



Centar za  
sigurnosne studije - BiH  

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Centre for  
Security Studies - BH

**SEMINAR ON**  
**Economic Aspects of Security**

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## **OPENING**

**General Claudio Zappulla,  
Personal Representative of the OSCE Chairman - in- Office for  
Articles II and IV, Annex 1-B of the DPA, Vienna**

**Ignac Golob, State Secretary, Ministry of Foreign Affairs,  
Republic of Slovenia**



## **General Claudio Zappulla**

### *OSCE CIO's Personal Representative for Articles II and IV*

His Excellency Mr. Golob, Distinguished Ambassadors, Ladies and Gentlemen, it is with great pleasure that I welcome you to this seminar in Portoroz, Slovenia. Before proceeding, I wish to thank the Government of Slovenia for graciously allowing us to hold our seminar in beautiful Portoroz.

Why this seminar? Why this topic? And. Why now? Perhaps those questions have crossed your mind as you received your invitation to participate in this seminar.

“Why this seminar”. To answer this question I will briefly recall some events over the past few years that have led us to Portoroz today. The Agreement for Confidence – and Security Building Measures in Bosnia and Herzegovina (Article II, Annex 1b, Dayton Peace Accords) contains one particular provision for “voluntary measures”. Under the auspices of this provision we have, over the past few years, conducted numerous seminars on topics such as “Democratic Control of the Armed Forces”, “Military Support to Civilians in Cases of Man-Made or Natural Disaster”. In particular, the seminar on Democratic Control spawned a whole series of initiatives involving NATO and OHR, as well as a number of bilateral initiatives, most notably with Switzerland and Sweden which focussed on members of the BiH government and senior military officials. In tandem with these initiatives, my office, with the gracious help of a number of OSCE countries, has sponsored Code of Conduct seminars targeting junior and mid-level officers. These seminars are an introduction into the OSCE as a body and the Code of Conduct measures adopted by the OSCE.

In addition to these efforts, and still under the auspices of the Article II Agreement, the members of the Joint Consultative Commission, the body that oversees implementation of the Agreement on Confidence – and Security-Building Measures in Bosnia and Herzegovina agreed that in the interest of greater confidence and transparency they would allow a team of international auditors to conduct an audit of their respective military budgets. The aim, of course, was to show that the budgets could no longer sustain the relatively large military forces maintained in Republika Srpska and the Federation of Bosnia and Herzegovina. This audit process was hugely successful and evolved into a mammoth initiative that was given to Ambassador Beecroft and his staff. Arguably, it was this initial audit decision that has subsequently led to the tremendous restructuring and demobilization process that is on-going. This is of course a painful process but a necessary one that will lead to a military structure more compatible with actual defense and security needs and will move Bosnia and Herzegovina one step closer to European integration.

In this regard, Dayton has been immeasurably successful. The goal of Annex 1b was to encourage confidence and transparency among the two Entities and in particular, between the two militaries. The on-going restructuring process, demobilization, and initiatives within the Standing Committee on Military Matters are clear signs that a high level of confidence does indeed exist between the militaries of the Federation and Republika Srpska. That being said, there is still more to be done in order to put Bosnia and Herzegovina in condition for Partnership

for Peace. These processes, restructuring and demobilization are painful in the best of circumstances but given the employment situation in Bosnia and Herzegovina, this process is particularly painful. Political and military leaders must be given due credit for taking this next logical step, painful as it is.

Demobilization is perhaps the clearest and strongest evidence of the current high level of confidence and transparency between the militaries. And a clear sign that senior military leaders recognize that their security threat, if one truly exists, is not within the borders of Bosnia and Herzegovina. Given the current state of affairs one might naturally begin to focus on other “security” needs.

When the Joint Consultative Commission members initially agreed to hold a seminar, the topic was not chosen. Over time, after consulting with various military and civilian members of Bosnia and Herzegovina, as well as with persons such as Ambassador Turkovic and Professor Vejnovic, it became increasingly obvious that “economy” is the next major hurdle to cross. As you have seen in the agenda, the real focus of these next two days is indeed the economic aspect of security, in all its various dimensions.

However, one topic that is not necessarily covered in great detail is equally important and it is a thought I hope you will begin to consider seriously; probably, many of you already have.

Under the auspices of the Article II Agreement an initiative was established among the respective universities within Bosnia and Herzegovina to develop “centers for security studies” with a view to establish centers that would concentrate on the “security” needs of Bosnia and Herzegovina. This effort continues today. As you are aware, the OSCE Mission to Bosnia and Herzegovina has a new mandate: education. Ambassador Beecroft recently met with all Entity/Cantonal Ministers of Education to discuss ways forward in improving the education system within Bosnia and Herzegovina.

Ambassador Beecroft and I consult regularly on our respective initiatives and always find ourselves in agreement. This is a prime example of an area where we find ourselves in complete agreement, and if I may borrow a short phrase from the distinguished Ambassador: “It is time”. This is the answer to the third “why”. It is indeed time to take the appropriate steps, make the necessary sacrifices that will overcome the numerous problems facing the educational system, such as segregation and discrimination, poor attendance, and perhaps more importantly, a well balanced approach when discussing factual matters relating to recent history. Our children, your children are the key to the future of Bosnia and Herzegovina. The key to a self-sustainable, fully integrated, Bosnia and Herzegovina. In fact, when we say “it is time”, we aim to go beyond the process of confidence-building, which has so far shown excellent results, to focus on the more important and indispensable process of reconciliation.

Thus, while we listen, and discuss, over these next two days, let’s try to keep in mind that defense is currently not the primary concern for a self-sustainable and secure Bosnia. In effect, much has already been accomplished. We must acknowledge those political and military leaders who have contributed so greatly to this progress. However, much remains to be done. There is still more room for further savings which must not come at the expense of the most vulnerable component



of the Armed Forces: personnel. There are a multitude of economic problems that continue to thwart the necessary economic growth that will allow this country to enjoy full recovery and sustainability. I will leave it to our various distinguished speakers to address this more fully.

Finally, I will conclude by thanking all of you once again for being here to contribute to this event. It is my desire to take all of your contributions and produce proceedings from this seminar. A written record that will no doubt prove very useful to those persons who were unable to attend this weekend.

Let me once again welcome you, and thank you for being here today.



**Mr. Ignac Golob**, *State Secretary*  
*Ministry of Foreign Affairs of the Republic of Slovenia*

General Claudio Zappulla,  
Ladies and Gentlemen,

The twin priorities of the foreign policy of Slovenia since its independence are membership in EU and NATO. We are vigorously pursuing this twin aim. It is widely shared opinion that this is among other things the time of enlargement. The enlargement of EU and NATO is imminent. This will, no doubt, be a boost to OSCE, better cooperation means better relationship.

It seems that Slovenia is within reach of these twin aims. The door or better access to both integrations should remain open, to all European countries. All of them should have a chance to join depending on capabilities of each state to do so.

The inclusive policy would be most significant encouragement to those that are not yet in the loop. It would make them to enhance their efforts to achieve their own aims.

All of those countries are right in the middle of transition. Entering into integration would mean that finally made it. However, promised integration cannot be the only stimulus to a country like BiH, whose economy is devastated by war. One cannot only promise such countries to get into Europe. One has to bring actually a part of Europe of them.

Slovenia is doing its share. We have historically strong economy and cultural ties with BiH that were disrupted only during the period of war. The government of Slovenia is supporting reestablishment of those ties. Slovenia is today the strongest investor in Bosnia and Herzegovina, and our economic relations are expanding rapidly.

With generous support of the USA and other donors we are hosting in Ljubljana the International Trust Fund for Demining and Mines Victims Assistance in Southeastern Europe. Its work has a positive impact on economic and social recovery of BiH. Within the Stability Pact and SECI Slovenia has been taking part in the stabilization process in the Balkans whereby it pays special attention to post-conflict rehabilitation.

Slovenia has established "Together"- a regional Center for the Psychosocial Well-being of Children – which cares for children affected by armed conflicts in Southeastern Europe. ITF and Together are only two examples that Slovenia is committed to stabilization and recovery of BiH.

Men and women of our armed forces and police numbering well over hundred are component part of SFOR. Their service is a source of pride for us.

OSCE has made an enormous contribution to the efforts of the peoples in BiH to reconstruct their society and strengthen state institutions. Confidence and security building measures are facilitating reduction of armed forces and enabling important release of resources for

development. Free and fair election are consolidating democracy and opening opportunity for sound economic transition. Promotion of democratic values and human rights contributes to returning of refugees safely.

We are convinced that this OSCE seminar will be useful too for promotion of confidence and security in BiH, which is needed for successful transition.

The government of the Republic of Slovenia has offered a candidature of Slovenia for the OSCE Chairman in Office in the year 2005. We are thus committed to contribute even more actively to the development of the cooperative security in Europe, particularly in Southeastern Europe.

In the same token we are honored, that the personal representative of the OSCE Chairman in Office for articles II and IV (Annex 1-B of the Dayton Peace Agreement) general Claudio Zappulla, chose Portoroz for the venue of this Seminar on Economic Aspects of Security. I am confident that the sunny atmosphere of this summer resort will stimulate your work.

## **SESSION I**

**Dr. Bisera Turkovic, Centre for Security Studies BiH**

**Dr. Anto Domazet, Minister of the Treasury of BiH**

**Dr. Ljubica Jelusic, Faculty of Social Science,  
University of Ljubljana**

**Dr. Richard Tensch, The Missing Link, International Consulting  
Corporation**



**Ambassador Dr. Bisera Turkovic**, *Director*  
*Centre for Security Studies, Bosnia and Herzegovina*

The theme of today's first session is "Small States in the Period of Globalisation: Challenges of the 21<sup>st</sup> Century". Towards the intention that we approach this theme and provide a specific introduction to our distinguished speakers, I would like to emphasize a number of factors. It has been highlighted that the seminar was conceptualised so that all participants would give their full contribution to the successful realisation of the seminar. After the speakers, which shall give a basic insight into the theme, we expect from you proposals, ideas and critiques connected to this theme. I would like that this would be a really open discussion from which BiH shall gain some use and we shall endeavour to use, in whichever manner the publication that we shall produce or through the media, all that we hear as a proposals on the basis of your suggestions.

I would like that we remind ourselves of the last few years and to see how BiH at that time looked in comparison with the type of country that it is today. It seems to me that BiH has made terrific advances in a very short time period. When we consider what has been achieved in such a short period we can conclude that we are a very successful country. Before seven years in BiH ravaged a terrible war, and here we are today seven years after the war in the process not only of building peace, but also in the process of candidacy for entry into various organisations that exist in our European environment.

The part of the Dayton Peace Agreement that has been expressly successfully realised is the execution and implementation of Articles II and IV of the agreement. The persons that work or have worked in the implementation of these two articles invested much person effort and will, and really deserve every prize and thanks - starting from Ambassador Gyarmati, Ambassador Eide, General Jean, and now General Zappulla, all of who really executed much. All of that what they did and executed is a significant contribution to BiH. If we only consider a couple of aspects in the implementation of these articles, as for example the reduction of weapons, the downsizing of military forces, transparency of military budgets and military forces, then we can state that the achievements are far greater than we could have expected in the last couple of years.

I would like to mention an event that very frequently comes to mind that occurred before four or five years and is connected to the implementation of Article IV. That time's discussion at the meeting of the Sub-regional Consultative Commission concentrated on the issue as to which level the military potential needs to be downsized in the sense of the number of soldiers as well as personnel in the Ministries of Defence. There were present representatives of BiH as well as representatives of the entities. I have to say that that was a very strained discussion, because during that period nevertheless the memories and feelings from the war were still fresh, and mistrust between the representatives of the former warring sides was enormous. Ambassador Dervisbegovic, who was at the head of the BiH delegation, at that time stated, "I would not engage here concerning the number of soldiers, that even is not so important." Everyone stared at him because at that moment it seemed to everyone that the most important factor was the number of soldiers, and the Ambassador continued, "The economy is such that it will force us to reduce the number of soldiers in any case. That which I can say to you is that all that today is

accomplished in connection with the downsizing of the number of soldiers will be insufficient for the future and that number would have to be still reduced." That is exactly what has happened. Six years after the war the number of soldiers has by more than six times been reduced and we are in the process of the further reduction of the military potential. The economy is exactly that which conditions this downsizing, and not only downsizing, but also the new organisation of the armed forces.

Consequently, the search for a new economic space is extremely important. In order that we would become more attractive in an economic sense, in the sense of foreign direct investment, it is necessary to create a joint economic space.

I think that we cannot make a difference and separate the economy from security. Also I would point-out that the whole process in the region and neighbouring countries contributes to further stabilisation. Democratic changes have occurred in our neighbourhood, in Croatia, in Serbia and in Montenegro, so that something that before three years was a 'hot' issue, today simply does not represent a problem. Transparency of the military budget was, so to say, a 'hot' issue, as well as the issue of which of those resources were for financing the armies. You know that we in Bosnia and Herzegovina have two, sometimes it is even mentioned three military components. Before three years the sources of financing for these three components were not completely transparent or clear.

Today it is fully known who, what, how and how much the armies are financed, and the military budget is under the democratic control of parliament. I think that really we can be proud of the democratic control over the armed forces. Before three years there did not even exist the wish for the formation of a commission or committee in parliament that would be engaged in these issues. Today that commission for defence issues exists and works, and its members know that they can pose questions in view of the budget, they know that they can intervene, and can ask for responses from the Minister of Defence on the basis of their questions.

Naturally, BiH is still not a developed country, but the implementation of Articles II and IV has been exceptionally successful, although the remainder still leaves much work to be done. That which is significant is that only the concept of threats has changed so that the neighbouring countries are no longer the main military threats. I would say that we can consider things from a different perspective. Not one small state, and I consider all of our neighbours to be small states, is secure in an insecure environment, and towards this the long-term interest of our neighbours is a safe and secure BiH. It is understandable that they shall invest in the security of BiH in the ways in which it is possible, and then only with this would the neighbours be able to secure their own security. However much BiH needs security, in the same amount our neighbours also need it. However much we need a developed market and economy, our neighbourhood requires this in equal merit. Mr. Golob pointed out that it is in the interest of Slovenia to invest in BiH. Slovenia has very successfully done this, attempting to assist the economy of BiH. There also exist a large number of other countries that have invested in BiH, because investment in BiH means investing in their own security.

At the end I would like to emphasize that the largest threat for BiH, if we place aside terrorism on which 11 September reminds us, is economic underdevelopment. That is not only a threat for



BiH, but also for every small country in the region. Economic underdevelopment represents a foundation for organised crime, corruption, the trade of human beings, and simultaneously there does not exist any country that can overcome these threats alone. This is especially the case for countries that are passing through a three-stage transition process - transition from one political system to another, from a centralised economy to a market economy, and in transition from war to peacetime.

Having all of this mind, I hope that together with our neighbours and with the results of this seminar, and perhaps others similar, we can find ideas that shall assist in the process of economic development and the improvement of security in our region. Thank you.



**Dr. Anto Domazet, Minister**

*Ministry of Treasury, Government of BiH, Bosnia and Herzegovina*

## **THE ECONOMIC TRANSITION OF BOSNIA AND HERZEGOVINA**

### *Introduction*

Security in the conditions of globalisation for every country conditions its economic, democratic and military-political factors. Economic progress is the most significant factor, due to the fact that it decidedly determines the basis of a democratic society and the organisation of defence. Countries in transition make an effort, through economic and societal reversal, to develop economic efficiency based on private ownership, the market, institutions of the state and democratic achievements - in turn, based on human rights and freedoms, the rule of law, and a legal state. Economic progress makes possible the most effective fight against poverty and ensures peoples well-being through the possibility for them to satisfy their needs that guarantee the quality of life (expected longevity of life, education, employment, health protection, regular nutrition, culture, quality of communication, viability of the environment in which they live, recreation and sport, artistic and other creativity, fight against drugs and prostitution, combating alcoholism and violence in the family). Those in the middle with economic well-being in less measure feel the problem of emigration, and in larger measure are capable to fight against organised crime, the trade of human beings and terrorism.

Bosnia and Herzegovina finds itself in a very complex situation in consideration of the relationship of transition and security. In an economic overview of transition it is important that conditions are created for the viable development of the country, which needs to offer each citizen the conditions of employment and satisfying the other essential needs of the above-mentioned factors. These needs in the sphere of social protection are larger due to the fresh tracks of war and large number of displaced persons that are returning to their homes. In a democratic sense transition needs to create the conditions for the respect of human rights and their full protection through the institutions of a legal state, including also the judicial system. Important security issues are based on the need to distribute the effects of well being, even to the level of minimum existence, on all social levels, so that the state would repair the deficiencies of the market and in an organised manner to lead the fight against poverty. BiH has assumed worrying statistics with around 22% of people having a daily disposable income of under 2 KM. Economic underdevelopment stimulates new forms of security threats to people - organised crime, illegal trading, tax evasion, the trade of drugs and human beings, prostitution and terrorism.

### *The First Phase of Transition in BiH*

Transition in BiH commenced at a late stage due to the war, and was developed in the specific conditions of reconstruction in war of the destroyed economy, the strong presence of a collective conscience of the population, the large presence of the international community and a non-functioning state established by the Dayton Peace Agreement, which some have termed as a 'Frankenstein State', incapable of administering the macroeconomic development of the country (Stojanov, D., 2001). The aims of transition can lead to the creation of the economic system, based on private ownership and the regular market, capable to generate viable economic growth and competition in international exchanges, the transformation of the social superstructure that corresponds to the new economic system, the unaffected realisation of human rights, and the rule of law in the state. These types of objectives, however, have never been inaugurated as a societal consensus and they are continuous subjects of examination that lead to the different positioning of political forces in authority towards transition. Bosnia and Herzegovina, alongside all difficulties, successfully commenced transition in which it needed to change the inherited economic and societal system and to begin reforms that shall realise the objectives of transition. Today BiH is still in the first phase of transition that is characterised by the incomplete development of basic market institutions and the low degree of privatisation that renders development insecure and non-sustainable.

As in the majority of countries in transition, in BiH the neo-liberal economic model has been applied, in which macroeconomic stability is insisted, with strong monetary restrictions, liberalised prices and foreign trade, deregulation of businesses, and radical reforms in the financial sector. In parallel with this, the process of privatisation and the restructuring of enterprises must also commence. In this type of environment, the BiH economy functions as a small open economy, exhibited in the influence of the global economy, as a follower of the 'rules of games' that are imposed on the global market. BiH has realised an impressive volume of macroeconomic reforms that have proceeded in the conditions of significant economic assistance, which also today ensures an uncovered deficit of around 30% of GDP. In the monetary sphere, on the basis of currency board arrangements, complete control of the flow of money has been secured, inflation is at the European average of around 3%, and the fixed currency rate ensures a stable domestic transactionary position towards the international economy. Liberalisation has achieved wide measures, and the deregulation of businesses has commenced also in the traditional non-market businesses such as energy and telecommunications. A lesser number of reforms have been realised in the areas of company law, bankruptcy, the system of judicial protection of private property, and general legal security. The achieved results make possible economic growth between 5 - 6%, the inflow of FDI of around 150 million USD, reserves of around 540 million USD, the employment of around 60% of the work-capable population, and exports that cover around one-third of imports. Also present is the dynamic growth of small and medium size enterprises that have become a leader part of the BiH economy, with around a 40% share of GDP.

In transition reforms BiH has realised significant results but still lags behind countries in transition that have entered the phase of advanced transition. The comparison with countries of Southeast Europe (see table 1) shows, at the end of 2001, relatively good results achieved in

transition in the areas of small-scale privatisation, the reform of banks and the reform of infrastructure. The best results are noted in the area of trade and price liberalisation, which, unfortunately, mainly serve for the promotion of imports and less for the promotion of foreign direct investment and the exchange of production. However, all these results are far behind other countries in the region, with the exception of the Federal Republic of Yugoslavia, and in that are found the reasons for the unsatisfactory level of competition of BiH in the framework of the region. On the other side, especially bad results are noted in large-scale privatisation, the reform of enterprises and the low level of legal efficiency. As a result of that, unfavourable macroeconomic performance in the amount of GDP, employment, unsatisfactory exports, and in the low level of foreign direct investment amounting to 130 USD per capita are obvious evidence of the inefficiency in the use of factors of production, in the low attractiveness of the business environment and for the unsatisfactory competition of companies that act in that environment.

### **Basic Macroeconomic Indicators of Transitional Change in the Countries of South East Europe in 2001**

Table 1

Indicators	Alb.	BiH	Bulg.	Croa.	FRY	Mac.	Rom.	Slo.	Region
Population - mil.	3,4	4,3	8,1	4,6	8,6	2,0	22,3	2,0	55,3
GDP billion \$	3,7	4,0	12,0	19,3	8,1	3,3	36,7	18,0	105,7
GDP per capita in \$	1.094	996	1.476	4.179	942	1.686	1.647	9.073	1.900
Unemployment %	16,8	39,6	17,9	16,1	27,3	32,1	10,5	7,2	24,0
Imports - mil \$	1.188	2.485	6.800	8.159	4.506	2.000	14.450	10.046	49.634
Exports - mil \$	276	877	5.100	4.795	2.064	1.400	11.560	9.160	35.232
Foreign debt - m \$	1.033	2.584	10.364	10.876	11.725	1.550	9.901	6.217	54.250
FDI total - m \$	782	515	3.684	4.919	1.190	785	7.540	1.992	21.407
Liberal. prices*	3,0	3,0	3,0	3,0	1,7	3,0	3,0	3,3	-
Liberal. trade*	4,3	3,0	4,3	4,3	1,0	4,0	4,0	4,3	-
Large privatisation*	2,0	2,0	3,7	3,0	1,0	3,0	3,0	3,3	-
Small privatisation*	4,0	2,3	3,7	4,3	3,0	4,0	3,7	4,3	
Reform enterprises*	2,0	1,7	2,3	2,7	1,0	2,3	2,0	2,7	-
Reform banks*	2,3	2,3	3,0	3,3	1,0	3,0	2,7	3,3	-
Reform infrastr.*	2,5	2,4	3,1	2,8	N/A.	2,1	3,3	2,9	-
Legal efficiency*	1,7	1,0	3,7	3,3	N/A.	2,3	3,7	3,7	-

Source: EBRD Transition Report 2001; \* EBRD index (scale of evaluation from 1 - lowest quality to 5 - highest quality)

#### *Macroeconomic Challenges*

Macroeconomic stability is strongly jeopardised. The first challenge is the high level of unemployment at about 40%, for which there exists also alternative data to the amount of 22%. The second challenge relates to the large level of poverty with 20% of people living below the poverty line, which generates an enormous need for social welfare payments and indirectly contributes to the strong spread of the grey economy, whose volume is evaluated to around 45% of the GDP of the country. The third challenge is the large payments deficit that amounts to around 3 billion KM or around 30% GDP, which the largest contributes to the foreign trade

deficit of around 6 billion KM. The fourth challenge is the enormous general expenditure that relates to 64% GDP and is 20% over the levels of other countries in transition. The fifth source is the large internal debt that is evaluated at around 10 billion KM, which is directly the size of the yearly GDP of BiH. The sixth source are the large losses in the sector of state owned enterprises, which have been attempted to be balanced through privatisation without any real inflow of capital.

### *Achievements in the Financial Sector*

The results in macroeconomic stabilisation nevertheless cannot be underestimated. The situation in the field of privatisation and the restructuring of enterprises and banks deserves special consideration. In the field of the banking sector exceptional results have been achieved. All of three banks have yet to enter into the process of privatisation. In the country is present a strong inflow of foreign capital to the banking sector. Seven foreign banks hold 64% of the total work in the banking sector. Savings confidence has returned and contributed 1,5 billion or about 15% of GDP. Obviously reforms in the banking sector have created an attractive environment for business. However, the situation in the privatisation of enterprises is lastingly serious. Today BiH is one of three European countries in which the part of the private sector generates less than 50% of GDP. The concept of privatisation has preferred speed. In this manner the restructuring of enterprises was conceptually transferred to the hands of the new owners, without any kind of preparations to restructure enterprises in possible measure and then to offer to privatisation. Privatisation has only partly attracted strategic investors, and in many cases the new owners were workers or private investment funds, incapable to execute the process of restructuring. Large effects are expected from the privatisation of the energy sector, telecommunications and a number of the so-called strategic enterprises. Expectations for the restructuring of these sectors as well as the restructuring of unsuccessful privatised enterprises are turned to foreign investors. That can create attractive possibilities for the inflow of FDI, but opens the issue of industrial and sector politics, which until now were never in the focus of the government. In other words, this opens the question as to how to lead those policies at a state level, because so far in them have lastingly been engaged the entity governments. In the above-mentioned sectors those types of policies do not have any type of perspective of success, and their focus must be transferred to a state level.

