

# **Speech by the High Representative for BiH and EU Special Representative Paddy Ashdown to the Political and Security Committee of the European Union and the North Atlantic Council**

## Introduction

I am delighted to be here with my friend and colleague John Sylvester.

If you want an example of close co-operation on the ground between the EU and NATO, then you need look no further than the relationship between this EU Special Representative and the Commander of SFOR – first John, and now his successor General Ward.

John was an outstanding COMSFOR, and an invaluable source of plain-spoken Texan wisdom to a new High Representative. We will all miss him.

I am pleased to be able to speak to the NAC and the PSC jointly.

Because it is very clear to me, after a few months in Sarajevo, that we will only succeed in Bosnia and Herzegovina if we work together as an international community.

The two biggest players in BiH are the EU and NATO.

Without NATO, and without SFOR, there would be no peace to keep, no future to build.

Without the EU's Stabilisation and Association process, without that strategic prospect of membership, one day, of the Union, there would be no magnetic pole for our compass in BiH.

Seven years on, we have made progress. A million refugees back. Thousands of homes repaired. Freedom of movement country-wide. Hundreds of thousands of troops demobilized. A steady reduction in SFOR, from 60,000 to 12,000. Steady progress, in other words, from stabilization, to closer association with Euro Atlantic structures.

But that is the past. Let me tell you how I see the future, what my priorities are, and how I hope you will support them.

## The elections

First, the recent elections. Let us acknowledge two key facts up front: these elections were extremely well organized by the local BiH authorities, and almost completely violence-free. No mean feat seven years after a terrible war.

There has been much comment about the results, much of it wrong, in my view.

The turnout was disappointing. The governing parties –mainly the moderate parties – did badly.

But it does not follow that BiH is lurching back to nationalism.

The votes of two of the three main nationalist parties went down, not up.

And the message from the voters, which I heard time and again as I traveled the country, was clear.

It wasn't: give us nationalism. It was: give us a future.

We need to understand that message. And so do BiH's new leaders.

There is only one answer to it: to step up the pace of reform, and to focus it ruthlessly on those reforms that are essential: the rule of law, economic reform, functioning institutions of government.

That's why my priorities remain the same as before the elections – because our task remains the same as before the elections. *'First justice, then jobs, through reform'*.

#### Rule of law

We have made a start on the rule of law.

We have re-organised the international community in BiH, and have begun to assemble the institutional and legal tools needed, including the new special chamber in the State Court, and a Special Department in the BiH Prosecutor's Office, to tackle organized crime. I am determined that the State Court will be operational by 31 December this year.

In January, the European Union will take a much more direct stake in this work with the arrival of the EU Police Mission. This will be a hugely important step, not least as a physical expression of the extent to which the Union is carrying more of the burden. Sven Frederiksen is working to ensure a smooth transition. He and I are in close touch. But we will all need to give him the tools he needs as the EUPM takes up the reins.

#### Jobs

My second priority is economic reform. Time is not on our side. Aid is tapering off, debts are mounting and foreign investment is far too low to fill the gap.

Speed will matter more than perfection. Our motto will have to be *'Le mieux est l'ennemi du bien'*.

We have recently put in place certain key economic laws.

But they will be useless unless we change the whole way government operates. Right now, it deters investment, impoverishes public services and enriches criminals.

An estimated 300m euros are lost in customs fraud each year: one and a half times the state budget.

The equivalent of the entire annual budget of the State Border Service is lost in just over a month through sales tax evasion.

This cannot continue.

That is why we have proposed replacing the corruption prone sales taxes with a single modern, BiH-wide VAT system. And why we have asked the European Commission to recommend how we might work with the BiH authorities to reform the customs system to cut fraud and boost revenue.

But there is no point giving more funds to weak central institutions.

So we are also proposing changes to Bosnia's central government- the Council of Ministers – to end the system of ethnic rotation which produces a bizarre Ministerial merry-go-round.

So that's the agenda – establish the rule of law, reform the economy, make Bosnia's institutions work.

