

WHILE THE VILLAGE CATCHES FIRE, OHR COMBS ITS HAIR

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The members of the Peace Implementation Council who meet regularly to pronounce upon Bosnia's progress do not include amongst their number any economists or businessmen. This much is clear from the fact that at their most recent meeting, Bosnia's most critical problem, its imminent economic collapse, was staring them in the face; but they were blind to that which was pressing against their noses. Instead they chose to debate the facile *[tricareje]*.

Repeating the usual mantra about the conditions that need to be satisfied for OHR to close, the PIC, when it met on 29 and 30 June, chose to focus upon the conclusions of the RSNA of 14 May. The PIC expressed concern that these conclusions "display open disrespect for the fundamental principles" of the Dayton Peace Accords, and implicitly supported the recent High Representative's decision to annul them. But the details of just what they were condemning have been lost in the fog of war. The RSNA conclusions are worth reviewing carefully, to see whether all the fuss was worth it. While expressed in ardent language, the substance of the RS's declaration is legally uninteresting, just repeating principles of Entity autonomy set out in the Dayton Peace Accords some fourteen years ago. As a practical matter, these conclusions changed nothing. They did not purport to withdraw the RS's cooperation from any institution. They were mere statements of what the RS's position might be in some future debate about transfers of competences: a debate which has been sterile for several years. No future transfers of competences are planned. The RSNA added nothing to the myriad public statements made by RS Prime Minister Milorad Dodik on the same issues. Why then did the RSNA issue a legally uncontroversial document, about which there was remarkably little complaint from Federation politicians? The answer is that this was an exercise in goading *[pokusaja podbadanja]* OHR. And it worked.

A more temperate (or better advised) High Representative would have ignored the provocation. Instead, OHR's reaction to a legal irrelevance became the principal news topic countrywide for six weeks. It is not hard to perceive who benefits from this. The RS Government profited, as part of its ongoing campaign to portray OHR as an enemy of its interests. And OHR benefits, because it justifies its continued existence in the face of the purported political instability created by continuing RS intransigence. OHR and the RS Government seem locked in a perpetual loveless embrace, in which each feeds off the other; and in a Hegelian turn of fortune, the master has become the slave. A few years ago, OHR was the master of Serb politicians, threatening them with deportation to the Hague for failures to cooperate with its state-building programme. But since 2006 the RS Government has progressively enfeebled OHR. Now OHR is so weak it can do little of substance. So the RS apparently likes to keep it around as its pet, occasionally throwing it provocative bones to give it an excuse to yap *[stektati]* petulantly.

All this is a convenient diversion from Bosnia's true problems. The Federation is bankrupt, and the only resolution being offered to the country is a potentially catastrophic IMF loan. IMF

funding is a curse, and not just due to the repressive restrictions it imposes upon public expenditure. The money disbursed will be used rapidly to plug holes in the budget, and support the pegging of Bosnia's currency to the Euro. This requires constant intervention in the foreign exchange markets, expending foreign currencies to buy convertible marks in order to maintain exchange rate parity. Soon the funds are gone, and then the IMF has to be paid back. When it cannot be, the only solution is another IMF loan, leaving the country's public finances in the hands of foreign bureaucrats for a decade or more. IMF funding is often a catastrophe for a nation, as the people of Argentina will attest.

Why then is the international community pressing the IMF upon the governments of Bosnia? The answer to this question is complex. In part, it amounts to a derogation of responsibility. Officials in OHR know nothing about economics, and economic development of the country was for the most part ignored in the years when OHR was a real force in domestic politics. IMF officials, flown in from afar, offer soothing expertise to nervous bureaucrats in Bosnia's international community. OHR perceives a real economic problem, but has no idea how to react to it. Perhaps more fundamentally, the IMF needs to lend to countries like Bosnia. Just two years ago the organisation was on the brink of redundancy, its reputation so tarnished that there was open talk of replacing it. The global economic crisis has provided the ailing giant with a new lease of life, and a new series of state victims to whom it may lend. Bosnia, a country where foreign diplomats and international organisations have far more power than most, is a prime candidate for having the IMF's medicine forced upon it. And so we have seen a relentless lobbying campaign in which the IMF has sought support from OHR and other international organisations in pressing the assistance package upon Bosnia's understandably reluctant politicians.

The deal with the IMF now seems inevitably sealed, and nobody quite knows what the consequences will be. But one thing is certain: politics has a habit of following economics. If the Federation needs to be bailed out but not the RS, the RS will use that fact to disassociate itself from the Federation, as will individual cantons within the Federation. The Federation's insolvency presents a serious risk to the stability of the Bosnian nation, quite apart from the individual hardships imposed upon Bosnia's citizens in consequence of the country's budgetary contractions. Differential levels of economic collapse between the entities and cantons may send the different political units in Bosnia's complex political geography in sharply different directions. It is these economically-driven dangers, and not a patently *[strucno]* manufactured RSNA resolution, that the high priests of the PIC in their infinite wisdom should have been considering last week. What Bosnia's domestic politicians now need from the international community is not abstract discussions of five plus two, or resolutions about anti-Dayton activities, but proper and impartial advice about how to react to the economic crisis, that does not necessarily involve IMF funding and conditions being forced upon them. Alas, Bosnia's politicians are not receiving any such advice through its current system of international oversight.