### *Microeconomic Competition is Critical*

BiH is confronted with the reality that her macroeconomic reform still has not created a business environment attractive for entrepreneurs that could eliminate market risks and ensure that business decisions are made in conditions of larger security. The negative effects of that type of situation are especially reflected on production, which requires a longer time period for the establishment and stabilisation of entrepreneurial operations. Business in the largest part focuses on low-risk operations in a short period for capital returns, which are unsatisfactory to commence with larger economic growth and employment. The building of a business environment is significantly limited in relation to the lack of industrial, trade and sector policies, which also make private owners unsatisfactorily orientated to the future conditions of business. The need for

these type of policies has grown in parallel with the deregulation, privatisation and increase of the influx of private capital, the best examples are oil, gas, Electro-energy, telecommunications, the development of agriculture and similar.

From the other side also the potential for the development of business, contained in, until now, the created business environment is unsatisfactorily used because there lacks the number of quality companies that with their business concepts would make possible new investments and capital. The key issue is to improve entrepreneurial capability and generally in a wider entrepreneurial spectrum that covers foreign investors, domestic private companies, companies that need to be privatised, small and medium sized enterprises, and entrepreneurs in agriculture. The readiness of entrepreneurs for innovation, to undertake risks, to invest and to take significant measures is limited by the lack of knowledge and capability, and orientation to the domestic market, which with its capacity does not make possible the momentum of private business. The restructuring and privatisation of enterprises remains as a priority task in the construction of the capabilities of companies that have at their disposal significant resources that could be effectively used in other forms of organisation. Structural change in the economy needs to ensure the increase of the share of new companies with a larger capability for competition, and that a larger number of those existing companies restructure themselves through privatisation or in the post-privatisation period. Old, unrestructured companies are the consumers of resources and a corresponding policy is necessary to lead them into liquidation and restructuring to the measure that is possible. Experience shows that the countries in transition that lead a policy of the promotion of new companies had accelerated economic growth and employment. (World Bank, 2002).

### *New Challenges of Transition*

Transition in BiH is located in a critical phase. In the sphere of macroeconomic stabilisation the reconciliation of the internal debt has to be achieved, which is an activity that began in the framework of the current stand-by arrangements of the IMF. The internal debt must be reconciled with the property that was created from the succession of the former Yugoslavia. The social programme must be strengthened with the Programme of the Fight against Poverty, which in essence is a programme of accelerated transitional reforms with the endeavour to use economic growth directed to a larger number of citizens in BiH. The orientation of exports has to be maintained with special trade and industrial policies. Exports and employment are unsatisfactory to indicate and promote objectives; even this is the case for the latest agenda of our reforms that was adopted by the BiH Council of Ministers. The reform of enterprises and the judiciary is necessary, alongside industrial and sector policies; and it is necessary to stimulate the inflow of FDI, which is multiply significant for BiH in the restructuring of enterprises and for effects towards the promotion of growth and exports.

Two issues are especially significant for this stage of transition in BiH. Firstly this relates to the creation of a common economic system in BiH. This needs to create security for domestic and foreign investors, to make business easier through the harmonisation of taxes and the joint competencies of state institutions, and to eliminate the massive grey economy and increase state income. In that context, the establishment of taxes at additional values at a state level has special

significance. Secondly this relates to the creation of state institutions. No country can succeed in transition and the promotion of economic growth without strong and capable institutions. That is a factor of competition in BiH today and the country must have the kind of institutions that its closest competitors in the region and in Europe have. BiH must build institutions that support business through three basic functions: 1) the offering of necessary information regarding the market and its possibilities and challenges; 2) the protection of property and ownership rights on a free economic playing field; 3) the promotion of competition that would stimulate innovation, growth and employment (Building Institutions for Markets, World Bank, 2002). Institutions are especially important for the creation of the credibility of BiH in attracting foreign direct investment. That credibility is essentially jeopardised by the political constitution of the state in which the state has insignificant or no authority in macroeconomic and development policy. Who today guarantees macroeconomic stability in BiH. Perhaps the IMF, World Bank or EU. It is only sure that it is not the BiH Government. In preparation for completing the Stabilisation and Association Agreement with the EU, BiH sees a large chance. This needs to make possible the continuation of reform that should lead BiH into the phase of advanced transition in which economic growth shall be generated at significantly higher levels, which would be possible by 2007 and BiH would achieve a level of GDP of 1700 USD per capita.

#### *How to Administer Transition in an Effective Manner*

The BiH institutions must affirm partnership in co-operation with international institutions, above all with the International Monetary Fund as a promoter of reforms that achieve macroeconomic stability; with the World Bank as a promoter of development, and with the European Union as a framework in which BiH must integrate in the long-term period. Partnership needs to be based upon the capability of the creator of economic policy alongside BiH to develop the concept of globalisation, which shall relate to the capability of a creative change strategy of growth in the conditions of the global economy to the actual domestic situation in BiH. For BiH integration on a regional basis is very significant, which offers the conditions for the orientation of the market in the region of Southeast Europe as a zone of free trade in the near future, which at the same time would also be a source of significant resources and connectivity for businesses in the region. That is the first step towards globalisation and the BiH economy, because it concerns the focus on similarities that connect consumers and companies in the region in a cultural, economic and political dimension.

The initiative and state consensus for transitional change has to develop in BiH and to be channelled towards partners in the international environment. Full devotion for reforms has to be shown by all levels of authority in BiH; above all the Council of Ministers in the near future needs to function as an effective government and needs to be in the position to lead reforms. Basic decisions have to be made in a democratic atmosphere at the state level and cannot be brought into question by the lower levels of the state. Societal consensus that emanates from the government has to place the business community, science, syndicates, NGOs and the international community at a high level, but also to define the responsibilities of each one of these actors of transitional change. It is still not too late to achieve that kind of consensus because BiH finds itself before the difficult challenges of economic and political reform that could jeopardise all achievements made in the transitional period from 1996.



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## **SMALL STATES AND SECURITY CULTURE IN TRANSITION**

Thank you very much for giving me the floor and allow me first to say that I am very glad to be invited to this seminar. I am from the Faculty of Social Sciences, University of Ljubljana, and my first affiliation is defence studies. At defence studies of the Faculty of Social Sciences we educate civilian experts for defence matters. During the university courses, the students are taught to understand the multidimensional perspective of security, as also, to understand and develop the awareness of the Slovenian neighbourhood, of the countries that form the so-called Post-Yugoslav environment.

My presentation will show how we, defence scientists try to function within a triangle of three very different things: policy, theoretical paradigms, and reality of security. The presentation will be structured in three parts. First, I will go briefly through the context in which small states find themselves in the post-Cold War era. Second, I will share with you some security trends that we are facing in the Southeast European region. Third, I will summarise some criteria that are, according to a scientific approach in defence studies, important to measure success and failure in the field of security.

I define security culture as set of values, motives, orientations and behaviour within the area of security. I will mainly talk about security culture of small states within Southeast Europe that are in transition. In his opening speech at this seminar, the State Secretary Ignac Golob stated that Slovenia would like to become a normal state after becoming the EU member, which would also mean the end of transition. Within the area of security culture, we cannot say that transition can be finished so quickly. The ingredients of the culture are more persistent against changes. Ambassador Turkovic talked about large changes that have been made in Bosnia and Herzegovina in past seven post-Dayton years. This seems to be good news from the turbulent environment of past decade. Regarding the security culture, we have to be aware, that the remnants of the past and history would stay much longer with us than our institutions. This means that we are able to change our institutions, our framework, but our security culture, our values, would probably stay with us as the long heritage.

### The context of security culture

The context in which we observe the security culture is the context of post-conflict situation. I will explain the Slovenian case, and I will take it as the example of the processes that will, or are already occurring on the ground of all other post-Yugoslav states. Slovenia was said to be a lucky post-Yugoslav state, having experienced ten-day war only. According to the memories of people, and according to the public security culture, that war was a crucial historical point. Although it was only ten days long, it changed the opinion of people in Slovenia towards some basic values. For example, if before 1991, the questions of economic security shaped the majority of security

culture, after ten-day war everything changed dramatically. Slovenian public opinion thought that the most important threat became the military threat. In the years until 1994, when the fear of war calmed down, and the need to survive pushed economy as the social priority, the economic security again took priority on the list of the most important security questions. In transition to stable democracy, some other problems, like protection against criminal, drugs, or environmental protection are becoming prevalent points of security interest.

In all post-Yugoslav states, we are facing the question of what and how to establish our security sectors: to continue with the experience that we had from before or to start from the scratch? In Slovenia, some parts of the security sector could develop as a continuation of the previously existed systems. Some other sectors had to establish from the beginning. For example, regarding the issues of the police in Slovenia, it was mostly a question of the continuation of what we had in the former Yugoslav system - the police was organised on the level of the republic and it had a lot of autonomy in its work. The military system was built from the scratch. The same was with the issue of the intelligence services. I need to point out that in other states in Southeast Europe, the dilemma between what to begin, to start and what to continue is still presented – it might be conversed into a slightly different dilemma of what experiences are good enough (acceptable for all) to continue?

The third element of the context, in which we observe the transitional security culture, is the relevance of western identity or the 'westernisation' of our security culture. The 'westernisation' has already taken place in the last twenty or maybe more years, when the whole of the former Yugoslavia attempted to move westwards. The similar processes are presented more or less vividly in all post-Yugoslav states.

The next contextual characteristic is the issue of historical heritage. The second Yugoslavia based its identity in the outcomes of the Second World War, which meant the event that was very near to personal experiences of many of its citizens. The newly formed post-Yugoslav states are seeking for the historical roots in more distanced past, in the empires that are no more presented in the memories of the living people. For example, Slovenian belonging to the Austro-Hungarian Empire is again becoming a part of the renewal of the history.

The definition of societal threats is major component of the security culture. Many speakers at the seminar have put the stress on the question of threat and definition / redefinition of threats. First of all, General Zappulla, when describing the situation in Bosnia and Herzegovina, talked about the phenomena of security threats that are no more within the borders of Bosnia and Herzegovina. The issue was further elaborated by Ambassador Turkovic, who stated that no small state is secure in an insecure environment, and that the major threat is economic insecurity and economic underdevelopment. Minister Domazet pointed to one of the real major threats of the day in this region, which is the question of the economic situation. In the middle of the 90s, the Slovenian public opinion has perceived economic insecurity and threats orientated towards economic development perceived as the most dangerous for Slovenia. Nowadays, the public opinion surveys would show a different priority of threats. At the peak we would find crime, unemployment, the low birth rate, the question of the environment, the threat of natural disasters. Natural disasters are reality in Slovenia and also in other parts of the region. In Slovenia, the reality of natural disasters shapes some specific attitudes of the public opinion. One, very

interesting attitude concerns the military tasks. People think that disaster relief is the most important modern military task, and they expect that Slovenian Army would be ready to help in natural disasters. So, when we ask the Slovenian public about what are the most important tasks of the Slovenian military today they would say, in a large majority, that it is disaster relief, which is more important than the defence of the country or co-operation in peacekeeping missions. I am stressing this finding because this attitude in the security culture of Slovenia is very stable. It is a twenty years old attitude, which means that already twenty years ago the Slovenian people ascribed disaster relief to the Yugoslav Peoples Army as its the most important operational task.

### Trends in security culture in transition

The post-conflict situation requires the re-orientation of values, motives and behaviour from a war-building to peace-building environment. The new security sector must reflect the mail peace – building efforts of the society. The security sector is formed by all those institutions in society, which are supposed to provide the security by the legitimate use of force. This refers to the armed forces, police, intelligence services, paramilitary organisations or institutions, and also democratic control over these institutions. It is important to establish the mechanisms of democratic control over the whole security sector, not only over the armed forces.

The question of the internal origin of security is very interesting for the small states, like Slovenia. Slovenia began its post-Cold War history oriented towards itself. It was a kind of selfish, egoistic approach to security, being very much satisfied when Slovenia itself was safe and not being aware fully what was going on in the neighbourhood. This situation changed very much after 1994 and nowadays in Slovenian discourse we could not find a lot of people who would insist of definition of security as isolated Slovenian security. We are more or less aware that the security in our neighbourhood has a huge impact on security of Slovenia.

The last trend that we are now facing, and it is also coming to other post-Yugoslav states, is the scepticism of public opinion regarding the security sector, and especially, the 'hard' security, the military security. This scepticism is turning into the ignorance of the security sector. In the past decade, there were some specific periods in which public opinion was interested in the security sector, but this interest afterwards very quickly changed and the security sector was forgotten. In the time of armed conflict in 1991, questions of security were very important for public opinion. Immediately after 1991, the economic development replaced the interest for military security issues. In 1994, when Slovenia became the member of the Partnership for Peace, that it after signing the Partnership for Peace Framework Document in March 1994, the security issues appeared again at the front pages of the media. The country, which was egoistically orientated towards it, realised that its desires for becoming part of the broader security institutions and organisations might become reality in the future. Consequently, it tried to re-write its security doctrine and national security strategy to find out where it would be possible to contribute to security in the Slovenian neighbourhood.

There were not many visible immediate results of the 1994 PfP signature, but within the country we observed a large change in public opinion. First, there was a public support to establish the special units in the Slovenian Army that would be able to contribute to peace around the world. A special battalion for international co-operation was formed and trained for new military missions

(out of country missions). In comparison to inwardly oriented logic of conscripted army, this unit meant a revolutionary change of tactics, deployment and professional outlook. The establishment of the International Trust Fund (ITF) has shown the specific way of contributing to security in the neighbouring war-affected countries. In 1997, the questions of Slovenian security became again (for very limited time) the most important topic of the media and public opinion. This was the time of to be or not to be invited to join NATO. The public opinion point of view was that Slovenia, as modernised, well developed, well prepared country should deserve the invitation to NATO. The sobering effects of the lack of an invitation were very interesting. Until 1997 all of the attention of the Slovenian public and policy was orientated towards becoming a NATO member. After 1997, the Slovenian policy still stated the interest in becoming a NATO member. Beside this goal, the need to obtain the Slovenian 'hard' security, and especially economic security, within some other integration processes - at that time referring to the European Union and United Nations, was developed. At the end of 1997, Slovenia was elected to become a non-permanent member of the United Nations Security Council, and for Slovenian policy and public opinion this was a new, more cosmopolitan way of thinking and looking at world problems.

After 1997, the public opinion again forgot questions of security because it was more orientated towards the economy, the establishment of the social infrastructure and other society sectors.

In the year 2002, we faced a new expression of public ignorance. The Slovenian government decided to abolish conscription in 2004 and abolish reserve military duty in 2010. For Slovenian public opinion and security culture, this issue was not important, no matter how crucial it might be from the historical and international perspective. Except some professional expertises, which did not have a public echo, there was no public or political debate of the issue.

#### Criteria for success and failure in security sector

What are the criteria of success and failure in the security sector, criteria with which we can measure what we have achieved and we still must do to become a 'normal' state - a democratic state with an institutional framework in which the security sector is put under clear civilian, parliamentary and civil society oversight?

One of the criteria is the level of depoliticisation of the security sector. In Slovenian framework it meant that all uniformed people in the police and military were prohibited from being members of any political party and also from any kind of political activity - in and outside their jobs. The tough prohibition is the reaction to the over-politisation of the former Yugoslav Peoples Army and also to the former police.

'Civilianisation' is the next criteria of success and failure in the security sector, which shows how many functions within the security sector, especially within the military sector, civilian experts on defence or security matters hold.

The issue of professionalisation shows the level of expertise in quantitative and qualitative terms. We face the structural professionalisation in the armed forces, which means the increased number of jobs performed by paid workers, and no more by conscripts, and the functional professionalisation, which means the increased military professional expertise.

Internationalisation is connected to different networks in which small states would find themselves regarding questions of security. It might be questions of bilateral agreements, multilateral agreements and also belonging to some institutions of collective defence or security.

Secularisation is a topic that would come on the schedule of all of our countries. It means that the security sector is becoming less important public and state issue. The security sector is moving away from being the central state institution into only one of the institutions that will have to fight for their workers at the job market.

I would like to finish with one very specific criterion, the criterion of feminisation of the security sector. For all of our countries in the region, the question of women within the security sector is the question of the political and social emancipation of women. In the past in some parts of the security sector, women were allowed to work, whilst in others they did not have any chance to enter, especially in the military. In the Slovenian context, the question of women in arms is a question of the level of democratisation of the Slovenian military. This means not only how many women - not only the quantitative aspect of feminisation - but also how they are integrated, what they are doing, what kind of jobs, what services are open to them, and so on. Fourteen percent of women in the Slovenian armed forces would place Slovenia in line with some other militaries with longer tradition of women in arms, like the United States armed forces. From the aspect of tradition, women in arms are not a “normal” phenomenon in post-Yugoslav states, but as a measure of democratisation it will show, how much we are able to adapt to women among the armed personnel. This trend is coming not only to Slovenia, but also to other states of the post-Yugoslav environment.





**Dr. Richard Temsch**, *The Missing Link*,  
*International Consulting Corporation*

## GLOBAL INFORMATION SOCIETY AND ITS IMPACT ON THE ECONOMY OF SOUTH-EAST EUROPE

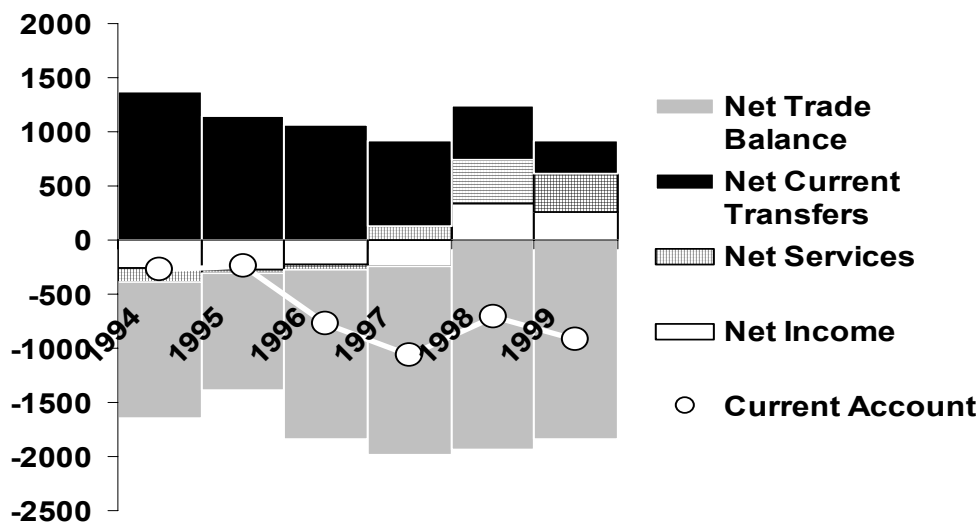
Globalisation has been defined in many different ways, but most definitions include freedom of movement for

- People
- Goods & Services
- Money
- Information

The following two examples show the impact of globalisation on Bosnia's economy:

1. Although Bosnia's trade deficit has been very high over the years since the end of the war, its current account deficit has been much lower. The three main reasons are

- Donor money
- Transfers from Bosnians abroad
- Money spent by foreigners in Bosnia



The contribution of the expatriate community is significant. Some 15,000 resident foreigners spend in Sarajevo alone \$350 million per year.

2. In the end of 2001 Bosnians had to convert Deutsche Marks into Euros or KM (DM were exchanged for Bosnian KM at a 1:1 rate). Most Bosnians deposited their DM in bank accounts, where they were automatically converted. The mostly foreign banks enjoyed a business upswing. The central bank's foreign currency reserves doubled to KM 2.66 billion!

Globalization is not a new phenomenon. Progress in transportation, when the first railroad networks and steam ships were built, along with dismantling of trade barriers, led to a first wave of globalization in 1870 – 1914. During that period

- 60 million people migrated from Europe to America
- Similar numbers moved from China and India to SE-Asia
- Total labor flow exceeded 10% of the world's population
- World exports doubled to 8% of world income
- FDI to Africa, Asia, South America more than trebled
- Per capita income rose at an unprecedented rate

History proved that globalization is not an irreversible process. Excessive population growth and unemployment entailed rising nationalism and economic protectionism. The results were World War One, the Great Depression and World War Two. The economic consequences were dramatic:

- Trade as share of income after WWII was back at 1870 level
- 80 years of progress in transportation were wiped out
- Per capita income growth was down by 1/3
- Global inequality was growing
- Poverty was escalating

The most recent wave of globalization started in the 1990-ies. It was promoted by

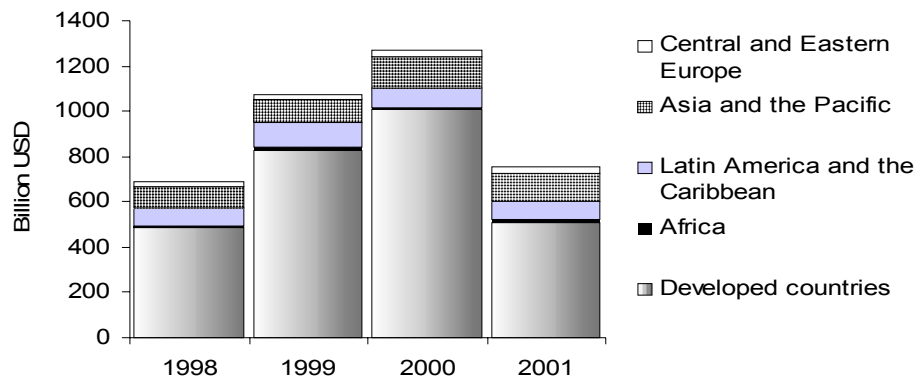
- New technologies (computers, satellites)
- Advanced transportation (jumbo jets, container ships)
- IT and telecommunication (Internet, cell phones, electronic financial networks)
- Innovative logistics
- Removed trade barriers (EU, NAFTA)
- Improved investment climate (transition countries in Asia, Eastern Europe)

According to a recent World Bank report, the beneficiaries were the more globalized developing countries, which grew at a 5% per year rate in average, and the industrialized world, with an annual growth rate of about 2% over several years. The losers were the less globalized developing countries. In particular in some African countries the economy even shrunk. The economic growth in the first two groups of countries is reflected in a growth of income. As compared to the 1980-ies, average income grew in the 1990-ies in the more globalized

developing countries by 30% and in the industrialized countries by 20%. In the less globalized countries income also grew, but only at a much lesser rate of 10 – 15%.

The UNCTAD World Investment Report 2001 shows that by far most inward FDI (over \$1 trillion or more than three quarters in the year 2000) has been placed in industrialized countries. Cross-border mergers and acquisitions (M&As) remain the main stimulus behind FDI, and these are still concentrated in the developed countries. In the same year \$240 billion were invested in developing countries. Only 2% (\$27 billion) were directed to Central and Eastern Europe and 0.3% to the 49 Least Developed Countries (LDC).

### Global Inward FDI 1998 - 2000



Looking at inward and outward FDI of the United States is even more striking. In the year 2000 about  $\frac{3}{4}$  of inward FDI came from the European Union and Switzerland, by far surpassing Canadian and Japanese investments in the US. In fact, almost 50% came from three countries only: UK, France and the Netherlands. On the other hand, over 50% of US outward FDI went into European Union countries, with the UK and the Netherlands leading.

TNCs have been criticized for operating sweatshops in the third world and cooperating with dictators and juntas in exploiting the poor countries, in particular in the 1950 – 1970-ies. Nevertheless, it is a fact that TNCs have contributed to industrial development by providing advantages, which nobody else could offer at the same scale:

- Innovation
- Technology Transfer
- Higher Standards
- Capital
- Skills
- Managerial Know-How
- Access to Markets
- Information and Communication Infrastructure
- Participation in Global Production Systems
- Integration in Regional or Global Distribution Networks

When it comes to attracting FDI, the competition between countries is fierce. Governments offer all kinds of incentives to foreign companies, who would open a manufacturing plant in their countries: low taxes, free trade zones, subsidies, free repatriation of profits, etc. However, experience shows that more important than fiscal benefits and cheap labor are political stability and democracy, rule of law, a developed infrastructure, an educated workforce, business culture, and geographical location. It is precisely for these factors that the rich democracies attract most investment, foreign and domestic. The success of some transition economies can also be attributed to good showings in these indicators. Consequently, the Stability Pact Organization stresses in its Investment Compact for South-East Europe the following priorities:

- FDI policies
- Fiscal policy and taxes
- Developed infrastructure
- Privatization
- SME support
- Anti-corruption policies
- Corporate governance
- Competition law and policy
- Accounting regimes and practices
- Financial sector reform

Indeed, political stability and rule of law are the prerequisite for all other measures. According to the World Bank Report 2001, quoting Dollar and Zoido-Lobaton, a one standard deviation increase on an index of the rule of law (roughly the difference between Kenya and Uganda) is associated with 4 percentage points of GDP more in trade and 1 percentage point more FDI . It is also associated with lower emigration.

