Article by the High Representative, Wolfgang Petritsch

Floyd Spence says declare victory and get out. Here's the case for staying in and doing the job right.

Time is running out for our efforts to impose a lasting peace in Bosnia and Herzegovina. The signs are hard to miss.

SFOR, the country's NATO-led peacekeeping force, has reduced its troop levels by nearly a third this spring, to around 23,000. Meanwhile a four-year, $5.1billion reconstruction plan, launched in the wake of the Dayton Peace Agreement, has run its course. Donations on this scale will not be repeated. Western attention has been diverted elsewhere in the Balkans. For the peace in Bosnia and Herzegovina, donor fatigue has set in.

One could argue: so what? Isn't four years and $5 billion more than enough for such a little country? Despite some problems, the peace seems to be holding – why not retire now and congratulate ourselves on a job well done?

The argument is familiar. It was made again last week by U.S. Rep. Floyd Spence, chairman of the US House Armed Services Committee, ahead of a crucial U.S. Senate vote on legislation setting a deadline for American military involvement in the Balkan region.

Tomorrow, I will be in Brussels to address a ministerial conference of the main donor countries to Bosnia-Herzegovina, which is meeting to assess progress of the Dayton peace accords, and to set the agenda for the next 18 months. No doubt Mr Spence's argument for an early withdrawal will be

made again. As the chief civilian implementor of the Dayton Peace Agreement, however, I vehemently oppose the idea of withdrawal – for now. At this stage it would not just be premature: it would be a disaster.

Petty Fiefs

If we leave now, Bosnia-Herzegovina will remain divided among the three ethnicities. It would be split into petty fiefs governed by tribal politics, as internally unstable as ever, and defensive and narrow-minded in their external relations. What a waste that would be of the billions of aid dollars already invested – and what a terrible precedent for international engagement elsewhere in the Balkans.

This week I will outline a three-step strategy, which, if fully implemented, should banish ethnic nationalism from Bosnia-Herzegovina forever.

The first step of this strategy is accelerated refugee return. Some 1.2 million people are still displaced as a result of the war, which ended in 1995. Despite a dramatic rise in the return rate so far this year, the rate of refugee return is still far too slow. Refugee return is perhaps the most direct means at our disposal of reversing the evil of ethnic cleansing.

The second step is to strengthen the governmental institutions. Without a properly functioning presidency, parliament and council of ministers, Bosnia- Herzegovina will never become a cohesive state that can take its place in the European family of nations – a family in which it clearly belongs.

But these steps can be classified as “work in progress”: the third, the new centrepiece of the strategy, is economic reform. Until now, the focus of international engagement in Bosnia-Herzegovina has been on reconstructing the country’s ravaged infrastructure. Great progress has been made in

repairing houses, roads and utilities. However, with international aid now diminishing, the country's economy is still dependent on aid. Unless the economy becomes self-sustaining, therefore – and fast – there is a real risk that the economy will collapse.

What is needed is investment, both domestic and foreign. The trouble is that the system governing the country's economy is still largely unchanged since the days of communism. The transition to a market economy, begun elsewhere in Eastern Europe almost a decade ago, has been delayed and obstructed by war.

The main goal of economic reform is the removal of obstacles to new investment, be they social, fiscal or political. Companies in Bosnia-Herzegovina are still required to employ a minimum number of workers – often far in excess of the number actually needed. No wonder enterprise is killed in its crib.

Perhaps the worst example of bureaucracy from the Communist era is the system of so-called "payment bureaux" – through which all commercial and public bank transfers must pass – that extract a toll for every transaction that passes through their hands. These payment bureaux probably act as a cash cow for the nationalist parties. Consequently I will abolish the payment bureaux in the course of this year using the powers vested in me by the international community.

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 Bosnia-Herzegovina, but not one of them can play the intermediary role necessary in a market economy. In fact, having a large number of weak banks actually hinders rather than helps economic development. New banking legislation will be in place by the end of the year.

Privatization is Key

A further key to modernizing the economy is privatization. The process is already under way. The first stage, 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 government-run companies are yet another source of funding for the major political parties. Such arrangements are not tolerated in Europe. They should not be tolerated in Bosnia-Herzegovina, either. Governments can no longer be both a regulator and operator.

But reforms are all very well. Ultimately, we cannot impose a peace, because true and lasting change must come from within.

Unless leaders are prepared to take responsibility for their country – unless they are prepared to display a new willingness to make the necessary political compromises – then political discourse in Bosnia-Herzegovina is doomed to be dominated forever by competing ethnic agendas.

The International Community can go on pushing for change and providing the security needed to make change possible. But it will not do so forever. Western taxpayers simply will not tolerate it – nor, as Floyd Spence of the House Armed Services Committee implies, should they be expected to.

I hope the three-member presidency of Bosnia-Herzegovina, who will be among those gathering in Brussels, takes note. It is high time they realized that they are drinking in the last chance saloon.

Mr. Petritsch is the high representative for civilian implementation of the Dayton Peace Agreement in Bosnia-Herzegovina.