

GLOBAL AND REGIONAL ORDER

# A STATE OF POLITICAL TRADERS, POPULISTS, AND THE UNBEARABLE EASE OF IRRESPONSIBILITY

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The weakening of the state has very serious implications in the context of global trends towards the development of world markets, the free flow of trade, the reduction of customs and exchange barriers, international capital movements, and revolutionary changes in information technology.



Unfortunately, the state and international organizations have done little to create a functional and useful conflict prevention regime within the country and at the regional level



It's time for statesmen! The state spirit is rarely talked about in Bosnia and Herzegovina



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# INTRODUCTION

This is not a text whose sole purpose is to establish that nothing works. Nor is the text that someone else is to blame for everything. This is a text with the message that constantly shifting the blame for failure and waiting for a savior means that we live in the company of someone's "I" and that there is no "we". Each chapter, pointing out the problem, also contains a recommendation for those who want to see it. For those who do not want to, a whole list of recommendations can be written, and she/he will continue to ask how and who will do it. If we started from "I can", maybe we would come to "we can". If it seems too pessimistic, I will recall the words of the philosopher Roger Scruton that "a portrait of a scrupulous optimist and the purpose for which he uses his pessimistic inclinations is more useful on this occasion." That is, a pessimist of the mind and an optimist of the will.

Eli Wiesel said that the opposite of love is not hatred, but indifference. Are we so indifferent to the country in which we live, so we allow it to be the subject of ridicule, pity, and prey of irresponsible populists?! And together with it, the "I" and the "we". There is no way to measure the damage caused. It costs lives, and that cannot be measured by anything. It's time for statesmen!

# A STATE OF POLITICAL TRADERS

Political corruption is a Trojan horse, which undermines public institutions by internally interconnected actions. Even well-designed and legitimate institutions can get out of the way if incumbents do not support public ethics of accountability. The collapse of the rule of law in the country was accompanied by persistent erosion of institutions. Introducing people to public services through the back door sows rot seeds. The politicization of state bodies has taken a heavy toll. It undermined the hierarchical structure of public sector organizations, violated supervisory control and authority, and nurtured indiscipline and inefficiency in the ranks of officials. There is a visible loss of moral sharpness and little resistance to illegal pressures at every step, especially those originating from political centers of power.

The culture of slavery - respecting the instructions given to them by their superiors, without assessing their legality and decency from the point of view of the public interest - permeated everything from top to bottom. All this not only impaired the government's ability to implement its policy but also further reduced its reputation and credibility in the eyes of the people. Corruption, like cancer, has spread throughout the political body and spread to all parts of society. Corruption is not only characterized by individual acts and aberrations but has become systemic, institutionalized, and deeply rooted. It instills a sense of despair and insecurity among people and diminishes the pursuit of common and constructive goals.

Corruption also negatively affects development. On the one hand, scarce public resources are being sucked out by corruption, while on the other hand, private investment is discouraged in an environment that lacks transparency. As such, corruption slows development, poverty reduction, and the delivery of public services. As it is obvious that corruption is a form of exploitation, it hurts, even more, the weak and vulnerable segments of society.

Another major cause of institutional decline is the extreme lack of transparency in government decision-making processes. Not only is the public misled about bureaucratic procedures, but various government

departments also keep information under a veil of secrecy, and otherwise it should be available in the interest of overall policy formulation.

Public officials hide information not only as part of a culture of secrecy that prevails in government cabinets but as a cunning means of exploiting their ignorant and gullible clientele - the general public and voters.

Coordination costs are high and we pay them in such well-known forms that they are usually not noticed. There are also high costs for determining who is competent and who is not. Relying on others (the international community, for example) to help map the way the world works - bypassing the limitations of our small, short-lived minds - is only a sporadically good idea and has flaws that are difficult to detect from within.

The institutional design has become a product of individuals, not large groups. That is, there is a big man culture on the scene<sup>1</sup> or the culture of the great man. The terms "great man", the syndrome of the great man, and bigmanism, in the context of political science, refer to the corrupt, autocratic, and often totalitarian rule of states by one person. It is generally associated with neo-patrimonial states, where there is a framework of formal law and administration, but the state is informally trapped by patronage networks. The distribution of official booty takes precedence over the formal functions of the state, severely limiting the ability of public servants to make policies of general interest. While neo-patrimonialism can be considered the norm in which a modern state is built in a pre-industrial context,

<sup>1</sup> The great man is the prototype of the Melanesian leader and is a key figure in the ethnography of Melanesia. It stands in the center of the complex of economic and political structures, and the Big Man model also exists in Papua New Guinea, the Solomon Islands, and, to a lesser extent, Vanatou. The great man, as a political type, was generalized and expanded outside of Melanesia to label leaders who achieve their positions by engaging in exchange. Anthropologists have observed, for example, great people in the halls of the United States Congress, as well as within several other political organizations around the world (see, for example, MA. Van Bakel, *Private Politics A Multi-Disciplinary Approach to 'Big-Man' Systems*, 1986).

unfortunately, tendencies are present in Europe itself, and not only in African countries, where populist regimes are on the scene. The culture of great men, the syndrome of great men, or bigmanism is often used specifically to denote the dominance of men with strong dictatorial tendencies that rule many African countries. However, like any appropriate cultural feature, its manifestation is not limited to only one layer of life, but is most dominant, especially in many state institutions in developing countries.

In the case of Bosnia and Herzegovina, he was presented to the self-proclaimed leaders of the three constituent peoples, ie bigmanism and the cult of personality of the leaders of the three leading political parties, nationally colored and with pretensions to being the only legitimate representatives of the people. They negotiate with them about the future of the state, reforms, and the most important issues of the inhabitants of the state with the explanation they deliver (read: trade), ie they finish the job because their followers in the parliaments and institutions blindly carry out their orders.

It is time to return to 'transitology', that is, to reaffirm, review, revise and develop theories, concepts, and approaches to understanding turbulent transitions in countries that want to break out of autocracy. In Bosnia and Herzegovina alone, the European Union, as the largest single donor, has provided 3.5 billion euros since the war, through various projects, and the United States and Japan have provided a total of about 2.7 billion euros since the end of the war in 1995. for humanitarian aid, rebuilding the destroyed country and economic development and education. But we are further and further away from a functional state, in the first place. From the one-party system, we have moved to the rule of three parties and three leaders, who decide on everything, and are the absolute masters of all processes in the country. The transition brought together political scientists, sociologists, and anthropologists, but not security experts. If nothing else, the threats of secession coming from Republika Srpska, the formation of entity armed forces (ie, the abolition of the consent from Republika Srpska to form a single armed force in 2005) reveals the need to take into account the security dimension in transition. What kind of transition can there be if the threat of violence dominates the everyday life of citizens ?! What and what economic progress can citizens expect ?! What kind of democracy ?!

Furthermore, the problem of elections, which are held every two years, alternately local and general, is directly related to three additional factors. The first of them are incredibly high stakes on winning and losing in a context in which the loss of elections can jeopardize suspiciously acquired property, so they resort to creating a security-

insecure situation and tensions. Another factor is the use of illicit means to influence the process or outcome (or both) of voting. Finally, critics of elections and electoral processes see a third factor in the fact that the opposition is stifled by public provocation as an enemy, not a democratic rival.

## II

## A POPULIST STATE

The wave of authoritarian populism poses an existential threat to the liberal world order, democracy, open markets, protection of minorities, civil liberties, and constitutional controls and balances. Even if such an extreme view is not accepted, cracks in the foundations of the system are evident. Since Brexit, the European Union has lost a member, while an increasing number of Europeans view the European Union with skepticism. Voters are served a re-examination of the merits of globalization, protectionism is on the rise, and attacks on experts and the mainstream media are becoming more frequent. The crime of hatred towards immigrants and minorities, which is often encouraged by populists, is also growing.

