

Remarks by the Principal Deputy HR, Lawrence Butler at a Conference to Mark the 10th Anniversary of the Dayton-Paris Peace Accords

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Lessons in Peacemaking: the View from BiH

Ladies and Gentlemen,

The postwar settlement in Bosnia and Herzegovina , and its implementation under international supervision, over the last decade, has changed fundamentally the way we understand peacemaking.

It should also change the way we *practice* peacemaking.

This has clear and compelling implications for the current situation in conflict zones elsewhere in the world.

Peacemaking, however imperfect, has succeeded in BiH. This isn't a tentative conclusion or argument. It is a statement of fact.

Consider this:

At November's end in 1995 – hours away from the breakdown of talks and a return to hostilities, and under immense concerted pressure from the International Community as a whole and the United States in particular – the parties buckled down to accepting an agreement that not a single one of them liked, and which most of them believed they could circumvent in due course.

At the end of 1995, BiH was a country laid waste by 40 months of war, its surviving people traumatized, its future not so much bleak as practically non-existent.

Perhaps as much as five percent of the prewar population was dead; more than half of the survivors forcibly evicted from their homes. The economy, if you could call it that, was in the hands of warlords and black marketeers; the primary and urgent task of international relief agencies was to sustain the remaining population in deepest winter with food deliveries and rudimentary shelter. I can tell you that winter there is brutal.

Ten years on, BiH has just opened stabilization and association talks with the European Union, seeking to establish the first contractual relationship that leads to membership.

More than a million people have returned to their homes.

BiH has one of the fastest growing economies in the Balkans.

A decade ago, more than a million men were under arms; competing armies controlled huge swathes of territory across the country. Since Dayton , there has not been a single military action against the peace settlement by domestic forces. The BiH armed forces, as of the end of this year under the operational control of the BiH State Ministry of Defense, number just over 10,000 troops. They are now actively preparing for participation in NATO's Partnership for Peace.

The question is not *whether* Bosnia and Herzegovina has been a success. The question is what lessons can be learned from the success that it *has* achieved.

I am not, I should stress, not attempting to paint an unremittingly rosy picture. BiH has come back from the brink, but at huge human cost, and is left with a very imperfect political system imposed by the Dayton Agreement. We are also

at a key moment where the successful solidarity of the International Community will inevitably be tested as Europe assumes the leading role as OHR winds down. More on that at the end.

The peacemaking achieved in 1995 followed the failure, not just on the part of the United States but also on the part of its European allies to allow the bloodletting in Bosnia to continue for years when it could have been stopped in weeks.

And the success of the last ten years, though it has been substantial – much more substantial than even the most optimistic commentators had reason to expect a decade ago – continues to be compromised by Bosnia's failure, as yet, to escape definitively from the poverty trap in which wartime destruction and years of economic mismanagement have mired it.

But the picture is nonetheless positive, because Bosnia is at peace; it has a growing economy and a promising future.

For lessons learned, let me focus on four key sectors, military, political, economic and social.

May the Force Be With You

The NATO-led international peace implementation force (IFOR) entered Bosnia and Herzegovina in December 1995 – decisively, in strength and at speed. Within days of the deployment, IFOR troops were patrolling the streets and highways and village squares, and standing between the former warring factions along the IEHL.

It was an impressive display – and it worked. If there was any prospect of organized military resistance to the settlement by hardliners it was snuffed out in those first weeks.

Ten years later, the original, 60,000-strong international military deployment – which has metamorphosed from NATO's IFOR, then SFOR, to Europe's EUFOR – has been scaled back to a

force of 7,000.

Successive troop reductions have reflected a steadily reduced security threat. In the last two years a political consensus has been built – and maintained – that has enabled the transfer of all defense responsibilities and personnel to the state, the abolition of conscription, and the establishment of a small reserve force to back up the downsized professional army. The three former armies are being melded into a single, NATO-compatible military force of 12,000 under an eminently capable defense minister, who happens to be a Bosnian Serb.