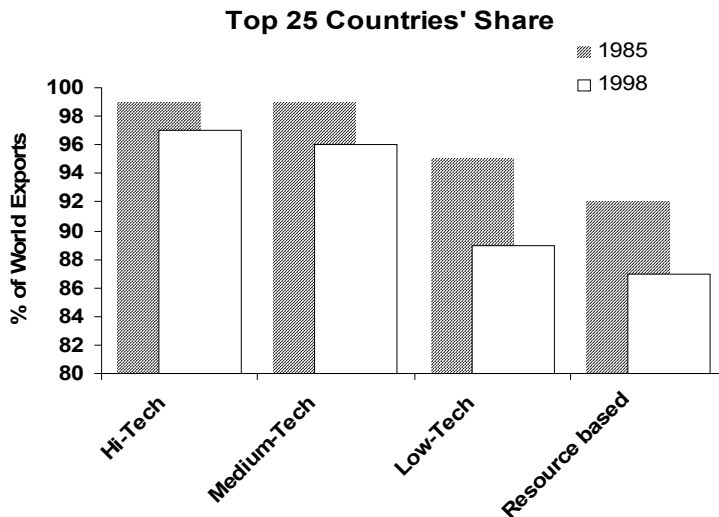
UNCTAD uses a Transnationality Index (TNI) as a measure of transnationalization of countries. The index is defined as the average of

- FDI inflows as percentage of gross fixed capital formation
- FDI inward stock as percentage of GDP
- Value added of foreign affiliates as percentage of GDP
- Employment of foreign affiliates as percentage of total employment

TNI rating for the CEE countries:

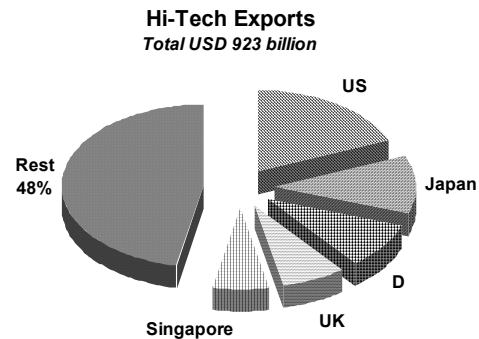
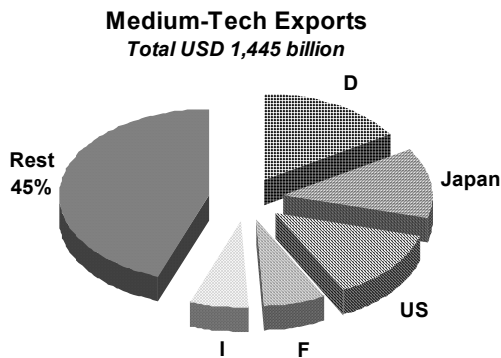
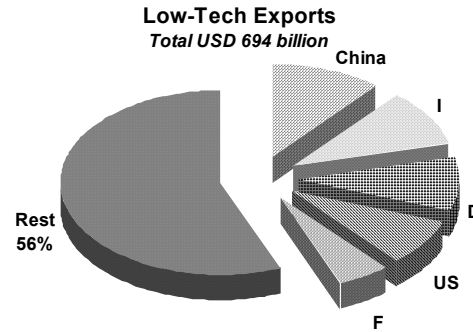
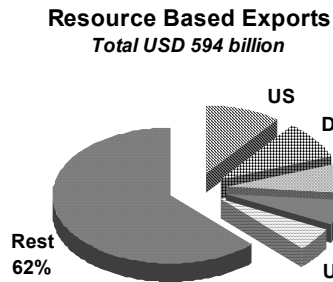
COUNTRY	TNI
Hungary	25
Estonia	24
Latvia	19
Czech Republic	18
Croatia	13
Lithuania	12
Bulgaria	11
Moldova	9
Slovakia	7
Slovenia	7
Russia	5
S & M	5
FYROM	5
Albania	4
Ukraine	4
Belarus	3
BiH	2

Over the last decades more countries have participated to a higher degree in world trade. The top 25 countries' share of world exports shrunk in all four product categories, as the UN Comtrade database reflects.



UNIDO's scoreboard database shows that the developing countries' share in world exports fell from 27 to 23 percent for resource based goods, but rose for low tech goods from 28 to 35 percent and more than doubled for medium tech goods from 10 to 21 percent from 1985 to 1998.

Still, the geographic concentration of economic activities remains high. The UN Comtrade Database (1998) shows that on all four levels (resource-based, low-tech, medium-tech and high-tech) five countries account for  $\frac{1}{3}$  to  $\frac{1}{2}$  of world exports. Most interestingly, the US and Germany are among these five leaders in all four groups!



There is a variety of reasons for this, but one conclusion is particularly important: the same advanced elements of technology, logistics and infrastructure, which enable a country to manufacture and distribute high-tech products, also facilitate the production and sales of lower technology goods. The computerized optimization of agriculture, the sophisticated processing of mail-orders for consumer goods, as well as flexible just-in-time production and delivery of industrial parts by sub-suppliers are examples for the impact of advanced IT and communications technology on all levels of industry and trade.

These are some key factors which make countries lead in both high and low-tech industries:

- Easy access to international market intelligence
- High speed transfer of large amounts of information
- Advanced financial logistics
- Efficient transportation infrastructure
- Top class research and education facilities
- Proactive career development schemes
- Supportive government institutions
- Non-restrictive legislation
- Reliable judiciary
- Business friendly environment

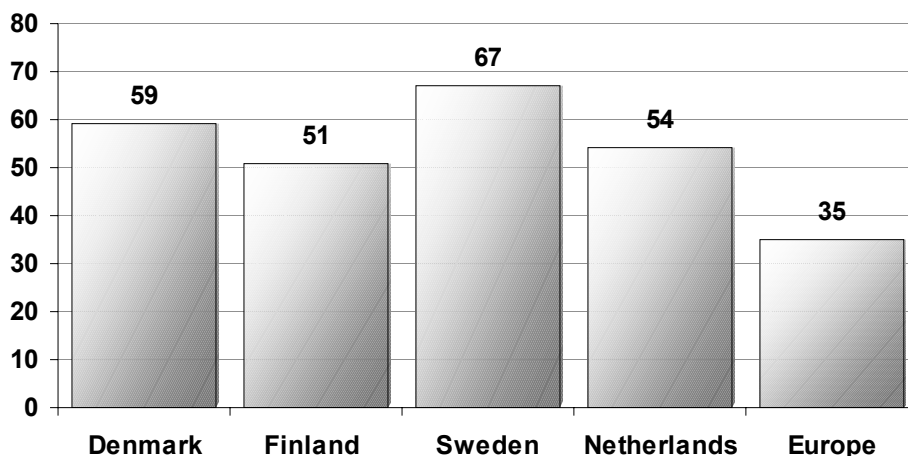
In recent years, e-commerce has become an ever more important element of trade. E-commerce raises efficiency and leads to lower sales costs, cheaper customer support, cheaper and faster procurement, smaller inventories, and better forecasts of consumer demand. Telecommunication

is the backbone of e-commerce. To visualize the explosion of capacities of Internet and telephony, it suffices to recall Time Magazine's TV commercial:

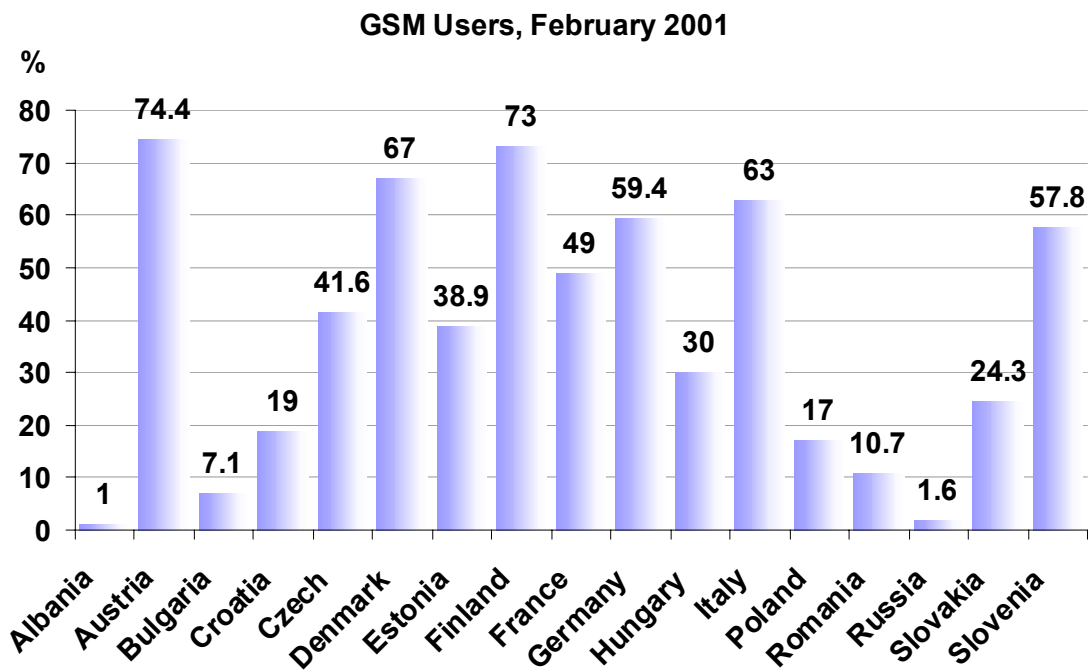
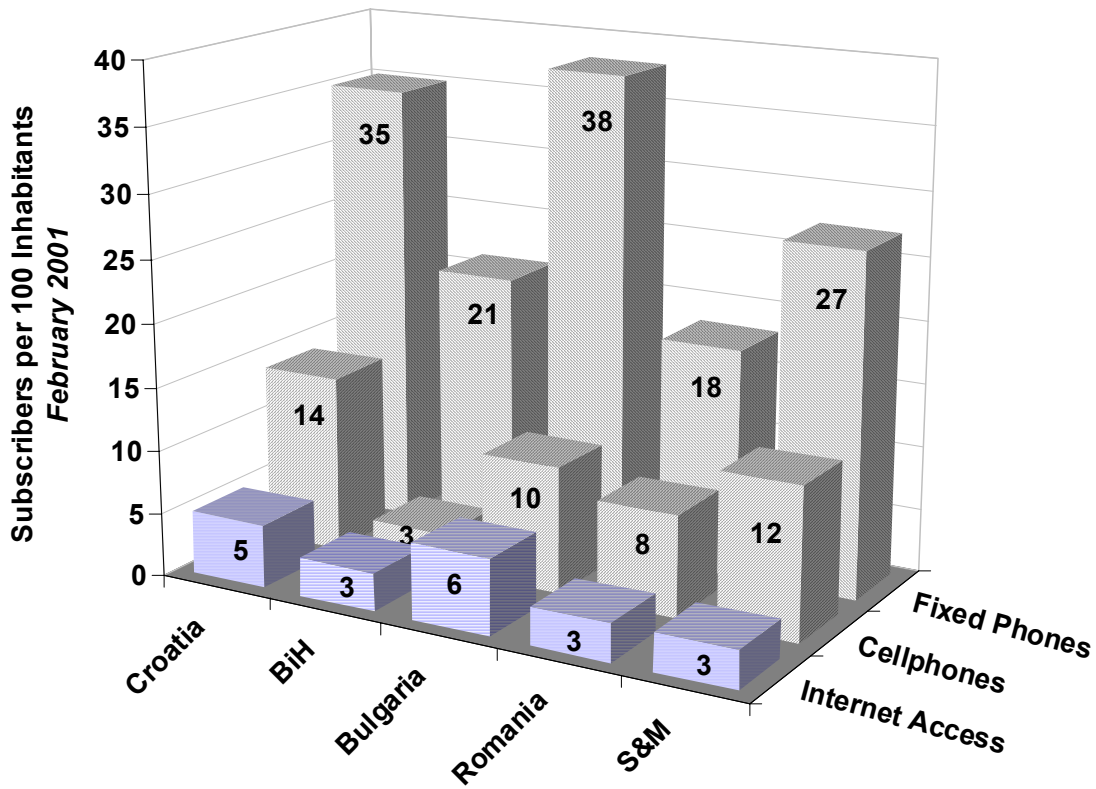
*In 1993 only 130 sites on the World Wide Web and 34 million cellphones existed. In 2002 we have 34 million websites and over 1 billion cellphones!*

In 1993 the number of fixed phones was at some 700 million 20 times as large as the number of cellphones. Today the number of cellphones has already surpassed the number of fixed phones worldwide. A graphic representation of international telephone traffic on a world map shows that most call minutes are placed between the countries of Western Europe, North America and South-East Asia. Comparatively, the calls to the CEE countries are still marginal. Similarly, Internet traffic is focused through London, Paris, Amsterdam, Copenhagen, Frankfurt, Madrid and Stockholm in Europe, New York, Washington, Miami, Seattle, San Francisco, Los Angeles and Dallas in the US, and Tokyo, Seoul, Taipei, Sydney, Mexico City, Buenos Aires and Sao Paulo in the rest of the world. There are no major hubs anywhere in Eastern, Central or South-East-Europe. Internet bandwidth in 2001 was over 160,000 Mbps between Europe and North America, 42,000 Mbps between North America and Asia/Pacific, 14,000 Mbps between North and Central/South America, 1,200 Mbps between Europe and Asia/Pacific, but less than 500 Mbps between Europe and Africa.

The CEE countries lag still far behind the EU countries in both Internet and telephony, although the number of subscribers has been growing rapidly in South-East Europe over the last few years, starting from a very low level. The Eurobarometer study of April 2002 shows the top Internet user countries in Europe in percentage of the population:



In most CEE countries the Internet user percentage is in the 5% range and below. The number of cellphone subscribers is similarly low in some CEE countries, while others are close to the European average, as the statistics of the European Radiocommunications Office shows.





The European Commission is well aware of the importance of the new technologies for the future of Europe, as the following two quotes demonstrate.

Romano Prodi, President of the European Commission: *The story of the e-Economy is complex, but it is one we need to understand. The prosperity of the EU's 377 million citizens - or about half a billion if we include the candidate countries - depends on it.*

Erkki Liikanen, Commissioner for Enterprise and Information Society: *Europe is now on the right tracks to rapidly become an «eEurope ». But we haven't won this game. The ultimate success will depend on each of us.*

The European Commission launched the eEurope 2002 initiative in December 1999 with the objective to bring Europe on-line. After the European Council in Lisbon on 23 - 24 March 2000 Commission adopted a draft Action Plan on 24 May 2000. In June 2001, the Candidate Countries for EU accession with the assistance of the European Commission drafted the eEurope+ Action Plan, which reflects the priority objectives and targets of eEurope but focuses on the specific situation of the Candidate Countries.

In May 2002, the Commission adopted a follow-up Action Plan to eEurope 2002, called eEurope 2005. According to this plan, Europe should have by the year 2005:

- Modern Online Public Services
- e-Government
- e-Learning Services
- e-Health Services
- Dynamic e-Business Environment
- Broadband Access at Competitive Prices
- Secure Information Infrastructure

Recognizing the danger for South-East Europe to fall behind in the development of the information society, the Stability Pact formulated the eSEE Initiative at its meeting in Zagreb on January 24, 2001. Its objectives are to help SEE seize the opportunities of the new technologies, promote full participation across SEE and prevent further divide, facilitate cooperation between international, bilateral and private donors, ease the cooperation between the public and private sector and society, and encourage cooperation across SEE for economic and democratic stability.

On 3 - 4 June 2002 the Ministers responsible for the development of the Information Society or their authorized representatives of Albania, Bosnia and Herzegovina, Croatia, FRY (Serbia and Montenegro), FYROM, and Moldova, met in Ljubljana within the context of the Stability Pact's eSEE Initiative.

Aiming to improve the future prosperity and stability of the region and contribute to improved democratic structures, economic progress, social cohesion and regional security, and recognizing the positive experiences of the eEurope and eEurope+ processes, the Ministers committed themselves to:

- Introducing rapidly a new legislative and policy framework for the Information Society, in particular in the area of telecommunications

- Improving the capability of the region to apply Information and Communications Technology for better governance, economic development, social cohesion, and cultural diversity
- Cooperating closely in regional and international scale with the aim to integrate the countries of the region into the global knowledge-based economy

The planned eSEE agenda is to be agreed by the end of October 2002.

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## SESSION I DISCUSSION PERIOD

**Ambassador Ida Mociwnik**, *Ministry of Foreign Affairs of the Republic of Slovenia*

I would like to have an opportunity to say something about our bilateral relations - the bilateral relations between Slovenia and Bosnia. I am very pleased to have an opportunity to be here at this meeting. As you have already heard, I am the Head of Department for Neighbouring Countries in Southeast Europe. In this capacity, naturally, I follow very closely the situation in Bosnia and Herzegovina, and even more we try to do everything possible for the development of our bilateral relations.

I must openly say that we have very good relations with Bosnia and Herzegovina. They have developed rapidly in the last ten years and without interaction of course. We attach special attention to economic co-operation with Bosnia and Herzegovina, and we have something to show in this respect. Our bilateral exchanges go over four hundred and fifty million dollars, which is a good figure for two relatively small countries: I say 'relatively' because of Bosnia, not because of Slovenia. We must say that we are very sorry that we have not balanced the exchange with Bosnia and Herzegovina. We are sorry because it is not good for any country if the exchange is not balanced. However, this deficiency is improved by the rather important investments of Slovenia in Bosnia and Herzegovina. We have over two hundred mixed enterprises, which by our estimation create the possibility to open some three thousand working places through Slovenia money in Bosnia and Herzegovina. This is a particularly important detail. Our Chamber of Commerce has its office in Bosnia and Herzegovina, but many business links go through direct connections with people, with business partners from the time of former Yugoslavia. They are conducting their business with great success.

We attach great importance to economic co-operation, as we attach great importance to economic development - as a factor of security, stability and democratisation in every country and in every region of the world. Next to economic co-operation we must say that we have a very great variety of political, cultural, education and scientific links with Bosnia and Herzegovina. However, we attach special importance to another factor: the human factor. In Bosnia and Herzegovina we have over two thousand five hundred people who are citizens of Bosnia and Herzegovina coming from Slovenia; and we have in Slovenia over nine thousand people, citizens of Slovenia, who have roots in Bosnia and Herzegovina. Those people on one and another side are doing a great job for the further development of relations, but also for the further development of a friendly atmosphere between the two countries. We are very hopeful for the future as well in every respect. Thank you very much.

**Mr. Anto Domazet**, *Minister of the Treasury of Bosnia and Herzegovina*

I would also like to comment on some issues related to the economic co-operation between Bosnia-Herzegovina and Slovenia. There is a large cultural similarity between the two countries; and there is an excellent competitive advantage between Slovenia companies in developing economic relations with Bosnian companies. They understand the economic and political environment of Bosnia and Herzegovina; and they are ready to undertake the reasonable risk and are capable to manage the risk in Bosnia and Herzegovina. This is why Slovenian investors are among the leading investors in Bosnia and Herzegovina - together with Austrian investors, Croatian and Italian investors. So, it is a really good lesson if we understand each other in a cultural view, in cultural attitudes, to business, to politics, there is an excellent precondition for successful business development.

I could also mention some of the facts that are the current problems of mutual economic co-operation. This is the problem of the frozen savings deposits in Ljubljanska Banka. I do not want to elaborate this issue, but I would like to repeat the excellent idea of President Kucan: that it is necessary to solve this problem because it could be the best investment of Slovenia in Bosnia and Herzegovina in developing and stabilising the confidence of the Bosnia citizens in co-operation with Slovenia. So, I think that Slovenia, Croatia, Austria and so on, are the success story of the Bosnian attractiveness for foreign direct investments; and this success has been based on cultural similarity, on the good understanding of opportunities and threats in Bosnia and Herzegovina, and it is good evidence for policy makers in Bosnia and Herzegovina - to be sure that the macro-economic environment in Bosnia and Herzegovina is not so bad to reject potential investors. We know that it is not currently excellent - we have to work on its improvement, but there are still in the current business environment many opportunities, but this evolves around who are the potential investors. It is very difficult to attract British investors to Bosnia, because they do not have a regional focus towards Southeast Europe. However, Austrian investors are here because they have a regional focus, and we are part of this region. It is a very interesting issue that we could elaborate in many cases, but I would like to finish on this point. Thank you.

**Ambassador Nedžad Hadzimusic**, *Ministry of Foreign Affairs of BiH*

I do not have any questions, but I would like to express my admiration and compliments to the idea to organise such a seminar, so timely and well-combined to hit the main topic, which is the economic dimension of security. First, I would like to congratulate General Zappulla: my General, you have offered us a picture of the security momentum of where Bosnia is situated for the time being. Then each intervention of Minister Domazet offered us something different than the website of the Ministry of Foreign Affairs, in which you can open and read the contract of Bosnia and Herzegovina's Government with the people of Bosnia and Herzegovina and the international community. Yes, these are promises and an optimistic approach, but nevertheless, we learned a lot about the main economic indicators with which Bosnia is struggling to make a step forward. We are nearby where Slovenia already has been. Bosnia and Herzegovina is on completion of the famous 'road-map' in a month or so, and those Stabilisation and Association Agreements, the prerequisites are the feasibility studies, are to be started. We believe that in the best tradition and philosophy of the OSCE with that comprehensive approach to security,

including human rights, the economy, and soft and hard security, that this seminar is provoking questions and discussions, and your address in this very first session helped us a lot and it is a learning experience. Thank you very much. Maybe it will not be very difficult to articulate recommendations from this seminar, as a recommendation in tandem given by the OSCE and the NGO that is led by Madame Turkovic. Thank you.

**Mr. Kishore Mandhyan**, *Head of Liaison Office, UN Mission to Croatia*

Thank you very much. I have a number of questions and comments. Let me begin with the most generic and basic fundamental question, and I think it could be addressed to anyone of the three keynote speakers in the panel, which is the following: the way that we look at the population landscape of South-eastern Europe as a whole, of for that matter Bosnia and Herzegovina or Croatia, or even Western Europe, generally speaking, there is a generic decline in the population growth-rate. At the same time, particularly from the South-eastern countries, emigration is taking place at a relatively high rate, which leads me to the following question: how do you create the basis for a sound society with a strong middle class when there is a net outflow of the intelligentsia; two, there is no systematic thought given to the idea of a planned population policy for systematic immigration into these areas of talent from the outside. In fact, I think that it is very sorry to see that the manthra that has been adopted in Europe against immigration, in a way that is globalising, has been adopted almost verbatim by the countries of South-eastern Europe. I think that this is very dangerous. There has to be a lot of independent thinking, notwithstanding of what are the criteria of Western Europe, in a broad population policy that would be the basis of society, creating a particular sociology that is reflected in the structure of the state. I would like a response to these questions from any one of the speakers, and then I have a number of others provided there is time.

**Mr. Anto Domazet**, *Minister of the Treasury of Bosnia and Herzegovina*

Thank you very much for these questions. It is really the problem that we are starting to see in our region, to start to identify that problem, but unfortunately in Bosnia and Herzegovina there is not any demographic policy, especially a population policy. However, I would also like to mention one line of thinking concerning the solving globally of the problem of immigration. There is an incentive to establish a fund, or to establish in the United Nations, of about two hundred million US dollars to support investment in less developed countries, to prevent illegal migration and other problems in that field, instead to come to the developed countries to transfer the money for a broad investment process in developing countries. However, there are many problems in the realisation of that idea, finishing with the investment climate in the targeted countries. With regards to Bosnia and Herzegovina, we think that our strong economic growth will create excellent opportunities for young people, qualified people, to find their future in Bosnia and Herzegovina. There is nobody to count for studies in the United States and Western Europe, but to come back to Bosnia to develop their own businesses or to transfer their knowledge accumulated in the United States and so on. It is an excellent way to transfer technology and innovations, difference kinds of expertise and so on, like young Indian people within information technology did ten years ago. As I remember, it was the case with the

company Infosys in Bangalore. Now they have about five thousand employees, but they started eight or nine years ago with three colleagues studying in Calcutta. So, I think there is a large impact of strong economic growth in preventing many problems in a demographic field. I am afraid that we are not able to cope with that problem, and there is a typical regional problem where we have to promote a regional approach to this problem.

