

# **Speech by the High Representative for Bosnia and Herzegovina Paddy Ashdown to the United Nations Security Council**

Mr President:

This is my first report to the Security Council since I took over as High Representative in BiH at the end of May from my distinguished predecessor.

I would like to set out for you this morning my impressions of my first few months, my priorities for my term of office, and what you can expect of us and what we would ask of you and the governments which support and pay for our work.

But before I do so, let me say how pleased I am to be able to appear alongside my friend and close colleague Jacques Klein, whose last report this is before the United Nations Mission in BiH finishes in a few weeks time. It will mark the end of a decade long effort to keep the peace in a small European country, an effort that cost the lives of 272 United Nations personnel. It has been an intensely difficult task. But when the UN leaves, it will do so with its duty done and its head held high; and I for one would like to pay tribute to that, to the work of those who have served in BiH under the UN flag, and – and here I know I speak for the people of BiH as a whole – to the immense contribution that Jacques Klein personally has made through his leadership, his tenacity, and his sheer ability to get things done. I would also like to use this occasion to thank him for the wise advice and unfailing support he has given me.

Next month it will be seven years since the Bosnian war ended.

An age ago.

At the time, the sceptics were legion.

The agreement would not hold, they warned. Our peacekeepers would be sucked into a guerrilla war. The refugees would never go home. Belgrade and Zagreb would exercise a baleful influence as far ahead as anyone could see.

Bosnia, like the rest of the Balkans, they said, was a basket case. We were doomed to fail.

Well, the job isn't done by any means. But, as we face up to the remaining challenges, and as the international community rightly turns its attention to new and exceptionally grave dangers elsewhere in the world, it is worth reminding ourselves just how far we have come since those days when Bosnia loomed all too large in the business of this Council.

Within BiH, the agreement has held.

The peace has now lasted nearly twice as long as the war.

Come to Sarajevo, and you will find a lively European capital in place of the hell-hole of 1992-1995.

As peace has taken root, the number of SFOR troops needed to protect it has fallen steadily, from 60,000 then to 18,000 today. It is about to fall still further to 12,000. And let me just say that those troops continue to do a vital job, and do it superbly, and they deserve all our gratitude. We could not have made the progress we have on civilian peace implementation without them.

We have made progress in downsizing the local armed forces. 430,000 men were under arms when the Dayton agreement was signed; today that figure is 22,000.

Thanks in very large measure to the work of the UNHCR, nearly a million refugees have returned to their homes, over 350,000 of them minority returns, and around 60% of locally-registered property claims have been solved. We have invented a new human right in BiH – the right of refugees to return home after war.

Thousands of homes have been repaired. Electricity generation is now at 90% of the pre-war levels.

Ah, said the sceptics, but you'll never have real peace in Bosnia without democracy in Belgrade and Zagreb, and there's little prospect of that.

But we now have democracy in Belgrade and Zagreb.

Tudjman's regime is gone, and Croatia is making great strides towards integration with the EU.

Milosevic is on trial in The Hague, where I, and others, have given evidence against him.

It is a great pity that Milosevic has not yet been joined in The Hague by Karadzic and Mladic. Their continued liberty seriously undermines our efforts, not least to establish the rule of law in BiH. It is high time, seven years after Dayton, that they are caught, and brought to justice.

So don't get me wrong.

The region is still fragile, and parts of it are still prone to topple into crisis. BiH is still fragile. The process of reconciliation is far from over. Healing takes time.

Progress in the Balkans is often frustrating – two steps forward, one step back.

But we must be careful not to mistake slow progress for no progress.

If you could take a snapshot of BiH in 1996, and compare it to now, you'd see the difference; and you'd see a further improvement in 2003, 2004 and 2006.

So we need to keep our eye on the big picture.

And we need to understand it clearly.

### The elections

Which is why I raised an eyebrow at some of the commentary, much of it offered from several thousand miles away, on the results of our recent elections.

Let me say a word about those elections.

First, I think it a shame that it was not more widely acknowledged that these were the first elections to be run by the Bosnians themselves, and that they did a first class job as ODIHR and others have testified, carrying out, as Bosnians, one of the most difficult jobs any state has to do.

