Speech by the High Representative for BiH, Paddy Ashdown at RSNA

Mr Speaker, ladies and gentlemen,

I would like to begin, as always, by extending my thanks to you for inviting me to attend your session today.

We have had a turbulent few months so it is important that I should come here personally to hear your views and give you mine.

I come here at an opportune moment. We have completed the first phase of our journey, and are about to start on the next.

Justice and Jobs: Phase 1

When I arrived in BiH last May, we were preparing for elections.

These elections marked a milestone for this country in the process of stabilisation and normalisation.

For the first time, the elections were organised and run by the people of Bosnia and Herzegovina. And they were run peacefully and effectively.

For the first time, governments were elected for a full four-year term, as is the practice in most established democracies.

And, perhaps most significantly, these elections were mostly centred on the issues that matter – on the *Jobs and Justice* agenda, to which, for the first time, all the main parties are now committed.

But of course there is a world of difference between easy pre-election promises and the harsh reality of government.

Which is why, on October the 9th, I set out an ambitious agenda for early action, containing 'six tests of seriousness' for the incoming governments.

The Post-Election Period

Six months later, and a quick check of the six reforms shows that progress has been made:

- We have a new-look Council of Ministers with three new Ministries and a non-rotating Prime Minister at its head. Much more needs to be done to make the council fully operational, and it needs to be done quickly.
- We have got agreement to the principles of the revenue system, and the Indirect Tax Policy Commission is making good progress towards agreement. I expect the unifying of the customs administrations to begin by the 1st of July, the work of the Commission to finish by the end of July, and VAT to be in place with a target date of the start of 2005. This reform is crucial for our future and key to our acceptance into Europe. We cannot afford delay or obstruction, if we are to have any hope of a favourable response to the EU feasibility study. The deadlines of 1st July and the 31st July are tough, but they must be met.
- The State Court of BiH has started work. The new State Prosecutor's Office has just filed its first indictment.
- The business environment has been improved, particularly through the now famous 'bulldozer' process. You will take another big step forward today when you, as I hope, pass the reforms before you.
- The picture on cleaning up our political space is more mixed. In the Federation and at State level, the Parliaments are in the process of establishing new

'ethics' committees, which will begin the process of restoring public faith in politicians. The RSNA has so far done nothing on this front. It needs to start soon.

- However, the RS has given the lead in reforming public administration through the civil service law. Here, the Federation is trailing behind, where some who should be setting the standards for the future seem more interested in hanging on to the past.

So, BiH has moved forward. The ground has been laid for the next phase. I shall return to that shortly.

Obstacles on the Road to Europe

But first, some of the things that have not gone right – the things that, regrettably, have damaged our reputation, and slowed our advance towards European membership.

The RS Customs scandal, the Arms-to-Iraq affair, the VRS spying operation, the fiasco of Electro Privreda.

If you're an investor in Berlin, or a policy-maker in Brussels, or indeed a BiH citizen, these events cannot but have undermined confidence in this country's leadership. Each would be serious in its own right. But BiH has managed not one such scandal, but four in a matter of months. And they have largely been focused in Republika Srpska.

But the reaction to these events gives me guarded cause for optimism.

First of all, we have seen a willingness among the political leadership, especially from the RS, to accept responsibility when things go badly wrong.

This principle is key to raising standards in public life.

But also, in some areas, there has been a willingness to address the systemic failures and the institutional weaknesses that made these scandals possible in the first place.

The governments of BiH confirmed in the Bjelasnica declaration last week that they would reform the military, and its industrial complex, and put it under clear civilian command so that BiH is ready for membership of PFP by January 2004.

Something good has come out of a bad situation.

More remains to be done of course.

The reaction to the Elektro Privreda audits has been mixed – positive in the Federation, deeply disappointing in the RS. Mostar EP has implemented all the recommendations of the report and has seen its income soar. Trebinje has done nothing, Mr Acimovic remains involved, money continues to go missing, and now the very survival of the company is in danger. You cannot justify exporting "surplus" power to Serbia and Montenegro while allowing your own communities to live without electricity. We must put this company right, and fast, as a first step towards the wider reform of corporate governance, economic restructuring and liberalisation.