**Mr. Richard Tensch**, *The Missing Link, International Consulting Corporation*

I would like to add just an illustrative comment. I met in May at the University of California, in Berkeley, the former Swedish Ambassador to Bosnia, and now he is the Chief of the Immigration Office in Sweden. What he told me somehow addresses your question also in regard to the European Union, because Sweden is perhaps the only country in the European Union that actually supports immigration because they feel that they will not be able to support their social system without immigration. This is also true for the other countries, but they do not acknowledge that. So, Sweden has now eighty thousand immigrants from Bosnia, which is far more, in terms of percentage, than any other European country; and in fact, for Sweden, Bosnian immigrants are on the second place, there is only one country with more immigrants in Sweden, which is Iraq.

**Ambassador Bisera Turkovic**, *Executive Director, Centre for Security Studies*

If I may add, in 2000 the UNDP Survey that was conducted showed that sixty-two percent of young people expressed their wish to leave the country - so this data obviously is of great concern. What is missing, besides policy at a state level, are incentives for those who employ young people, for those who are showing understanding that we are losing that what is most valuable for any country. International organisations have conducted smart moves recently, in that they are trying to employ young Bosnian professionals in professional posts, rather than having international employees. So that trend that was initiated by the former Head of the OSCE field mission, Ambassador Robert Berry, has been strongly advocated by the High Representative, Mr. Paddy Ashdown. Hopefully, this trend will follow and young people will see the possibility of finding employment. If that employment were visible, on the basis of surveys that have been conducted, many young people would be willing to return back. However, we do have data that many young people who are returning back are again leaving after prolonged periods of unemployment. Consequently, although they have expressed the wish to return to their country, since they could not find any viable means of living, they are returning back to the countries where they finished their schooling.

**Ms. Ljubica Jelusic**, *Head of Defence Studies, University of Ljubljana*

Let us turn to the Slovenian case, which is from this aspect very different. It means that in Slovenia young people now, according to our surveys, are under, let us say, neo-patriotism - they do not want to leave Slovenia. They would like to stay and also see their personal progress, their personal perspectives, more or less within Slovenia. This maybe is connected also with another

phenomena, which is these young people are much in favour of Slovenia becoming a member of the European Union. We say sometimes that EU membership for Slovenia is a 'use concept', because the young generation is mostly in favour of becoming a member of the European Union. This actually means that maybe these people are expecting that the same standards of living, values and prospects will come to Slovenia when Slovenia will enter the EU market or institutions. Up until now, Slovenia was a country of immigration, which meant that many more people had come to Slovenia than had left. This helped in past years to fill Slovenia classrooms, which means that to immigrants from other parts of former Yugoslavia who came and stayed in Slovenia, and who had children, that the Slovenian population rate is higher than would have been only with the Slovenian population, rather those who would claim themselves to be Slovenian as all are citizens of Slovenia. So that is another maybe another problem, but it is connected with the fact of the low population rate, which is a European trend and is probably coming. This demographic reduction is not only an effect of emigration, but maybe it will also be because of lower population rates as such in general in this part of Europe.

**General Claudio Zappulla**, *Personal Representative of the OSCE CiO for Articles II and IV*

I would like to thank you for this question that gives me an opportunity to underline, seven years after the conclusion of the war, that we are a little blind and we do not see the changes that are taking place in the area of Southeast Europe, particularly in Bosnia and Herzegovina. I mentioned before that Ambassador Beecroft, Head of the OSCE Mission to BiH, has changed the structure and a new department has been created - Education. In this department, in my opinion, are many answers to your question; and it is also very important, as the High Representative, Lord Paddy Ashdown, stated that there are different priorities inside BiH today. One is education, the other is facing the problems associated with the rule of law; and as I said, security is not one of the most important problems. There is a clear indication that, being realistic, probably there are some 'local' interests that should be overcome in favour of the overall interests of the country, of the State of Bosnia and Herzegovina. Thank you very much.

**Ambassador Alexander Alekseyev**, *Permanent Mission of the Russian Federation to OSCE*

I would like to ask Mr. Temsch a question. First of all I would like to congratulate you for an absolutely fantastic presentation - it really gave food for thought and keeps forming interest, at least personally for me. I would like to ask that more or less it is very clear from your presentation that globalisation became an objective process, and never mind how many windows will be broken by anti-globalists, that this process will continue. At the same time, very clearly we received from your presentation that globalisation is in favour of the most affluent, most globalised and developed countries; and on the other side, the poorest countries, I do not speak about Africa, but let us speak about Southeast European states, which from all that you showed us are difficult to consider as the beneficiaries of the process of globalisation. What is your personal perception as to what could be done by the developing countries, by international monetary and financial institutions, by NGOs, to change this perception; otherwise, we have a very gloomy picture. Regardless of what will be done by these countries, never mind what improvements will be reached, still the objective process will not be in their favour.

**Mr. Richard Temsch**, *The Missing Link, International Consulting Corporation*

I would like to mention two things. I did not mean to paint a gloomy picture as far as the developing countries are concerned. As a matter of fact, most of the developing countries have benefited from globalisation. If you recall the slide that I showed, in the more globalised developing countries the GDP rose at a rate of about six- percent, which is approximately twice as high as in the rich developed countries. There are some countries, and I mentioned Africa in that context, where the trend has been reversed, and the reason for this is that we are looking here not as much as a north-south conflict - as we traditionally think because it used to be and still is in the media so much - but we are looking at the south-south conflict, and in fact we are looking at the conflict between different societies within these countries. Countries that have an oligarchy, that are very rich, but have a population that is very poor, it is in the interest of the few rich people to pursue isolationist and restrictive trade policies. For example, they own a gold mine or other natural resources and have the monopoly to use these resources. You can for take for example, somebody mentioned previously, Turkmenistan, which is the fourth largest producer of natural gas internationally, and yet the per capita income is in the range of fifteen dollars per month. That has certainly something to do with the policies of the President of Turkmenistan. It is an isolationist policy that benefits a certain clan; and in answer to your question of what I think should be done to change the situation, I believe that indeed there should be a sensitive opening up, and I underline that it has to be sensitive because it is a dangerous process and we are talking about people losing their employment. However, in the long run, and I think that this is being done in Southeast Europe and I am not that pessimistic, I think that this will come and has certainly come in Russia. The Russian economy is one of the fastest growing economies together with the economies in China and India. Russia, in the last year, was one of the big winners of these developments, and I believe that we should continue to go sensibly in that direction. This is important too because having said what I said in my presentation, even in the European Union over seventy percent of all trade is local and regional.

**Mr. Anto Domazet**, *Minister of the Treasury of Bosnia and Herzegovina*

Mr. Temsch, there is an argument that the strong economic growth of China is based just on the authority of China and not on globalisation, not on establishing the global rules of the game, but just on the establishing of 'local' rules of the game. How do you comment on those arguments?

**Mr. Richard Temsch**, *The Missing Link, International Consulting Corporation*

China is by no means a very democratic society and sometimes you have different developments that may even contradict each other. I still think that without globalisation China would not be in the economic position that it is now, because most of China's exports go to the United States, European Union and other countries in Asia. If these countries would not have allowed these imports, if the United States would not have granted the most favourite nation status to China, they would not have been able to export. However, China's economic growth, and this is often being overlooked, is mainly due to the domestic market. I agree with what you have said, but the fact that China is a restricted society also, as I mentioned previously, means that it benefits from



low wages. I think that this will pass because the Chinese society has evolved over the last two decades dramatically. Consequently, I think that these tendencies all exist, but if look at it in a larger context and analyse it then you see two things: the domestic market that is growing enormously due to the affluence of the Chinese people, and the export market that are facilitated by removing trade barriers by other countries.

**Mr. Neset Muminagic**, *Director, Federal Institute for Programming, FBiH Government*

I would like to use this opportunity to greet you on behalf of the Federation of Bosnia and Herzegovina - one of the entities in the State of Bosnia and Herzegovina; and after these excellent presentations allow me to give a perception on behalf of the Federation of Bosnia and Herzegovina. As Ms. Turkovic mentioned having Bosnia and Herzegovina in mind, but I think that it reflects the situation in the Federation, we have reached the situation that we must focus on ourselves and to try in our economic system, as pointed out by Minister Domazet in his presentation. Actually in Bosnia and Herzegovina we have a solid economic membrane called the monetary system within which there are two economic, relatively speaking autonomous systems existing. This, therefore, is creating a single economic space. Having said this, in consideration of the global influences that can be exercised by the Federation, i.e. the State of Bosnia and Herzegovina, we have reached the conclusion that what is indispensable is a new way of thinking in which the economy would create the more comprehensive security and stability of society. If economy can be read as the security of a society then that very economy should be powerful enough as to be able through its institutions to say loud and in public means to combat all of the barriers that we are challenged with. These barriers are the poor structure of the institutions, the non-harmonised legislation, and the divided economic space. So this is the conclusion that we have reached, creating the means to cross the difficult barriers. This is 'defraudisation' and if we are speaking about public revenues, which is closely related to corruption, the non-registered economy, or what we tend to label as the 'grey' economy. This is something that exists, *de facto*. When compared to the standard economy, it is expanding in Bosnia and Herzegovina. If by chance the 'grey' economy would prevail over the regular economy, then we would have clans, as mentioned by Mr. Tensch, extremely rich individuals and groups. The 'grey' economy creates organised crime, and once you have corruption together with organised crime, we are simply allowing the opportunity for terrorism, and there are no legal norms that are in force and only the norms and criteria exist of those who are stronger. Having these criteria, we have to really tackle the problems in our economy, and to try through intervention by improving the existing legislation to directly influence all of these phenomena; and therefore, academic or pragmatic research simply confirms this thesis, and our basic efforts will be directly towards eradicating these phenomena that can lead any society in transition into a most unenviable situation. The overall democratisation of a society is also something that should be mentioned at this point, and everything at this moment that is offered by the international community in terms of support, economic support, etc, we are fully aware that one day these will cease to exist. Civil society if possible will find its mechanisms, all the networks, global networks, are geared and I expect Bosnia and Herzegovina to join them sooner rather than later. This is simply some food for thought, being an economist. Allow me to thank you for most excellent presentations that I had the chance to listen and think about. Thank you.

**Mr. Kishore Mandhyan**, *Head of Liaison Office, UN Mission to Croatia*

I think that this has been a fascinating discussion, and if I may provide a brief comment to some of the thoughts that were expressed earlier by the previous speakers, and also going back to two issues that Mr. Domazet in his conclusion had highlighted - particularly the issue of creating a single economic space and establishing credible state institutions. I have the following thoughts: when you enter Bosnia and Herzegovina today, and I think that the United Nations has worked very closely with the government in Bosnia and Herzegovina to establish a state identity on the borders as strongly as possible particularly through the State Border Service project, unfortunately when you cross Gradiska, even today, you first see the sign welcoming you to the Republika Srpska and not to Bosnia and Herzegovina. That does not create a single conceptual and psychological space. Before you can create a single economic space you have to have a single psychological space. That should not be allowed and should be unacceptable. Seven years after the signing of the Dayton Agreement, unless those psychological, symbolic issues are addressed at a very fundamental level, an investor coming from outside sees a space that is still riddled with conflict - even though these issues may appear small and we may think that they will go away. Secondly, on the issue of credible state institutions, it is unfortunate that in all of the money that has come into South-eastern Europe, nobody has spoken about mediating neutral civil service institutions as strategic institutions at the core level - a little project here to upgrade this ministry, a little project there to upgrade that ministry. Civil service reform to create a civic state to respond to a growing civil society is a costless reform. I can write down a draft bill within two hours to push through parliament, and it addresses three issues: it abolishes a politicised bureaucracy, it addresses the issue of meritocracy and transparency for young people, and it is a fundamental instrument of the state to address and execute the rule of law across different departments. Why has it not happened? With all of the PhDs coming to advise in these countries, with all of the money that has come. It existed in India under the British for one hundred and fifty years, and it has existed in more complex forms in modern India since 1947. If it can be done in a country with one billion people, with twenty different languages and examinations conducted on a merit basis, without the pardon or blessing of a party member or somebody in the hierarchy, that a young people between twenty and twenty-four can say that they would like to join this government and make something of it, based on an open merit examination: this does not require rocket science, it does not require money. It requires vision; it requires leadership, and somebody saying that they will do it. Speaking at a very human level, I think unless until these fundamental issues are addressed the rest cannot happen. Thank you.

**Ambassador Bisera Turkovic**, *Executive Director, Centre for Security Studies*

Civil service reform has been initiated by the adoption of the new Law on the Civil Service. That law was adopted by the parliament, and it was a long process in trying to agree concerning the details of that law. Drafts and drafts were produced and finally it was adopted as proposed. Now a discussion is commencing, or rather the preparations to establish the institution through which all people who are employed in public administrations should go, in addition to their education that they gained before, to have an equal standard for all. Hopefully, that process will continue and we will be able to see some changes. The new High Representative is very firm that it is a path that should be followed. Consequently, with the new government that will be established

after the October elections we are certain that that process will have a much faster pace than it has previously. However, perhaps just to offer this as a curiosity, during my tenure as the Minister for European Integration, and it has been a year and a half since then, the Ministry of European Integration was the first ministry that employed people on the basis of public advertisements, which never happened since the war. All people that were employed were employed on the basis of public advertisement, on their expertise and professional knowledge, and testing was conducted by experts from PHARE. So far this procedure has been followed in the Ministry of Foreign Affairs, partially, I know that it was a tendency, however, there are people who have been employed in different ways prior to that. By implementation of this law we shall have quite a different situation. There is also a time limit when all people employed in the public administration should undergo new courses in order to be depoliticised.

**Ambassador Alexander Alekseyev**, *Permanent Mission of the Russian Federation to OSCE*

This is just a small remark concerning the intervention of Mr. Mandhyan. Frankly, I have travelled a lot all over India and when I crossed from Hariyana to Ipee, I saw a sign welcoming me to Utterpriyesh and not to India. The same is in Austria. So this is not the point of the borders. I do understand what you are speaking about, that the Republika Srpska, or that the Serb population of Bosnia and Herzegovina or Serb entity still maybe do not feel themselves a part of some kind of united, 'federal', structure. So this is a different thing and I still feel that we just need some time. What happened in Bosnia and Herzegovina, historically not long ago, usually requires a bit of time to heal all parts, to make all entities feel that they are somehow part of one state.

**General Claudio Zappulla**, *Personal Representative of the OSCE CiO for Articles II and IV*

If I may add a very important point, the key point inside Bosnia and Herzegovina is the presence of different entities. I listened with interest to the presentation of Ms. Jelusic because I was thinking of Bosnia and Herzegovina in the same manner. The starting point was the same - Yugoslavia. Then Slovenia had a different level of progress, with no participation in the war, while in Bosnia and Herzegovina there was a terrible war - in a state where three peoples were living together, but by the fact now that we have to reconstruct this society. We cannot impose friendly relations - it is not possible. One of the reasons that we speak about the economy is because the economy could be another key to bring the different ethnicities together. It is a very critical situation, there are three different religions, three different languages, very similar, but they are different. Consequently, we must work on this track, but never by imposition; and Dayton is a very good agreement in my opinion because it works on the basis of consensus. The different sides meet each other, particularly on defence matters and security discussed in the JCC, they confront each other, they find solutions with each other, and this is the correct process. Joking I say always that when I cross the inter-entity boundary line and I see the sign welcoming me to the Republika Srpska, it is like when I cross Germany and see Bayern, it is the same kind of approach but has a different meaning in the mentality of the people right now. However, we are working to change this meaning and education, again, is one of the priorities. We will work in this way towards the young generation. Why do we speak about the economy inside Bosnia and

Herzegovina? The perspective of the future for the young generation should overcome these differences, even if the differences should be respected, because it is part of the culture of this region, but only as culture and not as arguments or competition. Thank you.

**Ambassador Branislav Milinkovic**, *Permanent Mission of the FRY to the OSCE*

Thank you for giving me the floor and for organising such an excellent opening panel for us this morning. I have one question for each of the panellists.

I was really impressed by the clear presentation of Minister Domazet concerning the current state of affairs of the transition in Bosnia and Herzegovina, and also with the very clear dilemmas that he presented to us concerning the next phase of the transition. However, what are the political forces that will implement or exercise this future challenges? It is not a question, but I would like him to comment on those potential political forces in Bosnia that would be able to go a step further and implement the second phase of transition, and also the involvement of the High Representative in this important endeavour.

It was excellent to listen to Professor Jelusic concerning security dilemmas in Slovenia because all of us in the former Yugoslav context always regarded Slovenians, even before independence, as our richer, smarter and well-organised cousins. Consequently, it was very useful to listen to their security dilemmas at the very beginning of this seminar. We heard a very interesting observation on the perception of the key threat to the Slovenian public as disaster relief and this type of operations relating to ecological threats, which deals very much with the new perceptions of threats. Could you please comment on the relationship of this new perception of the threat and also on the on-going debate of joining NATO and the relevance of joining NATO for the Slovenians in public opinion of the security community?

Finally, the presentation of Mr. Temsch that linked two issues together: both the globalisation phenomena and the need to have an input at a regional level, on our regional integrational level. Having in mind his universal experiences around the globe, could he provide us with an example of another sub-region that benefits from the efforts of globalisation within their own sub-regional framework? This is something that we would like to learn and maybe to implement within our framework if there are any parallels from other regions. Thank you.

**Ms. Ljubica Jelusic**, *Head of Defence Studies, University of Ljubljana*

As you all probably know, there is certain reluctance in Slovenian public opinion against NATO membership, and there is still the substantial majority of public opinion in favour of European Union membership. I would say that this is maybe caused by the consumption of the Western identity. I spoke before concerning the Slovenian context that was to the degree of how westernised we are. So the measure of our democratisation was how westernised we are. What has now changed, I think, after the change in the past decade is that after 1991 Slovenian people came to think in different terms. They feel and felt that they already are in the West. So, according to public opinion, we do not need to enter NATO to be westernised or part of Western

identity. This is due to the fact that we formally belonged to the Austro-Hungarian empire, and former Yugoslavia, which was quite westernised in comparison to other Eastern European countries, because when we compare ourselves in Slovenia and before in Yugoslavia we always think that we were much more westernised than many of the countries of the region, which now seem to be much closer to a Western identity and integration than other parts of post-Yugoslav territory. Slovenian public opinion is sometimes perceived as a tragedy of our common history. Public opinion would like to see the entire region together within this Western identity.

I would like to add something that is not directly connected to what you asked, but maybe will explain Slovenian logic. In Slovenia, soldiers and policemen are sent to peace keeping operations in Bosnia, when they come back they also bring information that this part of the world is stable and that it is possible to live there, that it is possible to function there, and their information is also information for the economic society, for the economist to understand that it is safe to go and invest there. The same information is now coming back from other parts, for example from Serbia, Montenegro, Macedonia. So the logic of moving all of 'us' to the Western world is still strong in Slovenian society; although, in terms of thinking, if we need some kind of disintegration because we would like to prove how westernised we are, it is no longer the truth. When I spoke before regarding the young generation, it is reversed logic by young people now. In my generation we all thought that we would like to go to Europe, now this young generation say that Europe is coming to us. We do not need to go there anymore, due to the fact that investments and values are already here.

Regarding issues of disaster relief - it was put into the context of public opinion and perception of the main military tasks. I think that it is actually a good chance for the Slovenian military, no matter how it looks - if it is professional or is based on conscription - to show to the public that it is legitimate if it is able to help in disaster relief. People expect from the military to be able to help. Now this question is then put to the other side: is the military able to answer to this expectation. It is very interesting that for ten years the Slovenian army did not understand this imperative and thought that it should only deal with the defence of the country and other kinds of peace keeping tasks. Now this is changing and we can observe that all volunteers or professional soldiers are supposed to be trained to help in cases of ecological catastrophes and other issues. This perhaps is less appropriate with conscripts because we always thought that we should not sacrifice conscripts for disaster relief, but it is always a dilemma as to how much of public perceptions should we take into account when we are thinking of some implementation of the ideas of the state.

**Mr. Richard Tensch, *The Missing Link, International Consulting Corporation***

Thank you for the question that brings up an interesting issue. I would like to provide an example. I have been involved recently in a project to restructure the government owned chemical industry in Syria. I was asked as to whether they should follow the Turkish model or the Chilean model, and as to which model they should adopt. I do not feel comfortable with that because Syria as a country is located between neighbours like Iraq and Israel. While I believe in lessons learnt from other countries, I do not think that you can take the Chilean model, for example, and put this to Syria. I think it is a grave mistake that is sometimes made by advisors to

just look at one region and to implement something in the same manner, because Bosnia is a unique country, as every other country is unique. Consequently, you should really address the needs of the country. Can you use other experiences? Sure. However, I do not think you should take another country as a model. Do I know countries that have benefited from globalisation or European integration? I can think of Ireland and Estonia. Are there models for Bosnia? No.

**Mr. Anto Domazet**, *Minister of the Treasury of Bosnia and Herzegovina*

As I understood, you asked for the definition of the political forces for transition and against transition. It is very difficult to give a simple answer, but I would like to say that the existing Alliance has a lot of evidence for progress made in political and economic transition in the country. There is the changing position of the government of BiH in relation to the international community. There is the concept of partnership that has been established and is working very well. There is success in the entry of Bosnia and Herzegovina in the Council of Europe. There are results in the return of refugees - there is the problem of the economic sustainability of that return, but this is another part of the problem. Some of the conditions of the 'Road Map' have been fulfilled. We have to prepare the feasibility study for the Stabilisation and Association Agreement with the European Union. There are many structural reforms, for example the demobilisation of ten thousand soldiers in the Army of the Federation and two thousand in Army of the Republika Srpska. There is the stand-by arrangement with the IMF, with a clear projection of the future reforms in fields of monetary and public expenditure. There are hard budget constraints to be respected in the future budgetary period. There are no new budget deficits. There is a visible increase in the inflow of FDIs, with the real expectation that it will continue to increase in the next period. There is a large level of confidence in the investment environment in Bosnia and Herzegovina, and evidence that the investment climate has improved. There is the fight against corruption started through institutions, against organisation crime. There is the clear place of Bosnia and Herzegovina in the international coalition against terrorism, especially demonstrated after the terrorist attacks on New York. There are results in state institutions regarding establishment and development, for example the State Border Service. There is the new approach to the public administration in the sense as described by Ambassador Turkovic. The most important point is that there is the readiness to continue with the process of reforms, to undertake the risk of short-term conflicts that would be the results of strong reforms, but with medium-term positive effects on the economic growth and democratisation of the country. Consequently, the next election is a good opportunity to make a choice between the continuation of reforms or not. The people of Bosnia and Herzegovina will give the mandate for the next period of transition and prospects of a better life in the country. Thank you.

**Ambassador Nedžad Hadžimusić**, *Ministry of Foreign Affairs of BiH*

There is the sentence of a famous war theorist, Clausewitz, who was not just a war theorist but a philosopher as well. He stated that there are issues that you always think about but never verbalise unless it is very topical and is a theme. Why do I start my second intervention with this? A little while ago this seminar tended to slide slightly away from the main issue - just after the intervention of Mr. Mandhyan. This provoked me to react just for historical purposes. I think that

the core issue in Bosnia and Herzegovina is, unlike new patriotism in Slovenia, that we still have a lack of patriotism throughout the country. We probably need a prolonged grace period. We would like our friends not to be tired. We know about compassion and donor fatigue. Nevertheless, Bosnia and Herzegovina had an even worse problem in the past. Bosnia has a longer history of harmony and multiculturalism than Europe itself. Europe is heading where Bosnia was in the past. Hatred did not live in Bosnia and was always imported from somewhere else. Consequently, we need a little more patience and not to open chapters that we have exhausted so many times. It was not exactly civil war, there were more or less enough ingredients, but it was more than civil war. It was a prepared annihilation of a newly recognised country, and god bless the world that it recognised that it was worth intervening in Bosnia. So we have painstaking efforts together of the international community and ourselves to build something that is worthy of being part of Europe and to be in the eye of everything that is in transition in this part of the country. The transition of the perception of threats that threat is not the old fashion perception that military threats are the number one threat. We do not believe that war will visit this area at any time in the future - it is over. So, those who cherish the idea that possible future chaos might be suitable to the new geography of the region are very wrong. Thank you.





