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# **External Statebuilding and Transnational Networks: The Limits of the Civil Society Approach**

*Denisa Kostovicova and Vesna Bojicic-Dzelilovic*

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## **Introduction**

With its focus on networks<sup>1</sup>, Ghani and Lockhart's recent book adds a new perspective to the actor-centred literature on post-conflict state building. Accounting for the challenges of external efforts to build sustainable states in the aftermath of conflict in war torn regions from the Western Balkans through to Iraq, to Afghanistan and East Timor, scholars have studied the role of local elites as opposed to civil society. Most recently, the scholarship on actors operating in post-conflict environments has expanded its reach to include private business and multi-stakeholder partnerships. We argue that the network perspective, which brings to the forefront the reality of multiple actors and their complex relationship in the post-conflict environment, poses a particular challenge for the scholars of state building.

This emerging field is characterized by the blurring of the conceptual and empirical boundaries which facilitate political science inquiry and explanation. Networks operating in post-conflict zones do not neatly fit any of the 'traditional' divides: local versus global, state versus non-state, public versus private, licit versus illicit, and so

on. Furthermore, the persistence and adaptation of these networks from conflict to post-conflict bifurcates one of the basic premises of peacebuilding: that of a clear break between war and peace that enables post-conflict peacebuilding effort to start. It provides critical evidence for the 'new war' approach to conflict (Kaldor, 1999), which posits that the implication of 'network war' as a *linea differentia* of contemporary warfare is a war to peace continuum, a development that the academic and policy communities have been only slowly coming to grips with.

The aim of this chapter is to explore the analytic utility of the bottom-up approach from the perspective of transnational networks, and demonstrate its analytical purchase and limitation in the study of post-conflict state building. We focus on some of the key characteristics of networks that carry particular weight in accounting for the difficult process of state building in post-Communist, post-conflict context. While these show that the bottom-up approach is key to understanding their emergence during the conflict, it is less capable of explaining their adaptation and persistence in the post-conflict period. Hence, the chapter first charts the inclusion of civil society in the state building literature, and the limits of the approach within that literature. It then goes on to examine the process, the actors and the dynamics behind the blurring of the boundaries between public and private, internal and external, legal and illegal that is characteristic of transnational networks operating as actors in their own right in post-conflict zones. The chameleon-like quality of networks members that operate both as a part of civil society and as a part of the state is illustrated with reference to a Bosnian Croat and a Bosnian Serb transnational network created during the Bosnian war from 1992-1995.

While this study of transnational networks relies on a single case study and within case study comparison, and therefore has findings that are limited in their

generalizability, it does nonetheless aspire to speak to broader field of statebuilding. In particular, it develops a model that can be tested in comparable cases of conflict following the collapse of a strong and illiberal state marked by the contestation for power among several sectarian groups, as is the case in Iraq and Afghanistan. In addition, it makes a case for a comparison of the transnationalization of conflict in the post-colonial context, such as Africa, and the post-communist context, as in the former Yugoslavia and Soviet Union, and their legacy for post-conflict state building, given their distinct pre-conflict experience of statehood (cf. Kostovicova and Bojicic-Dzelilovic, 2009, p. 4-5).

### **The bottom-up critique of post-conflict statebuilding**

External involvement in humanitarian assistance, conflict resolution and post-conflict reconstruction in conflict zones, from Haiti through to the Balkans and the sub-Saharan Africa to Iraq and Afghanistan, has become a norm in the post-Cold War world. Understanding distant conflict as an immediate threat in the increasingly globalized and interconnected world has shifted the focus of outside engagement in local state building. A panoply of external actors, including international and regional organisations, states and NGOs, have undertaken governance of a ‘comprehensive nature’ in the aftermath of conflict the world over (Caplan, 2005). The establishment of legitimate political authority, understood as a democratic, accountable and self-sustainable state, was presumed to be a condition for security both within the boundaries of the post-conflict state and beyond.

