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Strategies of livelihood in post-war Bosnia and Herzegovina: A study of the economic predicament of returning home

Vareš case study

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**Introduction**

In recent years, the repatriation of refugees has been frequently viewed as one of the key elements in international peace agreements. In an attempt to find sustainable solutions to protracted conflicts, international actors increasingly focus their efforts towards reconstitution of societies fragmented by violent conflict. Bosnia and Herzegovina exemplifies one such case. The structure of the Dayton peace accord on the paper offers more than just a traditional peace treaty consisting solely of a ceasefire, arms reduction and the boundary demarcations agreements. The aim of the Dayton peace accords have not been only to stop the fighting, but essentially to reverse the effects of ethnic cleansing and provide a blueprint for a new multiethnic state. In its Annex 7, Chapter 1, Article 1, DPA states that, “all refugees and displaced persons have the right to freely return to their homes of origin. They shall have the right to have restored to them property of which they were deprived in the course of hostilities since 1991 and to be compensated for any property that cannot be restored to them. The early return of refugees in an important objective of the settlement of the conflict in Bosnia and Herzegovina”\(^1\). In theory, Annex 7 should hold a key to successful creation of a society based on the pre-war multiethnic Bosnia-Herzegovina model of coexistence.\(^2\)

However, in practice the repatriation of refugees and internally displaced persons (IDPs) is confronted with numerous obstacles related to the post-war political and economic realities of the Bosnian society at large. Without meaning to underestimate the political context in which the returns occur, the thrust of analysis in this paper is placed on the economic context of the same. The first part of paper presents a current macroeconomic and social overview of Bosnia and Herzegovina. The macro overview provides a backdrop context for a limited but in-depth study of the return to town of Vareš of people displaced to other parts of the country or abroad, presented in the second part of the paper. While the macro economic and social overview is conducted primarily through the use of existing primary and secondary sources, the

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\(^1\) See Dayton Peace Accords

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in-depth research through interviews was conducted in order to encapsulate types of survival strategies that are developed by the returnees to the town of Vareš. Vareš is the epitome of a medium-size Bosnian town where a specific industry, now either closed or working at reduced capacity, had dominated the economic landscape and the employment options in previous times. The focus of the study was a specific population group; in this case the Croat returnees of various professional backgrounds. Vareš is also one of three towns along with Srebrenica and Stolac, which the OHR has selected for reconstruction, although there is no reporting of progress to date. The paper looks at the strategies returnees develop in order to survive in the new economic circumstances, but also deals with other legacies of the tumultuous changes such as destruction of the middle class, emergency of the new riches, and very limited capacity of various institutions to meet the needs of repatriating people. The paper also touches upon the issue of inter-ethnic relations in the arena of economics in order to make a livelihood. The second part of the paper is a qualitative one, based on personal interviews with persons known to me through previous acquaintance and conducted in an open and informal manner. Those interviewed were all Croats. It presents a compact view of these returnees’ predicament and their coping strategies after return. As the number of informants is limited, this can be seen as a pilot study which offers a point of reference with which to base a subsequent, broader enquiry into strategies of livelihood in Bosnia and Herzegovina

**Macroeconomic analysis of the situation in Bosnia and Herzegovina**

In 1989-90 Socialist Republic of Bosnia and Herzegovina, as well as the rest of the Socialist Federative Republic of Yugoslavia, was embarking on a long and uncertain path of economic and political transition. However, during 1991-92 the transition, still in its embryonic stages of implementation, was abruptly halted by an outbreak of

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3 According to World Bank research Vareš had the highest proportion of university educated per capita in Bosnia and Herzegovina. World Bank Conference on poverty reduction, Bosnia and Herzegovina briefing by Dino Đipa, Mirsad Muzur and Paul Franklin Lytle, Helsinki, Finland, 05-09 May 2002.
war, first in Croatia and then in Bosnia and Herzegovina as well. The current delicate economic situation in Bosnia and Herzegovina should be hence observed as a result of both legacies; lack of genuine economic transition on the one hand and the destruction of existing economic potentials during the war on the other. Breakdown in the production process, the loss of common Yugoslav market and inability to regain the old market position in a new circumstance together with the destruction of infrastructure, the fragmentation of internal economic space, brain drain, and the loss of workforce represent a matrix of factors that has led to the asphyxiation of the potential for sustained economic progress in Bosnia and Herzegovina.

The macroeconomic indicators can help one to better comprehend the gravity the Bosnian economic present. For example, on the account of per capita GDP comparison, the country is today 65% poorer than it was just before the onset of the conflict and it is close to the bottom of all regional rankings. Total war damages are estimated at around US$ 100 billion. It is only due to generous donor support in post war years that Bosnia and Herzegovina has achieved a relatively high economic growth, but this should not be surprising given the scant state of Bosnian economy at the beginning of donor assistance. The international community has pledged US$ 5.1 billion, of which 80% reportedly either was implemented or is currently under implementation. The result was a GDP per capita climb from US$ 456 in late 1995 to US$ 1,093 by the end of 2000. However, macroeconomic indices point out that the economic growth rate has declined from 10.5% in 1999 to 5% in 2000. The predicted economic growth rate was 6.5% for 2001, although conservative projections stood at 3.5%. The production level is not expected to exceed 50% of the pre-war level, while the official unemployment rate remains around staggering

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4 One could argue that my identity could have affected the informants. Or to be more precise, their perception of my identity could have affected the nature and the depth of their answers. Yet, it is hard to speculate how their perception of me was formed and to what extent it really influenced their answers.


7 Ibid. However, local economic expert purports that even in the best cases maximum 60% of the initial donor aid made it to the recipients. Intervju Dana, “Žarko Papić: Tok pohovina donacija dode krajinom karticima”, BiH Dani, broj 242, Sarajevo, 1. February 2002.


9 Ibid.

10 Ibid.
While the public spending was somewhat trimmed in recent years, from 65% of GDP in 1998 to 48% of GDP in 2000, this can hardly improve the overall economic performance, considering that the assistance-dependent economic growth is anticipated to stall with the considerable decrease of international economic assistance to Bosnia and Herzegovina. On the one hand, the estimated reduction of the EU CARDS programme in Bosnia and Herzegovina from 105 million euros in 2001 to 44 million euros in 2004 is likely to further undermine already inadequate macroeconomic performance. On the other, according to the World Bank, even under the most optimistic economic projections and with continued foreign aid, Bosnia and Herzegovina will not gain access to commercial credits before 2006. Already bleak picture is further coupled by the fact that the foreign debt servicing is estimated to climb from 75 million euro in 2000 to nearly 120 million euro in 2003.

