Chatham House Speech by the High Representative Wolfgang Petritsch

Bosnia and Herzegovina: On its way to a modern European society?

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Ladies and Gentlemen,

I am honoured to have the opportunity of addressing you today, and to bring you up to date on what is going on in Bosnia and Herzegovina.

In order not to sound naively optimistic, I have added – after much discussion with my colleagues – a question mark to the title of this speech: "Bosnia and Herzegovina: On its way to a modern European society?"

It is, of course, easy to be cynical when we consider Bosnia and Herzegovina. This month's institutional crisis, concerning the Council of Ministers – the multi-ethnic, state-level government that equates roughly to the British Cabinet – is a case in point. The make-up of this key "common institution" – as state level institutions are known in Bosnia and Herzegovina – was recently ruled unconstitutional by the Constitutional Court. At the beginning of February, therefore, the International Community potentially had a full-blown crisis of governance on its hands. Not good news, I think you will agree, for the process of Europeanisation of BiH. I will tell you how this crisis developed later on.

First, I would like to discuss why there are still crises of

this kind – and why they happen on an almost daily basis. I am speaking, of course, of the politics of ethnic nationalism, driven by claims of territoriality, that seems to characterise all social and political discourse in Bosnia and Herzegovina.

It was in the early 1970s, when I was studying political science in the United States, that I first learned about "game theory," and the expressions "win-win situation" and "zero sum game." Thirty years on, these terms are still useful when trying to comprehend the attitudes that continue to rule the minds of too many people in Bosnia and Herzegovina. It is a true sociological phenomenon: every public issue, large and small – from adjustments to the old cease fire line to the maintenance of roads – is seen through the narrow prism of ethnic identity. And that – especially when it is allied to territorial claims – is the classic zero sum game. Issues are settled not by compromise but by outright conflict. They are either won or lost – and for one side to win necessarily implies that the other must lose. When political discourse is conducted in this way, there can be no "win-win" outcome to anything. This is the direct opposite of the Western European experience since 1945.

Such obsession with ethnic identity is of course largely alien to modern, multiethnic Europe. It has not been a significant force in European politics since the 30s and 40s. But it continues to flourish dangerously in South East Europe. It is dangerous because it tends to engender a curiously blinkered approach to reality.

Serbian nationalism is a case in point: it amounts to a holistic understanding of the world, based on the assumption that Serbia's role in life is as the "eternal victim." The viewpoint is quite unique in contemporary Europe. This view of the world is not open to negotiation: the "fact" of Serbian victimization cannot be altered by reasoned argument, because arguments can always be interpreted in different ways. This explains why, let's say, Serbian taxi-drivers in Vienna, who

have access to all the information available in the West, often have the same views as their counterparts in Belgrade or Kragujevac. If one accepts without question the “fact” of Serbian victimization, then it follows that the Kosovo war can only have been the consequence of foreign aggression.

Such a mindset should have no place in modern Europe. The EU, as it expands eastwards, is by its nature inclusive. It is an organisation founded on the principles of compromise and mutual benefit, and wholly antipathetic to the exclusive, “ourselves alone” thinking characteristic of politics in BiH. If Bosnia and Herzegovina and other states in South East Europe are to become a part of Europe, therefore, then this mindset must change. The question is, how?

One consequence of so much ethnic antagonism is that all social discourse in Bosnia and Herzegovina is seriously “overpoliticized.” (This, too, is the opposite of discourse in EU states, where legislators often face overwhelming indifference to their policies, even raising questions of democratic legitimacy).

In BiH, every politician who proposes a project – no matter how footling – is automatically suspected by his political opponents of a more or less hidden ethnic agenda. And in many cases, the suspicion turns out to be well founded. In such a climate there can be no sense of civic values. Small wonder that corruption – a sure symptom of the absence of a civic society – is endemic. Small wonder, too, that there is little or no pride in being a Bosnian – or, indeed, Balkan. For Europeans, as the distinguished Bulgarian professor of history, Maria Todorova, has noted, the term “Balkan” – and even the term “South East Europe” – are not neutral ones. In fact they carry negative connotations.

It seems to me that we will have succeeded in many of our goals when the politics of the region have given Bosnia and Herzegovina a new, positive self-consciousness. The starting

point is to try to foster civic values in BiH, a sense of individual and collective responsibility for the future of their country that at present is wholly lacking.

At the centre of my work in Sarajevo – the guiding principle by which I take each and every decision as High Representative – is what I have already termed "Ownership". We are trying to instill the idea to the citizens of Bosnia and the leadership alike, that this is their country, these are their problems, and that they bear the primary responsibility for sorting those problems out. We cannot do it for them – although we can and will assist.

