

Speech by the High Representative, Wolfgang Petritsch at the International Forfaiting Conference “The Future of Bosnia and Herzegovina in an Integrative Europe”

Ladies and gentlemen,

Bosnia and Herzegovina in fact the whole Balkans are often seen as a bad news story which few outside the region are willing to listen to any longer. I am honoured that you have taken the time to hear what is happening there.

My work in Bosnia and Herzegovina as the International Community's High Representative can be immensely frustrating, justifying at times the “bad news” label. Grasping, old-guard nationalist politicians – Serb, Croat and Muslim, or Bosniak alike – remain stuck in a nineteenth century time warp and still wield immense influence which can reach the most absurd levels.

This week, for instance, my office is trying to bang heads together on air traffic control – the international authorities who regulate this are fed up of having to talk to three different people in the control tower. As many of you who have traveled in the region know, landing in Sarajevo between the mountains there on an icy day is stressful enough as it is.

The short journey between Austria and Bosnia can appear at times a trek of Saharan proportions when you contrast the attitudes there and the new Europe being built next door. Absurdly small, inward-looking and isolated states – what you are left with if you follow exclusivist nationalism to its logical conclusion such isolated states simply – cannot integrate with the modern world.

There is an anecdote doing the rounds in Belgrade which sums up neatly the shrinking dream of Mr. Slobodan Milosevic's "Greater Serbia" project. Mirjana Markovic, Yugoslavia's first lady, wakes up one morning in the presidential home in Belgrade's smart Dedinje suburb, throws open the curtains and proclaims to her sleeping husband in horror: "Slobodan! There are soldiers all around the garden walls!" Mr. Milosevic replies sleepily: "Don't worry, darling, they're the border guards."

This is bad for business and is borne out by the situation in Bosnia where, nearly five years after the Dayton Peace Accords were signed, unemployment remains high, what wages that are paid are low while the country's trade balance is crippling – exports are 25 percent of imports. Many of the country's brightest people have left. Economic stagnation and the occasional flaring of ethnic hate is driving others – doctors, teachers, technicians – to vote with their feet also.

With the grudges of the war still uppermost in people's minds, the country has great difficulty in moving from war to peace, let alone from its leaden, bureaucratic Communist past to a dynamic free market economy. The writer Slavenka Drakulic put the problem very simply: "This is what war did to us. It brought us to extreme awareness, extreme sensitivity, because belonging to one nation or another could make the difference between life and death."

I wonder how many of you, with any good businessperson's concern for stability, transparency and rule of law, have

invested in Bosnia?

Enough of the gloom. I wouldn't stand before you today, in my own Bosnian "roadshow", if I didn't believe ultimately that Bosnia and Herzegovina had a future in the new Europe. I believe some of you will even be part of Bosnia's future, visiting or running businesses there which I hope will soon fill the shell-scarred buildings in Sarajevo and the rest of the country.

As in the middle of any desert trek, caught in a sand storm, it can appear that you aren't moving at all. But I see some of the dust starting to settle and see real distance covered in a journey that at first looked as impossible as T.E. Lawrence's dramatic desert crossing to Aqaba.

The break-through in Bosnia was a long time coming. It took the many international organisations operating in Bosnia a while to settle in, cooperate and develop their strengths. It took time to identify crucial issues and to pursue those structural reforms that make a difference. The recipe looks simple: coherence between organisations, political consistency, constant pressure and, importantly, muscle. It was only in 1997 that the NATO-led peacekeeping force, SFOR, started supporting the civilian peace agenda, protecting returnees and detaining indicted war criminals. The same year, the High Representative was authorised to dismiss obstructive officials and impose essential legislation.

I also speak at a time where – tantalisingly – once frozen attitudes have started to thaw.

The changes in neighbouring Croatia since President Franjo Tudjman's death have brought about a sea change in that country's relationship with Bosnia and Herzegovina. Under the old regime, the Croatian government did all it could to bolster Bosno-Croat efforts to build a third independent Entity in Bosnia. With President Tudjman's death, all talk of

redrawing borders has ceased. President Stipe Mesic and Prime Minister Ivica Racan have been quick to drop the nationalist ticket, opening that country's own path to Europe.

