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Post-War Reconstruction in the Balkans
A background report prepared for the European Commission

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This report represents the conclusions of a project undertaken for the European Commission on Post-War Balkan Reconstruction over a six month period, January-July 1995. During the project, papers were commissioned from scholars in the Balkan area and a brainstorming seminar was held at the University of Sussex. The papers are available on request. A list of the papers is appended.

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ABSTRACT

1. The main conclusion of the project is the need for a redefinition of the concept of "reconstruction". Proposals for reconstruction are generally based on the assumption that reconstruction will start once peace has been achieved and a stable set of political arrangements established. We consider that this assumption is unrealistic. Much of the Balkan region is unstable and is characterised by an uneasy mixture of social tension and more or less violent zones. Reconstruction must be redefined as strategy for peace, a way of helping to construct stable political, security and economic arrangements.

This report is concerned with the wider Balkans, including Greece, Turkey, Hungary, Albania, Bulgaria and Romania although the focus is the former Yugoslavia, and particularly Bosnia-Herzegovina. Although we define reconstruction in political, social and cultural terms as well as economic, our main concern is with resources and how these are generated and spent.

2. In the report, we use the term "abnormality" to describe the combination of exclusivist nationalism, criminalisation and poverty that, to a greater or lesser degree, characterises a large part of the Balkan region. These phenomena are a consequence, in the short term, of the wars in the region, sanctions and embargoes and the disintegration of Yugoslavia and, in the long term, the heritage of command economies, the impact of globalisation and of underdevelopment. The epicentre of "abnormality" is Bosnia-Herzegovina. The war economy can be sharply contrasted to the typical war economies of the past which combined autarky, total mobilisation and centralised administration. The war economy of Bosnia-Herzegovina is totally dependent on outside assistance including imports of weapons, fuel and basic necessities, it involves only partial mobilisation so that large numbers of people are out of work and administrative structures are non-existent or weak and fragmented.

The war economy radiates outwards through networks of refugees and black marketeers. Bosnia is surrounded by concentric rings characterised by gradually declining degrees of abnormality as the rings move outwards. Hence, there is an inner ring of Croatia and Serbia and Montenegro, which are similarly war-affected, then Macedonia and Slovenia, then Albania, Romania and Bulgaria and finally Greece, Turkey and Hungary which come closest to normality.

This situation can be traced through economic indicators. All the countries of the region have experienced falls in GNP and in industrial output – the closer to the epicentre, the most dramatic declines. In the war zones, the decline is physical (physical destruction of capital stock) as well as economic destruction. Other indicators of the scale of "abnormality" are levels of unemployment and inflation: very weak currencies expressed in run-away inflation or, in the case of the epicentre, currency collapse.

3. The "abnormal" economy was illustrated by two case studies of towns in Bosnia-Herzegovina – Mostar and Tuzla. Mostar is divided between two extreme nationalist administrations. Tuzla has a non-nationalist local authority. Mostar has suffered much more physical destruction and population displacement than Tuzla. Tuzla has more local production, a smaller black market, and has been more successful in raising taxes and sustaining local services. Mostar has an EU administration which has not, as yet, been very successful in integrating the city.
4. The pattern of outside assistance to the wider region has reflected the zones of "abnormality". The areas which have received more are either at the epicentre or "black hole" which has received large amounts of emergency assistance or the outer rings which receive "normal" development assistance in the form of the PHARE programme or in the case of the most "normal" country, Greece, structural funds. Emergency assistance is necessary but can often contribute to "abnormality".
5. Reconstruction assistance has to fill the gap between emergency assistance and "normal" development assistance. It has to aim to reduce the need for emergency assistance and to establish the preconditions for "normal" development assistance. It must contribute to the evolution of democratic processes in the area. While it has to be specific in each locality, certain principles must be followed:
 - it must encourage integration both locally and regionally and openness to the outside world;
 - it must encourage bottom-up processes, helping to build local zones of "normality" which can offer alternative poles of attraction to the zones of "abnormality".

The conditions usually attached to international assistance may be inappropriate. Conditionality should be related to the goal of normality and tailored to specific local situations. In the case of Bosnia-Herzegovina, the international community should insist that Bosnia-Herzegovina is a single economic space with a single currency. The international community should provide administrative assistance in implementing conditions.

6. Three targets are particularly recommended as forms of reconstruction assistance:
 - infrastructure which is an essential element of basic needs and which could provide a basis for Balkan-wide cooperation;
 - assistance to civil society, particularly independent media and education; and
 - local economic projects, particularly production to meet basic needs and public services.

INTRODUCTION

The main conclusion of this project is that many of the terms used routinely to describe the situation in the Balkans, and indeed in large parts of Europe are no longer applicable, at least not as conventionally understood. Terms like "reconstruction", "transition", "normalisation" or "Marshall Plan" describe a world where wars have beginnings and ends and geopolitical arrangements are clearly defined.

The term "reconstruction" tends to be based on the assumption that the wars in former Yugoslavia will end with a political settlement and then transition will begin together with assistance from the International Community in the form of a new "Marshall Plan". This is viewed as "normalisation". The term "transition" implies a temporary phase as societies shift from one form of political, social and economic organisation to another, from centrally planned economies and totalitarian polities to market economies and democracy. The latter situation is envisaged as something akin to what advanced industrial countries experienced in the 1950s and 1960s. Transition involves the destruction of traditional heavy industry, liberalisation, opening up to the world economy, and the introduction of elections.

We argue that the wars in former Yugoslavia represent a new type of disintegrative violence which is an extreme manifestation of the typical situation in contemporary post-totalitarian societies. In a sense the wars can be described as compressed transition; they involve the total destruction of traditional heavy industry, both physically and materially, the introduction of a hard budget constraint and full convertibility (in most war affected zones, the Deutchmark circulates as currency). The war-affected areas tend to be characterised by a new form of authoritarianism in which totalitarian or semi-totalitarian leaders establish legitimacy through elections making them formally democratic despite the lack of democratic structures, for example effective administrative and legal systems, free media, independent civil society. Unlike World War Two, in which wars were tightly controlled, by autarkic self-sufficient states, these are "globalised" wars in which fragmented local leaders are sustained through a range of international networks (arms rings, diaspora connections, international humanitarian support, etc.). This type of violence is very difficult to contain in either time or space.

We use the term "reconstruction" not to refer to a discrete post-war situation, but rather a combined political and economic strategy which can start immediately, a strategy aimed at re-establishing conditions for some kind of normal life. In other words "reconstruction" is a strategy for achieving and sustaining a stable peace not a strategy to be initiated after peace has been achieved. Without such a strategy there may be no peace. Such a strategy implies both a reconstruction of concepts, how we perceive this war and the future, and a reconstruction of current efforts and expenditure in the former Yugoslavia.

This report is divided into two parts, the first part analyses the current situation, the second part addresses the role of the European Union and the prospects for reconstruction.

CURRENT SITUATION

The emphasis of this report is on the economy. While we take the view that the key determinants of the future are political, we consider that economic factors have been underestimated. Moreover, the separation of the economic and the political may mean that the international community adopts inconsistent and contradictory policies. Our concern is with an integrated approach towards reconstruction.

Undoubtedly, the political has an overbearing influence on all the other aspects of reconstruction. Whether we are observing infrastructure, commerce, economic cooperation, the legal systems, education, the media the political domain will play a key role in the short and mid term developments in the region.

The current situation is a consequence both of the legacy of communism and of the opening up of formerly closed societies to the world. The Balkan nations are presently caught up in a struggle to cope with the effects of prolonged process of economic, political and social disintegration, which evolved with different intensity and in specific forms in individual countries. The domestic process is also shaped by change in their wider environment including the collapse of COMECON (CMEA) and the end of the Cold War as well as the increasing globalisation of different spheres of human activity. The task of transformation, in its essence the same as for the rest of ex-socialist countries in Europe, is that much more difficult and uncertain in the Balkans because of the confluence of factors of economic backwardness, and historical and geo-political positioning of these countries, which have not provided some of the basic preconditions for this process to move along a more stable path.

The unleashed dynamics of identity politics involving issues of sovereignty, territory, borders with the ensuing issues of majorities and minorities ("Why should we be a minority in your state when you can be in a minority our state") has created a seemingly irresolvable situation. Leaders elected in the first democratic elections have been pushed to extremes by the absence of any forward-looking project. With the discrediting of communism and the difficulties of achieving the alternative prescribed by transitologists, they have sought refuge in nostalgia for closed-in absolutist nation-states in a world where this is no longer possible and they have sustained this nostalgia through prejudice and fear.

The outcome of this irresolvable situation can be observed in an extreme form on the territory of one of the 6 former Socialist Republics of former Yugoslavia, today the internationally recognised Republic of Bosnia and Herzegovina. A state which following any meaningful definition of modern statehood has still not been able to form itself. War torn between contending claims to history and territory, it has to conceive of its future in the midst of a social catastrophe of incommensurate proportions.

With the disintegration of former Yugoslavia there has been a general breakdown of federal legal and administrative structures which in Bosnia has led to the disappearance of virtually all republic and many local legal and administrative structures as well, giving place to new often criminal networks, that have appeared also in the two neighbouring successor states.

Bosnia is encircled by a second political/nation-state cordon comprising Serbia/Montenegro (FR Yugoslavia) and Croatia. The structure of power created in this outer encirclement of Bosnia and Herzegovina entails a top down approach to key issues of political, economic and societal life. The newly created democratic institutions have been largely hijacked on the "legitimate" basis of elections held in all of these former Yugoslav republics. This has enabled the ruling parties and their leaderships to rule virtually single-handedly imposing their unaccountable policies on their own societies and, directly or indirectly, on each other with differing mutual intensity and perseverance.

The territories of former Yugoslavia are now into their fifth year of war. These wars have moved from North to South and have for the time being been "successfully" circumscribed to Bosnia and Herzegovina and the parts of Croatia. Even if the wars do not spread South into Macedonia or into Kosovo, which is possible, these societies are similarly disabled by the consequences of disintegration and war and require similar sorts of assistance. Such assistance is also reconstruction in the sense we use the term. The fact that it is more likely to be described as preventative illustrates the shortcomings of current definitions since what is needed is a combination of reconstruction and prevention in areas which have already experienced war as well as areas where war has not yet taken place.

This disintegrative process, which has reached an extreme form in Bosnia-Herzegovina, can be observed in the functioning or non-functioning of economic and social life. The way in which the internal and external actors are engaged in resolving the problems in effect contributes to further disintegration and provide a climate for the establishment of new forms of social dynamics in the region, which have very little resonance with liberal and democratic practices of Western Europe. Hence, our description of the current situation as "abnormal".

