

# **Speech by the High Representative, Paddy Ashdown: “Ten After Dayton: Prospects for Cooperation and the Future of BiH”**

***Organized by the OSCE Slovenian Chair***

## **The Basic Constitutional Test: Will It Work?**

Ladies and Gentlemen,

I see many familiar faces around the room – some of them have become particularly familiar in recent weeks, as our paths have crisscrossed in the course of a remarkable series of conferences – in different cities, and indeed on different continents – devoted to the future of Bosnia and Herzegovina.

I mention this because it is a matter of more than social interest – because we are talking about new possibilities for BiH, a country that has in the last few months passed an important watershed.

First there was the conclusion of a political agreement on the steps that must be taken in order to create a democratically controlled, modern and efficient police service.

That cleared the way for the launch of Stabilisation and Association talks with the European Union – the formal invitation from EU Foreign Ministers, as you know, came just a week ago, and the talks themselves were inaugurated here in Sarajevo in the presence of Enlargement Commissioner Olli Rehn only last Friday.

And this sequence of events, so crucial for the *future* of BiH, took place on or around the tenth anniversary of an event that stands out as one of the most momentous in its recent *past* – the signing of the Dayton Peace Agreement.

The conferences we have been attending haven't simply been about marking an anniversary. They have been about moving forward to the *next* stage of an evolutionary process. They have dealt with important strategic issues – issues that have to be got right if BiH is to build successfully on foundations that have been laid, with considerable difficulty, in the course of the last ten years.

In this respect I am particularly pleased that the OSCE – which has played a conspicuous and enormously constructive role in supporting key pillars of BiH's institutional development and recovery – is organizing this conference. As an organization the OSCE brings to bear a wealth of expertise and experience, and this has always been reflected in the personal and professional commitment of my colleagues Doug Davidson and Bob Beecroft.

With the launch of SAA negotiations, BiH is now moving decisively from peace implementation to the marathon task of establishing good governance and the achievement of European standards in its political and economic life.

This is something that the International Community cannot do for BiH.

Our task has been to help create viable institutions and place them in a coherent legislative and practical framework – but it is up to the citizens of BiH to make these institutions work and to expand and strengthen this framework.

As we move into the next phase, BiH itself must assume full ownership for the reform process.

It is the BiH authorities that must take the relevant decisions related to European integration, and they must do this on their own.

However, I want to make it very clear that this does not mean the International Community or the Peace Implementation Council should begin to disengage from BiH. BiH still needs concerted support, including the support of those non-EU countries that have helped steer it towards recovery over the last 10 years. It still needs EUFOR.

BiH presents a unique situation, and in my view requires a unique response from the EU and from the International Community as a whole. We have to craft an approach that takes account of the fact that BiH today is partly engaged in peace stabilization and partly engaged in EU accession. Therefore, the PIC countries must remain engaged, and international organizations, in particular NATO, UN and the OSCE, must continue to be fully active in the country's transition.

The focus of our efforts in recent years has been to create institutions that will serve citizens and facilitate integration in Euro-Atlantic structures.

Each new institution, each new reform proposal should be subjected to a very basic test, encapsulated in a straightforward enough question.

### **Will it work?**

If an institution won't work, there is no point in foisting it on the people of BiH. To do so would be callous or impudent or both.

With this test in mind, let us review what has been done in recent years.

The BiH Council of Ministers has been expanded and the position of Chair has been strengthened.

As you know, I have often spoken of a "light level state governing a highly decentralized country" one that is perhaps comparable with Belgium or Switzerland. In this respect, the expansion and strengthening of the Council of Ministers has been utilitarian. We haven't acted as we have because we support centralized government in principle. On the contrary, the Dayton model provides for a significantly devolved model of government and a devolved model appears to be what many of the people of BiH want, a model that provides them with an optimal balance of appropriate coordination, direction and international representation from the centre, with appropriate scope for self-government at the periphery.

We have strengthened the Council of Ministers with the clear object of increasing the efficiency and functionality of the governing structure. This process has also been consistent with the requirements of Euro-Atlantic integration.

BiH – like any other country – *needs* a Defence Ministry, a Justice Ministry, and a Security Ministry.

These ministries carry out core tasks that can only be carried out efficiently at the state level.

The logic of establishing these ministries is compelling. Their creation is based on common sense.

The same common sense, I would point out, argues for the establishment of BiH ministries of Agriculture and Health.

So, the guiding principle is not centralization but functionality.

Functionality determines how much and how well the government serves citizens.

That really ought to be the paramount consideration of any political initiative.

The same test can be applied to the High Judicial and Prosecutorial Council, which has been transformed into a fully domestic institution, and the recently established BiH State Court, which is now tackling organised crime.

These institutions are addressing a problem that a majority of BiH citizens consistently put at the top of their list of priorities – fighting crime.

The customs service has been unified, and less than six weeks from now VAT will be introduced. These too represent practical measures aimed at delivering tangible benefits.

The customs merger has already boosted revenue collection this year – that means more money for public services.