And, not withstanding the laudable decision to abolish the VRS intelligence department, the response to the spying scandal uncovered in this very building has so far been negligible. We must now move quickly to reform the intelligence services and get them under proper democratic control.

The dangers of not doing so – of leaving the intelligence and security services to operate unchecked, free to intermingle and merge with the criminal underworld – were brought home in the most shocking way imaginable in Belgrade on March 12th.

As my visit to Serbia earlier this month demonstrated all too clearly, the mood has changed across the region since Zoran Djindjic's murder.

The Rule of Law

We have a straight choice: The rule of law or lawless rule.

Belgrade has made its choice clear: Over a hundred criminal gangs identified, eight thousand people questioned, over two thousand detained and more than eight hundred people charged.

Now, with the emergency powers lifted, this country too, and RS in particular, must step up to its responsibilities. We simply cannot afford to be a soft touch for the criminal world.

Our neighbours – especially the authorities in Belgrade – are looking to see how BiH responds. They are looking for decisive action, and pro-active co-operation in this battle to uphold the law; they should receive it, especially from those who make much of being their friends.

So it is time to upgrade our weapons to fight crime. It's time – well beyond time, actually – to put proper funding into SIPA, the State Border Service and the new State Court and Prosecutors' Office.

Its time to go after the organised criminal networks, disrupt their markets, close down their operations and freeze – or seize – their assets.

And its time to pick up the war criminals and go after those who support them.

I warned earlier this year that if you provide sustenance and support to people indicted for war crimes, then life was about to get much tougher. Those who do this risk having their freedom to travel removed, their bank account closed, their business investigated and their job removed.

We have taken the first actions in that campaign.

But that was only the beginning. There will be more to come.

Let me make it clear, for the avoidance of any doubt. No one, however high or low, will be excluded from this if they support war criminals, or if they fail to do all they can to

bring them to justice.

I believe frankness is important between us. So it will come as no surprise to hear me say that it is your failure in this area that above all else blights your chances, holds back your investment and undermines international confidence.

The time for half-heartedness and half measures has passed. The stakes are too high.

But if we are to succeed in this battle, if we are to defeat the criminal networks and win this country back for the honest and the hardworking – we will need first to win the battle for information.

That's why I believe the time has come to create a central intelligence agency for Bosnia and Herzegovina – an authority that will allow BiH to play its part in the regional battle against organised crime.

During the war, the security services became the politicised tools of ethnic cleansing. The same of course was true of some police and all the paramilitary units that mushroomed during the conflict.

Almost eight years later, and millions of dollars have been spent by SFOR and the UN reforming the armed services and the police. Yet the intelligence services have largely escaped reform.

I know that the good professionals within FOSS and OBS agree. They know what is going on in their services at the moment, and they know it cannot continue. They know it is time to start monitoring those forces that really pose a threat to the people of this country – instead of spying on each other.

What is needed, as ever, is the political will to make a difference – to take these services and transform them into something new; something that will act as the instrument of

the law, rather than the handmaiden of criminals. If you want to know why, visit the grave of Zoran Djindjic.

A New Partnership

Now let me return to the broader reform agenda.

Last week in Bjelasnica, the heads of all the main international agencies met with Prime Ministers, Terzic, Mikerevic, and Hadzipasic, together with the Council of Ministers, the Entity Ministers of Finance and Justice, and the speakers of all three Parliaments.

We planned, together, the next phase of BiH's journey towards Europe.

There was, as I am sure you would expect, some discussion about the relationship between the International Community and the BiH authorities. And we agreed that the time has come for that relationship to take on a new character.

There has, of course, been something of a vacuum over the last six months, as election results have been implemented, and governments have been assembled.

But BiH cannot afford to take six months out after every election. So, I, and my international colleagues, have continued to push the reform agenda through.

I make no apologies for that.

If the government's target for EU membership by 2009 is to be met, we must move fast.

But the message from Bjelasnica was clear. The new governments have commited to the reform process, and have said that it is they, rather than the international community, who intend to drive it forward.

This is as it should be.

