

Interview: Wolfgang Petritsch, the High Representative in BiH: "What message I got across to the SDS"

The High Representative of the International Community in BiH, Wolfgang Petritsch, last week visited the Republika Srpska, where he harshly criticised the leaders of this Entity and warned them of severe penalties should they continue pursuing political and economic self-isolation. Immediately after his return from Banja Luka, Mr. Petritsch revealed, exclusively for our magazine, the content of discussions he had had with the top RS officials and signalled what actions he may take, particularly against the SDS, if political obstruction continues

I never announce in advance what measures I intend to take * Sarovic and Kalinic know what the consequences will be if they continue blocking the BiH institutions

The first test for the RS politicians is adoption of about 20 laws, relating to economic reform, in the BiH Parliament: if they just reject them, I will not hesitate to take harsh action * The problem does not lie with the SDS only: the whole political establishment in the RS behaves in a similar manner; however, my programme has been supported by all the members of the Peace Implementation Council including Russia * The Republika Srpska is now isolated and under sanctions: after the May events in Banja Luka, nobody is willing to invest in that Entity * I have the mandate to ban the SDS; whether I will do it or not depends on the future behaviour of the

leadership of that party

If the Serb representatives in the BiH Parliament dare once again to refuse the adoption of a set of laws, they will be sanctioned, as announced by the High Representative in BiH, Wolfgang Petritsch, to the SDS and the RS leadership during his recent visit to Banja Luka. The adoption of these laws (about 20 laws) which are very important for BiH will be the first test for the SDS representatives that will show whether they seriously heeded the warnings conveyed recently by the High Representative to the SDS leadership. According to the first public statements made by RS politicians following Petritsch's visit, it seems that when choosing to be either compliant or removed, they would rather choose the former option. None of them has publicly stood against the requests set before them. After Petritsch's visit, the RS President, Mirko [arovi}, only briefly stated that the "functional BiH is a precondition for joining the European integration processes". The message conveyed by the office of Dragan Kalini}, SDS President and the RS National Assembly Speaker, says that the High Representative "made it very clear that the SDS leadership has to make a more radical breakthrough in the overall politics in the very near future".

His visit to Banja Luka followed, let us remind ourselves, the publication of the ICG's report and the meeting of the Peace Implementation Council held in Brussels in October this year. Immediately after his two-day visit to the Republika Srpska, in an interview with *Slobodna Bosna* Mr. Petritsch talks about the RS politicians, explains why he decided this time to take a more aggressive approach towards the leadership of this Entity, sanctions which may be imposed on the SDS.....

HERCEGOVACKA BANKA WAS LOOTED BY ITS SHAREHOLDERS!

SB: The Office of the International Administrator of the Hercegovacka Banka is nowadays publicly revealing the evidence collected during a months-long investigation into the

financial operations of this Bank. Is there sufficient evidence, collected to date, for issuing indictments for financial fraud connected to the Hercegovka Banka?

WP: The investigation conducted to date has established, beyond any doubt, that the Hercegovka Banka actually had been serving the purposes of the Management and shareholders rather than depositors. There is evidence that the shareholders were taking loans which are the same as, or of a higher amount than, the capital they invested in the Bank, and they almost never returned these loans, which is unacceptable. I will mention one example, that is how the *Antonio Trade Company* became a shareholder of the Hercegovka Banka. On 01 July 2000, Antonio Trade was extended a loan by the Herzegovina Insurance (*Hercegovina osiguranje*) amounting to two million DM. The same day, using that money, it bought shares of the Hercegovka Banka and then, by the end of December 2000, it took a loan from the Hercegovka Banka amounting to two million DM and the next day it repaid the loan to the Herzegovina Insurance. The loan extended by the Hercegovka Banka was never repaid. In the whole transfer, the Company did not invest a pfennig of its own money but it became a shareholder in the Bank. That is incredible business! This and similar transactions were paid for by thousands and thousands of depositors and taxpayers because when the Bank was established, in 1998, the municipalities and cantons invested real money, i.e. money of their taxpayers, amounting to 20 million of equity. The Bank was privatized later, and most of the new owners, i.e. shareholders, did not pay anything for the shares they bought.

