



# Bosnia: Current Issues and U.S. Policy

**Steven Woehrel**

Specialist in European Affairs

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## Summary

In recent years, many analysts have expressed concern that the international community's efforts over the past 15 years to stabilize Bosnia are failing. Milorad Dodik, president of the Republika Srpska (RS), one of the two semi-autonomous "entities" within Bosnia, has obstructed efforts to make Bosnia's central government more effective. He has repeatedly asserted the RS's right to secede from Bosnia, although he has so far refrained from trying to make this threat a reality. Some ethnic Croat leaders in Bosnia have called for the creation of a third, Croat "entity," threatening a further fragmentation of the country.

The Office of the High Representative (OHR), chosen by leading countries and international institutions, oversees implementation of the Dayton Peace Accords, which ended the 1992-1995 war in Bosnia. It has the power to fire Bosnian officials and impose laws, if need be, to enforce the Dayton Accords. However, the international community has proved unwilling in recent years to back the High Representative in using these powers boldly, fearing a backlash among Bosnian Serb leaders. As a result, OHR has become increasingly ineffective, according to many observers. The international community has vowed to close OHR after Bosnia meets a series of five objectives and two conditions.

The EU's main inducement to enlist the cooperation of Bosnian leaders—the prospect of eventual EU membership—has so far proved insufficient. The prospect of NATO membership has also had little effect. In April 2010, NATO foreign ministers agreed to permit Bosnia to join the Membership Action Plan (MAP) program, a key stepping-stone to membership for NATO. However, the ministers stressed that NATO will not accept Bosnia's Annual National Plan under the program until the entities agree to the registration of defense installations as the property of the central government. Dodik has rejected doing so for installations on RS territory.

The threat of Islamic extremism and terrorism in Bosnia and elsewhere in the region was underlined by the October 28, 2011, attack on the U.S. Embassy in Sarajevo. A Bosnian policeman was wounded. No Americans were hurt. The shooter was arrested. The FBI is assisting Bosnian authorities with the investigation.

The U.S. political role in the country appears to have declined in recent years as the EU role has increased. The Obama Administration has stressed the importance of maintaining a close partnership with the EU in dealing with Bosnia. Like the EU, the United States has urged Bosnian politicians to agree to constitutional and other reforms to make Bosnia's central government institutions more effective, so that the country can become a better candidate for eventual NATO and EU membership.

The United States provided a little over \$2 billion in aid to Bosnia from the country's independence through FY2011. In FY2012, Bosnia is slated to receive an estimated \$39 million in assistance to promote political and economic reform, \$4.5 million in Foreign Military Financing (FMF), \$1 million in IMET military training assistance, and \$5.25 million in NADR aid to fight proliferation, terrorism, and for other functions. For FY2013, the Administration has requested \$28.556 million in aid for political and economic reforms from the Economic Support Fund, \$6.735 million in the International Narcotics Control and Law Enforcement account (INCLE), \$4.5 million in FMF, \$1 million in IMET aid, and \$4.75 million in NADR funding.

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## Background

Before the breakup of Yugoslavia in 1991, Bosnia and Herzegovina was one of Yugoslavia's six republics. It had an ethnically mixed population. The rise of hard-line nationalism in Serbia under Slobodan Milosevic and a similar movement in Croatia led by Franjo Tudjman in the late 1980s and early 1990s posed a grave threat to Bosnia-Herzegovina's unity. Bosnia's own republic government was split among Bosniak (Slavic Muslim), Croat, and Serb nationalists. The secession of Slovenia and Croatia in June 1991 upset the delicate balance of power within Yugoslavia. Milosevic conceded Slovenia's independence after a few days, but Croatia's secession touched off a conflict between Croat forces and Serb irregulars supported by the Serb-dominated Yugoslav Army. Bosnian Serb nationalists demanded that Bosnia remain part of a Serbian-dominated Yugoslavia. Bosnian Croat nationalists threatened to secede if Bosnia remained in Yugoslavia.

Bosnian President Alija Izetbegovic, a Bosniak, worried about the possible spread of the conflict to Bosnia and tried to find a compromise solution. However, these efforts were made very difficult by the Milosevic and Tudjman regimes, both of which had designs on Bosnian territory. In addition, Izetbegovic's hand was forced by the European Community (EC) decision in December 1991 to grant diplomatic recognition to any of the former Yugoslav republics that requested it, provided that the republics held a referendum on independence and agreed to respect minority rights, the borders of neighboring republics, and other conditions. Izetbegovic and other Bosniaks felt they could not remain in a Milosevic-dominated rump Yugoslavia and had to seek independence and EC recognition, even given the grave threat such a move posed to peace in the republic. Bosnian Serb leaders warned that international recognition of Bosnia-Herzegovina would lead to civil war.

