

Speech by the High Representative, Wolfgang Petritsch to the United Nations Security Council

Honourable Secretary General,
Ladies and Gentlemen of the Security Council,

It is with great pleasure that I am here once again to address you, and to present the 16th report on developments in Bosnia and Herzegovina.

This report – the second since I was endorsed as the High Representative for Bosnia and Herzegovina by the Security Council on 3 August 1999 – covers a six month period from last November. As in November, I think it best if I do not dwell in any detail on the substance of the report. You can refer to the report itself for this.

Broadly speaking, progress in Dayton implementation is as slow and painful as ever – but it is working. I believe that it is more important than ever that the International Community sticks to the task. It is vital that our successes are consolidated.

I will give you an assessment of the more significant recent successes and failures of Dayton implementation, a little later on. But I would like, first of all, to give you an indication of how I see our work developing in the future in BiH.

My office, as you are perhaps aware, is now deep in preparation for the Brussels Peace Implementation Council on 23 May. This will be the first full PIC since Madrid in

December 1998.

The PIC Steering Board met in Lisbon at the end of last week. There was broad consensus on the strategy I outlined to them then. I would like to hear what you have to say about this strategy, too.

In the past, PIC meetings have tended to take something of the scatter-gun approach to the problems of BiH. There have been so many problems – and the International Community strove to tackle all of them head on.

This year's PIC, however, will be different. It has to be, because the International Community no longer has the resources for the approach adopted in the past. It is therefore imperative that diminishing resources are concentrated to maximum effect.

Time is running out for international engagement in BiH. Donor fatigue has set in. The 5.1 billion dollars, four-year reconstruction aid package pledged after Dayton is now all spoken for. This spring, SFOR have reduced their troop numbers by nearly a third.

That is why I focus on just three key areas of peace implementation. If we succeed in these areas, I firmly believe, then reform in others will follow.

These three areas are: first, economic reform; second, the acceleration of the return of refugees and displaced persons; and third, the consolidation of institutions, especially those at the state level.

The economy first. As I am sure you know, Bosnia is still far too dependent on international aid, which in turn is steadily diminishing. If BiH is to have any hope of a secure future, the economy must become self-sustaining – and fast.

This is still a poor country, and without growth it is likely

to become poorer still. Last year in the Republika Srpska – still by far the poorer Entity of the two – the average monthly salary still languished at KM 216, or 100 dollars a month.

Jobs – and a secure economic future – are increasingly important issues for the ordinary citizens of BiH. It is of far more concern to them than the diet of ethnic separatism that is still being fed to them by the nationalist parties.

That is why economic aspiration must be nurtured and cherished. Economic reform is one of the most potent weapons in our armoury in the fight to reverse the evil effects of the 1992-1995 war.

What is needed is investment, both domestic and foreign. The trouble is that the system governing the country's economy is to a large extent the same as it was in the days of communism, despite international pressure. Investors, unsurprisingly, are discouraged.

BiH's industry is still geared to the old command economy model. It largely comprises giant, state-run concerns – mines, steelworks and the like. They are completely out of step with the market requirements of the new millennium.

The government's urgent task is to create an enabling environment so that investors can invest without going through a maze of bureaucracy. Most of all, we need to encourage small and medium-sized enterprises, for which the BiH workforce, most economic observers agree, is well-suited.

But the present system simply stifles enterprise. Perhaps the worst example of socialist era bureaucracy is the so-called "payment bureaux", through which all commercial and public bank transfers have to pass, and which levy a substantial sum along the way.

The payment bureaux are totally non-transparent, and have a

stifling effect on business of all sizes. They are also a cash cow for the nationalist parties, who exploit the system remorselessly. Consequently, we have agreed that the payment bureaux will be abolished in the course of this year.

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 BiH, but not one of them can play the intermediary role necessary in a market economy.

Many of the public sector banks may be on the verge of bankruptcy due to their loans to loss-making publicly owned enterprises. The numerous private banks are too small to provide the working capital necessary to kick-start enterprise. Overhauling the banking sector should encourage the participation of foreign banks, and thus the necessary injection of capital.

Another key to modernising the BiH economy is privatisation. The process is already well under way – although the first stage, the opening up of the books of the big state sector companies to independent audit, prior to evaluation, has met with fierce political resistance.

Perhaps this was inevitable, since the state companies are yet another source of funding for the established nationalistic parties. Such arrangements must not be tolerated. We have to start protecting the economic sphere from this kind of old-style intrusion.

I wish to turn now to the second of my strategic priorities – the acceleration of the refugee return process. Before I go any further, I should like to take this opportunity to extend a warm “thank you” to the UN and its agencies for their continued, sterling work in this sector, in particular through UNHCR

The contribution of these agencies should not be

underestimated. In the last reporting period I have had a chance to get out into the field more and see for myself the – often unsung – work that the UN agencies are doing there. I can assure you that I am thoroughly impressed.