SB: Was it done by all the shareholders?

WP: The situation is more or less the same with all other shareholders of the Hercegovka Banka. They simply have not returned the loans they had taken, and they used the Bank like a self-service shop from which they used to take money whenever they needed it. I am not an investigator and it is

not up to me to decide who will be prosecuted, and when, because of the aforementioned. However, it is certain that the evidence, which is still being collected, will subsequently be forwarded for judicial scrutiny. What seems very important to me is to find out who the looters of the Hercegovka Banka are. Of course, it is not the International Community, as some individuals used to say; it was done by this Bank's Management, some shareholders and politicians who are behind all these transactions. They robbed their own people, and the Bank employees are only victims of these completely incredible transactions.

SB: You mentioned in Banja Luka that the SDS might be facing sanctions soon. Referring to the sanctions, do you mean removal of some SDS representatives in the State Parliament, or a package of certain measures, or a combination of removals and other types of pressure, or...?

WP: It has been several months since the new authorities came to power in the Republika Srpska. Over this period we have been "pressuring" the RS Government and the Parliament, including the SDS in particular, to be cooperative. We have so far made a lot of attempts to make them comply with that. Several weeks ago I decided to mention at the session of the Peace Implementation Council (PIC) that, in my opinion, there had been too many such attempts, and I asked the representatives of the PIC to support me in taking more severe measures against the top RS officials because we have not seen the expected results. After this meeting, I went to Banja Luka and reiterated this to the politicians there. I think that such type of communication is really necessary – not some ambiguous political quibbling but very direct, open and intensive discussions with the relevant political actors in the RS.

RUSSIA ALSO SUPPORTS ME

SB: What kind of sanctions may be imposed on the SDS? Have you

given some specific deadline to the leadership of this party by which, if “changed for the better”, they could avoid sanctions?

WP: No. Firstly, the people I talked to in Banja Luka understand very well that I want to see the immediate adoption of the laws which are pending before the State Parliament. That is the first thing they have to do. If some representatives are concerned about the content of some laws, from the professional point of view, they can discuss it. However, it will not be acceptable whatsoever to reject the laws with the argument that they are unacceptable or that they do not want to deal with these laws at all. The laws concerning economic reform and development are essential and they simply have to be passed. In case this does not happen, you can be sure that I will not hesitate to exercise my powers.

SB: Persons interviewed by *Slobodna Bosna* argue that the participants at the PIC meeting held several days ago in Brussels expressed their open dissatisfaction with minor improvements in the RS and asked you finally to do something in this Entity. They also say that this was the reason for your recent visit to Banja Luka and your unexpectedly harsh words conveyed to the SDS leadership?

WP: What happened was exactly the opposite. I asked the PIC and its members to support me in my sterner approach, having in mind that otherwise the process of peace implementation would not only come to a standstill but would even regress, which is really unacceptable. The SDS behaves in a way which not only obstructs the work of the State institutions but the much needed economic reforms as well. The list of laws clearly demonstrates the standstill in the work of the BiH Parliament and for a long time it has been more than obvious that the Serb representatives, particularly SDS representatives, are blocking this in the State Parliament. Actually, it is nothing new because they usually block everything which leads to the

strengthening of this State, but they are then risking to be excluded from the political life. Of course, I have to get the support of the Steering Board for the moves I make, and I can tell you that in this case I got support even from the Russian delegation, which is essential in the case of the Republika Srpska.

SB: The recent report by the International Crisis Group (ICG) which severely criticises the past engagement of the International Community in BiH and accuses the OHR of taking a “soft” approach towards the authorities in the RS, and which also blames the SDS for the bad economic and political situation in this Entity, is probably another important reason why you suddenly gave a “stern warning” to this political party.