One of the key indicators of the gravity of the current Bosnian economic situation is the non-diminishing size of trade deficit. The calculated average annual trade deficit data for 1998-2001 remains at 50% of GDP. While the financing for working capital and investment to the business sector are drying up, the consumption rate has grown through personal bank loans. However, the relative confidence of the banking sector does not translate into array internal business activity. On the contrary, banking sector in the country, more than 50% of which consist of foreign investment, is explicitly noncommittal about use of deposits within Bosnia and Herzegovina proper, mainly opting for placing them abroad instead. Lack of trustworthy and reliable companies is frequently stated as the main reason for the

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11 Ibid.
16In 2001, Bosnia and Herzegovina’s foreign debt stood at KM 4.3 billion (about 2.1 billion euros at a fixed rate 1 euro= 1.95 KM) or about 45% of annual GDP. Causević, Hrelja et al, “Human Development Report 2002- Bosnia and Herzegovina”, UNDP, Sarajevo 2002, p. 19.
19Ibid., p. 21.
Lack of trust is frequently associated with the presence of undeveloped management structures, as well as with a particularly ambiguous situation in which enterprises find themselves under the process of privatisation. This process contributes greatly to a domestic inability to meet the demands for even basic food and clothing. In return, this is mirrored in the large trade deficit figures. In the given situation, many Bosnian firms suffer from acute lack of capital investment and financial liquidity needed not only to jump-start production, but more importantly to acquire new technologies in order to become competitive regionally. Part of blame for the situation can be directed towards the international institutions active in Bosnia and Herzegovina, particularly the World Bank, who insisted on the mass privatisation of the state enterprises through a voucher model before any additional international investment was to be considered. Certificates or vouchers were issued by the Entities to citizens on four basis: general claims, old foreign currency savings, instead of all pension arrears and in place of salaries to members of the armed forces. In most of cases, privatisation has been reduced to mere transfer of papers through the system of vouchers, often under ambiguous circumstance, while very little fresh capital was injected into firms. Many of these firms due to lack of real capital investment are anticipated to go bankrupt and many workers made unemployed in the months to come. At the end of the “privatisation” out of planned 1031 firms 765 firms were “sold”. In the last two years 55,000 citizens of the FBiH acquired shares of various firms, while some 400,000 bought the shares in the privatisation funds. Every second firm is sold to citizens and investment funds who lack the money to restart the production. Otherwise, the vouchers are frequently sold in the black market, usually for three percent of their nominal value. Six years on, there is very little left of big state enterprises to invest into, while

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20 Wright, Robert, “Survey- Bosnia and Herzegovina: Progress being made at only modest pace: The country’s problem is no longer one of violence but one of political and economic paralysis”, The Financial Times, December 20, 2001.

21 The analysis of the situation in Bosnia and Herzegovina's textile industry concludes that given the relatively high-cost environment, only the companies who sustain investments in both factories and innovative products will be able to compete for a share of international market with the low-cost industries from South East Asia. For more see FIPA, “Bosnia and Herzegovina Textile and Clothing Industries- Profile Report”, as quoted in the European Security Initiative, “Western Balkans 2004; Assistance, cohesion and the new boundaries in Europe: A call for policy reform”, Berlin- Brussels- Sarajevo, 3 November 2002, p. 7.

22 The vouchers became a way of writing off public debt to citizens.

unemployment is still heading upwards. Instead of investing into facilitating the production activity, the World Bank’s actions are now mainly reduced to funnelling money into the social programmes in order to buy social peace, at the same time further exacerbating already problematic public spending the country.

The ‘paper’ privatisation and destruction of the former state enterprises, and the inability to facilitate a new industrial production threaten to further exacerbate already complex economic and social picture of Bosnia and Herzegovina. Although, the official figures put unemployment at 38% the reality seems to be much bleaker. The official figure does not include the wait-listed people otherwise known as ‘na čekanju’. This is a category of labour force who do not actually work, but still receive a minimum wage and a recognised social contribution. Despite the lack of work, they statistically count as employed. 7% of the Federation of Bosnia and Herzegovina's labour force and 12% of that of Republika Srpska (RS) are officially on the waiting list. This numbers added to the official unemployment figures would give estimated unemployment numbers at around 43%. Additionally, the negative employment trends are predicted to continue as the transformation of the languishing state-owned companies is estimated to produce at least 50,000 additionally unemployed by 2005. More conservative predictions keep the number at 76,000. Reports estimate that the flourishing grey economy may account for as much as 60% of GDP and for 20% of officially unemployed persons. The grey economy “buffer effect” could explain the lack of social unrest despite the overly rates of unemployment in the country. However, most of the grey economy exist in the service sector and is associated with provision of services to a vast international presence in the country. The fears are that with the started reduction in international presence a big part of grey economy would directly translate into real unemployment in the country. One is left with little for imagination when it comes to likely

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24 See I-PRSP, p. 6
26 Wright, Robert, “Survey—Bosnia and Herzegovina: Progress being made at only modest pace: The country’s problem is no longer one of violence but one of political and economic paralysis”, The Financial Times, December 20, 2001.
repercussions of an increasing unemployment in an already explosive social situation of today’s Bosnia and Herzegovina.

The economic fundamentalism and lack of sense for local economic realities on the behalf of international actors are not the sole cause of the continuous Bosnian economic demise. Rather, they are a fragment of a very complex economic situation. A paramount obstacle to the development of export oriented business lies in the current lack of legislative and coordination structures at the state level to take care of accreditation, standardisation, measurements, certification, and testing of the products in the country. As a result, there is a EU ban on meat and animal products as well as for the exports of vegetables and seeds from Bosnia and Herzegovina. In the industrial sector, the firms from Bosnia and Herzegovina who wish to export to the EU have to initiate and pay for the whole standardisation procedure themselves.\(^\text{27}\)

The predicament is further exacerbated by the fact that Bosnia and Herzegovina has signed a free trade agreement with Croatia, Slovenia, Yugoslavia, Macedonia and Turkey, which is restricted by the adherence to the technical barriers treaty (TBT) of the WTO.\(^\text{28}\) Given that most of Bosnia and Herzegovina’s firms currently lack the ability to comply with the TBT stipulation as well as the competitive edge needed to enter the market race, the premature implementation of the free trade agreement is likely to have unforeseen consequence for the economic prospects of Bosnia and Herzegovina, probably spelling out an end to domestic industrial activity for a foreseeable future.

One positive sign, however, may be the development of organic food production farms, in numerous places sponsored by international aid and development organisation. Although currently small in its overall contribution to economic growth, this type of agricultural production could become a new pillar of BiH

\(^{27}\) As elaborated by an expert, when it comes to the industrial production, a firm has to employ a European consultant to conduct the whole process of standardisation and then to contact and pay to a certifying body in the EU before any exports can take place. In other countries, Hungary for example, the whole process is centralised and monitored at the state level. As a result, Hungary exported 10.4 billion euro worth of industrial products certified CE in 2001. At the same time Bosnia and Herzegovina exported few million euros, mainly through bilateral firm to firm dealings, of the same type of products. See Marinković, Radomir, “Predavanje u Centru za strateške studije Forum Bosna”, transcript predavanja, Sarajevo, 8. Juna 2002.
economic growth in the future. Yet, it is still to be seen how this type of investment in agriculture fits in the BiH’s ambition to soon join the EU. 29

**Overview of the social situation**

The macroeconomic processes have a direct influence on the social situation in the country. In the adverse economic situation, the most affected and vulnerable categories are the internally displaced and returnees, the elderly, the unemployed and their families, the physically and mentally impaired, war veterans and soldiers’ widows. Currently in Bosnia and Herzegovina, there is very limited social assistance due to nearly non-existent capacity to deliver social welfare payments and services. UNDP in its Early Warning System suggest that 24.6% of the population in Bosnia and Herzegovina had less then 300 KM 30 a month in income by the end of 2001. 31 At the same time, 38% of the population in the BiH and 50% in the RS could not afford the standard consumer basket for four. 32 The average salary in the Federation was 458 KM and in the RS 332 KM, while the average pensions were 170 and 110 KM, respectively. 33 21.3% of the population in the Federation and 29.6% in the RS were by the end of last year considered to live in extreme poverty, while 9.4% and 21.8% respectively claimed they could not afford food. 34 A further 39.7% in the FBiH and 49.1% in the RS said they had enough to eat but could not cover clothing needs, while 40.8% in the FBiH and 25.9% in the RS could afford food and clothes and even save a bit. 35 Assistance provided from government institutions is not significant by comparison: only 2% of the population receives social assistance, and 4% receive an allowance for children. The elderly receive a lion’s share of social assistance.