## **SESSION II**

**Mr. Kishore Mandhyan, Head of Liaison Office, UN Mission in  
Croatia**

**Mr. Paolo Borgna, Expert Working Table III,  
Stability Pact for South East Europe**

**Mr. Dario Carminati, UNHCR Representative in the FRY**

**Ms. Nidia Casati, Head of Mission,  
International Organisation for Migration BiH**



**CORRUPTION AND ORGANIZED CRIME:  
THE CHALLENGE IN SOUTH-EAST EUROPE**

1. Talking about corruption and organized crime in SEE we must take a global perspective, involving not only the SEE countries but the whole of Europe. In fact, the fight against transnational organized crime is a question related to the quality of European democracy: which concerns each European country and Europe as a whole.
2. First of all, it is a problem for new democracies of SEE. It would be a defeat for these democracies if the opening of market economies were associated, in the public opinion, with the inability to fight an “economy of crime” allowing criminals to accumulate great wealth. This would humiliate in the first place the most vulnerable people in society and would be an incentive for a culture of prevarication, which is the worst enemy of every democracy. In addition, the presence of strong criminal powers would inevitably pollute the economic fabric and discourage the economic international community from putting in place an organized investment policy in the countries of the region.
3. Transnational organized crime is also a problem for the countries of the European Union, which are confronted with new forms of crime coming from SEE. The merger of traditional criminal groups and new groups coming from Eastern Europe is a new phenomenon. I learned this from my experience as public prosecutor in Italy, where, fifteen years ago, we had Italian criminal groups, Albanian criminal groups, Serbian criminals etc. Over the last years it has become clear that we have to deal with a new alliance. Ever more frequently we find criminal groups composed by Italian people, Albanian people, Romanian people working together (for example, in the field of prostitution). This issue is of great interest to people because it affects them directly. For these reasons, in Western European countries, the issues of crime and security are considered not only as problems of public order but as problems concerning the quality of democracy. It is evident that any increase in organized crime will lead to the deterioration of the quality of urban life and the collapse of the fundamental social pact between citizens and institutions. In which private citizens give up part of their liberty in exchange for a guarantee that the State will ensure their security.
4. The fight against organized crime is also a challenge for Europe as a whole, for the greatest Europe that we want to build. I am convinced that enlargement process will not be accepted by the EU public opinion, if it is not supported by the capacity to oppose criminal phenomena such as trafficking of human beings and other connected crimes. If Western Europeans are convinced that the integration process will lead to more trans-border crime, money laundering, exploitation of women, European integration will inevitably fail. It would appear as a price too high to pay; a political process pursued by élites instead of one strongly supported by the people.

5. The fight against organized crime is closely connected with the fight against corruption. An administrative body, where corruption takes root, can not be an efficient tool to fight organized crime. Corruption affects social cohesion and confidence in democracy. Corruption undermines citizens' rights and the democratisation process. In fact, when corruption reaches its highest level and takes root in political life, it erodes the fundamental principles of modern democracy. Bribery becomes instrumental in manipulating politics, obscuring transparency and disrupting equality of citizens' rights. Consequently corruption counterfeits political competition, rendering the free choice of political programs and leaders impossible.
6. Corruption undermines the business climate, discourages domestic and foreign investment, wastes economic resources and hampers economic growth. In fact, it disrupts the principles of a free market economy, and obstructs economic reconstruction and development. In public tenders it produces an increase in prices of public works and services leading to a waste of resources and to the selection of incompetent companies. In other words, it hampers fair competition.
7. Widespread corruption in the social system, in the field of education, and in the judicial systems feeds mistrust in an effective guarantee of the rule of Law. It transforms citizens' rights into "favours". If we compare the data concerning the perception of corruption in the EU countries with the data concerning trust of citizens in democracy - both published by Transparency International - we can see that there is a clear connection between the two. Corruption is inversely proportional with the capacity of the judicial system to apply clear sanctions and punishments to those responsible for corruption offences. Of course we can neither establish public ethics by penal law nor build moral barriers against corruption through trials and criminal courts. To this aim we need training and educational programs, anti-corruption campaigns led by a free and independent press as well as the provision of codes of conduct in the public sector. However, all these preventive measures risk being in vain if the state is unable to punish corruption offences through criminal trials. In the absence of these penal measures, it will be impossible to mobilise citizens to denounce corruption. The impunity of corruption cases will mean that citizens will find it futile to denounce corruption. For this reason the existence of an efficient judicial system is a prerequisite for an effective fight against organized crime and corruption, as well as for the full involvement of civil society in the process of democratization and integration of SEE.
8. How to respond? What answers can we find in order to meet this challenge? One thing is certain: we are very late. Since the beginning of the 1990s, the European continent has become a large area where organized crime can move freely. Overcoming borders is easier for criminals than for ordinary people looking for a new job. Today any criminal activity, in the area of organized crime, is of interest to several States as well as to several police and judicial authorities. Nevertheless, basically we are fighting this phenomenon with judicial instruments that were already out-dated ten years ago.

9. At a time when people, goods, and information circulate freely in a licit or an illegal way, the only thing, which is confined within borders, is justice. Police and judicial investigations are often hampered by bureaucratic difficulties that cannot be overcome. Common judicial space does not exist yet. For judges, Europe is still divided by many big or small walls called national jurisdictions. For judges and police these walls never fell.
10. To understand the gravity of this delay, we have to consider one specific point: serious co-operation involving the police and judicial systems cannot be limited to countries of the EU nor to the countries of SEE but should be extended to Europe as a whole. Young women exploited in France, Italy or Germany are often recruited from a country in South Eastern Europe. Criminal groups acting in the countries of the EU buy and sell weapons from groups acting in Albania or in other countries of ex-Yugoslavia. We could say the same for drugs or the trafficking of stolen vehicles. Let me give you a concrete example. We have learned from our investigations that frequently Moldavian women are recruited by Romanian men in Moldova. They are brought to Belgrade, where they are "bought" by Albanians who bring them to Italy. Eventually in Italy they are exploited by Italians and Romanians working together. Therefore, this criminal activity covers at least five countries. That means: five different jurisdictions, five different police forces, criminal codes etc. Probably, the police forces of these five different countries have pieces of information concerning this criminal activity. But they do not manage to circulate this information, to share it. They are not able to have a joint view of this criminal activity, to understand the connections between the various actions that compose this complex criminal activity.
11. It is necessary in the first place to have an exchange of information and then mutual assistance among all these countries. However, for the moment, police cooperation between the countries of South Eastern Europe and the EU is based only on the traditional work of Interpol.
12. The conventions amongst these countries do not foresee, in the area of police cooperation, any of the judicial instruments of the Schengen area, which represent a valuable step forward for the construction of a system of joint investigative activities. These refer to:
  - The direct exchange of information among different police forces which are investigating the same phenomenon.
  - The right to transborder shadowing, which allows the police to shadow across borders.
  - The right which allows the police of one country to pursue, in another country, a fugitive or somebody who has been caught in the act of a crime.
13. It is equally difficult in the area of judicial cooperation between countries of the EU and those of SEE to have direct exchange of information between public prosecutors as well as the direct transmission of rogatories between judicial authorities. Thus, this transmission procedure is very bureaucratic, following conventions set up in the 1950s, in a timeframe that is incompatible with the speed of today's criminal phenomena.
14. What should be done is well known. All international organizations recommend the same measures.

15. First of all, we should further develop police cooperation and increase the mutual exchange of information. This means making this exchange possible by creating the judicial instruments, which would permit it. Obviously, in this case the instruments for police cooperation elaborated by Western Europe could be used as a model, starting from the Schengen information system. In this area, it is necessary to allow communication between different databases. The matter is not very easy because it has to overcome technical as well as political problems (for example, this also means setting up a data protection system). This is the reason why I consider the agreement of 25 February in Bucharest between the SECI Crime Center, Interpol and the Romanian Government a very important step in the right direction giving the possibility of such a communication link.
16. We know that the judicial framework is necessary but it is not sufficient to develop efficient police cooperation. To encourage investigators to use the existing tools we must make these exchanges quick, efficient and, above all, easy. This means, first of all, direct contact between investigators of different countries, as well as common training courses, seminars and operational meetings to examine in depth specific issues. The final goal of this new police cooperation should be the setting up of common investigative teams among police forces of different countries interested in the same criminal phenomena. This instrument, already foreseen in Article 13 of the new European Convention for Judicial Assistance signed on 29 May 2000 by EU Member States but not yet ratified, should be extended to countries beyond the EU.
17. A similar analysis can be made for judicial cooperation. Without it, even the most efficient police cooperation would be fruitless. It would be useless to develop an exchange of information between the police forces if we cannot use this information in trials.
18. Also in this case, the institutional framework already drafted but not yet entirely implemented by EU countries can indicate the way for better judicial assistance for the other European countries. First of all, we must accelerate the process of accession to the conventions of the Council of Europe for the few countries (Serbia in the first place) which are not yet part of the convention.
19. Secondly, it should be normal, following the Schengen model, to have direct exchange between public prosecutors and judges requesting a rogatory. Such direct contact should also be assisted by liaison magistrates - in charge of facilitating relations among public prosecutors of different countries - in accordance with the European model of "contact points" and of Eurojust.
20. Parallel to police and judicial cooperation there must be an expanded system of protection for witnesses and their relatives. Also in this case different national legislation should be harmonized and countries should develop specific and clear agreements among themselves. It is important to guarantee protection not only for witnesses but also for their relatives, who quite often live in countries other than the one where the witness is

testifying. For example, very often, young girls, who accept to testify and press charges against their recruiters and exploiters in a country of the EU, have left in their country of origin a family, parents, brothers and sisters, and quite often young children. As experience shows, these people are exposed to the violence of criminals seeking revenge. And this shows how important it is to have direct and constant cooperation among the police forces of different countries. This cooperation would make it possible to communicate the names of accomplices who could take revenge and thus prevent them from doing so. Today this is not possible due to a lack of legislation. Recently we had good news concerning National legislation on witness protection. This new legislation is the first step in order to protect witnesses, to encourage them to testify. But the next immediate step must be the setting up of transnational witness protections systems. To this end bilateral and multilateral agreements are necessary. The SECI crime center of Bucharest is developing an important agreement on this subject amongst the countries of the region. It commits the authorities of these countries to exchange this kind of information and to protecting a witness in a criminal case across the whole region. Such agreements should be developed not only among the SEE countries but also between them and the EU countries.

21. The Stability Pact for South Eastern Europe is fully involved in this challenge. Namely, the SPOC Initiative - adopted within the Stability Pact, in Sophia on 5 October 2000 - covers the adoption of policies, strategies and legislation against organized crime. Moreover it is responsible for the development of co-ordination mechanisms and the co-operation amongst the countries of the region. An assessment project on exchanging information in the field of organized crime was launched, in May, in the context of the SPOC Initiative. This research was designed by the experts of the Working Table III of the Stability Pact, led by the Director Stewart Henderson. The Research Institute Transcrime of the University of Trento executes this project. Its goal is to assess how systems of information exchange function in the region as well as between the region and Western Europe. That means that the legislation of the countries as well as the best law enforcement and judiciary practices will be analyzed, in order to understand what works and what does not work and what is promising in this field. The final result will be the development of a set of proposals to improve the coordination of international and regional policies in the area.
22. On the other hand, the Anticorruption Initiative of the SP (SPAI) recently concluded its assessment phase. This phase covered: Adoption of European and other international instruments; Public procurement system; Public expenditure management system; Financial control; Civil service capacities; Promotion of rule of the law; Transparency in business operations; Involvement of civil society in the fight against corruption. The second phase will focus on monitoring and technical assistance. Its objective is to determine whether the targets set in the assessment phase have been reached and eventually what complementary measures and assistance are necessary. According to a recent agreement between SPAI and Transparency International, TI should be involved in this phase. This involvement should consist in the execution of some research-projects monitoring specific sectors.





**Mr. Dario Carminati,**

*UNHCR Representative in the Federal Republic Yugoslavia*

**THE PROBLEM OF THE FORCED DISPLACEMENT OF NATIONAL MINORITIES:  
PROSPECT FOR RETURN**

Ladies and Gentlemen,

In my address I will focus on issues relating to the return of minorities who have gone back to their countries of origin from and within the Former Yugoslavia region and not from other (mostly European countries).

A fundamental issue that is often overlooked, but certainly has a strong impact on return of minorities, is the concept of the 'home state' of the minorities. These minorities indeed attach a great importance in maintaining links with what they perceive as 'their home state'. This issue is not comprehensively treated and remains in the background, but recognizing and facilitating such links will certainly result in better relations in the region, namely between 'countries of citizenship' and 'home states' as perceived by minorities.

An other clarification, the complex issue of Roma will not be addressed here as the return is dealt in a general manner, I would only like to flag the difficulties that Roma wishing to return to their place of origin are confronted, specially in terms of documentation but also, often for lack of a support group.

Again as a general observation, it is interesting to note how the situation in the region has contributed to the development of norms of International Human Rights Law. Just recently, the UN Sub-Commission on Human Rights passed Resolution 2000/7 and 2002/30 on housing and property restitution in the context of refugees and other displaced persons and on the right to return of refugees and IDPS respectively. The most important points: 1) the right to return to their original homes, (as a corollary to the right of adequate housing); 2) the right of returnees to property restitution or compensation (including recovery of houses where they may have been evicted); 3) the right to return as not conditional upon approval as well as free of cost; 4) obligations of States to restore damaged infrastructure and utilities in areas of return; 5) institution of impartial mechanisms to resolve outstanding housing and property problems are all relevant and very important in this region in the case, for instance, of return of refugees to Croatia or of IDPs to Kosovo.

There cannot be lasting solutions or stability without solutions to refugee problems. At the same time refugee solutions are dependent on economic growth as well as regional co-operation. It is the clear dilemma with which we are all confronted. In the case of return, if it happens without socio-economic reintegration it may even backfire and generate further exodus. In this context the link to development and regional co-operation is the most evident, where the responsibility is

clearly with the countries of the region and it is a condition for the association with Europe. It is the role of humanitarian agencies to put, firmly, refugees in the agenda of economic development.

Nearly seven years after the signing of the Dayton Agreement more than 848,000 persons remain displaced by the conflicts in the Former Yugoslavia, namely Croatia and Bosnia and Herzegovina. This figure, however, does not include, the over 240,000 non-Albanian minorities whose return is hampered by the prevailing insecurity and the linked restriction on the freedom of movement for minorities. A “safe and secure” environment for the return of non-Albanian minorities does not currently exist in Kosovo.

There has been, however a significant progress in the implementation of Annex 7 and in the creation of the conditions for the return of refugees and internally displaced persons (IDPs) in the region so we can say that finally the end of this period of population displacement appears to be in sight. In this respect, and in the case of BiH I would share the optimism expressed this morning by Ambassador Turkovic on the impressive progress that is taking place in that country. If we had asked, only 2 years ago, to a refugee coming from a minority area in BiH would you like to go home? He would not have been able to answer. He or she simply did not have the choice. Now the choice is there and in fact most of the same refugees have indeed already exercised that choice!

UNHCR estimates that some 850,000 refugees and displaced persons have returned to their homes in Bosnia and Herzegovina (BiH) since the Dayton Agreement was signed, of whom 300,000 were minorities. In addition, more than 93,000 Croatian Serbs have returned home to and within Croatia. These figures illustrate the progress which has been made in “ensuring that refugees and displaced persons are permitted to return in safety” and “preventing activities within their territories which would hinder or impede the safe and voluntary return of refugees and displaced persons”, in the words of Annex 7. In addition, over 900,000 ethnic Albanian refugees have returned to Kosovo since 1999. Between February and August 2001, fighting between ethnic Albanian armed groups and Macedonian security forces uprooted more than 170,000 people from their homes in the former Yugoslav Republic of Macedonia (fYROM). The majority left the country, with some 80,000 refugees fleeing to Kosovo and 20,000 to Serbia and other countries in the region, while another 76,000 people were displaced internally within fYROM. Since the signing of the peace agreement, more than 90% of the refugees and internally displaced persons (IDPs) have returned home. If the obstacles to return for the remainder are resolved and the return process continues throughout 2002, it is expected that most refugees and displaced people should have returned or found a solution by the beginning of 2003.

The process of achieving solutions is a long one. I will illustrate the situation by showing you the situation concerning refugees return to Croatia and BiH so to compare the 2 different situations in terms of obstacles as well as achievements.

The number of Croatian refugees in FRY stands at 230,000 which in comparison with 1996 FRY registration figure (295,000) shows a decrease of some 22%. The number of Bosnian refugees in FRY stands at 133,800, which in comparison with the 1996 FRY registration (253,400) represents a decrease of 43%.

This clearly indicates that the role of international community in Bosnia and Herzegovina, namely the Office of the High Representative (OHR) together with OSCE and UNHCR, has led to creating return conditions which directly influenced the decrease of BH refugees in FRY. Unlike BH, the legal framework for returns to Croatia is based on bi-lateral agreements with FRY and BH and internal Croatian legislation which has produced limited results.

The Croatian government has registered some 63,000 refugees as having returned from FRY since end of hostilities, out of which some 32,000 have, despite their return, re-registered as refugees in FRY. UNHCR initiated tri-lateral discussions between authorities to establish de-registration procedures for future returnees as well as 32,000 double registered. However, it turned out that only 16,000 of that caseload indeed received returnee status in Croatia and were hence de-registered in FRY. The vast majority of the remaining 16,000 still enjoying refugee status in Serbia and were not able to repossess their property, or not yet received reconstruction assistance, or for various other reasons their return was not sustainable.

Refugees who wish to return to Croatia and whose houses are occupied, can do so only if they have a host family that they could stay with, or return to temporary accommodation, until they are able to repossess their property. The prevailing principle in Croatia, unlike in Bosnia and Herzegovina, is that the rights of the current occupant are better secured than those of the legal owner.

Despite the initial announcements that the new Amendments to the Law on Areas of Special State Concern will establish a transparent property repossession procedure, they still allow current occupants to remain in occupied properties as long as an alternative accommodation is found for temporary users. In addition, the Amendments do not prescribe a time frame for the provision of the alternative accommodation. One positive development, though, is introduction of the rent that the Government will be obliged to pay for use of the occupied property to legal owners, from 31 Dec 2002 until the owners are able to repossess the property.

The adopted text of the Amendments is far from the initial text drafted by the legal working group (composed of representatives of the Croatian government and international institutions) which foresaw that legal owners would physically repossess their properties (while current occupants were to be provided with alternative accommodation) within six months after filing an application or by the end of 2002 latest.

The first draft of the Law was adopted by the Government and went into parliamentary procedure in the fall of 2001. However, this draft was not adopted and a revised version was sent to the Parliament for a second reading and was adopted in July 2002. UNHCR in FRY will facilitate collection of property application to allow refugees in FRY not to miss their chance to receive rent, as submitting a claim is a precondition according to the law.

In addition to refugees whose private properties are occupied (but their legal ownership is recognized), there are no remedies to assist former tenancy rights holders – refugees from urban areas. Tenancy rights have been annulled on an individual basis, based on the provision of the ex-Yugoslav laws on tenancy rights (which stipulate that a tenant who does not effectively reside in

the apartment for more than six months can lose his/her tenancy right). An estimated 50,000-60,000 tenancy rights holders were deprived of their tenancy rights in Croatia. Restoration or any other adequate solution is key to the return of urban refugees who are now effectively deprived of their right to return having no place to stay in Croatia (except for temporary accommodation in a collective centre). In an effort to assist towards resolution of this problem, early this year UNHCR proposed to the Government of Croatia to consider a pilot project to resolve problems of the sample caseload of some 30 families – ex-tenancy rights holders, which should set an example for the remaining refugees with the same problem. In addition, FRY government provided some 65 cases on their own. However, no response from the GOC was received up to date.

Refugees whose properties in Croatia are damaged were able to submit requests for reconstruction until 31. Dec 2001. UNHCR launched a major PI campaign in the fall of 2001 which resulted in some 57,000 persons applying for reconstruction of some 17,000 properties. It should be stressed that the reconstruction process in Croatia is regulated by the Reconstruction Law adopted in 1996 and Croatia remains the only country in the region to have launched a government sponsored reconstruction programme and adopted it in the form of law.

It is estimated that some 195,000 housing units were damaged during the war, while some 110,000 have been reconstructed by the Government and another 5,000 by the international community. The vast majority of the Government reconstructed houses belong to displaced Croats, while the international community (NGOs) targeted mostly minority returns.

At the end of 2001, the Government has assessed that there may be up to 30,000 pending requests for reconstruction (including the 17,000 collected in FRY). The Government has secured funding for some 10,000 properties in the construction season 2002-2003 (out of which some 7,000 in the categories 4-6 will be completely reconstructed while some 4,000 in the categories 1-3 would be repaired through self-help). It may even be difficult to issue 10,000 individual decisions for the 2002 construction season, as many properties are under dispute, or not written in the cadastre records, or inheritance proceedings not completed. The remainder of some 20,000 properties would have to be repaired in years to come, but it is not realistic to expect the completion of the project before 2005-2006.

While the issue of war crimes has from time to time exacerbated with the criminal prosecution of several returnees (including those who returned with UNHCR), this is not a major factor affecting refugees' decisions whether to return or not. However, contradicting information (very often not verified) circulates in FRY and it does increase fear among potential returnee population. To date, out of 60 arrested returnees, 4 have been sentenced, 5 were released pending trial, while 41 have been released upon final verdict.

The general economic hardship in Croatia significantly affects returnees. Most returnees are from elderly rural population who can hardly make ends meet by cultivating land surrounding their houses. However, refugees without land do not return (even if their properties are available) as there are neither jobs nor any other income generation opportunities. Although there are some limited opportunities available with the NGO community in Croatia, they are insufficient to become a pull factor for the younger population to return. The situation is especially difficult in

urban areas, where refugees who wish to return, apart from not being able to return to their pre-war apartments, have no employment opportunities.

Refugees returning to Bosnia and Herzegovina are in a better situation than those returning to Croatia, especially with regard to repossession of their properties. As a result of the extended joint efforts of the Government and international players in BH during the last five years, led by the Office of the High Representative (OHR), Organization for Security and Co-operation in Europe (OSCE) and UNHCR, a comprehensive legislation treating both private and socially owned property has been developed and an enforcement mechanism put in place to ensure its implementation – Property Legislation Implementation Plan (PLIP). As a consequence, the year 2000 saw a breakthrough in return particularly of the urban population following the evictions carried out throughout the country. Repossession rate continuously increased throughout the year 2001 and the first half of 2002. While undoubtedly there are still obstructions by some authorities at the local level and the repossession process may still be regarded as slow by the refugees, it can be said that the repossession process in BH has passed the critical point and its completion is no longer questioned, but is rather a matter of time. One of the biggest achievements of this exercise in BH is the fact that the issue of the restoration of tenancy rights was given equal weight as the repossession of private property. Up to date, 54 % of claimed property was reposessed in the Federation and 45 % in Republika Srpska. The average BH percentage stands at 49%.

However the situation with damaged properties is not that bright. Due to the extremely high rate of displacement within the country and the international community's focus on rebuilding a multiethnic society, reconstruction agencies in BH focused primarily on repairing houses of returning displaced persons. Refugees in FRY often feared that they would be neglected in this respect as they are not freeing up anybody's house. Following numerous negative experiences when the houses were reconstructed but the owners never returned, international agencies, including UNHCR, insist that people first return and only then seek reconstruction assistance. It should be noted, however, that refugees in Serbia are not in the same position as the displaced persons in Republika Srpska. Most of the refugees in FRY have to pay for their accommodation and are employed. It is therefore very difficult for them to leave their jobs in Serbia in order to spend months in BH waiting for (uncertain) reconstruction assistance while leaving the rest of the family behind in Serbia. The way to overcome this problem would be to identify beneficiaries in FRY. The 2002 EU Cards program will allocate 30% of funds for cross border return to BH, most of which is assumed to be from FRY. Recently UNHCR has noticed a sudden increase of interest among the reconstruction agencies in providing assistance for returnees from FRY to BH, including reconstruction assistance. This interest of donors is assumed to be the result of the changed political situation in FRY which also brought the refugee caseload into focus, but also of an increasing number of returnees from FRY to BH.

Not only refugees and IDPs from Bosnia and Herzegovina and Croatia were affected by the conflict in the former Yugoslavia. Due to well known events in 1999, it is estimated that some 900,000 refugees of Albanian ethnicity had to leave Kosovo, of whom vast majority has returned. Their return, however, provoked further displacement of non-Albanian population estimated at some 240,000 non-Albanian minorities. With the large-scale return of Kosovar Albanian refugees after June 1999, UNHCR led a massive emergency relief effort, together with a wide range of

international and local partners, to support their return. While the majority of the refugees returned spontaneously, the international relief operation helped them re-establish their lives upon return, through measures such as immediate assistance, emergency shelter repairs, food and non-food items, and demining activities, in one of the largest relief operations ever undertaken.

While tens of thousands of non-Albanians fled the province following the withdrawal of Serbian security and police forces in June 1999, many of those who remained became the targets of ethnically motivated violence. These attacks have prompted thousands more to flee, while some of those who remained in Kosovo have retreated to enclaves, protected by KFOR. UNHCR has assisted many minorities at-risk to seek sanctuary in safer locations within Kosovo, or to leave Kosovo for Serbia and Montenegro in order to protect their lives. Through joint publication with OSCE of a series of assessments of the situation of ethnic minorities, UNHCR has also raised the awareness of the international community of this new cycle of displacement and the continuing human rights abuses against minorities.