WP: I have to say that it is a pure coincidence. It is, I would say, a positive coincidence because the ICG’s report which you mentioned was, to some extent, a support for what I said yesterday in the RS. During my meeting with Kalini}, I told him “here is the ICG’s report, read it”. I think that he is well aware of the requests made by the International Community as well as of all the issues mentioned in this report. However, if we carefully analyse the situation in the RS, we will understand that it is not only the behaviour of one party which matters, on which the ICG’s report focuses, but rather the behaviour of the overall political establishment as well as the lack of political will to establish the rule of law and solid economic foundations in the RS. Of course, it is always easier to criticise and come up with solutions on paper than to implement these solutions in actual life. However, the general guidelines on which the ICG’s criticism is based are very clear and present in my thinking and my actions.

SDS RESTRAINS IVANIC

SB: During your two-day visit to Banja Luka you also met RS

Prime Minister, Mladen Ivanić, in private, but the media did not pay particular attention to this. Can you tell us what you discussed?

WP: I have to say that Ivanić, unlike many other persons in the RS, understands the necessity of cooperation at the State level in BiH. However, he is aware that by supporting the Alliance for Change, which he is doing, he will not ensure a better position for himself in the RS. Ivanić is definitely the kind of politician who can bring about the future for BiH. However, he is to a large extent constrained by the SDS. We discussed the fact that, according to my powers, I can issue a Decision to ban the party which obstructs positive processes in BiH because of its extremist positions. Yet, this is not a magic solution which would resolve all the problems in the RS. We can ban such a party but by doing so we cannot change the way of thinking, which is, unfortunately, considerably present among the population there. Therefore, I believe that such actions done by me would not be constructive. The best solution would be that the RS become open, primarily towards the Federation, towards the idea of the State of BiH, and thus make BiH closer to Europe. In order to achieve that goal, the RS leadership should actively contribute to economic reform, and to anti-corruption activities, the rule of law, protection of human rights, protection of all its citizens, and reconciliation. The foreign influence which will be felt here, once the preconditions are created, also includes major foreign investments in this region, which will, I am sure, considerably change the way of thinking in the RS. However, that is a very, very slow and painful process. That became perfectly clear after the tragic events in Banja Luka and Trebinje.

THE RS IS ALREADY UNDER SANCTIONS

SB: "Nezavisne novine" stated that during your two-day visit to Banja Luka, you asked Dragan Kalinić, the SDS President, to remove several officials from this party in the coming few

days if he wants to escape the same fate. Are these claims true?

WP: You know that I never talk publicly, in the media, about who will be removed and I do not reveal what measures I intend to take. My impression was that the participants at the meeting in Banja Luka understood very well what measures I might take. I believe that they understood more than seriously that we still could talk, but the next step which would be taken will include actions aimed at resolving the problems. I made it clear to them that I was fed up with the people in the RS who brought about such a grave situation in the RS, leading to social upheavals, strikes, poverty...I reiterated several times that I would not accept the creation of an island of poverty here. Yet, I am not so concerned about individual parties. I am concerned because the social and economic life of the people in the RS is getting worse, so that it reached alarming proportions. I know that the solution would not be to isolate Banja Luka. The solution can be found only in the context of creating a stable State of Bosnia and Herzegovina...Sanctions have actually already been imposed on the Republika Srpska because investors, particularly those from abroad, look for security, the rule of law, and respect for human rights. However, pictures like the one of violence in May, when the cornerstone for reconstruction of the Ferhadija mosque was supposed to be laid, can only scare them away. Unfortunately, the people in the Republika Srpska, who live under very bad economic conditions, are hostages of their own politicians, particularly of the SDS representatives. However, they are now aware that this is their last chance and that meetings and discussions like the one held last week will no longer take place.

SB: In an interview given several days ago to the French news agency AFP, you mentioned the possibility of banning the SDS which would result in its complete disappearance from the political scene. Are you really thinking of doing something

like that?

