

Interview: Wolfgang Petritsch, the High Representative in BiH in Brussels

Wolfgang Petritsch: We had a very long and very intense, but I also believe a very productive meeting of the Steering Board Political Directors, which is, as you know, a meeting about every four to six weeks in order to discuss pertinent issues that are before us on the table mostly in Sarajevo, Bosnia and Herzegovina. This time we concentrated on economic issues. Actually, it was the first time in more than four years of the Peace Implementation that the emphasis was put on economic issues in Bosnia and Herzegovina, because I believe that it is necessary to concentrate on the economic reform process now. Four years have been basically devoted to the economic reconstruction, the reconstruction of the infrastructure, now we are in the crucial situation and have arrived at a crucial point in time, where it is necessary to shift from the aid-driven economy to the investment-driven economy, so to speak, where therefore we have to concentrate on the economic reform, to build a market economy. So we concentrated our discussions on the privatisation process, there needs to be an acceleration in the privatisation process. We need to urgently stimulate the private sector development. I believe the real motor in any market economy are really the small and medium sized businesses and this is unfortunately not yet the case in Bosnia and Herzegovina. There we have to put on an emphasis. And the overall economic reform will also be at the centre of our activities in Bosnia and Herzegovina because of the simple fact that we need to implement a viable banking system. We have to get rid of the so called payment bureaux and put in place a viable commercial banking system. This is also a pre-

condition for foreign private investment. No investor will spend his money in Bosnia and Herzegovina as long as there is no reliable banking system in place. This will be within a broader economic reform agenda and emphasis put on putting in place a viable banking system.

On the political agenda of today's meeting there figured several important issues, several pressing issues. One is the Council of Ministers. You might be aware of the fact the Constitutional Court ruled unconstitutional the present system of Co-Chairs in the Council of Ministers. Actually, the Constitution provides for one Chair, meaning in fact a Prime Minister, and no rotation. So this is now in front of us and above all the Presidency has to tackle this issue and has to come up with a proposal. The same applies to the election law. The international community, together with local experts, with national experts from all three constituent peoples, has worked over the past one and a half, almost two, years to provide the Parliament of the state of Bosnia and Herzegovina with a draft election law, and unfortunately in the past couple of weeks this has not yet been dealt with and the deadline basically is within the next couple of days. By mid-February we should have an election law passed by the Parliament; otherwise there are going to be difficulties with the next elections, general elections that are scheduled for October 2000.

The municipal elections will take place. These will be the last elections which OSCE will organise for Bosnia and Herzegovina. These municipal elections will take place on April 8 of this year and we discussed the overall political situation leading up to these elections. When I talk about the issue of the Council of Ministers, when I talk about the new election law I am also talking about the possible accession of Bosnia and Herzegovina to the Council of Europe. There are certain conditions out there that have to be met. Amongst them, very important, we are expecting the Parliament of

Bosnia and Herzegovina to pass, to come up with a compromise and to pass an election law because this is the basis for every democratic society – to have a good, modern election law in place – and that would facilitate and speed up the process of accession of Bosnia and Herzegovina to the Council of Europe. Of course we are all for it but, on the other hand, the members of the Council of Europe are expecting that there is the need for a compromise following democratic rules in the Parliament and, as one example, to pass the draft election law would, as I said, speed up the whole process of accession.

Yet another point that we touched upon is the continuous reduction in military spending and personnel. In 1999 there was a reduction of 15 % and we are expecting for the year 2000 again another 15 % of reduction in military spending and personnel and, this was already agreed by the joint Presidency; so the meeting today basically reiterated the need to do so.

Another aspect of today's meeting was that the Steering Board noted the political commitment of the Presidency to a new common passport for Bosnia and Herzegovina, a common passport which would then facilitate travels for the citizens of Bosnia and Herzegovina. I proposed a phased approach in the creation of a common passport, basically starting out first with common diplomatic passports and then moving on to the ordinary passports that should also then in turn become common passports over time.

Another important issue that we discussed at length – this is the refugee return. Apart from the economic reform agenda and the further building of common institutions, the third important issue and area of priority for this year is the refugee return, the return of displaced persons. I was able to report to the Steering Board that in 1999 we doubled the figure for the return into minority areas, so the minority return in 1999 was doubled up to more than 70,000 and we are committed now to go on and put a renewed emphasis into the

refugee return.

Developments in Croatia, which are always of concern for obvious reasons to the Steering Board; this time we have a very good reason to be optimistic because the election results both for the parliamentary and the presidential elections are very good and very positive for the overall development also in Bosnia and Herzegovina. The OHR is already in the process of establishing good relations with the new government in Zagreb and in fact I will have a meeting later this week in Sarajevo with the new Croatian Foreign Minister, Tonino Picula, in order to, as I say, establish these good relations. This is where I would like to close on an optimistic note. I believe that this will constitute an important contribution to the overall process of peace and reconciliation in Bosnia and Herzegovina. Thank you.

Question: What exactly are you expecting from the new Croatian government ?

Wolfgang Petritsch: First of all, that what was said during the election campaign will become in fact reality. There are several very important points. I would like to concentrate on a few of them. First of all there is the necessity for a normalisation of relations between the two countries. These are two sovereign countries, Croatia and Bosnia and Herzegovina. In the latter, one of the three constituent peoples are the Croats from Bosnia and Herzegovina, and this of course means there will be and should be good neighbourly relations, and that the Croats from Bosnia and Herzegovina could actually serve as a bridge in this, but for the first time there is a recognition on the part of Zagreb that Bosnia and Herzegovina is a sovereign state, including the Croats as citizens of Bosnia and Herzegovina. That basically puts an end to any speculation about the Greater Croatia project. This I believe is the big progress that is spelt out in the election results and I know that now the president elect, Stipe Mesic, made a point of not campaigning in Bosnia and Herzegovina. I

believe that this is a very positive point and this will in turn facilitate better relations both between the two states as well as the international community when it comes to solving problems like the refugee return . We are expecting that the new Croatian government will follow up with deeds when it comes to the refugee return, meaning the return of the expelled Serbs from Krajina and other parts of Croatia back to Croatia. On the other hand it is important to stress and to underline we will do everything in order to get the expelled Croats who live now in Croatia proper back to Bosnia and Herzegovina I believe that there is for the first time a realistic chance for something like a regional approach when it comes to refugee return and this is very a positive and welcome development.

Question: Purely economic question. Payment bureaux – you tell us it is surprising they still exist – how soon do you think you will be able to dismantle them ?

Wolfgang Petritsch: I am committed to have them inoperational at the latest by the end of this year. And at the same time simultaneously of course we are pushing the agenda on the establishment of a viable commercial banking system, meaning legislation, meaning all sort of steps that need to be taken, inviting foreign banks to do so, coming up with licences and so on. There we are closely cooperating with the international financial institutions of course and a big advantage is the excellent work of the Central Bank. That is one of the real success stories in Bosnia and Herzegovina, the Central Bank is working excellently. We basically have no inflation. There is a stable Convertible Marka. This is really a success story and cannot be overestimated for the overall development in Bosnia and Herzegovina. It is also important from time to time stress the positive developments in Bosnia and Herzegovina.