Let me go a little more into details as the situation concerning minorities in Kosovo has also clear repercussions on the rest of the region.

In addition to its activities to protect and stabilize the remaining minority communities in Kosovo, UNHCR has also developed a comprehensive strategy aimed at creating conditions for minority return, consisting of both advocacy and complementary operational activities. UNHCR acts as a catalyst to promote the creation of return conditions at the community level as well as at the political/institutional level. UNHCR also acts as an overseer of the process, helping to ensure that return remains high on the agenda and that return issues are addressed through co-ordinated efforts by the major players, including UNMIK, KFOR and, most importantly, the local authorities themselves. UNHCR has also ensured that the necessary operational support and expertise is available to UNMIK and KFOR in implementing their mandates to ensure return under UNSCR 1244.

Despite these efforts, only a very limited number of displaced minorities have been able to return to Kosovo, with only 3,600 people having gone back between 2000 and March 2002. Moreover, returns to urban areas (except enclaves) have been virtually non-existent. While most returns have been spontaneous, UNHCR has on a very limited scale facilitated organized return through a painstaking and resource-intensive process to ensure at least the minimum conditions of safety and sustainability. Kosovo also hosted a number of refugees affected by conflicts in the Former Yugoslav Republic of Macedonia and Southern Serbia. Some 81,000 ethnic Albanians fled armed conflict in FYROM. Following the end of hostilities, most were assisted to return home, leaving a small number (5,000) who still benefit from temporary protection in Kosovo. Together with ICRC and other partners, UNHCR also initiated a programme in Kosovo to protect and assist ethnic Albanians fleeing conflict in southern Serbia in 2001. As that situation stabilized, a significant proportion of those displaced returned home, with some 10,000 ethnic-Albanians from the region remaining in Kosovo in spring 2002. UNHCR also monitors the situation of a small group of Croatian and Bosnian refugees who have been in Kosovo for several years.

A fundamental change in the security situation and inter-ethnic relations is critical to the realization of the potential for minority return. Insecurity and the lack of freedom of movement remain the overriding concerns for minorities still resident in Kosovo. As such, they continue to

constitute the dominant impediments to return. However, repossession of illegally occupied property, reconstruction of destroyed houses, employment opportunities, access to services (especially education, health and social services), political participation, and the enjoyment of a multitude of economic, social and cultural rights are becoming increasingly prominent issues in the return process. These issues must be systematically addressed, and the current situation reversed, in order for any large-scale, lasting returns to occur. The challenge is now to create such conditions and make it possible that also IDPs may soon have the possibility to exercise the right to return, if they so wish and as it is increasingly happening for refugees.

Although the situation is still uncertain, Southern Serbia is one of the rare examples of restoration of confidence and successful return and reintegration in the region. As a safety measure and part of the Kumanovo agreement bringing the Kosovo conflict to an end, NATO initiated the establishment of a five km ground safety zone. However, the fighting during 2000 led to displacement of some 16,000 Albanians from Southern Serbia into Kosovo. With NATO, OSCE and UNHCR support an agreement was negotiated that led to de-militarization and amnesty of UCPMB members, and for the return of displaced from Kosovo. The key of the success for this was the important role played by the Serbian Deputy Prime Minister and of the multi-ethnic police force. The successful implementation of municipal elections facilitated by OSCE has provided fair representation of Albanians at the local level, thus preventing further displacement and allowed larger number of displaced to return.

Let me conclude with saying that with the reduction of emergency humanitarian needs in the region, UNHCR will be able to initiate the downsizing of its humanitarian assistance programmes under the Dayton Peace Agreement, and to concentrate its work on core protection mandate activities. After 2003, material humanitarian support provided by UNHCR will be very limited. Within the framework of the Stability Pact for South Eastern Europe, a range of initiatives directly relevant to resolving displacement issues are being undertaken, which all aim at the sustainability of the return and the local integration of displaced populations. In particular, the Stability Pact's "Regional Return Initiative" (RRI), which was established in 2000, has focused on developing and coordinating long term activities to implement lasting solutions for refugees and the internally displaced in the region. In addition, a wide range of other initiatives are underway to facilitate the political and economic stabilization of the region, which will also affect the stability of populations. It is crucial that these initiatives also take into account the need to ensure that solutions for the displaced are sustainable.

The countries of South-Eastern Europe which are affected by the Dayton Peace Agreement are at an important juncture, where international humanitarian programmes are gradually being phased-down over the next two years and will be replaced by economic development programmes and self-initiative schemes. In the continuum from relief to development, initiatives to enhance the sustainability of those returning as well as of those who are integrating into their host communities must receive appropriate financial and political support. Sustainable and viable return and (re)integration of the displaced can be achieved beyond 2003 if all actors ensure that programmes for the (re)integration of refugees and returnees are adequately addressed in economic and social development activities, thereby ensuring that the continuum from relief to development becomes a reality.

As I asked at the beginning: should economic growth and stability come first or in isolation from the return of minorities? In any case, it calls for humanitarian agencies and Governments of the region to put firmly solutions to refugees and IDPs in the economic agenda.



**Ms. Nidia Casati**, *Head of Mission*  
*International Organization for Migration, BiH*

## **DEMOBILISED SOLDIERS AND INCORPORATION IN CIVIL SOCIETY**

Following a war or prolonged conflict, the situation of former soldiers might seem similar to the rest of an impoverished and uprooted population. But their situation is more complex and often explosive in the absence of economic opportunities and the hardships of reconstruction. It has been said that those who are the last to disengage from war – soldiers – might be the first to re-ignite the flames of violence. Therefore it is essential, that in countries emerging from conflict situations, attention is given to the reintegration of former combatants, as a means to ensure stability and internal security. As we understand it, discharge or demobilization is the process of removing soldiers from the military and its command structure, and incorporation/reintegration is the process of assisting former soldiers to make a successful transition to everyday life as civilians. The transition implies that the former soldiers have or can acquire, the education and skills needed to earn a living, lose their identity as soldiers and in a relatively short period of time become fully reintegrated, productive civilians.

The goal in assisting in that transition process to civilian society and civilian workforce is to, while contributing to the development objectives of any given country where discharges from the military take place, to also maintain peace and stability, foster economic recovery, reduce unemployment and generate income for its citizens.

In many countries in development and following their discharge from the military, former soldiers have to face a challenging social and economic environment. In this type of fragile socio-economic environment, the process of assisting former soldiers to make a successful transition requires a coordinated and comprehensive strategy. They will have to face stark realities and in order to succeed in dealing with them, it is necessary that the proper support system be in place.

IOM has gained extensive experience in demobilization programmes around the world, having implemented projects in 11 countries in three continents for the last 10 years and having assisted in the effective transition to civilian society of 275,000 former soldiers, with direct benefits to their dependants, 1,071,000, which brings us to a total of 1,345,800 between direct and indirect beneficiaries in countries such as Mozambique, Haiti, Angola, Guatemala, the Philippines, Kosovo, East Timor and in 2002, Bosnia & Herzegovina.

Due to the widely different situations in countries where demobilizations take place, this related to their particular post conflict and socio-economic environments, demobilization programmes have to be specifically tailored to each society. In some countries, some basic start up assistance has to be provided, such as facilitating the return of former combatants to their home communities, general health screenings and medical follow up for those individuals who have been identified with specific medical conditions or disorders, providing humanitarian packages

and/or handing in weapons. All demobilization programmes have to include the following key components:

Civic education: former soldiers will not have the support structure they became accustomed to in the armed forces. Civic education will brief them on the differences they can anticipate and how to develop their own support structure. This includes:

- a) rights and obligations as civilians in a democratic society
- b) rights and obligations with respect to voting and elections
- c) basic legal rights (including human rights)
- d) the structure of government and the roles of various government agencies and how to seek assistance and guidance from the local/national structures.

Comprehensive information/databases that allows to develop social, economic and educational profiles of each discharged soldier. This will serve as the basis to work with each discharged soldier through an extensive counselling process and jointly identify skills and interests that might be transferable to civilian life and/or develop alternate possibilities that would lead to gainful employment.

Identify and match reintegration needs with reintegration opportunities through individual assessments (for example through one on one counselling sessions)

Organize and conduct seminars dealing with reintegration issues common to former soldiers, offer advice and access to possible solutions towards reintegration and realistic opportunities (this is also about managing expectations)

Design of vocational training and capacity building activities for former soldiers, to include career development and job searching techniques, marketing existing skills and qualifications. This will assist former soldiers to identify:

- Skills that are marketable in the current economic climate,
- Training required to enhance existing skills or develop new ones,
- Income generating opportunities (including self employment) in agriculture and micro enterprise development.

Reintegration support through the promotion of employment and self employment, engaging the business community in both the private and public sector. This would include direct assistance with business research and planning, set up of small businesses and start up equipment, for those initiatives which have the potential to ensure self sustainability, make a distinct contribution to the economic rehabilitation and revitalization of their communities and generate additional employment. These activities must also support the general capacity building in the communities. The assistance of local businesses will facilitate confidence building among former soldiers and other community members, thereby promoting and empowering these individuals to deal with some of their basic reintegration problems.

Each of these components will have to support the needs of the business community and seek to enhance the direct participation of the local authorities and community structures including: self governance, community organization and civic participation. Adequate capacity building will ensure long lasting sustainability and continuity beyond the completion of any programme that directly supports this sector of the society.

This type of targeted measures will serve to effectively integrate former members of the armed forces into civilian life, minimizing disruptions in the process, lessening the burden that a newly unemployment sector of the population can cause to the general development of an emerging society, transforming challenges into opportunities for self development and making a long lasting contribution to the confidence building process in any developing society.



## SESSION II DISCUSSION PERIOD

**Ms. Nidia Casati**, *Head of Mission, International Organisation for Migration BiH*

I have a question for Mr. Paolo Borgna. You were talking about organised crime, particularly in Italy, and criminal networks, and the need for the police and the judiciary to share information in a prompt and efficient manner. Consequently, I would like to ask you what is your opinion concerning SECI?

**Mr. Paolo Borgna**, *Expert Working Table III, Stability Pact for South East Europe*

I think that SECI is an important initiative in the field. The role of SECI is operative, but I am not very familiar with the level of functioning of SECI. The little news that I have is that they will be able in the future to give an important contribution to the exchange of information. For example, I received some news from two of my colleagues working in Italy that there were programmes concerning fugitives hiding from justice and they managed to catch these fugitives thanks to the co-operation of SECI. So SECI's contribution could be a very operative contribution in this field. I think that in the future SECI could develop further work in this field.

**Ambassador Nedžad Hadzimusic**, *Ministry of Foreign Affairs of Bosnia and Herzegovina*

I believe that I am able to give an additional contribution to the answer given by Mr. Borgna regarding the engagement of SECI in the region. SECI is the avante garde of the Stability Pact in a way; it is the baby of the State Department's Ambassador Schifter, who still keeps an eye on SECI. It was an initiative launched at the end of 1996 and started its operational functioning in the following year. It attempts to bring some pragmatism in the region, in comparison with other initiatives, good initiatives, but too talkative. SECI is down-to-earth and links the countries of the region within a common project and interest. Dr. Busek, who was and still is the co-ordinator of SECI, explained that the initiative would continue, because there were rumours that SECI might be integrated with other initiatives in the region, and he stated that all initiatives were complimentary. The SECI centre in Bucharest has already achieved tangible results and probably will be the centre of the regional fight against corruption and the illicit trade of human beings. Consequently, it is a very good example of regional co-operation and the pride of the Stability Pact, because the Stability Pact adopted the centre as a regional product. Thank you.

**Mr. Paolo Borgna**, *Expert Working Table III, Stability Pact for South East Europe*

Please allow me to add some further information. I know that the SECI centre is currently developing an important agreement concerning the issue of witness protection. You are aware that witness protection is a crucial point for co-operation among countries and it is very important to guarantee protection, not only for witnesses but also for the relatives of the witnesses -

relatives who often live in countries other than the one where the witness is testifying. For example, often women in the field of prostitution who agree to testify and press charges against their recruiters and exploiters have left their countries of origin and their families are left exposed to the violence of the criminals. So it is very important to develop a witness protection system, a trans-border witness protection system. It is important to develop an agreement among the countries of the region, and also between the countries of the region and the countries of the European Union. Concerning co-operation in this field within the region, the SECI centre is doing a very good job at the moment. I have read this agreement and I think that it is a very useful tool within this field.

**Mr. Neset Muminagic**, *Federal Institute for Programming, FBiH Government, BiH*

First of all I would like to thank you as presenters because I have heard a number of useful things. Now I have a question to our chairman and all presenters. My question is whether all that we heard in your presentations stands as an objective limitation for Bosnia and Herzegovina's resources and development, because if we are going to develop our country without taking into account the reality we cannot talk about development. Bosnia and Herzegovina has its tendency towards development, but we know what are our limits and we know that you are eager to help us to eliminate all obstacles in our way.

**Mr. Kishore Mandhyan**, *Head of Liaison Office, UN Mission to Croatia*

Allow me to take a few seconds to respond from the perspective of my remarks. I am not an expert on organised crime, although I did work for three years in the police restructuring programme of the United Nations, in Mostar, Tuzla, Brcko, Bihac and also Sarajevo. My sense is that the issue of organised crime is objectively not just an issue for Bosnia and Herzegovina, it is a world-wide issue. It is an issue for West European countries and the United States of America; and if I dare say, even though I am a United Nations delegate, what we have seen happen within the accounting and corporate firms of the United States that that is also a form of organised crime. It just happens differently in different countries, it happens in my country, and the question is what is the ratio of organised crime in terms of its totality to the actual economy of the country? So, if you have a large economy and deep economy then organised crime is marginal. If you have organised crime that is outside the sphere of politics, it is going to continue. This is not new, it is historical.

Actually, there is a wonderful book by Professor Charles Tilley, a sociologist, called, "Coercion and Capital Formation in the State Formation Process of Modern Europe"; and basically he argues that in most societies while the state is being formed you have several criminals - all criminals break rules and accumulate wealth. Eventually a few criminals become more dominant than others then they try to buy legality and become the new elite. They run for parliament and start calling their 'thiefdoms' the state and incorporate them into the state.

My sense is that President Tudjman was very realistic when he said that he wanted to build the two hundred new families of Croatia. I think that this happens everywhere. Think of how the

Kennedys accumulated their wealth, the Vanderbergs, the Rockerfellers, and how they then became the state builders. One has to be very clear and frank about this. I only have to go back to my own India and when you look at the top ten estate holders of Bombay, billions of dollars, they are the ones who received land for free for collaboration with the British, at one penny an acre. This is the truth today and they are controlling politics. However, today they are also Members of Parliament, they are Ambassadors, and they have bought their positions and become the respectable elite.

This is a universal issue, so I do not think that in a historical process and dimension that we should be worried about it; except it requires the persistence of all just orientated people to expand the monopoly of the legitimate state against organised crime over a period of time. I think that SECI, the Stability Pact initiatives, and the various other initiatives are an exercise in that direction. I can provide that perspective. So, as long as that effort continues seriously, I think that you will win the game eventually. The issue is as to whether the effort objectively really exists and can it be sustainable. That, I think, is the question that the experts can respond to.

**Mr. Dario Carminati**, *UNHCR Representative in the Federal Republic of Yugoslavia*

I would like to add a few thoughts. If I understood correctly, the question was asking what is the price to be paid by civil society. In fact, I think that there is very little price if we achieve tomorrow the solution to the problem of refugees. In fact everyone stands to gain out of that. Talking about the legacy from the past, as I said, I think that if we receive a solution to the problem of refugees we will have come a long way. I had been working in the region at the time of the war in Bosnia and Herzegovina, and I have just recently come back and naturally I was very pleased to see a lot of developments. In just watching the three presidents meeting in Sarajevo was something that represents a sign of the improved co-operation. The improvement of co-operation also means burden sharing, burden sharing from the international community, but also within the region. So as I said, it is a very little price to be paid by civil society. We have also to solve the issue of refugee displacement, within the context the emerging civil society, economic prosperity, reform and co-operation. Thank you.

**Ambassador Bisera Turkovic**, *Centre for Security Studies, Bosnia and Herzegovina*

I would like to direct a question to Nidia Casati. Recently I was at a seminar in Budapest and a Romanian representative, when we discussing the issue of demobilised soldiers, mentioned that in Romania the state has establishing a building company in which were employed demobilised soldiers. So I was wondering if there are any thoughts to establish something similar in Bosnia and Herzegovina, perhaps at the state level, with the co-operation of the IOM and the Council of Ministers, towards rebuilding properties for refugees who are coming back.

**Ms. Nidia Casati**, *Head of Mission, International Organisation for Migration BiH*

So far in the discussion that we have had in both the Ministry of Defence of the Federation of Bosnia and Herzegovina and of the Republika Srpska there has been no mention or initiative of employing former soldiers in state companies or institutions. Actually, that was one of our original ideas and we thought that it could be appropriate. Consequently, instead of thinking of the public sector in that manner, we have gone through different activities that are not necessarily engaging soldiers in the private economy but in other sectors. For example, we are training and employing former soldiers as de-miners; we are training and employing former soldiers as fire-fighters; we are working with the Civil Protection Agency also to train and employ former soldiers that would work in areas related to natural disasters. So these are part of the public sector, but again the government itself does not employ them.

**Mr. Dario Carminati**, *UNHCR Representative in the Federal Republic of Yugoslavia*

I would just like to encourage you to obtain some documentation of other examples - for instance the example of Mozambique, where the issue of demobilised soldiers was very acute. So it might be interesting to obtain some literature of where you example was taking into consideration.

**Mr. Kishore Mandhyan**, *Head of Liaison Office, UN Mission to Croatia*

I would like to respond to the gentleman who raised the original question. I have just returned from India five days ago; and I would like to speak at a very human level. I looked out of my window and I saw slums in the city of Bombay where people are living, in shacks of tin and plastic, perhaps five or six million of them - half the city are living at less than one dollar per day. I do ask a fundamental question: why haven't they joined organised crime? Why is it that a little child picks up paper all day, in 45C heat, to earn one dollar a day? Why is it that another man does something different and equally laborious? It would be very easy for them to smuggle one thing or do another thing. It is because at the end of the day that they are human beings and have particular values that they abide by and they want to earn a just living. Therefore, I think that we should never forget that in fighting organised crime it is not only realising that witness protection programmes, police reform and judicial reform is important, but the creation of a value based society, of a society in which people feel that they must earn their living in the right way is actually the most long-term durable fight against organised crime. When I see that around my house, I say that these are human beings to be marvelled at. I am sure that there are hundreds of thousands like that in Bosnia and Herzegovina, in Croatia, who simply struggle, waiting for the day when the returns will come in the right way. Thank you.

**Mr. Anton-Ivan Siric**, *Ministry of Defence of the Federation of Bosnia and Herzegovina*

Thank you Mr. Chairman. I would also like to speak about demobilised soldiers and their integration into civil society, which is certainly a most important aspect of security in the case of Bosnia and Herzegovina. On three occasions we had three waves of the demobilisation of



soldiers from the end of the war up until now. In 1998, we had a conference after which we had a reduction for thirty percent, and also two other waves of reductions in 2000, and these reductions were followed by a pilot programme that was supported by the World Bank. This programme is still on-going; as you have already said in your presentation, it is designed in such a way as to professionalise the army, to re-orientate and train the soldiers together with other forms of education in order to reintegrate them into society. However, this pilot programme encompassed only about thirty percent of the soldiers who were demobilised; and on the other hand, it had a key obstacle. While designing the programme, maybe this was just a matter of neglect, the Army of the Federation was composed of people who had never been soldiers before, who had their own professions before, who worked in different companies, and who, by the force of circumstances, were mobilised as soldiers during the war. Therefore, this part was one of the serious obstacles to the implementation of the programme. We had an example of the reduction of soldiers who were given severance pay of several thousand Marks. So these are two approaches to the reduction of the professional army.

I would like to propose a question to Ms. Casati. Do you know of the case of the reduction in the army, and does your organisation plan to analyse the implementation of the two programmes? Primarily, due to the reason that we are still have to conduct further reductions; so, we should draw certain conclusions from these previous programmes in order to create a better third programme. So how do you assess the previous two programmes and do you plan to undertake something concerning this? Thank you.

**Ms. Nidia Casati**, *Head of Mission, International Organisation for Migration BiH*

Thank you for your question. I would like to clarify that the programme that I was talking about during my presentation is not connected with the World Bank programme that it is being financed by the Government of Bosnia and Herzegovina. I cannot speak about this programme because we have not had access to documentation, reports and results about the programme, just anecdotal information. With respect to the latest wave of demobilised soldiers that took place starting on 1 April 2002, the initiative that I was describing applies to this last wave of demobilisation. The approach that we have taken is different from others that were taken before. Basically, the soldiers have received a severance pay of ten thousand KMs, and some of these soldiers, up until now a third of those that have been demobilised from the Army of the Federation of BiH, have approached our organisation for assistance in making that transition to the civilian workforce.

Our programme is based not only on education and retraining, but also it is based on the fact that there is a lot of skills in the soldiers that can be easily transferred to civilian life if adequate and consistent guidance and advice is provided to each one of them. This is precisely what we are doing. In our programme we have a combination and we provide resources to the resources that the former soldiers already have in order to set them up with individual small enterprises, small businesses, or for those that want to work in the agriculture field with a viable business in that sense. So that is the main difference that we have in this concept of demobilisation. The results so far, maybe it is too early to say because we have just started two or three months ago, of the people that we have currently assisted are quite hopeful. We think that this is a formula that

might work. I would be able to tell you more as time passes, but this is what we have right at this moment.

**Ambassador Branislav Milinkovic**, *Permanent Mission of the FRY to the OSCE*

I am very grateful to all panellists for the very informative statements, and I also welcome this exchange of information because it provides us with the opportunity to learn more about these important issues. I feel that I should contribute with some recent updates from the OSCE perspective on some of those issues that we have discussed this afternoon. The first one concerns the trafficking of human beings. At the moment in the OSCE there is the implementation of the decision from the Bucharest Ministerial Meeting; there was the decision that the OSCE should try to do something more concerning the trafficking of human beings. In the area of exchanging information, especially exchanging legislation, at the moment all countries are completing a questionnaire of six questions on the different aspects of trafficking in human beings - starting from research, what they have done in the area to identify the problem, to exchange their legislation, and finally to explore possibilities for further co-operation.

So far, I think, at least half of the participating states have completed their informal questionnaires. That has been dealt with by the informal working group, chaired jointly by the Belgium and the Russian Federation. We do hope that for the next Ministerial Meeting we might produce something that the OSCE could use to contribute to this most important issue, which is actually occurring in the entire OSCE region - as we have countries of origin, transit and destination in this area.

On the issue of the return of refugees, again I would like to add something from the perspective of the OSCE, which is important for our region. There was an interesting development a year ago when the three heads of the OSCE Missions, namely in Bosnia and Herzegovina, Croatia, and Federal Republic of Yugoslavia, established some seven important principles for the return of refugees. This was important not only because they were endorsed by the Permanent Council, and by three respective delegations, but also because they are trying to create the common legal ground for this problem, where the jurisprudence from the Commission for Human Rights and the Human Rights Chamber in Bosnia and Herzegovina should be used in these cases of tenancy rights and occupancy rights in the other two countries.

Another thought is an example from Southern Serbia, and I would like to give you a personal observation regarding this. It is indeed understood in the OSCE as a very positive example of also the return of displaced persons, where a great majority of displaced ethnic Albanians from Southern Serbia have returned back, and it was precisely due to the efforts of the OSCE in the area of multi-ethnic police. I would like to say something as an anecdote. When that programme started to be implemented there was great suspicion concerning what would be the final results - were we going to have any ethnic Albanians as participants in the ethnic police programmes. Some very experienced Ambassadors in the OSCE asked me as to how many ethnic Albanians have actually applied for this programme, and to their surprise, perhaps to the surprise of all of us, in a very short time we had many more applicants that it was possible to have in the first

course. So I am giving you an example that positive changes are possible if we have the right conditions.

The final thought is that all of the issues that we have discussed today are part of the broader OSCE agenda of what is called "New Security Threats and Challenges of the 21<sup>st</sup> Century"; and there is an idea to prepare now in the coming months the OSCE strategy for the 21<sup>st</sup> Century. I know that it might sound too big to some people, and some would like to be critical, but I strongly believe that these are really the new threats and security challenges that we are all facing, because we have all passed these clear and easy perceptions of threats like we had during the Cold War. We have entered this new confusing security agenda with which precisely those issues are at the top of our agenda when we are discussing security threats and challenges in the time to come. Thank you.

