

## **Transcript of Press Conference by the High Representative following a meeting of the PIC Steering Board**

At today's meeting we have been discussing the situation in the Republika Srpska which is the real news in that country. I think the good news is that there is a new Government, which is democratically elected although it has a thin majority, but it is a government which wants to co-operate with the international community and really wants to work for the benefit and prosperity of the Republika Srpska. Compared to the previous government it is a 180 degree change.

You know that it has been decided that on the 31 January there will be a meeting of the National Assembly in Banja Luka to appoint the new government. The new government is going to encounter a lot of difficulties, because of the situation that they will find when they are able to see all the archives and files in the different ministries; and when they look in all the drawers and at the bank, they will see that there is no money at all for the State, and they will perhaps also find that there are a lot of debts, not only money that is missing, because of the previous government.

So the population of the RS really need a new government that is going to run the country in a normal way; but for that, and for helping them to cope with the most immediate requirements, for instance to pay the salaries of teachers, of the police, pensions, hospital personnel etc which have not been paid for more than three months, and given that there is no money in the bank, they will need to cope with this problem immediately, and I have made an appeal to the international community in order to provide money, immediate funds for direct budget support. The European Union has approved the decision to provide 6 million ECU of direct budgetary support and at the same time other donors, the main donors, are looking for additional funding, which we have calculated will be around 15 million ECU, until the new government is able to control the revenue side, which is mainly to control the customs and excise duties. They will have the full support of the customs administration services of CAFAO which are independent of the European Union. There are other donors who have said that they are immediately looking to provide additional support: US, Japan, Canada, Netherlands, UK. Some of them cannot provide direct budget support but they can provide support in specific areas, for instance computers, office machinery, because now the ministries in Banja Luka do not have these facilities. So I firmly believe that in a very short period of time the international community will provide the new government with the necessary assistance.

We have been also discussing the situation of the peace implementation, and I have said that there has been a lot of progress in the last month. You know that the parties adopted the passport laws and the law on the Council of Ministers but they failed to adopt the citizenship law and I had to implement it, to enforce the law on citizenship. I have learnt today that they are going to adopt formally the law on citizenship that I have imposed, following my new mandate in Bonn. The law on the new and split municipalities have been adopted by the Federation Parliament.

The law on the unified licence plates, something which was unthinkable one week ago, has been adopted, thanks to the new situation in RS, and also the permanent tariff schedule has been approved by the Council of Ministers. Now we are working on a flag. I appointed a Commission of independent people, artists and intellectuals, who have been working on different models for a neutral flag. I made a presentation to the press in Bosnia a couple of days ago which was well received, and I hope that this flag will be adopted, one of these three models, will be adopted by the Assembly of BiH on the 3 February, so that in the Olympic Games in Nagano there will be a flag of BiH. Also you remember that I took the decision of implementing the single currency for BiH, which is going to be in circulation around the month of April.

It has also been well received by all, the population and also by the new government in the RS. This is the good news, but there is always bad news. For instance, there is the failure to adopt the appropriate housing legislation by the Federation and by the RS, of course because they need to meet. The Assembly needs to meet and to approve the new housing legislation but for the time being the Federation has not been able to do it and this is a matter of concern because it prevents the return of refugees to their homes of origin. There are also problems related to the implementation of the legislation of the Council of Ministers and the location. We are still discussing where to meet. There are no civil servants, there is no administrative structure in the Council of Ministers, so they have to do it very quickly, and if not of course we will have to take the measures ourselves, but I hope not. With adequate pressure on this, these issues will be resolved. There are also problems related to the implementation of

the results of the municipal elections. OSCE has reported that 45 municipalities out of 136 have been certified up to now, so OSCE has to go on and try to speed up the process. It expects that 97 will be certified within the next two weeks. But of course there are still a lot of them uncertified, and you know that, if there is no agreement, a final arbitration by the High Representative will be necessary. I would rather prefer OSCE stays and goes on with the process, so that the number of municipalities for which I will have to take this decision will be the minimum. We have also been discussing the supervision of the elections at the end of this year, which are going to be crucial, the general elections, and we have to prepare these elections properly. The media has to be absolutely open and free, and we have to organise these elections in a way that the mono-ethnic parties have not the same importance and leverage as they have now, so that there is more pluralism in the country.