The lesson? Show military resolve upfront and you are less likely to have to use military force later.

The Politics of Possibility

Yet we know from conflicts now raging in other parts of the world that that doesn't necessarily apply.

Overwhelming military force only works if it is used to support an enforceable political settlement.

BiH's enforceable settlement, the Dayton Agreement, came into the world unloved. It was a singularly ugly baby, its gestation period far too short.

Many of those domestic actors who signed it had little interest in or expectation of its long-term success.

The priority of the international mediators was to stop the fighting. The priority of the BiH signatories was to accept the bare minimum of compromise, with a view to dodging the logical consequences. In many cases, they intended to use – or abuse – the settlement period to secure eventually what they had failed to secure in three and a half years of fighting.

Yet the settlement has worked. And I can tell you there are still people, including civic and religious leaders, who

resent that it worked.

The first reason for this is that the International Community showed that it was determined to *make* it work. Successive High Representatives, backed by donor governments and donor agencies, have sought to make recalcitrant parties honor their Dayton obligations. These obligations include guaranteeing freedom of movement throughout the country, upholding the right of return for all refugees and displaced persons, and ensuring full and effective political representation for all citizens.

It was certainly not the intention of some of the Dayton signatories to pay anything more than lip service to these commitments.

But they signed up to them

And they have been held to them.

This has been done with increasingly broad popular support. In a social and economic environment of tremendous hardship, citizens again and again express a clear preference for the kind of pragmatic politics that delivers material improvements in day-to-day life.

Follow the Northern Star(s)

A second reason for Dayton 's success has been the change that has been wrought in the regional environment since 1995. The hope, once entertained by large numbers of Serbs and Croats in BiH, that parts of the country would "calve" like an ice chunk from a glacier, and float to join Serbia and Croatia , has disappeared.

This isn't going to happen, and the International Community has consistently made it clear that it isn't going to happen. And we are not going to tolerate efforts by persons to attempt to link developments in other parts of the former

Yugoslavia to Bosnia and Herzegovina . And here is why:

Croatia and Serbia have each embarked on their own journeys to European Union accession and NATO membership. Their present overarching political and economic aspirations are thoroughly incompatible with the arid nationalism that led to catastrophe in the early nineties.

As an example of this we can see substantial progress in transferring the remaining individuals indicted for war crimes to stand trial before the ICTY. Following a sea change in official thinking in Banja Luka and Belgrade , twelve indictees have been transferred to The Hague this year, six of them charged with war crimes committed in BiH, compared to zero in the preceding nine years.

In consequence of this regional shift in orientation to the political star of the Brussels institutions, the Bosnian Serbs and Bosnian Croats have increasingly applied themselves to ensuring that they have a prominent voice in the politics of Bosnia and Herzegovina. They see their future in a functioning state, and the state has an interest in ensuring that they have a bright future within it as it also responds to the magnetic pull of the starred flags that fly over Brussels.

By 2000, it was clear that the competing nationalist projects had no future. Dayton had lasted longer and was being implemented more rigorously and effectively than many had expected. What was equally clear was the need to *fine-tune* this unexpectedly durable settlement that was the product of compromise driven by the need to stop the killing.

Just as the agreement has proved unexpectedly durable, it has also proved surprisingly flexible. It contains within it provisions for its own evolution. This is not your "daddy's" Dayton anymore. At the beginning of 2002, for example, the principal political parties, using the Dayton mechanisms for constitutional amendments, negotiated new arrangements for the

representation of constituent peoples at various levels of government and administration throughout the country. This met requirements laid down by the BiH Constitutional Court , which had ruled that the existing representative structure violated the rights of different groups in the two Entities.

The present High Representative, Paddy Ashdown, has spearheaded a remarkable and effective effort aimed at creating the basic institutions of a light-level state, governing a highly decentralized country. Under the original Dayton settlement, many of these institutions either didn't exist or were too weak to be effective. Dayton failed to give the country the right kind of "adapter" to plug into the European integration process, but it did give it the means to modify the adapter to do this.