In March 1992, most Bosniaks and Croats voted for independence in a referendum, while most Serbs boycotted the vote. In April 1992, shortly before recognition of Bosnia by the European Community and the United States, Serbian paramilitary forces and the Yugoslav Army launched attacks throughout the republic. They quickly seized more than two-thirds of the republic's territory and besieged the capital of Sarajevo. At least 97,000 people were killed in the war.<sup>1</sup>

<sup>1</sup> Associated Press wire service dispatch, June 21, 2007. This estimate is based on a detailed database of war dead and (continued...)

### Bosnia at a Glance

Area: 51, 209 sq. km. (slightly smaller than West Virginia)

Population: 4.6 million (est.)

Ethnic Composition: 48% Bosniak (Muslims of Slavic origin), 37.1% Serb, 14.3% Croat, Others 0.6% (2000)

Gross Domestic Product: \$18.3 billion (current exchange rates, 2011 est.)

Political Leaders:

*Bosnian central government*

Collective Presidency: Nebojsa Radmanovic (Serb), Bakir Izetbegovic (Bosniak), Zeljko Komsic (Croat)

Chairman of the Council of Ministers: Vjekoslav Bevanda (Croat)

*Republika Srpska (largely Serb entity)*

President: Milorad Dodik

Prime Minister: Aleksandar Dzombic

*Federation of Bosnia-Herzegovina (largely Bosniak and Croat entity)*

President: Zivko Budimir (Croat)

Prime Minister: Nermin Niksic (Bosniak)

Source: CIA World Factbook.

Approximately 2.3 million people were driven from their homes, creating the greatest flow of refugees in Europe since World War II. Serbian forces attacked Bosniak and Croat civilians in order to drive them from ethnically mixed areas that they wanted to claim. Croats and Bosniaks were initially allied against the Serbs, but fighting between Croats and Bosniaks broke out in ethnically mixed areas in 1993-1994, resulting in “ethnic cleansing” by both sides. Bosniak forces also engaged in ethnic cleansing against Serbs in some areas. In addition to the inter-ethnic bitterness it created and the damage it caused to Bosnia’s economy, the war also greatly strengthened organized crime groups and their links with government officials, an important stumbling block to Bosnia’s postwar recovery.

The war came to an end in 1995, after NATO conducted a series of air strikes against Bosnian Serb positions in late August and early September. The strikes were in response to a Bosnian Serb refusal to withdraw its artillery from around Sarajevo after an artillery attack on a Sarajevo marketplace caused many civilian deaths. Bosniak and Bosnian Croat forces, now better equipped and trained than ever before, simultaneously launched an offensive against reeling Bosnian Serb forces, inflicting sharp defeats on them. The Bosnian Serbs agreed to a cease-fire in October 1995. Serbian President Slobodan Milosevic, Croatian President Franjo Tudjman, and Bosnian President Alija Izetbegovic, as well as representatives of the Bosnian Serbs and Croats, met at the Wright-Patterson Air Force base in Dayton, OH, in November 1995 to negotiate a peace agreement mediated by the United States, the EU, and Russia. On November 21, 1995, the presidents of Serbia-Montenegro, Croatia, and Bosnia-Herzegovina, as well as Bosniak, Croat, and Serb leaders in Bosnia, initialed a peace agreement. The final agreement was signed by the parties at a peace conference in Paris on December 14.

Under the Dayton Peace Accords, Bosnia-Herzegovina remains an internationally recognized state within its pre-war borders. Internally, it consists of two semi-autonomous “entities”: the (largely Bosniak and Croat) Federation of Bosnia-Herzegovina and the (Bosnian Serb-dominated) Republika Srpska (RS). Under the accords, the Bosnian Federation received roughly 51% of the territory of Bosnia-Herzegovina, while the Republika Srpska received about 49%.

Each of the entities has its own parliament and government with wide-ranging powers. Each entity may establish “special parallel relationships with neighboring states consistent with the sovereignty and territorial integrity” of Bosnia-Herzegovina. Most powers are vested in the entities; the central government has responsibility for foreign policy, foreign trade and customs policy, monetary policy, and a few other areas. Decisions of the central government and parliament are nominally taken by a majority, but any of the three main ethnic groups can block a decision if it views it as against its vital interests. The Federation is further divided into 10 cantons, each of which has control of policy in areas such as policing and education.

A U.N.-appointed Office of the High Representative (OHR), created by the Dayton accords, oversees civilian peace implementation efforts. The High Representative is supported by the Peace Implementation Council (PIC), a broad umbrella group of 55 countries and agencies. As the PIC’s size and composition makes it unwieldy for decision-making, the PIC provides ongoing political guidance to OHR mostly through a Steering Board composed of key countries and

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missing developed by the Research and Documentation Center Sarajevo. The RDC estimated that the real figure could be increased by about another 10,000, as research continues. Some earlier estimates for the dead and missing, for which the methodological bases were unclear, were over 200,000.

institutions, including the United States, Russia, France, Germany, Britain, Italy, Canada, Japan, Turkey, and the EU Commission and Presidency.