Bosnia-Herzegovina

The "abnormal" situation in Bosnia-Herzegovina is specifically conditioned by the combined effects of three phenomena- the disintegration of Yugoslavia, war and sanctions. Described in statistical terms, the "abnormality" of the situation is reflected, first of all, in devastating economic statistics.¹ In the three years of war GDP per capita of Bosnia-Herzegovina fell from \$2,719 to just \$250. Around 45% of all industrial plants have been destroyed², and a significantly higher percentage robbed of machinery and equipment. Although exact figures do not exist, it is

¹One is aware that economic statistics, quite apart from the issue of reliability in the current circumstances, provide insufficient insight into the nature and magnitude of the problem; nevertheless, they are relevant for no other reason than as a perception of the likely economic base from which the reconstruction effort is to begin.

²In oil refining and derivatives sector the percentage of destroyed plants is as high as 75%.

estimated that the remaining industry operates at 5 to 6% of its capacity, and some of it has gone on more or less uninterrupted throughout the war.³ This is particularly the case of coal-mining, although its output fell from over 18 million tons in 1990 to around one million in 1994. Also, all operable sectors of military industry continue to produce, albeit only marginally compared to the scale and range of production before the war. Agricultural production, which accounted for 9% of the GDP of Bosnia-Herzegovina and employed over 23% of the population has also fallen to a minimum. (Imports of food have always been necessary, even in peacetime.)⁴

With respect to physical destruction the greatest damage has been inflicted on infrastructure. Before the war Bosnia-Herzegovina had some 1,032 km of normal track railways, half of which was electrified. Only 300 km of this core of the network that used to connect most of the centres in the former Yugoslavia⁵ and within Bosnia-Herzegovina is presently in use, partly because of the destruction and damage to the system, and partly because of the blockade by different sides in the conflict⁶. Altogether, nine railway bridges have been destroyed, together with twenty five train stations and numerous mobile units, as well as telecommunication equipment and monitoring and security installations, bringing estimated direct damages to over \$1bn.

Damages to the road network are estimated at \$350 million and include 1,400 km of motor ways (approximately 33% of the pre-war mileage), 1,100 km of regional roads (31% of the pre-war mileage), damages to the network of local roads, twenty bridges on motor ways and twenty seven on regional roads. Losses and damages due to the lack of maintenance of the parts of the road infrastructure in use are not included in these figures.

The energy system (electricity and gas) is among the key targets of destruction. The electrical energy power system has been physically destroyed and also damaged by the disintegration of the unified electric grid of the former Yugoslavia, which was the part of UCPTE (Union for the co-ordination of production and transport of electric power) and was constructed with the aim to supply the whole Yugoslav market and to export the surplus, which was significant. Bosnia-Herzegovina had an output of 15 billion kW before the war, and installed capacity of 3,400 MW. Approximately 75% of output was generated in the steam power plants, and some 25% in hydro power stations. Deliveries to other republics of the former Yugoslavia, mainly Croatia and Slovenia, amounted to between 1.5 to 2% of the total, with most of the output consumed locally due to the high energy content of Bosnia-Herzegovina's industrial output. Two hydro electric power plants on the river Neretva and two on the river Vrbas have been damaged, as well as two steam power plants. The damages also include transformer stations and power distribution

³See Dr Enver Backovic "A Marshall Plan - Dream or Reality?" *Futura*, Sarajevo, 3/95

⁴Source: *Statistical Yearbook of SFR Yugoslavia*, Belgrade, 1991

⁵Bosnia-Herzegovina's share in the total volume of rail-road loading and unloading of goods in the former Yugoslavia was 27.5% in 1990.

⁶The same is of course true of railway system in Croatia, which has been largely inoperational since the beginning of the conflict.

lines, with significant damage to the high voltage portion of the grid. Insufficient and irregular supply of energy is one of the major obstacles in operating any of the remaining production capacities.

The estimated damage to the system of telecommunications is in the range of \$500 million. Some 26 magisterial transmission systems are out of function and so are over 200,000 individual telephone connections⁷. Telephone communications are restricted and many links re-routed, depending on the concrete situation on the ground. The postal service system basically does not exist.

Health care facilities, schools and housing stock suffered extensive damage. Around 440,000 square metres of health care facilities is estimated to have been destroyed or damaged, while 800,000 individual units or 70% of the total housing stock is either destroyed or damaged. When expressed in terms of prices of construction material required to rebuild and repair the buildings which have been affected, then the costs go to about \$10.8 billion.⁸

Alongside physical destruction is disruption of most of the functions of urban living, which in itself adds to the "abnormality" of the situation. The destruction of the economic base is augmented by the extensive damage to historic and cultural sites.⁹

Human losses in Bosnia-Herzegovina are estimated at 200,000 civilians¹⁰ and a somewhat smaller number of military casualties. The population of Bosnia-Herzegovina, according to the latest official estimates, is down to 3,437,708 or roughly one million less than before the war. Around two and a half million of citizens of Bosnia-Herzegovina are displaced, of which 509,714 in the EU countries, and 750,000¹¹ in all of Europe. A significant proportion of these are qualified people, with the "brain drain" effect on the economy and society of Bosnia-Herzegovina and its post-war development perspectives. The exodus of people continues, and presents one of the most critical aspects of the present situation as well as any future arrangements in the region.

⁷ Source: for all data on physical destruction: M.Cecez paper for the workshop on the Post-War Reconstruction in the Balkans, SEI, March 1995 (hereinafter called "SEI Workshop, 1995)

⁸ Source: *Futura* op cit.

⁹ See the information reports on war damage to the cultural heritage in Croatia and Bosnia-Herzegovina, Documents 6756, 6869, 6999, 6989, 7308, and Addendum 7070 and 7133, Parliamentary Assembly, Council of Europe, Strasbourg

¹⁰ Source: UNHCR *Information Notes*, monthly

¹¹ Source: UNHCR *Information Notes*, monthly

Official estimates on the Bosnian government side suggest that some 250,000 people are engaged in defence, which even in the absence of data for the whole of the pre-war territory of the Republic, implies relatively low participation in the war. Around 85,000 people¹² are estimated to be working in a civil sector or only 6.5% of the Republic's pre-war active population. This represents a sharp contrast to World War II which involved a total mobilisation.

Former Yugoslavia

Although the most extreme in Bosnia-Herzegovina, the devastating effects of the three above mentioned phenomena are spread across the territory of the former Yugoslavia, albeit with some variations¹³. Serbia, Montenegro and Croatia being directly involved in war are more affected than Macedonia and Slovenia.

The enormous economic losses are, first of all, expressed in sharp contraction of the output over the last four years. In Serbia/Montenegro combined, the 1994 output was just one quarter of its 1989 level; in Croatia, a drop of 50% was recorded for the same period; GDP in Slovenia was some 90% of its 1989 level, while in Macedonia the corresponding figure was around 67%¹⁴. With the exception of Slovenia, the trend of declining output continues.

Industrial production suffered the most in Serbia/Montenegro, reaching in 1994 only 30% of the 1989 industrial output, and continued to decline in the first half of 1995; industrial output in Croatia in 1994 was still slightly above 50% of its 1989 level, while in Macedonia in 1994 industry was operating at 30% of its capacity. Both Serbia/Montenegro and Croatia have incurred substantial losses by way of foreign currency earnings from tourism foregone since the beginning of the conflict.

This plunge in main economic indicators is reinforced by data on unemployment, which are among the highest in Europe in all of the former Yugoslav republics without exception. The highest rates of unemployment at over 35% in 1994 were registered in Serbia/Montenegro and Macedonia, while in Croatia and Slovenia the rate of unemployment in 1994 reached 19.5% and 14.5% respectively.

¹² Source: *Futura* op-cit

¹³ It is difficult to statistically delineate the impact of the each of the three phenomena. An approximation of the extent of damage caused by the disintegration of Yugoslavia can be constructed on the basis of the data on inter-regional trade in the former Yugoslavia in Table 1 i

As far as the sanctions are concerned, total losses due to sanctions in Serbia/Montenegro were estimated at \$45 bn by August 1994, while Macedonia claims \$4.5 bn in losses in 1994 due to the combined effect of the UN sanctions and the Greek blockade. (See V.Bojicic's paper SEI Workshop 1995)

¹⁴ Economist Intelligence Unit, *Bosnia-Herzegovina; Croatia; Macedonia; Serbia-Montenegro; Slovenia – Country Report*, 1st Quarter 1995 and 4th Quarter 1994, London

Also, all of the former Yugoslav republics struggle to keep check on inflation, with only Slovenia managing to sustain it around 16%, and more recently Croatia at around 8%¹⁵.

With the exception of Slovenia, the population in all other republics has experienced a significant drop in living standards, which in Serbia/Montenegro has resulted in over 4 million people or 40% of the population being below the poverty line¹⁶. Parts of Croatia such as the Dalmatian region, which had its economic base in tourism, shipbuilding and agriculture oriented to the markets in Bosnia-Herzegovina and Serbia, have collapsed economically, and survive on aid and other activities related to the very large number of refugees and displaced persons in the area¹⁷.

The process of transition to market economy is progressing slowly in all of the former republics, which can be illustrated by what is happening to privatisation as a key pillar to the process. In mid-1994 the private sector share of GDP was 40% in Croatia, 35% in Macedonia and 30% in Slovenia.¹⁸ Figures for Serbia are not available, but since only 10%¹⁹ of all employed are working in the private sector, it is reasonable to assume that the contribution of the private sector to the value of total output is modest. A key problem for all of the former Yugoslav republics is industrial restructuring. At present, all of them try to carry on with the industrial base developed in earlier times, which is characterised by distortions typical of industrialisation in command type economies, and is additionally handicapped by the disintegration of Yugoslavia, collapse of the former Soviet block, war and sanctions. As such, none of these new countries, with the partial exception of Slovenia, has a sufficiently strong industrial base to provide for sustained dynamic growth, and these countries will continue to be laggards in the process of transition.

On a broader socio-political level, there is a tendency for increasing politicisation of transition issues and a tightening up of political controls over the economy. The consequence is that in the aftermath of Yugoslavia's break up compensatory markets for the new states are based on political decisions, and not on free economic flows. The dominance of nationalist politics over economics is likely to impede positive steps towards reconstruction and reintegration of the economic space in the region.