Just in the last three years:

- The BiH Council of Ministers has been expanded from six ministries to nine and the Chair of the CoM no longer rotates on an eight-month month basis, but is a permanent position, lending greater stability and stature to State structures.
- The High Judicial and Prosecutorial Council is now a fully domestic institution, and the recently established BiH State Court, with its chambers to fight organized crime and war crimes, is now tackling the endemic lawlessness that has at times threatened to overwhelm the institutions of government.
- A single state intelligence structure under democratic parliamentary oversight is in place and the State Information and Protection Agency and State Border Service are fully functioning.
- The final acceptance by all the main parties – in the autumn of this year – of the European Commission's three principles on Police Restructuring means that BiH will establish within the next five years a European-standard police system that is democratically controlled and

efficiently run.

- After years of frustratingly slow progress, steps taken in 2004 to unify the administration of Mostar are now delivering positive dividends to the people there, in practical areas such as refuse collection and fire-fighting and urban development, and paving the way for Mostar to become a normal European city.

This is the context of rapid and substantial institutional development within which BiH has been able to prepare itself for the next stage of integration in Europe.

It's the economy, stupid

But just as military intervention without a political settlement wouldn't have worked, so the political settlement without a workable economic strategy would have floundered.

None of the initiatives I have outlined would have had much of an impact on a weary and overburdened citizenry if progress had not been made at the same time in restarting public services and creating new jobs.

This exercise has had a checkered history.

In the months after Dayton, those who had done well out of the wartime black market set themselves up as suppliers of goods at inflated prices in an environment of acute scarcity. As the political parties poured their energies into delivering makeshift assistance to their supporters (typically by diverting international aid from its intended purpose) and vying for the spoils of office, the economy just stagnated.

This was for a long time *masked* by the enormous sums of assistance being disbursed, US\$5 billion between 1995 and 2000. But even before 2000 it had become apparent that deep structural reforms would be necessary in order to wean the economy from aid dependence and generate growth through trade and investment.

Recent years have seen an exponential step forward in remodeling the BiH business environment:

- The previously fractured and inefficient customs system has been integrated under the Indirect Taxation Authority, which is preparing to introduce VAT just a few weeks from now, on 1 January 2006; the unified customs service has already staunched the hemorrhaging of revenue that was a function of the old fractured customs system.
- Utilities regulation has been brought up to international standard.
- Banking reform, which got properly underway in 2002, has produced a vibrant finance sector that is beginning to channel funds into promising SMEs.
- Standards of corporate governance at public companies are at last being raised, through effective audits and through a package of recently enacted laws.
- Business registration has been streamlined.

The results of this are now being seen. There are, at long last, signs that the BiH economy is turning the corner in a sustained way:

- GDP growth this year is around 5.6 percent, fastest in the Balkans.
- Inflation stands at 0.5 percent, lowest in the Balkans
- The Convertible Mark remains among the most stable currencies in the region.
- Foreign direct investment was up 25 percent in 2004 and is now five times higher than it was in the late nineties.
- Exports were up 25 percent last year.
- Industrial production is also up by around a quarter.
- Interest rates have halved since 2000.
- Real unemployment is around 20 percent.

This is a launch pad for the kind of growth that can take BiH

onto a classical prosperity trajectory. But the economy hasn't yet left that launch pad. Poverty, as I mentioned earlier, remains widespread; investment is up, but not enough; more jobs are being created, but not nearly as many as are needed.

What is clear, though, is that economic growth is now self-sustaining – an economy that was on life support as little as five years ago now maintains the people of BiH as international assistance slows.

Keep It Civil, and Legal

Military, political and economic strategies have combined – often messily, often with an unsatisfactorily modest level of effectiveness, but over the long run in a way that has produced the desired results. The fourth component of successful peacemaking may customarily appear to be the least compelling in the beginning, but over the long run it is as indispensable as the other three. It has two segments, civil society and rule of law.