The elections in Croatia in January showed the beginnings of a realisation which has begun to dawn on everyone's mind in the region – that nationalism makes them poor. Ordinary Croatians ran out of patience with the incompetent and cronyish manner in which the Croatian economy was run, its best enterprises bankrupted and the country – with huge tourist potential – shunned and isolated. Croatians voted the nationalists out of power.

I see the same realisation dawning in Bosnia, albeit much more slowly. In local elections there in April, moderate parties fared much better than expected. The media in both Entities has lost some of its fear and has started to openly criticise officials, especially in the area of corruption. Phrases such as “rule of law” and “European integration” have begun to have real meaning in Bosnia today. Bosnian citizens have started to realise the shallowness and treachery underlying the promises nationalist parties make. These parties appear very much on the defensive, especially of their appalling record in economic reform. I hope that the successes of moderate parties in local elections will gain momentum at the general election in Bosnia on November 11. The changes in Croatia could have real influence on the vote.

For the first time, refugees are returning in significant numbers to their homes. The latest figures so far this year show there have been three times as many minority returns – that is, of refugees returning to areas where a different ethnic group holds sway – compared to the same period in 1999.

Even hardline Serb towns like Foca or Srebrenica, where unspeakable war crimes were committed between 1992 and 1995, now accept the return of their former Muslim neighbours – unimaginable a year ago. The times of Bosnian Serb leader

Radovan Karadzic and his military commander, Ratko Mladic, are over.

We have kick-started the process by turning the politically explosive issue of return on its head, using clear property legislation and rule of law as a means to reverse ethnic cleansing. It is the Serb authorities that are turning out fellow Serb occupants to allow Bosniaks back into their rightful homes, and vice versa in the Bosniak-Croat Federation. Return is now simply a legal issue – no more and no less. On this law much else depends in Bosnia and Herzegovina. If returnees' rights are upheld, no matter how difficult and tense the town or village, then all citizens can assume a level of stability to make plans for the future: their kids' education; starting a business; dropping plans to emigrate.

There are, of course, many politicians and officials in Bosnia and Herzegovina who pay lip service to the Dayton Accords and who continue to push their own projects: namely, attempts to shore up the ill-gotten gains of "ethnic cleansing". Continued house burnings and attacks on decent officials are still all too common occurrences. We meet opposition at all levels in trying to introduce a new curriculum in schools which would promote tolerance and understanding between a new generation of Bosnian citizens. It would be a tragedy for Bosnia's children to grow up with Slavenka Drakulic's "extreme sensitivities", which could spark another war a couple of years down the road.

The people opposing Dayton are playing a losing hand. I removed 22 obstructionist officials in one go in November 1999. In the interim I have had to remove more officials and I will not hesitate to remove others who are preventing the return of refugees to their rightful homes. These removals have sent a clear message. The factors behind increased returns are many and hard to pin down but rule of law has been crucial in creating a climate conducive to return.

Removing officials is, of course, hardly a shining example of democracy at work. It jars with the philosophy underlying all my work in Bosnia and Herzegovina, that of "ownership". It is Bosnia's citizens who must take responsibility for their future, it is they who "own" the peace process. I'm all too aware that simply imposing laws imperils the creation of a functioning civil society.

Let me be perfectly clear. I am certainly no proponent of a colonial solution to Bosnia and Herzegovina. A recent proposal put forward by some of the country's leading intellectuals, tired of the stagnation under their current nationalist leaders, a proposal to establish a year-long protectorate, was swiftly rejected. I prefer instead to rely on "constructive impatience" – that the wide powers of the High Representative are used sparingly and only when the Dayton Accords are directly threatened. If Bosnia is to join Europe – with a functioning state, rule of law and a healthy economy – it must stand on its own two feet.

With this in mind, international patience with Bosnia and Herzegovina is running out. The \$5.1 billion earmarked for reconstruction has all been spoken for. We estimate that international funds for the country will decrease by at least 25 percent on an annual basis. NATO's troop strength in Bosnia is down by a third, to the bare minimum of 20,000 peacekeepers. Donor fatigue sets in quickly when the guns are no longer booming on television screens. Neither is Bosnia immune to the possible outcome of presidential elections across the Atlantic in November.

