OHR’s Statement at the International Agency’s Joint Press Conference

Today the European Commission will be taking a historic decision on whether or not to approve BiH moving to the next phase of European integration. I am not going to speculate on the result. That is a matter for the Commission. But one thing is clear: BiH will only get into the EU if it reforms.

There are currently a number of laws in front of parliament that, if passed, will accelerate BiH’s journey towards Europe and NATO; and others that, if passed, could slow it down and even stop it in its tracks.

Let me just set out the main ones for you today.

Indirect Tax Reform

BiH will face a historical moment on Thursday when the BiH House of Representatives votes on the Law establishing a single VAT and Customs system for BiH. The OHR has long been advocating that the parliamentary parties should support this law, and will be urging that the vote for it on Thursday, for two reasons that are central to BiH’s chances of a better future.

First, because this law is a central condition for further European integration. Is a vital step in BiH’s accession to the EU. Commissioner Patten and the European Union’s Foreign Ministers insisted at the beginning of this year that the BiH authorities must establish a single customs administration and introduce VAT at the State level. If Bosnia and Herzegovina is to progress within the Stabilisation and Association process this reform is essential.

The second reason, it that BiH desperately needs a better and less wasteful tax and cutsoms system for the sake of its citizens. This law would tackle an end to the torrent of Customs fraud cases that have robbed the citizens of this country of hundred of millions of Convertible Marks (KM), and damaged BiH's international reputation in the eyes of potential investors. This law will also regulate the establishment and functioning of an Indirect Tax Authority that will collect and distribute indirect tax revenues in BiH in accordance with the highest professional and ethical standards.

Customs and VAT reform has already been supported by the entity governments and parliaments. Both entities agreed to transfer competencies to the state level in order to create a single indirect taxation system. This is the first ever transfer of competencies by the entities to the state since 1995 and marks a pragmatic, common-sense approach to fiscal politics in the entities.

Defence Reform

Defence reform also enters critical stage in the coming weeks.

The BiH Parliament is currently considering the draft Defence Law that will establish state level command and control of the armed forces in BiH and the establishment of a state level Ministry of Defence.

The entity Parliaments are also examining amendments to the entity constitutions that mirror the state level reforms by establishing clear state level command and control of the armed forces.

NATO has underlined that passage of these reforms is essential if BiH is to be considered a credible candidate for Partnership for Peace.

In this context, OHR welcomes the BiH Parliament's commitment

to adopt these reforms in advance of the meeting of the North Atlantic Council's Foreign Ministers in Brussels on 4 December.

Speedy and decisive action by the state and entity parliaments will send a clear and unmistakable message to NATO that BiH is serious in its desire to become a member of PfP and to integrate further into Euro-Atlantic structures.

For BiH the NATO Alliance represents the best long-term means of ensuring lasting peace and security for all citizens. NATO and the International Community are keenly awaiting the outcome of Parliament's deliberations in the coming weeks.

Restitution Law

Restitution is a complex and highly important issue that could seriously damage if not destroy the prospects for economic recovery and prosperity in BiH if the wrong model is adopted. Parliament should think long and hard before proceeding further with the current draft law without expert international advice.

Conflict of Interest Law

A conflict of interests law is currently under consideration in the BiH parliament. Banning conflicts of interest in high public office is an essential European standard, and essential for preventing corruption and abuse of office in BiH. However, many of the amendments to the draft law would in effect legalise conflict of interest. Those who support these amendments will damage BIH's prospects in Europe, and make it easier for people to use political office for private gain and corruption.

We hope they will reconsider before the law is adopted.

I don't want to speculate on what the OHR's actions will be if the right actions are not taken. In many cases however, these

are reforms that the OHR cannot do for BiH. BiH must show the world that they believe in these reforms themselves, and do not need the IC to force them to do the right thing.