Finally we have been discussing the situation in Brcko, which has been improving, but there is an imminent Award by the Arbitrator in the month of March, and this situation is delicate. The problem is very sensitive, so we have to tackle it with a lot of care, especially in view of the formation of the new government, which has already said that it is ready to co-operate with the Supervisor, Ambassador Farrand. This has been together with an overview of the refugees return situation and the new conference on Sarajevo, called the Sarajevo Initiative, which is going to take place on the 3 February and which will be chaired by the High Representative and the State Department. We are all interested in making Sarajevo a multi-ethnic city again, which it was before the war, and in enabling all the displaced persons and refugees who had to leave the city to come back in a short period of time. We will establish benchmarks to be accomplished, with incentives and of course sanctions if those benchmarks are not met. So this is more or less the content of our meeting today, which, as you can see, was one in which the final assessment of the situation was much better than it was one month ago.

**Question:** About this 180 degree turn in RS. Do you think that this is too good to be true? Or, if true, is that too good to last ? Are you afraid of the reaction of the other side, which has a lot to lose? What would be your or the international community's answer to that?

**Mr. Westendorp:** Well, of course it is a very good news and we have always been accustomed to such a bad situation that we may be afraid that this is not going to last; but I really believe that the SDS and the Radicals will have to content themselves with the role of opposition to the new government, a democratic opposition, otherwise they won't survive in the long run. The Radicals led by Mr. Poplasen have been very clear about that. He has stated all the time that they are going to play the role of the opposition, and that they are going to participate in the Assembly. Some hard-liners in the SDS have shown a different attitude, but I really hope that the majority of the SDS understands that their only way to survive is in opposition, in open opposition, in democratic opposition, because, if they choose any other kind of hidden opposition or exile opposition, I think that their political life is over, and of course the international community is not going to tolerate any other attitude than loyal opposition.

**Question:** Can I follow up on the Dodik government's commitment to Dayton. In the Times today we see that the new defence minister says that Gen. Ratko Mladic is a hero and there is no reason to extradite him. Mr Dodik, himself said in an interview that his government has no mandate to extradite anyone to the Hague until September and the new elections, and on Brcko he is also quoted as saying he is not going to admit the division of RS. Do you see these statements as following a clear commitment to Dayton ?

**Mr. Westendorp:** Well, first of all we have been very worried about this news coming from Belgrade, putting these words in the mouth of the new Minister of Defence, Milan Milovanovic, but we have established contact with him, Mrs. Plavsic and Mr. Dodik, saying that we were very worried about this. He categorically said this was a lie and that he had never said those words or ever pronounced that kind of sentiment about Mr. Mladic. He has said it very categorically. The other declarations have to be understood in the context of the RS. I think Brcko is going to be a crucial, vital issue for the new government. The behaviour of the previous government has been such that, if that government had been there now, the Arbitrator would have had a lot of difficulty to award an arbitration which would have been to the liking of the RS. Now the situation is different, there is a government which says for the time being that it is going to comply with Dayton. They have to prove that. We are very happy that they say that, but we will be much happier when they really deliver what they are saying. And of course this attitude is going to influence the behaviour of the international community and is going to influence the arbitration decision. That is very clear. But in any case what we have clearly in mind, and what I have said several times, is that I concur with the Serbs in that we are not going to tolerate the division of the RS, we are not going to allow that.

**Question:** On the customs revenues, do you have any figures to show how much has been diverted to Pale by corruption? How much is available to the new government ?

**Mr. Westendorp:** An estimation is rather easy. Customs, plus excise duties, amount to 60 % of the total budget. Given that the total budget is empty, you can imagine; and salaries have not been paid, so you can deduce roughly how much has gone into the pockets of the few, which is nearly everything. So what is now absolutely urgent is that, first of all, Serbia and Montenegro and FRY, co-operate with CAFAO. They are doing that. Of the customs duties that FRY have collected on behalf of the imports coming into the RS through FRY, there is an amount which is due to RS and this amount goes to the legal government now. CAFAO, together with the new authorities, should start to control all the revenues, which are mainly customs duties and excise duties. This is easily done. If necessary, if Dodik does not have control of the whole of eastern RS, Pale, particularly for the time being, then it would be easy to prevent imports going through under the control of Pale, but rather channel them through borders which are under the control of Banja Luka.

**Question:** Three questions if I may. Do I understand from your last remarks that your strategy is now in fact to starve Pale out, to stop any imports going into the territory administered by Pale? Secondly, do I understand you exactly when you say that your decision on the arbitration on Brcko will depend upon the co-operation of the Dodik government? And finally, what are your expectations of the Dodik government, given that it is so broke and so new and will have great difficulty in carrying out any kind of efficient administration on its own?