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28 Adherence to the TBT is paramount when it comes to technical rules for products and standards. Marinković, Radomir, “Implementacija ugovora o slobodnoj trgovini koje je Bosna i Hercegovina potpisala sa pet zemalja jugoistočne Europe: Sadašnja pozicija Bosne i Hercegovine”, nacrt dokumenta, 09.07.2002.
29 The point is raised within the context of the problematically inflexible EU’s Common Agricultural Policy and in light of the agricultural downsizing newly joined member states have to undergo in the period of accession. (1EURO= 1,96 KM)
30 Early Warning System, “Bosnia and Herzegovina 2001”, Maurer et al., UNDP Sarajevo, p. 11.
31 Ibid.
32 Ibid., p. 30-31.
33 Ibid., p. 32.
34 Ibid.
35 Ibid.
(57%) and humanitarian aid (44%).\textsuperscript{36} Estimates show that the largest and probably the most regular form of assistance is in the form of remittances from relatives living abroad, including pre-war migrants.\textsuperscript{37} Such remittances, sent in some cases over many decades, may be one of the factors accounting for the higher living standards of the populations of West Herzegovina and north western Bosnia.\textsuperscript{38} The complexity of the overall situation should be viewed through the recent findings that social division seems to increasingly overlap not only with the regional but also with the national identities. According to the World Bank data, Croats in the Federation are least likely of all to be at risk of falling into poverty, while this risk is greatest for the Serb population in the RS. The RS is poorer than the Federation: within the Federation, the Croat-populated cantons, as well as the Sarajevo canton have the lowest poverty rates.\textsuperscript{39} Although it has not been given much attention until recently, this kind of ethno-regional economic stratification should be taken into consideration when analysing the reasons for low rates of voluntary repatriation within Bosnia and Herzegovina.\textsuperscript{40}

One of the notorious legacies of the recent war was the murder and expulsion of civilians from their homes. The process of return has been gradually increasing, although until recently it has been relatively slow. By 2002, internal returns, in official figures, amount to 368,898 persons or 30\% of the 2.2 million forcibly expelled during the war.\textsuperscript{41} Out of that number of returnees, 79.28\% pertain to the FBiH and 19.83\% to the RS.\textsuperscript{42} Around 372,200 refugees have returned to BiH since the signing of the DPA.\textsuperscript{43} However, there are still 613,700 refugees remaining outside of BiH.\textsuperscript{44} Among those who returned to BiH, 92.12\% returned to the FBiH while 7.88\% returned to the RS.\textsuperscript{45} Of those returning to the Federation, 73.18\% were

\textsuperscript{36} I-PRSP, p. 6.
\textsuperscript{37} For a more detailed analysis, see Hrelja, Kemal et al., “Human Development Report 2002- Bosnia and Herzegovina”, UNDP, p. 22.
\textsuperscript{38} Ibid., p. 53.
\textsuperscript{39} World Bank, “Poverty and Inequality in BiH: The Legacy of the War”, December 1999.
\textsuperscript{40} The term regional divide encompasses also urban/ rural divide, acknowledging that people in towns generally better off that most people living in the villages in various parts of the country.
\textsuperscript{41} Hrelja, Kemal et al., “Human Development Report 2002- Bosnia and Herzegovina”, UNDP, p. 73.
\textsuperscript{42} Ibid.
\textsuperscript{43} Ibid.
\textsuperscript{44} Ibid.
\textsuperscript{45} Ibid.
Bosniaks, 20.30% Croats, 5.53% Serbs and 0.99% were ‘others’.\textsuperscript{46} In the RS, out of all returnees, 84% were Serbs, 19.94 Bosniaks, 7.74 Croats and 1.49 were ‘others’.\textsuperscript{47} Between Dayton and 21 March 2001, there were 210,759 registered minority returns, which is 28.4% of the total returns to and within Bosnia and Herzegovina. 71% of them were to the FBiH.\textsuperscript{48} The numbers clearly highlight the difference in the two entities minority return policy, where the authorities of RS until recently through administrative and practical measures, obstructed the returns of both Bosniaks and Croats to RS. The similar obstructions also occurred in the Federation, although to a lesser extent.\textsuperscript{49} There are currently 555,700 Internally Displaced People (IDPs) in Bosnia and Herzegovina. Of that number, 283,900 are in the FBiH, 248,300 in the RS and 23,500 are in the District of Brčko.\textsuperscript{50} The relative failure of the repatriation policy needs additional clarification. There are numerous cases, more frequently in the RS than in the Federation, where the local ethnic elites have built housing in order to facilitate the conditions for their ethnic community, originally from other parts of the country, to permanently settle down in a new region. But this is only one in the array of factors. The slow implementation of the property law in both entities has been a serious hurdle to the return of refugees and the IDPs until recently. The reconstruction of homes is another problem. Reportedly, the available donor assistance, both in money and in kind, is sufficient to sustain only 10\% of voluntary returns.\textsuperscript{51} For many returnees the investment of both time and money into repairs of home while having to provide for one’s family is a serious challenge which may send returnees deeper into poverty.\textsuperscript{52} Employment of those who have recovered their property, especially those in a hostile environment is a pressing problem for which there seems to be no clear solutions. Given the overall situation, it is not surprising that 62\% of the young people state that they would leave the country today if given

\textsuperscript{46} Ibid.
\textsuperscript{47} Ibid.
\textsuperscript{48} Ibid., p. 74.
\textsuperscript{49} It is likely that a greater proportion of the minority returns in the Federation are accounted by the returns of the Croats displaced from areas in Central Bosnia during the Bosniak- Croat war in 1993-94. When it comes to Serb minority returns to the Federation, figures will be probably looking less optimistic. Yet, the real assessment of the situation could be made only after the country census in Spring of 2004.
\textsuperscript{50} Ibid., p. 73.
\textsuperscript{51} ICG estimation as quoted in Hrelja, Kemal et al., “
\textit{Human Development Report 2002- Bosnia and Herzegovina}”, UNDP, p. 76.
\textsuperscript{52} Ibid.
the opportunity. The brain drain that occurred during the war has continued after the hostilities had ceased, while now the young people are in search of prospects for a better future. The figures tell us that between January 1996 and the end of March 2001, 92,000 young people left Bosnia and Herzegovina. Additionally, after six years of peace, many people are still on the move, this time in search of economic opportunities elsewhere as the old industrial centres of the country remain void of economic activity. However, a correlation between repatriation outcomes and the post-industrial migrations within Bosnia and Herzegovina remains scarcely researched and thus calls for more academic attention.

The Vareš case study

Local History

The town of Vareš is located in central- eastern part of Bosnia-Herzegovina. It has a long history that dates back to the times of the last Bosnian kings, some five hundred years ago. Already during the Ottoman times, Vareš became known for its rich findings of the metal ore and skilled craftsmen. Nonetheless, a real industrial revolution in Vareš took place with the arrival of Austro-Hungarian Empire to Bosnia and Herzegovina. From 1884 onwards, Vareš emerged as one of the main heavy-industry centres of Bosnia and Herzegovina. The iron-ore smelter and steelworks were built, while the iron-ore mining was intensified. The town had its own power plant, a few wood-mills, a furniture factory, railway Duboštica- Tuzla, Vareš- Podlugovi, water-supply and sewage infrastructure, and a primary school.