At a December 1997 PIC conference in Bonn, Germany, the international community granted the High Representative powers (known as the “Bonn powers”) to fire and take other actions against local leaders and parties as well as to impose legislation in order to implement the peace agreement and more generally bring unity and reform to Bosnia. The High Representative also holds the post of the European Union’s Special Representative in Bosnia. A peacekeeping force, at first NATO-led, but led by the EU since 2004, implements the military aspects of the accord.<sup>2</sup>

Since 1997, the United States and other Western countries have pressed local leaders in Bosnia to build the effectiveness and governing capacity of the Bosnian central government. The United States and the EU have maintained that the Dayton institutions have proved to be too cumbersome to provide for the country’s long-term stability, prosperity, and ability to integrate into Euro-Atlantic institutions. Some successes have been scored in this area, including merging the armed forces and intelligence services of the two entities, and creating central government institutions such as border and customs services, and a state prosecutors’ office and ministry of justice. However, even these achievements have required pressure on local leaders or even direct imposition of changes by the High Representative. International efforts have had the support of Bosniak politicians, but usually have faced strong resistance from Serbian ones, as well as from some Croat leaders.

The state consolidation process suffered a serious setback in April 2006, from which it has not recovered. A constitutional reform package pushed by the United States and EU was defeated in the Bosnian parliament by a narrow margin. The relatively modest proposal would have replaced the three-member collective central government presidency with a single presidency, increased the powers of the prime minister, and strengthened the central Bosnian parliament. The electoral campaign in the run-up to Bosnia’s October 2006 general elections was notable for its nationalist tone, making reform efforts more difficult. Bosnian leaders made an effort to restart constitutional reform in late 2008 and early 2009, but it did not produce an agreement. Another round of constitutional reform talks, brokered by the United States and the European Union, took place in October and November 2009 at the Bosnian army base at Butmir, near the capital, Sarajevo. No agreement was reached at these talks, either. After the failure of the Butmir talks, constitutional reform remained on the back burner as campaigning got underway for Bosnia’s October 2010 general elections.

## **Current Situation**

### **Political Situation**

In February 2012, Bosnian leaders formed a new Bosnian central government, 16 months after the country’s elections. The new chairman of the Council of Ministers is Vjekoslav Bevanda. This very lengthy political stalemate was due to the insistence by two leading Croat parties, the HDZ and HDZ 1990, that only a person nominated by them should be chairman of the Council of Ministers.

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<sup>2</sup> For the text of the Dayton accords, see the OHR website at <http://www.ohr.int>.

Milorad Dodik, president of the Republika Srpska and the leading Bosnian Serb political figure, backed the demand by the Croat parties, on the principle that central government posts must be rotated among the largest parties representing each of the three largest ethnic groups. The leading party after the elections, the Social Democratic Party, resisted the ethnic rotation principle. It favors non-nationalist politics, although it draws most of its support from the Bosniak community.

The new central government's effectiveness will likely continue to be hampered for the same reason previous governments have. It is composed of disparate political forces with incompatible political programs. In addition, the impact of a parliamentary majority in the Bosnian political system has less significance than in other systems, as representatives of an ethnic group, even if in a minority, can veto any decision that they feel does not accord with their interests.

Some observers believe that Dodik's strategy has been to obstruct the functioning of Bosnian institutions so much that the Bosniaks, Croats, and the international community will eventually agree to let the Republika Srpska become independent. During the 2010 election campaign, Dodik said that Bosnia was being kept alive artificially by foreigners, that a functioning Bosnia was a "mirage," and that alternatives such as peaceful dissolution of the country should be discussed.<sup>3</sup> Dodik has also expressed support for the partition of Kosovo, perhaps seeing it as a model for Bosnia.

While Dodik has been firmly in control of the RS, problems plagued the Federation government's formation in 2011. On March 17, 2011, the Federation parliament approved a new Federation government, led by the SDP. It includes small Croatian parties, but not the HDZ and the HDZ 1990. These two parties claimed the government was formed illegally. They asked the Central Election Commission (CEC) for a ruling on the issue. The commission ruled that the government was illegal, but the High Representative annulled the decision of the CEC, allowing the new government to continue working.

In addition to concerns about its legality, the HDZ and HDZ 1990 do not see the government as legitimate. They claim it does not represent Croat interests, since they, having received the most Croat votes in the election, are not participants. The HDZ and HDZ 1990 established a "Croat National Assembly" of municipalities and cantons with a Croatian majority. Such an organization could become a parallel government, further weakening Bosnia's cohesion. Croat leaders deny that this is the case, but say they would practice civil disobedience toward the government while staying within the law.

