoliberal agenda has created a state

with neither peace nor conflict. Therefore, after years of international efforts, the Bosnian puzzle still needs to be completed by putting together the right pieces and filling in the correct ones.

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