After War World II, a factory for spare parts for industry was opened in Vareš. There was also a military firm “Zrak”, textile firm “Elkroj”, a new wood-mill and a furniture factory, led and zinc mines and a transport firm “Autosaobraćaj”. At the

53 Ibid., p. 42.
54 Ibid., p. 42.
56 Under the concept of post-industrial migration I refer to the process of migration in a search for the economic opportunities. These, in BiH case, take place parallel with the migrations that are related to repatriation of IDP’s, and not always easy to detangle from each other.
peak of industrial development the Vareš economy employed an estimated 12,000 workers from the region. However, the collapse and total fragmentation of the Yugoslav planned economy and the political upheavals of the late 1980s and early 1990s affected all industrial centres in Yugoslavia. Vareš’ industry came to a stop as the demands for raw materials and finished products alike dried up in the turmoil of the Yugoslav break up. As the result, all of the heavy-industry production came to a halt already in the second half of 1991, while most workers were put on the waiting lists at the job centre. The economic collapse was one of early omens of a more encompassing breakdown of society, as the violent conflict spread around the country in 1992.

During the war, Vareš authorities changed a few times; each change was marred by alleged atrocities that poisoned the relationship among its inhabitants. From July 1992, Croat-led HVO took power from an elected SDP government of Vareš. From then on, Vareš became the most eastern Croat-controlled enclave in Bosnia, surrounded from three sides by Bosniak territories and a Serb one on the fourth side. In addition, it was located on the strategic road connecting Bosniak-run territories in central Bosnia with mainly Bosniak-controlled territories in the North-East of the country. When the conflict between Croats and Bosniaks escalated all over the country, Vareš became engulfed in it as well. At some point in October 1993, a Croat HVO special military unit “Maturice” from the town of Kiseljak arrived to Vareš. The pretext for their arrival apparently was an attack of the Army R BiH on the Croat village of Kopijari near Vareš in late September 1993. The newcomers took over the command from the local HVO commanders, attacked and following combat massacred 38 civilians in a nearby Bosnik village of Stupni Do. The village was set on fire afterwards. This event was then in turn taken as a pretext for the Bosniak-led Army R BiH offensive on the Vareš region. Fearing revenge, most of Croat and the few remaining Serb civilians fled from the town in the first week of November 1993. The extreme Islamic elements of the 3rd Corp Army R BiH from Zenica killed a number of remaining Croat and Serb elderly civilians upon their arrival, looted the
town and systematically burned most of Croat and Serb villages in the municipality. In the aftermath of the take-over, the local branch of the Bosniak-nationalist SDA party assumed power in the municipality of Vareš. After the signing of the Washington accords in 1994 and the Dayton accords in 1996, Vareš was placed in the Bosniak-dominated Zenica- Doboj canton. Since then, a partial return of the previously displaced population took place in Vareš. Unofficial data from 1999 paint a new demographic picture of the town of Vareš, while the data for the whole of municipality is yet to be gathered. The change of ethnic ratios is not a unique process pertaining only to Vareš. The war reversed ethnic ratios in many municipalities, Vareš being one of many. Frequently, the process has been further cemented by the actions of the political elites of the emerged majority who obstructed returns from groups who are presently in minority.

According to the available data from 1999 there were 4,280 Bosniak (71%), 1,540 Croat (25%) and 203 Serb (3.4%) residents in the town, changing the pre-war composition in which Croats were in majority.\(^{58}\) One of the reasons for the relatively low rates of returns could be found in the obstructive administrative actions of the locally dominant Bosniak SDA party in the past\(^{59}\), where returning Croats may often feel at a disadvantage, also in hiring practices. The overall drastic economic implosion and lack of prospects for a revival of Vareš are other crucial factors to be considered in the complex return dilemma. The citizens of Vareš have to cope with the reality of being the poorest and least developed municipality in the one of the poorest cantons in the Federation.\(^{60}\) It is perhaps only when analysed together the

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\(^{57}\) According to the census from 1991 in the town of Vareš there were 3,420 Croats (53%), 1,095 Bosniaks (17%), 656 Serbs (10%), 979 Yugoslavs (15%) and 321 Others (5%).

\(^{58}\) According the census from 1991, data for the municipality Vareš, there were 8,982 Croat (40.6%), 3,630 Bosniak (30.38%), 3,630 Serb (16.41%), 2,049 Yugoslav (9.26%), 741 Other (3.35%) residents. In the town itself there were 3,420 Croat (53%), 1,095 Bosniak (17%), 656 Serb (10%), 979 Yugoslav (15%), 321 Other (5%) residents. Source: [http://hdmagazine.com/bosnia/census.html](http://hdmagazine.com/bosnia/census.html), visited on 11/06-2003.

\(^{59}\) The Bosnian weekly BH Dani published the transcript of discussion between the President of the Bosnian Presidency, Alija Izetbegović, and the President of the Vareš war council and the member of the SDA BiH executive council, Mervana Hadžimurtezić.

In the transcript President Izetbegović clearly instructs Mrs. Hadžimurtezić to obstruct the Croat returns to Vareš by treating them as guests in the town with no rights to residency. Moreover, in the transcript Mr. Izetbegović insist on reciprocal returns “person-for person” with the Croat authorities in control the towns of Stolac and Kiseljak. This principle was officially abandoned in February 1998, when the Sarajevo declaration on non-Bosniak returns to Sarajevo was signed, albeit under the pressure from the international diplomatic circles. For the whole transcript and analysis see N.N. “Bošnjaci: Dva segmenta- Polemika Izetbegović- Hadžimurtezić”, BH Dani, Sarajevo, September/ Rujan 1998, p. 32-35.

\(^{60}\) It is stated in the article that only 1,802 persons have a job in Vareš at the present. For more see Mijatović, Suzan, “Vareš i pećen: Pljačka opljčakangaza”, Slobodna Bosna, 19. September 2002, Sarajevo, p.40- 41.
political and economic factors can explain a relatively low rates of return to the municipality.

**Economic transition and the demise of an industrial town**

Although general analyses often point at the war as the immediate cause for the economic turmoil, Vareš is perhaps one of the exceptions to the rule. In the case of Vareš, it was the loss of markets due to collapse of the Yugoslav federation, which made the process of economic collapse certain. The heavy industry came to a grinding halt as the communications and supply routes became extremely disrupted. A mine and a steelwork that towered over the road into Vareš were soon abandoned. “Vareš used to be an industrial town, and now there is no industry,” comments Ivan, a 48 years old former heavy-machine operator in the “Zrak” factory. “The steelwork was the heart and the soul of this town. We used to say that when the steelwork had a flu, the whole town was sneezing!”

Josip’s case was different. An electrician by trade, he worked in Libya with “Energoinvest” until early 1992, when he returned to Vareš to be with his wife and son. “I never received my wages due for the work I had done in Libya. As the overall situation in Bosnia escalated, nobody contacted me from my firm HQ in Sarajevo. At the same time, I also lost all my foreign currency savings placed at a bank in Sarajevo.”