This crisis is a symptom of long-standing problems facing the Federation. Infighting between Bosniak and Croat leaders and the complicated division of powers and bureaucratic overlap between the Federation government and the 10 canton governments within the Federation has created a dysfunctional situation that has hindered the Federation's economic development and threatens the fiscal collapse of Bosnia as a whole. A report by the International Crisis Group suggests that constitutional reform at the Federation level would not only improve the dire situation in the Federation itself, but provide momentum for reform at the central government level.<sup>4</sup>

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<sup>3</sup> Bosnian Serb SNRA news agency dispatch, March 22, 2010, from the Open Source Center.

<sup>4</sup> International Crisis Group, *Federation of Bosnia-Herzegovina—A Parallel Crisis*, September 28, 2010, at [http://www.crisisgroup.org/en/regions/europe/balkans/bosnia-herzegovina/209-federation-of-bosnia-and-herzegovina-\(continued...\)](http://www.crisisgroup.org/en/regions/europe/balkans/bosnia-herzegovina/209-federation-of-bosnia-and-herzegovina-(continued...))

Opinion polls in Bosnia show a broad-based disgust with the Bosnian political class, including their squabbling over government posts (and the privileges and opportunities for corruption that come with them), while the country continues to suffer serious problems with unemployment and poverty. In a poll done for the National Democratic Institute in August 2010, 87% of the citizens said the country was moving in the wrong direction, with only 12% saying their lives had improved in the past four years.<sup>5</sup> Yet the October 2010 elections resulted in many of the same ethnically based parties and leaders being returned to power, and no viable non-nationalist alternative taking hold. This paradox is explained by some observers by the nature of the Dayton system and the election laws, which favor ethnically based politics. Other experts also point to reflexive distrust of the other ethnic groups, a lingering effect of the war.

## **Economic Situation**

Bosnia's economic growth has been hampered by Bosnia's cumbersome governing structure, excessively large and expensive government bureaucracies, and long-standing problems with organized crime and corruption. Bosnia's public sector amounts to nearly 50% of the country's GDP. The Federation has also been plagued by infighting among politicians that has delayed some privatization projects and driven away foreign investors. Dodik's hegemony has simplified matters in the RS, while at the same time allegedly fostering high-level corruption.

Nevertheless, despite these problems, living standards improved in Bosnia before the global economic crisis; real wages increased by 44% between 2000 and 2007. Real GDP increased by 30% in the same period, and by 5.4% in 2008. The global economic crisis caused a drop in real GDP of 3.1% in 2009. Since then, Bosnia's economy has begun a slow recovery. The Economist Intelligence Unit estimates that real GDP rose by 0.7% in 2010 and 1.6% in 2011. The growth is expected to slow to close to zero in 2012, due to an expected recession in the Eurozone.

Nevertheless, Bosnia may have been affected less by the crisis than other Eastern European countries because it is less heavily indebted than many of them. The fact that its currency, the convertible mark, is tightly linked to the Euro through a currency board system may help Bosnia to weather global financial shocks.<sup>6</sup> Nevertheless, living standards remain low for many Bosnians and unemployment remains a severe problem. Official statistics put the unemployment rate at 43.3%. Other measures, which take into account employment in the unofficial, "gray" economy, put it at 24.3%

In 2009, the International Monetary Fund approved a three-year, \$1.6 billion loan for Bosnia. The IMF has sought budget cuts in the RS and Federation, including trimming the cost of government bureaucracy and veterans benefits. Implementation of these plans has been more difficult in the Federation, where a weaker and more divided government has had trouble standing up to the powerful veterans' lobby. The IMF suspended disbursements of the loan after the October 2010 elections, awaiting the formation of a new Bosnian central government. The new government will have to adopt a multi-year fiscal framework and a 2012 budget acceptable to the IMF in order to

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<sup>5</sup> See [http://www.ndi.org/files/NDI\\_Bosnia\\_Poll\\_Report\\_August\\_2010.pdf](http://www.ndi.org/files/NDI_Bosnia_Poll_Report_August_2010.pdf)

<sup>6</sup> Milan Cuc, "Bosnia and Herzegovina: On the Road to EU Accession," IMF Survey, December 2008, 199; Economist Intelligence Unit Country Report: Bosnia and Herzegovina, February 2009; Oxford Analytica, "Bosnia: Politicians Ignore First Signs of Downturn," November 6, 2008.

receive further tranches of the loan. The IMF program is crucial not only for its own sake, but also because loans from the World Bank and budgetary support from the EU are conditioned on meeting IMF conditions.<sup>7</sup>

## **International Role in Bosnia**

There has been a debate about the future role of the international community in Bosnia. The Peace Implementation Council (PIC) has appeared eager to end the direct international oversight of Bosnia through the OHR. This may partly be due to “political fatigue” after having played such a prominent role in the country for so long. Since 2007, the High Representative has been reluctant to use his wide-ranging Bonn powers to impose legislation and fire obstructionist officials, due to a lack of political support for such actions by leading countries in the PIC. Since March 2009, Valentin Inzko, formerly Austria’s ambassador to Slovenia, has been the High Representative.