In Brussels last May, at the latest meeting of the Peace Implementation Council – the 55 countries and agencies which fund and oversee my work in Bosnia – there in Brussels we decided to focus efforts on three main areas crucial to Bosnia's survival as a functioning state: refugee return; economic reform; and consolidation of institutions, particularly those at state level to enable the country to

participate in international relations – the air traffic controllers again. All three priority areas clear a path to European integration. They are a concrete and focused means of rolling back the nationalist mindset that has plagued Bosnia and its neighbours for the last decade.

Some of you here have been involved in central and eastern Europe's economic transition and know, after a roller-coaster decade, what a fraught and painful process this is. Bosnia and Herzegovina's state-controlled economy – what's left of it after the war – was partially preserved but also greatly criminalised by the war. The few profitable state enterprises have unhealthily close links to the ruling parties there.

But this is changing now. After much bickering, the country has, if you like, a "single currency", the Convertible Mark. Every mark is backed by a Deutschmark and is a stable, trusted medium of exchange across the country. The central bank has recently minted 1-mark and 2-mark coins, an important symbol of long-term stability. We are putting in place clear banking laws which apply across both Entities. We aim to close down the Communist-era "payment bureaux", a completely non-transparent institution through which all commercial and public bank transfers must now pass.

We have brought in international experts to help oversee the tender privatisation of large enterprises – 86 in the Federation and around 50 in the Serb Entity – which have a viable future. Through privatisation I also aim to dismantle the so-called "parallel institutions" – it's simply crazy to have three different hulking power companies for a country with a population the size of most European capitals.

Privatisation and the closure of the payment bureaux will also remove a cash cow which the nationalist parties milk relentlessly and will greatly reduce their political influence.

Corruption is being tackled in a serious and meaningful way for the first time, with brave and capable officials working in several areas of the prosecution and judicial services. To strengthen an independent judiciary, all judges and prosecutors are undergoing a rigorous 18-month review.

The European Union is funding customs reform in Bosnia, through its Customs and Fiscal Assistance Office. Both Federation and Serb Entities are implementing a common customs law. Increasing revenues show Bosnia's customs service is learning fast.

Smuggling is still a big problem, not helped by the fact that it was considered a patriotic duty by all sides during the war. But as a start, 84 cases of smuggling have been brought to the Prosecutor's office in the first half of this year. Local authorities in both Entities have also taken disciplinary measures against 141 customs officers, of which criminal charges have been laid against 31. Five customs officers have been given jail terms.

The Bosnian parliament set up an independent auditing outfit in April, a key ingredient to the reform of state institutions in the country. Bosnia and Herzegovina signed the European Criminal and Civil Law Conventions on Corruption in March. These conventions require full criminalisation of corruption and give clear guidance on how to fight the problem in compliance with international standards. The country is now obliged to include this in its legislation.

All laws, such as the recently adopted legislation regulating the financing of political parties and a freedom of information act, meet European criteria. I am happy to say that there was no need to impose either law although I expect opposition this week to the country's proposed single passport. But I suspect the single passport will be as popular with ordinary Bosnians as the vehicle registration plates which do not give away where a car comes from. They were

opposed, of course, by their nationalist leaders who would rather keep Slavenka Drakulic's "extreme sensitivities" alive.

As I've said, the International Community doesn't have much cash to play with. In targeting the economy, I am making it very clear to Bosnian citizens that it is they who must drive economic reform and secure their own futures.

I have no illusions about what can be achieved there. The scars of war run deep and the multi-ethnic Bosnia of the past cannot be recreated fully. It will take at least a generation to restore a basic working trust in the country, which is why I worry about schools. But Bosnia and Herzegovina is and will remain a multi-ethnic country because it is the home of three constituent peoples – the Bosniaks, Serbs and Croats – as well as many minorities. They will find ways to live side-by-side – perhaps as the German speakers, Italian speakers and French speakers do in Switzerland.