In the course of these trips to the field I have had a chance to speak to many refugees and displaced persons, and I am more convinced than ever that return remains the number one concern among the public at large.

The issue is highly emotive. Four and a half years after the war, some 800,000 people are still internally displaced throughout BiH. A further 300,000 are still refugees abroad. Facilitating their return is the number one means of normalising BiH.

Last fall I took two important measures designed to accelerate the return process.

First, I imposed a package of reforms to the legislation governing property return in the two Entities. This removes the bureaucratic hurdles to property return that were being mercilessly exploited by politicians on all sides whose agenda was to obstruct the implementation of Dayton.

And second, I dismissed 22 public officials from across the country, who had a proven track record of obstructionism, particularly of Annex 7 of Dayton, the Annex governing refugee return.

Now that spring is here and the refugee return season is properly under way, these two measures are beginning to bear fruit. So far this year, there have been more than twice as many returns as there were in the same period in 1999.

All the indications are that this welcome trend will continue. Granted, there is still a long way to go. Granted, also, that obstruction of the return process continues in some areas.

But in general we have every reason to be encouraged; we are making headway in a task that was once thought impossible by the naysayers. The ultimate goal, refugee return that has become self-sustaining, is no longer merely gold at the end of the rainbow. It has become an achievable reality.

I reiterate: these successes would not have been possible without the tremendous support and expertise of the UNHCR, nor without the security provided, in many, many instances, by the UN IPTF, the International Police Task Force.

I will turn, now, to the third of my strategic priorities: the consolidation of the common institutions. This, really, is about state-building. If BiH is ever to join the European family of nations – a family in which, I firmly believe, BiH truly belongs – then it must become a cohesive state, with central state structures that exercise real power.

This includes a fully independent judiciary, without which long-term economic development and effective protection of individual liberties will be impossible. We are actively promoting the Rule of Law at the state and entity levels. For instance, we currently have a major public affairs campaign to promote “respect” for property rights as part of our efforts to accelerate returns.

I would like to congratulate the efforts of the UN’s Judicial Systems Assessment Program (JSAP), that has worked tirelessly at its task of monitoring and assessing the existing judicial system and has participated in the developments of reforms to date. Just a few days ago, on 5 May, the PIC Steering Board met with SRSJ Jacques-Paul Klein of UNMIBH in Lisbon to discuss the crucial role of JSAP for the reform of this essential pillar of civil society.

Far too often in the past, inter-ethnic co-operation at the state level has been blocked by the nationalist bickering that, as we know all too well, has become a byword for Balkan

political discourse.

Last November, as you may recall, the Presidency of BiH made a declaration before the Security Council, pledging themselves – inter alia – to the establishment of a State Border Service.

The arguments for such an agency are very clear. The citizens of any modern state have the right to expect their borders to be protected. When borders are as porous as those of BiH have been in the past, the State Treasury loses millions; because porous borders are an open invitation to graft and corruption in the sphere of customs and excise.

The State Border Service was seen at the time as an acid test of the Presidency's commitment to the concept of a functioning state – a concept to which they have all too often paid mere lip service.

Sad to say, the Presidency failed the test. The bickering began the moment they got home. In the end, I was forced to exercise my powers and impose the State Border Service. Not even a solemn declaration before the UN Security Council, it seems, could hold them to it.

Such disregard for the international norms and standards of state leadership was shown also with regard to other commitments the Presidency has entered into with the Security Council in the New York declaration. The much-fought-over draft election law experienced the same fate as the state border service law. The Presidency did pass the draft election law to the Parliament as promised. But when it came to the vote, the Presidency members were not prepared to influence their respective party members. They just stood by and watched as the draft law was voted down.

The New York Declaration committed the Presidency to also resolve another central institutional crisis – although of a different kind – concerning the State Council of Ministers. Their efforts at resolving this crisis have been only slightly

more encouraging.

Since 1997, chairmanship of the Council of Ministers – which equates to the post of prime minister – has rotated. This compromise was probably necessary in order to get the institution formally working in the first place.

Last year, however, the Constitutional Court ruled that the rotational – and ethnically defined – arrangement was unconstitutional, and would have to be changed. The deadline for agreement on a new arrangement came and went. This common institution, central to the workings of democracy in BiH, fell into abeyance since February this year.

Almost unbelievably, the issue is still far from being satisfactorily resolved. The new law on the Council of Ministers – based on a proposal by the Presidency – follows the old patterns of ethnic parity and rotation. It remains to be seen whether the law will stand the test of the Constitutional Court.

The members of the Presidency have given us yet another unedifying display of the kind of politics that they practice best. The ethnic agenda, once again, has taken precedence over what is best for the people of BiH. For example, the primary principle guiding reorganisation of the ministries was the ease with which they could be divided up among the three ethnicities!