The international community’s desire to move away from direct oversight may be designed to encourage Bosnian leaders to take greater responsibility for their country. Direct international tutelage will have to be eliminated if the country is to join NATO and the EU, the members of which are all fully sovereign states. The PIC has agreed to close OHR after five objectives have been met. These include a decision on ownership of state property; a decision on defense property; implementing the Brcko Final Award (which made the town of Brcko a self-governing unit within Bosnia); ensuring fiscal sustainability; and entrenching the rule of law. The PIC and OHR have demanded specific action and legislation from the central and entity levels to meet these objectives. Two additional conditions were also set: the signing of a Stabilization and Association Agreement with the EU (already accomplished) and a positive assessment of the situation in Bosnia by the PIC.

In March 2011, the EU decided to establish “a reinforced, single EU Representative in Bosnia and Herzegovina who will take a lead in supporting the country” on its path towards EU integration. Peter Sorensen from Denmark was chosen for this post in May 2011. The move appears to be part of some countries’ efforts to try to consolidate and strengthen the role of the EU in Bosnia and limit that of the OHR. The March 2011 EU Council decision that announced the reinforcement of the EU Delegation in Bosnia also suggested that OHR could be relocated out of the country.

OHR has itself been reducing its role in Bosnia, in particular its use of the Bonn powers. In June 2011, OHR lifted almost all the bans from holding office that previous High Representatives had imposed on Bosnian politicians for violations of the Dayton Peace Accords. Many observers in and outside of Bosnia believe that OHR retains little credibility in Bosnia, and therefore should be eliminated in the near future. On the other hand, some countries, including the United States, do not want to eliminate OHR before the objectives and conditions are met, perhaps for fear of suffering a blow to their own credibility.

The EU has added a possible means of persuasion for EU officials faced with intransigence by Bosnian leaders. In March 2011, the EU Council approved a decision on imposing a ban on travel to EU countries and asset freezes on persons whose actions threaten Bosnia’s sovereignty and territorial integrity, threaten the security situation in Bosnia, or undermine the Dayton Peace

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<sup>7</sup> Economist Intelligence Unit Country Report: Bosnia and Herzegovina, February, 2012.

Accords. The Council would decide to put a person on the list based on the recommendation of a member state or that of the EU foreign policy chief.

Although most observers acknowledge that OHR's role in Bosnia is waning, the international community has insisted on setting its own conditions and timetable for the reduction of the direct international rule in Bosnia, and has resisted the efforts of the RS leadership to force an early and unconditional end to it. On May 14, 2009, the RS parliament passed a resolution which said that the parliament will review all powers transferred from the RS to the central government at the direction of OHR since the Dayton Peace Accord was signed in 1995. The resolution said that the RS should launch legal challenges to have the powers returned to the RS. The resolution also called for the High Representative to stop using his Bonn powers. On June 20, 2009, Inzko used his Bonn powers to annul the RS parliament resolution. Dodik and the RS government remained unrepentant after the decision, casting doubt on its real value.

In another battle over OHR's role in December 2009, Inzko extended the role of international judges and prosecutors trying war crimes cases for another three years, after the Bosnian state parliament failed to pass legislation extending their stay. Inzko said that international judges and prosecutors dealing with organized crime and corruption could remain only in an advisory capacity. Nevertheless, the RS parliament passed legislation rejecting the decision.

In April 2011, the Republika Srpska parliament, acting on the proposal of President Dodik, voted to call a referendum on the Court of Bosnia and Herzegovina and the Bosnia and Herzegovina Prosecutor's Office, in another effort to undermine the legitimacy of these central-level institutions. The referendum was scheduled to be held in June 2011. Press reports claimed that OHR would annul the referendum, and that the EU could impose a visa ban and an asset freeze on Dodik if he moved forward with the referendum. On May 13, 2011, Dodik backed down, suspending the referendum in exchange for EU foreign policy chief Baroness Catherine Ashton's agreement to a plan for the EU to hold a structured dialogue with the RS on the Bosnian judiciary. The issue flared up again in January 2012, when the Bosnian state prosecutor closed a war crimes investigation of a May 1992 incident in which Serbs were killed. Bosnian Serb leaders responded by calling for the abolition of the state-level court and prosecutor's office. However, they pledged to attempt the move within Bosnian central institutions, where the effort will fail due to a lack of support from Bosniak and Croat leaders.