The ultimate mechanism for sustaining productive public dialogue and ensuring the viability and effectiveness of representative democracy is a robust civil society.

This, by the way, isn't just a matter of *political* significance; the link between a strong civil society and an expanding market economy is well established: one feeds the other. Freedom of speech goes together with freedom to create wealth.

However, a well resourced, politically empowered and pervasive international engagement in a country recovering from conflict can easily militate *against* the growth of civil society.

Why should citizens risk social ostracism or financial liability or even physical danger in order to speak out on issues of importance if foreign interlopers with more

resources can get things done at no risk at all?

This is a field in which *helping* can turn to *hindering*. It is a field in which well-intentioned efforts to foster democratic institutions, for example, can undermine the integrity of those institutions by making them appear dependent on foreign authority.

There is a point in any international engagement where the engagement itself becomes counterproductive.

This doesn't happen overnight, and it doesn't necessarily affect every aspect of the engagement at the same time or to the same degree.

BiH, for example, no longer needs 60,000 peacekeepers, but there is a clear popular and political consensus that the remaining 7,000 international troops continue to have a role, as a small, effective and much appreciated deterrent against any resurgence of violence.

With the launch of Stabilization and Association talks with the European Union now ushering in a period of rapid and radical Euro-Atlantic integration, it is equally clear that the role of the High Representative in BiH – the principal arbiter of, and dynamic force behind Dayton implementation – can, indeed must, be scaled back. There are now plans to phase out this institution, perhaps by as early as the end of 2006. There is a very good reason for this, as many observers have pointed out: OHR has contributed to a dependency culture; we occupy the space that BiH political parties should occupy; we are looked to to deliver politically difficult reforms, and nationalist politicians are shielded from real accountability for the consequences of their policies.

The citizens of a sovereign democracy have sovereign responsibility for their own affairs. In the West the process of assuming this responsibility took centuries. BiH, after a terrible war, is seeking to secure the development of popular

sovereignty in less than a decade, while consolidating the country's postwar recovery and engineering a transition to the free market.

This extraordinarily ambitious exercise can only succeed if the authentic voices of domestic BiH interest – social, professional, cultural, religious, artistic, popular, eccentric and distinctive – make themselves heard. These BiH voices are sometimes impenetrable to outsiders, sometimes alien.

They *must* be heard.

And they will only be heard if the volume of competing international voices is lowered.

This does not mean that the International Community is bowing out. BiH *still* needs an international engagement, but a transformed one. From now on, this engagement must be at the level of conventional political, economic and social partnership – of the type that the European Union and the United States have successfully developed with other European transition countries. This, in itself testifies to the remarkable success of the process that was launched at Dayton a decade ago.

Therein lies a risk that I alluded to in the beginning. Fifteen years ago, we, the United States and Europe, were not united in addressing the challenges of responding to the break up of Yugoslavia . Even after Dayton , the internal squabbling and lack of coordination amongst the International Community verged on the destructive. I can tell you that the people of Bosnia have a centuries-old tradition of driving wedges between foreign powers – they certainly had a lot of practice.

Over the past four years, the IC has pulled closer together with regular meetings to align and enhance individual national and institutional efforts. Today, as the push of Dayton is

replaced by the pull of Brussels, it is imperative that we recall our hard won lessons – unity and coordination makes the job easier and costs less. We must also recall that BiH is not a normal transition or accession-aspirant country. It will require active, and tight, international coordination as leadership starts to shift from the OHR, and the countries that make up the PIC, to the institutions of Europe. What once were *international* rivalries, overcome with great effort, and with greater effect, cannot be replaced by *institutional* rivalries or turf battles.

Finally, just a brief mention of the role that rule of law plays. The importance of having functional policing and courts so that civic, political and business life can develop is not always appreciated. Security in the form of large peacekeeping forces is not the same as fully functioning national judicial and law enforcement institutions that give citizens and investors the confidence to go about their daily business. We should have tackled this earlier after Dayton , but we are there now.

All of these, I believe, are important lessons for future interventions.

Thank you