

# **Address by the High Representative for Bosnia and Herzegovina, Wolfgang Petritsch, to the Permanent Council of the OSCE**

Mr. Chairman, your Excellencies, I am grateful for having been given the opportunity to address you today not on the situation in Kosovo as I did last time in my capacity as EU Envoy, but for the first time in my capacity as High Representative for Bosnia and Herzegovina. I would like to bring you up to date on where BiH stand in its efforts to implement the Peace Agreement. It is no coincidence that I am here today with the OSCE Head of Mission; our joint presence is a reflection of the close co-operation which exists between our organisations on the ground in BiH as well as the excellent relationship between me and Ambassador Barry.

Let me from the beginning be frank. While there are rays of light, overall progress remains unsatisfactory and continues to be severely impeded by the ruling nationalist parties at all levels, from the State Parliament to the Municipal Housing office, the organ responsible at the local level for returning refugees to their homes. The cocktail of obsession with ethnic identity and lack of political will continues to be the Bosnian politicians' favorite drink. The consequence is that all issues including those of a technical nature are politicised and blocked in the country's numerous parliaments, governments and ministries. All too frequently more time is spent discussing agendas than the substance of the matters on the agenda. It is no surprise then that progress on most issues is running behind schedule. More than anything it is

this mind set characterised by an obsession with ethnic identity which needs to change.

The guiding principle by which I take each and every decision as High Representative is what I have 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. Those who obstruct know that I will not hesitate to take tough action. But true change must come from within. The people of BiH need to be weaned off this dependency, but it must be done gradually. Let me be clear: Bosnia and Herzegovina needs a phased entry strategy into Europe, and the International Community will only be able to decrease its presence in BiH over time.

We are, I believe, all aware that for BiH to make real progress and for it to proceed with such an entry strategy into Europe, fundamental change is necessary in the region, in particular in Yugoslavia and Croatia. The situation in the region is 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, Stipe Mesic, has already remarked that Bosnian Croats should no longer look to Zagreb for security and salvation, but to Sarajevo. This is excellent news for our state-building project.

The Belgrade regime continues to be active in RS "behind the scenes" in order to destabilise the SLOGA government. The political situation in this Entity remains complicated. Despite this there can be no excuse for the slow pace of implementation – particularly in regard to the return of refugees and DPs.

The return of refugees and DPs represents the first of my key

strategic priorities. The other two being economic reform and effective state institutions. Last year there were some 70,000 minority returns, double the figure of the previous year. To accelerate the returns process still further, I took two significant steps late last year. 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.

And second, in November I removed 22 public officials from their posts for persistent obstruction of the return process. I took this decision in close coordination with Ambassador Barry who simultaneously barred those same officials from standing in the April municipal elections. However, coordination with the OSCE in the field of refugee return is a day to day occurrence; as part of the OHR led Refugee Return Task Force the OSCE field structure is playing a vital role. Ambassador Barry will inform you in greater detail of the work the OSCE is doing in this area.

Let me turn my attention to a number issues, which I know, are of much interest to the Council.

Firstly the Election Law. Ambassador Barry will give you a detailed run-down on where we stand with the Election Law, so I will restrict myself to a few short comments. The draft Election Law drafted by international and local experts is a good one I am convinced, and conforms to all the European standards. Despite this, the State Parliament has seen fit to block the process without a serious consideration of the Law. Until the parliament makes a serious effort to adopt the Election Law, I am unwilling to publicly consider any other possible options for the law's adoption. My Office will continue to work closely with the OSCE to facilitate the earliest possible adoption of this Law by the State Parliament.

Bosnia and Herzegovina's authorities know that without the adoption of this law, General Elections in October are in jeopardy and speedy BiH membership of the Council of Europe will not be possible. The primary responsibility lies with them. In regard to the Council of Europe, let me state for the record, that while I fully support BiH membership, premature accession would rob the International Community of one of its most effective 'carrots', while handing the ruling ethnic nationalists a political coup. I am convinced it would be better to use the process of accession to the Council of Europe in order to strengthen and increase the pace of peace implementation. The conditions set by the Council of Europe for BiH's accession, are an integral part of peace implementation and as such represent nothing more than the parties had obligated themselves to do in Dayton.

Effective state institutions are a pre-requisite for BiH's integration into European institutions and thus constitutes my second key priority. While these institutions continue to meet on a regular basis, their performance, possibly with the exception of the Presidency, is quite frankly unacceptable. The Parliamentary Assembly has since November adopted only two laws. As a result of the Parliament's failure, I recently imposed legislation establishing a new, multiethnic State Border Service.

The most serious concern recently has, however, been the Council of Ministers – BiH's government. At the beginning of February of this year the Council was ruled unconstitutional by the Constitutional Court. The Council itself was unable to reach agreement on bringing its structure in line with the Constitution, and sent the matter to the Presidency for resolution. I told the tripartite Presidency that they would simply have to sort it out themselves – and they undertook to do so, in a series of talks that took place behind the scenes. They have come up with a solution that is not quite 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 and a small sign that the concept of Ownership is beginning to take root.

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. Economic reform represents the third of my 3 strategic priorities. The economy is not in quite as bad a shape as some suggest. 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 has also kept inflation down. 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.

However, substantive growth cannot continue without a fundamental overhaul of the economy. 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. In addition, the system governing the country's economy is still to a large extent the same as it was in the days of communism, despite international pressure. In short, the present system simply stifles enterprise. As a result there is far too little investment, domestic or foreign; the economy is still unhealthily dependent on international aid.

Of critical importance if the economy is to prosper and be truly self-sustaining is that the economic sector is freed from crippling political interference – the main obstacle to reform. There are legal means, including my Bonn powers, under which I can remove officials who are obstructing the implementation of Dayton, also in the economic sector.

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 clearly illegal funding for the major political parties. Such arrangements are not tolerated elsewhere, nor should they be in Bosnia and Herzegovina. As a matter of principle: Governments should no longer be regulator and operator at the same time.

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. Perhaps the worst example of communist 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. Consequently the payment bureaux will be abolished in the course of this year. Parallel to this, overhauling the banking sector should encourage the participation of foreign banks, and thus the necessary injection of capital.

Corruption is another obstacle to economic growth. The extent of lost revenue has been exaggerated, but that does not alter the fact that it is endemic in BiH. Recently I chaired the first BiH Anti-corruption and Transparency conference in Sarajevo, attended by officials of three levels of government, the judiciary and the police, as well as others. I expect the same officials who attended the conference to back up their words with action and finally establish the audit institutions for the State and Entity institutions.

The recent report completed by a commission of international legal experts appointed by the Federation Prime Minister does,

I believe, confirm the direction of my Office's corruption and transparency strategy. Strengthening and reforming the law enforcement and judicial structures must remain the central priority.

In conclusion, there are major changes in the region and small signs of real progress in BiH itself – progress from within. For this progress to continue, I believe it is important that the participant states of the OSCE continue to be fully engaged in Bosnia and Herzegovina.

As we approach the municipal elections, my message to the people of Bosnia and Herzegovina is to remind them of the OSCE election campaign slogan "Vote for Changes".

Thank you.