¹⁵ Source: op.cit.

¹⁶ The poverty line is defined as below the equivalent of US\$4 in purchasing power per family member per day. Source: A. Posarac's paper, SEI Workshop 1995

¹⁷ The collapse of the former Yugoslavia and transitional vacuum in the newly created states have particularly affected big state-owned enterprises. The Split shipyard, one of the biggest in the former Yugoslavia, and once the largest employer in the area, can not provide enough labour force for whatever activity there is. Unemployed and even a number of shipyard's workers prefer to join the army in search for higher pay.

¹⁸ Source: The World Bank, *Transition – the newsletter about reforming economics*, Vol 6, No 4, 1995

¹⁹ Source: A. Posarac's paper, SEI Workshop, 1995

The Wider Balkan Region

This statistical picture of the new states formed after the break-up of Yugoslavia is rather similar to the situation in other three ex-socialist countries of the Balkans- Romania, Bulgaria and Albania. The contraction of the output in these countries in the 1989-92 period, in which the effects of war in the neighbouring country and sanctions were not yet fully reflected, was of a magnitude of -32%, -31% and -42%, respectively²⁰, and output growth is recovering only at a slow pace. Unemployment rates in Bulgaria and Romania are comparable to those on the territory of the former Yugoslavia, and significantly higher in Albania. Inflation has reached three digit figures in Romania and Bulgaria. The losses due to the disruption of trade caused by the war and the UN sanctions are massive. Bulgaria claims that in 1994 alone, it lost \$1.5 bn or 25% of its GNP because of the sanctions, and \$3 bn in total since the imposition of the sanctions. Significant losses, have also been incurred by Romania, Albania and to a lesser extent Hungary. These losses also include indirect losses resulting from the disruption of the region's and individual countries' links with the rest of the world.

On the social dimension of the sanctions issue, particularly interesting is the crime statistics in these three countries part of which is related to the sanctions busting. Sheer poverty, coupled with degeneration of key pillars of social life, has prompted many desperate individuals, but also firms, to engage in sanctions busting and other illegal activities. The picture that emerges there is one not much different from the ex-Yugoslav republics, i.e. one of materially, socially and politically disabled societies unable to cope with the complexities of the transformation process and the challenges of the international environment.

Even in the wider Balkan region, which includes Greece and Turkey, there are signs of an economic slow down, with the drop in GDP in 1994 of 0.5% and 5.4% respectively, and unemployment rates of 9.6% and 10.9% respectively. Turkey's inflation was over 60% per annum for the past six years, while the Greek inflation rate of 12.5% in 1994 is much higher than in most EU countries. Turkey suffered severe stagflation in 1994, and is struggling to regain its growth momentum. On the other hand, Greek recovery is proceeding at much slower pace than previously experienced, reflecting structural distortions and macroeconomic imbalance.²¹

Beyond economics, both countries are politically more volatile than West Europe, and are faced with increasing ethnic animosities inside them and towards other Balkan neighbours, notwithstanding a long history of mutual tensions in this respect. These tensions have been reignited in the light of changes in the region since 1989, as Greece perceives a "danger of Turkey's rising assertivity".

²⁰ Source: S. Wallden, Paper for the conference on The European Community and the Balkans, Corfu, July 1993

²¹ Source: OECD (1995), *Economic Surveys 1994/95 – Turkey*, Paris; OECD (1995), *Economic Surveys 1994/95 – Greece*, Paris

Although the epicentre is in Bosnia-Herzegovina, the region as a whole, despite being geographically the south-eastern flank of Europe, manifests a profound marginalisation and fragmentation, which has gone in parallel with the process of integration in the European core. It has its distinct set of economic, social and political problems, shaped by the peculiar interface of the region's historical and cultural legacy and contemporary phenomena.

The particularities of the statistical picture presented above can be explained in terms of specific type of distorted society that characterises this war; not merely physical but socio-economic "abnormality". This "abnormal" society can be found in its purest form in Bosnia-Herzegovina but it radiates outwards – the further from Bosnia-Herzegovina, the closer to normality – but nowhere in the region is completely normal. Thus, Serbia and Croatia are partly abnormal – not as normal as Bulgaria and Rumania, which, in turn, are less normal than, say, Hungary or Greece – but more normal than Bosnia-Herzegovina. Why this is so can be partly explained by the geography and history of this region, which provide no space for isolated and contained occurrences, and partly in terms of the characteristics of contemporary society in which it is almost impossible to insulate any region from the outside world.

This "abnormal" economy is typically a war economy but is very specific to this war. All war economies are characterised by a distorted public sector economy combined with a black market economy; but this is different from the second World War or from other wars. It has its own special features and, in a sense, it could be described as an extreme expression of the transition from communism. War economies in the Second World War were typically closed economies in which there was a total mobilisation for the war effort and in which the economy was centrally administered. All those not conscripted for the armed forces, including women, were employed in production; although lend lease was significant for Britain and the Soviet Union, these were largely self-sufficient economies.

In this war, there is some limited production but the war economies are dependent on outside supplies for food, fuel, spare parts and weapons (despite the arms embargo). Physical damage has been much greater and at the same time participation in the war is relatively low compared with World War II even though all sides are experiencing shortages of military manpower and unemployment remains high. Thus in contrast to World War II, the war economy is characterised by high levels of unemployment, high levels of imports and weak, fragmented and decentralised economic administration. It could be said the war economy represents a new type of dual economy, typical of peripheral regions exposed to globalisation. On the one hand, the public sector has been destroyed and replaced by a humanitarian economy, supported entirely from abroad, based on hand-outs, in which nobody is paid and no-one works, and in which beneficiaries experience repeated humiliation.²² On the other hand, the new market economy is largely criminalised; it consists of a "gangster economy", made up of black marketeering, arms

²²One participant in the seminar on the Post-war Reconstruction of the Balkans described the system as "imagined communism".

trade, drug trade, etc. These two types of economy feed on each other²³, perpetuating a material basis for ethnic nationalism. Both types of economy radiate outwards. The humanitarian economy radiates outwards through refugee networks²⁴, and the gangster economy through various Mafia rings and other transnational criminal networks. It can be conceived in terms of concentric rings connected to the epicentre through axes representing networks of refugees or crime rings or ethnic national ideas.

One can argue that certain characteristics of the economies in the region provided a fertile ground for this deleterious symbiosis. All these economies, and ex-socialist ones in particular, have relatively large parallel sectors. With the decline of political legitimacy and increasingly inadequate access to resources, informal structures began to articulate their interests in the public sphere, thus gaining legitimacy. The de-stabilising role of networks of Mafia-type businessmen, who make common issue with those who are trying to survive in the declining public sector, is fostered in a context of political instability, deteriorating economic conditions and weak institutions. New social alliances are being formed and "negative cohesion" developed in the region, which will certainly affect the shape and the pace of transformation of these countries. This is even more so when the human factor which is the key to any progress is taken into consideration. Young, educated people face the choice of joining the army, becoming a criminal, leaving or trying to survive within this atomised social fabric. The basic social building blocks of life are destroyed and an essentially retrograde system of values put in place. These are the abnormalities that need to be removed.

Tuzla and Mostar

The nature of this "abnormal" economy can be best illustrated on the basis of a study of local economies. During the worst phase of the war, there were no institutions functioning at the level of the state in Bosnia-Herzegovina. Essentially, administrative structures disintegrated and the war was organised locally. How local administrative units functioned determined to a large extent conduct in the war and the nature of the local economies. Even today, centralised state functions are minimal largely confined to diplomatic negotiations about the war and responsibility for the integrated command system, although military units are still organised locally.

²³One report in the Sarajevo daily *Oslobodjenje* claims that over 1.000 different humanitarian organisations are registered in Sarajevo, and yet the rationing of the humanitarian aid is insufficient. At the same time the supply on the local market is abundant, which is, among other relevant issues, linked with a peculiar phenomena of individual grocers (small shop owners generally engaged in black marketeering) registering as humanitarian organisations, which provides them the freedom to move in and out the city and engage in murky deals, misusing humanitarian assistance. Implications are wider than the economics of this phenomena. These people are put in advantageous position compared to the rest of population, who have no access to the outside world and live in a social atmosphere to a great extent shaped by the attitudes of this category of people. Understandably, this causes animosities, often in ethnic form.

²⁴For many people across the former Yugoslavia remittances from relatives in exile abroad constitute substantial source of income.

In this project, we decided to focus on the cases of Tuzla and Mostar as examples of how this abnormal economy works. Before the war, these two towns were rather similar. Both towns were significant economic centres during the Ottoman empire; Mostar was an important merchant town and Tuzla was a centre for salt mining. Both have a rich Turkish and Austro-Hungarian heritage; in particular, the old Turkish parts of Mostar were a famous historic site. After the second World War, both towns were industrialised. When the wars began, they enjoyed relatively high wage levels compared with the Yugoslav average. Nearly half of employment was accounted for by industry and mining. They were medium-sized towns with populations of 130,000 and 80,000 respectively. Both towns had very mixed populations with a high number of people declaring themselves as Yugoslavs (24% and 18% respectively although the figure for Mostar is much higher if outlying rural districts are excluded)²⁵ They are both situated on rivers surrounded by rich agricultural lands. Both towns were successful exporters and appeared to benefit from the Markovic reforms which preceded the break-up of Yugoslavia. Both Mostar and Tuzla had ecological problems before the war; the rivers were polluted by dirty industries. In particular, Tuzla suffered both from polluting chemical factories and from the danger of subsidence arising from centuries of salt mining; the old parts of Tuzla have already been destroyed as a result of subsidence.

In the first democratic elections in 1990, Mostar elected a coalition of nationalist parties (SDA, the Muslim nationalist party, HDZ, the Croat nationalist party, and SDS, the Serb nationalist party) to run the municipal administration. Tuzla elected a coalition of non-nationalist parties (Social Democrats, Reformists, and Liberals). When the war broke out in April 1992, the local Tuzla militia succeeded in expelling a division of the JNA. Subsequently, there was no fighting in the town, although the Serbs have continued to shell the town. During the fighting between Muslims and Croats, Tuzla was, however, completely blockaded since all the main routes into Tuzla were cut off by fighting. In the case of Mostar, the war with the Serbs lasted from April 1992 to July 1992. This was followed by war between Croats and Muslims which lasted from April 1993 to March 1994.

