

Opening Address by the Principal Deputy High Representative Donald Hays at the NATO Parliamentary Assembly

Rose-Roth Seminar

Ladies and Gentlemen,

This seminar is taking place as Bosnia and Herzegovina enters a critical point in its effort to meet the conditions set forth for membership of Partnership for Peace. The coming weeks and months will determine whether or not BiH is able to meet those conditions and take the first step toward membership in the Euro-Atlantic community.

The subject of today's meeting could hardly be more pertinent. The pace of BiH's integration in Euro-Atlantic structures will define the level of political maturity this country has developed in the past eight plus years. If BiH can muster the necessary political harmony and commitment then the doors will be open.

It is truly a remarkable postwar achievement of BiH and its partners in the International Community that this country has moved to this promising point, from a state of wartime collapse, in less than a decade.

When we talk about joining Euro-Atlantic structures we talk about a recognizable process that comes in recognizable steps. It is, to a greater or lesser extent, the same process that has defined the transition of most countries in Central and

Eastern Europe, and BiH has shown that it can deal with that process.

BiH's strategic goal is clear and achievable – membership in the European Union and in NATO. The political, legislative and economic tasks that must be completed in order to reach this goal are daunting – but the benefits of this membership are security, economic stability and a future that every BiH citizen wants. Yet the demands of such membership require a complete and thorough political commitment to change the political culture. It is, I think, important to emphasise that these benefits don't just appear at the end of the process. Every reform aimed at bringing BiH closer to NATO and EU membership delivers immediate benefits to citizens, from systematically improving security, to broadening guarantees of legal protection, to ensuring higher health and safety standards.

The Dynamics of Transition

Transition implies two things – transition *from* something and transition *to* something.

BiH's transition is *from* socialism, *from* ethnic hostility *from* economic deprivation.

The goal of EU and NATO membership is not a goal in and of itself, it is a means to the goal of security and economic prosperity, and that is what they are seeking to transit *to*.

BiH is seeking to fulfill – from a starting position well behind that of any of its neighbours – the common aspiration of Eastern and Central European countries: full integration in Euro-Atlantic military, economic and political structures.

And the membership requirements of NATO and the EU are clear but sometimes misunderstood here. They require the political leaders of this country to make a break with the past and set a completely different course for BiH. It will be painful and

there are some who will not willingly take this path.

This is why the success or failure of BiH's current bid to secure PfP membership and to launch Stability and Association negotiations with the EU is so critical for the country's future.

These are crucial steps in the country's overall transition. Success will embed the reforms that have already taken place and build on these. Failure will be devastating to the expectations of the citizens of this country and may well have dramatic political consequences as well.

What's in it for us?

The continuing enlargement of both the EU and NATO has proved to be a win-win proposition, for existing members and for new members. New markets have opened up, and significantly more balance has been added to security structures. BiH's future accession to the club likewise promises to benefit those already inside the Euro-Atlantic community.

BiH can be an unstable and crime plagued playground for drug lords and those who traffic in people. Or it can be a prosperous democracy with a growing appetite for a European lifestyle.

Which would you rather have as your neighbour?

The same question can be applied to other states emerging from the devastation caused by the break-up of former Yugoslavia. The answer, clearly dictated by enlightened self-interest, is that the rest of the continent will benefit from these states advancing along the path of integration.

Has BiH been a successful reconstruction model?

The reasons for the International Community's massive and expensive engagement in BiH are clear. I would argue that the model of that engagement, albeit with inevitable flaws and

missteps, has proven to be the correct one.

All you have to look at are the results achieved to date. Today, BiH is actively addressing issues such as; fiscal discipline, regulatory frameworks, business environment, academic standards, judicial probity, military reform and gender bias – and this less than a decade after its political institutions lay in ruins, it had no economy to speak of, two million of its citizens were displaced, and more than 150,000 had been killed.

When we get frustrated over how slow we are going, we should look at how far we have come.

The success of the International Community's engagement in BiH can be attributed to a handful of key elements:

- Security cooperation and economic cooperation have always been hand in glove, with SFOR working closely with the OHR as the two operations discharge their respective military and civilian roles under Dayton;
- The solutions offered by the IC have not been short term; we are nearly a decade into the engagement, it has been a huge task and it has required a huge volume of resources and – equally important – a huge commitment of time. This sustained engagement has evolved from supervising implementation of Dayton to supervising, promoting and facilitating the evolution of BiH as a democratic and economically viable country, a logical concomitant of successful peacemaking;
- And the engagement has not been piecemeal. In the early years the coordination of aid was insufficient; lessons were learned and the International Community's capacity to follow a coherent overall aid plan has been significantly improved; this is a process that has been helped by the logical discipline imposed on economic, political and defence activity by the requirements of PfP and EU membership.

In short:

- The military and civilian agencies must work in harmony;
- The commitment must be sustained and long term;
- There must be a clear strategy.

This structure has been tested in BiH in the course of the last nine years and it has been shown to work. At the beginning of 1996 there were 60,000 NATO-led peacekeepers in country and a further 250,000 troops deployed in the region. The NATO operation began from a position of commanding and visible strength – peacekeepers blanketed the country and imposed a security system that was practical and effective.

That security system has been consolidated so effectively that it has been possible to effect systematic troop reductions; the current strength of 10,500, scheduled to drop to 7,000 this summer.

