

Speech by the High Representative, Paddy Ashdown at a Conference on the Future of BiH Organised by the Association Bosnia & Herzegovina 2005

A New Vantage Point

Over the two days of this conference, friends from, and friends of, Bosnia and Herzegovina are engaged in a dialogue that is firmly based on experience and expertise.

This would not have been – *could* not have been – a worthwhile exercise had BiH not already reached a strategic vantage point on its long hard road to stability and prosperity.

We stand at the watershed between postwar stabilization on the one hand and transition towards Europe on the other.

The view from this *vidikovac* is the best we have had in a decade.

So it is a good moment to look back at the journey we have taken, and to look forward to the road that lies ahead.

I don't believe anyone in this room is unaware of the tremendous difficulties that have had to be overcome in order to reach this position.

Nor do I have to remind you that before Bosnia and Herzegovina secures its final objective – full sovereign democracy and prosperity as a member of the Euro-Atlantic family – there are major obstacles that have yet to be

overcome.

But, we have a clear view of where we are going and what has to be done in order to get there.

We *can* at last see our objective.

Each phase of Bosnia and Herzegovina 's recovery in the last decade has been characterized by particular dangers and particular opportunities.

Each High Representative has faced a different set of challenges.

The Long Road to this Summit

Think back to the autumn of 1995. Remember the scale of destruction, the human cost of violence and economic collapse – the degradation of daily life for millions of citizens.

In the months after Dayton , wartime racketeers consolidated their stranglehold on local administrations and on what remained of the economy. And all this took place at a time when many of the political class refused even to enter formal meetings by a common door.

The immediate postwar period was dominated by three policy imperatives – separation of forces and interposition of NATO-led troops, rehabilitation of infrastructure and the holding of democratic elections.

The first task was accomplished within weeks of the GFAP and has been maintained ever since, accompanied by a systematic reduction of troop strength and, in the course of the last two years, the comprehensive reorganization of the armed forces under the democratic control of the BiH state.

The second task may be said to have been accomplished as of the 2002 elections, the first postwar poll conducted entirely by the BiH authorities.

The third had largely been completed by 2000, after which the structure of international economic engagement moved from aid to trade, as reconstruction donations gave way to investment.

But countries aren't Lego sets; they can't be assembled on a board with clip-on building blocks.

This is why I speak of experience as well as expertise.

But on the ground, we have less theoretical legroom – we are governed by reality.

The three tasks that I have outlined were undertaken against a growing realization that deep and lasting foundations for sustained reform had to be laid, in addition to taking short- and medium-term remedial measures. After 2000, this began to manifest concrete results, of which Wolfgang Petritsch's groundbreaking CoCo reforms of 2002 are a prime example.

My approach has been to build on these advances by pushing forward a core agenda aimed at strengthening BiH by creating the basic institutions of a light-level state, governing a highly decentralized country.

My objective, as I told parliament on the day I arrived in BiH, was to put the country irreversibly on course to effective statehood, and onto the path that leads to the EU and to NATO, so that in due course we could begin terminating the role of the OHR.

How far have we progressed?

Stabilisation and Association

Well, as you know, the European Commission is right now considering a recommendation to the member states formally to begin preparing the way for Stabilisation and Association negotiations in December this year. This follows the substantial completion by Bosnia and Herzegovina of the strategic policy agenda laid out by the European Commission in

its Feasibility Study of November 2003.

Role of OHR

And now the Peace Implementation Council has made it clear that when the SAA process is underway it is ready to begin phasing out the use of the Bonn Powers and replacing the OHR, with a European Union Special Representative. This transition could begin before the end of this year, and be completed by the time BiH goes to the polls in October 2006.

So, we could say the Bonn Powers have worked in leveraging this country forward to this point. This is a view shared by the vast majority of commentators, even including many of the OHR's most vigorous critics.

Put simply, the Bonn Powers shattered the long ascendancy of obstructionism, through which those opposed to the rehabilitation of Bosnia and Herzegovina sought to sabotage the country's recovery.

At the same time, however, the Bonn Powers created a dangerous dependency both in the BiH political establishment and in the international community.

The powers have acted like a wonder-drug that radically improves the patient's condition, but weakens the patient's natural powers of resistance – in this case the robust development of a civil society and effective parliamentary opposition capable of reigning in the worst excesses of nationalism and intolerance.

That is why, in each of the last three years, I have systematically reduced use of the Bonn powers to impose laws.

This year, I have not, so far, imposed a single law (though I have amended laws on four occasions, at the request of the BiH authorities). And the number of removals has also declined significantly from a peak in the summer of 2004.

At the same time, we have made real progress in downsizing the OHR. The organisation's staff has been cut by nearly half from its peak in 2002, and the budget for 2006 is less than 14 million Euros, compared to 21 million Euros in 2004. We are now actively looking at ways in which OHR can transfer many of the functions that have fallen to it in the course of the last decade – from vetting ministers to drafting key pieces of legislation – to the domestic authorities.

We have sought to focus our efforts increasingly tightly on the key strategic tasks laid out in the Mission Implementation Plan (MIP), first published in January 2003 and updated at the start of each year since then. The MIP states clearly what has been accomplished, how OHR has to downsize and which realizable benchmarks must be set for what still has to be done.

Partnership for Peace

Meanwhile, on that second track, the road to NATO, the Alliance has made it clear that although all technical reforms necessary for PfP participation have been completed – what still remains to be demonstrated is full cooperation with the ICTY – culminating in the arrest of Karadzic and Mladic.