Two decades into ‘new interventionism’, the relationship between peacebuilding and statebuilding is ‘complicated, contingent and context-dependent’ (Call, 2008, p. 3). Consequently, the original premise of statebuilding as an answer to conflict has

given way in the literature on the subject to the dilemmas and contradictions attendant in the process (Paris and Sisk, 2009). Of particular interest in this chapter is a recent shift in the scholarship towards a relational understanding of statebuilding, which emanates from the understanding of legitimacy as critical to the success of the enterprise. Recognition that a popular endorsement and buy-in into the statebuilding project is necessary has heralded a critique of a top down state building. The introduction of the 'people' and their politics as shapers of the statebuilding outcome follows the elaboration of legitimacy in these types of external interventions.

Statebuilding interventions are undertakings by external actors on behalf and in trust of the populations that are their beneficiaries. Therefore, the statebuilding exercise has an external and internal dimension of legitimacy (Knoll, 2008, p. 294-8, Papagianni, 2008, p. 51-5). External legitimacy derives from the legal framework and normative justification of the statebuilding project. Internal legitimacy is constructed by local beneficiaries. The state under construction (the external statebuilders' project) is appraised by the local population against the benchmark of representation in terms of political community and that of its ability to provide public goods. These are referred to as input and output legitimacy (Scharpf, 1999). Kaldor refines the notion of input legitimacy as political legitimacy that 'includes a process of accountability and responsiveness to public debate that goes beyond formal participation and representation' (2009, p. 186).

Such a multifaceted conceptualization of legitimacy has opened up space for the bottom-up approach that is not just a complementary strategy to top down state building. On the contrary, the very credibility of the project rests on its endorsement by the local population. In this vein, Chandler's (2006) condemnation of statebuilding as 'empire in denial', itself an extension of a critique of state building as neo-

imperialism, has at its core the evasion of accountability from the local population for the highly intrusive external governance. By contrast, recognizing the constraints of external statebuilding that by definition is illegitimate to the extent that it ‘compromises sovereignty to create sovereignty’ (Woodward, 2001), others have explored how legitimacy can be constructed taking into account the views of recipients of statebuilding. The significance of including the ‘locals’ in the consultative process has been related both to the issue of consent (Knoll, 2007) and to effectiveness of governance (Zaum, 2007, p. 238-9, cf. Chesterman, 2004, p. 129), both being constitutive of legitimacy. Others have gone further. Kaplan calls for a new approach to statebuilding to start from the bottom up, and implies recognition of traditional institutions instead of imposition of a Western-style top down structure (2010).

The consideration of local voices in the statebuilding enterprise includes two understandings of the bottom-up. Following a distinction between the external interveners and beneficiaries of state building, one understanding of the bottom-up includes the locals—as opposed to foreigners—conflating local elites and local civil society (Kostovicova, 2008). The other understanding of bottom-up politics places emphasis on civil society. It is cognisant of contradictory processes in the post-conflict political landscape where elected representatives may not necessarily be the best guardians of people’s interests. Paddy Ashdown, the former High Representative in Bosnia-Herzegovina, describes a lesson he received from a Serb refugee in Republika Srpska (RS), the Serb-dominated entity. The refugee told Ashdown that the government was ‘ripping off its own Serb refugees’. Instead of supporting their return home, it diverted the international aid to support Serbs from Bosnian Muslim areas to stay in RS, and, thus, solidify ethnic cleansing (Ashdown, 2007, p. 234-5).

Consequently, the biggest challenge facing outsiders has been who should be included in the public participation and consultative processes (Papagianni, 2008, p. 61-7, cf. Bhatia, 2007). Scholars have turned to local civil society for an answer to the question of why the construction of legitimate political authority in post-conflict contexts has proved elusive thus far, and in particular why there has been resistance on the part of political elites to statebuilding. This inquiry has shown that civil society's constructive contribution to liberal peacebuilding and state building is potentially multi-faceted but cannot be taken for granted. The complex role of civil society actors after conflict, and specifically in relation to state building, is closely linked to a range of positions they occupy in relation to war—where some oppose wars but some also favour it (Kaldor, Kostovicova and Said, 2007).