The Tuzla municipality is still in charge in Tuzla. After the establishment of the Croat-Muslim federation, on the basis of the Washington Agreement signed in March 1994, a cantonal government has also been established in Tuzla, controlled by the SDA, although effective power still rests with the municipality. In Mostar, the administration is divided between an SDA controlled administration on the East side of the river Neretva and an HDZ administration on the West side. As yet a cantonal government has not been established in Mostar.

In addition to the local administration, there are now two governments in the federation of Bosnia-Herzegovina - Herceg-Bosna and the Republic of Bosnia-Herzegovina. Taxes levied at a local level are passed on to the respective governments and used primarily for the armies – the HVO and the B-H army. The federation remains largely a paper organisation.

²⁵Figures from the 1991 census.

Under the Washington agreement, an EU administration was established for the whole of Mostar with a mandate to integrate the city. This has not happened. Demilitarisation of Mostar has meant that soldiers on both sides were transformed into large separate police forces. Although the EU brought in a WEU police force with a mandate to create a unified police force, freedom of movement and security, this has not happened mainly because the EU does not have the power to overrule the local authorities. Movement between the two sides is extremely limited; 250 people a day are allowed to cross from East to West but only women and children. Security is still very poor and, on the West side, evictions still continue.²⁶The main area where the EU administration has made progress is in reconstruction. However, with the exception of power and water (see below) this has largely consisted of two reconstruction programmes, one for the East and one for the West, and may thus have contributed to a legitimisation of separate development.

In both towns the populations have changed dramatically as a result of the war, although the changes have been much greater in Mostar than in Tuzla. Many people have died and many people have left either for reasons of safety or for economic reasons. In Mostar, the population has declined to around 62,000 of which some 26,000 are displaced persons; thus only some 36,000 of the original resident population remains in their homes and a further 6000 remain in Mostar as displaced persons.²⁷In Tuzla, the local population has declined to 110,500 and, according to figures from the cantonal government, there has been an influx of 53,700 refugees of which some 20% are settled in permanent living places. (Of course, this does not include the recent influx of some 20,000 refugees from Srebrenica.) According to UNHCR figures for the Tuzla region, there has been a dramatic decline in the Serbian population, a halving of the Croat population and a doubling of the Muslim population.²⁸

In Mostar, the population decline has been much greater on the East side than on the West side. On the East side, the population has declined to 19,300 of which 13,000 are displaced persons. In other words, only around 6000 people who lived there originally remain. Of the displaced persons, roughly a quarter come from the West side, a third come from Serb occupied territories, and 17% from Croat occupied territories outside Mostar. On the west side, the population has declined to 35,700, of which 12,600 are displaced persons; in other words, some 13,000 original residents remain on the west side. The category "displaced persons" include both people who have been expelled from their homes and those who have moved into the empty houses as a result of ethnic cleansing. The difference between the category of displaced persons on the

²⁶See press release on the visit of Tadeusz Mazowiecki, 31 May 1995, Mostar.

²⁷Figures from EU Administration, see table 2. Figures provided by the local authorities on both sides are much higher.

²⁸UNHCR figures for the Tuzla region are as follows:

	Before War	1995
Serbs	82,235	15,000
Croats	38,789	19,000
Muslims	316,000	629,000

UNHCR *Information Notes on Former Yugoslavia*, No 3/95. March 1995.

West side and the East side is evidenced by the proportion of people on each side who want to go home. Nearly 90% of the displaced persons on the East side want to go home, according to an EU survey, but only around half of displaced persons want to go home on the West side.

Physical damage has been extensive in Mostar especially on the East side. Some 80% of all buildings have been damaged. About 10%, all on the East side, are so badly damaged as to be irreparable and a further 30% have suffered serious damage to supporting structures, again mainly on the East side. Nearly 60% of all buildings are without roof structures. The EU administration estimates the cost of reconstruction of buildings at 300 million DM. The major part of the destruction has affected residential buildings. However, the damage also affected industry, infrastructure, public buildings including schools and kindergartens, and historic and religious buildings, especially mosques and the main orthodox church. All nine bridges over the Neretva have been destroyed including two railway bridges and the historic Stari Most described by Rebecca West in her book about travelling through Yugoslavia before the Second World War as one of "the most beautiful bridges in the world"²⁹.

For twenty two months, the East side had no water or electricity since water and power utilities were situated on the West side. This has now been restored by outside aid from ODA and the EU administration, initially through the delivery of pumps to bring water from the Neretva, now through repairing the pipes from the west side. Large scale voltage has also been restored but not small-scale voltage. Power and water is still dependent on the goodwill of the west side. The EU is considering the construction of new independent sources of supply on the East side.

The railway and the airport have also been destroyed. The telephone system on the East side is still functioning in a very limited way; it is virtually impossible to ring out of Mostar from the East side. One temporary road bridge has been constructed by the EU administration. Most industry is halted either because of physical destruction or lack of spare parts and the loss of specialists. Before the war, Mostar was producing aircraft, industrial freezers, cars, aluminium, electronics, wine and spirits and textiles mainly on the East side. It also had wood processing production and the production of compressors for electrical appliances and industrial machines. The only enterprise which is functioning is Hepok, which produces wine, juice, and spirits; the vineyards continued to be tended during the war.

In Tuzla, physical damage was much less. However, the economy was hit by the disintegration of Yugoslavia which meant an important loss of markets, the blockade, which meant both a loss of markets and enormous difficulty in getting spare parts, equipment and raw materials, and by

²⁹Rebecca West *Black Lamb and Grey Falcon* (first published 1942) Canongate, London, 1993, p.288 " A slender arch lies between two round towers, its parapet bent in a shallow angle in the centre. To look at it is good; to stand on it is good. Over the grey-green river swoop hundreds of swallows and on the banks mosques and white houses stand among the glades and bushes ... They build beautiful towns and villages. I know of no country, not even Italy or Spain, where each house in a group will be placed with such invariable taste and such pleasing results for those who look at it and out of it alike."

the loss of specialists – some 50% of people with the equivalent of a BA have left Tuzla. In general, about 30% of those employed in industry before the war continue to work although not all the time; most of them are also in the BiH Army.

Before the war, the main sources of employment were mining (coal, bauxite, lead, zinc, quartz, sandstone and various types of salt), power utilities and the chemical industry (see table 3). With tremendous ingenuity, one power plant has been kept operating; a new power plant had been built before the war to export electricity to Croatia and Slovenia. The coal mines also continue to function employing some 5000 people compared with 12000 before the war. The salt factory also continues to operate at a much lower level than before; it has to go on producing because of the dangers of subsidence. It sells within BH and exports some salt to Croatia. (One of the ironic contradictions of the current situation is the fact that UNHCR imports salt for humanitarian aid while Tuzla is forced to throw away 1200 tonnes a day.) One chemical enterprise, DITA, continues to produce detergents when it is able to get raw materials; it operates for about ten days a month. It is not competitive, however, because the raw materials are expensive, it does not operate at full capacity and it has lost its main markets in Serbia and Montenegro. The other chemical enterprises are more or less closed; there is some limited production based on salt for the treatment of water for the power plant. Many of the raw materials are dangerous to transport in current conditions; there is a lack of equipment; the cost of restarting is high; and many specialists have left. In addition, there are about twenty arms factories which have started since the war.

Small scale production to meet local need continues and even in some cases has expanded. This includes the manufacture of building materials, including gas-concrete and construction sand, the manufacture of food products (milk products, meat products, yeast, spirits), the manufacture of textiles and shoes. The latter have been purchased by non-governmental humanitarian agencies for refugees and by the BiH government for the army.

In both Mostar and Tuzla, but especially in the former, there has been a growth of small enterprises since the war began almost exclusively in services – shops, restaurants, coffee bars. The mushrooming of shops and coffee bars on the East side as soon as the cease-fire came into effect has been striking. In Mostar, the EU Administration has begun an innovative small business programme, actually two programmes, one for the West side and one for the East side. Of the total (6 million DM so far) provided in loans and grants, just under half will go to small enterprises in services and trade.

The disintegration of the Bosnian state can be traced through the use of money. During the worst of the fighting, up to March 1994, there was no money in Bosnian-controlled parts except in the black market where the deutschmark circulated. Those in work were paid in food parcels or in meals at public kitchens, based largely on humanitarian assistance. In Tuzla, where there was some production, a barter system operated; for example, the cheese factory exchanged cheese for detergents and workers in the detergents factory got cheese in their food parcels. All humanitarian assistance coming into Tuzla was taxed by the municipality in goods which were then used to control prices on the black market. Likewise, UNPROFOR paid for its facilities in fuel and not money. In the Croat-controlled parts which were not blockaded, the Croatian kuna

circulated as currency along with the deutschmark. Workers do receive income in Croat-controlled parts; average salaries in 1995 were 125 DM.

The monetary division of the federation as a whole and Mostar, in particular, persists. The kuna is still the main currency in Croat-controlled parts and has actually appreciated in relation to the deutschmark. The B-H government now issues its own currency, the dinar, but it is fixed in relation to the deutschmark and is mainly used for small change, i.e. as a way of increasing liquidity. The use of currency is still limited; barter and food parcels continue. This is why the number of shops and coffee bars is less a sign of prosperity and more an indication of the scale of the black market. There is no inflation in either part of the federation and prices are comparable.

Given the low level of production, these economies are dependent on outside assistance. This assistance takes the following forms: humanitarian assistance, rent and expenditure from UNPROFOR forces, remittances from families living abroad. Figures for the scale of outside assistance to each local economy are not available. However it is clear that outside assistance to Mostar is much greater than to Tuzla. EU expenditure in Mostar was 32 MECU in 1994 alone. The main outside donor to Tuzla is the British ODA; its expenditure over the whole period was £5 million (around 6.5 MECU).³⁰

Some indication of the structure of the two economies can be gleaned from municipal finance. In Tuzla, taxes are raised by the Tuzla municipality in the whole Tuzla canton; some 60% are raised in the municipality itself. Taxes consist mainly of customs duties on all goods entering the canton and taxes per head on all Tuzla citizens including families living abroad. During the blockade, all taxes were spent locally. Now the municipality keeps 40% and 60% goes to the BiH government. The capacity for self-sufficiency in Tuzla both as a result of the functioning of the local economy and the effectiveness of the administration is suggested by the fact that 60-65 % of the BiH budget is financed by taxes raised in Tuzla. Tax revenues in March, April, May 1995 in the Tuzla canton were 50-60 million DM.