Second, I do not dispute that turn out was disappointing. It was, reflecting, I believe, a widespread frustration with the political process in BiH, and a certain election fatigue born of six major elections in six years.

As to the results, I have read many newspaper headlines announcing a return to nationalism in BiH: *'Back to the Future'* read one; *'Forward to the Past'* said another.

I just don't think that is accurate.

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

And the party that did best of all– the SNSD – is a non-nationalist party.

So I appeal to you, just as I have appealed to the parties in BiH, not to misread the outcome of these elections.

What we witnessed was a protest vote – or, given the low turnout, a protest non-vote – against politics and politicians in general, and against the slow pace of reform.

I travelled the length and breadth of the country in the run up to the elections. I heard the message from those voters myself, at public meeting after public meeting, on radio talk show after radio talk show.

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

Unlike their counterparts in Central and Eastern Europe, they didn't punish their leaders for delivering too much reform, but for delivering too little. It was a cry for help.

BiH's new governments need to hear that cry.

And so do we in the international community.

### Our Mission

Because whatever the precise make-up of the new governments in BiH, the challenges facing country are the same today as they were before polling day, the same this month as they were last.

We still face the challenge of establishing the rule of law.

We still face the challenge of creating jobs.

We still face the challenge of delivering effective government, stable institutions, and raising standards in public life.

In other words, we still face the challenge of *Making BiH Work*.

The only thing that has changed is that these challenges have become even more urgent.

I said when I took up my post that my priorities would be 'First Justice, then Jobs, through reform'.

And they are still. They are set out in this document, which we have agreed jointly with the BiH authorities.

### Justice

We have made a start in establishing the rule of law.

We have re-organised the international community in BiH to reflect this priority, and have begun to assemble the tools we will.

We are setting up a new Unit to tackle crime and corruption, which, once fully operational, will work with local investigators to identify the lawbreakers and bring them to court.

- We have established a new Legal Reform Unit, headed, and almost entirely staffed by, Bosnians, to work with the BiH authorities on new laws to bring criminals to justice.
- We have begun, with the authorities of Bosnia and Herzegovina, the long-overdue process of restructuring BiH's court system at all levels, and ensuring that only honest judges and prosecutors are allowed to administer justice in the future.
- We promised to have the High Judicial and Prosecutorial Council established by the autumn, and I am pleased to say it is now in place.
- We have established a special chamber in the State Court, and a Special Department in the BiH Prosecutor's Office to tackle organized crime. I am determined that it will be up, running and trying criminals by 31 December this year.

In January, the European Union Police Mission will take over from the IPTF. The Mission will build on the foundations laid by UNMBiH by helping the BiH authorities to establish sustainable law enforcement structures. They will continue the work started by UNMIBH on the State Information and Protection Agency, on the State Border Service, on the STOP anti-trafficking programme, amongst others.

I look forward to a seamless transition between UNMBiH and EUPM, and once again I am grateful to UNMIBH for all they are doing to make that happen. As you know, the EUPM Commissioner-designate is already the IPTF Commissioner. Sven Frederiksen and I are working extremely closely together on a daily basis.

From January hundreds of highly qualified EUPM officers will be co-located with the BiH police authorities. These EUPM officers will mentor, advise and monitor the BiH police as they take on the major criminals.

So we are making headway.

But there is a lot more to do before BiH has a justice system that works.

We now need to ratchet our efforts, by establishing in law the key, outstanding pieces of legislation central to the pursuit of justice in BiH. But if this is to be a success, we need your governments to provide us with the practical support we need.

The centre-piece of our efforts is the new Court of BiH. We will need to ensure that, from January, 2003, it will have the tools it needs, such as a new state Criminal Code and Criminal Procedure Code, to do its job.

There are other tools which this court needs in order to deal effectively with the problems of organized crime and corruption for which we will have to look to the international community – such as experts and resources to implement witness protection programs, money laundering programs and asset forfeiture programs. Additionally, we will need the international community to provide us with judges and prosecutors to mentor and guide local judges and prosecutors as they implement this new system of justice.