The rise of populism around the world was rapid and synchronized. Its rise has become more apparent with the global economic crisis. The year 2010 was marked by the rise of the Tea Party movement in the United States (USA). In the same year, Viktor Orbán took power in Hungary, advocating the paradigm of anti-liberal democracy. The appeal of populist parties has only grown since then. The populists did well in the 2014 European Parliament elections, securing first place in France (National Front) and the United Kingdom Independence Party (UKIP). In early 2015, a strange coalition between Syriza, the radical left party, and the Independent Greeks, a nationalist, far-right that supports conspiracy theories, took power in Greece. Using aggressive anti-institutional and anti-media rhetoric, the coalition has threatened to oust the country from the eurozone. The Polish Party of Justice and Law came to power in 2015, which marked the beginning of a period of attacks on the judicial system, the media, and minorities. In 2016, populism reached its peak with Brexit and the Donald Trump election in the United States. Even in countries where populists have failed to take power, they have significantly increased their support. The leader of the National Front, Marine Le Pen, entered the second round of the French presidential elections in 2017, and the far-right Alternative for Germany (AfD) won seats in the German Bundestag for the first time. Italy was as follows: in 2018, the right-

wing Lega Nord (Northern League or League of the North), which once advocated the secession of the northern regions of Italy, formed a coalition with Movimento 5 Stelle (M5S, Five Star Movement), another populist party.

Although some populist leaders have made the wrong moves in the ongoing coronavirus pandemic, it is unclear whether this failure will diminish their appeal.

Although Donald Trump lost the U.S. presidential election in 2020, he received approximately 47 percent of the vote, which is more votes in absolute terms than in 2016. Emerging markets have followed suit. In addition to traditional left-wing populists, such as the movements of Hugo Chavez and Nicolas Maduro in Venezuela, Rafael Corree in Ecuador, and Evo Morales in Bolivia, who all focused on inequality and redistribution, a wave of authoritarian far-right populism emerged in Brazil. Jair Bolsonaro and Rodrigo Duterte in the Philippines. Leaders such as Recep Tayyip Erdogan in Turkey and Narendra Modi in India are increasingly relying on nationalism, attacking religious and ethnic minorities, undermining and/or circumventing constitutional controls and balances. Before 2016, academics paid relatively little attention to populism. As populism spread, so did research. Populism is not easy to define<sup>2</sup>. Populists include different personalities (eg Erdogan, Duterte, Trump, Chavez) who accept different ideologies (radical left and extreme right; pro-church, such as the Polish Law and Justice Party, and anti-church, such as the Dutch Freedom Party). Until the election of Donald Trump, for example, electoral populism was on the margins of the political system of the United States.

Around the world, populism is diverse. Some use ethnicity, while others are built on political and socioeconomic criteria. Not only one factor that causes populism can be singled out, but several falter, which feed and complement each other. An example is the so-

<sup>2</sup> Eichengreen (2018) describes this view by paraphrasing U.S. Supreme Court Justice Potter Stewart in defining pornography: "I know when I see it."

called cultural insecurity, as an explanation for why populism also occurs in countries with a good economic situation. The fear of the other and the different, the fear of the alleged loss of identity, gives birth to anxieties and fears, and populist parties rise on that matrix. In the middle-income population, there is also a fear of losing status, and in the lower-income population, there is a fear of jobs and income - those there, migrants or immigrants, will take away their jobs and income.

Populists in Bosnia and Herzegovina, but also in the world, almost seemed to follow the same instructions: reduce the independence of parliamentarians; power over institutions concentrated at the top, that is, at the hands of party leaders; war against unsuitable media, ie those that give space to critics; ongoing efforts to control civil society; siege of state institutions by loyal followers and labeling and ex-communication of critics. The undisputed leader and his followers must be accepted, and the legitimacy of others must be challenged, often on religious, ethnic, cultural, or socio-economic grounds.

Euroscepticism has a strong connection with populism because the European Union is a suitable enemy, which can be blamed with impunity. For example, the statement of Milorad Dodik, member of the Presidency of Bosnia and Herzegovina and president of the Alliance of Independent Social Democrats, at the Fourth Demographic Summit in Budapest on September 23, 2021: "I must say cultures. I ask you if Europeans will live in Europe in a few decades ", then:" We will certainly not be admitted to the EU, so I do not have to invest in you now. Europe must change its approach. How is it possible that it is politically incorrect to speak that the mother is a woman and the father is a man? I can't learn that, logic doesn't accept me. They want to impose their values, and I'm running away from that. " It is not necessary to emphasize how much these statements contradict the principles of social democracy (realization, respect, protection, and promotion of basic human rights and freedoms, without discrimination on any grounds), which is in the name of the party whose president he is.

The economic proposals and promises of the populists are full of unrealistic promises and simple solutions. It is difficult to list all the pre-election promises, and the campaign never stops because there are elections every two years. Suffice it to say that 26 years after the war, Bosnia and Herzegovina has only 208 kilometers of highways, while no major infrastructure has been built, except for administrative buildings. For example, back in 2013, on the occasion of marking the Day of Republika Srpska, a film was shown about what Republika Srpska

will look like in 2032: as an agricultural power that produces an autochthonous type of apple pie and sells it around the world, then an electric car, which would be produced in the RS, and depending on the needs would serve as a two-seater, four-seater, and six-seater; an ecological house in the shape of an ellipse and resistant to earthquakes, for which customers will go crazy in America as well, and a Belgian will live in Foča, who will bring about 100,000 tourists to that city every year. The end is 2021, so the population forgot these promises, they saw nothing of it.

Or, Bakir Izetbegović, President of the Party of Democratic Action and a member of the Collegium of the House of Peoples of BiH, at the party's convention on May 25, 2018. in front of 207 present, he presented the election platform called "SDA BiH Agenda 2026". Among other things, by 2026, the administration will be reduced to the number of 35 thousand employees at all levels, the health care system will be improved, the construction of highways on the Vc route will be completed, and the Sarajevo-Belgrade highway will be built. He stressed the importance of building an airport in Bihac, modernizing mines, building a Vranduk hydroelectric power plant, increasing GDP, industrial production, and exports, all of which will increase the average salary to 1,450 KM and the number of employees to one million. He said that the slogan in the United States was "Yes, we can" and that the SDA would not take over other people's slogans, but that he could say: "God forbid, we from the SDA can do it."

There are five years left to realize all this, and given that the mines in the Federation of Bosnia and Herzegovina are in debt of some 900 million, that on the route of Corridor Vc, which began in 2001, a total of 335 km was built in the Federation BiH 113 km, and works in the Republika Srpska begin around Dobo, that a cornerstone was laid for the Vranduk hydroelectric power plant several times and in the end, it was completely abandoned, that the administration continues to grow, that it is not known when the airport in Bihac will be the system showed all its shortcomings in the pandemic, etc., the same promises are to be expected at some new party convention.

Dragan Čović, president of the Croatian Democratic Union and a member of the board of the House of Peoples of Bosnia and Herzegovina, deals mostly with the election law and the threat to Croats, whatever that means, and the economy so that there are no precise plans, so the results cannot be measured. It is mostly foggy, but it seems serious and worrying. Thus, for example, in April 2020, in a pandemic, a video meeting of the party was organized, at which it was pointed out that: It was also emphasized that one must be in daily



communication with people in the field, as well as businessmen, and listen to their suggestions and requests, and then take certain measures in coordination. The recovery plan must be comprehensive and contain concrete measures to help small crafts, small, medium, and large enterprises, and it is necessary to harmonize legal guidelines and decisions to fully revive the economy after the crisis. It is crucial to mitigate the effects of falling public revenues, maintain Bosnia and Herzegovina's fiscal stability and increase support for the economy, health care, and social benefits. " Whatever that means.