The EU-led peacekeeping force in Bosnia, dubbed EUFOR Althea, has had the mission of maintaining a safe and secure environment in Bosnia since 2004. In October 2011, the EU decided to reduce EUFOR in size and refocus its mission on assisting Bosnia's defense reforms. An "over-the-horizon" capability will be available to bolster EUFOR in case of a crisis. Press reports claimed the force would be reduced to about 500-600 troops. Although the EU justifies the move by noting the improved political environment in Bosnia, it is also likely that the decision was motivated by the desire of many countries to reduce their contingents due to military commitments elsewhere and defense budget cuts.

## **Possible NATO and EU Membership for Bosnia**

As direct control has declined, the international community encourages reform in Bosnia by providing aid, advice, and the eventual prospect of joining NATO and the EU. In November 2006, NATO leaders invited Bosnia to join its Partnership for Peace (PFP) program, which provides Bosnia with assistance in improving its armed forces and making them interoperable

with NATO. At their April 2008 summit in Bucharest, the allies agreed to upgrade their relationship with Bosnia by launching an “Intensified Dialogue.”

In April 2010, NATO foreign ministers agreed to permit Bosnia to join the Membership Action Plan (MAP) program, a key stepping-stone to membership for NATO aspirants. However, the ministers stressed that NATO will not accept Bosnia’s Annual National Plan under the program until the entities agree to the registration of defense installations as the property of the central government. Dodik has rejected doing so for installations on RS territory. As part of its effort to receive a MAP, the Bosnian presidency agreed in April 2010 to send a peacekeeping contingent to the NATO-led International Security Assistance Force (ISAF) in Afghanistan. Bosnia currently has 55 troops in ISAF. Bosnia participates in a team of about 40 persons, which also includes members from Albania, Croatia, Macedonia, Montenegro, and Slovenia, to train Afghan military police.

In June 2008, Bosnia signed a Stabilization and Association Agreement (SAA) with the European Union. The SAA offers Bosnia increased aid and advice and recognizes it as a potential membership candidate. In 2012, Bosnia is slated to receive 107.8 million Euro (\$144.4 million) in EU aid for political and economic reform under the Instrument for Pre-Accession Assistance (IPA). The EU has budgeted 111.8 million Euro (\$149.8 million) in aid for Bosnia for 2013.<sup>8</sup>

It is unclear whether these incentives are strong enough for Bosnian leaders to change their policies. The October 2011 report by the European Commission on Bosnia’s efforts to become an EU membership candidate was sharply critical, noting that Bosnia had made “limited” progress in fulfilling the political criteria for membership, “little further progress” in creating a functioning market economy, and “very limited progress” in fighting corruption.<sup>9</sup>

The EU has set several conditions for Bosnia to become a credible membership candidate. The EU demands that Bosnia adopt a law on state aid at the central government level to prohibit government aid that would distort foreign trade. Bosnia must also adopt a law on holding a new census. The EU wants to see Bosnia amend its constitution to comply with the ruling of the European Court of Human Rights on the Sejdic-Finci case, which said that the constitution’s reservation of some political offices (including the presidency) for members of a specific ethnic group contravened the European Convention on Human Rights.

Bosnia moved toward meeting two of these three criteria in February 2012. The Bosnian parliament approved a census law and a state aid law. Resolution of the Sejdic-Finci issue may be more difficult. Dodik would be amenable to having positions currently set aside for Serbs redesignated as set-asides for the Republika Srpska, since a Serb would always win them, given Serbian dominance there. However, redesignating Croat positions as Federation ones would likely lead to Bosniaks winning them, as Bosniaks outnumber Croats in the Federation.

The EU has not made deeper constitutional reforms to improve the effectiveness of Bosnia’s governing institutions a condition for EU membership candidacy. However, EU officials say changes may be required during the accession process in order for the country to conform to EU

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<sup>8</sup> Bosnia and Herzegovina: Financial Assistance, at the EU Commission website, [http://ec.europa.eu/enlargement/potential-candidates/bosnia\\_and\\_herzegovina/financial-assistance/index\\_en.htm](http://ec.europa.eu/enlargement/potential-candidates/bosnia_and_herzegovina/financial-assistance/index_en.htm)

<sup>9</sup> For the conclusions of the Commission report, see [http://ec.europa.eu/enlargement/pdf/key\\_documents/2011/package/ba\\_conclusions\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2011/package/ba_conclusions_en.pdf)

standards. The EU may be leery of putting forward specific details for constitutional reform at this stage, fearing that to do so may cause Dodik and the RS to scuttle the whole EU integration process before it starts.

## **U.S. Policy**

The United States has strongly supported Bosnia's integration into Euro-Atlantic institutions. However, the U.S. role in the country has declined in recent years. There have been no U.S. peacekeeping troops in Bosnia since 2004, when a NATO-led peacekeeping force was replaced by the current EU-led force. Many observers have claimed that the U.S. political role in Bosnia has also declined, particularly since the failure of constitutional reforms in 2006, despite strong U.S. pressure on the Bosnian parties at the time. The Obama Administration has touted the close working relationship it has maintained with the EU on Bosnia as a key success of its policy.