#### The EU/NATO role

How can you help? I would suggest three ways.

*First*, by consistently making it clear to the new governments of BiH that they have no option but to step up the pace of reform if they are to meet EU and NATO standards.

Those standards are not negotiable. They weren't negotiable for the new members of NATO. They haven't been for the candidate countries. If they were, neither NATO nor the European Union would be worth belonging to.

In that context, let me digress briefly and say a word about the very serious revelations concerning Orao, the arms export company based in Republika Sprska.

SFOR's investigations have established clear evidence that this company has breached UN Security Council

resolutions on trade in weapons with Iraq.

SFOR's investigations continue. But the following is already clear:

- There must be a full public enquiry, with the necessary input from the state, so that those who bear political responsibility for BiH breaching international law are held fully accountable. I say to the RS authorities: you have a choice to make in this matter – whether to take the road to Brussels or to Baghdad.
- The BiH authorities must immediately put in place, and implement, arrangements to stop similar breaches from happening again. I have given them until 15 November to do so.
- There needs to be a thorough review of the way that the BiH's borders are controlled, and exports and imports monitored. There must be complete separation between the RS and the FRY on military matters.
- This affair clearly calls for a long, hard look at entity defence structures. Civilian, democratic control of the military must be strengthened. It is patently obvious that the current system just does not provide for transparent political control.
- Finally, clear lines of responsibility must be established through a strengthened Standing Committee on Military Matters (SCMM) at the state level.

If we are serious about the terms of NATO and EU membership, such reforms are unavoidable.

As I said, insisting on continued, and accelerated reform is the first way in which you in Brussels can assist us in Sarajevo.

The *second* is by being very firm in applying conditionality. We need to be much more muscular about this. Our assistance to BiH should be rigorously connected to progress made.

So I hope the EU will insist that governments are in place before proceeding with a Feasibility Study. We need to be very firm in insisting that the steps needed to uphold an SAA are in place.

We need to be equally firm in insisting on effective revenue collection arrangements, including BiH-wide VAT and radically reformed customs throughout the country. And we must insist on a reformed Council of Ministers on the broad lines I have described.

I hope NATO will be equally firm on defence reform. I hope you will insist on functioning central security and defence structures. I hope you will insist on further strengthening of the SCMM. And I hope you will insist, we must all insist, on the transfer of Karadzic and other indictees to The Hague if BiH is ever to make decisive progress in its relations with the Alliance. The fact that Karadzic is still free seven years after the war ties a ball and chain around the entire process of civilian peace implementation in BiH.

*Third*, you can help us in a very practical way: by giving us the tools we need to finish the job. Continued assistance under the CARDS programme in line with these priorities; continued funding for the next year to see refugee return through to success; funding, and technical assistance to back up our efforts to transform the governing institutions, and to introduce VAT and reform customs, on which CAFAO, and the EC Delegation in Sarajevo, are doing such excellent work. Above all, we desperately need good seconded personnel and funding to carry through our rule of law reforms – judges and prosecutors primarily, but also qualified investigators – if we are to break organized crime in BiH. So I say to you: please send us those people, and send them now. We can do this job, but only with your help.

NATO can help get BiH ready for PfP by increasing its engagement, setting clear objectives and, perhaps by, for example, considering opening a civilian NATO office in BiH. Any military co-operation and assistance should be channeled through the state-level SCMM.

As regards SFOR, I would just say that if we are to steepen the rate of reform as I want, if we are to tackle the difficult issues I have mentioned, we need to be able to depend on the stable and secure environment that SFOR guarantees. SFOR will continue to need the assets to do that effectively.

Conclusion

Let me conclude by thanking every nation around this table, every Member State, for all you are doing in BiH, and by asking for one more thing: your continued engagement, your continued commitment, your continued investment of political will to see this endeavour through to success.

What the Union and the Alliance have achieved in Central and Eastern Europe shows just how much we can achieve together, if we are determined to stick at it.