

Address of the High Representative for Bosnia and Herzegovina, Wolfgang Petritsch, to the European Parliament's Foreign Affairs Committee

Ladies and Gentlemen, good afternoon!

There is a wide perception and relief – that the various Balkan crises are over. The television crews are leaving Belgrade. You can withdraw cash from bank machines on a Sarajevo street. Slovenia will soon join an expanded European Union. Europe, it seems, can breathe a collective sigh of relief with peace – not just a cease-fire – looking like a real possibility in south-eastern Europe.

Let's hope so.

But any real Balkan peace needs continued European engagement. This is clear to me from my vantage point in Bosnia and Herzegovina, co-ordinating the day to day implementation of the Dayton Peace Accords. Let me be very clear: there can be no lasting regional stability without a stable Bosnia and Herzegovina.

The surviving hatreds, distrust, corruption and economic crisis continue to poison what the doubters would call the "Bosnian idea".

But it was not so long ago that our own European idea looked equally bleak and impossible. The challenges I face in Bosnia and Herzegovina today in trying to create a functioning,

prosperous state alongside a people still deeply traumatised by war, were very much the challenges that we faced in the hungry years after 1945.

The desire for European integration is one issue shared by all in Bosnia and Herzegovina. Europe must use this desire to shape a multi-ethnic, democratic country based on the rule of law. And day by day, this idea is becoming a reality.

The last 12 months have brought about substantial changes for the better. The main actors of the Bosnian war are no longer in power, even if their pernicious influence lingers on. It is the rule of law that has enabled the country to turn the corner on the return of refugees and displaced people to their homes. The number of registered returns – where refugees return to areas in which they are now a minority – nearly doubled in 2000 over the 1999 figure.

European involvement here is crucial to keep the momentum going. The United Nations refugee agency estimates that nearly two thirds of displaced Bosnian citizens still want to return to their homes five years after the war.

We cannot be complacent. Any hold-up in returns will soon make itself felt in Europe. A study by the United Nations Development Programme showed that 62 percent of young people in Bosnia and Herzegovina would leave the country if they had the chance.

There were worries that after the departure of the EC's humanitarian office in 1999, the European Commission was too slow in following up spontaneous returns with cash to maintain the momentum. But my concerns have been allayed to some extent by External Relations Commissioner Chris Patten, who has worked hard to streamline this funding. The EC spent over 50 million euros to aid returns in Bosnia and Herzegovina last year and has promised the same amount for 2001. This is good news at a time when most international funding is on the

decline.

This rapid fall in international funding has concentrated much of my Office's attention on economic reform. Most of the five billion dollars earmarked for reconstruction in Bosnia and Herzegovina has been spent. The country must now compete with Yugoslavia and Croatia for cash. In short, Bosnians must build a self-sustaining economy.

Tough market reform in a country still recovering from the war is proving hard on the vulnerable, elderly population. But in the economy too, reform is starting to pay dividends.

The payment bureaux, a Communist-era institution which held the monopoly on financial transactions and which were controlled and abused by Bosnia's competing nationalist parties after the war, have been closed.

The move to commercial banks will see troubled state businesses fail. But the competition brought by domestic and commercial banks has more than halved the cost of borrowing to about 11 percent and further reductions will certainly benefit ordinary Bosnians who want a mortgage or who want to start a business.

My Office, in close co-operation with the EC and others are pushing ahead with ways to close ethnic-based monopolies in utilities, opening telecoms and power generation up to competition. Robert Schumann's European Coal and Steel Community has provided much of the inspiration.

I aim to de-politicise the Bosnian economy through "functional integration". It is economic self-interest, the slow but perceptible beginnings of a single economic space that will secure Bosnia's future and bring its people together in a concrete way. The Stability Pact is doing the same positive work on a regional level. The agreement brokered by the Pact in Geneva last Thursday between all the former Yugoslav states and Bulgaria to free trade is excellent news.

But too many of the urgent decisions in building Bosnia and Herzegovina's institutions and its economy have been taken by me. The outgoing administrations at State and Entity level proved either incapable – or unwilling – of implementing reform. The frustrations were made all the starker by the speed of reform in Croatia after the death of President Franjo Tudjman and the tumultuous events in Serbia last October.

So the shift to more moderate parties in last November's general elections, despite being the country hit hardest in wars lit by nationalism, is encouraging and full of possibilities.

Nationalist parties – the Serb SDS, the Bosniak SDA and the Croat HDZ – have seen their share of seats in the state level House of Representatives fall from 36 out of 42 in 1996 to just 19 in this election. The pattern is repeated at entity level.

I am looking to new political alliances to speed up reform. We have a clear agenda set symbolically in Brussels last May by the Peace Implementation Council – the countries and organisations that support the peace process and which direct OHR policy. I will not hesitate to remove anti-Dayton officials and politicians. I will use my powers to impose laws where I see them as absolutely necessary.

Critics who say this is not enough would have my Office do away with time-wasting politicians altogether and establish a full-blown protectorate.

But I repeat: Bosnian citizens must own this process.

I could impose Bosnia and Herzegovina into the Council of Europe and drag the country down the EU Road Map. But if Bosnians themselves don't have a stake in the process, the whole exercise is meaningless.

The regional changes are already concentrating minds. Many in

Bosnia and Herzegovina, including myself, are asking themselves, can it be possible that Yugoslavia will be a member of the Council of Europe before them?

I am confident that Bosnia and Herzegovina could, with enough political will, meet all of the conditions of the EU Road Map in six months time.

But we are not out of the woods yet. We have not yet seen the back of the nationalist cartographers. The terms and commitments of the Dayton Accords are abundantly clear. Europe must insist that there can be no redrawing of borders. The alternative is renewed instability in the region.

Respect for and compliance with the Dayton Accords and the United Nations war crimes tribunal should be strict conditions for aid to all countries in the region, including Yugoslavia.

Europe must keep up strong political and economic pressure to ensure the detention of indicted war criminals like Bosnian Serb leader Radovan Karadzic and his military commander, Ratko Mladic. It is essential not only for Bosnia but for Yugoslavia also that the crimes of the past do not continue to poison the present.

Overall, Europe's involvement in Bosnia must widen. The signals coming from the new administration in Washington already say Europe will have to take on more responsibility for maintaining peace in the region. I fully agree with this. Europe failed the former Yugoslavia in the early 1990s. Europe's credibility is at stake in Bosnia and Herzegovina now.

This needs continued support, both political and financial. To cut out now, just as Bosnia and Herzegovina is turning the corner, would see all previous money wasted, with only more, costly unrest to follow.

It means keeping the number of peacekeepers in Bosnia at the

present level. SFOR unobtrusively provides the security citizens here still need to go about rebuilding their shattered lives. Conditionality is the tool we must use to create an entry strategy for Bosnia and Herzegovina into Europe.

Ladies and gentlemen, thank you for listening!