This task is not easy: there is a tendency in BiH simply to kick a problem upstairs for resolution by a higher authority, rather than to reach a solution by discussion and compromise. This tendency is culturally ingrained; it has been the way of things in the Balkans for a long time. Tito understood it well, and exploited it brilliantly. The people of BiH need to be weaned off this dependency, but it must be done gradually. We need a phased entry strategy into Europe, and will only be able to decrease our presence in BiH over time.

The control points for this strategy already exist. The Council of Europe, for instance, has laid down a list of criteria to be fulfilled before BiH can be considered for membership. Some have argued that it would send a signal of encouragement if BiH were allowed to join before the criteria were fulfilled. While I fully support Council of Europe membership – which in BiH is perceived, accurately or no, as a waiting room for full membership of the main EU institutions – I think it would be a mistake to allow this to happen prematurely. Such a course of action would rob the International Community of one of its most effective 'carrots', while handing the ruling ethnic nationalists a political coup. It is much better, surely, to use the process of accession to the Council of Europe in order to strengthen and increase the pace of peace implementation.

Elections, too, make good indicators of BiH's readiness for Europe. Elections are scheduled for this year, in April, and again in the autumn. There will be more elections in 2002. The new election law – which was drafted by local and international experts, and conforms to all the European standards – represents a real opportunity for ordinary Bosnians and Herzegovinians to have their voices heard – and perhaps even to throw off the yoke of ethnic nationalism at last. Perhaps the most important feature of the new election law is that it will make the politicians truly accountable to the electorate for the first time, through a system of open lists. The new system will also give the moderates far more of a chance than before. Adoption of the law remains one of the most important criteria for membership of the Council of Europe.

On Tuesday, sadly, the Parliamentary Assembly voted to reject the new draft election law for a second time. They refuse, even, to discuss the draft. Clearly this is a crisis that has yet to be resolved. Parliament has shown that it is still not ready to embrace true democratic change: the tendency of this institution to hide behind an ethnic agenda is particularly strong. In other countries, parliamentarians are called lawmakers. Making laws seems depressingly far from being the priority of the majority of politicians in BiH. We are now asking them the question: "What are you going to do now? You have put the Autumn General Elections in jeopardy. Do you not want elections? The primary responsibility is yours."

However, things are not all gloomy. The recent triumph of the opposition in Croatia has, I believe, amply demonstrated the power of democracy to their neighbours in the south. They can see that when enough people want change, then change simply cannot be resisted. The new Croatian President Elect, Stipe Mesic, has also already remarked that Bosnian Croats should no longer look to Zagreb for the security and salvation, but to Sarajevo. Last week I received the same message from Tonino

Picula, the new Croatian foreign minister, whose first foreign visit in that capacity was to Sarajevo. This, too, is excellent news for our state-building project.

But for Ownership to take root, our first task will be to depoliticize BiH society. The overpoliticization of all public discourse has made it impossible for the ordinary citizen to take Ownership of their state. That means, first, taking politics out of the process of economic regeneration. Second, it means taking politics out of the judicial system, since there can be no respect for the rule of law while political influence continues. And third, it means taking the politics of ethnic identity out of the country's political discourse itself.

BiH's economy is not in quite as bad a shape as some people like to think. The four-year, $5.1bn reconstruction package, pledged after Dayton, has had substantial results. The economy has grown by some 250 per cent since 1995 – although admittedly this growth started from a desperately low base. In terms of infrastructure, the country is generally working well again. Roads and bridges have been repaired. Power stations are back at full production. Sarajevo, benighted during the years of siege, is in many ways a normal city again.

But the system governing the country's economy is to a large extent the same as it was in the days of communism, despite international pressure. As a result there is far too little investment, domestic or foreign; and the economy is still unhealthily dependent on international aid. This is cause for serious concern. We are, in fact, at a watershed in terms of international aid. The post-Dayton aid program is coming to an end; and in the wake of Kosovo, donor fatigue has already set in.

As we agreed at the Foreign Ministers' PIC meeting in Madrid at the end of 1998, the BiH economy must become self-sustaining if the country is to have any future at all. This

is still a poor country, and without growth it is likely to become poorer still. Last year in the Republika Srpska – by far the poorer Entity of the two – the average monthly salary still languished at KM 216, or 72 pounds Sterling a month. The gap between rich and poor, between Western Europe and its South Eastern neighbours, is perhaps the greatest psychological barrier to Europeanisation. All this is why I have made reforming the economy a top priority for 2000.