Introducing VAT is a huge task and one that has strained the capacity of countries – including my own – that were in possession of more sophisticated and better financed administrative structures. However, the benefits of VAT

justify the effort required for its successful introduction. It will make BiH's indirect tax system fairer and more productive and will prepare the country to move forward in a key area of European integration. The authorities have chosen the *simplest* system – a single 17-percent rate and no exemptions. Some have argued that this will hit the poor. Well, it will certainly hit those who would have made a killing from the loopholes opened up by a multiple rate or by a system of exemptions – and corruption and tax evasion have bedeviled the BiH fiscal system for too long to allow them in by the back door.

The bottom line on VAT is that it will spread the burden of tax payment more evenly and more fairly while raising revenue that the government can then spend on services to citizens, including the most vulnerable citizens.

Will it work? Yes it will.

Other economic reforms – many of which have been difficult, too many of which have been delayed because of party political squabbling and parliamentary gridlock – are already demonstrating that they work. GDP growth this year is 5.6 percent – the highest in the Balkans. Inflation stands at 0.5 percent, the lowest in the Balkans. Foreign direct investment was up 25 percent in 2004. Exports were up 25 percent, and industrial production is also up by around a quarter.

This translates into higher living standards and more jobs – not high enough living standards and not enough jobs, but the correlation between reform on the one hand and tangible benefits on the other is clear. It is a correlation that must be maintained and strengthened.

In other areas we see progress in establishing a unified State intelligence system, in creating the foundations for the development of a modern, democratically controlled and efficient police system, in securing a single defence structure and in transferring war crimes indictees to The Hague.

All of these, in distinct ways, enhance the security of BiH citizens and the security of the country as a whole.

They deliver benefits. They work.

Mostar may be viewed as a microcosm of this nationwide process.

The steps taken in 2004 to unify the city's administration are now beginning to pay dividends.

For whom?

For the people of Mostar.

There are criticisms from all sides, of course. Some say that the unification process has been too slow, too fast, too modest, too ambitious.

But has it worked?

Well, look at the concrete results that affect citizens.

Mostar now has better refuse collection, lower administration costs, faster response times from emergency services, and its infrastructure is being systematically upgraded.

It works.

The reforms we have implemented in the last few years have benefited the people of BiH. The degree to which they have done that represents the core criteria on which they should be judged.

The reforms that we are now implementing in order to take BiH forward on the road to Europe must be judged in the same way.

And the reforms that have been discussed at conferences held to mark the tenth anniversary of Dayton – and discussed more widely by the people of BiH among themselves and in the media – must also be subjected to this basic test.

Will they work?

Take the Presidency.

Three members or one? Elected by the people or the parties or the parliamentary assembly? Elected for eight months or two years or four years?

Till now, the focus has been on resolving these questions on the basis of ensuring optimal representation of BiH's constituent peoples.

But let's imagine we design a Presidency that meets the representational criteria.

What if it doesn't work?

What if it's utterly dysfunctional?

What if it's expensive, unwieldy and ineffective?

Would that serve the interests of the people of BiH?

Clearly it would not.

The issue of constitutional change is now fully in the hands of the BiH political representatives. Representatives of the International Community remain fully engaged but in the capacity of observers. Ways in which the International Community can facilitate the process, lending support where requested to do so by the BiH parties, will not doubt be addressed by my successor.

But if I can offer a parting thought – based on three and a half years' experience as High Representative and a decade before that of close and active engagement in BiH, I would say that the success or failure of forthcoming constitutional initiatives will depend on how effectively they deliver improvements on the ground.

Politicians love to wax lyrical.

Citizens don't have time for that – they don't have much patience with it either, and who can blame them.

They care about schools and hospitals and jobs. Quite rightly they will view with bewilderment and annoyance, any discussion of constitutional change that does not have as its clear and immediate function securing desperately needed improvements to the standard of living in BiH.

Will it work?

This must be the basic test through which all constitutional proposals are put.

## **Southeast Europe**

I have stressed the nexus between reforms and benefits.

The two go together – or at least they ought to.

Reforms are only worthwhile if they bring benefits, and they are only possible over an extended period if they have the popular support that benefits generate.

Likewise, reforms can be introduced and implemented more easily if this is done in a regional context.

Since last week, with the launch of Stabilisation and Association talks between BiH and the EU, the entire region, with no exceptions, is on the same trajectory – towards full integration in Europe .

This means that BiH can benefit from lessons learned in neighbouring economies.

It also means – and the Stability Pact, especially where it has promoted regional free trade, has shown this – that there are important regional synergies supporting reform.

Serbia and Montenegro and Croatia are locked into the Euro-integration process. Their success will be predicated

on their good neighbourly support for BiH, and BiH's progress will be hugely assisted by the cooperation that is now being developed and expanded between itself and its nearest neighbours.

This is win-win territory.

The countries of Southeast Europe can stay poor together, or they can get rich together. Their destinies are intertwined.

I don't know anyone who wants to stay poor.

To become rich, they must implement reforms that will foster market democracy – reforms that will work.

Thank you