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OFFICE OF THE HIGH REPRESENTATIVE

June 2005 – January 2006

Report to the European Parliament: June 2005 - January 2006**Summary**

Bosnia and Herzegovina (BiH) passed a significant milestone during the reporting period. As has been the case for several years, the overarching goal of the international community has been to assist the country in equipping itself to take part in Euro-Atlantic integration and, in particular, to establish contractual relationships with the European Union (EU) and NATO. BiH not only fulfilled the conditions for opening negotiations with the EU on a Stabilisation and Association agreement (SAA) in time for the tenth anniversary of the Dayton Accords in November 2005, but it also started the technical talks in January 2006.

The process by which BiH finally met the requirements set by the November 2003 European Commission (EC) Feasibility Study for initiating SAA negotiations demonstrated that there is still a need for a strong if less intrusive international engagement in this country. The clear message from the international community that final responsibility for fulfilling the EC's terms lay exclusively with the domestic authorities encouraged the assumption of real ownership. This approach to reform, combined with continuing downsizing by OHR and gradual increase in the prominence of the EU Special Representative (EUSR), should characterise the next stage in BiH's progress towards self-sustaining statehood and active integration in Europe.

BiH was thus ultimately successful in joining its neighbours, Croatia and Serbia and Montenegro, in the regional endeavour to participate in European integration. Their common aspiration renders unresolved border questions a minor irritant, but uncertainly over both the future of the state union of Serbia and Montenegro and the final status of Kosovo have thus far had little impact on BiH.

The failure during the period to arrest Radovan Karadzic and Ratko Mladic precluded BiH's admission to NATO's Partnership for Peace. But ongoing political and financial pressure on the Serb Democratic Party (SDS), security sector reforms and greater coordination among state and entity institutions helped sustain the improved level of cooperation between Republika Srpska and the ICTY noted in my previous report.

The approach of the tenth anniversary of the signing of the General Framework Agreement for Peace stimulated an intensification of the discussions on constitutional reform that had been taking place intermittently throughout the year. A commemorative event in Washington resulted in the signature of a commitment to support the process and to agree on constitutional changes by March 2006 by the strongest eight BiH political parties. Their negotiations have thus far resulted in agreements in principle on human rights provisions, on the competency and size of the Council of Ministers and the two houses of the BiH Parliamentary Assembly and on certain reductions in the authorities of the Presidency. But it has not yet produced the package deal that was promised or draft legislation for submission to parliament.

The European Union Military Mission (EUFOR) built a strong reputation in its first year on the job, becoming a key partner in support of the EU's political objectives and OHR's Mission Implementation Plan. For its part, the EU Police Mission (EUPM) completed its initial mandate. A follow-on mission that will extend until 31 December 2007 and focus on both supervising police restructuring and fighting organised crime came into being on 1 January 2006.

After intensive lobbying, much public campaigning and several rounds of top-level political negotiations, an agreement on how to proceed with police restructuring was finally reached in early October. This involved explicit acceptance by the state and entity governments of the three principles that the EC had insisted should undergird the reform and which had become a precondition for SAA talks. A Directorate for Police Restructuring Implementation has been formed to manage the process.

Defence reform proceeded to its climax with few hitches. The general consensus encompassing the elimination of entity competencies, the transfer of all defence responsibilities and personnel to the state, the abolition of conscription, and the establishment of a restructured and small reserve force to back-up the downsized professional army held sway throughout. In their last sessions in 2005 both the Federation and Republika Srpska (RS) parliaments adopted the legislation still required to complete the implementation of the defence reforms. According to schedule, both entities' defence ministries ceased to exist on 31 December.

The mandate of Intelligence Reform Supervisor Kalman Kocsis expired on 31 December. Intelligence reform has now reached the stage where intensive international supervision is no longer required. OHR and OSCE will maintain a watching brief on the further consolidation and operations of the Intelligence and Security Agency (OSA).

In December OHR provided the BiH Parliamentary Assembly and CoM with draft legislation proposing a domestic vetting procedure for state-level ministers and deputy ministers. In addition, I announced that all persons whom my predecessors or I had removed from public office – with the exception of those banned for obstructing cooperation with the ICTY or for supporting Hague indictees – would in future be eligible to apply for non-managerial positions in public institutions.