We will also need substantial international support if local judges, prosecutors, police, court officials and defence bar are to be trained on the use of the new Criminal Code and Criminal Procedure Code. This training must be provided during the next few months if the new state court is to be operational on schedule, at the start of 2003. Only the international community can provide that training.

### Jobs

But we now also need to open up a further front of reform. Economic reform. Again, time is not on our side. We will have to move quickly, painfully quickly. For BiH no longer has time on its side – now time is our enemy.

Aid is tapering off, debts are mounting and foreign investment is not increasing to fill the gap.

A glance at the economic indicators tells you that the patient is hovering between the serious and the critical list.

Almost half the population lives close to the poverty line: one in five citizens live on less than two and a half euros a day – one in four in Republika Srpska.

BiH's national wealth stands at less than half its pre-war level, and the country now ranks beneath Albania in the UNDP's Human Development index.

All of this has resulted in the seemingly unstoppable haemorrhage of Bosnia's young and talented – our biggest export is our future, if you like. Between 1996 and 2001, 92,000 of them left. Polls show that over 60% of the rest would leave if they could.

If we want to keep them, then we have no option but to steepen the gradient of reform. BiH has to be able to offer young people the prospect, if not the immediate reality, of a brighter future – which one reason why the OSCE's work on education will be so vitally important.

We are going to have to do things quickly, perhaps even roughly to get the economy going. Speed will matter more than perfection. Our motto will have to be '*Le mieux est l'ennemi du bien*'.

We are making some headway already.

Some important laws have been passed in the last few months, including amendment to the State Law on Civil Aviation, laws on the Entity Electricity Laws, the Federation Law on Concessions, the Entity Laws on Banks and the State Veterinary Law.

I put in place additional essential economic legislation earlier this week, mopping up the outstanding work left over by the outgoing parliaments, and clearing the decks for their successors.

But no amount of legislation will make people better off if it isn't implemented; none of it will make an iota of

difference if the whole way government operates destroys jobs instead of creating them, and the way in which government collects its revenue impoverishes public services and enriches criminals.

If the international community is to be expected to go on supporting BiH, if the world's taxpayers are to go on building new hospitals and schools, then they must know that they are subsidizing reform, not racketeers.

Present estimates, conservative estimates, are that around 600 m KM – 300m euros – are lost in customs fraud each year – one and a half times the entire state budget lost to corruption and smuggling.

The equivalent of the entire annual budget of the State Border Service – at around 30 million euros – is lost in just over a month through sales tax evasion.

If the international community is to maintain its commitment to BiH, this simply cannot continue.

That is why we have proposed replacing the corruption prone sales taxes with a modern VAT system at the State level. 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 yield.

But there is no point giving more funds to weak central institutions which is why 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 – and institutionalizes instability where we can least afford it. We also propose giving the Chair the professional civil service support he – or she – needs to do the job – something, again, we will have to ask the international community to assist with. Relatively small resources here will reap big dividends later.

These structural reforms, coupled with aggressive economic reforms, are the next key steps to make BiH work. Bosnia is in need of a bonfire of bureaucracy to rid itself of the raft of absurd regulations that drive local businessmen to distraction and that deter potential foreign investors by the plane-load.

In short, it's time for a revolution of economic reform to make BiH a better place to do business in.

#### The same reform agenda, whatever the Government

So whatever the make-up of the new governments, my message will be the same.

We will judge you not by what you said on the campaign trail, but by what you do in office.

If you are serious about reform, as you say you are, now you have a chance to prove it.

#### Clear priorities

Seven years after Dayton, BiH is entering a crucial phase.

The job we are trying to do can be done, but only if we remain committed, and stay focused.

My approach will be to distinguish ruthlessly between those things that are truly essential, and those that are simply desirable. The OHR, with the executive power it wields, should focus on the first. There are many other agencies to undertake the longer-term, developmental tasks once we have gone.

Our job now is to complete what we have begun and to focus on the core remaining tasks.

Justice, jobs, making BiH work will be our core agenda, as I have described.