What do the populist economic proposals in Europe have in common? Initially, the main alleged motive was the fight against elites, whether in the field of politics or economics, and some elites imposed a certain order, which is not in line with the "values" of the people they swear by. There is, of course, a constant threat from migration and that Europe will become an "Islamic caliphate", as Salvini called it. For example, Milorad Dodik is a guest on the Public Service Radio-Television of Republika Srpska on August 3, 2021. He insulted Bosniaks, persistently calling them Muslims: "There are not enough of them, they do not have enough capacities, they do not have a character in themselves." They are not nation-building people, they are subject people. " a.)... And their joy is for one reason, and that is pathological and only converts in that way function like Muslims because they converted their faith at some time there (...) "In the sixties of the last century they here they called Serbs of the Mohammedan faith, and then they became Muslims with a small 'm' because Tito needed it because he had relations with the Non-Aligned and to show that he had a good relationship with Muslims... Well, then they started to homogenize. In 1993, as Muslims, with a small 'm' at the beginning, they declared themselves Bosniaks to make the term intriguing enough to integrate all Serbs and Croats and to create the Bosnian nation, a Bosnian alphabet, a Bosnian language. "

Meeting with Dragan Čović on October 29, 2021. he began by saying, "Muslims want to create a Muslim state." On the other hand, from the ranks of some Bosniak parties in Bosnia and Herzegovina, one can hear about Serbs as a genocidal people. When the High Representative imposed amendments to the Criminal Code, which punishes the denial of genocide and glorification of violent crimes, the Party of Independent Social Democrats and coalition partners, which the opposition adhered to, blocked the work of state institutions, so Bakir Izetbegović in this regard, 15.10.2021. gave the following statement: "I will not utter such words, I will not call the Republika Srpska a

genocidal creation, nor will I question it. It is determined by the Dayton Agreement, it exists for me as a part of Bosnia and Herzegovina. "

Fear of migration is accompanied by sometimes open, and sometimes subtle and silent racism and Islamophobia, as well as criticism of various minorities, which do not fit into what populists see as acceptable and desirable. Through almost all populist parties in Europe, the idea of endangering the national identity and the entire Western civilization is present, so it is necessary to protect ourselves in different ways.

Unrealistic economic promises and, of course, their non-fulfillment, is almost always easiest to "sell" if they are accompanied by a strong ideological and rhetorical narrative, and populist parties constantly use that. In economic programs, the combination of the incompatible is mostly problematic - protectionism, large state expenditures for social programs, most often poorly targeted, constantly growing administration together with low taxes, and high workload in the case of Bosnia and Herzegovina.

Populism in Bosnia and Herzegovina is characteristic of both the ruling and opposition parties. The economic crisis is permanent, so there is no need to use the situation of existential vulnerability, and populism has been a commonplace and a constant state of the political spectrum since the first multi-party elections in 1990 when nationalism met populism.

If we look at speeches and performances, apart from big and unrealistic promises, no attention is paid to economic proposals. The impression is that the economy is on the periphery of interest, and much more attention is paid to migration, writing down national identity, family values, traditions, and the like. The lack of a coherent economic policy is the biggest problem of populists. The question is how important the economy is to voters at the time of voting. It is concluded that the success of a populist party must identify how voters feel about a policy and then articulate those feelings through a political program and that it is less important in the background what the concrete proposals are.

How to recognize a populist party or populist?

- They have enemies, not democratic rivals. They present their opponents on the political market as traitors and enemies, not as competitors.
- They "hit" on emotions. Emotions take precedence over arguments.
- Autocratic style of government in both the party and the state. The leader wonders, the others follow.

- Avatars of patriotism! There are no greater patriots than the leader and his followers. They remained traitors of the family and non-patriots. Along with the three, it is obligatory to force the love of the leader and the people, so that we have the fathers of the nation, each his own, and the people as children. It is obligatory to occasionally throw out the news that the father of the nation, ie the leader is endangered, that an assassination or some conspiracy has been prepared.

- They have a strategy whose goal is to break the system of institutions and polarize society into antagonistic wholes. For example, in Bosnia and Herzegovina, which is composed of two entities, it is first polarized at the state level on an ethnic basis, and then within the entities to the legitimate, true, and only ones against traitors and illegitimate ones.

- Identification with myths - from myths about the endangered liberation and justice-loving people to the presentation of falsified historical events. In Bosnia and Herzegovina, not only the future is uncertain, but also the past.

- Often inappropriate and vulgar river language, street language, hate speech.

- Telepupolism! It is important that the leader, in the first place, sees himself more and more, that he is always in the center of attention, no matter what he says and how contradictory, aggressive, pathetic, or incomprehensible it may be.

- War against the unsuitable media and making "their own", ie putting even parts of the public service under control.

- Creation of a clientelistic network. It is known who is suitable to get a tender, a job, some financial help or to make his way to the weekend house.

- Absence of any responsibility and mutual control.

- Constant increase in public spending and public administration.

- Discretionary use of the law, and loyal followers work in investigative and judicial institutions.

- Elections should be plebiscite support for presidents, ie leaders. Leaders are constantly in the campaign!

- Unlike the liberal model, which protected pluralism, populists understand the "people" as an organic and homogeneous whole, which shares one interest and identity embodied in the leader. Populist polarization reduces democracy to plebiscitary acclamations of leaders.

Mounk<sup>3</sup> suggests focusing on the following three solutions: (i) domestication of nationalism, (ii) "repairing" the economy, (iii) restoring faith in the bourgeoisie. These are, of course, very general recommendations. In terms of concrete measures, research on the causes of populism implies that governments should provide better targeted social safety nets, fight corruption, fight tax evasion and tax evasion. Governments should also fight against the abuse of market power - the philosophy that "the winner takes everything."

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3 [Mounk, Yascha. 2018. The People Vs. Democracy: Why Our Freedom Is in Danger and How to Save It. Harvard University Press.]

## III

# THE UNBEARABLE EASE OF IRRESPONSIBILITY

Bosnia and Herzegovina, like this, is a child of the Dayton Peace Agreement. Never grown up. A child under the auspices or patronage of a political being enjoys some kind of delayed freedom.

The main reason why the world should worry about the failure of the state is that it is contagious.

The extent and effects of state failure were key factors in understanding global politics in the twenty-first century. The number of countries has almost quadrupled since the end of World War II. The failure of the state is a phenomenon after the Second World War.

In 1994, the US government established the State Failure Task Force (SFTF) - now called the Political Instability Task Force (PITF).

In fact, in recent years, the fragility or instability of states has increased globally, and the migration crisis in Europe, among other issues, has led Western governments to refocus on fragile states (OECD 2018)<sup>4</sup>.

The question of how best to help chronically unstable countries has been viewed through different prisms over the past few decades. It has become clear from Western experiences in state-building and peace that there is no universal recipe. The question arises as to why some interventions work well, improving social, economic, and political outcomes in the target country, while others fail hopelessly? Donor countries have turned to the local context when designing intervention strategies. For example, the ten "Fragile States Principles" adopted in Busan in 2007 began building a framework for guidance on how to "work ethically and effectively" on development and security in fragile states. Accordingly, the G7 + Group for the Fragile States was formed to prevent conflict, facilitate state-building, and reduce poverty through innovative development strategies, including those that will be a priority in the development plan after 2015. In 2011, the G7 + adopted the

guidelines "New Deal for Engagement in the Fragile States" and was signed by 40 countries, including Canada (Nussbaum, Zorbas, and Koros 2012).<sup>5</sup>

The "New Deal" consists of five goals of peacebuilding and state-building (OECD 2012)<sup>6</sup>:

1. Legitimate and inclusive policy: Encourage inclusive policy solutions and conflict resolution;
2. Security: Establish and strengthen the security of people;
3. Justice: Solving the problem of injustice and increasing people's access to justice;
4. Economic foundations: Job creation and increase in livelihoods;
5. Revenue and Services: Revenue management and capacity building for responsible and fair service delivery.

Although these goals seem well-intentioned, it is still uncertain whether they can and will be implemented in practice, as data availability remains weak even years after these policies were set. Poor data availability is, unfortunately, a characteristic of working with dysfunctional states, as data collection and processing encounter many barriers, as well as during the validation and reporting process.

It is becoming evident that many interventions, especially in Bosnia and Herzegovina, have ignored the fact that Bosnia and Herzegovina is unstable on the surface, but with a very stable system of corruption, "black market" and patron-client relations.