From now on, if the BiH authorities and the entity governments do more, we in the international community will do less. If they take the driving seat and keep up the speed, we will take a back seat and provide support. I will only intervene if the substance of reform is compromised, or the pace of its implementation delayed.

So what have we agreed?

Justice and Jobs: Phase II

We have agreed that our stated strategic priorities – *Jobs and Justice* – are exactly the right ones.

But now is the time to move to the second phase. To tackle the big, structural weaknesses that are holding us back.

The people out there know what the problems are:

Too many jobs are 'fake' jobs – nothing being made, no one getting paid.

Too many businesses are 'dead' businesses – nothing being sold, no profits being created.

Too many products are imported products – We are not selling our goods, either here or abroad.

And behind these problems, lies a persistent structural weakness – the public sector is too bloated, too inefficient and too little concerned with what should be its first concern – providing quality service to the citizens.

The government owns too much – and owes too much. The infrastructure is too old, the pay roll too large, the debts too onerous, and the task too big.

The old, large, state-owned industries will not be the engine for growth that this country needs.

Only the free market, and its foot soldiers – the new, lean,

competitive small businesses of the private sector – have the ability to generate real jobs, real growth and real wealth.

Often those new businesses start off very small – employing perhaps five to ten people. But a lot of small businesses add up to a lot of jobs; and together, as they have done in Central and Eastern Europe, or indeed in Britain, they quickly combine to pump energy and life and wealth into an economy.

They harness the forces of enterprise, and drive the economy forward.

If we carry on as we are, dependent on the life-support systems of international aid and the sticking plaster remedies of government loans, unemployment will continue to rise, salaries will continue to go unpaid, our industries will continue to rust, the infrastructure will continue to decay and people will continue to suffer.

We must tackle the underlying problems that all the other transition countries have had to tackle on their way to Europe. And we must tackle them fast.

That is why the governments of Bosnia and Herzegovina have committed themselves to the three objectives of

- Cleaning up the business environment
- Promoting privatisation and effective corporate governance, and
- Boosting exports.

They have pledged themselves to a range of specific measures designed to meet these targets, such as

- Establishing commercial chambers in 15 courts to settle business disputes and bankruptcies. We need to get the civil codes passed so that these courts can start work.
- Moving taxes on high value goods such as coffee, petrol and liquor from the point of sale, to the point of

import or production
- Restructuring public corporations and privatising those strategic enterprises that are ready
- Developing a country-wide strategy to promote exports

These represent the first steps that need to be taken if we are to turn this country's fortunes around, and they need to be completed before we go off for our summer holidays.

But reforms will amount to little if they do not fit in to a wider mission.

That is what is still missing in Bosnia and Herzegovina: a vision of the country in ten, or twenty years time.

It is up to you, not me, to decide what your country can be. But let me describe for you what I think it could be.

Project yourself forward a decade, to 2013, and ask yourself what this region, and this country, could look like by then.

Imagine this.

A South East Europe that is fully united with the wider European family, made up of countries at ease with themselves, and at ease with one another.

Every country of this region either is, or is soon to be, in the European Union.

BiH playing its full part in that region.

A country that had moved unequivocally beyond its past to focus on the future.

A 'light-touch' but effective State. Doing little but doing it well. With real power devolved to local communities.

A legal system in which individual rights matter more than group rights.

Mixed communities in which people care more about their economic security, than about their ethnic security.

A country that is increasingly prosperous, with more and more people in work, with more money in their pockets.

An economy that is reaping the rewards of the bold reforms carried out at the beginning of this decade, and drawing on the natural resources of its countryside and the natural talents of its people, who are making money and creating jobs in the most business friendly space in the Balkans.

BiH would have become not a place to avoid, but an example to follow.

A country whose people had come to realise that as human beings, there is more that unites us, than tears us apart.

A country in which ethnic diversity is seen as a glory, not a curse.

An ambitious vision, of course. But no people can prosper without a vision. You cannot rebuild without ambition. Gandhi used to say, “Our ambitions are seldom realised; but it is our pursuit of them that changes the course of history.”

My message to you is simple. That vision can be realised. That future can be yours. If you have the courage and the will to make it happen.

Whether it is, or not, depends on you.

Thank you.