Meeting in Paris on 14 December, the Steering Board of the Peace Implementation Council appointed Dr Christian Schwarz-Schilling of the Federal Republic of Germany to succeed me as High Representative from 31 January 2006. It is for this reason that I have extended the period covered to include the final month of my mandate.

Political developments

The past six months have been dominated by the drive to satisfy outstanding Feasibility Study requirements and to obtain a green light to open negotiations on a Stabilisation and Association Agreement with the EU. This was accomplished with the formal launch of talks on 25 November.

Reforms of the country's policing, defence and public broadcasting systems were the touchstone issues on which the international community concentrated its efforts. No sanctions or impositions were – or could be – deployed to produce results. The domestic authorities had to take the responsibility for moving forward.

The tenth anniversary of the signing of the Dayton Accords saw the conclusion in Washington of an agreement by the leaders of the eight largest BiH political parties to work towards state-level constitutional changes to be put in place by the end of March 2006. The parties had made substantial if incomplete progress by mid-January. It is uncertain at this writing, however, whether negotiations will recommence to achieve an all-embracing set of amendments within the short time available or whether efforts will be confined to turning the agreements reached thus far into constitutional or state-level law.

Despite prolonged nay saying and foot dragging by the RS government, the RS National Assembly adopted on 5 October a last-minute acceptance of police restructuring proposed by the entity's president and which met EC standards. The CoM, the state parliament and the Federation parliament subsequently adopted this same text in their turn. The agreement called for the establishment of a Directorate for Police Restructuring Implementation by 31 December; the preparation of an implementation plan by 30 September 2006; entity and state government approval of the plan by 31 December 2006; and entity and state parliamentary adoption of the scheme by the end of February 2007. The first step, establishment of the Directorate, took place within the deadline.

The fact that negotiations on police reform commanded centre stage over the past six months meant that other outstanding reforms received less attention than usual by OHR. The appearance of a pattern of systematic obstructionism on a range of mostly economic and fiscal issues by the RS government led OHR to issue a demarche on 10 November and to summon a press conference on 2 December designed to exert public pressure on the authorities in Banja Luka. Some improvement seems to have taken place, but the long holiday season and current moves to unseat the SDS-led government have brought normal business to a halt.

The Federation government, for its part, finally gave up its resistance to complying with the provisions of the Washington and Dayton agreements regarding the move of five ministries to Mostar. It adopted the requisite decisions during the autumn and the designated ministries have moved or are moving their seats. Federation constitutional amendments on local self-government and consequent laws on local self-government and the allocation of public revenues

are now set to be discussed in the Federation parliament. Their passage would establish the basis for a long-overdue reform of municipal government in the entity.

The Federation government has latterly functioned with fewer threats to disrupt its work or cabinet meetings by the one or another of the three coalition partners. Parliament adopted key legislation in July concerning budgets and internal debt. In the same month the ruling coalition saw off a no-confidence vote initiated by the Social Democrats. It was brought to the brink of crisis in August and September, however, by disagreements over the appointment of ministers to replace two who had resigned.

Although two major parties in BiH, the SDS and the Croat Democratic Union of BiH (HDZ BiH), have experienced internal turbulence during the period, the political scene is fairly stable, albeit with many indications that the parties are already manoeuvring to boost their positions in the run up to the October 2006 general elections. The SDS congress in November saw party (and RS) President Dragan Covic consolidate his control over a party he obviously aims to distance from its wartime past. The Party of Democratic Progress (PDP) announced at year's end that it would no longer support the SDS-led government in the RSNA, thereby depriving the government of its majority and creating the opportunity for the largest RS opposition party, the Alliance of Independent Social Democrats (SNSD), to initiate a vote of no confidence. The government lost this vote on 26 January. Negotiations to form a SNSD-led replacement could be protracted.

Two PDP ministers continue to fulfil technical mandates in the CoM, notwithstanding the prime minister's effort last June to sack one of them and the subsequent resignation of the other. The leader of the HDZ BiH, Dragan Covic, has sought to purge opponents and stifle doubts about the legitimacy of his election as party president in June 2005. The grouping of European People's Parties has as a consequence suspended the HDZ BiH's associate membership of the body.

The review of removal decisions that I initiated in March 2005 continued, and by the end of the year thirty people had their rights to participate in public service fully restored. In November I extended the process by announcing that all those who had been removed by my decisions or by those of my predecessors would henceforward be eligible to apply for non-managerial positions in public bodies or companies that are filled through open competition – provided that they had not been removed from office for supporting ICTY indictees or impeding cooperation with the Tribunal.