**Mr. Westendorp:** First of all, no – starvation or drying out of Pale is not an element of my strategy. It is just a by-product if my strategy doesn't work. My strategy, and it is also Dodik's strategy, is mainly that he will have a peaceful transfer of power from the previous government. He has talked with Kllickovic on five occasions, all the other Ministers are talking with the previous Ministers, and all of them are saying that they are ready to co-operate and make this transfer peacefully. If this is the case, and I hope this is going to be the case, then there will be no need for any kind of action against Pale. If it is not the case of course, this would be a last resort action. Concerning the arbitration decision, I am not the arbitrator, he is an independent person. The arbitrator wants to hear from the people who know about the situation, these peoples' opinions. Up to one week ago the arbitrator received the opinion from all the players that the situation there was very dangerous, that compliance with the supervisor's orders, of which 16 have been delivered, had been made reluctantly, and that the situation was very fragile. In this situation and with Pale controlling Brcko, because Brcko up to now is a Pale controlled city with the police receiving orders from Pale, if this was the situation up to now, it would be very difficult for the arbitrator to make an award which was in favour of RS. Now the situation of course has changed, but has only changed on paper. Now we need to see how the government gets control of the situation, how the government behaves, if they really co-operate with the supervisor and if this situation seems to be lasting and not just for a few days. If it is the case of course that we all tell the arbitrator something is moving, this is improving, the situation has changed, then the arbitrator will, I am sure, take this into account. And expectations about the new government, well, they are going to have a lot of difficulties not only internally, because the new government has a very thin majority, there is a coalition of parties and those parties have different ideologies, so we cannot take for granted that these parties' support is going to be permanent. They will also have difficulties with the municipalities, because power in the municipalities in eastern RS is not as plural as the power in the Assembly. There are many municipalities which are under SDS control, so this government is going to have problems, economically RS is broke. Now what can we do to help them as much as we can? With direct support, aid, and with projects, real projects, electricity, humanitarian projects. For instance ECHO is ready with an operation to improve the quality of water all over RS, which is very important. There are projects which are going to be seen very quickly, and we believe that in a very short period of time, no more than a year, the change in the RS will be visible, especially when you open the border and there is traffic. There is already traffic but there will be much more. It is very difficult that one entity, the Federation, has a growth of 50% per year and RS has a decrease of around -5%. I am optimistic about that but we have to support the government and the population, and the population has to support the government. It is not going to be easy.

**Question:** Last week Mr. Van den Broek at a press conference said that he was reluctant to accede to your request for EU money to be paid directly to the government of the RS for the salaries for civil servants, and then of course the EU Foreign Ministers decided to change Mr. Van den Broek's mind. How did you manage to change their minds and his mind?

**Mr. Westendorp:** He has kept his word. He was reluctant to give the money himself and he has given the money to me. I have the responsibility of giving this money. This is going to be difficult of course but we have to check, we have to see the payrolls, we have to certify that the people are really those who deserve to receive this money. For the police for instance we are going to give the money only to the police members who have been vetted by the IPTF, or those who are in the process of being vetted. We are not going to give money immediately, we are going to give the money just partially in instalments, and check that this money really goes to the people for whom it is

intended and not for other purposes. It is not going to be an easy operation, but we can do it. And Van den Broek has been very co-operative.

**Question:** Are you satisfied with the amount you have received ?

**Mr. Westendorp:** I am never satisfied with the money I get. I think it is promising. We need 15 million ECU and we have more or less 11 million ECU. Immediately, for this month, this 6 million will do. But we have to pay the arrears also, and we have to pay perhaps the next month too. We have calculated around 15 million. Some countries have promised an amount which will be 11 million in total.

**Question:** The US is going to approve troops beyond June. Do you have any worries about that given, the current situation in the States and the problems that the President has at the moment ?

**Mr. Westendorp:** Well, there is always a problem and not only because of this but maybe other problems. Until I see that this decision of the Administration is implemented, I will be very attentive. But I am absolutely clear that there can be no reduction of personnel, of troops, no substantial reductions, or even any reduction at all, if we take into consideration all the tasks of the civilian implementation we have to carry out – the implementation of the municipal results, possible turbulence of the hard-liners' resistance, and in view of the general elections at the end of the year. So I will be very clear, we need the same numbers as we have now. Of course these personnel can be of a different calibre. This is going to be considered by the NAC but substantially they have to be more or less of the same numerical magnitude as now. But I am worried of course.

**Question:** But the number considered by the NAC seems to be 30,000 rather than the current 37,000. Do you think that this is too few ?

**Mr. Westendorp:** Technically I don't know. You can do the same with 36,000 as perhaps you can with 30,000. I am not an expert. I always say jokingly when I go to headquarters and am invited for dinner and there is a big room full of Generals, that I don't know whether this is really the kind of troops we need in BiH. You can reduce by many Generals, as long as the soldiers are still there. What I mean is that technically perhaps 30,000 or 36,000 is equivalent. I am not a military expert. As long as you have the troops.