The multiple roles that civil society plays in post-conflict contexts correspond with different and not necessarily competing definitions of civil society. Their diversity can thus be seen to match the diversity of aims which civil society can help expedite: from forging interethnic reconciliation and assisting post-conflict democratization to monitoring the state and service provision. Hence civil society, conceived as a lively non-state sphere rich with associational life, can contribute to democratization: in the Tocquevillian tradition; in Putnam's sense where the creation of social capital can contribute to development; and in a Habermasian sense where civil society is understood as a space for civility, tolerance and debate. Thus civil society can potentially counteract divisive sectarianism (cf. Kostovicova, 2010, p. 371). Spurke summarizes the complexity of approaches to analyzing civil society under two headings: actor-centred approaches that prioritise the performance and features of civil society actors, and functional approaches that hone in on the functions that civil society performs (2010, p. 20-5). However, civil society can both contribute to and

undermine peacebuilding and statebuilding efforts. Therefore, although conceptualised as a space for civility, tolerance and debate (and thus an alternative route for restoring trust in multiethnic communities after the conflict) ethnic divisions have often been replicated and reinforced at the civil society level, as for example in Kosovo (Devic, 2006). Civil society, or more precisely its illiberal or ‘uncivil’ segments, have emerged as an obstacle to interethnic reconciliation (Kostovicova, 2006). They have thus underwritten rather than ameliorated the institutionalisation of ethnicity, as in Iraq or Bosnia-Herzegovina. Similarly, its role as a generator of political alternatives, as a monitor of government and state (Linz & Stepan, 1996, p. 18, Brinkerhoff, 2007), and as provider of policies and services enabled by external actors has been compromised in post-conflict contexts. Scholars have attributed civil society’s inability to shape governance outcomes variously to: historical legacies of illiberal regimes (Howard, 2003); the sidelining of indigenous social organizations due to the international actors’ bias towards engaging with NGOs (Howell and Pearce, 2001, p. 114, Pouligny, 2005); and the ‘projectization’ of civil society, whereby externally-driven policies of civil society building result in the proliferation of NGOs, as driven by donors’ priorities (Sampson, 1996).

The state-society relations perspective to statebuilding has certainly opened up an insightful analytical avenue. It shifted attention to the non-state explanation for challenges of building democratic and sustainable states after conflict. Specifically, it revealed that a combination of a weak state and weak civil society—that is, a double weakness—has proved particularly resistant to the transformation from a fragmented and exclusive state to consolidated and inclusive post-conflict statehood. Yet this analytical turn has also revealed its limitations. It has stopped short of questioning the very binaries, which initially facilitated the emergence of the bottom-up analysis as an

alternative approach. It has not questioned either the local-global or the public-private distinction. Richmond argues that in reality state building confronts alterity and hybridity (2010, p. 173). The transnational network approach, elaborated in the next section, captures this methodological in-betweenness. It offers a conceptual departure from the bottom-up civil society approach and demonstrates that binaries are analytically untenable in the post-conflict context.

### **The transnational network approach**

The post-Cold War era has been characterized by proliferation of armed conflicts in which local rule has been challenged by various non-state armed groups, such as rebels, insurgents and warlords. Whilst commonly referred to as ‘internal wars’ or ‘civil wars’ in the absence of organized inter-state armed violence, these conflicts have been far from self-contained armed struggles. In fact, a distinctive feature of contemporary wars has been their transnationalization in scale, scope and complexity (Kaldor, 1999, Keen, 2008, Duffield, 2001, Eilstrup Sangiovanni, 2005). Several dynamics have been at work behind this process.

One concerns the ideological/political drivers of conflict. Most contemporary conflicts tend to have explicit identity overtones, which have worked to mobilize diasporas as a traditional transnational actor engaging in all stages and aspects of contemporary warfare. Thus, the role of diasporas has augmented and diversified; no longer are diasporas primarily acting as a funder, prudent investor in local economy and lobbyist for a homeland’s political and economic causes, but it is also involved in combat, participates in local governance and pursues other less overt and less palatable causes in a way that can derail peacebuilding efforts.

The second dynamic leading to transnationalization of contemporary conflict is related to the funding strategies of armed groups in the context when the monopoly of violence no longer exists and the depressed local economy cannot provide sufficient resources for war making. Financing violence in a global era forces armed groups, whether non-state or official military force, to search for alternative resources to wage and sustain war, which often involves resorting to illegal and criminal activities (Berdal and Wennmann, 2010, p. 191). These have become the core of a war economy. This in itself implies linking up regionally and globally with organized crime as another typical transnational actor. Throughout conflict zones the world over there is ample evidence of expansion in transborder trade involving smuggling of legal goods, but also in outright criminal activity involving people, arms, precious stones, rare minerals and drugs trafficking as a result of both an active involvement of armed groups as well as the increasing presence of organized crime itself seeking opportunity to extract profit in a fluid legal framework of conflict-affected states. Consequently, the most important channel through which those countries become integrated into the global economic and financial flows is through a myriad of informal and criminal activities of a war economy.

