

Speech by High Representative and EU Special Representative Valentin InzkoTo the Japan Institute of International Affairs



-check against delivery

Bosnia and Herzegovina after the 2010 Elections:

**The Way Forward and the Role of Japan and the Wider
International Community**

Ladies and Gentlemen,

Let me begin by saying what a pleasure it is to be back at the Japan Institute of International Affairs. I had an opportunity to take part in a meeting here in August last year and I look forward this afternoon to continuing the discussion that we began then.

This is my second visit to Japan as the International Community's High Representative in Bosnia and Herzegovina. The fact that I am here in an official capacity reflects the important role that Japan continues to play in peace implementation in Bosnia and Herzegovina, and the recognition not only by the rest of the international community, but also

by Bosnia's citizens that Japan is a truly positive force in helping that country to become prosperous and self-sustainable.

In addition to expressing this widespread appreciation for Japan's efforts and stressing their strategic importance, I am also here to discuss how the International Community, with Japan as a crucial member, can forge a successful strategy to help Bosnia and Herzegovina work through the challenges it currently faces.

Japanese freedom of action

From very early on in the Bosnian peace process Japan has played a unique role, not least because it is entirely unburdened by any historical "baggage" in Southeast Europe.

I should emphasise, perhaps, that historical baggage isn't necessarily a debilitating drawback. I am an Austrian diplomat and a century ago Austria-Hungary was the dominant power in Bosnia and Herzegovina, but this has never been an issue in my dealings with the country, either as ambassador immediately after the war or as High Representative and EU Special Representative.

Nevertheless, Japan's position, as a major aid donor and as a member of the Peace Implementation Council Steering Board, is uniquely untrammelled by history and this means that it enjoys enormous freedom of action.

Of course, it can be asked: what interest does the Japanese government – and indeed the Japanese taxpayer – have in supporting peace implementation in Bosnia and Herzegovina in the first place? After all, it has the luxury of no historical baggage for the very good reason that Bosnia and Japan are on opposite ends of the globe.

Basic altruism should not be dismissed out of hand. Japan's disposition towards Bosnia and Herzegovina has been characterised by a willingness to offer practical assistance without commercial strings attached.

This generosity does not go unappreciated.

For many years after the war the most popular and inexpensive way of getting from the centre of Sarajevo to the precipitous cliff-top communities that make up the northern and southern suburbs was to take one of the minibuses donated by the Japanese Government under a project implemented by the Japan International Cooperation Agency. The same buses are still operating today, though management of the service has been transferred to a Bosnian company.

Another example of Japanese aid is the studio equipment donated to Bosnia and Herzegovina's public television service – particularly important in view of the fact that the Public Broadcasting Service is a basic element in the broad effort to consolidate a functioning BiH state.

Japan has provided almost a quarter of a billion Euros in aid for Bosnia and Herzegovina since the end of the conflict, and it additionally provides a substantial portion of the running costs of the Office of the High Representative.

To sum up: Japan has been a constructive partner in recovery and it has many friends in Bosnia and Herzegovina as a result.

But I would also like to touch on a broader rationale for Japan's continued engagement in stabilising and supporting Bosnia and Herzegovina to become fully self-sustainable.

In the last 25 years, Japan has played an active and successful role in multilateral efforts to solve problems in Cambodia and in other parts of Asia, for example, and in issues related to security and the environment in the Pacific. Japan's partners on the Steering Board of the BiH Peace

Implementation Council are Russia, the US, Germany, the UK, France, Italy, Canada, the EU Presidency and Commission, and Turkey representing the Organisation of the Islamic Conference. This constellation is specific to Bosnia and Herzegovina, but it nonetheless reflects a considerable overlap with comparable multilateral efforts in Asia and in other parts of the world.

So, in Bosnia and Herzegovina Japan is acting in a familiar concert of states that have global interests and global reach.

I believe, therefore, that engagement in Bosnia and Herzegovina is consistent with Japan's diplomacy in a broader multilateral framework.

Peace Implementation after the 3 October Elections

What is the status of the peace implementation exercise itself in Bosnia and Herzegovina , and how should Japan calibrate its position to meet new challenges and seize new opportunities?

On 3 October Bosnia and Herzegovina held its sixth general election since the war. The OSCE's Office for Democratic Institutions and Human Rights, as well as other international observers, concluded that the elections generally were free and fair. Encouragingly, the turnout was around 56 percent, the highest in any election since 2002.

Unfortunately, although the machinery of democratic participation worked rather well, the political environment in which the elections took place was not nearly as satisfactory.