Ordinary Bosnians and the international community want to build a sensible state with a realistic chance of integration into Europe. But they are still prisoners of the drudge thinking produced by decades of Communism and 10 years of hate propaganda. Their nationalist political leaders use this to try and trap their peoples inside their "absurd" borders for their own selfish and corrupt ends. Again, this is why they oppose single passports and registration plates.

At the heart of all my efforts here are the words of Franklin Delano Roosevelt, who on taking office in 1933, faced in depression-hit America a task no less daunting: "...the only thing we have to fear is fear itself." To combat this all too prevalent fear, I have decided to tear a leaf from Robert Schuman's book and pursue "functional integration".

Schuman, French foreign minister from 1948-1952, was the visionary who saw after World War Two that to tie implacable enemies together, one needed to concentrate on functional,

focused and apolitical areas. Schuman chose coal and steel. France, Germany and other Western European states signed an agreement in 1951 to create a common market for coal and steel. The European Coal and Steel Community, overseen by a powerful regulatory agency called the High Authority – not far off my own title – paved the way for the Common Market and to Europe's single currency almost 50 years later.

I believe the same “functional integration” can work to tie together the two halves of Bosnia – the Bosniak-Croat Federation and Republika Srpska – and strengthen the state. Rather than coal and steel, the relevant “industries” for a modern Bosnia are telecommunications and information technology. Develop these now and Bosnia will be able to compete on an equal footing in the region in the not too distant future.

Furthermore international funds will from now on be disbursed through the state and no longer through the Entities, giving the state real power and authority. This “brass tacks” approach – or “functional integration” if one prefers – is relevant not only to Bosnia and Herzegovina but the region as a whole.

Europe needs stability in its southeastern corner and Europe cannot shirk its responsibilities there. Unlike the early 90's, when the Yugoslav wars began and Europe, in despair, passed its responsibilities onto the U.N. and U.S., it seems the EU has finally accepted its role and its duty. The Stability Pact and the EU's Association and Stabilisation programs are hopeful signs. The Eurocorps – a joint unit of French and German troops – head up peacekeeping duties in Kosovo. The EU had equal weight in negotiations in Rambouillet.

There is much more to be done and we should not set limits to imaginative and daring ways to bring the Balkan region back into the heart of the European family. Why not introduce a

Euro-pegged currency system in southeastern Europe, where the dominant currency is already the German mark, as long as a transparent and modern banking system is in place? Why not charge an EC commissioner with facilitating Bosnia's and other Balkan countries' accession to European structures?

Unfortunately, neighbouring Serbia remains a wild card. Belgrade continues at times to hold the region's peace to ransom. There will be no lasting stability in the Balkans until Mr. Milosevic has left the scene. It would be wonderful if Mr. Milosevic was voted out of office in a peaceful election later this month. A change for the better in Serbia would fully unlock the doors to a lasting peace in Bosnia. Mr. Milosevic's departure would work as a powerful catalyst to the changes in thinking in Croatia and Bosnia that I have outlined. A major Balkan demon would have been exorcised. But given Mr. Milosevic's ruling style I would not be too optimistic, whatever the opinion polls say in Serbia.

I hope I haven't mislead you – Bosnia and Herzegovina has yet to make it out of that desert. But it would be a tragedy if Europe were to abandon this brave caravan half way through its journey. The "Economist" magazine is usually sparing with its praise but I was heartened to read there last month that the "bad news" label has been amended a little, writing: "Bosnia is complicated but with a hint of hope."

For all the frustrations, I see these hints of hope nearly everyday, like the State Statistics Office in Mostar which now works in one, multi-ethnic office instead of two separate ones in the divided city.

Slavenka Drakulic, again, wrote: "The fact remains that, after fifty years, it was possible after all to have another war in Europe; that it was possible to change borders; that genocide is still possible even today. This should be enough to scare us all."

We cannot allow this to happen again. We must not accept the narrow-minded, tribal mindset of the nationalists, pandering to imagined differences which have no bearing on a modern, multi-cultural and tolerant state. The hooded paramilitaries and their backers in Belgrade's Dedinje suburb must be prevented from ever again being allowed to draw the lines that lead in ever decreasing circles to "Absurdistan". Bosnia and Herzegovina must take its rightful place in Europe.

Ladies and gentlemen, thank you for listening.