Lastly, contemporary conflicts are often associated with humanitarian emergencies as complex crisis endangering the local population so that no single agency can provide an effective response (Keen, 2008). Hence, a plethora of international actors tend to be involved in various aspects of ameliorating the impact of armed violence and in working towards its termination—from humanitarian agencies, bilateral donors, and foreign governments to transnational nongovernmental organisations.

The multiplicity of diverse types of actors (including the prominent role of traditional transnational actors such as diasporas, organized crime and a range of non

governmental organizations) in contemporary warfare is only one facet of its distinct (transnational) nature. The other, and by far more crucial one in terms of its implications for peacebuilding, is the changing nature of political authority through the involvement and/or acquiescence of official military, security forces and other government actors in illegal and criminal activities and collusion with their agents.<sup>2</sup> As a result the criminal, conflict, business and corruption agendas of various actors tend to converge through the conduct of the war economy, which results in their extensive collaboration and hence the creation of networks. In some cases a political-business-military-criminal nexus is created through networking, which from its dominant position is able to further enlarge the network by co-opting other social actors, by using patronage and award, and also through coercion and threat.

The involvement of the agents of the state in the networks of actors pursuing their goals through violence is the critical moment that accounts for the promulgation of transnational networks into a force that shapes the transformation of post-conflict societies from within and usurps the consolidation of the post-conflict state (Kostovicova & Bojicic- Dzelilovic, 2008). The sheer diversity of actors involved makes these networks both local and global<sup>3</sup> in their scope. Their operations span state and society, public and private domains. Often, their activity is most vibrant within ‘regional war complexes’ (Pugh et al, 2004) which serve as conduits and as an interface with global actors and flows, and where proximity and pre-war links make mobilization of people, resources and ideological support to networks that much easier. The networks are able to thrive in the context in which informal and criminal practice associated with their agency remains condoned by the wider society in which they are anchored, and where opportunities for securing livelihoods and developmental prospects on a larger scale are constrained.

The presence of ‘criminal networks’ (Reno, 2009) – a term that conjures complex relations which develop through violent pursuit of profit and power under the veil of war—is not always and in every post-conflict site as pronounced as the political-business-military-criminal nexus suggests. But what is characteristic of various concrete local manifestations of transnational networks that survive the conflict is precisely the conflation of a variety of interests and motives driving their participants. A single actor can pursue several motives, for example personal wealth and power, and actors’ motives can—and often do—change due to opportunities that violence creates so that military personnel turn into criminals, or criminals become politicians. Network members move in and out of public office, never abandoning its control. Further, a cursory look at the personal biography of any prominent node in such networks shows the impossibility of clearly deciphering those actors’ roles, and motives as for example criminals, diasporas, warriors, businessmen or public office holders. Networks are held together by a unity of purpose; their participants share an interest in preserving wealth, status, power, authority and influence acquired through the engagement in the war economy but also impunity where crimes had been involved. In so far as war entails social transformation (Duffield, 2001), as David Keen suggests, ‘Where conflict has elevated some groups above the law, they may be reluctant to let go of their new status—a significant motive for keeping conflict going in some form. The point of war may be precisely in the legitimacy it confers on actions that in peacetime would be punishable as crimes’ (Keen 2008, p. 19-20).