In a document prepared for the conference "WHY STATES FAIL AND HOW TO RESUSCITATE THEM" JANUARY 19-21

<sup>4</sup> States of Fragility 2018. OECD Publishing, Paris, [https://www.oecd.org/dac/conflict-fragilityresilience/docs/OECD%20Highlights%20documents\\_web.pdf](https://www.oecd.org/dac/conflict-fragilityresilience/docs/OECD%20Highlights%20documents_web.pdf)

<sup>5</sup> [www.researchgate.net/publication/262825467\\_NEW\\_DEAL\\_for\\_Engagement\\_in\\_Fragile\\_States](http://www.researchgate.net/publication/262825467_NEW_DEAL_for_Engagement_in_Fragile_States)

<sup>6</sup> Building Blocks to Prosperity: The Peacebuilding and Statebuilding Goals. <http://www.oecd.org/dac/HLM%20one%20pager%20PSGs.pdf>

2001, Davis Carment<sup>7</sup> states: "If we consider Bosnia, whenever Western leaders posed a long-standing and stable threat of retaliation backed by ultimatums, deadlines and a clear commitment to punishment, credibility was high and forced, diplomacy worked. Mild threats, on the other hand, promoted violence. "

One useful framework for understanding the interaction between domestic and international actors, especially when it comes to analyzing the reasons for intervention, is to look at everything through the prism of the game on two levels - within domestic and in contact with international. At the national level, domestic players strive to retain their interests and power, and in international relations to simulate a commitment to integration and to maintain support and good relations with international representatives. A game that the citizens of Bosnia and Herzegovina have been watching for decades, while at the same time the most important decisions are made in closed meetings of three leaders, three self-proclaimed national leaders, with key international representatives and decision-makers, but also money makers.

Whether Bosnia and Herzegovina is a dysfunctional, fragile, or failed state, or is it all together, is a matter of debate. What is not the subject of discussion and what is visible for a country that is high on the scale of corrupt states, poor states, the scale of organized crime states is that the state of irresponsible government and irresponsible policies - primarily domestic, and then in cooperation with international under their patronage reforms, from which loans and donations are taken and with which all key steps are agreed.

"Noting the decline of BiH by 11 places, the BiH Index ranks 111th out of 180 countries, with a score of 35, which is also the worst score since 2012, when BiH was ranked 72nd with a score of 42," Transparency reported. International in BiH for 2020. According to the Corruption Perceptions Index, BiH is the worst-positioned country in the Western Balkans region and shares a place with Northern Macedonia. Of the countries in the region, Slovenia is best positioned with a score of 60, followed by Croatia, Montenegro, Serbia, and Kosovo.

Bosnia and Herzegovina ranks 49th out of 193 member states of the United Nations in the representation of organized crime, while among 44 European countries it is fifth on the list - according to the data of the Global Index of Organized Crime for 2020. Positioned in 49th place with 5.89 index points, Serbia is in 33rd place and the first of the European countries on this list.

Montenegro ranks 45th, Northern Macedonia 74th, Croatia 85th, and Slovenia 132nd<sup>8</sup>

Bosnia and Herzegovina is the fifth poorest country in Europe with a gross domestic product per capita of \$ 5,674.<sup>9</sup>

The Fragile State Index (FSI)<sup>10</sup>, produced by The Fund for Peace (FFP), is an important tool for pointing not only to the usual pressures that all countries experience, but and to identify those who exceed the capacity of the state to manage these pressures. The index provides political risk assessment and early warning of conflicts to policymakers and the public. Bosnia and Herzegovina ranks 77th in 2021 out of a total of 180 countries. In 2020, it was in 84th place, which means that it is rapidly declining. In the first place, like the most fragile country, is Yemen, and in the last place, as the most stable, is Finland.

Bosnia and Herzegovina is the most fragile country in the region and for comparison, Slovenia is in 163rd place, Croatia in 138th place, Montenegro in 120th place, Albania in 119th place, Northern Macedonia in 108th place, and Serbia in 101st place.

The Fragile States Index is based on a conflict assessment framework - known as "CAST" - developed by The Fund for Peace nearly a quarter of a century ago to assess the vulnerability of states and the possibility of collapse. The CAST framework was originally designed to measure this vulnerability and assess how it could affect field projects and is widely used by policymakers, field practitioners, and local community networks. The methodology uses both qualitative and quantitative indicators, relies on data from public sources, and provides quantifiable results. Twelve conflict risk indicators are used to measure the state of the country at any given time. Indicators provide data that can be measured relative to others in a time series to determine if conditions are improving or deteriorating. The three primary data streams - quantitative, qualitative, and expert validation - were triangulated and subjected to critical review to obtain final results. Millions of documents are analyzed every year, and by applying highly specialized search parameters, the results are distributed for each country based on twelve key political, social, and economic indicators and over 100 sub-indicators, which are the result of many years of professional social research.

Has such devastating data been published somewhere? Has the political elite worried? No, just as no one was

<sup>7</sup> <https://carleton.ca/cifp/wp-content/uploads/1018-1.pdf>, page 16

<sup>8</sup> The Organized Crime Index <https://ocindex.net>

<sup>9</sup> [Worldpopulationreview.com](http://Worldpopulationreview.com)

<sup>10</sup> <https://fragilestatesindex.org/indicators/>

worried about the data on the bad global index of democracy<sup>11</sup>, where Bosnia and Herzegovina is in the group of countries with hybrid regimes, along with Montenegro and Northern Macedonia, while Slovenia, Croatia, Serbia, and Albania are classified as "deficient democracies." Slovenia ranks 35th, Croatia 59th, Serbia 66th, Albania 71st, Northern Macedonia 78th, Montenegro 81st, and BiH in 101st. Bosnia and Herzegovina is the worst here as well.

A hybrid regime is a mixed type of regime, often created as a result of an unfinished transition from an authoritarian system to democracy, and as such combines the characteristics of democracy and authoritarianism. In such systems, many of the formal criteria of democracy are procedurally met: there are laws, institutions, procedures, rights, and freedoms. In practice, they are not respected.

After all, data from September<sup>12</sup> say that Bosnia and Herzegovina broke out in the first place in terms of mortality in Europe in terms of mortality from coronavirus per million inhabitants. Bosnia and Herzegovina records 3,134 deaths per million inhabitants, more than Hungary elsewhere, with 3,128 deaths. On the global world list, only Peru is ahead of Bosnia and Herzegovina, with 5,934 deaths per million inhabitants. The governing structure did not implement additional measures, nor at least expressed concern.

The success of the state can be measured by ten<sup>13</sup> criteria, as stated by Ruchir Sharma, Indian investor and fund manager, chief global strategist, and chief of the Morgan Stanley Investment Management team, with a portfolio under its direct management worth \$ 20 billion. For comparison, the gross domestic product of Bosnia and Herzegovina in 2020 amounted to 19.79 billion dollars.

These criteria show why successful nations accept robots and immigrants, prefer democratic leaders over autocrats, choose charismatic reformers over technocrats, and ignore the debate over the big and small government. They also explain how a careful reading of Forbes 'lists of billionaires can offer the clearest real-time warning of populist rebellions against the rich.

## 1. POPULATION

Unlike any other force in the economy, population growth is a function of only a few factors - fertility, longevity, and immigration - that can be measured with great precision. A drop in the working-age population growth rate of one percent will reduce economic growth by about one percentage point, which is roughly the story in the last fifteen years. A good demographic picture is often a necessary condition for rapid growth, but not the only one. The "dividend" pays off only if political leaders create the environment necessary to attract investment and create jobs.

The data suggest that rapid growth in a gross domestic product is unlikely in countries with reduced populations, which is becoming more common. In the early 1980s, there were two countries with declining working-age populations: war-torn Syria and Afghanistan. In 2019, there were forty-six of them, including great powers such as China and Russia, and that number is on the way to doubling by the middle of the century. According to Sharma's calculation, Germany would have to accept 1.5 million immigrants a year, every year until 2030, to maintain the current ratio of the working-age population to pensioners. But it makes no sense to calculate the impact of immigrants on the economy without calculating the probability of political resistance.

When asked by Nobel laureate economist Daniel Kahneman about the threat posed by robots to employment in China, he replied: "You just don't get it. In China, robots will come in time to save the economy from a falling population." Beijing understands that and now subsidizes industrial automation.

To assess whether population trends are forcing a nation/state/population to grow or fall, it is first necessary to look at the growth of the working-age percentage, which lays the groundwork for the rate of economic growth.