We will also need to press ahead with downsizing and re-organising the armed forces, to ensure they become a force for stability, not instability. There's been progress in the last year: the VF are down to 13,200 personnel from 23,000 a year ago; and the VRS should be at 6600 (from 8800) in early 2003. Full budgetary transparency by the armies, plus international support for the social integration of discharged soldiers, have made this possible. But we need to go further if BiH is to have the armed forces it can afford. And more needs to be done to develop the state level dimension of security and defence matters, so BiH the commitments it has made as a sovereign state, and play its part in regional security. In short reforms must continue across the board if BiH wants to make progress towards PfP status.

On refugee return, the story is one of remarkable success. We have to keep up those efforts, though, during the course of 2003, if we are in a position to hand over successfully to the BiH authorities at the end of next year. We need continued support and funding in the coming year to make that happen. In particular, we need to build the capacity of the local institutions as they prepare to take over the main responsibility for managing return. So it worries me that some countries are, in my view prematurely, scaling back their funding for refugee return next year, just as sustainable success is in sight. We must be careful not to snatch defeat from the jaws of victory.

I am determined, however, that we move towards handing over tasks to the people of BiH at a faster pace.

So in order to provide the necessary focus and discipline to all our efforts, I have instructed my staff to draw up a Mandate Implementation Plan, the purpose of which will be to set out – clearly and concisely, in language everybody can understand, and with measurable benchmarks – what those core OHR tasks are, and how we propose to accomplish them. That document will be ready in time for the PIC Steering Board on 21 November.

The international community within BiH should work as a united team, all pulling in the same direction. As our collective resources diminish it will be even more important that we work as one and stay focused on what really matters.

We have to remember that our task is not to create a first world country in BiH, but to bring the country to the point at which its peace rests on firm foundations, it no longer poses a threat to itself or its neighbours, it becomes a dependable international and regional partner, operating within the structures of a modern European state, and is firmly on course for integration, over time, into the European Union.

We will look, increasingly, to other, less transient elements of the international community, to take the lead. The most obvious is the European Union. I very much welcome the fact that the EU is taking on a steadily greater share of the burden within BiH, as in the rest of the Balkan region.

It is doing this in several ways:

*Strategically*, by holding out the prospect, one day, of EU membership, and by binding BiH ever closer to EU standards through the Stabilisation and Association process.

*Militarily*, by providing over 9000 troops, over 60% of the current strength of SFOR.

*Economically*, by opening the entire EU market to BiH exports.

*And financially*, by providing tens of millions of euros every year in assistance.

The arrival of the EU Police Mission in January will be a further practical expression of that European commitment. So too, of course, my 'double-hatting' as High Representative and Special Representative of the European Union, which is already proving its worth in a much closer relationship with Brussels and with the EU 'family' in theatre.

But BiH remains a team effort, in which the entire international community is engaged, and must stay engaged, if we are to see it through to success. That includes the United States, whose contribution in BiH, in troops, in aid, and in political muscle, continues to make a formidable difference.

And it places a special obligation on BiH's neighbours, especially on Croatia and the FRY, to work actively for stability and reconciliation in BiH and to show full respect for BiH's sovereignty and territorial integrity. Demonstrating a real commitment to regional co-operation is an important benchmark under the EU's Stabilisation and Association process: the way in which BiH's neighbours behave towards BiH gives them a chance to show their commitment to such co-operation.

### Seeing the job through

Mr President, even before 11 September 2001, the recent tragic history of the Balkans had reminded us of the danger that failed, or failing, states can pose to the wider international community; how instability can be contagious; how quickly someone else's problem can become everyone else's problem.

We learned that lesson in the Balkans; and we must continue to show in the Balkans, and in Bosnia, that we have not forgotten it.

But we have learned something else too, from elsewhere on our European continent. In Central and Eastern Europe countries have transformed their prospects, by their own efforts, and with very considerable international support and involvement. Those countries now stand on the threshold of joining the European Union.

We have the chance, now, to set BiH firmly onto that same road, and give its people a second chance at the brighter future that they so cruelly missed out on a decade ago.

Ultimately, it will be up to the people of BiH to seize that chance, to make that transition, to help them on to that path to Europe, and to help them reach the point of no return.

It will require continued funding; it will require a continued, though diminishing, military presence, for some time; it will require the continued commitment of qualified people.

It will require, above all, one other commodity.

Political will.

Political will to see this job through to success, success which is now in our grasp if, but only if, we can stay the course.