Close links between various actors participating in transnational networks are cultivated after the end of conflict, especially since often wartime actors become public office holders. The bonds created through activities of the war economy do not sever easily so that the links with the global (informal) economy and its protagonists

are sustained. Furthermore, the difficult post-conflict economics, which drives informality, provides a fertile ground for networks to exploit the skills and resources acquired through the conduct of the war economy and adapt to new opportunities created through internationally assisted post-conflict recovery. Contemporary warfare ravages infrastructure and production facilities, which set against the territorial fragmentation left behind by political contestation of various armed factions, create formidable obstacles to the recovery of regulated (formal) economy. Economic reforms of deregulation and liberalization pursued with an aim to reintegrate those economies into the global market place provide further incentives to informality, not least by weakening the state's capacity as public goods provider. This enables networks' strategic dominance secured through the control of state office, and allows access to resources—material, human and informational—necessary to sustain the network and its extraordinary capacity to adapt in a complex peacebuilding context. The role of the particular actors (nodes) in this process is instrumental, as the portrayal of the two networks created during Bosnia-Herzegovina 1992-1995 presented in the following section illustrates.

### **The Bosnian Croat network: Ante Jelavic node**

Ante Jelavic joined the Bosnian Croat military force (Croatian Defense Council, or HVO) as a low ranking Yugoslav Army Official. Within months, he was promoted to a rank of General in the army of an unofficial para-state Bosnian Croats had set up to challenge Bosnian statehood. His position as the helm of the Grude Logistics Centre, the central hub for channelling resources to fund HVO military (and civilian) activities during the 1992-1995 war, provided him with strong personal power and influence he used to mobilize the people and resources which would play an important

role in securing the network's firm grip (*Slobodna Bosna*, 29/1/2004) on all spheres of life in the Bosnian Croat-majority areas of Bosnia-Herzegovina along the war-peace continuum. The Centre was a site facilitating activities through which Bosnian Croat military, political and commercial elites mingled with criminals, mercenaries and similar actors combining combat with the deliberate killing and expulsion of civilians, looting, theft and extortion.<sup>4</sup> Their common purpose was framed as the establishment of the Bosnian Croat political entity through armed struggle. To that end, support from Croatia<sup>5</sup> proper was vital, including a supply of resources through the Grude Centre, where those resources comingled with proceeds from illegal transborder trade taking place under the cover of the war. When Jelavic left the Centre to become the Federation Defence Minister, he was succeeded by his trusted cadre, who helped in using the assets of the Centre to set up an engineering company serving partly as a front to continue payment of wages to Bosnian Croat demobilized soldiers (Jelavic Court transcript) thus securing their continuing loyalty. The company in question—Monitor M<sup>6</sup>—would become one of the key sites for various activities the network pursued in order to strengthen its economic standing and boost the personal wealth of its prominent members, including Jelavic himself.

After the Grude Centre was closed, Jelavic's position in the ministry was crucial for some of its cadre's dispersal through various public institutions to enable the network's survival (*Dani*, 14/10/2005). Those institutions included the Federation Defence Ministry but also informal ones created during the life of the Bosnian Croat para-state, which continued to exist under the scenario of ethnic-parallelism<sup>7</sup> in the Federation institutions well into the 2000s. The network's control extended to other key economic and societal Bosnian Croat institutions through the control of key appointments. Public companies (for example telecommunications and utilities),

major manufacturers of aluminium Aluminij Mostar, Mostar University, the Catholic Church; tax and payment offices and so on were all part of the network mobilized by the inner group centred on Jelavic in his role as Defence Minister and later on as a member of the Bosnia-Herzegovina State Presidency (Jelavic Court transcript, *Slobodna Bosna* 19/2/2004).

The post-war period was a time of profound uncertainty regarding Bosnia-Herzegovina's political reorganization and the Bosnian Croat position therein. Jelavic's role in this period was pivotal in setting up the structures aimed at securing the network's economic and political survival. As a Minister, Jelavic helped set up Hercegovina Holding, a commercial enterprise at the heart of which was Hercegovacka Banka, the bank through which the funding from Croatia and the Federation budget was channelled to the Bosnian Croat military structures. As Defence Minister Jelavic was de facto the one having civilian oversight of those structures. The network's penetration into all key Bosnian Croat commercial and societal institutions allowed those elites gathered around the Jelavic node to move in and out of various public offices, while never severing commercial links, which were sustained either through personal involvement or that of their family members and close associates. Privileged access to Defence Ministry contracts and bank credit were instrumental in expanding the network's reach and its economic base. The network's adaption to peacetime circumstances involved a shift to more informal rather than illegal and outright criminal activities pursued in the course of the conflict. Thus tax and customs evasion, irregularities in the public procurement, money laundering, smuggling of high tariff goods and those stolen from across Europe were common practice and were made possible by the network's regional and transnational links. The network's scope of action did not concern boosting its economic and political

capital only; it also invested in symbolic acts aimed to rekindle ethnic sentiments and preserve ethnic cohesion created through war; this involved for example securing funds for the defence of the Bosnian Croats indicted by the International War crime Tribunal on war crimes charges and for the maintenance of their families.