**Mr. Kishore Mandhyan**, *Head of Liaison Office, UN Mission to Croatia*

I have one final thought, which is more at a philosophical level and it maybe totally incorrect but one feels like expressing oneself, on the relationship between demobilisation and the militarisation of society. When public and social attitudes, in the immediate aftermath of war, over-glorify a particular institution then there is a tendency for people to stick to that institution rather than to look for alternatives, even if they might exist in other social realms of society. I feel that the demilitarisation of society, the rhetoric of glorification, the rhetoric of, quote-unquote, having created the new state, has its limits, because what it does is that it pre-empts the emergence of the civilian command of the social realm. Two, it therefore does not facilitate the transition of careers from uniforms to non-uniform careers; in fact, it creates a particular sub-caste of a generation that wants to repeat recruitment into that particular institution.

Therefore, I think that it is very important, at a broad philosophical level and in the meta-discourse of the state of any particular society dealing with this issue at a broad level, that a proper balance be reached on the legitimisation and acknowledgement of different institutions in a society so that one is not considerably more rhetorically pre-eminent than another. However, this is just an expression. Thank you very much.



### **SESSION III**

**Ambassador Nedžad Hadžimusić, Ministry of Foreign Affairs of BiH**

**Mr. Robert Barić, Office of the President of the Republic of Croatia**

**Ambassador Branislav Milinković, Permanent Mission of the  
Federal Republic of Yugoslavia to the OSCE**

**Mr. Neset Muminagić, Federal Institute for Programming,  
Government of Federation of BiH**

**Mr. Duško Vejnović, University of Banja Luka**



**Mr. Robert Baric**, *Deputy Advisor for Defence and Military Issues*  
*Office of the President of the Republic of Croatia*

## **INFLUENCE OF ECONOMIC FACTORS ON THE SECURITY OF THE REPUBLIC OF CROATIA**

One of the most important changes that have happened in the post cold-war period was to redefine the concept of security. The experiences from the past decade have shown that in the new conditions of the cold-war limitations of security, exclusively to the military dimension, was too narrow and incomplete. The new concept of security can be seen in multiple disciplinary approaches to the mentioned topic, by crossing security with military, politics, culture, economy, demographics and environmental issues. Even if the economic factor was always a component of international security, during the period of the cold war, the security problem was mostly orientated to international relations on to the maintenance of a military balance between the two oppositions of the army-policy alliance; the economic factor was contemplated (examined) in the mentioned frames. The attempt to change this limited concept of security was present during the cold-war confrontation. In Europe, the Helsinki document from 1975 has brought to the security field, next to other factors, the economic one as well. The post cold-war period has brought a definite turning point; together with development of democracy and human rights, economic aspects have become a very important part of security.

There are numerous bonds between economic powers and national security of a certain state. That connection primarily can be seen in relation between economic powers and the possibility of the development of the defence system of a state. The dilemma that is constantly present is the issue of how, in the best possible way, to reconcile a request for the development of modern armed forces with economic capability of certain country. This issue is very important for the countries that have a long-term ambition to join NATO, which is the case of Croatia. The next summit in Prague will confirm the transformation trend of NATO from a system of collective defence to a system of collective and co-operative security. New threats – that is the proliferation of weapons for mass destruction, terrorism and organised crime – require new and different responses. In that context, from the countries that want to become members of NATO, it means that in the further development of their armed forces they will have to take care of the development of specific abilities, which NATO is going to require from future members. Consequently, for smaller countries, such as Croatia, this specialised development of the resources will mean placing emphasis on the development of specialist forces, the ability to move well smaller military units in operations outside NATO territory. At the same time, the development of the modern armed forces for the 21<sup>st</sup> Century means that in the mentioned framework of alterations the changes that bring the revolution in military activities (RMA) have to be taken care of, and which are complimentary to this specialisation.

Concerning the high price of the mentioned step, small countries will be required, most probably, specialisation and co-operation of a few countries on certain projects, because individually any separate country rarely has enough financial support for self-development of those projects. This mentioned specification is leading towards smaller armed forces and their greater professionalism, as well as technological modernisation. That is the result of swapping from organised armed forces, which has one exclusive task, territorial defence, towards a smaller and more flexible organisation that is suitable for the integration into NATO activities and for the performance of new types of missions. Concretely, that means that the Republic of Croatia primarily needs to develop functional competence with a team of experts, and developed capabilities to be involved in the activities of its armed forces, and then, in the long term enabling it to send regular troops into peace and other types of mission under NATO's leadership. This also includes a gradual involvement into new forces' activities for quick response of the European Union (EU) for realisation of St Petersburg's tasks.

This process can also contribute to security expansion and to the confidence in the region. It should not be forgotten that a part of the process of the restructuring of armed forces of a certain state with the aim to satisfy terms for membership of NATO, and the development of defence transparency, as well as security – is defence co-operation with neighbouring states.

Relatively quickly (in the near future) it can be expected that all countries from South East Europe will be in a certain way connected to NATO – either in the activities such as Partnership for Peace (PfP), or program MAP, or even as a NATO member. As a part of the mentioned trend, this strengthening of security co-operation is one of the necessary steps for normalisation of relations between the states in the region. In that way, transformation of the armed forces of all countries in South East Europe will not lead towards greater lack of confidence and possible arms race, but towards co-operation. In realisation of the mentioned aims, next to PfP and NATO, there are other mechanisms that can be used – i.e. OESS, Stability Pact, and the expansion of the CFE regime on all countries in the region.

In consideration of the fact that the main aim of external and security policy of the Republic of Croatia is joining European and Euro-Atlantic Integration, the question raised above has important implications on Croatian efforts to each reach NATO membership. At the present time, the Republic of Croatia is at the beginning of its first round of activities inside the MAP program, actually more intensive preparation for achieving the membership in the Alliance. That means that in front of us there is a question how to find a way for realisation of earlier mentioned goals, and all that in the difficult economic climate of Croatia. In regards to defence in the Republic of Croatia over the past few years, a new trend of cutting military costs is present. The highest defence budget was for the year 1995, when the military budget was 9.4% of gross domestic product (GDP): meanwhile, in the past six years the defence budget was dramatically reduced. This year's defence budget for the Republic of Croatia is US \$519 million, or 2.4% of GDP. In the next five to ten years, it has been planned to spend 2.2% GDP per annum on defence.

Can Croatia with the mentioned financial selection reach the ambitious plans to prepare itself for NATO membership? NATO itself is not regulating the level of the defence budget. However, the average selection in Europe is approximately 2% of GDP. That means, with this financial selection Croatia fits in the given average, and that level is in proportion with the present economic climate of Croatia. In the long term, Croatia will most probably need to raise its



defence budget, but that step needs to be based on Croatian economy strength. Preparation for NATO must not disrupt Croatian economic development, but it needs to create a situation where those preparations will strengthen the Croatian economy. For example, through maintaining a part of military industry, which was established during the war, and by connecting with the military industries of other states through co-operative projects in the field of keeping and developing of weapons. Economic development, together with scientific development, is today's basic development of any country, and with it directly its security.

Therefore, now with available means the Republic of Croatia needs to create conditions that will enable it to join NATO's activities. The key of its success for this hard work is in the change of the structure of defence costs, respectively cutting down the share of expenses, which nowadays are 70% down to 50% in the next two to three years, which can be reached only if the number of armed forces is reduced. That issue is the key of success for defence reform in Croatia, because without those changes it will not be possible later to achieve more detailed restructuring and technological modernisation of the armed forces. Still, without the economical development, which needs to create new employment positions, it will not be possible to reduce the number of Croatian military forces. Therefore, the economic factor is unavoidable in any attempt of the reform of the security sector, not only in Croatia, but in other states in the region as well.

However, in spite of not small importance, which is present today, past consideration of the connection between economic power and of the security system of one state can be placed under a category of traditional examination of security. Nevertheless, as I have emphasised at the beginning of this presentation, in the post cold war period of security, and especially in connection of economy and security, this cannot, any longer, be an issue of reform of the security sector of one state. Economic aspects of security, together with social and ecological dimension of security nowadays has an influence on the relationships between all states in the region – by improving economic, social and ecological conditions in every region it is possible to eliminate structural examples of possible future conflicts in this region. Further, this can be realised only by cooperation of the states in the mentioned region, which will again stimulate re-establishment of a mechanism for possible peaceful problem solving in this region.

Next to social, large difference in economic development, that are present between the countries in the region, are the main structural causes of the crises. Consequently, reduction of poverty represents one of the key ways to reach development that is directed towards creation of crises prevention. Practically, it means that promotion of economic growth, creation of new employment spaces, and stabilisation of finance sector of the countries in the region. Economic re-establishment and growth represents the primer factor for reach of internal stability of one country, as well as peaceful relations with the neighbours.

However, as a result of the conflict that has happened in the past decade the states of the region cannot independently resolve development issues – significant involvement of the international community is needed. In South East Europe it can be seen that the progress in the process of political and economic transition are very uneven – some countries are easily moving forward, some others are staying behind, and generally the whole region in transition is falling behind the rest of Central Europe. The best indicator of this lagging is the average GDP, which for the states of the region is one quarter in comparison to the GDP of the EU. For comparison, between

countries in Central Europe that average is 50% to 70% of the average of the EU. Economic decline is in combination with high levels of unemployment, between the countries in the region creating ideal conditions for the development of so-called soft security threats – such as organised crime, terrorism and illegal migration. Unfortunately, help given so far to the states in the region by external factors, primarily by the EU, has shown that it is inadequate for the start of the necessary reform which is needed in order to reach long term stability in the region.

If the change of the mentioned situation does not come soon, the states of the region could fall into a closed circle from which they would not be able to get out, without co-ordination and external help. Even if in most of South East Europe the process of democratisation has been re-established, government institutions are often too weak (in some cases only existing on paper), to be able to secure efficacious implementation of specific economic policy. That leads to a decline of the economy, with interruption of the credibility of the country, internally and externally. As a final result, in consequence of growth of economic problems, it is possible that growth of authoritarian forces are jeopardising the achieved democratic development. If this event spreads in one or more states in the region, it will unavoidably bring the interruption to the weak stability and security of the whole region of South East Europe. That situation, with the increase of classic security threats (actually growth of possible conflict between the states in the region) will have a negative effect on the economic co-operation as well: unavoidably it will lead to a disturbance of the states in the region, which will have a negative effect on the economic integration of the whole region with the EU. However, strengthening economic co-operation in the region, as well as linking with the EU is the key pre-condition not only for the reduction of possible new conflicts between states, but also for the creation of fundamentals for successful fights against soft security threats. Economic co-operation and interdependence can only indicate co-operation between the states in the region and on other aspects, especially security. Just the combination of the further democratic and economic development can eliminate internal sources of the states in the region. Internal sources of instability, either organised crime or ethnic unrest, over time they can lead to the kind of deterioration of the security situation that cannot include the possibility of armed conflict between individual states in the region. In that, case the overflow stability in the neighbouring state would follow, through refugee crisis and interruption of the economic co-operation in the region. Present events in crisis regions, shows that sort of development of events cannot be completely excluded. That is mentioned in the strategy of the national security of the Republic of Croatia not long ago as one of the primer sources of possible jeopardy of stability in the region.

Therefore, the connection of economic factors and security in this region from one side is a classical connection of economic strength of one country and its system of national security, which is mentioned at the beginning of the text. This fact cannot be ignored because it has a big influence on the area of the development of the civilian-military relations and democratic control of armed forces in one country. On the other hand, through the development of defence transparency it facilitates re-establishment of measures for building trust and with its security – defence co-operation between the countries in the region (especially through possible reduction in size and number of armed forces in the states). All that can significantly help in restructuring armed forces of the Republic of Croatia, and with it in Croatian preparation for membership of NATO, because the mentioned factors are key requirements for meeting membership of NATO.

However, even in this way a significant development can be reached in the area of classic “hard” security and invigoration strengthening trust measures between the states in the region, this does not secure permanent stability in the whole region of South East Europe, especially the region of the Former Yugoslavia. Just stimulating the economic development in the states of the region, in combination with fair distribution of income it can strengthen peace and stability in the region. The only way of reaching this aim is economic co-operation inside South East Europe, and in the long term, integration of the whole region with the EU. A significant step in this direction is also the increase of mutual trade between the states in the region. In that case, without development of mentioned economic basis of security, will not be possible to reach stabilisation of the whole region.

On the way for reaching its aims there are many obstructions, some of them are placed inside the states of the region, actually their political and economic problems. Still, for success stimulating economic co-operation, greater and more organised engagement of external factors is needed, and especially international financing organisations and the EU. Especially it is important to avoid placing the whole region in some sort of isolation, with the aim to force the states in the region to firstly solve its political and economic problems and then together to gain membership of NATO and the EU. This approach will only lead to the extension of instability in this region. These ideas must be replaced organised and constant involvement of external factors, primarily the EU, in solving the mentioned economic and security problems. The Republic of Croatia is already giving full support to the efforts in the field of economic and security stabilisation in the region, and it will continue to do so in the future, because it is the most secure way for Croatian entrance to the EU and Euro-Atlantic integration process, and reaching full stability and economic prosperity of the region of South East Europe.



**Ambassador Branislav Milinkovic**, *Head of Mission*  
*Permanent Mission of the Federal Republic of Yugoslavia to the OSCE*

**THE FUTURE IMPACT OF THE ECONOMY ON THE SECURITY ENVIRONMENT  
IN SERBIA AND MONTENEGRO**

Thank you very much Mr. Chairman for your kind introduction. First of all, I would like to extend my thanks to General Zappulla and Ambassador Turkovic for inviting me to participate at this very interesting seminar.

1. I shall start with the observation that was made by Ambassador Hadzimusic yesterday, namely, the distinct and special feature of the OSCE - its comprehensive approach to security. The OSCE is the unique international organisation that had been reminding us for quite some time that security could and should not be reduced merely to its military component. I strongly believe that this is one of the key contributions and assets of the OSCE, both during the Cold War and beyond. How senseless was it to reduce the security concept to its military component only, one could clearly see if we recall the concept of so called overkill capacity. This concept used to stand for a kind of proportion showing how many times one block could destroy the other one. If you reduce the security concept to the military only, you end up with such a senseless approach. It was the OSCE that understood and realised that the security concept is much broader and should contain human dimensions and also economic aspects, which are gaining more importance.

In the OSCE we see more and more efforts to strengthen its economic dimension and to explore the possibilities how to eliminate economic threats to security. I strongly support especially those ideas that relate to the promotion of the investment climate, and creating conditions where the rule of law must prevail in order to enable investments.

2. National security environment first needs to be defined. From the OSCE perspective, this should be reflected in the documents such as national military doctrine, national defence planning and structured security policy. Preparation of these documents is one of the tasks that is still ahead of us in the FRY. We need solid analysis of the security threats in the new circumstances. This is due to the fact that the country is in the early transition phase and is still working on its key security documents in this area. At the same time, FRY has openly expressed its will to join Partnership for Peace programme.

It goes without saying that for the future of Serbia and Montenegro the economy is very important, also in the current negotiations and discussions on the constitutional reconstruction of the state. Different perceptions exist in Belgrade and in Podgorica on various issues such as legislation covering relevant economic issues, national currency or tax system. All those issues are in the process of being harmonised and clarified. The agreement between the two Ministers of Finance in Serbia and Montenegro was very important.

Developments in the Serbian province of Kosovo are in the area of absolute key security concerns. At the moment the province is under the UN administration in accordance with the Security Council Resolution 1244. It is still huge and challenging task to start a dialogue. New leadership in Belgrade is from the very beginning open for this dialogue, while we still wait leaders in Pristina to positively react. Economic aspect of this process is very relevant. I believe that this dialogue should be organised in such a way that it would deal with practical issues related to the economic aspects, such as infrastructure, organized crime or regional energy networks.

Southern Serbia, which was also mentioned in our discussions yesterday, is a very positive example of reducing considerable security threat in the region. We had an example of good co-operation of international organizations: NATO provided 'hard' security when assisted our forces to enter so called ground safety zone, while the OSCE contributed to the 'soft' security in establishing confidence and security building measures at a local level. The entire process of the normalisation in southern Serbia was completed by the successful conduct of the local elections in Summer 2002. On the economic side, the European Union is present in the region with its financial assistance to promote inter-ethnic reconciliation through concrete projects.

Let me say a few words about the reform of the Yugoslav army. I have already mentioned that there is a clear aspiration on the side of the Yugoslav authorities to join the Partnership for Peace Programme. Currently, it is being discussed that the total number of ground troops should be reduced from 80.000 to 65.000. Naturally, this problem is closely related to the issues that we discussed yesterday in regard to demobilisation, integration and training of the former military personnel.

Finally, on perception of the 'hard' security issues let me mention something that was said yesterday by Professor Jelusic - that wars are usually situations when our security threats have been conceptualised. She said that it was so called ten-days war that created the perception of the security threat in Slovenia. I suppose that all of us have similar experiences in our societies when wars created our security perceptions. What would be the perception of the Serbian public in this regard? There are two possible aspects. Definitely, NATO air strikes in 1999 contributed very much to our perception of the security threat. What are the lessons that public drew from that security situation? The first one is that you should not end up with a leader that confronts you with the entire international community. Nevertheless, the second one is that the country was subjected to a kind of double-standard treatment. If you would like to insert the economic component into these thinking, I might add the need for the reconstruction of destroyed infrastructure. Another part of the prevailing perception of the public, which relates to war is, of course, the image of refugees and internally displaced persons. Let me underline that FRY has the biggest number of refugees in Europe, something that also bears significant economic implications.

When it comes to the issue of new security threats and challenges, issues such as organised crime, terrorism, drug and human trafficking or environmental risks, this is an area where we still need some serious thinking to do in the FRY. However, terrorism is a threat that first comes to

our minds, since the country was subjected to terrorist attacks in Kosovo province and in southern Serbia.

3. Now I shall try to move to the broader picture of regional issues and the regional approach, which is very much present in the thinking in Belgrade. This refers to the broader security environment, not only within Serbia and Montenegro, but also within the region. Let me start by mentioning bilateral relations with neighbouring countries. It is an absolute priority of the new government to try to do everything possible to improve and strengthen bilateral relations with neighbouring countries, especially with the countries of the former Yugoslavia. I shall not go into details regarding the bilateral relations with Croatia and Slovenia, which are progressing very well. With Slovenia there are no open issues. With Croatia all issues that are still sensitive and open are being dealt very carefully - be it the position of Serb minority in Croatia, the return of refugees or border issues.

When it comes to Bosnia and Herzegovina, I am extremely pleased to observe an excellent progress in bilateral relations in the last one and a half year. Diplomatic relations have been established. Parliamentary delegations and representatives of the business community have exchanged visits and this is very important also because of the complimentary nature of two economies. From an institutional point of view, the Inter-State Council has been established.

I would also like to bring into broader picture something for which General Zappulla deserves our full appreciation: the process in relation to the Article IV of DPA. We managed to achieve the increased sense of the regional ownership of this process by our decision, on the initiative of Croatia, that we should hold the meetings of our Sub-regional Commission in our respective capitals. So we are also happy that the first one in this series was held in Belgrade earlier this year and that subsequent meetings are taking place in Zagreb, Sarajevo and Banja Luka.

The regional perception in Belgrade is very strong and regional integration is a key priority from our point of view. We have democratic governments all over the region and we have clear foreign policy objectives aiming to the European integration. This is our starting point when we discuss regional co-operation. It should not be regarded in a competitive manner. When we look to Southeast Europe as a region, every success, every possible achievement of every individual country, is actually a success for the entire region. For instance, the accession of Bosnia and Herzegovina to the Council of Europe is also success for us all.

The first economic results after two years of the new government in Belgrade show that economic transition is going well. Our macroeconomic parameters are good. We have monetary stability, controllable inflation, we have started solid reform of our banking system, and there is a well-balanced budget since the new government came into power. At the same time we very much understand the dilemma that was yesterday presented by Minister Domazet, when he talked about Bosnia and Herzegovina, that all those macroeconomic parameters are not sufficient for economic growth. We need investments. What is of critical importance is something that was underlined yesterday by Mr. Temsch - the strengthening of the rule of law.

It is very important that for our regional co-operation economic infrastructure is there, due to the fact that we also belong to the joint economic space. I see that the growing readiness to intensify

regional co-operation - both in economic terms and in some other terms as well - without groundless fears or suspicions that it is an attempt to recreate the former Yugoslavia.

As you all know we have plenty of regional initiatives to speed up and enhance our co-operation. We have the Stability Pact and other initiatives such as CEI, SECI, CEFTA, Adriatic Ionian Initiative - to mention just the well-known ones. Strengthening the South East European Co-operation Process (SEECP), because it is genuinely internally driven is a very important task. The Stability Pact recognizes this Process as the genuine voice of the region. At the moment the Federal Republic of Yugoslavia is chairing this process and Bosnia and Herzegovina will undertake this role next year. Priorities of the Yugoslav chairmanship of SEECP are very much relevant to the topic that we are discussing during this seminar: free trade, strengthening of regional energy networks, traffic, telecommunications and infrastructure and, finally, fighting organised crime.

The final point that I would like to make is the issue of the Stabilisation and Association Processes of the European Union. This is the key political process for the region itself in its efforts to join European integration. All of our countries are involved, but on different levels. Croatia and Macedonia have already signed SA agreements. It seems to me that European Union, when it looks at those five countries, increasingly considers how to utilise the presence of the OSCE in order to speed up efforts towards the Stabilisation and Association Process. I believe that this is a path worth pursuing, since the objectives, both of the OSCE presence in these countries and the Stabilisation and Association Process, are complementary and mutually reinforcing. This kind of synergy should be further explored.

I thank you for your attention.



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Government of the Federation of Bosnia and Herzegovina, BiH*

## **ECONOMIC PERSPECTIVE OF THE FEDERATION OF BOSNIA AND HERZEGOVINA**

I would like to greet you in the name of the President of the Government of the Federation of Bosnia and Herzegovina (FBiH), Alija Behman, who I have the honour of representing at this honoured gathering. My current impressions of this seminar are really high and I would like to thank all of those that organised this seminar, above all General Zappulla, Mrs. Turkovic, and all those others that have very successfully realised this project. I have been impressed by the many expressed aspects that affect security, among others also the economy as a system that exists in every society and can significantly contribute to the security of a society, but certainly it could also jeopardise that security.

Now it is completely certain that Bosnia and Herzegovina finally is a state community that has a clearly defined constitutional-legal framework. Annex IV of the Dayton Peace Agreement has been implemented in full. The State has made the constituent peoples and others, while the Parliamentary Assembly has still yet to adopt the Law on National Minorities. I hope that after the October elections all of the constitutional changes that the High Representative, Wolfgang Petritsch, made shall be fully implemented, at a state and all other levels of the community. This means that the peoples of BiH are constituent peoples and as such are represented in the legislative, executive and judicial authorities. An example of this is that in the Federation of BiH, in both parliamentary chambers, sit representatives of Bosniacs, Croats, Serbs and at least two places for 'others'. This shall also occur in both the executive and judicial authorities. Much effort has been invested in the implementation of the BiH Constitution in its entities and in lower organisational groups. However, there remains the problem of the final implementation of Annexes V to IX. Some of these parts have been implemented, for example Annex V and IX. I am speaking optimistically here, for me in a legal and constitutional sense towards a completed fact. There still exists some kinds of division, but these are more in people's heads and represent an internal problem and not a problem of the environment.

Now I would like to present some data that does not refer to the state level, rather it relates to the FBiH, which also is representative of our problem. In 1991, BiH had a population of 4,330,000. After Dayton, BiH according to the latest statistical indicators has a population of around four million. The difference represents a loss of the population, without consideration as to whether these people were killed or permanently moved, which for BiH as a small country represents a dreadful loss. This needs to be a large warning for the future. Nobody is anymore allowed to play with weapons, because the example of Bosnia shows how its own population was decimated. Evaluations are that in 1991 today's territory of the FBiH had a population of around 2,757,000. The evaluation of the number of people in 2001 totalled 2,312,000. This difference is accounted for by the citizens there were killed, fatally injured, disappeared or who have nevertheless

permanently moved from BiH. These figures shall be specified in exact terms in the coming years.

The current structure of the FBiH according to age is the following: children up to 14 years - 21%, from 15 - 64 years - 68,5%, 65 years are older - 10,5%. The population of BiH is old with consideration that similar data could be supposed for the Republika Srpska. The state must have the youth in order to have a future.

Annex VII of the Dayton Peace Agreement is in the process of implementation, admittedly slowly, especially for Bosniacs and the peoples of Herzegovina, but completely well when it is considered from the side of international officials. From 1996 to June 2002 the number of returnees was intensive at the beginning, and then gradually fell, which is logical. In that period we noted a loss of population - due to the fact that they were employed abroad and consequently did not return. These people were mostly from the younger population. However, I cannot only speak about the negative aspects of that because possibly some positive aspects also exist. Our younger generation has integrated itself in the world, accepted the standards of life of this world, and we also wish to introduce higher standards here.