The demographic situation in BiH is getting worse. A great demographic loss occurred during the war, and then there was a worsening of the age structure. The birth rate, which in BiH before 1992 was higher than the EU average, in the period 1996-2016. is declining and today is lower than the average of the EU and the Western Balkans. Thus, in 1996, the share of children in the total population was 22 percent, and in 2016 it dropped to 16 percent<sup>14</sup>. In the first nine months of 2018, there were 21,006 newborns and 27,182 deaths, which is a negative natural increase of 6,176 rightly

<sup>11</sup> <https://www.economist.com/graphic-detail/2021/02/02/global-democracy-has-a-very-bad-year>

<sup>12</sup> <https://www.worldometers.info/coronavirus/>

<sup>13</sup> The 10 Rules of Successful Nations, Sharma, Ruchir W.W. Norton & Company, 2020, the previous edition published under the title The Rise and Fall of Nations: Forces to Change in the Post-Crises World, 2016

<sup>14</sup> Data from the Agency for Statistics of Bosnia and Herzegovina



called the "white plague". In 2017, the negative natural increase was 7,792, so for the period after the 2013-2018 census. can estimate that the negative natural increase was about 35,000. For the sake of comparison, 40,000 fewer children were born in BiH in 2017 than in 1990. According to preliminary data from the first half of 2021, the difference between the number of deaths and newborns will grow even more compared to the record black 2020. By the end of the year, Bosnia and Herzegovina is expected to have 25,000 more deaths than births.

In the school year 2013/14 - 2017/18, the number of high school students decreased by as much as 3220, and by 2020/2021 the defeating number of 46,166 high school students decreased by nine years!

At the same time, the process of leaving the country has increased significantly in recent years. It is estimated that over 173,000 people have left BiH in the last five years, and the reasons are no longer just unemployment and poor financial status. Whole families are leaving Bosnia and Herzegovina. According to the data of the Union for Sustainable Return and Integration of BiH, in the first six months of 2021, about 81,000 people left the country. According to the same organization, in the period from 2013 until today, based on data from local communities, local authorities, non-governmental organizations, social services, the Majlis of the Islamic Community, and field associates, about 400,000 citizens left the country. Young people aged 18 to 30 make up 45 percent of the total. Eurostat data, as of 2019, show that 444,957 BH. citizens had an active permanent residence permit in one of the EU member states.

It is not known who will work and earn for the repayment of debts, for pensions, and the maintenance of a larger public administration every day.

## 2. POLITICS

Successful nations gather behind reformers. In the circle of political life, the crisis forces the nation to reform, the reform leads to good times, and good times encourage arrogance, which leads to a new crisis.

Successful nations place their political weight behind reformers, often new to the office. They are more likely to make changes for the better when they are in the early stages of the political circle. At the end of that political cycle, they will most likely change for the worse in times of prosperity and be lulled into it, when the population sinks into complacency, accepting the older leader, forgetting that in a competitive world the need for reform is constant. The most favorable moment is the arrival of the right reformer, at the right time. There are exceptions

- Lee Kuan Yew has ruled Singapore for more than three decades and never seemed to waste energy on reforms - but the general pattern remains. In the end, as American essayist Ralph Waldo Emerson said, every hero becomes boring. Demagogues, who skillfully combine populism and nationalism, can be politically successful but tend to be disastrous for the economy.

"During the last three decades, there have been 124 cases in which one nation has achieved GDP growth faster than 5 percent throughout the decade, and 64 countries in those periods of growth were under the rule of a democratic regime, 60 under an authoritarian regime. In general, autocrats are less likely to produce longer-term strong growth. Authoritarian systems also have obvious economic weaknesses. Since the top leader is not facing opposition on the ballot box, the danger of a stagnant regime is great. As New York University development expert William Easterly pointed out, for every long series of 10 percent growth produced by autocrats like Deng Xiaoping, there have been several long periods of stagnation under Castro in Cuba, Kim in North Korea, or Mugabe in Zimbabwe. "<sup>15</sup>

Any large economy that has experienced an increase in average income to more than \$ 10,000 is a democracy. China, with an average income approaching \$ 10,000, is trying to become a large, rich autocracy, but would be the first of its kind. Whoever wants states, whose population can constantly grow and grow into a richer class, should not bet on autocrats.

## 3. INEQUALITY

Growing wealth inequality is a growing threat to social stability and economic growth.

A political culture in which officials become complacent after a long period in power, and an economic system in which there are cumbersome or non-existent rules, open the door to corrupt behavior.

A healthy economy needs an evolving group of productive industrialists, not a fixed group of corrupt tycoons. Creative destruction drives growth in a capitalist society, and since newly enriched millionaires and billionaires get more than the status quo, they are enemies of wider prosperity.

"The common measure of inequality is the Gini coefficient, which measures the proportional distribution of income. For BiH, 2015 (last calculated value) was 3.3.

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<sup>15</sup> The 10 Rules of Successful Nations, Sharma, Ruchir W.W. Norton & Company, 2020, the previous edition published under the title The Rise and Fall of Nations: Forces to Change in the Post-Crises World, 2016

in the middle of the list of countries in the region. In the period from 1985 to 2005, inequalities in BiH increased. The share of middle-income income of 40% remained just below half of the total national income, the ratio between the top 10% and the top 50% underwent radical changes from 1990 to 2000.

The lower half of the population received just over 29% of national income in 1984 and the top 10% received just over 23%. By 2004, the share of the lower half had fallen to 23% while the share of the top 10% had risen to 32%. Since 2011, the growth trend of inequality has started to grow again. Territorial differences in inequality between entities and cantons are very present. (NDHR, 2020, a pp. 94-95)

The introduction of value-added tax has not changed the relationship. The general conclusion is that the overall tax system does not contribute to the reduction of poverty and social exclusion.

Paradoxically, the social protection system leads to inequality (through the status targeting of beneficiaries) and territorial differences in social transfers.

Poverty and inequality, as well as the absence of an efficient system of social protection, tax, and economic policies that would reduce them, form a closed circle of the frozen social situation, and an obstacle to sustainable development and inclusion of people in it. <sup>16</sup>

In Bosnia and Herzegovina, the last survey on household consumption was conducted in 2015. For recent data, especially the consequences of the pandemic, there are only surveys and research by international organizations. In October 2010, the assessment of the impact of COVID-19 on society in Bosnia and Herzegovina was conducted by UNDP and UNICEF<sup>17</sup> on a sample of 2182 households. "48.5% of households reported a worsened financial situation, of which 12% experienced significant difficulties. Particularly affected are those who considered themselves poor even before the pandemic: 63% felt their situation had worsened, of which 20% considered the deterioration radical. The study underscores the need to provide additional and coordinated support to protect the most vulnerable people and to preserve jobs. Special support measures are needed for farmers, micro, small and medium enterprises, and for those who feed their families by working in the informal sector," said Steliana Nedera, UNDP Resident Representative in BiH.

#### 4. PUBLIC SECTOR

Successful countries are not talking about small or large governments, but optimal ones. Government/governments' attempts to manage economic growth come in many forms, but there are three basic trends: how government spending changes as a share of gross government product, whether that spending will be productive, and how much government limits private enterprise growth by abusing state-owned companies for political purposes.

Politicians consider state-owned companies as machines for creating new jobs, that is, as their party depots for taking care of party "staff" and voters.

On average, in both developed and developing countries, jobs in government and state-owned companies account for about 23 percent of all employees, according to the International Labor Organization (ILO). Governments above that label are overblown. In East Asian economies known for small governments - Japan, South Korea, and Taiwan - employment in the government sector accounts for less than 10 percent of all jobs. In the generous welfare states of Norway, Sweden, and Denmark, the government sector accounts for about 30 percent of all jobs, and in the oil state of Russia, it accounts for 38 percent. Since the 2008 crisis, Russia has expanded the payroll of 400,000 people at Gazprom, the state-owned gas giant. In China, the state's share of employment is estimated at around 30 percent and has been growing since 2008.