The situation in Mostar is very different. The East Mostar authorities are reliant on transfers from the BiH government; in some cases, credit is issued by the Central Bank however this is limited because a hard budget constraint operates on everything except the war effort. The major part of municipal finance in West Mostar comes from the government of Herceg-Bosna which raises revenue mainly through customs duties on cross-border trade but also through income tax, profits tax, and surplus income from state and municipal owned enterprises; the Croatian

³⁰This covered: assistance to the power station and coal mines; more than 100 public utilities, repairs and other infrastructure projects, support for NGOs, including £400,000 for Oxfam, helping Scottish European Aid with £200,000 for water repairs and local roof tile manufacture (source ODA).

government is also thought to supply additional assistance.³¹ The municipality also raises local taxes from car licence fees, sales tax and advertising taxes but these yield very little. Despite, the relatively heavy customs duties (or perhaps because of it) tax gathering is said to be rather inefficient and this is reflected in the scale of the black market.

The contrast between Mostar and Tuzla is also clearly evident in social and cultural life. There are no independent media in Mostar; the media are controlled by SDA on the East side and HDZ on the West side. Radio Mostar which is about to start a television station, on the East side, claims to be independent but "very close to the government."³² In Tuzla, there are SDA and HDZ controlled newspapers and radio stations, as well as Serb-controlled radio and television which broadcast from the hills North of Tuzla, and all are very shrill in their criticisms of the municipality and the Tuzla model. (The newspaper Dragon of Bosnia is particularly notorious.) Radio Tuzla and TV Tuzla are state-controlled. There is also an independent radio station, Radio Cameleon, which is widely listened to, and an independent newspaper Front Slobode which used to be controlled by the Communist Party and has a circulation of 3000. Cultural activity is extremely lively in Tuzla more so than before the war, especially theatre and youth culture.

The situation in education and health is similar. Before the war, secondary schools and the university in Mostar were all situated on the West side. Seventy per cent of university lecturers were Muslim. When war broke out with the Croats, Muslim lecturers were put in detention camps. Now the university is situated within the West side municipality. The rector insists that lecturers and students have to "obey the rules of Herceg-Bosna."³³ In particular, this means giving lectures only in the Croatian language. Some Muslim lecturers released after March 1994 have established a make-shift university on the East side which has around 300 students and operates from the municipality building. The EU administration have reconstructed primary schools and kindergartens on both sides but not secondary schools because they cannot do this in a balanced way since there are no secondary schools on the East side. Hence, East side children are effectively denied a post-primary school education.

The main hospital in Mostar was also situated on the West side. A makeshift hospital was established during the war on the East side with an operating room in a cellar and a new temporary hospital has been constructed out of containers with assistance from a South African humanitarian agency. Reconstruction assistance has been provided for primary healthcare centres and clinics on both sides by the EU administration but not for the hospital because only very limited numbers from the East side admitted.

³¹The republic of Herceg-Bosna imposes 25-30% customs duties on all goods passing through the republic including goods destined for BiH. According to IMG, the authorities insist that any agency transporting goods through their territory must be registered in Herceg-Bosna and must have projects in Herceg-Bosna. They will not allow any equipment that they consider could be used in the production of weapons, e.g. pipes.

³²Interview with Alija Behram, head of Radio Mostar. He explains this by the fact that "the SDA is not hard like in Tuzla and the HDZ is much more of an enemy".

³³Interview with the Vice-Rector.

In Tuzla, schools, the university and the healthcare system continued to operate throughout the war although many university lecturers and doctors have left and there is a considerable shortage of books and equipment.

The main differences between Tuzla and Mostar can be summarised as follows:

- a) The administration is divided in Mostar and social, cultural and economic life on each side is controlled by nationalist parties; the degree of control is probably greater on the West side. Tuzla is unified under a non-nationalist administration with a relatively pluralist and tolerant culture.
- b) Mostar suffered much more than Tuzla from the war both in terms of population displacement and physical damage. Tuzla suffered from physical isolation and the burden of large numbers of refugees.
- c) Both economies have very little local production and are dependent on external assistance. Mostar is much more dependent than Tuzla; the latter has more local production, less outside assistance and has been more effective in generating municipal revenue.
- d) Both internal and external security is better in Tuzla than in Mostar. The town of Tuzla has been successfully defended (although shelling, as in Mostar, continues) and crime rates are much lower than in Mostar. In Mostar, the black market is much more extensive (with cooperation between East and West) and evictions (ethnic cleansing) continue on the West side.
- e) A final difference concerns the nature of outside assistance. Mostar is characterised by a top down approach which has resulted in much larger scale investment but which may be less effective in establishing long-run self-sufficiency. Because it is top down, all programmes have to be agreed by the local authorities and political criteria often override economic or social criteria, including the goal of integration. Tuzla has attempted a more decentralised and diversified approach seeking cooperation between other European municipalities and NGOs as well as governments.

Outside Assistance to the Region

The current discussion about EU enlargement and NATO enlargement is focused on the Central European countries and Slovenia. There is an implicit assumption that Europe can insulate itself from anarchic, chaotic places like the Balkans or Russia. Who "we" are, what is "Europe" can be redefined to exclude these parts of Europe. This kind of selfish attitude, which can be observed in Slovenia or northern Italy, presupposes

that it is somehow possible to "get rid" of "backward", "violent" people. However, the discussion about "abnormalities" highlights the objective, as opposed to moral, difficulties of applying this approach. Europe is part of an open globalised society vulnerable to the networks described above. The western half of the continent cannot prevent the influx of refugees, the spread of organised crime and the virus of ethnic nationalism.

The EU is already involved. Together with other western countries, the EU is already spending a considerable amount of resources. In our view, the problem is not primarily the inadequacy of available resources but rather the way that resources are spent. Additional resources will not improve the situation unless the goals of such spending are redefined. In other words, outside expenditure in the area needs to be reconstructed.

If we look at the way in which EU resources are spent in the region, a pattern can be discerned which roughly corresponds to the zones of "abnormality". The epicentre, or as one contributor called it the "black hole", draws in substantial amounts of emergency assistance. In the case of European Union only, spending on humanitarian aid and UNPROFOR in the 1991-94 period in the former Yugoslavia amounted to some \$2.4 bn.³⁴ If as a rough guide we assume that the EU's contributions make around one third of the total spending in the former Yugoslavia, then, including the first half of 1995, approximately \$9 bn have been spent by the international community on the operations in the former Yugoslavia, mostly through the UN agencies. The figure is much higher if the costs of NATO involvement,³⁵ bilateral aid³⁶ and other sources of funding are added.

The outer more "normal" rings receive aid which is predicated on the existence of "normality", in particular, functioning administrative structures. This aid includes PHARE assistance and, in the case of Greece, structural funds. The problem is that there is nothing between emergency assistance and "normal" development assistance. This is a problem both for the recipients of emergency assistance and for the inner rings which fit neither the category of emergency nor of "normality", e.g. Macedonia.

If assistance to the epicentre is confined to emergency assistance, it carries the risk of perpetuating itself. First of all, the existing system of humanitarian aid is vulnerable to abuse. Considerable amounts of assistance are creamed off by the warring parties. In some cases ("Herceg-Bosna" for example) as much as 27% of the aid is requested by one side only for the passage through a certain territory, which, given the complexity of the situation on the ground, puts in question the actual amount of aid that reaches its destination, and also the actual beneficiaries.

³⁴Table 4 gives a rough overview of the EU costs of involvement in the former Yugoslavia.

³⁵NATO has flown some 100,000 sorties over Bosnia-Herzegovina to implement the no-fly zone and the arms embargo. This has been very costly (one sortie costs on average some £10,000 excluding the costs of replacement equipment), and relatively ineffective. This does not include the cost of ships or other operations such as Deliberate. The costs of NATO involvement in the first year of implementation of a peace plan have been estimated at £1bn

³⁶For example the British government has contributed around £250 million through ODA for the operations in the former Yugoslavia, while Japan's contribution is in the range of \$140 million.

Given the scale of black marketeering, and the way the authorities have been using the humanitarian assistance for their political aims, the primary function of the humanitarian relief has become significantly diverted and under fulfilled.

Secondly, humanitarian assistance, as pointed out before, can often substitute for local production which is still possible even in war (as in the case of Tuzla's salt mines) and hence contributes to unemployment. It also sets up new forms of social stratification in which those employed by international agencies, primarily doing operational jobs such as driving and interpreting, earn reasonable, often substantial, hard currency incomes, while highly qualified people earn local, much lower salaries and are dependent on humanitarian assistance. In addition, humanitarian agencies tend to operate "from above" bringing in highly paid foreign consultants in situations where local experts may have at least as good if not better knowledge of what is required. In this way, humanitarian assistance can actually help to sustain "abnormality" by providing the armies and the black marketeers with resources, by legitimising local nationalist authorities, and by depriving those who represent potentially valuable human capital of a livelihood and giving them little choice but to leave.

At the same time, the absence of emergency aid, and even perhaps negative assistance in the form of sanctions, in areas which are not actually in a state of war but are severely disabled contributes to a downward spiral of poverty, criminalisation, extremism and authoritarianism which could drag them into an emergency situation. Moreover, the tendency to provide more aid the more "normal" the country means that those countries which are least normal receive least assistance and tend more and more towards "abnormality".

There is a very real dilemma. On the one hand, economic assistance to problem areas can exacerbate the problems by sustaining the black market and armed groups and legitimising nationalist authorities as may, for example, be the case in Mostar. On the other hand, the denial of assistance to problem areas, as in Serbia, may also exacerbate the problems because of increasing poverty and criminalisation.

Our conclusion is that the goals of spending by the international community in the former Yugoslavia and indeed in the Balkans as a whole need to be redefined, and consequently the spending itself should be reconstructed in order for the resources to be used much more effectively. Outside assistance needs to be reconsidered as a part of an overall political process and political strategy and a much more differentiated approach needs to be adopted. .

A NEW APPROACH TOWARDS RECONSTRUCTION

Current thinking presupposes a top-down approach to the problems of the region. Sanctions and embargoes (negative assistance) also reflect this top-down approach in which states are equated with people living in a given territory. A much more differentiated approach needs to be adopted

if sanctions are to be effective forms of pressure on states. Reconstruction, as opposed to emergency assistance, is thought to be predicated on an overall political settlement in which a set of administrative authorities defined territorially will reach agreement to end the wars on the basis of agreements about the number and type of states in the area and the definition of their borders. In our view, this implicit scenario is unrealistic because of the absence or weakness of functioning administrative authorities. Even if such an agreement is reached, it is unlikely that it could be implemented or that it could last. At best, one can envisage a situation similar to that in the UNPA areas of Croatia or in the Croat-Moslem federation of Bosnia-Herzegovina, an uneasy cease-fire in which outright fighting has stopped but which is characterised by sporadic violence and widespread violations of human rights including continued ethnic cleansing and numerous restrictions on freedom of movement. This tense situation is akin to that experienced in many parts of the Balkan region including those which have not yet suffered war, for example Kosovo.