There are two "chapeaux," if you like, to economic reform: growth, and state-building. Growth is the first goal; and the privatization process is clearly central to creating it. The first stage of privatization, the opening up of the books of the big state sector companies to independent audit prior to evaluation, met with fierce political resistance. Perhaps this was inevitable, since the state companies are a primary source of funding for the major political parties. Such arrangements are not tolerated in Europe, nor should they be in Bosnia and Herzegovina. Governments can no longer be regulator and operator at the same time.

BiH's industry is still geared to the old command economy model. It largely comprises giant, state-run concerns – mines, steelworks and the like. They are completely out of step with the market requirements of the new millennium. We are exploring legal means, including my Bonn powers – under which I can remove officials who are obstructing the implementation of Dayton – to reorganize the country's business environment. The government's task is to create an enabling environment where investors – both domestic and foreign – can invest without going through a maze of bureaucracy. Most of all, we need to encourage small and medium-sized enterprises, for which the BiH workforce, most economic observers agree, is eminently well-suited.

But the present system simply stifles enterprise. Perhaps the worst example of socialist era bureaucracy is the so-called "payment bureaux", through which all commercial and public

bank transfers must pass, and which levy a substantial sum along the way. The payment bureaux are totally intransparent, and have a stifling effect on business of all sizes. They are also a cash cow for the nationalist parties, who exploit the system remorselessly. The payment bureaux will be abolished in the course of this year.

The lack of a reliable banking system is another important obstacle to private investment, closely connected to the payment bureaux system. There are currently over 50 banks in BiH, but not one of them can play the intermediary role necessary in a market economy. Many of the public sector banks may be on the verge of bankruptcy due to their loans to loss-making publicly owned enterprises. The numerous private banks are too small to provide the working capital necessary to kick-start enterprise. Overhauling the banking sector should encourage the participation of foreign banks, and thus the necessary injection of capital.

The second “chapeau” of economic reform is the business of state-building. We have already had some success in the creation of a single economic space. The Konvertibilna Marka is now the undisputed currency of BiH, and is traded in many countries in Western Europe. It has also kept inflation down. The KM is having a cohesive effect on BiH, lately also in the Republika Srpska, where the public now far prefer to use it rather than the inflationary dinar from neighbouring Yugoslavia. In this instance, economic reality has triumphed over the expression of cross-border Serb solidarity. In other words, we have succeeded in depoliticizing the national currency. The Konvertibilna Marka – which is covered 1:1 by currency reserves in DM deposited at the Central Bank in Sarajevo – may even provide a key for Europeanizing the entire region. The DM, in fact, is the de facto currency for much of the Balkan region, either as an official parallel currency or simply as the preferred means of payment.

Another obstacle to economic growth is the – already much

publicised – corruption in BiH. The extent of lost revenue has been exaggerated by western media, but that does not alter the fact that it IS endemic to BiH society. On Monday, I chaired the first BiH Anti-corruption and Transparency (or ACT) conference in Sarajevo, where I was joined by over 200 officials, representing all three levels of government, the judiciary and the police, as well as NGOs, civil society and the media. On Tuesday, meanwhile, a Stability Pact Working Group met in Sarajevo to discuss regional security issues. This mostly dealt with military issues, such as force reduction, but the discussion also encompassed the fight against corruption.

I recently imposed legislation in BiH establishing a new, multiethnic State Border Service – for multiethnic, you could, again, read "depoliticized" – which should put an end to the venal customs practices that have proved one of the most serious sources of lost State revenue. The citizens of any country, moreover, have the right to secure borders. In this matter, the close relationship between regional security and economic reform in BiH is, I think, self-evident.

The second area that must be depoliticized is the judiciary. This matter, too, was raised at the Stability Pact meeting in Sarajevo on Tuesday. Respect for the rule of law is obviously vital to security, and we continue to promote it vigorously in BiH. The goal is a fully functioning, independent and effective judicial system, without which there can be no long-term sustainable economic development, no effective domestic protection of human rights, no assurance of law and order.

Many judicial reforms have already been introduced, or are in the pipeline. For instance, laws designed to depoliticize the process of selecting judges, which were drafted with the assistance of my office, are currently pending before the Entities' legislative assemblies. And since last summer, certain categories of crime, notably organised crime, are now dealt with at Federation, not Cantonal, level, with the aim of

eliminating court decisions motivated by local ethnic politics.

The third area on which we are concentrating our depoliticizing efforts is the tone and nature of BiH political discourse itself. Four and half years after the war, this is still overshadowed by an issue that was surely the worst feature of those terrible times: I mean ethnic cleansing. We are, as of course you know, committed to reversing the effects of ethnic cleansing. Progress, though still far slower than we would like, is nevertheless not negligible. There were some 70,000 minority returns last year, double the figure for the year before.