Mission Implementation Plan

There has been substantial movement towards completing OHR's 2005 Mission Implementation Plan (MIP). Although the RS continues to oppose some planned reforms – particularly when a transfer of competency to the state is required, the police restructuring agreement removed the blockage of a number of items and allowed OHR to concentrate on other important reform priorities. The Action Planning process, initiated in mid-2005 to improve tracking of MIP item

progress, identify obstructions and improve completion rates, has proved effective in helping clear the MIP backlog that accumulated early in 2005.

As a result, by the end of my mandate as High Representative about 40 items, spread among three of the four Core Tasks, will remain incomplete: Entrenching the Rule of Law (11); Reforming the Economy (12); and Institution Building (17). In mid-January the Defence Reform Core Task was fully completed when the minister of defence signed the order establishing the Transition Implementation Expert Team. All but six of the remaining items had been scheduled for completion in 2005. A good many of these, however, related to either police restructuring or public broadcasting – issues on which political breakthroughs did not come until the autumn.

Of the still-outstanding Rule of Law MIP items, all but one are tied to the police restructuring process, which will likely extend into early 2008. The remaining MIP items relating to economic reform include a broad range of reform priorities, as is the case with the Institution Building agenda as well. A MIP for 2006 should be presented to the PIC in due course. It will contain revised timelines for police restructuring items based on the now-extended process.

Entrenching the rule of law

In the rule of law sphere the major achievement was the agreement to push through police restructuring according to the three principles decreed by the EC: All legislative and budgetary competencies for all police matters must be vested at the State level. No political interference with operational policing. Functional local police areas must be determined by technical policing criteria, where operational command is exercised at the local level.. The Directorate for Police Restructuring Implementation was established on 8 December and its steering and executive boards were appointed on 29 December.

As a result of considerable effort by OHR and other agencies, BiH now has the laws and legal institutions necessary to inculcate and maintain the rule of law. This is a signal achievement. As a consequence, the OHR Rule of Law Department was able to close down at the end of the year.

The simultaneous closure of the Anti-Crime and Corruption Unit signalled the end of OHR's role in identifying and developing individual cases for prosecution at all levels. The unit transferred its files to the domestic authorities after a series of meetings designed to ensure an effective transition of responsibility.

OHR also completed successfully its efforts to strengthen links between and among BiH law enforcement agencies and their regional counterparts tasked with fighting organised crime, corruption and terrorism. The working group chaired by OHR and comprising the BiH ministries of justice and defence, OSA, SIPA, the ITA, EUPM and the EC's CAFAO had analysed the intelligence and legal framework and identified innovations to strengthen coordination and efficacy on the part of those possessing criminal intelligence responsibilities.

An OHR task force provided technical assistance to support the work of the BiH security and civil affairs ministries in establishing during the autumn a commission to review the award of BiH citizenship to hundreds of foreign nationals since 1992. Many such nationalisations are suspected to have been highly irregular and to pose continuing security risks.

At the request of COM EUFOR, the Rule of Law Department prepared an in-depth analysis of organised crime and corruption in BiH and proposed possible goals, benchmarks and tasks for the international community's use in supporting domestic efforts to fight organised crime and corruption.

Reforming the economy

In 2005 BiH was still in the early stages of a difficult economic transition. Reflecting, however, the increasing degree of domestic ownership and the successes local stakeholders have registered in dealing with economic challenges, the OHR Economic Department closed down at the end of 2005. The New Year started with the implementation of perhaps the most dauntingly complex fiscal reform to date: the introduction of value added tax. In order to assure that the advent of VAT went as smoothly as possible, it was introduced at a single rate of 17 per cent. The results thus far have been promising, though the impact of this major reform will likely not be evident for several months. Fortunately, the technical aspects of putting VAT in place proceeded with hardly any hitches. The coming of VAT is both a necessary milestone in BiH's effort to make itself fit for European integration and a major step towards stimulating the economy, enlarging the tax base, attracting investment and creating new jobs.

The overall macro-economic situation remained positive thanks to strong domestic demand during 2005. Economic growth last year is estimated at 5.7 per cent of GDP, which is among the highest in the region. After hitting rock bottom in 2001, the rate of growth in industrial production has rebounded steadily. Inflation remains negligible and the Central Bank now holds substantial foreign currency reserves, which currently provide around six months of import cover.