A strategy for peace has to aim at building "normality", at the reconstruction of different spheres of modern existence in such a way as to encourage the evolution of democratic processes in this part of Europe. We cannot predict the number and type of states that will exist in this part of Europe in the future nor where their borders will be located. What we can assert is that a durable peace is only possible if the different communities in the region agree to live together whether in one state or several states or in other geo-political formations. Moreover, in contemporary societies borders will have to be less important than formerly. The precondition for living together is progress towards the construction of a democratic political culture, multi-ethnic tolerance, and openness to the outside world. This is not to say that the search for geo-political solutions should be abandoned. On the contrary, the process of seeking agreements is part of the reconstruction process but it has to be complemented by other deeper processes.

In one of the papers commissioned for the project the idea of a necessary "liberal deconstruction" of the regimes in the region has been invoked as a prerequisite for constructive/reconstructive developments, the creation of an atmosphere of "creeping normalisation" which could lead to a more stable inner societal and exterior regional Balkan security.³⁷

"Liberal deconstruction" means endeavouring both internally and externally by pressures from below, above and outside at creating and broadening spaces of autonomous societal spheres in which politics will not have the possibility to interfere and will not be the unaccountable ultimate arbiter of life and death. Such clearly long term developments demand the creation of legal and new or reformed administrative structures which could begin creating conditions and presuppositions (fiscal system) for a viable state. The rule of law as a guarantee against the arbitrary "rule of men". The enabling of a civil society as the bulwark and necessary component of any modern pluralist society is key in this respect. Legal structures need strong legal guarantees for human and civic rights for both individuals and minorities but also a societal framework, new norms, habits and behaviour.

³⁷ Zarko Puhovski paper for SEI Workshop, 1995

This would mean creating a short and mid term policy thus politically fostering those already existing alternatives to the virtual monopolies of power in these successor states to former Yugoslavia. To foster already existing, but everywhere more or less weak, political and societal democratic oppositions means to involve them more meaningfully into the process for the search for an internationally mediated solution not only to the conflict raging in Bosnia and Herzegovina but also into the process of creating cooperative networks and political relations at the level of the region.

In the current atmosphere of insecurity, fear and uncertainty it requires great courage on the part of individuals and groups to stand up against abuses by those in power. Recent events (June 1995) in Croatia (the recent autodafe of the independent weekly Feral Tribune) and in Serbia (the massive press-ganging of male refugees from or simply men born ["once upon a time" by chance of place of birth] in the Krajina of Croatia and in Bosnia and Herzegovina) demonstrate the pervasive legal nihilism and consequent legal insecurity. In such a situation of legal individual insecurity, in the fifth year of war and consequent weariness, with the legacy of fear of opposing rulers (brought over from communist times) it is no surprise that anti nationalist movements and initiatives are limited to a small number of groups also slowly being nibbled away by departures, internal strife and sheer exhaustion.

These societies obviously have to find energies within themselves if not today then tomorrow to muster energies for overcoming the present dire political and economic situation they have put themselves into. Only such is the stuff of this world that although endogenous such processes need a helping hand from the outside, whether in the form of expressions of solidarity or support for transnational dialogue or for independent media or for stronger action such as the protection of safe havens or enforcement of a cease-fire in the case of Bosnia-Herzegovina.

"Liberal deconstruction" also has to mean the pressure from outside for these states respect to internationally agreed standards of human and civic rights. The ability of the EU to contribute to this process depends on the extent to which it is seen to stand for alternative values which means a very substantial commitment to the region. The lack of will may well turn out to be a greater impediment than the actual necessary resources.

"Liberal re/deconstruction" means simply creating conditions for a progressive (hopefully quicker rather than slower) democratic transformation of these regimes, by making possible a framework in which a democratic political culture can set down its roots, but it also means making possible the creation of modern accountable administrative state institutions which in conjunction with and within multilateral international institutions can form the other facet of the "state-civil society" relationship which has been the backbone of liberal democratic political and social orders.

"Liberal re/deconstruction" cannot be disentangled from the process of "normalisation". Power monopolies, exclusivist ideologies, war mentalities feed on and feed the "abnormalities" which are characteristic of the economies of the region. Reconstruction has to be aimed at

constructing and expanding zones of normality, creating an opposite logic to the war logic, in which integration at local and regional levels generate employment and income and nurture democratic processes.

Strengthening the economies of the region is axiomatic for any realistic progress towards "liberal deconstruction". For the most part, however, these are economies which even before 1989 were underdeveloped in relation to the rest of Europe. Many of the economies were also command economies facing the specific problems of transition that are also being experienced in the rest of eastern Europe³⁸. Furthermore the level of Balkan cooperation and participation in multilateralism was low.³⁹ The overall approach has to be a combination of reconstruction and restructuring. The essence of the reconstruction endeavour has to be understood as a process of economic and political empowerment of the region as a whole and its individual countries.⁴⁰

Principles of Assistance

What does this mean in practise? It was clear from our discussions that each situation is specific. What is needed in Tuzla, Mostar, Sarajevo, Krajina, Macedonia or Rumania is going to be different in each case. This is the consequence of disintegration and fragmentation. It was also clear that humanitarian assistance has to be based on need regardless of politics. It has to be provided in emergency situations even in countries affected by sanctions and even if a certain amount is creamed off by armies and black marketeers.⁴¹ Beyond this, however, what is needed is a flexible, multi-layered approach that recognises these specificities and that provides a category of assistance between humanitarian assistance and full-scale reconstruction. Such assistance should be designed:

- firstly, to encourage integration in the Balkans and in Europe. The aim is to avoid a "black hole" in the centre of Europe and to encourage the process whereby borders become less important.
- secondly, to encourage the creation of zones of "normality", domestic political spaces in which a democratic culture can develop.

³⁸ Jelica Minic, "Balkan Networks - Past and Future: Post-War Resonstruction of the Balkans Economic Space". Paper for SEI workshop, 1995.

³⁹ Prior to 1989 only 6% of total trade of the Balkan countries was intra- regional, while the current scale and structure of the trade is impossible to be statistically accounted for with any accuracy, because much of it is illegal.

⁴⁰ Different proposals and projects only make sense if there is a domestic capability to support and implement them. If private capital is to prevail in the eventual reconstruction of the region, then it is only rational to work towards the establishment of normal and favourable conditions that will make foreign private investment possible.

⁴¹ Where possible, it should not be channelled through governments which flagrantly violate international norms but through local authorities and NGOs.

These two principles – encouraging political, economic and social integration, and creating zones of normality – implies a different approach to the problem of conditionality than is usually the case in transition economies. When assistance is granted to East-Central Europe, political conditions relate to measurable criteria for democratisation, e.g. elections and for macro-economic stabilisation and market reforms. In our view this type of conditionality could actually worsen the situation. If elections are held in conditions of abnormality, then they are likely to reproduce and legitimise current power structures. While macro-economic stabilisation and market reforms are needed, other economic criteria, they can contribute to inequality and unemployment which may exacerbate the causes of violence unless complementary measures are also taken. Moreover in many cases, conditionality cannot be met without concrete assistance; in such cases it can be counter-productive.

What are the types of political and economic conditions that might be attached to reconstruction assistance? On the political side, conditions should relate to the removal of fear and the re-establishment of multi-cultural living. Respect for human rights, freedom of movement, the right and possibility for displaced people to return to their homes, prosecution of war criminals are preconditions for free and fair elections. On the economic side, increased employment, especially of local specialists, demobilised soldiers and refugees, removal of internal and external restrictions on trade, opening up and sharing of infrastructure are all important criteria for the effectiveness of reconstruction assistance.

These conditions cannot be met without help. In our view, the international community will have to make a major contribution to the reconstruction of civil administration. This is particularly true of Bosnia-Herzegovina where a central authority aimed at reintegrating the three parts of Bosnia-Herzegovina will only survive if the international community plays a key role in overcoming mistrust between local authorities. The international community has to be prepared to take administrative responsibility for ensuring that some of the above conditions are met. In particular, Bosnia-Herzegovina will have to be a single economic space with a single currency if it is to survive. This is only possible if the international community plays an active part in central economic institutions. The international community may also play an active role in other divided areas such as Kosovo.

Precisely because we cannot predict the future of geo-political arrangements in the region and because whatever is done now will help to determine these future arrangements, our proposals for reconstruction do not deal with the issues that are normally considered under the heading of "reconstruction". That is to say, they do not deal with the typical transition issues that presuppose stable administrations, e.g. customs unions, trade arrangements, etc.. We are concerned with this intermediate category of assistance that is neither emergency assistance nor "normal" development assistance but which can help to provide the preconditions for the latter.

Three areas seem particularly fruitful in the light of these considerations: infrastructure, assistance to civil society, and assistance to local economies. We shall consider each of these areas in turn.

Infrastructure

The construction of trans-Balkan infrastructural networks could provide a basis for further steps in the future, e.g. cooperative trade and currency arrangements. As one of the participants in the project put it, infrastructure could be the Balkan equivalent of the European Coal and Steel Community⁴². In particular, negotiations at a global level could usefully start with infrastructure rather than elusive geo-political arrangements. This is particularly important in the former Yugoslavia where negotiations on infrastructure could be encouraged both at a global level, i.e. between Belgrade, Sarajevo and Zagreb, and at a local level, i.e. Mostar. Such negotiations could well improve the situation on the ground and help to provide a more conducive atmosphere for political talks.

The regular supply of electricity, water and gas is an absolute prerequisite for any kind of normalisation of the lives of ordinary citizens and for the resumption of economic activity alike. It is economically unsound, and probably financially non-viable to consider construction of alternative supply lines depending on the territorial settlement of the conflict, given that gas and electricity utilities in the former Yugoslavia were technically and functionally built as unified systems, and part of European networks. The irrationality of such an attitude has to be underlined in negotiations, and some projects with such aims discouraged. For example, the proposal in Mostar to build an additional source of water on the East side so as to reduce the dependence of the East side on the West side represents implicit acceptance of the principle of separate development. Sharing of power or water can continue even in war either through negotiation or political or military pressure and provides a basis for future reintegration; an example is the gas which continued to be supplied to Sarajevo for much of the war.