**Question:** On Sarajevo Initiative Conference. You mentioned that the aim of the conference is to make Sarajevo a multi-ethnic city. Do you think that the Conference being scheduled for 3rd February, without the legislation on housing, can be successful?

**Mr. Westendorp:** We take for granted that this legislation is going to be modified. One of the benchmarks or conditions that this conference will demand from the Sarajevo authorities is precisely the modification of the law. But you know there is a lot of political resistance and demagoguery, because the people say, and even President Izetbegovic said recently, that he will never put anyone on the street. Our answer to that is that we agree, we don't want to put anyone on the street because there is alternative housing in Sarajevo. There are many people who have 3 or 4 houses. So if there is a good allocation of resources, there will be enough room for this massive return. Of course, if at the end of the day there is still a need for housing, then the international community will help, but nobody will be put on the street.

**Question:** How much money do you think the RS can count on out of the 2 million pledged over the last two years at the Donors Conference ?

**Mr. Westendorp:** Now it amounts to 6% or 7% of the total. The ideal figure would be a third. I hope they will get it. Not all in one year but in two to three years.

**Question:** Is that money still around ? Have they spent it for some other projects?

**Mr. Westendorp:** No, you remember that this money is frozen. I think it is 11 million for eastern Srpska from the European Union, and an equivalent amount from the World Bank and other institutions. So there is a lot of money which can be spent very quickly.

**Question:** Just to follow up on how you see this split balance between the Federation and RS . What are the effects on the spot ? Are the people complaining very much in the RS ? How do you see that ? What is your reaction?

**Mr. Westendorp:** People are complaining, people say that they have not received the money from the

international community. That is true, they have not received the money. It is not because the international community doesn't like the people of RS, it is because the leaders they had before prevented the international community supplying this money. Now the situation has changed. Our task is to make the population see the benefits of co-operating with the international community.

**Question:** (inaudible)

**Mr. Westendorp:** Yes, but let's distinguish the long term and the short term. In the short term the situation has not yet changed to let us think that we don't need so many troops, so the present presence is necessary. What has changed there is a government which now consolidates, and of course if the elections at the end of the year result in the same kind of people being elected in the Federation and in the RS, we may start thinking that perhaps this size of military presence is no longer necessary, but it is too soon to say that. What I am saying is that the change in the RS, if it consolidates, may spare us a lot of time, a lot of effort and a lot of men.

**Question:** Is there any danger of eastern RS seceding from RS ? Is Radovan Karadzic going to last for a long time ?

**Mr. Westendorp:** If I were him, I would be more or less thinking of packing. I firmly believe, if this government consolidates its power, Radovan Karadzic is going to be in a very impossible situation. I think Radovan Karadzic going to the Hague is a priority, but it is more urgent that the Dodik government consolidates itself. Because the other issue will be resolved very soon. The danger of splitting the RS is not going to happen as long as the international community is there. What is going to happen in 20 years time, once we have left, I don't know. Let's suppose that we leave in two or three years' time, what is going to happen in that country 20 years after - who knows?

**Question:** Can I just be sure that I have the figures right. The actual bill for keeping the Administration running is 6 million ECU per month.

**Mr. Westendorp:** 6 million ECU plus five million in arrears more or less.

**Question:** What are the estimated receipts for the customs ?

**Mr. Westendorp:** How much per month for customs I have no idea. I have no figures with me. The CAFAO report spoke about 20 million but it was just for these operations, 20 million DM, but it is much more than that. There are no statistics, the World Bank, the IMF have an estimation.

**Question:** Do you think that the estimates of the customs receipts would be enough for paying of the wages of the government ?

**Mr. Westendorp:** Yes. As I said, half of the total budget is coming from customs duties and the percentage of salaries for civil servants and pensions in total, the proportion in the budget, is 20%. You can see that with the half of the budget you can pay 20%.

**Question:** One last question. I understand that one of the reasons for moving all the customs revenue towards the new government is to stop money going to Pale, to stop financing the police force that Karadzic has. How long do you think he can hold out ?

**Mr. Westendorp:** Not too long. It all depends on how much money he has saved. I believe that the main thing with Karadzic is that, if Dodik controls the police, if Stankovic controls the police, he is not going to be able to protect himself for long. I don't see more than two months. But I might be wrong. It all depends on the co-operation of the government. Perhaps the government doesn't want to co-operate on that particular issue. Then we will have a problem, and they will have a problem.