In order to maintain this momentum, my office has focused on several fiscal measures with the objective of enhancing fiscal coordination and reducing fiscal risks. Among these measures was the establishment of the BiH National Fiscal Council. It is responsible for the development of consolidated annual revenue projections and expenditure targets, as well as for deciding on budget allocations among the state, entities and Brcko District. The BiH Fiscal Council has tasked an advisory group with finding ways to reduce the costs and increase the efficiency of government at all levels. One of its projects is to draft a law on state salaries. Once drafted, OHR will seek to facilitate its passage.

The adoption of new business registration laws in 2005 represented a significant step forward in establishing a business environment in BiH conducive to foreign and domestic investment. But it is obvious that the business climate must improve a great deal more if the country is to

capitalise on its currently promising rate of annual growth. The creation of a single economic space remains key to achieving this objective, as well as to stimulating business development, foreign investment and new employment. My office has therefore sought to help in preparing and promoting state-wide legislation on obligations, pharmaceuticals and consumer protection.

However, only the full implementation of these and other laws that are already on the statute books will bring real benefits to new businesses and ensure private-sector development. Both also require continuing corporate restructuring. Bankruptcy legislation is on the statute book, but is only rarely applied. Effective privatisation slowed down in the second half of 2005, particularly in the Federation.

Agricultural reform has lagged. Despite efforts to facilitate progress in the sector, the RS government has thus far rejected the EC recommendation on establishing a BiH-wide legal and institutional framework. Since cooperation between the state and entity administrations is vital in agriculture, OHR has urged the entities to forswear their unilateral approaches.

It will be essential in future to keep highlighting the fact that BiH has the potential to be an economic success, not just a subsistence economy. Real and rapid economic growth is possible if sensible policies are implemented sooner rather than later and if corporate restructuring once more becomes a top government priority.

Strengthening the capacity of BiH's governing institutions, especially at state level

The Joint Action Plan for Staffing and Premises, presented to the Peace Implementation Council by Prime Minister Terzic in September 2004, came back on the political agenda during the reporting period, with the focus now on the Commission for Public Assets. As a result of OHR lobbying, this intergovernmental commission commenced work in November 2005. It is tasked with looking into issues of ownership at all levels of government, as well as the state's rights to acquire/expropriate property pursuant to its needs, not least those stemming from the European integration process. The commission, comprised of state, entity and Brcko officials, is also charged with drafting state property laws for BiH, the entities and Brcko District. After extensive discussions on the principles of state property distribution, the commission's legal sub-committee is now drafting the requisite laws. OHR acts as an observer and legal adviser.

Establishing state-level civilian command and control over the armed forces, reforming the security sector and paving the way for integration in the Euro-Atlantic framework

I described the impressive progress that has been made in defence reform in some detail in my previous report. Since then the two state defence laws have entered into force and, from 1 January 2006, BiH came into possession of a single defence ministry and military force. BiH Defence Minister Nikola Radovanovic will oversee what is expected to be a two-year period of implementation and integration. A team of defence ministry experts will plan, organise, coordinate and monitor the process of transferring all defence functions and personnel to state

level. NATO will continue to assist. For its part, OHR will also continue to provide political support to the BiH authorities as they proceed with implementation.

As the new defence structure takes shape, BiH will enhance its capacity to maintain a safe and secure environment at home and in the region, so moving the country closer to achieving its aspiration to join in the Euro-Atlantic partnership. The EU repealed its long-standing arms embargo on BiH on 23 January.

The mandate of Intelligence Reform Supervisor Kalman Kocsis expired on 31 December. Striking achievements have been registered since I appointed him to coordinate the overhaul of the country's intelligence agencies in June 2004. This progress means that the time has come to scale down international oversight. OHR will, however, monitor developments in the intelligence sector in order to ensure, in particular, that the rule of law prevails in BiH.

The Intelligence and Security Agency (OSA) continued during the reporting period to build up its operational and analytical capabilities. Basic training programmes were developed and the first courses took place in July. In January 2006 OSA signed an agreement on cooperation with the Ministry of Defence whereby OSA will provide the armed forces with access to the information they require for force protection.

The BiH Parliamentary Assembly has meanwhile improved its ability to oversee the agency's operations and to ensure democratic accountability. Passage of the Law on the Protection of Secret Data in July represented an important step, enabling the exchange and safekeeping of classified information. OSA is obliged by the law to provide security assessments on individuals and institutions handling classified information.