In Bosnia and Herzegovina, the entities do not have or do not have an up-to-date register of public and state-owned enterprises, so it took the International Monetary Fund more than 18 months to obtain financial reports and data for public and state-owned enterprises. The report<sup>18</sup> says: "SOE<sup>19</sup> leaves a significant imprint on the economy, but a large number of SOEs have a negative impact on macroeconomic performance, by distorting the labor market and imposing significant fiscal costs. About 80,000 workers are employed in 550 SOEs across all sectors of the economy (about 11 percent of total employment). SOEs own 40 percent of all fixed assets in the economy and are responsible for 10 percent of total turnover. However, the 20 largest SOEs in terms of fixed assets and turnover account for about 80 and 70 percent of the total fixed assets and turnover of SOE, respectively. SOEs lead to labor market distortion because average wages in them are 40 percent higher than in private firms, despite lower productivity. In fact, SOEs in BiH have the third-highest salary premium in the

<sup>16</sup> Dr Žarko Papić, Institute for Better and Humane Inclusion, Sarajevo, October 2021, working material

<sup>17</sup> <https://bosniaherzegovina.un.org/en/96588-social-impact-assessment-covid-19-bosnia-and-herzegovina>

<sup>18</sup> file: /// C: /Users/User/Desktop/FES-rad/WPIBA2019201.pdf

<sup>19</sup> SOE- a state-owned enterprise

region (Richmond et al. 2019). The total debt of SOE is about 26 percent of GDP. This includes close to 4 percent of GDP in arrears of taxes and social contributions, which reduces tax revenues and has a negative impact on the functioning of the social benefits system. The financial ratio analysis shows that over 44 thousand people are employed in SOE who face high or very high financial risks (6 percent of total employment). The SOE sector does not contribute enough to the economy. During the period from 2015 to 2017, the SOE sector had an average return on equity (ROE) of -0.3 percent, indicating that government investment in the sector yielded negative returns. With an average return on assets (ROA) of -0.2 percent, the SOE sector does not extract value from the assets available to it. For example, if the return on capital was 4 percent, which is a level that corresponds to the level for SOEs operating with moderate profitability risk, GDP would be about 3 percent higher; this can be interpreted as an implicit opportunity cost of maintaining an inefficient SOE sector. The high level of leverage also makes it very unlikely that SOEs can reduce debt levels without government support or operational restructuring to improve performance. "

As there is no harmonized definition of SOE in Bosnia and Herzegovina, companies in which any level of government (central, cantonal, municipal) directly or indirectly owns more than 50 percent are included.

"While about 85 percent of SOEs were solvent at the end of 2017, with a positive capital of about € 1 billion, there are 66 companies that have accumulated losses of € 1.6 billion, thus erasing the value of their capital. These companies are technically insolvent, with a negative capital totaling € 290 million, "they say in the analysis, as well as the total net SOE debt is estimated at 22 percent of GDP. Tax arrears should have been deducted from total SOE liabilities to assess net debt to other sectors of the economy. A broader definition of indebtedness, such as total public sector debt, would allow a more accurate assessment of debt sustainability. Given that general government debt, including guarantees, was about 40 percent of GDP in 2017, total public sector debt could be about 62 percent of GDP, depending on the amount of cross-public debt to the public sector which should be excluded "and" Almost one half of SOE is not liquid and requires both explicit and implicit budget support. "

This kind of economic management slows down growth and enables the survival of radical populists. Liability for the 8.1 billion debt of public and state-owned companies at the end of 2017 does not exist, nor is it being reviewed.

## 5. GEOGRAPHY

Since transportation has an even larger share in production costs than wages, the location near trade routes or customers is still critical for producers of goods. Even the service industries do not waste where there is an internet connection. This was especially evident this year when the prices of goods and services jumped sharply due to transport and distribution channels.

To overcome these problems, the state needs to open its doors on three fronts: to trade with its neighbors, with the world, and within its entire territory. The advantages or disadvantages of the location can only be reshaped by good policies, and the key to the solution lies in regional integration.

## 6. INVESTMENTS

Without investment, there is no money for the state and consumers. Consumption usually represents by far the largest share in the economy - more than half. Investments are much smaller, about 20 percent in the gross domestic product in developed economies, 25 percent in developing economies.

The best-case scenario is when companies direct money to projects that drive growth in the future: new technology, new roads, and ports, or - especially - new factories. Of the three main economic sectors - agriculture, services, and manufacturing - production has been a way out of poverty for many countries. Even today, when robots "threaten" (quotes because someone has to produce robots as well) to replace people on the production line, no other sector has a proven ability to play a stimulating role in job creation and economic growth such as manufacturing.

In successful countries, investments grow as a share of the economy. In the long run, when investment spending reaches a certain critical mass, it tends to move in the same direction upwards for almost a decade. When investment grows, economic growth is more likely to accelerate. Economies, on the other hand, face weak prospects and fall when investment is low, at about 20 percent of gross domestic product.

The investment was low compared to regional competitors, after declining significantly in the post-global financial crisis. Between 2005 and 2008, investments accounted for 24 percent of annual GDP. Since then, its contribution to GDP has fallen below 20 percent and has remained relatively stagnant. This level of investment is low compared to regional and global competitors and the more advanced EU and OECD economies. Private investment was particularly low,



contributing seven percent of the gross domestic product in 2019 and an estimated three percent of the gross domestic product in 2018. Bosnia and Herzegovina is also struggling to attract foreign direct investment, despite the introduction of fiscal and other incentives similar to those in the region. Between 2015 and 2019, foreign direct investment inflows accounted for only 2.2 percent of gross domestic product, well below most regional and global competitors.<sup>20</sup> (For 2021, the Directorate for Economic Planning of Bosnia and Herzegovina forecasts 1.64 percent of the gross domestic product).

The weak effect of investments reflects the business environment, which is a fragmented internal market of the country, a large bureaucratic burden, a large share of the state in many sectors, and a large infrastructure gap.

Investments have not gone to export-oriented sectors or sectors that can increase productivity. The largest share of foreign direct investment inflows in the past four years went to the non-tradable sector, including financial services, wholesale and retail trade, energy, and real estate. Export-oriented foreign direct investment was relatively limited and mainly focused on raw materials. Moreover, most foreign direct investment inflows in recent years have been earnings reinvested in existing foreign direct investment, while greenfield investment has been very low and concentrated mainly in the tourism sector. As a result, structural economic transformation is limited, and sectoral value-added and employment have remained relatively unchanged over the past decade, except for some redistribution of labor from the agricultural sector to the services sector.

## 7. INFLATION

Successful countries control real inflation threats. High consumer price inflation is almost always a threat to growth, but deflation is not.

As a general rule, strong growth is likely to continue if consumer prices rise slowly, or even if they fall as a result of good deflation, driven by a strengthening supply network. But in today's globalized economy, where cross-border competition tends to suppress the prices of consumer goods, observing consumer prices is not enough. Recessions are increasingly accompanied by instability in financial markets. In response to how inflation will affect economic growth, stock, and real estate prices must be monitored.

The inflation rate in Bosnia and Herzegovina averaged 1.41 percent from 2006 to 2021, reaching a record 9.90 percent in July 2008 and a record low of -2.10 percent in May 2020.

Consumer prices in Bosnia and Herzegovina rose tomorrow by one percent year-on-year in September 2021, after rising 2.3 percent in the previous month. Inflation reached its highest level since December 2011, driven by the costs of transport (9.2 percent versus 9.5 percent in August) and food and non-alcoholic beverages (5.1 percent versus 3.6 percent). On the other hand, expenditures on clothing and footwear (-7.2 percent vs. -9.1 percent) continued to deflate, albeit at a lower rate. Monthly, consumer prices rose 0.8 percent after rising 0.2 percent in the previous month.<sup>21</sup>

## 8. CURRENCY

In Bosnia and Herzegovina, a currency board is in force, an arrangement with a fixed exchange rate linked to the "anchor" currency, in this case, the euro. All money in circulation can be freely converted into a reserve currency and is based on strict rules: the coverage of the issue of the national currency is a stable foreign currency, the so-called reserve currency, at least 100 percent; the national currency is at any time on request convertible into a stable foreign currency to which it is pegged, according to a predefined ratio; maintaining the stability of the currency is the first and basic goal of the regime to which all other goals are subordinated.

Occasionally there are initiatives and political pressures to leave the currency board, printing money<sup>22</sup>, but even though the currency board is not a perfect regime, in such a political situation and constant crises and blockades, the currency board is the only solution and salvation.

The currency is stable and foreign exchange reserves are growing.