The campaign was marked by an alarming rise in negative and divisive rhetoric, with political leaders regressing into a brand of chauvinism far removed from the legitimate articulation of their constituents' aspirations and fears. This followed an extended period of parliamentary gridlock in

which almost no progress was made on the reform agenda needed to guide Bosnia and Herzegovina towards full membership of the European Union and NATO.

Now that the campaign period has passed and new mandates are beginning, the international community will need to focus the BiH political leaders on a change of course oriented towards reform and Euro-Atlantic integration.

In this respect, the first challenge will be facilitating the formation of a strong state-level government dedicated to getting reforms back on track. This will not be easy, as some leaders have already begun to make unrealistic ultimatums to potential future coalition partners and some of the same negative rhetoric that preceded the campaign has continued. Unfortunately, challenges against the Dayton Peace Agreement and the state have also continued. In this respect, I regret to say that my office, working under the guidance of the Peace Implementation Council, is still a relevant stabilizing force.

Grounds for optimism

At the same time, I remain optimistic that the elections can serve as a call to focus energies on what is best for the country's citizens. In this regard, I should stress that the news from Bosnia and Herzegovina is not exclusively gloomy. There have been bright spots. For example, in the last year the country has made remarkable progress in meeting the European Union's requirements for visa liberalisation. I am confident that this will lead to a decision to lift the visa requirement before the end of 2010.

Furthermore, the IMF €1.2 billion Stand-By Arrangement is back on track, following difficulties in the Federation over required budget cuts. The IMF has just confirmed the payment of the 4th and the 5th tranches. This will hopefully lead to

macro-financial support from the European Commission and the World Bank.

Another area where there are grounds for optimism is the overall improvement in the regional operating environment. Throughout 2010, diplomatic, economic and political developments in the Western Balkans have generally moved in a very favourable direction. Because of Bosnia and Herzegovina's internal problems it has not been able to take full advantage of this. However, now that the election is over, I believe that efforts to move forward will be assisted by the positive regional outlook.

The immediate future

Moreover, although the elections did not change the country's political map in a substantial way, there were some developments that augur well for the future. There was, for example, a shift in popular support towards a more pragmatic brand of nationalism and, indeed, towards a non-nationalist option.

Because of the complicated parliamentary and executive system it will not be easy to translate this shift into governments that are wholly compatible with one another or wholly committed to reform, but it is nonetheless reasonable to speak of a fresh start. The International Community will do everything possible to ensure that the momentum generated by this fresh start is sustained and directed towards effective reforms.

Economic partnership

Over the longer term, we have to tackle the question of supranational identity. This has not been resolved since the

end of the conflict – but that certainly does not mean that it will *never* be resolved.

As I mentioned, one reasonable option is to keep the popular and political focus on economic development. Prosperity has a proven capacity to bring countries together. In this respect, Japan could act not just as a possible role model but also as an active partner.

I mentioned the enormous psychological and social impact of the very successful JICA bus project. I believe that in some ways this could be viewed as a pilot for much greater Japanese economic engagement in Bosnia and Herzegovina.

I am not talking first and foremost about economic *diplomacy* but rather about straightforward investment and trade.

Beyond the twists and turns of its post-war political rehabilitation Bosnia and Herzegovina has achieved a remarkable restructuring of its economy. Until the onset of the global recession, the country was repeatedly notching up the highest annual economic growth rates in Southeast Europe; since 1999 its currency, the Convertible Mark, has been the region's most stable. At the same time, its human and natural resources are unparalleled.

The state-of-the-art VAT system introduced in January 2006 has increased public revenue while eliminating many of the more glaring anomalies and opportunities for corruption.

The country has a functioning customs service; it has reformed its public procurement system; it has aligned its accounting and auditing practices with international standards; and it has established a number of market-relevant institutions such as a Competition Council. The business registration procedure has also been harmonized and simplified, and the time required to register a business has been reduced, although it remains longer than in some neighbouring economies.

I list these specific technical aspects of the Bosnian economy because I want to highlight the fact that in addition to Japan's crucial engagement in peace implementation, the conditions are ripe for Japan's engagement in a commercial sense. Bosnia and Herzegovina, at the heart of a Southeast European market of 55 million consumers, could become a natural partner for Japanese companies.

Increased commercial ties not only hold out the prospect of significant mutual advantage, they would contribute to the kind of economic transformation that could help resolve at least some of Bosnia and Herzegovina's political difficulties.

In this respect – as in diplomacy – Japan, with its enormous capacity for manufacturing and trade, enjoys a unique position in relation to Bosnia and Herzegovina. I very much hope that in the coming years this can be fully utilised, for the benefit of both countries.

Thank you