Concrete help to repair the low-voltage part of the electric grid has to be provided, and partial projects connecting parts of the network supported.

Because of Bosnia-Herzegovina's central position in geographic terms in the former Yugoslavia, and its particular industrial profile, the main railroad and railway lines cut across the republic in both directions – East/West and North/South. Bosnia-Herzegovina was said to be the "backbone" of the transportation system in the former Yugoslavia. The development of the whole region depends on the reopening and improvement of the networks which delivered goods from the port of Ploce via Sarajevo to Zagreb and Belgrade. In particular, this requires the reopening of the Brcko corridor which could open up access to Central Bosnia, thus providing immediate assistance to towns like Tuzla and, at the same time, improving access to the sea for both Belgrade and Zagreb. Negotiations at a global level are the only alternative to the fierce battle that has been going on for months to open up the corridor; the Serbs are defending their position strongly because they are afraid that this would break the link between the two parts of Serb-occupied territory.

⁴² Jelica Minic, "Balkan Networks ...", pp. 19-25.

Construction and improvement on roads and railways that go through the territories which are currently under the control of different parties should be encouraged and supported.⁴³ This further extends into developing transport infrastructure in border regions of the former Yugoslav republics, but equally border regions with other neighbouring countries, as the most volatile parts. This could be a facilitating and inducing force for the revival of economic activities that would centre around these networks.

The territory of the former Yugoslavia only marginally and partially appears in the Trans-European Networks proposals, including either some of its eastern, or alternatively, western parts. This represents major neglect of important land and waterway communication lines on the territory of the former Yugoslavia, and reflects an inclination to move away from it and develop alternative routes, which only contributes to the dynamics of disintegration and peripheralisation of the region.

There are the Europe-wide benefits of this partial inclusion of the territory of the former Yugoslavia in different parts of a wider European network because of its key geographical location as a bridge to south east Europe, both north-south and west-east. From the point of reconstruction and development of the new states it is very important to preserve and improve the West-East transversal through the former Yugoslavia itself. In that context a high-speed railway link along the Sava river valley could be considered, or even a broader high speed train/combined transport connecting major urban settlements in the core of the territory of the former Yugoslavia. The argument is primarily based on the need to keep the region open and within the wider European transport network, to be able to provide for the mobility of people and goods in the most effective way. There is already a railway link, connecting Ljubljana and Bucharest via Zagreb and Belgrade, so that some improvement in terms of economic development for that area may not make such a big difference in the introduction of a high-speed railway link. However, the secondary effect for the region as a whole would be immeasurable, and it would bring considerable direct cost advantages for both east and west European countries compared to alternative routes. Other proposals exist for the improvement of transport along the Danube and the Adriatic Sea and they could be linked with the proposal for high-speed railway/combined transport links.

A common principle should be applied for all of the proposed new communication routes, and the improvement of the existing ones, which is that under no circumstances should these be just transport corridors, but genuine areas of development.⁴⁴ Only in that way would the infrastructure go beyond its basic function of inter-connection to one of increasing interdependence and eventual integration.

⁴³For example a construction of the modern road connecting Jajce-Travnik-Zenica, which would present a natural extension to the existing road through Bosanska Krajina, could be considered. With respect to the needs of present industrial structure and its possible transformation, a new direct Zenica-Tuzla road should be considered.

⁴⁴Even from this perspective insisting on the unilateral control of corridors in political negotiations about the end of the war reflects a narrow and irrational approach to settlement that primarily focuses on territorial delineation, and does not take into account economic substance.

Telecommunications are crucial for the recovery and development prospects of Bosnia-Herzegovina, and indeed all Balkan economies. Priorities in Bosnia-Herzegovina are in rebuilding the tele-communication network so that its basic functions can be performed. In that sense restoration of telephone and postal services is urgent for the resumption of any economic activity and for civil society links. At the same time it has an important psychological effect on the population whose freedom of travel has been suspended because of the war.

Besides providing a basic infrastructure for modern life, in the case of the Balkan's ex-communist economies including Bosnia-Herzegovina, and faced with the task of industrial restructuring, and in the light of the character of new technologies and the new ways of production, the degree of development of the telecommunication networks directly affects their economic prospects.⁴⁵ In this context the repositioning of these countries in the increasingly globalised economy will be to a significant extent linked to the processes of dislocation of production, so that developing telecommunication networks ranks high among their priorities. Also, the degree of openness of these societies in a global world is in direct correlation with the level of development of the telecommunications infrastructure. It is interesting to note that before the wars, the telecommunications network was much better developed in the former Yugoslavia than elsewhere in eastern Europe.

Civil Society

Two areas are of particular urgency; the media and education.

The media, and much has been written and researched in this field, need particular attention because they (especially TV and radio) are the vehicles not only of dis/information but of political rule in a political anthropological sense as well. They create the political "atmosphere". The sound bytes create or dispel fears, anxieties, hopes, positive or negative expectations. The images and words create friend or foe models. These societies heavily rely on these channels for the creation of their world-view, their position within the region and the world, their democratic or "democratic" inclinations. It is thus important to give support to existing independent media, to offer (at some stage) relationships of cooperation to the heavy handed state run media thereby drawing their staff into an international environment. It would also be important to establish trans-Balkan media channels, for example a Balkans TV station that could help to establish a positive Balkan identity and to develop cross-border awareness and understanding. Most true journalists are in the independent media and independent information networks, "out on the ledge" and in need of support and aid⁴⁶.

⁴⁵ Basic telecommunication indicators for the Balkan ex-communist economies are presented in table 5.

⁴⁶ Helen Darbishire's paper, SEI workshop, 1995.

Education is of the utmost importance. There is great scope in the longer term work of schools, through the curricula in particular in the teaching of history (national, regional and global) and of civic education. This channel must be used. Pressure must be put on the newly created states which are all impatiently writing their new historical interpretations of themselves and of their "new" neighbours. It is almost banal to repeat that the Balkans have been seen by many as a region with more history than it can cope with, but *hic Rhodos hic salta*. This is appropriately one of the areas where one can start making a difference. This could perhaps most successfully be done by bringing together prominent historians, writers of history text-books for elementary and secondary schools from the region with their colleagues from the UK, France, Germany and Spain for example. If we are looking beyond the immediate events and searching for more long term processes of confidence building and thus stabilisation in this south eastern flank of Europe, one of the proposals is to immediately start helping existing projects working along these lines and fostering their expansion and the creation of new ones.

In addition, summer schools and scholarships for students from the region where they can meet each other and discuss common problems are very valuable as well as summer seminars for teachers⁴⁷. Another idea might be the establishment of a Balkan University, perhaps in Macedonia, which would teach different languages, histories and cultures.

The great importance of strengthening and forging of civil society could be underscored by greater emphasis on concrete projects to help various associative, civic, educational, NGO, media, cultural, artistic initiatives of a variety of profiles. The majority of individuals in all of these societies have retreated into the domain of the private for the reasons already mentioned, they are "waiting" for someone else to bring back the "normalcy" that they once had. It is necessary to encourage and enable the appearance of civic energies that are latent and entrapped by bad past experiences and present new fears and disaffection with "world politics".

Local Economies

Parallel to the activities in rebuilding and revitalisation of infrastructure and of civil society, post-emergency assistance is necessary to stimulate production for basic needs. In parts of Bosnia-Herzegovina there are industrial capacities which could easily, at least in part, substitute for the humanitarian assistance in food, clothing, footwear, medical supplies, etc.. It is of crucial importance to engage as many people as possible, circumstances permitting, in work activities. By doing so, apart from economic benefits, a positive effect might be also to weaken the commitment to military activities or the incentive to leave.

⁴⁷ A very useful initiative is the Summer School for Inter confessional Dialogue and Understanding, now in its third year, which has brought together students from different faiths from the region and beyond.

Post-emergency assistance should be increased in areas where there exist real possibilities for democracy and multi-ethnic living and where outside assistance can be complemented by and help generate local self-sufficiency. The aim is to establish "normal" economies which could provide employment and hope and which could offer a model and a pole of attraction to other more divided and more war-torn areas. Tuzla represents such an example, which in a sense has been penalised, up to now, for its ability to solve its own problems.

At the same time, post-emergency assistance could also be used to encourage integration at a local level as in Mostar. Cross-border projects would need, however, to be much more carefully devised so that they contribute to integration and not separate development. In Mostar, for example, there has to be a unified reconstruction programme. Given the fact that there is freedom of movement from West to East but not the other way round, reconstruction projects which benefit the whole town have to be largely based on the East. Hence, industrial production could be restarted in the East employing people who live in the west or the railway station which was in the East could be rebuilt. Such projects would encourage people who live in the West to visit the East thus allaying fears and suspicions. On the other hand, facilities in the West which benefit the whole town like the hospital, the secondary schools or the university could not be assisted until there is freedom of movement from east to west. Support for small-scale locally based projects, like housing, kindergartens, primary health-care centres or small businesses should be based on impartial criteria such as need and not on balance and should be administered in a unified way. Hence, the small business programme which was in effect two small business programmes, one in the East and one in the West, could have been administered by a bank on the East side and offered to small businesses on both sides.

Two other principles of post-emergency assistance should be mentioned. First, it should be based on a decentralised bottom-up approach. Top-down approaches often founder on political dispute. This is why reconstruction is so difficult in Sarajevo and Mostar. The EU should encourage a range of donors – municipalities, NGOs, etc. to respond to independent local initiatives which can avoid some of the political obstacles and at the same encourage self-sufficiency and pluralism. Secondly, it must involve local experts, not only to prevent skilled people leaving but also for reasons of efficiency since local experts have a much better knowledge of the local situation. If foreign personnel are involved, they should make a long-term commitment.

Creating employment opportunities for the working population of Bosnia-Herzegovina is one of the most critical aspects of reconstruction. The fact that a significant portion of industrial capacities, in principle of heavy type, has been destroyed may act as a facilitating factor in rebuilding the economy of the country, providing the space for industrial restructuring and orientation to new technologies. There is a danger, however, that under the typical donor concept of most of the assistance offered to Bosnia-Herzegovina, the old industrial profile may be re-imposed, particularly against the backdrop of the exodus of many qualified people in scientific and engineering fields, who are indispensable for managing modern technologies. This is why the emphasis in the immediate term should be on reviving the production for basic needs of the population, while major effort in restructuring ("a large scale restructuring") within the reconstruction framework needs to be based on a certain vision of the country's future economic profile, and its industrial structure in particular. The Agency for International Cooperation in the

Reconstruction and Development of Bosnia-Herzegovina should play a more constructive role in pulling all these different considerations together, consulting a wide range of people within Bosnia and elsewhere, and accommodating them against different forms and sources of development assistance, with particular emphasis on local economic initiatives. Likewise, similar agencies could be established at a local level. Projects which offer realistic perspectives for attracting the most creative of Bosnia-Herzegovina's cadres in exile should be identified and given high priority. The Agency needs support in terms of international expertise, material assistance and technical facilities.