The reporting period saw further improvement in the BiH authorities' cooperation with the ICTY. Out of eighteen BiH-linked fugitives wanted by the Tribunal at the beginning of 2005, four remain at large. The state-level ICTY Monitoring Group helped remove most of the personal and structural flaws that had obstructed cooperation with the Tribunal and hindered compliance with EU directives. Additional reform of the defence and intelligence sectors improved the capacity of BiH to cooperate with the ICTY. Police restructuring will complete this institutional transformation.

Constant political pressure produced a change of mind at the top of the SDS, forcing the RS government both to acknowledge at least some of its wartime sins and to acknowledge the urgent need to cooperate fully with the ICTY. BiH will not, however, be invited to join NATO's PfP unless and until Karadzic and Mladic are in The Hague. The strong reference in the SAA platform now being negotiated with the EC (i.e., Articles 2 and 4 in the General Principles of the SAA Agreement, Mtg. Doc. 363/05, 15/12/05) to the necessity of full cooperation with the ICTY also means that BiH will need to maintain progress on this front. Full cooperation with the ICTY will continue to be a standard by which BiH's readiness to take part in Euro-Atlantic integration will be measured.

BiH in the region

The October agreement on police restructuring saved BiH from being left behind as its neighbours forged ahead towards negotiating their association with or membership of the European Union. The formal launch of SAA talks in time for the tenth anniversary of the Dayton / Paris Accords and their actual commencement in late January meant that BiH was no longer threatened with being left behind by its neighbours. On the other hand, the continuing liberty of four ICTY indictees from BiH and mounting uncertainty over the future of the State Union of Serbia and Montenegro (Montenegrin independence and Kosovo's final status) will have to be followed closely.

It should be noted that BiH continues to have minor but unresolved border issues with both its neighbours. More notable difficulties stem from the fact that many BiH citizens also have Croatian or Serbian-Montenegrin nationality and the constitutional provisions of those countries on the extradition of their citizens mean that the regional battle against organised crime and the pursuit of putative war criminals not indicted by the ICTY are both impeded.

BiH and the European rapprochement process

EC Feasibility Study

As noted at the outset, the BiH authorities made sufficient progress in completing the legislative and other requirements of the EC Feasibility Study during the period to permit the EC to recommend and the EU Council to endorse the opening of SAA talks. Their formal launch took place on 25 November in Sarajevo. The BiH governments agreed and enacted reforms in a wide variety of fields, including the rule of law, human rights, taxation, competition, transport, narcotics control, the information society and media.

The major triumph in the rule of law field – the political agreement to push through police restructuring according to the three principles set by the EC and the establishment of the Directorate for Police Restructuring Implementation to do the job – has been described above.

BiH met most of its Council of Europe post-accession commitments over the past six months. The state ombudsman law, merging the offices of the entity and state ombudsmen, has been adopted by the CoM and awaits parliamentary passage.

Adoption of the Law on Value Added Tax (VAT) in the summer was followed by the enactment of a package of legislation on customs and taxation: the Law on the Indirect Taxation Authority (ITA), the Law on Indirect Taxation Procedures, the Law on Forced Payment Procedures, and the Customs Violations Law. These should ensure both the functionality of the ITA and the smooth implementation and enforcement of VAT, which began to be collected on 1 January.

Important legislation on commercial competition, drug licensing, narcotics abuse, railways and public broadcasting were adopted as well during the period. Several laws demanded by the EC still await adoption, including the establishment of a data protection commission, an information society agency and entity-level laws on public broadcasting. As has been noted before, however, the passage of legislation is one thing and its application and enforcement is another. BiH needs to improve significantly when moving from the one to the other.

EUFOR / Operation Althea

In November 2005 the EU Council of Ministers approved the second mission review of the European Union Military Mission (EUFOR) and extended its mandate, leaving the force structure unchanged for 2006. EUFOR continues to be perceived as a peacekeeping force with a more than credible deterrent. Its presence remains essential for the time being.

EUFOR comprises some 6,200 troops from 22 EU member States and eleven others. The force is still deployed throughout the country, with three regionally based multinational task forces and a headquarters in Sarajevo. It has continued to conduct operations in line with its mandate to ensure compliance with its responsibilities under Annexes 1a and 2 to the General Framework Agreement for Peace and to contribute to the maintenance of a safe and secure environment. The multinational task forces conduct a variety of operations, including presence patrolling, local observation team activities, weapons' collections and specific operations to ensure compliance with the Framework Agreement and to prevent anti-Dayton activities.