## 9. PUBLIC DEBT

Successful countries avoid the mania of borrowing. The key question is whether a debt is growing faster or slower than the economy. In the case of Bosnia and Herzegovina, it is growing faster and not all debts are presented to the public. For example, the public debt of the state does not include the debt of health care, and it is estimated at around two billion KM.

<sup>20</sup> <https://www.oecd-ilibrary.org/sites/8e6d1ccd-en/index.html?itemId=/content/component/8e6d1ccd-en>

<sup>21</sup> <https://tradingeconomics.com/bosnia-and-herzegovina/inflation-cpi>

<sup>22</sup> <https://www.klix.ba/vijesti/bih/dodik-trazi-da-centralna-banka-stampa-dvije-milijarde-km/150122157>

The slower the debt grows as a share of gross domestic product over five years, the more likely it is that the economy will grow in the coming years, spurred on by healthy loans. The size of the debt is important, but the growth rate is the most important sign of a change for the better or the worse.

The state of public indebtedness of Bosnia and Herzegovina on December 31, 2020, amounted to 12 billion 154.56 million KM, of which 8 billion and 662.66 million KM or 71.27 percent refers to the external debt and 3 billion KM to the internal debt. 491.90 million KM or 28.73 percent, according to the Information of the Ministry of Finance and Treasury of BiH.

"Compared to December 31, 2019, public debt increased by KM 943.32 million or 8.41 percent, of which external debt increased by KM 519.89 million or 6.38 percent, and domestic debt by 423, 43 million KM or 13.80 percent. In the total state of public indebtedness, the Federation of BiH participates with 51.14 percent, Republika Srpska with 47.91 percent, BiH institutions with 0.52 percent, and the Brcko District with 0.44 percent ", the Council of Ministers announced in April 2021.

And as can be seen, the public debt increased by 8.41 percent, which the growth of the gross domestic product cannot follow.

Let's go back to the International Monetary Fund's analysis of the state of public and state-owned enterprises, where it says, "Given that general government debt, including guarantees, was around 40 percent of GDP in 2017, total public sector debt could that amount to about 62 percent of GDP, depending on the amount of public sector cross-debt to the public sector that should be excluded " In the meantime, debt has risen dramatically, health debt is still not added to total public debt, and for developing countries says that the public debt should not exceed about 40 percent of the gross domestic product because everything above that hinders development. Namely, we have to repay the debts, we just don't know yet who and how. But in Bosnia and Herzegovina, it is perfectly acceptable for the government to buy votes by stealing and borrowing at the expense of future generations.

## 10. PUBLICITY

Successful countries are growing out of the spotlight.

Economic stars often appear off the media radar, after the crisis has passed. They begin to recover when they begin to put their economic house in order on their own, and the media rediscover them only after noticing several years of strong growth.

Love of the media is a bad sign, and media indifference is good.

Everything that Bosnia and Herzegovina is not.

When you look at these ten preconditions for a successful state, Bosnia and Herzegovina meets only one - it has a stable currency.

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*And integrations?* Neither regional, nor European, nor is the state integrated within itself.

## IV

## EUROPEAN PATH, ROADWAY, OR MACADAM?

BiH's application for membership in the European Union was submitted in February 2016. The European Commission adopted an Opinion (Avis) on Bosnia and Herzegovina's application for membership in the European Union on 29 May 2019, which stated, inter alia, that the Commission had asked Bosnia and Herzegovina a total of 3,897 questions on all policies relevant to the European integration process. It took the state 14 months to answer the first 3,242 questions and 8 months to answer an additional 655 questions. Despite the established coordination mechanism for issues concerning the European Union, the authorities could not agree to provide answers to 22 questions on political criteria, four on regional policy, and 17 on education policies. The Opinion emphasized that BiH still did not sufficiently meet the criteria for stability of institutions guaranteeing democracy, the rule of law, respect for human rights, and the protection of minorities, set by the 1993 Copenhagen European Council. In this regard, the state needs to make significant efforts to sufficiently meet such criteria by strengthening its institutions to guarantee democracy, the rule of law, human rights, and respect for and protection of minorities.

Two years after the issuance of the Opinion, out of 14 priorities, only one has been fully realized, but in a way that formal preconditions have been created for its fulfillment, and it is about ensuring the proper functioning of the Parliamentary Committee for Stabilization and Association. No other priority from the opinion has been fully realized. Of particular concern is the lack of progress in realizing the priorities in the area of democracy/functionality and the rule of law, which are in themselves comprehensive and composed of several separate entities. Five priorities have been partially implemented. Legislative activity on the realization of key priorities is coupled with systematic obstructions, efforts to avoid the purpose of passing or amending laws, and in some cases even proposing solutions that represent a setback to the existing ones. Taking into account the situation as a whole, it can be stated that the process of integration of Bosnia and

Herzegovina into the European Union has essentially come to a complete halt. If the 14 priorities from the Opinion were to be met at this pace, the process would take at least another decade.

## V

## REGIONAL INTEGRATION

Regional co-operation began with the Stability Pact and through the Southeast European Co-operation Process (SEECP) format, including a group of countries outside the Western Balkans. However, full-fledged regional cooperation in the Western Balkans becomes possible only after the agreement on the regional representation of Kosovo \* in 2012 and the First Agreement on Principles Governing the Normalization of Relations between Kosovo \* and Serbia from 2013. This enabled the launch of the Berlin Process in 2014, which further shaped regional cooperation through the Western Balkans Six format.

A new parallel process began in Novi Sad on October 10, 2019, while the President of Serbia, Aleksandar Vučić, the Prime Minister of Albania, Edi Rama, and the Prime Minister of Northern Macedonia, Zoran Zaev, announced the so-called Mini Schengen, striving to establish the free movement of people, goods, services, and capital in the Western Balkans by the end of 2021, using only ID cards. Additional meetings were held on 10 November 2019 in Ohrid, Northern Macedonia, and on 21 December 2019 in Tirana, to discuss proposals for achieving "four freedoms", including the adoption of a framework agreement for civil emergencies, known as the Protocol from Durres.

Multi-annual Action Plan for the Regional Economic Area (MAP REP) developed at the request of the Prime Minister of the Western Balkans "for a common approach to improving economic cooperation in the Western Balkans" in the context of the Berlin Process<sup>23</sup>, which was subsequently adopted at the Trieste Summit in 2017. However, the implementation of the MAP REP faced many challenges, while bilateral disputes in the region affected the general implementation.

Shortly after the Regional Economic Area (REP) and the Mini Schengen, later called the Open Balkans Initiative,

another regional initiative was launched. In November 2020, at the Berlin Process Summit in Sofia, Bulgaria, the Regional Cooperation Council presented the Common Regional Market (CRM), the latest regional initiative, built on the foundations of the Regional Economic Area, intending to create a regional market based on the rules and procedures of the European Union and bringing the region closer to the single market of the European Union.

The economic and investment plan of the Common Regional Market with the process of integration into the European Union should pave the way for deeper economic integration with the single market of the European Union. The implementation of sectoral agreements in this regional framework will be taken into account when assessing the readiness of the Western Balkan economies to participate in the single market of the European Union in a given sector. In this regard, closer integration of the region with the single market of the European Union before the economies of the Western Balkans join the Union is the guiding principle of this Action Plan.

The Common Regional Market builds on the achievements of the Regional Economic Area (REA), as the first regional initiative of its kind. The program will have a transformative effect by putting the region on the map for global investors.

The action plan consists of targeted actions in four key areas:

- Regional trade area: free movement of goods, services, capital, and people, including cross-measures, such as Green Lanes, to comply with rules and standards in line with the European Union and provide opportunities for companies and citizens;
- Regional investment area - harmonization of investment policy with European Union standards and best international practice and promotion of the region to foreign investors;
- Regional digital area, for the integration of the Western Balkans into the pan-European digital market;

<sup>23</sup> Lack of firm promises for the Western Balkans as facilitating the integration of the Western Balkans into the European Union. Although initially launched as a four-year process, the Berlin Process was later "renewed" with a new plan giving priority to ideas on turning the region into an attractive economic area.

- Regional industrial and innovation areas, transform industrial sectors, shape the value chains to which they belong, and prepare them for the reality of today and the challenges of tomorrow.