Although strictly non-economic in their character, activities directed at strengthening law and order, defining and enforcing individual property rights, and functioning of local administration directly influence the prospects for the removal of the abnormalities we have discussed. We mention them here to stress the urgency for their implementation, if the tendencies we have described are to be arrested and economic activity brought back into regular channels of operation.

CONCLUSION

The Balkans region is faced with a complex set of problems that range from the immediate effects of war, sanctions and refugees to the issues of transition to market economy of ex-communist countries of the region, and of underdevelopment and peripheralisation. In this context, it is difficult to distinguish between zones of war and zones of peace. The whole area is caught up in a set of "abnormalities" which include widespread poverty and unemployment, violence and criminalisation, weak and fragmented administrations and/or legal structures.

Reconstruction has to be aimed at the region as a whole. It has to consist of assistance directed at removing these "abnormalities". Reconstruction assistance is neither humanitarian emergency assistance, which tends to reinforce abnormality, nor "normal" development assistance, which is predicated on the existence of functioning administrative authorities. It has to be aimed at removing restrictions on freedom of movement and opening up and integrating the Balkan regions and at the same time at creating local civic spaces where "normal" social, economic, political can develop. In this project, we have in particular emphasised three areas: reconstruction of infrastructure, civil society particularly media and education, and local economic initiatives for production to meet basic need.

Given the scale of the problem, insisting on a self-help attitude to the reconstruction of the Balkan countries is inappropriate. These societies lack the capability alone to break out of the vicious circle of poverty, social decay and political instability, while new forms of international multilateral communication and co-operation in the region do not exist. What is really needed is a reconstructive response that will rest on an integrating broader picture of the Balkans, in which the unifying role of the international community will be vital. A comprehensive, long term,

regionally based strategy combining elements of economic consolidation and development, humanitarian aid, conflict resolution etc. is one possible approach, which could also promote the role of regional institutions.

List of available papers

Vesna Bojicic: Sanctions and Their Consequences

Momir Cecez: An Approach to the Reconstruction of Bosnia and Herzegovina

Helen Darbshire: The Media as one of the Keys to Open an Open Public Sphere

Paulina Lampska: Uncivil Society: the Arms and Drugs Trade in the Balkans

Jelica Minic: Balkan Networks – Past and Future

Aleksandra Posarac: Economic and Social Consequences of the Break-up of Yugoslavia: War, Sanctions of the International Community and the Rejection of Transition - the Case of Serbia

Zarko Puhovski: Post-War Liberal Deconstruction

Dragoljub Stojanov: Macro-Economic Aspects of the Transition Process in the Balkan Countries (the case of Bosnia): some Controversial and Unresolved Problems

Boris Tihi: The Possibilities for Economic Reconstruction of Bosnia-Herzegovina

TABLE 1**Structure of Total Sales and Purchases in SFR Yugoslavia 1989**

%; Total Sales = 100; Total Purchases = 100

	YUGOSLAVIA	BOSNIA- HERZEGOVINA	MONTENEGRO	CROATIA	MACEDONIA	SLOVENIA	SERBIA
Total Sales							
Within Republics	61.8	63.7	56.9	60.8	58.1	57.0	65.2
InterRepublic	27.0	28.9	28.2	27.1	33.0	30.0	25.1
Exports	11.2	7.4	14.9	12.1	8.9	13.0	9.7
Total Purchases							
Within Republics	60.7	57.4	53.5	60.7	57.1	58.0	64.2
InterRepublic	26.6	30.6	36.4	25.9	29.7	29.0	23.2
Imports	12.8	12.0	10.0	13.4	13.2	13.0	12.6

Source: A.Posarac (1995) *Economic and Social Consequences of the Break-Up of Yugoslavia: War, Sanctions of the International Community and Rejection of Transition – the case of Serbia*. Paper for the workshop on the Post-War Reconstruction of the Balkans, Sussex European Institute, University of Sussex

TABLE 2**Mostar Population**

	1991 ¹	1994 ²	1995 ³
WEST MOSTAR			
Total	58,991	37,680	35,781
Resident Population		23,837	23,148
Displaced persons, of which:		13,843	12,633
(From E.Mostar)			(3,000)
(From Serb occupied territories)			(700)
(From other areas)			(3,000)
(Expelled population)		(2,189)	(2,000)
(From West Mostar			
EAST MOSTAR			
Total	24,694	25,889	19,378
Resident Population		10,149	6,309
Displaced persons of which:		15,740	13,069
(From West Mostar)		(8,569)	(4,100)
(From Serb occupied territories)		(18,693)	(4,300)
(From other areas)			(2,300)
(From villages in Mostar municipality)		(3,810)	
(From East Mostar)			(1,300)
MOSTAR TOTAL	86,686	101,102	61,636
Resident Population		58,783	38,600
Displaced Persons		42,319	26,076

¹ 1991 census

² Figures from authorities on both sides

³ EU survey

TABLE 3

Industry in Tuzla

COMPANY	PRODUCT	OWNERSHIP	Before War TURNOVER* DM	Before War EMPLOYMEN T*	
DITA	Detergents	BiH govt	8 million	623	Produces about 10 days a m Difficultly of obtaining raw r
Fabrika Soli	Salt. Infusion liquids for hospitals	BiH govt	500,000	950	Has to produce because of s tonnes of salt in water every
Polikem	Polymers	BiH govt	50 million	1,145	Raw materials are dangerou: and Serbia. Loss of specialis treatment of water for powe:
Izocijanatna Hemija	Chemicals	BiH govt	4 million	400	Too expensive to restart. Sa
Resod Guming	Chemicals	Private	600,000	180	Same problems as above.
Siporex	Building materials, incl gas concrete	Municipality	450,000	600	Uses local raw materials. M Norway. Would benefit from
Kvarc	Construction sand	Municipality	5 million?	96	As above
Ternoelektrana	Power plant	BiH govt	Capacity: 800 kw/month	1,520	Only old plant is functioning plant was built for export to
Rudniciuglja	Coal mines	BiH govt	? (72 mines)	12,200	Currently only employ arou
Kuin	Cognac and Rum yeast	Canton/ Municipality	500,000	96	Has similar output to before
Mesopromet	Meat products	Part private/ 31% municip.	200,000	109	Similar production. Depend: production.
Mljekara	Milk products (13)	Canton/ municipality	55,000	218	Produces 8000 litres (compa force. Has just received equ for detergents, cheese put in which has survived war with
Pivara	Beer	Canton		340	Protected by BiH govt becau
Aida	Shoes	Canton			Under licence from Italy. St children's shoes for Oxfam ;
Tuzko	Textiles	Canton			Produces uniforms.
Livnica	Steel process valves	Canton/ Municipality	600,000	430	Not profitable. Depends on :
TTU Transport Devices	Transport systems for surface mines	Canton		1,800	Maintains production for mi
Elir	Electron-motor equipment	?	200,000	280	Produces electrical devices f ODA.
Tehnograd	Civil Engineering	?	?	5,000	
20 Arms factories	Mines & metal processing	BiH?			Before war, main arms prod

TABLE 4**Cost of the EU Operations in the Former Yugoslavia**

	1991	1992	1993	1994
(Annual amounts in millions of ecus)				
Humanitarian Aid (ECHO as from 1.3.92)	13 (1)	277 (2)	400 (1)	
UNPROFOR		141 (3)	261 (4)	
ECMM	2 (5)	4 (5)	4 (5)	
Sanctions		276 (1,5)	76 (1,5)	
Mostar				
TOTAL	15	422	666	

(1) Community only, i.e. not including contributions by Member States

(2) Includes 276 million ecus in bilateral contributions by member states (source: G-24), for which a year by year breakdown is not available

(3) The total cost of UNPROFOR, including a precursor mission sent to Croatia in December 1991, was \$775 million for the 1.12.91-30.6.93 period; if one leaves aside December 1991, that is an average of \$43M a month, or \$516M a year, this is roughly equal to 35.8 million ecus a month and to 430 million ecus a year, according to the agreed fixed formula, the EC share of that total is 32.8% or 141 million ecus

(4) The total cost of UNPROFOR for the 1.7.93-30.3.94 period has been estimated at \$1.153 billion or \$128M a month or 107 million ecus a month; adding 6 months at 35.8 million ecus a month and another six at 107 million, one reaches a total of 796.8 million ecus, of which 32.8% is 261 million

(5) Operational costs only, i.e. leaving aside the cost of personnel; these operational costs are apportioned among the fourteen contributing countries (EC+Sweden+Canada) according to a grid which fixes the share of the cost covered by each country (Germany 26.7%, France 19%, Italy 17.9%, United Kingdom 15.8% ...)

TABLE 5**Telecommunication Indicators for the Balkan Countries**

	(1) Main Telephone Lines/100 Inhabitants 1993	(2) TV Receivers per 100 Inhabitants 1990	(3) % of Main Lines Connected to Digital Exchange 1992	(4) Estimated Fax Machines ('000s) 1992	(5) In Req' (USD) Proje
Albania	1.37	8.6	8.0	0.6	45
Bosnia-Herzegovina	13.53	13.9			
Bulgaria	27.19	25.0	1.0		1.1
Croatia	20.08	21.9	29.0	9.08	1.1
Macedonia	15.64	15.5	10.0	1.41	1.1
Romania	11.53	19.5	0	10.23	660
Serbia/Montenegro	18.34	46.3	18.0	7.87	195
Slovenia	25.93	22.5		7.58	1020

(a) 1992

(b) 1993

(c) Total amount in million USD (\$) for expenditure on main lines

(d) Total number of applications for a connection to a main telephone line which have had to be held owing to lack of technical availability

Source: OECD (1994) Telecommunication Indicators for Transition Economies, Paris Statistical Year Book of SFR Yugoslavia, 1991, Belgrade

(1) Average teledensity, i.e. number of main telephone lines per 100 inhabitants in western Europe is 42

(3) The percentage of main lines connected to digital exchanges in western Europe is 50%