### **The Bosnian Serb network: Momcilo Mandic node**

In April 1992 Momcilo Mandic was appointed Justice Minister in the self-proclaimed Republika Srpska—the Serb-controlled area—immediately after the outbreak of conflict in Bosnia-Herzegovina. In the years leading up to the war, he had demonstrated his ability to combine public office and private business. He was a judge in the Sarajevo Municipal Court, having previously been employed by the local police, whilst running a chain of retail shops, and also co-owning a pizzeria in the city. His rise up the echelons of the Bosnian Serb wartime political leadership allowed him to establish political links with the Bosnian Serbs leaders as well as with those in Serbia. These were critical in the establishment of a system of informal economy that, along with its transnational links, survived the Bosnian war. So has the ideological platform framed by Serbian nationalism, that—beyond the motives of private enrichment—formally united the network, around the Mandic node, that included state officials, secret service, businessmen, at times members of paramilitary units, as well as reaching to links with war criminals and organized crime.

The beginning of the war and the business opportunity it offered beyond the writ of the law did not escape Mandic. Having capitalized on police links, he is thought to have been in possession of hundreds of Bosnia-Herzegovina passports and other identity documents that were fetching thousands of German Marks (DM) as people sought to flee the wanton violence unleashed by the war. Mandic was also at the heart

of a car smuggling affair from the Volkswagen TAS (abbreviated from Tvornica Automobila Sarajevo) factory located in the Bosnian Serb-controlled part of Sarajevo, which provided not just profit but strengthened his position within the regional political-criminal structures. The operation, which involved appropriation and transfer of cars into Serbia and Montenegro included members of the Bosnian Serb and Serbia's political leadership as well as paramilitary units that crossed over from Serbia to fight in Bosnia-Herzegovina (*Dani*, 17/02/2006).<sup>8</sup> In late 1992 by the decision of the Serb Democratic Party (SDS), the ruling RS party, Mandic was relocated to Belgrade to head the Republika Srpska Government Bureau—an institution akin to the Bosnian Serb para-state's embassy. In fact, the Bureau was a hub of activities aimed to support Bosnian Serb war effort and its leadership's self-government agenda in the post-war period through the links with Serbia's political and military leadership (*Vreme*, 2/2/2006). Overseeing it allowed Mandic to use his public office position to advance the standing of the network, and shore up the political and economic fortunes of its members. Some of the key people in the Bureau were Mandic's close allies. For example, the Bureau's Deputy Director was a former Head of the Criminal Police of the RS, who carried out intelligence tasks for Mandic. Other employees included Mandic's fellow villager Jovo Djogo, a former high ranking military commander of the Bosnian Serb Army, who was eventually charged as the ringleader of a group protecting Ratko Mladic, the most wanted (and still at large) Bosnian Serb war crimes indictee (*Slobodna Bosna*, 6/9/2007).

Having moved to Belgrade, Mandic left behind a network of loyal individuals positioned throughout RS intelligence, police, local government and even justice system structures. Mandic's brother was a long-serving Republika Srpska Deputy Minister of Justice shielding Mandic from the threat of persecution as he embarked on