At the same time, the Defence Reform Commission, made up of BiH stakeholders and international partners, has charted a detailed way forward in the implementation of an ambitious reconfiguration of the old Entity armed forces that will bring them under democratic control and make them eligible not just for PfP, but for eventual full NATO membership.

So, these core elements – putting BiH irreversibly on course to effective statehood, and onto the path that leads to the EU and NATO, and to the phasing out the OHR – have brought us to the present vantage point.

We are, now, well placed to move forward to the next stage of BiH's journey to full membership of the Euro-Atlantic family.

Dividends

At this point I want to make clear that the benchmarks that have been set for BiH's integration in Euro-Atlantic structures offer concrete means of improving the security and wellbeing of BiH citizens. They are not hoops that the country has to jump through for the sake of exercise. The strategic agenda consists of interdependent reforms that – when implemented – have had a tangible and positive impact on daily life.

Here is what we have done in the last three and a half years:-

- The BiH Council of Ministers has been expanded from six ministries to nine and the Chair of the CoM no longer rotates on an eight-month month basis, but is a permanent position, lending greater stability and stature to State structures.

- The High Judicial and Prosecutorial Council is now a fully domestic institution, and the recently established BiH State Court, with its chambers to fight organized crime and war crimes, is now tackling the endemic lawlessness that has at times threatened to overwhelm the institutions of government.

- The unified customs service has already staunched the hemorrhaging of revenue that was a function of the old fractured customs system. In 2005, revenue has increased by at least 12 percent, and public finances will be further strengthened by the introduction of VAT on 1 January next year.

- Successful fiscal and banking reform, together with efforts to improve corporate governance and make the BiH business environment more conducive to investment and job creation, has resulted in GDP growth this year of 5.6 percent – the fastest in the Balkans. Inflation stands at 0.5 percent, the lowest in the Balkans. Foreign direct investment

was up 25 percent in 2004. Exports were up 25 percent, and industrial production is also up by around a quarter.

- A single state intelligence structure under democratic parliamentary oversight is in place and the State Information and Protection Agency and State Border Service are fully functioning.

- Acceptance by all parties of the European Commission's three principles on Police Restructuring means that BiH will establish within the next five years a European-standard police system that is democratically controlled and efficiently run.

- Following a sea change in official thinking in Banja Luka and Belgrade , eleven indictees have been transferred to The Hague this year, six of them charged with war crimes committed in BiH, compared to zero in the preceding nine years.

- After years of frustratingly slow progress, steps taken in 2004 to unify the administration of Mostar was unified, opening the way for the city authorities to start providing adequate services – from refuse collection to fire-fighting and urban development – to the people of Mostar.

From Dayton to Brussels

This is how far the state created by Dayton has come.

What now?

Look again at the trajectory I have described. The immediate postwar period witnessed an international engagement – utterly disproportionate to anything that could be mounted by BiH's fractured political establishment, in terms of resources and political self-confidence – that ran its course *alongside* the effort to implement Dayton, but which was in many ways *independent* of it.

In the next phase, as international funding declined and infrastructure reconstruction passed its peak, a systematic effort was made to breathe life into the Dayton system, to get the viable administrative and political provisions to work, and to alter those provisions that were demonstrably *unviable*.

Now, with the launch of SAA, the deepening of BiH's relationship with NATO and the scaling back of the role of the OHR, we are moving decisively into a new era.

The watchword is no longer "stabilization" but "transition".

The task is to transform the Dayton State into a Brussels State.

Does this represent a change of course?

Far from it. This is the final part of the same journey.

It is about building on the vast amount of work that has already been done.

We have established the institutions – now we must make them properly functional.

This means reducing the cost of government, optimizing expenditure by eliminating the duplication of services across different tiers of the sprawling administrative system, and bringing civil service salaries into line with the country's capacity to pay.

Where necessary, through dialogue and consensus, constitutional changes need to be made. This has already been successfully done on several occasions – where the advantages of derogating competencies to the State have been compelling.

The whole notion of constitutional change is increasingly being discussed by BiH's domestic players – and this is healthy. Bosnia and Herzegovina has perhaps come as far as it can under its present constitutional apparatus; it must make

changes that will allow it to continue on the path towards full sovereignty and stability, and above all which will channel funds away from government and directly to citizens. No state can win the loyalty of its citizens when it spends 70 percent of their taxes on government and only 30 percent on services to the people themselves.

The object of the "Transition-to-Europe phase" must be to create a state that puts its citizens first, not its politicians.

One caveat: we must be careful not to place *all* our faith in constitutional change.

Changing the constitution will not *change* Bosnia and Herzegovina . It will simply remove the constraints to change.

We must ensure that positive change is facilitated, while negative change is prevented.

And change can only come through consensus among the peoples. It cannot be imposed; it cannot be done by outsiders.

What is needed is an agreed framework in which meaningful discussion can take place and consensus can be achieved.

And we should be prepared to break the conceptual mould.

But where to begin?

With a single President?

Well perhaps.

We have to start somewhere, and this is a starting point that clearly merits closer consideration.

But issues such as this are a matter for the people of Bosnia and Herzegovina – and, of course, the next High Representative and European Union Special Representative in Bosnia and Herzegovina.

I shall watch developments with interest.

And with love, for a country I have grown deeply attached to, which will one day, I am sure, be a member of the European Union.

And will come to be regarded as one of its little jewels.

Thank you