To accelerate the returns process still further, I took two significant steps before Christmas. First, I imposed a package of changes to the legislation governing the Entity Property Laws. Tortuous bureaucracy has proved a major obstacle to refugee return, a fact that obstructionists on both sides of the old cease fire line exploited mercilessly. Not any more. And second, in November I removed 22 public officials from their posts for persistent obstruction of Dayton. The 22 came from all three ethnicities; the majority of them had proven track records of blocking the returns process. The move was, to my satisfaction I must say, wildly popular with the general public. For hundreds of thousands of them, returning to their pre-war homes remains perhaps the number one political issue.

I was greatly encouraged by this positive reaction: it is clear to me that the vast majority of Bosnians and Herzegovinians – particularly the young – do not want to live in mono-ethnic ghettos, but accept the Western European principle of multi-ethnic, “live and let live,” despite the terrible war. Indeed, I am convinced that the overwhelming majority of people, not just in BiH but throughout the Balkan region, do want to be a part of Europe. They are optimistic – and so am I – that we will see a big surge in the returns process in BiH in 2000.

But the removal of officials and the reform of property legislation are not the answers in themselves. There are, needless to say, more than 22 obstructionists in office in BiH. Such actions by the International Community send out a signal – and it is the right signal – that we are determined to take tough action when necessary. But true change must come from within. This is the purpose of the concept of Ownership, as I have already explained.

And there are, I am pleased to say, small signs that the concept of Ownership is beginning to take root. At the start of this address I mentioned a potential crisis over the Council of Ministers, and held it up as a demonstration of how far BiH still is from becoming a modern European society. But the Council of Ministers crisis is now well on the way to being resolved – and without the international intervention that would surely have been required just a short time ago.

This is what it means to "operationalize Ownership." Or in plain English, I told the tripartite Presidency that they would simply have to sort it out themselves – and they did so, in a series of talks that took place behind the scenes. They have come up with a solution that is not yet satisfactory to me. And, I fear, it might not be to the liking of the Constitutional Court. But the fact that they did it themselves is, in itself, an indication of a new seriousness in the attitude of the country's leaders. In the past, such a debate would most likely have been conducted, with all the usual tiresome Sturm und Drang, through the media. We have to keep in mind that, just two years ago, it was unheard of for the Presidency even to meet in the same room without it being set up by us.

Progress in BiH is often so incremental as to be almost invisible, especially to the outside world. That is why, since Kosovo, there have been calls both within and without BiH, for the setting up of an international protectorate over the country. These calls are a sign of frustration – even,

perhaps, of desperation – at the perceived failure of the Dayton project. But this is no time to call a halt. On close inspection, Dayton is not failing. The signs of encouragement, however small, should not be ignored. (As the martyred Protestant, your own Hugh Latimer, remarked in 1549: "Gutta cavat lapidem, non vi, sed saepe cadendo": The raindrop carves out a stone, not by force, but by often falling.) To my mind, establishing a full-blown protectorate would be tantamount to an acknowledgement of failure, just when we are starting to see signs of success.

Of course there is a long way to go – much further, indeed, than we ever anticipated when Dayton was signed in 1995 – and doubtless we will have more setbacks on our path. But our aim must surely be to promote growth, not to destroy it!

I apologize for the length and detail of this address. I hope I have not confused you with jargon. But I wanted to illustrate the nature of our daily business, and how far down "into the weeds" of BiH governance that it is necessary for us to go.

To summarize, I believe that further progress in peace implementation depends upon the successful deconstruction of the politics of ethnic identity. To do this, public discourse in BiH must be depoliticized. We are fighting what I have termed "overpoliticization" by pushing for reform on three fronts: the economy, the judiciary, and the political establishment itself.

The engine that drives this battle is "Ownership." True change must come from within. We will achieve no lasting democratic change if we do not change hearts and minds and engender a new responsibility for the future of BiH among the people that live there. We have a plan, and we have a vision – but like all visions, it will take time, patience and much effort to implement. In conclusion, therefore, I leave you with a simple message: bear with Bosnia.

I am also happy to report to you that in my talks yesterday with Foreign Secretary Robin Cook, and Secretary of State Clare Short, I received assurances that the UK will support Bosnia, and the work of my office, in the future as well. This is, or will be, money well spent. Because we are, I honestly believe, on our way to a better future. With our continued support and political engagement, and – crucially – if the citizens of Bosnia and Herzegovina take the right decisions, there is a real chance for the country eventually to become a modern European society.

Thank you very much for listening.