The United States has provided large amounts of aid to Bosnia. According to the USAID "Greenbook," the United States provided just under \$2 billion in aid to Bosnia between FY1993 and FY2010. Aid levels were high in the years immediately after the 1992-1995 war, when the country was rebuilding. Aid totals gradually declined thereafter, and current U.S. aid to Bosnia is relatively modest.

U.S. aid to Bosnia has continued to decline in recent years, but less sharply than U.S. aid to other countries in the region. In FY2011, Bosnia received \$42 million in aid for political and economic reforms; \$4.491 million in Foreign Military Financing (FMF); \$0.986 million in IMET military training funds; and \$1.25 million in the Nonproliferation, Antiterrorism, Demining, and Related (NADR) account. In FY2012, Bosnia is slated to receive an estimated \$39 million in assistance to promote political and economic reform, \$4.5 million in FMF, \$1 million in IMET assistance, and \$5.25 million in NADR aid. For FY2013, the Administration has requested \$28.556 million in aid for political and economic reforms from the Economic Support Fund account, \$6.735 million in the International Narcotics Control and Law Enforcement account (INCLE), \$4.5 million in FMF, \$1 million in IMET aid, and \$4.75 million in NADR funding.

According to the FY2012 Congressional Budget Justification for Foreign Operations, U.S. aid has focused on strengthening state-level institutions in Bosnia. The United States provides assistance to Bosnia's state-level police organizations to fight organized crime and terrorism. U.S. aid also is aimed at improving the functioning of Bosnia's judiciary; improving its border controls; and creating a better legal and regulatory environment for economic growth and investment. The objective of U.S. military aid is to unify Bosnia's military more effectively and improve its capabilities so that it may become interoperable with NATO.

Vice President Joseph Biden visited Bosnia, Serbia, and Kosovo in May 2009. In a speech to the Bosnian parliament he warned that the "sharp and dangerous rise in nationalist rhetoric" that has occurred in Bosnia since 2006 must stop. He warned that Bosnia faced a future of poverty and possibly even violence if it did not abandon this path. Biden appeared to tacitly underscore continued U.S. support for the framework of the Dayton Peace Accords by saying Bosnia could integrate into Euro-Atlantic institutions as a state "with two vibrant entities." However, he said that Bosnia needed a functioning central government that controls the national army, prevails where there is a conflict between central and local laws, has an electoral system that does not

exclude any group, has the power to raise revenue, and has the authority to negotiate with the EU and other states to implement its obligations. Biden warned that the United States would not support the closure of OHR until the five objectives and two conditions were met.<sup>10</sup>

In October 2010, Secretary of State Clinton visited Sarajevo. During a “town hall” meeting with students and civil society representatives, Clinton said Bosnia should take action on key issues, including “bolstering your commitment to a sovereign state, one that delivers results for all of its citizens by passing reforms that will improve key services, attract more foreign investment, make government more effective and accountable. These reforms are needed for their own sake, but they are also needed if your country is to fulfill the goal of becoming part of the European Union and NATO.”<sup>11</sup>

In June 2011, Assistant Secretary of State Gordon visited Bosnia and other countries in the region. In interviews with Bosnian media and a speech to a conference in Sarajevo, Gordon repeatedly said that the United States did not advocate a “Dayton II” to recast Bosnia’s institutions, nor was the United States planning to offer more modest constitutional reform proposals, such as it did at Butmir. Instead, constitutional reform would be entirely up to local leaders, he stressed. He added that OHR would stay in Bosnia as long as the conditions set forth by the international community were not met. Gordon also praised the close cooperation between the United States and EU in the region.

The threat of Islamic extremism and terrorism in Bosnia and elsewhere in the region was underlined by the October 28, 2011, attack on the U.S. Embassy in Sarajevo. Mevlid Jasarevic walked up to the embassy building with an AK-47 assault rifle and began firing at the building. He continued shooting for about a half-hour before being shot by police and arrested. No Americans were hurt, but Jasarevic wounded one Bosnian policeman. Bosnian police have raided several villages in central Bosnia where Jasarevic and other Islamic fundamentalists were known to reside. The Bosnian police arrested two men who drove Jasarevic to Sarajevo from central Bosnia. Serbian police questioned several persons in Novi Pazar, the capital of the Sandjak region of Serbia, where Jasarevic was raised, but made no arrests. The FBI is assisting Bosnian authorities with the investigation.

In a visit to Bosnia in February 2012, Deputy Secretary of State William Burns hailed the formation of the Council of Ministers and the completion of several EU-required reforms. He said that Bosnian leaders should continue to work together to resolve outstanding issues such as the Sejdic-Finci case (a key stumbling block to Bosnia’s EU aspirations) and defense property. He said the latter issue should be resolved soon so that Bosnia could begin participating in NATO’s Membership Action Plan ahead of the May 2012 NATO summit in Chicago.