Over the coming year EUFOR will, in accordance with the second mission review, play a less prominent and proactive role in conducting operations targeted at organised crime. Instead, EUFOR will align its operations more closely with those of the EUPM and the priorities set by the domestic law enforcement agencies. EUFOR will still be ready, however, to assist these agencies in carrying out operations against organised crime. EUFOR is also participating actively in the EUSR-chaired Crime Strategy Group, a body tasked with overseeing the coordination and coherence of the EU's Security and Defence Policy efforts in support of the BiH authorities' fight against organised crime.

EUPM

As the initial mandate of the EUPM came to a close in late 2005 the mission conducted an evaluation process to review the progress it had made in realising its four strategic priorities: (1) institution and capacity building; (2) the fight against organised crime and corruption; (3) the financial viability and sustainability of BiH policing; and (4) developing police independence and accountability.

The BiH CoM decided in July to establish a Ministerial Council for Cooperation on Police Matters (MCCPM). Building on a body originally formed during the mandate of the UN IPTF as the Ministerial Consultative Meeting on Police Matters, the new council has started to work

on establishing adequate coordination and cooperation among BiH police forces and in passing decisions and instructions that will be binding for the Police Steering Board.

The EUPM maintained its support of SIPA, the State Investigative and Protection Agency, which has since August stepped up its recruitment and enhanced its operational capacity to a significant degree. EUPM advised an internal SIPA working group reviewing the organisational rulebooks setting out the structures and responsibilities of the agency's various departments. It has since monitored their implementation. SIPA's Financial Intelligence Department was invited, only seven months after its formation, to join the Egmont Group, a worldwide network of law enforcement agencies that shares intelligence on money laundering.

After the October breakthrough on police reform the EUPM Police Restructuring Working Group and OHR developed a framework for the establishment of the directorate that will bring police restructuring to fruition over the next three to five years.

The European Council decided on 24 November to extend the EUPM's deployment until the end of 2007, but with fewer officers and a refocused mandate. With guidance and coordination provided by the EUSR, the EUPM will concentrate on supporting the establishment of a sustainable, professional and multi-ethnic police service in BiH that operates in accordance with the highest European and international standards. The reformed police must also fulfil the commitments BiH made during the Stabilisation and Association process, including the fight against organised crime. The EUPM's mandate has been strengthened in this regard, and the follow-on mission is expected to be proactive in assisting domestic agencies to plan and carry out major investigations of and operations against organised crime. The EUPM will also take part in the Crime Strategy Group.

The EUPM will continue to operate in line with the general objectives of Annex 11 of the Dayton/Paris Accords. Brigadier-General Vincenzo Coppola from Italy has been appointed Head of Mission/Police Commissioner.

EU Special Representative (EUSR)

In addition to my now-expiring mandate as High Representative, I have served as the European Union Special Representative in Bosnia and Herzegovina (Council Joint Action 2004/569/CFSP) since May 2002.

As required by my mandate, I have continued to promote implementation of the General Framework Agreement for Peace in Bosnia and Herzegovina and fulfilment of the sixteen reform criteria identified in the EC Feasibility Study. I have naturally been preoccupied in particular by the need to overcome the last two stumbling blocks that were, before the autumn, preventing BiH from qualifying for SAA negotiations: securing a political agreement on police restructuring in line with the three principles specified by the EC and pushing for the adoption of the Public Broadcasting Laws.

I have continued as well to provide political oversight of the EUPM, as required by my place in that mission's chain of command. Both former EUPM Commissioner Kevin Carty and I worked intensively during the period under review to plan a refocused follow-on mission. As noted above, the recast EUPM was launched on 1 January 2006.

As coordinator of EU efforts to tackle organised crime, I established and chaired the Crime Strategy Group. This body was set up in order to ensure the coordination and coherence of EU-ESDP efforts in support of the BiH fight against organised crime and corruption. I have also advised Prime Minister Terzic on updating the BiH action plan on organised crime with the aim of making it a more operationally relevant framework policy. My office, as well as representatives of the EUPM and EC, became observers on the working group subsequently established under Security Minister Barisa Colak. This group is charged with drafting an updated functional framework strategy for tackling organised crime and corruption by the end of March 2006.