SFOR troop reductions are only part of the story. The postwar evolution of politics in BiH has facilitated a political reorganization and downsizing of the BiH defence structure; this process, now nearing completion, has seen the establishment of a BiH Defence Ministry under a single minister with single command and control over BiH's armed forces are being drawn down from 18,500 at the end of last year to 12,000 by the middle of this year, a process that is on track. In addition to opening the way to PfP membership, this has normalised BiH's defence posture. In short, BiH has gone a great deal further than simply achieving an absence of hostilities. It is about putting in place a functioning, modern defense structure.

From Dayton to Brussels

The civilian effort, like the military effort, began with the massive deployment of resources and has evolved into a more sophisticated process whereby domestic political and economic institutions have started to be set up with a view to

sustaining the broad transition process.

The early and substantial deployment of resources – US\$5 billion in international aid between 1996 and 2001 – financed the aid program that stabilized and then began lifting living standards.

As the volume of aid has declined, the focus of economic and political engagement has shifted from emergency relief to transition. BiH's economic priorities of the last two to three years are pretty much indistinguishable from any of the other Central or East European transition countries. An Indirect Taxation Authority has been established, consolidating the customs service and paving the way for the introduction of VAT, at the end of 2005. Strenuous efforts have been undertaken to upgrade the business environment – 15 commercial chambers will have been established by the end of this month in a significant move to reduce the time it takes business disputes to move through the legal process. For the last year and a half, the Bulldozer Initiative has sustained an offensive against pointless and job-destroying bureaucratic barriers to trade and investment in this country.

(For those of you who may not be familiar with this initiative, the Bulldozer Committees are made up of businesspeople who are invited to identify specific regulations and clauses of laws that make it harder rather than easier to do business in this country. Their proposals are scrutinized by experts and then presented to the governments. Fifty reforms were secured under Phase I of the Initiative; 50 new reforms are now being processed under Phase II, and Phase III is about to be launched. This innovative initiative – developed from scratch in BiH – has now become a successful export, since the Bulldozer model is now being applied in other parts of the world. An initiative now sponsored by the World Bank.)

The authorities are also working on corporate governance,

tackling a damaging legacy of the old regime (familiar elsewhere in Central and Eastern Europe), when senior managers ran public companies on the basis of their political and business connections and at their own discretion. The concept of responsibility to citizens or customers was totally unknown, as was any notion of appropriate and systemic oversight.

Last year, the Special Auditor appointed by the High Representative released a series of reports on BiH public companies that revealed glaring lapses in corporate ethics – theft and inefficiency were found to be endemic in the senior echelons of many companies. The governments responded by committing themselves to a legislative reform package, which they have, however, been slow to implement. The case has been convincingly made for these reforms; the credibility of the authorities, in the eyes of the International Community and – more importantly – in the eyes of their own citizens will be severely compromised if they fail to get the relevant laws onto the statute books by this summer.

Yet it is revealing that in 2004 we are talking about corporate governance, while in 1996 we were talking about paramilitary police and the widespread constraints on freedom of movement.

The strategic political shift has been well characterized by Paddy Ashdown as a move “from the push of Dayton to the pull of Brussels”. In the early years, BiH politics remained in a wartime straightjacket. This has changed. In the last year, the prospect of membership of Partnership for Peace and eventual membership of the European Union has altered the entire perspective of political debate. Politicians are starting to look forward rather than backward. Of course there will be false steps along the way and many of them are pursuing this course reluctantly. They haven’t quite come to terms with the vocabulary of authentic Euro-Atlantic integration, but they *are* learning, and they are doing that

because that is what their constituents want them to do. After years of economic hardship and political squabbling there is little or no appetite among the general public for arid nationalist rhetoric.

I don't believe this is an overly rosy picture. The fact is that BiH's progress – taking into account the catastrophic situation of 1996 – has been remarkable. Improvements in living standards have been real – even recognizing that some 50 percent of the population live at or near the poverty level., We have to recognize that the improvements that have taken place have not been nearly as broad-based as they need to be. In 1996 BiH was a criminal's playground; today the Rule of Law is taking root. The State Court is up and running and emerging as an effective weapon in the fight against corruption and organized crime. Judicial reform is well advanced and police reform, substantially completed under the mandate of the UN's IPTF and now being sustained and monitored by the EUPM, has produced tangible benefits for citizens, not least a secure environment in which refugees and DPs have been able to return to their homes in areas where they are now a minority. As many as 88 percent of those who commit violent crime are identified within 24 hours, a figure that would put many Western countries to shame.

Keystone in the restored Bosnian bridge

However, the keystone of Bosnia's bridge to stability and economic prosperity in modern Europe has not yet been set in place.

That keystone is what I would characterize as "popular impetus". Much of the progress that has been made has been made as the result of international money, international persuasion or international power – little if anything would have been done had the BiH political class been left to its own devices, and that's because the political class draws up the agenda for the people through a power-sharing approach

with other political elites, rather than implementing an agenda drawn up by the people.

That too is changing. Bulldozer has demonstrated that citizens can “effect change rather than simply be affected by change”. Elsewhere there are signs that civil society is starting to reemerge. It is this multifarious expression of popular will that will take over from the International Community as the principal motive force of reform in BiH.

I have had a number of opportunities to visit Mayors all over BiH, from very small rural municipalities to very large urban ones. I have come away from these visits with a strong sense that there is a new momentum for change, coming not from the top down but from the bottom up. This will be the keystone, this will be the popular impetus that will sustain reform and transition long after the IC has left BiH. While the progress achieved to date would not have been possible without the successful international engagement of the last nine years, and it will not be sustainable or bring the necessary results without the successful development of civil society over the coming decade.

Thank you.