WP: That was a rather free interpretation of my statements because, according to the powers vested in me, I can do it. I will not hesitate whatsoever to exercise all the powers, as I did when I was compelled to do so in the past. I would like to remind you that to date I have removed about seventy local politicians. If the SDS compels me to do so, I will certainly not hesitate to resort to such a measure in their case either. That is one of the options, but you know that I never mention any name in advance. I think that the SDS is currently facing a serious problem – there is a rift within this party over the need to dissociate themselves from the past and accept reality. Karadžić, who was the leader of this party some time ago, is definitely a man of the past, just like the politics he pursued...The SDS now, with a new leadership, learns how to accept another and different reality step by step, meaning that the RS cannot allow itself to be isolated from the rest of the world. That is, actually, a bit similar to the attempts made by Ante Jelavić and the HDZ leadership who tried to isolate themselves, even from Croatia. We could see that at the last Croatian Congress where a new party leadership was elected including more or less only the people from Herzegovina. How, then, can the HDZ claim to represent all the Croats from Posavina, Central Bosnia...? This party has no contacts even with the Government in Zagreb. They admitted that such behaviour was a mistake and they are slowly returning to the institutions, but too late in many instances. Those who led the party in this way excluded themselves from politics forever.

OUR AIM IS TO LEAVE AS SOON AS POSSIBLE!

SB: What will be contained in the OHR's proposal regarding the reorganization of the International Community in BiH, which is supposed to be disclosed at the next PIC meeting?

WP: My Principal Deputy, Donald Hays, is in charge of that

process. We are currently preparing proposals for the reorganization of civilian international organizations in BiH in order to enable them to adjust to new requirements of civilian implementation and work as efficiently as possible. We will submit these proposals to the PIC Steering Board at the next meeting which will take place by the beginning of next month in Brussels. The aim is to identify key tasks of the International Community in the several years ahead, with the objective of creating a stable and democratic BiH, and to find out the best methods to accomplish these tasks, the period in which this should be done, using which resources, and so on. We have to create a democratic framework for the functioning of BiH in order to create conditions here which will, within a certain time-frame, render the engagement of the International Community unnecessary.

IT IS DIFFICULT TO FIND MONEY FOR RETURN

SB: Apart from the possibility that several SDS representatives in the State Parliament may be removed soon, according to the information available to the SB, you intend to remove several Mayors in the RS because, as you said, of the scandalous results concerning the return of refugees. Allegedly, one of them is the Modriča Mayor.

WP: I do not want to comment on such speculation because, as I said, I do not talk in advance about decisions I intend to make.

SB: You have harshly criticised the RS leadership because of their dismal results regarding the return of refugees to this Entity. On the other hand, you have recently sent letters to the Foreign Ministries of the PIC member-states asking them to exercise their influence on donors since the process of return is seriously endangered due to the lack of funds. What is right now the greater impediment to the process of return – political reasons or the lack of donations?

WP: It is definitely more a political problem, although the figures concerning minority returns in the RS are increasing to some extent. At the same time, that was my answer to Mirko [arovi] – progress has been made from a very, very low level, so it does not deserve some special commendation. In other words, the political, institutional and organizational framework in the RS does not encourage return to a considerable extent. On the other hand, it is also true that six years after the signing of the Dayton Peace Agreement, the International Community is not ready to provide unlimited funds for BiH for the return of refugees. During 1999 I took serious measures to encourage return, particularly in the field of implementation of property laws, because the return of property is a precondition for return. I think that a good job has been done. The OHR's RRTF has achieved considerable results in cooperation with other organizations. Let me mention some figures: from January until September this year we have registered about sixty thousand minority returns in the territory of the whole of BiH. So, the number of minority returns has now increased three times annually as compared to 1999. Of course, the reason this number is not higher is the lack of funds. According to my estimations, some thirty thousand families have not received any material assistance and therefore it is very questionable whether they will be able to stay in the places where they had returned because the winter is approaching.

SB: Will it, at all, be possible to provide necessary funds for their stay/survival?

WP: Honestly, it will not be easy to get new donations. Yet, I have to say that during my initial meeting with the new US Ambassador I received assurances from him that he would do his best in that regard and that his Government is willing to continue providing material support to the return of refugees in BiH. Of course, I also have contacts with the representatives of other governments which are also willing to

help.