Janja, a 43-year-old secretary by education, recalls, “I remember that beautiful sight, the 3 o’clock river of workers from the steelwork on their way home. One day it just dried up.” On the other hand, not all industry came to a rapid halt. The forestry was still in production. Ljubica, 46 years old, previously one of “Šumarstvo” senior staff, was managing the wood-mill until July 1992, when the Croat HVO fired her due to a ‘differences in opinion’. “Although the forestry was still functioning, the rest of industry was already dead then. I saw my friend and neighbours all on redundancy...”
leave. There was little hope that anything was to improve as the war was gradually spreading onto the territories around us. The war is over now but I still do not see much hope for an industrial recovery.”

Is the war to be blamed?

Ivan lives with his wife and a six-year-old son in the “old town” in Vareš. His wife’s family has owned the house they live in and was partially destroyed during the war. They repaired it after their return to Vareš in 1996. Before the war Ivan worked at first in the local iron-ore mine and afterwards in the “Zrak” factory in Vareš. At that time he shared a house with his parents. In his own words, “Life was not bad then. I had plenty of money to travel for my holidays, even to Spain few times. I used to fix my teeth in Belgrade and regularly changed my cars. Life was generally good then.”

When the war broke out in the country he joined a local HVO unit in order to earn his living. During the demise of the Croat-HVO authority and the arrival of the mainly Bosniak Army R BiH in Vareš, in November 1993, he pulled out with other fragments of the Vareš’s HVO unit to a buffer zone in the Daštansko hills above the town. For a year and a half he and the rest of the HVO soldiers loitered in the few square kilometres buffer zone between the Vojska Republike Srpske and the Army RBiH. There he got married. After the signing of the Washington agreement between the Bosnian Croat and the Bosniak leadership in 1994, and the creation of the “Bosniak-Croat” Federation, he ended up fighting with the HVO units in North-West Bosnia against the Vojska Republike Srpske. “We had no real choice after the Washington agreement was signed. If one was to earn a wage from HVO, one had to go to the front line for a ten days period and then home for a break. The wage was good, DM 300 plus a very good food”, he says. Yet, Ivan adds,” The war is one of the main reasons for the devastation of our economic situation. It made things at the end totally impossible for most of people in Vareš; I had to abandon all my belongings when the time came to leave the town”.

Most of the Croat returnees interviewed agree with Ivan. According to Ljubica, she
and her mother were given ten minutes to leave the house by the Kiseljak’s HVO who were ‘evacuating’ the town ahead of the Army R BiH arrival. “We carried few bags and even that was taken away from us when we crossed over Bosnian Serb territory to reach the relative safety of the Croat-held Kiseljak. We lost everything we owned.”

Josip recalls, “I used to travel all over the Middle East and Africa. I was working abroad and getting paid in foreign currency. Then I could do a lot for my family with that kind of money. The war deprived me of my wages, the savings and the better future. The war was a pretext for some people to get rich at the expense of others. I know the people at the “Energoinvest” headquarters who took our hard earned wages. They now live abroad with their families. As for me, I am unemployed with no serious prospects of getting a steady job. Things are much harder now. Instead I could have been happy now, living a normal life”.

For most, it seems, the war compounded the losses the transition entailed. While the war is not viewed as the sole cause of the current predicament, interviewees see it as the straw that broke the camel’s back, and made things unbearable by facilitating the conditions for illegal transfer of capital and goods often resulting in the total economic deprivation of ordinary citizens.

The displaced: Going back home

More than half a population of Bosnia and Herzegovina was displaced during the war. In Vareš the proportion has been even higher. Many displaced Croats from Vareš were refugees in Croatia, while a number of them were re-settled in the Serb and Bosniak property as internally displaced in the municipalities of Drvar and Stolac respectively. In Ivan’s opinion, “it was the educated elite of the town, now living in Croatia and Western Europe that first abandoned the town. Afterwards, the town was also abandoned by its ordinary citizens who do not want to return back but choose to live elsewhere”. Returning home is widely regarded as the one of the key components of the overall post- conflict rebuilding in Bosnia and Herzegovina. However, the process of return is not identical for all. In some cases people first
return and then seek employment, while for others, the job is a condition for return. Ivan and Janja returned to Vareš in 1996. The same year they had their first child. Starting from scratch was not easy for them. “We moved to my parents house. It was quite destroyed and needed repairing. But we had neither money nor anybody here to help us. Some money came from my brother who works in Germany,” observes Janja. “We fixed the house slowly. There was no money for the repairs. However, in the beginning even without job and my own apartment I refused to go elsewhere. I did not want to occupy somebody else’s house on somebody else’s land. Hence we stayed in Vareš. Some financial support came from my wife’s brother from Germany. Also, I used to see the local road repairers in the town. A few times they brought me a lorry or two of sand upon my kind request. Also, above the town there was an abandoned Bosniak checkpoint. I used to go there at night and dismantle it in order to get the plank wood for the house repairs. Everyone wandered how I was repairing the house, the neighbours were envious and bitter, but nobody offered to help me except one Muslim from a nearby village. I never knew him well, but he offered to fix the facade. I refused him five times as I did not have the money to pay him. He insisted on doing it for free. Many fellow Vareš’ Croats were irritated because of my contacts with a Bosniak then. Now they all do it [cooperate with local Bosniaks] themselves.) These days, when I have a job, I often give something to my Bosniak helper since he is still unemployed,” explains Ivan.

Ljubica returned from a refugee camp at the Croatian seaside to Vareš in 1998, but only after she got a job in Sarajevo. “At first my flat was occupied, so my mother and I lived in the abandoned and partially devastated house of my brother. I sued the illegal tenant in my flat and finally I was given it back in Spring 2001. Many of my colleagues wandered why I have not moved to Sarajevo instead. They cannot understand that I do not want to abandon Vareš. My apartment was quite destroyed when I moved in. I am suing the previous tenant, a local man from Vareš, for the damage, but have my doubts that this will ever be resolved. Regardless of the outcome, given the tumultuous history I do not intend to invest much into the apartment. It is a waste of money, as one never knows what the future will bring.
Marijan, a 66 years old pensioner returned to the village of Borovica, in the hills outside Vareš. He and his wife were one of the first ones to return from Drvar to the destroyed village in 1998. “I was in contact with an Italian NGO. They promised to rebuild my house. They paid a building firm from Zenica for the job. When the boys came here I gave them the instructions and they build me my castle- a house much better then the old one. Now my wife and me can work around house a bit and enjoy our retirement days. However many of my fellow villagers were not so lucky. They returned to the village too late, in the past two years, and received only the building material. Now they have to repair and build their own houses without an external assistance,” Marijan concludes.

A step towards normalisation: getting a job

Besides the housing, job is considered one of the crucial factors in the repatriation equilibrium. Without jobs for returnees it is hard to imagine a sustainable return. However, the returnees have to resort to an array of strategies in order to obtain and keep their jobs. In Vareš the situation is particularly harsh given the high rate of unemployment of the residing inhabitants of the town. The returnees have not been given much choice regarding the employment; Vareš is the town where having a job is frequently considered a luxury. “At first I worked in the forest, some eight months” says Ivan. That was our (Croat) company from Bakovici- Fojnica, which used to come to Vareš in order to cut the forest on the territory the HVO controlled during the war. At the same time Muslims were cutting the forest on the territory of Vareš under their control. My wage ranged as high as DM 600. That was really a lot for Vareš then. But one day, my boss informed me that Muslims blocked all our roads and paralysed our activities. They appropriated all our machinery and tools. That was in 1999. The last two years I have been working in this grocery shop. I get paid DM 280 a month, working ten hours shifts six days a week, plus five hours shifts on Sundays. At the same time, my boss pays four hours contribution towards my state...
pension. He simply cannot afford to pay me eight hours if he is to stay in business. In the past there were two of us in this shop. Manda, a 62 years old lady, was a great trade-person, but she unfortunately had to go. If the business continues to decline so much, this shop may soon go under altogether”. Ivan’s wife Janja is educated to be a secretary, however with a limited work experience. Her story also reveals the vital importance of networks and personal relations as entry points: One of her brothers, who is employed on a prominent international position in Bosnia and Herzegovina, was able to use his social capital in order to assist her with getting a job. “Since recently, I work at the cantonal department for pension and disability insurance. I enjoy the work and the wage is good (KM400), although my status is quite uncertain. The first time they fired me after only four days at work as they simply did not want me there, but they had to reinstate me. Now they are getting another Croat worker from Kiseljak. I am worried that they might try to fire me again,” comments Janja. According to Ivan, “We try to save some money. I would like to buy a new hi-fi. I sold my old one when we returned to Vareš as we needed money for food. I miss it a lot, but I cannot afford to purchase a new one. The most important thing is that my Anto (his son) has food and clothes”.