All this merely confirms that the leaders of Bosnia and Herzegovina are still far from ready to take the responsibility that they should for their country.

Last November, I outlined to you my concept of “Ownership.”

In the affair of the Council of Ministers, I have deliberately kept out of the fray, stressing the strong desirability of a solution arrived at by purely domestic consensus. The results are, I freely admit, a little depressing at the first sight –

although I believe that the policy of insisting on Ownership is still the right one. Bosnia and Herzegovina is – and must always remain – their country.

But we will continue to press – by whatever means, including my powers to impose if necessary – for the strengthening of the common institutions, and an extension of their role in the life of the country. They are too important for the future to be left entirely to their own devices.

There are, I am pleased to say, signs that my central message, the establishment of the concept of Ownership, is starting to take root in the hearts and minds of the people of BiH.

The result of the municipal elections, held across the country on 8 April, was one important sign. Despite the understandable scepticism from some parts of the International Community before the elections, two important points need to be made.

First, the elections were peaceful and routine. They were run skilfully by the OSCE, while both IPTF and SFOR played important roles in providing security at the polls. And second, the political landscape in BiH is now more pluralistic than it was before.

I am much encouraged by this development: political pluralism is a sure sign that democracy in BiH is maturing. It is also a sign that the voters are beginning to think for themselves, and about how politicians who seek to represent them will represent their interests – not the narrow, sectarian interests of the old ethnic ways of thinking, but the everyday interests of the ordinary public: issues like housing, employment, education and infrastructure.

The most significant shift of power was in the Bosniak areas, where the SDP made substantial ground at the expense of the SDA. This is important, because parties like the SDP – a modern, relatively multiethnic party – hold the keys to the country's future.

Only with leadership from modern, civic-orientated, tolerant political parties can BiH hope to integrate with Europe. Based on the results of the municipal elections, the SDP is now the strongest party in the Federation. We expect them to do even better in future elections.

It is true that in the Bosnian Croat areas the HDZ still dominates, but it is worth noting that voter turn-out in those areas was down to around 40 per cent – far lower than in previous elections, and also lower than the national average.

This indicates that Bosnian Croat voters are growing weary of the HDZ, but have not yet found an attractive alternative. The HDZ, already shaken by the defeat of its parent party in Croatia earlier this year, seems to have taken this message to heart. It is now in the midst of a major restructuring, which we hope will lead to more co-operative officials at the municipal and Cantonal levels in the future.

In the Republika Srpska, the exclusion of the Radicals, the SRS, was completely successful. Their threats of physical violence and voter boycott proved to be a bluff. Even the arrest by SFOR of Momcilo Krajisnik, the onetime Serb member of the Presidency, a few days before the elections, had little impact on voter behaviour.

Interestingly enough, although the SDS did well, it did not pick up as many SRS votes as they might have expected. In 1997, the SDS and SRS together won 44% of the vote. Yet in this election, the SDS only won 37%.

So pluralism is also growing in the RS. The rise of a new party – the PDP (Party of Democratic Progress), led by a respected economist, Mladen Ivanic – is significant, although we will have to see the PDP in action before blowing a trumpet.

Overall, I would say that while the nationalist parties are still strong, their grip is weakening. Our reform of the

media, the professionalisation of the police, our insistence on economic reform – all of these things are steadily eroding their sources of power.

Let us not lose sight of what this means. The defeat of the nationalist agenda in the political discourse of BiH will have ramifications not just for that country, but for the entire Balkan region.

BiH, we should always remember, is at the heart of the Balkans. If we can assist the people of BiH to live peacefully with one other again – by reforming the economy, by accelerating refugee return, and by strengthening the Common Institutions – we can achieve that noble goal elsewhere in the Balkans, too.

I sense that the tide has already turned against the forces of nationalism in the Balkans. The defeat of the HDZ in Croatia earlier this year was convincing proof. Slobodan Milosevic is increasingly isolated in Belgrade. The tide is turning in BiH, too, although less dramatically. It must be pushed on.

It must be pushed on because the price of failure is too high. If we fail in our project in BiH, then ethnically pure mini-states are likely to dominate South East Europe in the 21st century. It is imperative that we persevere.

Dayton is working in BiH. The remedy we are administering – our adherence to the principle of multi-ethnicity and the reversal of wartime ethnic cleansing, together with our insistence on real political and economic reform – is the right one.

The remedy can work elsewhere too – in Kosovo, for instance. The International Community's patience has been sorely tried in that province, but Bernard Kouchner should not be discouraged: success in establishing peace, as we have learned the hard way in BiH, takes a great deal of time.

Believe me when I say that, in BiH, there is light at the end of the tunnel.

Thank you very much for listening.