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Christian Schwarz-Schilling, the new High Representative



Christian Schwarz Schilling describes his new role as that of "adviser" to Bosnia-Herzegovina, ultimate guarantor of the Dayton Peace Agreement and the man to lead Bosnia from its status of semi-protectorate to normal sovereign statehood. His involvement with Bosnia dates back to

1992 when he resigned from the Kohl government in protest at Germany's and Europe's unwillingness to stop the fighting in former Yugoslavia. He became involved in international efforts to stop the war and began to work as international mediator in Bosnia. He continued this work for over 10 years.

Christian Schwarz-Schilling studied sinology in Munich. For 25 years he ran a family business with a few thousand employees near Frankfurt. He was a member of the *Landtag* in Hessen from 1966-1976 and of the German *Bundestag* from 1976 to 2002. From 1982 to 1992 Schwarz-Schilling was Minister for Posts and Telecommunications and started its privatisation. In the Bundestag he was Chairman and Deputy-Chairman of the Committee on Human Rights and Humanitarian Aid.

Christian Schwarz-Schilling was one of the main supporters of ESI when it was set up in 1999. Two of the three founding ESI board members (Gerald Knaus and Dieter Wolkewitz) were then his advisors for his Bosnia mediation.



Dnevni Avaz, "Imidž BiH u Evropi lošiji nego bosanska stvarnost" (Interview with ESI President Gerald Knaus) (January 29th, 2006)

Frontpage of Dnevni Avaz on Sunday 29 January: "The Image of Bosnia is worse than the reality"

Recent press coverage on Bosnia and the new High Representative Christian Schwarz-Schilling

Other relevant ESI reports and documents

- ▶ International Herald Tribune, Christian Schwarz-Schilling (Op-Ed), "How to move Bosnia forward" (February 1st 2006)
- ▶ OHR. "High Representative's TV Address to Citizens of BiH" (January 2006)

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- Deutsche Welle, "Bosnia's Staunch German Friend" (January 31st 2006)
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- Guardian, "In praise of ... Paddy Ashdown" (January 31st 2006)
- Financial Times, "New Bosnia chief makes economy priority" (January 31st 2006)
- Financial Times, "Conciliator putting his heart into Bosnia's long rebuilding process" (30 January 2006)
- BBC, "Profile: Christian Schwarz-Schilling" (30 January 2006)
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- Deutschlandfunk, "Interview mit dem künftigen Hohen Repräsentanten der Staatengemeinschaft in Bosnien-Herzegowina, Christian Schwarz-Schilling" (December 16th 2005)
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- RFE/RL, "Bosnia-Herzegovina: High Commissioner Candidate Interviewed By RFE/RL" (November 18th 2005)

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- Waiting for a miracle? The politics of constitutional change in Bosnia and Herzegovina (also available in Bosnian-Croat-Serbian)
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How to move Bosnia forward

Christian Schwarz-Schilling International Herald Tribune

WEDNESDAY, FEBRUARY 1, 2006

SARAJEVO, Bosnia-Herzegovina

Bosnia and Herzegovina has traveled a long way in the past decade as the country has sought to rebuild itself with international support in the wake of Europe's most devastating conflict since World War II. But progress will only be irreversible when Bosnians take responsibility for the peace process. It is my task as Bosnia's last high representative to oversee the transition from today's quasi-protectorate to local ownership.

The office I have just inherited was created by the Dayton Peace Agreement to oversee implementation of the accord ending the Bosnian War in 1995. In response to massive obstructionism in the first two years of Dayton implementation, the powers of the high representative were augmented at a meeting in December

1997 in Bonn, enabling him to dismiss officials and to impose laws if this was deemed necessary.

In the intervening years, my three immediate predecessors - Carlos Westendorp of Spain, Wolfgang Petritsch of Austria, and Paddy Ashdown of Britain - all made use of these so-called "Bonn powers" to establish the institutions necessary for a viable, modern democracy. In this way, they succeeded in taking the peace process forward.

There are, however, limits to what can be achieved by imposition and these limits have almost certainly been reached.

It is not possible to decree reconciliation, opportunity and prosperity. Institutions that have been

created by function of all ethnicities Bosnian citizens to intern deliver reform

This requires among Bosnia accustomed international and within which has intervening making.

One consequence using the slowdown progress in neither state zero-sum characteristic

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