Lucija, a 32 years of age, is former mining technician. She elaborated on her job circumstance, “I was given (how?) a job as a cleaning lady in the municipality building after my return to Vareš. The job is not bad. I work as a cleaner but I get an acceptable wage and a pensions insurance paid regularly. Considering the overall economic situation of many inhabitants of Vareš, I cannot complain too much. My husband is also employed as a builder. He helps restore the destroyed catholic churches around Vareš municipality.”

Suzana’s story is a fascinating one: Before the war she used to teach in the primary school in a village on the outskirts of Sarajevo. Due to severe health problems, Suzana left with her son for Croatia early in1993. Upon her arrival to Croatia she got a job and continued teaching in a Croatian primary school without a single day of interruption in her employment. In 1998 she left Croatia and was reunited with her
husband in Vareš who had stayed there throughout the war. “The last day of the school, in 1992, the Bosniak headmaster of the school told me that if we survive the war I can have my old job back. In 1998 when I came from Croatia, I called him. He was still alive and gave me my job back without any hesitation. These days I teach both maths and English to pupils at the school and through my work provide some economic security for my family.” Some social relationships, like this one, clearly remained intact despite the war, ethnic polarisation and social pressure to maintain the boundary between groups.

Suzana’s husband Josip, although an experienced electrician, has not been so lucky. Since his return to Vareš from Libya, at the beginning of the war, he has been between without a steady job. The situation has not changed in the aftermath of the war, although throughout the war he remained in Vareš. “I worked for the Bosniak municipal government as an electrician prior to my arrest. After my release from Bosniak detention, I tried to get work as an electrician in the town, but to no avail. Once in 1999 my former friend, now a wealthy man, offered another man and myself some electrification work. He gave us all the tools. Although he paid us each DM 700 per month I knew he earned much on this contract. Next time when I secured a contract for us fixing all electric installations in the Okruglica primary school, he refused to accept the contract. It bothered him that I brought in the contract and knew its financial size. He wanted to keep the biggest chunk for himself as usual, but this time could not hide it from me. Since I didn’t have the necessary tools, I eventually lost the contract. These days I spend most of my time at home and occasionally get to do some smaller wiring jobs in the neighbourhood, but nothing that can provide a steady income”.

Interestingly, Josip as a ‘stayee’ does not talk about tensions between stayees and returnees in general. Yet, he pointed out that the local society of the former prisoners of war and detainees, made up mainly of Bosniaks, refused to acknowledge his status as a former detainee and welcome him into the society. According to him, the issue of his status has political connotations. If they recognise his status as a former detainee, that would be equal to an admission that the Bosniak-authorities of Vareš had run a detention camp after their
he reveal any tensions stayees and returnees?

**Business Owners and Returnees**

Very few interviewees had anything positive to say about the role of private sector in their lives. These are mainly the anecdotes about corruption, nepotism and exploitation. One of the most common comments is that a few smaller groups of people live extremely well in Vareš, while everybody else is suffering economic hardship. The interviewed returnees have often reiterated the proverb, “*Nekom rat, a nekom brat*”. Ivan’s boss came back from Austria at the end of the war. He opened six grocery shops and a restaurant in Vareš. “Clearly he had the capital and hoped to create a small shops monopoly in the town. However, other small shop owners rallied against him, so he had to reduce his costs as well. In the beginning he was paying us full social insurance. Additionally, he would pay us KM 5 in lunch vouchers from his restaurant. He even organised feast of roasted lamb for his workers during the festivities such as Christmas and Easter but he cannot afford these kinds of ‘luxurious’ practices any longer. Other shop owners do not pay any social costs for their workers. People simply accept the imposed rules of the game. These days when big lorries full of products are to be unloaded he pays an extra worker to help me. The other worker gets KM 6 per hour while I get only an extra KM 1 per hour. My boss knows that I need this job and will not complain about the unfair treatment,” is Ivan’s analysis of his situation. “A small group of well connected people in this town control most of the political and economic power. They are abusing the last of Vareš’s natural resources to enrich themselves. Ordinary people from here cannot stop them in that endeavour. We only know that, for example, due to over exploitation of the forest around the water well, the town has lost its drinking water,” claims Josip.

According to the recent newspaper report, some ten lorries of timber leave Vareš on
a daily basis towards private wood-mills in Tuzla and Dabravine. At the same time the state owned wood-mill in Vareš went bankrupt few months ago and laid off some 250 workers, allegedly due to lack of work. To put another spin on the matter, few private firms are cutting private as well as public forests without any permission, planning and compensation. According to the newspapers, the municipality is yet to receive a penny of the earnings for its extrapolated timber, as all of the earnings are funnelled to and via two local families, a Croat and a Bosniak one, both with the same municipal and cantonal political backing.

**Omnipotent ethno-economic segregation: perception or reality?**

In the Vareš case, Croat returnees often expressed the feeling that the present political elite favours Bosniaks when it comes to the employment opportunities. The arguments they forward are similar to the macroeconomic data on employment published in the local press in 1999. The main argument is that the SDA elite who took over Vareš in 1994 never truly relinquished the power and does not have it in its genuine interest to stimulate the returns of displaced Croats and Serbs. On the contrary, they purportedly do all in their power to informally discourage such returns. Ljubica states that she would like to return and work in Vareš, with her old job. “I am willing to resign from my position in the Federal government to work here in the municipality. A few times I have indicated that to the head of municipality, but she indirectly responded that I lack the necessary qualification for the job. The same is with my fellow commuter Matija who works as a psychiatrist in Sarajevo, but at the same time cannot get the job in Vareš. All the key jobs, the post office, electro-distribution and forestry are given to the politically correct Bosniaks, while Croats and Serbs are nowhere to be seen. Last spring I suggested to the head of municipality to meet all of us from Vareš who are working Sarajevo, on the state level of power, in order to discuss and develop various strategies to help Vareš’s economy to come out of the black hole. She never responded to any of us, the

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63 It is stated in the article that only 1,802 persons have a job in Vares at the present. For more see Mijatović, Suzan, “Vareš i pećen: Plijačka opljačkanoga”, Slobodna Bosna, 19. Septembar 2002, Sarajevo, p. 40- 41.
64 Ibid.
65 See appendix I.
According to Ivan, the Bosniak elite controls the forestry business in Vareš. “Bosniaks took over that industry, however there are a few Croats working there as well. You know, they employed our men if they lacked the required skill among their own ranks. Also, some of our workers are re-employed in order to provide with a good PR, being paraded in front of the TV cameras when required, sort of a multiethnic cover-up. On the other hand, there are no Croats or Serbs working in the post office or in the electro-distribution. But, I do not blame Bosniaks only; I also blame our people who refuse to return to Vareš. If more of us returned, we could win more participation through democratic process,” reasons Ivan.