his dubious business dealings. The political and financial capital accumulated during the conflict allowed Mandic to become a key player once privatization got underway after the war. In 1995, he set up a Belgrade branch of the Bosnian Commercial Bank, Privredna Banka Sarajevo, together with the then Bosnian Serb Vice-President, Momcilo Krajisnik. The bank was used for transfers of pensions and retirement benefits earned abroad to Bosnian Serbs but also murky dealings involving for example deposits by Chinese tradesmen related to alleged money laundering operations (Tony Robinson, Court transcripts). Mandic was to become the biggest shareholder of its mother company Privredna Banka Srpsko Sarajevo (Bank), also established in 1995, through complex dealings that involved the network around him. The largest depositors of the Bank were the RS government and its various funds (such as the housing and employment funds). Under the SDS directive, public companies, local governments and even orphanage funds also held their deposits with the Bank (*Dani*, 16/6/2006). Not unlike the Hercegovacka Banka in the Bosnian Croat areas, the assets of the Bank were used by the political elite of the SDS to obtain loans under favourable conditions and open private firms, as well as for other ends. Mandic himself used the Bank to prop up his company ManCo located in Bijeljina, through a series of loans approved on favourable conditions, in breach of due diligence and without collateral (Tony Robinson witness statement ) which allowed him to become the biggest shareholder of the Bank and eventually its owner. The same pattern of the Bank's capital being used to acquire shares in the Bank, through dedicated front companies, can be observed in the operation of this network. One of the key companies in those transactions was Matres—a company set up in 1998 by the municipality of East Sarajevo (the part of Sarajevo that came under Bosnian Serb control during the war) with the assets from the RS commodity reserves. The

document establishing Matres was signed by the then Republika Srpska government's envoy to the East Sarajevo Mirko Sarovic, who subsequently became the mayor of East Sarajevo, the President of the Republika Srpska government and a member of the Bosnia-Herzegovina Presidency (Court transcript Mandic). Mandic was the head of Matres's supervisory board. The transactions aimed at acquiring the shares of the Bank would involve Matres receiving a loan from the Bank (again, in breach of due procedure), which Matres would then use to acquire shares in (mainly majority state-owned) companies that were the Bank's shareholders. Though Matres was a state-owned company, involved in complex dealings with both the state and privately owned firms, RS political leadership was provided with access to the Bank's assets.<sup>9</sup> Among the Bank's preferred clients who failed to repay the loans was the SDS-owned Spektra, which funded the SDS election campaigns. Mandic was a staunch supporter of the SDS even after its demise from power in 1997: he funded the defence of Momcilo Krajisnik in the Hague (Cvijanovic, 2005), paid bail for Gojko Klickovic (former RS prime minister) with the Bank's money, and supported the hiding of Radovan Karadzic as well as some of the top SDS cadre (Mandic court transcript, *Ilustrovana politika*, 23/3/2002).

Mandic's (often informal and illegal) business dealings spanned finance, trade (including the lucrative business of importing oil), industry and catering. They were facilitated by his close links to political-military-business-criminal circles in Serbia and Montenegro, the two countries whose citizenship (besides Bosnian) Mandic enjoyed. It was those links that helped him escape several attempts to charge him with corruption and crime, including war crime charges (*B92*, 8/9/2009).<sup>10</sup> Mandic made an effort to carve out a prominent position in Serbia's and Montenegro's social circles. This included a prestigious directorship of the Belgrade handball team and a

membership in the supervisory board of the Handball Association of Serbia and Montenegro, extending the outreach of patronage-based relations.

In sum, wartime dealings of the Bosnian-Serb transnational networks defy 'orthodox' analysis along public-private or licit and illicit-axes. According to Svarm, '[i]n that bundle of interwoven interests a clear line between policemen and criminals, state institutions and mafia clans was lost. Everyone could be simultaneously both on one and on the other side' (1997). Furthermore, the links between network members multiplied due to criss-crossing ethnic, kin, wartime and business-interests. For example, Mandic was relying on the services of the wartime Chief of Special Police unit of RS, who rose to a rank of the General. He was also Mandic's witness at a wedding, and was employed in different capacities by Mandic, including as a security guard in his restaurant.

## **Conclusion**

The transnational network perspective on statebuilding challenges what has recently emerged as a mainstream answer to the question of legitimacy associated with external interventions. Scholars have posited that external statebuilding policies have not been able to tackle effectively parallel sites of authority that maintain autonomy from the post-conflict state. Hence, the problem of legitimacy has been located in the existence of structures that are independent from and in competition with the state. The application of the bottom-up approach has highlighted the problem posed by enduring local legitimacy of groups and networks that are key protagonists in the conflict. Ultimately, it raised the question of 'bottom-up statebuilding' that comes with the political dilemma and cost of their inclusion or exclusion from formal state institutions (Reno, 2008). However, such explanations are built on the

conceptual dichotomy between the state and society. Therefore, they demonstrate the limitation of the bottom-up approach.