The benefits of this are better jobs and employment, as well as the availability of cheaper products; easier travel, study, work, and business without barriers; an integrated market of 18 million people, which is more competitive in the European Union than the six fragmented markets, all of which can contribute to the region's gross domestic product growth of 6.7 percent.

The Action Plan is one of the results of the Sofia Declaration on the Green Agenda<sup>24</sup> for the Western Balkans (GAWB) and is used as a tool for directing its implementation. The Sofia Summit marked a turning point for the Western Balkans region, which should encourage a paradigm shift in development and encourage the region to undergo a major transformation and address growing environmental and climate challenges properly and on time by putting sustainable development, resource efficiency, nature protection and climate action in place. the center of all economic activity. This document covers the period from 2021 to 2030 and is designed to be periodically revised according to needs and new priorities, without reducing ambitions. Any extension of the indicative timeframes will have to be justified. The Action Plan enables its harmonization with the most important goals of international and European policy, such as the goals of sustainable development of the United Nations (UN), European Energy and Climate Policy for 2030, European Union Strategy for Biodiversity until 2030, Strategy, Circular Economies and Action Plans for Zero Pollution. . The Action Plan will be revised twice: by the end of 2024 and by the end of 2027, using the same process with the authorities of the Western Balkans and partner regional organizations, analyzing progress towards the objectives of the Action Plan.

The action plan is structured to reflect the seven components of the Sofia Declaration (climate change, energy, transport, circular economy, pollution, sustainable agriculture, and nature and biodiversity protection) grouped into five pillars. It includes measures for achieving 58 obligations (goals) from the Sofia Declaration. For each measure, a time frame for its implementation is set and defined in consultation with the regional coordinators and the authorities of the Western Balkans. The smooth implementation of this action plan will require appropriate expertise in all areas of sustainable development, environmental protection

and climate change, technical support, governance structures, including a comprehensive and useful monitoring mechanism to enable dynamic and understandable review of progress, identify needs, intervene. corrective actions or intensified efforts.

Waste management and recycling, as key pillars of the circular economy concept, are still dominated by a linear approach to collection and disposal instead of an integrated sustainable waste management system based on circularity - which for some is waste, for others it is a raw material. The entire region needs the determination of policymakers and legislators, awareness-raising campaigns, and economic and financial incentives to stimulate the transition to a circular economy. The rapid launch of this initiative will enable the exploitation of significant economic potential and great environmental benefits.

The initiatives supported in Sofia build on the commitments previously made by the region at the EU-Western Balkans summit in Zagreb in May 2020, and will be supported through the Economic and Investment Plan for the Western Balkans adopted by the European Commission on October 6, 2020. . this Plan aims to mobilize up to nine billion euros in European Union grants to accelerate the region's socio-economic recovery from the COVID-19 pandemic and to accelerate its economic convergence with the European Union. A new Guarantee Instrument for the Western Balkans is also envisaged, with the potential to attract investments worth up to 20 billion euros.

All three regional initiatives - the Regional Economic Area, the Open Balkans, and the Common Regional Market, in one way or another seek to replicate the "four freedoms" of the European Union in the Western Balkans and differ in form. However, unlike the Open Balkans, the Common Regional Market and the Regional Economic Area are inherently interlinked and the measures are interlinked.

Unlike other previous regional initiatives that included all six countries from the very beginning, the Mini Schengen or Open Balkans Initiative did not gain the same consensus and failed to establish and attract political support. The political context at the time was very tense due to the European Union's refusal to open membership negotiations with Albania and Northern Macedonia, and this hastened the signing of the agreement in Novi Sad.

The urgency under which all these declarations took place did not allow enough time to adequately prepare the political ground for the conquest of other Western Balkan countries, which we're unsure about joining. As such, this initiative was received with a lot of skepticism not only in Kosovo, but also in Bosnia and Herzegovina,

24 file:///C:/Users/User/Desktop/FES-rad/GAWB%20ACTION%20PLAN.pdf

and Montenegro. One of the moments is that the President of Serbia spoke first about the single market, which includes supranational institutions, and then about the common one, so confusion was created, and all that was accompanied by nationally charged rhetoric.

Of course, the difference is that there are large funds, or at least a promise about them, for the latest initiative of the Common Regional Market.

Although regional initiatives have encouraged co-operation and facilitated communication in the Western Balkans, so far they have not helped much in bringing the region closer to the European Union or improving the social, political, and economic environment. Due to bilateral disputes, they gave only partial

results. Therefore, resolving bilateral disputes remains a key precondition for progress in regional cooperation in the Western Balkans.



## VI

# IN THE END AS WELL AS IN THE BEGINNING

And everything requires political will, they say. They say and do not explain what that means. Bosnia and Herzegovina need statesmen, not politicians and political traders. The cult of leaders, the cult of exclusive representatives of the people, has been built for too long, and negotiations have been held with them outside the institutions, thus further undermining the state and trust in it. Should we then be surprised by the last blockade of institutions and Milorad Dodik's announcement of the suspension of all transferred competencies to the state level and the suspension of all imposed decisions of the High Representative<sup>25</sup> ?! A populist, a political trader, who never showed responsibility or was called to account, the one who voted for all those decisions and competencies that he would now repeal, the one that the same international community helped and negotiated with for so many years, from the Republic He makes Serbs a hostage, and a shell from the state, in which he is selflessly helped by the same populists and the same self-proclaimed exclusive representatives of the other two nations.

The weakening of the state has very serious implications in the context of global trends towards the development of world markets, the free flow of trade, the reduction of customs and exchange barriers, international capital movements, and revolutionary changes in information technology. A state that is unable to respond to these rapid changes in an increasingly competitive international environment poses a major risk to its sovereignty. The crisis of governance is marked by a failure to strengthen the rule of law, promote a culture of tolerance, and meet the needs of the people. Instead of pursuing these goals, governance in this country has become associated with widespread corruption, disregard for rules and merit, heavy political trade, and political patronage. As a result, there has been poor management of national resources, institutions have eroded, and a culture of intolerance and victimization has flourished.

And there are no European or regional integrations, no loans and financial assistance without coordination, cooperation, and responsibility both inside and outside the country, ie without respecting international obligations.

Debates about the failure or fragility of the state so far have mainly focused on shifting the blame and buying peace with loans and grants, much less attention has been paid to what to do, which requires multiple, multi-layered, and multi-actor methodologies, going beyond election cycles and hopes to the election will magically change something.

Unfortunately, the state and international organizations have done little to create a functional and useful conflict prevention regime within the country and at the regional level. Intimidation of citizens by war is still the cheapest and most effective tool of government, while in international circles the rhetorical commitment to preventive diplomacy and action is still high, while the commitment to its implementation is very weak.

It's time for statesmen! The state spirit is rarely talked about in Bosnia and Herzegovina. Many people are even uncomfortable when they refer to the concept - it seems like an irritating, hopeless idea, so in the Federation of BiH it is taken for granted, although it is not visible in anything but a mere oath to the state, and in the Republika Srpska it is observed as a heresy and a negation of the existence of the Republika Srpska. As if excluding each other! Nevertheless, the idea lives on in our cultural memory, waiting for a new generation of serious political forces to bring it back. Such a recovery will not be an easy task and will require effort, time, and education, as well as re-acquaintance with the concept of state skill, to clarify what it is and what it requires, and to honestly acknowledge the factors that made it difficult to practice in post-war Bosnia and Herzegovina.

Aristotle said that statesmen are characterized by prudence, justice, courage, and moderation, and in addition, generosity and patience, especially towards political opponents within the state, which is another important characteristic of statesmen, because those

25 <https://balkans.aljazeera.net/news/balkan/2021/10/12/dodik-opet-protiv-bih-sud-i-tuzilastvo-sipa-i-osa-bice-zabranjeni-u-rs-u>

who practice statesmanship do so on behalf of the entire political the community and its enduring principles and interests, not for its party, class or faction. Not all politicians are statesmen, but all statesmen are politicians. As such, statesmen must seek and gain the support of the people and then use it constructively, so they must have the necessary intelligence in the areas of democratic politics and governance.

We may hope in vain for the appearance of a statesman at this difficult time, but we can still, must, and should expect statesmanship from those to whom we have entrusted power.



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