Lucija mentioned a case of a local restaurant owner, a Croat, who recently opened up a fish restaurant on the outskirts of Vareš. According to her story, “the business has been good, many people, including the internationals, go to his restaurant. He has his own fish, good service and a lovely forest surrounding the restaurant. He even built a small swimming pool for children there.” However, she mentioned that last year a group of Bosniaks from the village of Stupni Do came and devastated the restaurant’s interior. As the police did not come, the owner had to use his own gun to fend off the attackers. “It seems that somebody at the top was not happy about this economic success case in Vareš,” reasons Lucija. “Ordinary Bosniaks and us live well together. Few of my colleagues in the firm are Bosniaks, very nice, civilised people indeed. The Vareš’ political elite is the problem. They are just the puppets, while the puppeteers reside in Sarajevo and Zenica,” is Ivan’s opinion. Yet, is currently unclear how many citizens of Vareš share Ivan’s opinion on coexistence and problematic elites in the town.

**New economic realities**

Beside the traumas of the war and the uncertainty of the present, the many returnees have to cope with the realities of the new economic system. The privatisation process and the introduction of vouchers is an aspect of the new economic reality in Vareš as
well. Ivan was given KM 24,000 in state vouchers. KM 19,000 in vouchers were given to him on the basis of his military service, while the additional KM 5,000 were given to him on the basis of his work experience. “The state vouchers are useless. One can sell them for 2-3 % of their nominal value. One could get some KM 600 for my vouchers, at least to buy a new TV. I didn’t want to sell mine for 3% of their real value; this is a question of principles. Instead I invested them in an investment fund, the Bik it is called. The people who established the fund run it as well. It depends on them if it will be a success story. If they go under, my investment will go with them also. Anyway I cannot get the vouchers back now for a while, it is a waiting game. Some funds fail to collect enough money for the start up of an investment, and the vouchers are retuned to their owners. It happened to my mum and my disabled sister. I contemplate selling their vouchers now. Their old TV is bust and they need a new one. From KM 140 pension they cannot afford to buy it. This way they might at least have a new TV, their real only happiness in life just now.”

Ljubica used her vouchers to buy her apartment. “When I was given my tenancy back there was an option to buy my apartment. They calculated the value of the apartment and the years my parents paid a contribution to a common state run building fund. I had to pay the difference in value. I used my KM 5,000 in vouchers, additional bought extra vouchers and paid the remaining 10% in cash.”

Josip is adamant, “This is a robbery of the ordinary people. Hard-pressed people are selling their vouchers next to nothing. Often some people come to Vareš with a car. They buy off the vouchers. Afterwards they privatise state owned firms with these vouchers. They put upfront 10% cash, the rest they pay in certificates, that is apparently how they privatised many firms. I do not know who sends these people here.”

**From strong state to non-existent state structure**

Janja says, “In essence we do not have help from anybody. In the beginning, it was
the church that helped us a lot. But now I feel even they would take from us if there was anything left to be taken.”

She also adds, “My mother in law has a pension of KM 140. For her ill daughter’s medication she pays 20-30 KM a month. She simply cannot make ends meet. There is no state to help them. Also, recently I had appendicitis. I had to take bus to nearby town of Visoko to see a doctor. He gave me some remedy and told me to come back if it hurts again. Before they would probably keep me in hospital for observations”.

In the old socialist system people in Vareš, like in so many other places in Bosnia and Herzegovina, were used to having a strong state that took care of so many common aspects of their living. Today, according to Ivan the state is non existent in many aspects of peoples lives, where perhaps it should be present. “You see the old town of Vareš, many of these traditional Bosnian houses are around 200 years old. They were all under the state protection before the war. Now they are rotting away. Pity. Their owners live somewhere else, while the state is non-existent in that way here in Vares”.

Josip is even more resigned. “I had my savings in the Sarajvska Privredan Banka before the war. I still cannot get it back. I do not even know to whom to turn for advice. I am not alone in this one. There are thousands of people like me all over Bosnia and Herzegovina. My wages for my last year of work abroad from the “Energoinvest” were never paid to me. Parts of “Energoinvest” are still functioning. Some money is still dripping from abroad but I do not know for how long. Many of our jobs were done with a 20 years payment period. Regardless of it all, for the elite who manage the firm at the present I do not exist. The state should be the one to see into my problem. After all, “Energoinvest” is still a state run firm. My last hope is to network with all my former colleges from “Energoinvest” who share my predicament. If there are many of us, maybe we can present our case to one European courts.”

**Relying upon relatives abroad**

With nowhere else to turn, many interviewees mentioned the need to rely upon
financial assistance from abroad at some point in the past five years. Additionally, many talk of a new seasonal tourist trend which twice a year bolsters their economic well being. Ivan says, “In 1997 it was very hard for me and my family to survive in Vareš. My best men from Poreč, in Croatia, had somehow found out about my circumstance and had sent me DM 500. I will never forget him for that, and will try to pay him back that one day. I do not like to ask for money. For a while my wife’s brothers would send us money from Germany. My wife and me used to argue about it a lot, and almost got divorced at some point. She would take the money, but then criticizes me for not being a provider for the family. At the time there were no many jobs in Vareš and I could not steal from others. Now is better, and we will try do not depend on help from any of our relatives and friends again”. Ljubica talks of Vareš in the summer in a nostalgic tone. People come from all over the world. For a short period the town adopts its old dynamics. Former classmates, friends and relatives get together. “From May till September all cafes are full. Our relatives bring presents, but also leave some money here in our hard pressed local economy.”

Ivan’s shop is one of the main points of gathering. Locals and ‘guests’ come too meet there. “Many of our old neighbors and relatives buy not a round, but leave money for few days worth of rounds. Jobless locals and former colleagues, come to shop sit on veranda in front of it and have a beer. In the summer the shop is always full of people from all over Europe.”

**Contingency options**

Often it is the young ones who are attributed with the wish to leave the Bosnia and Herzegovina. However, in the case of Vareš, the brain drain definition can have a much wider connotation. One contingency option that figured in the minds of several informants was to emigrate, in the case nothing improves in Vareš in particular, and Bosnia and Herzegovina in generally.

For a while now Josip has been engaged in tracing his German roots. “One of my grandfather was of a German origin. I think all of his documents are somewhere in
Vojvodina. I am looking into it in order to eventually apply for the German citizenship. I want to take my son and wife out of here, somewhere where there is a solid future.”

Ljubica has an aunt in New Zealand who has been living there for the past 35 years. Apparently according to the New Zealand’s law her aunt has a right to immigrate one of her closest relatives to the country. “My aunt has put me on the list for immigration. I do not want to abandon Vareš, but if things get really bad here I will leave. I am single and would be able to make a swifter transition than many other people around me. I plan to go and visit my aunt for a couple of months holiday in near future.”

Ivan has an open invitation from his best men to come and work in Poreč. “Sometimes it seems like a great idea. Poreč is a tourist resort, there are bound to be some jobs around there. If my wife doesn’t want to go just now, I could send her and my son money for a while, until we see which option is the best for us. On the other hand, life is also hard in Croatia, Germany or Sweden. I am too old to start from the beginning. Who would employ an old mule like me again? At the end, this is my home turf here.”