## **Policy Concerns**

The international community has reduced its direct role in Bosnia, and holds out the timetable for its elimination as an incentive for the local parties in Bosnia to make progress on key issues. This

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<sup>10</sup> A text of Vice President Biden’s speech can be found at the White House website at [http://www.whitehouse.gov/the\\_press\\_office/Prepared-Remarks-Vice-President-Joe-Biden-Addresses-Parliament-of-Bosnia-and-Herzegovina/](http://www.whitehouse.gov/the_press_office/Prepared-Remarks-Vice-President-Joe-Biden-Addresses-Parliament-of-Bosnia-and-Herzegovina/)

<sup>11</sup> The transcript of the meeting can be found at the State Department website at <http://www.state.gov/secretary/rm/2010/10/149333.htm>

is expected to work together with the other main incentive, Euro-Atlantic integration. However, it is unclear whether these incentives are strong enough for Bosnian leaders (particularly Dodik) to change their policies.

One important consideration is what policy objectives the international community realistically expects to achieve in Bosnia and its analysis of the consequences of failure. Avoiding widespread violence or even the breakup of Bosnia would presumably be the most basic international objective. Large-scale violence would put EUFOR in danger and require a U.S. and NATO military response, at a time when forces are severely stretched due to missions in Afghanistan and elsewhere. In addition, neighboring Serbia and Croatia could be pulled into such a conflict. This could also implicate NATO, as Croatia is a member of the Alliance. Increased regional instability could also revive conflict between Serbs and Albanians in Kosovo.

Those who argue that a renewed conflict is unlikely note that the political environment around Bosnia now is completely different than it was during the 1990s. Then, nationalist regimes in Serbia and Croatia tried to cement their support at home by expanding their countries' borders at Bosnia's expense. Now, pro-Western democratic regimes in these countries appeal to their electorates by trying to build prosperous democracies integrated with Europe. This goal would be shattered by renewed war. Bosnia's army is also much smaller now than during the war, with fewer heavy weapons. Some observers assert that police forces, private security companies, and a well-armed population could in principle provide forces for substantial levels of violence. Yet public opinion polls seem to indicate very little support for violence in support of nationalist causes. Most Bosnians appear more concerned about high unemployment and low living standards.

Renewed conflict (if perhaps on a smaller and more localized scale than in the 1990s) would be most likely to occur if the RS attempted to secede from Bosnia and Herzegovina, and Bosniaks tried to prevent such an action by force of arms. Observers are divided on whether the current impasse, caused in part by RS obstructionism, could eventually destabilize the country even without a provocative act such as secession. If the United States and other international actors conclude that such a nightmare scenario is unlikely to unfold, they may continue to follow their current approach, even if it does not bear fruit in the short term, in part due to a lack of alternatives and in part due to their focus on more pressing international issues.

The international community has not considered trying to broker a peaceful breakup of Bosnia. This is despite the possibility that Bosnia's shortcomings as a state may not be primarily due to the inherent flaws of the Dayton accords, the alleged lack of skill of international overseers, or the foibles of particular Bosnian politicians. Instead, it can be argued that many of the failures ultimately stem from a more fundamental problem—the fact that at least a large minority of the population (Bosnian Serbs and many Croats) never wanted to be part of an independent Bosnia. International rejection of partition is in part due to strong opposition by the Bosniaks, who would have the most to lose in such an arrangement. A mainly Bosniak Bosnia would be a small, landlocked country surrounded by less than sympathetic neighbors. In contrast, Bosnian Serb and Croat nationalists would hope for support from and eventual union of territories they control with Serbia and Croatia respectively.

The United States and other Western countries may feel that they owe the Bosniaks a lingering moral debt, due to the perceived indecision and tardiness of the international community in averting or ending the 1992-1995 war, in which the Bosniaks were the main victims. Perhaps at least equally importantly, there are concerns that a partition of Bosnia could be destabilizing for

the region as a whole, given that Kosovo and Macedonia have ethno-territorial problems of their own. Leaders in the Balkans often look to the example of others in the region as justification for their own positions and actions.

The international community's more ambitious goals include making central government institutions more effective and encouraging other political and economic reforms in order to bring Bosnia into NATO and the EU. Bosnia's deep-rooted structural problems may prevent rapid success in these areas in the near future, unless NATO and the EU decide to advance Bosnia's candidacies even in the absence of marked improvement in hopes such moves themselves would help stabilize the country.

Figure I. Map of Bosnia and Herzegovina



Source: CRS.

## **Author Contact Information**

Steven Woehrel  
Specialist in European Affairs  
swoehrel@crs.loc.gov, 7-2291