The transnational networks perspective portrays a rather different and more complex reality of the existing configurations of power in particular post-conflict spaces. The analysis of the two networks forged in the Bosnian war demonstrates that a neat division between the public and private, licit and illicit, local and global is untenable in the post-conflict context. Poligny notes that political, economic and military entrepreneurs, as well as indigenous civil societies (including formal social organizations and religious and community networks), are involved in fluid, crosscutting and interconnected networks whose politics, interests and perspectives are not necessarily deducible from their position in the local political order (2006, p. 42-95). Our transnational network perspective demonstrates that actors comprising the network at one and the same time operate as purveyors of public and private interests, deriving from licit and illicit practices, and whose local impact is framed by global dynamics. Such conceptualization of transnational networks as operating at the intersection of the state and society has a rather different policy consequence than one that sees networks as an alternative to the state.

In fact, to think of transnational networks as an alternative to the state assumes that the states are willing partners in ending illegitimate practices and sanctioning their protagonists. By contrast, our conceptualization of networks, which requires looking beyond the state-society dichotomy, raises the question of the transformed nature of the post-conflict state in a global era. This is the state in which the distinction between the public and private, and legal and illegal is blurred. The state itself, which in the course of the war became deeply enmeshed with various non-state (including criminal) structures, local and transnational through the conduct of the war economy

is involved in violating the very rules it sets and is supposed to enforce. State agents in what becomes a functionally weak state have an interest in maintaining the *status quo* while preventing its failure. To keep it in a state of persistent weakness, transnational networks (of which state agents are a part) focus on mobilizing and appropriating both local and international resources. The local state underwritten by those networks maintains a degree of legitimacy among the public through its capacity to provide a modicum of public goods within a framework in which ideological cohesiveness rekindled by their activity is paramount for the survival of their rule. Ultimately, when it comes to external state building, the undertaking should focus on the deconstruction of structures with little interest in building a system of legitimate rule, which is based on the commitment and capacity to mobilize developmental resources to the benefit of general public.

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## Notes

<sup>1</sup> We use throughout the paper the terms ‘networks’ and ‘transnational networks’ interchangeably.

<sup>2</sup> Extraction of resources from the local population, through violence and extortion is also a strategy to generate resources for warmaking.

<sup>3</sup> This feature of transnational networks, their deep entrenchment within local power structures and the ability to exploit their international mobility are, according to Naim, what gives them an advantage over local or national efforts to combat them (2005, 34).

<sup>4</sup> Through those activities complex relations were formed which did not end with the termination of the armed conflict.

<sup>5</sup> Importantly, a crucial say in the formulation of Croatia’s policy towards Bosnia-Herzegovina belonged to a handful of Croatia’s officials who hailed from

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Herzegovina. Gojko Susak, a long time émigré made a defence minister upon his return to Croatia in 1991, was by far the most prominent figure among them.

<sup>6</sup> The bulk of Monitor M activity set up as state-owned company took place in a foreign country, i.e. Croatia.

<sup>7</sup> Those parallel institutions were important both in pragmatic and symbolic terms. They enabled the network to continue to wield its power despite formal progress in building common institutions of Bosnia-Herzegovina Federation and the central state; at the same time, they kept the aspiration of having ‘their own’ state alive among the Bosnian Croat population.

<sup>8</sup> The trial of the Serb-paramilitary unit ‘Yellow Wasps’ (Zute ose), that was charged with criminal activities during the war, revealed the details of the operation. The unit comprised of the volunteers of the Serbian Radical Party, from Serbia whose leader is currently in the dock in the International Criminal Tribunal for former Yugoslavia (ICTY). This operation is illustrative of a widespread practice of asset stripping and looting in which both official and paramilitary force in collusion or with direct participation of the top political leadership engaged during the war.

<sup>9</sup> Those assets included funding from Serbia proper in ‘support of strengthening Serb Sarajevo (East Sarajevo)’ but also to support Radovan Karadzic, a fugitive from the ICTY (Mandic court transcript).

<sup>10</sup> This was obvious even in the most basic sense of having been able to move freely between two (Serbia and Montenegro were one country until 2006) countries to escape legal sanctions as Ante Jelavic did.

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