**Conclusions**

The intense economic destruction during the war and the lack of macro-economic strategies in the post-war period have taken immense toll on the economic prospects of people living in Bosnia and Herzegovina. The situation of returnees to Vareš does not seem to deviate greatly from the situation elsewhere in the country. However, the Vareš case study highlights some of the most burning issues pertaining to economic realities of returns. One of the important conclusions from the case study confirms a fact which until recently was mainly overseen: Although the war exacerbated the collapse of the industry to extreme levels, it is yet doubtful if numerous firms would have survived the economic transition even if the war never happened. However, it is
difficult in hindsight to estimate the scale of difference in terms of loss of industrial production. At present, there is an awareness among returnees that the old industry which survived the war is economically obsolete, but also that there is a lack of innovative ideas to develop new economic initiatives locally.

The post-war economy has spawned the development of a large grey economic sector, which goes hand in hand with the emergence of a new class of entrepreneurs. They are part of a new economic reality of the country, symbolised by the disappearance of state structures, by an *ad hoc* mass privatisation of state assets and the implementation of a crude market economic model in general. While the most vulnerable groups suffer from the lack of state support, the new entrepreneurs are able to amass and consolidate their wealth. They can be divided into two sub-groups. One consists of the ethno-political elites. While the majority of population has suffered total economic loss due to violent conflict, some ethnic leaders used the window of opportunity during the time of semi-anarchy to accumulate capital and assets. In the post-war period the same elites often use the reins of power to protect and increase assets accumulated during the war. The second group is made up of wealthy returnees, once economic migrants or *Gastarbeiter* from abroad, who invest money into small business activity upon their return to the place of their origin. The two groups are the elements that control the local economies and employment prospects, primarily available in the grey zone. The ethnic elites are likely to have a certain political backing from higher instances of power, but at the same time they can influence the economic developments below their level of power. In the past, their actions contributed to economic differentiation in terms of employment prospect between the ‘host’ ethnic group and the returnees. In the present case, however, more data would be required to draw more solid conclusions, but these elites do create an important context in which returning refugees have to re-establish their lives. Another factor is the process of privatisation that played out in the first five post-war years, envisaged to give most inhabitants an opportunity to play a role in the process. However, the returning refugees have used their options differently. While some have invested the state vouchers into privatisation of their own homes,
others have placed them into some of the available investment funds. In other instances, poverty-stricken parts of population may opt to sell them in exchange for a fragment of their nominal value. Overall, returnees expressed dissatisfaction and scepticism with the mass voucher privatisation process and its prospects.

However, a first crucial step in the process of return is to re-acquire housing. The returnees in this study employed an array of strategies to recover their homes. Sometimes, this involved individual efforts to rebuild houses combining economic assistance from a relatives abroad, strong determination and life on the brink of poverty, sometimes also local assistance across ethnic lines. In some instances, the process was one of reclaiming the tenancy right in the court of law and privatising the property through the combination of state certificates and money payment. Returning to a village seem to be much more dependent on NGO assistance. Early returnees received ample assistance both financially and in kind, while the assistance to returnees is now reduced mainly to one in kind. The case in our study would suggest that the timing of return may be another component vital for its outcome.

Another crucial step in returning home is directly related to getting a job and having some measure of household security. In the given economic realities of the country in general, and the local environment in particular, one of the plausible options involves getting a job in the grey economic sector. Obtaining employment in Vareš, as in many other places, ethnic identity is one decisive factor, but also other social identities and networks matter, such as kinship or pre-war friendship, and the obligations and favours which such personal relations can mobilise. Individuals in fact have to rely heavily upon their social capital and informal networks to secure employment. While normal employment with social insurance may be considered a privilege, it seldom takes one’s formal professional merits into an account. In the case of Vares, there is an interesting category of daily migrant workers; these are people, usually professionals with a university education, who commute daily to bigger urban centres to work, sometimes but not always in their profession.
The post-war variety of strategies for survival among returnees reveals two trends, none of them totally new. One includes a financial reliance on remittances from relatives and friends living abroad. Although, this is a practice that has characterised Yugoslav economic migration in the past, the present economic situation and the increase in the number of Bosnians and Herzegovinians living abroad as refugees has provided a new context as well as magnitude to such remittances. In the process, the moral component of remittances that has always been part of migrants’ obligations to kin and others at home may take on somewhat new meanings through the war and the suffering associated with it. Such claims to suffering are not unimportant in relations between those who stayed during the war, those who have returned to stay, and those who have chosen to settle permanently abroad (Hettne and Eastmond, 2000). Relatives and friends abroad may also provide an important anchor for those who see leaving Bosnia as a necessary step. The second trend is than emigration, a form of contingency option that a few returnees seem to consider as a last measure to secure a better future.

In conclusion, the returnees have to deal with numerous problems that range from rebuilding a home, finding a job, dealing with obstructive political elites, and finding their bearings in the new economic system introduced in post-war Bosnia and Herzegovina. Additional negative factors include the drastically reduced guarantee of security previously provided by the state. In the Vareš case, the returnees are forced to learn the rules of the game quickly, make their own choices, and develop new strategies in order to secure their means of existence. Generally, the system that is in place does not offer much in terms of incentives for return and sustainable existence for the majority of inhabitants of towns like Vareš. The presence of the system is a result of an abrupt, lawless economic privatisation that mostly has taken place under the umbrella of violent conflict. In such circumstances, returnees and IDPs tend to be vulnerable groups. Understanding their predicament and following their strategies of survival is probably one of the better ways to also comprehend the state of the peace plan as well as the real nature of the economic transition in the country. This calls for a continued in-depth assessment of repatriation initiatives and the circumstances that
promote as well as obstruct their outcome, locally as well in relation to the wider national and international context.
### Appendix I

**Overall macro-economic data**

Employment data in 1999:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Bosniaks</th>
<th>Croats</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forestry</td>
<td>517</td>
<td>13</td>
<td>530</td>
</tr>
<tr>
<td>Furniture industry</td>
<td>222</td>
<td>60</td>
<td>282</td>
</tr>
<tr>
<td>Autotrans (transport)</td>
<td>63</td>
<td>9</td>
<td>72</td>
</tr>
<tr>
<td>Factory for the spare parts</td>
<td>153</td>
<td>30</td>
<td>183</td>
</tr>
<tr>
<td>Vilko</td>
<td>70</td>
<td>5</td>
<td>75</td>
</tr>
<tr>
<td>JPK (City hygiene)</td>
<td>59</td>
<td>2</td>
<td>61</td>
</tr>
<tr>
<td>Post</td>
<td>30</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>Bobovac</td>
<td>130</td>
<td>0</td>
<td>130</td>
</tr>
<tr>
<td>Smelter</td>
<td>188</td>
<td>17</td>
<td>205</td>
</tr>
<tr>
<td>Electro-distribution</td>
<td>20</td>
<td>1</td>
<td>21</td>
</tr>
<tr>
<td>Amfibolit</td>
<td>18</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Quarry</td>
<td>21</td>
<td>5</td>
<td>26</td>
</tr>
<tr>
<td>Iron ore mine</td>
<td>159</td>
<td>8</td>
<td>167</td>
</tr>
<tr>
<td><strong>Summary</strong></td>
<td><strong>1,650</strong></td>
<td><strong>152</strong></td>
<td><strong>1,802</strong></td>
</tr>
</tbody>
</table>

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