As far as the national structure of BiH is concerned, it is the same as the pre-war condition - respectively the largest numbers are Bosniacs, Serbs, and then Croats. From our organisational-political units, which are cantonal and district, we also have a view of displaced persons and refugees. The largest concentration of displaced persons and refugees are in Sarajevo, Tuzla, Mostar and Gorazde. Gradually that situation has stabilised. The current obstructions are transient because this process shall last all the while we do not implement what we have planned in our legal-constitutional system.

The war resulted with difficult consequences, such as a higher level of invalids and also we must care for the young people of the country. In truth, we must financially resolve their status. In the Federation of BiH more than 100,000 veterans and invalids are registered. Monthly in the Federation of BiH we give out twenty three million KM, and that is a large burden for the budget.

Besides all of the above difficulties, the situation in the economy has stabilised. Yesterday I spoke with Mr. Domazet, the BiH Minister of the Treasury, concerning the validity of our statistics and I strongly stand by the viewpoint that those statistics are reliable. This economy has a future, insofar as we would change the manner of thinking concerning its organisation and functioning. I am absolutely aware that recidivists from the past are still present also in the manner of thinking, but we need to gradually weaken them.

In the period from 1999 to 2001, I have seen a gradual growth in all production. The basic factor of this growth is the production of energy, which has reached a maximum point. Even one part of that energy is being exported. At the same time, alternative sources of energy are being searched for, which the local population uses (energy of the sun, wind, etc). In the same manner, when you come to Luka Ploce in Croatia you can see that all of the port terminals are full. These are all the produce of Bosnia and Herzegovina (building material, wood, coal, and aluminium). This means that the positive changes in BiH are felt in Croatia. The export of mineral raw materials, for

example granite, is rising. I am speaking to you about the expansion of production in BiH. The RS has the same tendency and the joint effects are surely higher than statistics show.

Bosnia and Herzegovina has many imports. The statistical change for the first six months of 2002 show that the number exports amount to 26,6% in relation to imports. Our new evaluation shows that this amount has moved to around 34,4%, and at the end of this year we expect this figure to be around 40%. These are large and significant shifts. The exchange of goods from the FBiH, as well as the whole of BiH, with the countries of this region has grown from year to year, and that is something with which we can be satisfied. Imports have reduced by 8%, which is significant for financial stability and the stability of production. However, besides this, imports from the countries of the EU are significant and amount to 957 million KM, which is 38% of the entire imports of the FBiH.

From the exchange of goods of the FBiH with countries abroad, the strongest countries are seen to be Italy, Croatia, Slovenia and Germany, and I can inform you that really good economic relations exist. Exports in the FBiH are not concentrated in one place. Every canton in the Federation has something to export, which is a very good. We opened the process of development in the whole territory of the Federation, and when must finish this in the whole territory of BiH. Imports are a counterpart to that because exchanges cannot be executed only on one side. In order for us to improve production, in accordance with the standards of the market of Western Europe, we would have to import some components.

The largest weakness of BiH is its unemployment. Statistical indicators show according to the information of the Bureau of Unemployment that there are around 282,000 unemployed persons in the FBiH. However, all unemployed people certainly are not registered in the Bureau, but there are also those that are somehow employed yet nevertheless are registered with the Bureau. If we were to update all data, the FBiH, according to my opinion, would have a much higher employment figure. In the field of the unregistered economy it is evaluated that there is around 80% of the total number who are formally employed. I think that somewhere between 150,000 - 200,000 people that are registered as unemployed are in reality employed.

Employment depends on the size of the territory, development, the capacity of production, and transport. The concentration of unemployment is the largest in undeveloped areas. The level of unemployment is balanced between the cantons. We have directed many resources to the stimulation of employment, but these resources are inadequately spent through the Bureau of Employment. Naturally the average net pay defines the level of development of each area. In the Federation of BiH there exists the growing trend of wages, which is in accordance with the development of the market and the requests of the IMF. On the basis of these indicators you can see that a large effort has been invested in the stabilisation of the situation and formation of real conditions for development.

The average net wage in cantons differs. The largest net wage is in Sarajevo canton, then in Hercegovacko-Neretvanski canton, then in Zenicko-dobojski canton. The average expenditure of each group follows the net income, and in an economic sense that is good. Prices are low in BiH and are stable without any large fluctuation. Especially inflation is not present in the country. All of this has been realised alongside the assistance of international financial institutions.

Dr. Domazet spoke to you concerning the structure of the banking sector. The latest data shows that the banking system is fully stabilised. From the total capital of banks, 17% relates to the State Bank and 83% relates to private banks. This satisfactorily shows that in the future our banking system shall be able to function very well. Data shows us that savings have grown, which also shows the growth in confidence in banks and the banking system. Saving in BiH today totals 1,302 billion KM, which represents an exceptional amount.

Public revenues in the FBiH total 1,559,376 KM, but that figure could be higher. However, due to fraud, especially relating to tax, the budget is formed on that amount. The budget of the FBiH created a deficit in the amount of 121,27 million KM, which is covered in good part by long-term credit and borrowing. The deficit in large merit has continued, due to the financing of the armed forces.

In order to realise positive changes in the economic system it is necessary to reform the education system. In this government period we have not succeeded to the end to implement all education system strategies - due to the fact that we have higher levels and more separations of the education system. However, this remains our priority in the future. Education in BiH has to be based on the standards of European education systems.

The unregistered economy in BiH is very much present and negatively influences the economic system. The evaluations of international financial institutions and experts from BiH have led to the conclusion that the GDP in the FBiH due to the grey unregistered economy is reduced by 45%. In the Republika Srpska, due to the influence of the grey economy GDP is reduced by 50%. In the FBiH, due to the grey economy, GDP is between 1,400 to 1,500\$ per capita. Due to these factors we must very carefully pay attention.

In order that the economy would be adequately organised, the Parliament and the Government of the FBiH must jointly act, through measures for combating criminals and terrorism. The entire structure of authority has been altered and ordered in order to effectively act towards the reduction of the unregistered economy. In tandem with this, measures have also been executed in the support of the registered economy. Imagine how the FBiH and RS would look if they employed twice as many people.

Security in BiH rests on the economy. The government is doing everything to break down the obstructions of our personal disorganisation, to execute legal consolidation, to maximally protect human and citizens rights, and to integrate the economic space. At the same time, they also want to reduce the evasion of taxes, which is in essence corruption. If we do not succeed in these protection measures, criminals and terrorism shall be present in BiH. Thank you very much.

**Dr. Dusko Vejnovic**  
*University of Banja Luka*

**SOME ASPECTS OF POLITICAL CULTURE, CULTURE OF DIALOGUE,  
TOLERANCE, DEMOCRACY AND ETHNIC RELATIONS IN BOSNIA AND  
HERZEGOVINA**

Without any tendency to widely present the aforementioned issues, and having in mind that Bosnia and Herzegovina is about to have its parliamentary elections in twenty days, I shall emphasize some of the concluding points and suggestions for the improvement of the situation in Bosnia and Herzegovina.

1. Political (national) and cultural (religious) *divisions* are recognisable distinctions of Bosnia and Herzegovina and they represent a serious problem for the creation of civil society over a longer period of time. Our history has been military and diplomatic, not economic and cultural. Here one has to do without a friend, but one cannot do without an enemy, because either an internal or external enemy is used as the principle of integration. National heroes and national identities in Bosnia and Herzegovina are always given prominence, whereas principles of democracy are neglected, which results not only from internal divisions, but also from the policy of great powers (the Ottoman Empire, Venice, the Hapsburg Dynasty), whose principle of conduct has always been *divide et impera* (divide, then rule). The primary characteristics of political culture in Bosnia and Herzegovina are provincialism, patriarchal mentality and mistrust of anything and anyone different. A low level of education of the population of Bosnia and Herzegovina has been a constantly present factor, regardless of political changes.
2. Political socialisation is the process of shaping and passing political culture (symbols, values, norms, rules, experiences, knowledge, skills – political memory) on new generations. This process has to be initiated at an early age, if the society and the whole country of Bosnia and Herzegovina wishes to be open, democratic and stable in the upcoming period. The function of political socialisation is to maintain, strengthen and keep stable the political system – to reach a consensus on key issues (compliance with legally elected authorities). In Bosnia and Herzegovina a number of generations grew up and matured in an authoritarian political culture, and it is quite hard to expect these generations of people to switch over to democratic thinking, beliefs and behaviour, as we are dealing with a completely different set of values and norms. The primary factor (family) and secondary factors (school, peers, political parties, mass-media, etc.) of political socialisation will have to work actively in order to achieve this transformation from tribal to democratic society in Bosnia and Herzegovina – from particular and specific towards universal norms. However, if we observe the current behaviour and activities of these factors (the mass-media, for example), we could not possibly conclude they are on the way of achieving these tasks.

The three ruling cliques in Bosnia and Herzegovina (the so-called elites) shape the public opinion in accordance with their own needs: holding a privileged position in or a monopoly of the media means having all the political public support for oneself! The public opinion is no longer taken into account or considered, it is created: the picture of reality created by the media replaces the reality itself! Those who have power and authority, who have access to information and are acquainted with persuasion techniques, they can persuade anyone to think, believe or do anything.

3. If politics used to be defined as the wisdom of governance over people and things for the purpose of creating and accomplishing the utmost values (truth, justice, freedom, sacredness of life, etc.), then today it is defined as a bloody and relentless struggle among social groups and individuals to conquer, preserve and enhance power, authority and other benefits that accompany it. The nature of politics in Bosnia and Herzegovina is such that it is essentially a fight that focuses on the division and control of social power – politics is drama. The philosopher who defined the will for power said: the time has come to rethink what politics is all about, since as it is here now, it has turned into a meeting place of all mental disorders. There are enough reasons to claim that extremely powerful mythical and heathen beliefs still exist in Bosnia and Herzegovina, which, as a rule, revive every time there is a political and social crisis. Every time these critical situations repeat, these mythical and pagan patterns are renewed. In such situations a saviour is looked for, not an instructor or a mentor: there is always a chance for a charismatic leader whenever it is not possible to find a rational solution for a crisis, as has been the case in Bosnia and Herzegovina.
4. Those states whose foundations lie on national cultures (the case with Bosnia and Herzegovina) can fit only with a lot of difficulty in the new world order, characterised by universal values, norms and rules of conduct. As for this region, the region of Bosnia and Herzegovina, it can freely be said that the people here are separated by what they have in common: their common origin, customs, institutions, language, etc. We have had substantial experience of the illogical fact that three nations (Serbs, Croats and Bosniacs - Muslims) share the same language, as over 90 percent of the words are the same, with only a few percent being different. Intolerance and hatred are not provoked by big distinctions, but those small ones, and psychologists are fully right when they speak about “the narcissism of small nations” – where each tribe wants to be a nation.

Despite all social differences among the individuals of one nation, the nation is considered a close, helpful, “brotherly” community: all equalities are erased in the national conscience in the name of national unity! This effect is achieved through a cunning manipulation of political symbols (flag, coat of arms, hymn, mythical heroes, etc.), as myth provides a personal identity and collective identification with a community (national, religious, etc.): it answers the question of who

I am and where my position rests in the structure of society. Any community based on national myths defies change: identity and change do not go together. These closed patterns of archaic spirit are certainly an obstacle to broader integrative processes and tolerance between the three nations and their cultures in Bosnia and Herzegovina: instead of democratic negotiations and co-existence, each individual nation emphasises its own tradition of fighting

for freedom and its national heroes. Law regulates the fear of the quick; myths regulate the fear of the dead – the dead as moral policemen of society.

Democracy is learnt in Bosnia and Herzegovina, as the people have no experience of democratic forms of thinking, believing and decision-making: the process underway in the country is the transformation from the rule of a single will (the self-will or despotism of one leader) to the rule of law. In other words, the rule of fear is slowly replaced by the rule of law. This is a difficult and slow process, as the tribal conscience and way of living in this region can be raised to the level of universal values, norms and rules of conduct with difficulty. If Christianity and Islam as universal religions have not succeeded in eradicating this pagan way of thinking and action over the centuries, then we cannot hope that we will have more success in it in near future.

5. The people in Bosnia and Herzegovina are facing a very important and difficult task. We have to learn and practise the skill of dialogue and tolerance, as all our trouble results from the fact that we do not know how to communicate with one another. Only through education targeting on dialogue and tolerance can we attain the kind of conscience that a different individual and a different culture are our supplements, not our hell. An intolerant person cannot be a modern, advanced and progressive person: such people have not come of age yet! In order to achieve that, they have to pay attention to and be aware of the different voices heard today and different ways of expression, as only through that they have a chance to compare, choose and create. A way of thinking and living that truly fosters dialogue would lead to a situation where we would have no dogmatists among thinkers, no fanatics among believers, and no tyrants among politicians.
6. The history of any religion shows and proves that since the beginning of time, there have been different forms of worship and that all these forms have satisfied individual and collective needs and desires of worshippers. It was only when one form of worship was proclaimed the official system (e.g., Christianity in the old Roman Empire) that all its other manifestations started being considered a deviation from true believing – heresy (mystics, monks, heretics, schismatics, etc.). In those countries where the state is separate from the church/religion, the law on religious communities treats all religious groups as equal. However, the special character of the Islamic community (or mind) is such that religious and legal norms (prescribed by the state) are the same (shari'ah).
7. The greatest truths and vilest lies can be expressed in words. Today words have become a weapon – language and speech is a battlefield for power and authority. The relationships between the three political communities in Bosnia and Herzegovina are reflected in the language and speech like in some kind of mirror. Those are words that leave visible consequences behind them: there are unpleasant, poisonous and lethal words which have a tremendous effect on the human soul and collective memory. All the diseases of these communities, and also of Bosnia and Herzegovina, are first seen in language and speech – if language and speech are sick, then individuals and communities are sick too. An old Chinese sage used to warn: when a language becomes spoilt, the people also become spoilt! Sick language and speech always precede sick societies: first dungeons, first crimes and first graves are prepared in language and speech. First mines are linguistic mines. The people of

Bosnia and Herzegovina are hardly aware of all the diseases that the shortsighted policy has brought in the language and speech.

8. It is known that society is not the same as state. Wishes, needs and interests of one society are always broader and deeper than the power of the state to satisfy them through its institutions. Therefore, it should not be surprising that a great deal of social life takes place outside the system of state institutions. Non-governmental organisations in Bosnia and Herzegovina should engage in the protection of society against the state, i.e., they should prove constantly that political life takes place in the form of interpersonal relations among people, not just among institutions – that this free space of living should be protected from state control and compulsion.
  
9. In our research of the public opinion<sup>1</sup>, which included students from Banja Luka, Mostar and Bihac, we asked these questions: What is your opinion of the situation regarding the following matters: political culture, political tradition, and political socialisation, political symbols and political myths, democracy and inter-ethnic relationships in Bosnia and Herzegovina, culture of dialogue and tolerance in Bosnia and Herzegovina, congregations and sects in Bosnia and Herzegovina, language of hatred and linguistic manipulations, and the role of non-governmental organisations in the democratisation process in Bosnia and Herzegovina? The results we obtained are presented in the following chart:

%	Excellent	Good	Bad
Political culture	2.33	27.25	70.42
Political tradition and political socialisation	2.82	28.17	69.01
Political symbols and political myths	11.27	43.66	45.07
Democracy and inter-ethnic relationships	4.23	21.13	74.64
Culture of dialogue and tolerance	4.22	28.17	67.61
Congregations and sects	12.68	53.52	33.80
Language of hatred and linguistic manipulations	28.17	33.80	38.03
Role of non-governmental organisations in democratisation	19.72	56.34	23.94

<sup>1</sup> In this research we used a multiple-choice questionnaire with eight questions. The students were asked to answer in writing by encircling one of the offered choices. A total of 728 students were questioned (312 in Banja Luka, 286 in Mostar and 130 in Bihac). The choice of students was random in terms of their ethnicity, but in principle the ethnicity pattern of the participants reflects the ethnic structure of the population in each of these towns.



As the results given in the chart above show, we see that the opinion of the participants in the research is that the situation regarding political culture, political tradition and political socialisation, political symbols and political myths, democracy and inter-ethnic relationships in Bosnia and Herzegovina, culture of dialogue and tolerance in Bosnia and Herzegovina, congregations and sects in Bosnia and Herzegovina, language of hatred and linguistic manipulations, and the role of non-governmental organisations in the democratisation process in Bosnia and Herzegovina is mainly bad, which confirms our hypothesis at the beginning of this research that a series of actions and measures need undertaking in order to help the development. The research in this project was helped by the Centre for Geo-strategic Research of the University of Banja Luka, the Republika Srpska Defendology Society (NGO) and the Forum of NGO's of Banja Luka Region. We look forward to further cooperation with you.



**SESSION IV**

**Ambassador Peter Semneby, Head of the OSCE Mission,  
Republic of Croatia**

**Ambassador Alexander Alekseyev,  
Permanent Mission of the Russian Federation to the OSCE**



**Ambassador Peter Semneby, Head of Mission**  
*OSCE Mission to Croatia*

## **THE PROBLEM OF REFUGEE RETURN IN CROATIA IN LIGHT OF EU ENLARGEMENT**

I. I would like to take this opportunity to talk about the problem of *return of refugees and displaced persons in Croatia* and the work of the OSCE in this area in light of the enlargement of the European Union. I will try to explain how the OSCE Mission to Croatia is co-operating with the EU and assisting relevant authorities in fulfilling one of the main conditions for the accession process to the EU.

The signing of a Stabilization and Association Agreement (SAA) between Croatia and the European Union (EU) in October 2001 has outlined different conditions which Croatia has to fulfil in order to become a candidate for membership of the EU. In accordance with the so-called Copenhagen criteria Croatia should achieve the stability of its institutions guaranteeing democracy, the rule of law, human rights and the protection of minorities. Therefore, the return of refugees, which is one of the main areas of concern of the OSCE Mission to Croatia, is also one of the preconditions for Croatia's progress towards negotiation on EU membership. In my intervention I will try to outline measures which will pave the way to more favorable conditions for refugee return to Croatia, and illustrate how the problem of return is, in fact, related to most aspects of the Copenhagen criteria.

II. Whereas the return of 220,000 Croats who were expelled from the occupied areas has been almost completed, *minority return* remains a big challenge. Of more than 300,000 Croatian Serbs, who left their homes during the conflict, only about one third had been registered as returnees by 1 August 2002. The FRY authorities claim that there are still about 250,000 refugees from Croatia only in that country.

It appears that the majority of the Croatian Serb refugees in FRY wish to remain there for various reasons, including difficulties to repossess private property, to receive adequate remedy for terminated occupancy rights, and to validate documents regarding pension rights. Still, most surveys indicate that about 30% of Croatian Serb refugees in FRY wish to return or would consider returning if conditions for their return were more favourable. This is the reason why refugee return remains is still a challenge for Croatia, its future partners in the EU, and the OSCE.

The complex issue of minority return has many aspects: political, legal, psychological, and economic. Politically, the Government should make refugee return a clearer priority. This would involve measures to promote reconciliation – the psychological aspect – and further legal improvements. Economically, the war-affected areas in Croatia are still extremely depressed with an unemployment rate that reaches 90 percent in some communities. Without economic

regeneration, return cannot be sustainable in the long run. If the conditions for return remain absent, this will delay reconciliation and negatively affect both the local security situation and regional interstate relations. The OSCE is making a major contribution to this process by monitoring and supporting progress. The Mission is in a unique position to do this because of its extensive field presence.

III. As a background, I will try to give an overview of the *outstanding legal and administrative issues* concerning minority return and reintegration in Croatia. These are:

- 1) unconditional return and regulation of the status of returnees upon return;
- 2) repossession of private property, including remedies for terminated occupancy/tenancy rights, and
- 3) equal access to reconstruction assistance.

First, let me explain what is covered by the heading *unconditional return*. The OSCE supports the right of all former habitual residents, who left their homes since August 1990, to return to their pre-war homes regardless of their citizenship status. A number of former residents are still facing bureaucratic obstacles when it comes to their right to return. The process itself is not sufficiently transparent. The need to have a special permission limits this unconditional right.

A related issue is the validation of various documents issued by the judicial or administrative authorities in the former occupied territories. In particular, there are serious shortcomings concerning validation of working years and pension rights, which hampers the reintegration of minority returnees.

Second, the OSCE closely monitors issues surrounding the *repossession of private property* and regularly advises the Government on the legal regime and its implementation. Here, there are some positive developments, but much still remains to be done.

A large number of properties, which Croatian Serbs left during the conflict, were assigned to others, mainly Bosnian Croats, by law in 1995. According to Government data, there are still about 8,000 occupied housing properties in the war-affected areas. Business premises, agricultural land, forests and agricultural equipment were also given for 'temporary' use to others. Additionally, tens of thousands of Serb refugees were deprived of occupancy rights to the apartments where they used to live.

Many Croats who occupy Croatian Serb properties were themselves displaced from Bosnia and Herzegovina. Most of them would face hardships if they were to return to their original homes. This is an illustration of why cross-border and regional cooperation is essential for sustainable return throughout ex-Yugoslavia.

The Mission has advised the Government to establish a transparent legal regime for repossession of all types property that was taken from owners, including agricultural land, forests, business premises, movable property, etc. We base our approach on the principle that ownership rights must prevail over the interest of users. In order to speed up the procedure, alternative accommodation for the temporary users should not be a prerequisite for repossession by the

owners, but should be provided for temporary users only on the basis of need. A lack of alternative accommodation must not delay repossession of property belonging to refugees.

Lately, some of these efforts have borne fruit. Recent legal changes prescribe the return of all occupied property by the end of the year. Still, it is uncertain whether the deadline will be kept. The amendments fall short of providing full protection of ownership rights, and they do not cover other types of property than housing.

Since the beginning of its operation in Croatia, the OSCE Mission has sought to bring the question of redress for terminated occupancy or tenancy rights to the attention of the Government. Unless the occupancy/tenancy rights issue is addressed, many refugees will not be able to return, because they do not have access to housing. The right to redress should be recognized in the entire country, not just the war-affected areas, since thousands of people left the urban centers of Croatia as a result of intimidation and insecurity during the conflict.

Finally, on *reconstruction*, it must be recalled that Croatia is the only country in the region that has a Government reconstruction programme and a Law on Reconstruction. Croatia is also the only country that has decided to seek loans from the international financial institutions. Previous discriminatory provisions in the Reconstruction Law were removed in 2000. Still, there is room for improvement in order to apply the law and the reconstruction programme in a non-discriminatory way. Only gradually are Serbs being included in the reconstruction programme. County offices for reconstruction continue to be slow in processing reconstruction requests. There are currently more than 40,000 pending applications.

IV. Sustainable return requires close *regional cooperation*. In this spirit, and in support of the Stability Pact Regional Return Initiative, the three OSCE Missions in Croatia, Bosnia-Herzegovina and Yugoslavia presented a set of ‘Common Principles’ in October 2001. These principles, which underline the supreme importance of respecting the property rights of the refugees, were endorsed by the Governments and have been included in the ‘Agenda for Regional Action II’ of the Stability Pact.

The need to ensure a degree of cross-border compatibility between the property regimes has been underlined in recent months by the migration to southern Croatia of about 500 Bosnian Croats, who were evicted or had received warning of eviction from houses they had occupied in Bosnia. One reason for this is the divergence in property repossession regimes in the two countries. In Bosnia and Herzegovina, property repossession is rigorously enforced on behalf of the owners, while in Croatia the system is much more sympathetic to the interests of the temporary occupants. To reach a balance between conflicting legal, political and humanitarian concerns, it appears that adjustments will have to be considered on both sides. But this is also an economic issue. As bad as the situation may be in the Dalmatian hinterland, the opportunities there seem more attractive than in Bosnia.

V. As I mentioned initially, the Mission is engaged in several *other fields* as well, most of which are linked to the return process and to the fulfilment of the political criteria for EU membership:

- In the *judicial field*, a removal of the bottlenecks in the judiciary would improve conditions for property repossession, and a comprehensive review of old summary *in absentia* verdicts and arrest warrants for war crimes would reduce uncertainty among returnees.
- The adoption of a *Constitutional Law on National Minorities* would create conditions for a more effective representation of minority interests in elected and administrative bodies on the national, regional and local level. The draft presented to Parliament in July is a good basis, which has largely been welcomed by minority representatives. We are working on this issue together with the OSCE High Commissioner on National Minorities.
- In the *media field*, further training and reforms, including safeguards against political influence on electronic media, would ensure that the media play a constructive role for reconciliation and reintegration.
- The Mission's *police advisory function* is designed to ensure that minorities are represented in the police force, and that the police properly plays its role in property disputes and continues to deal adequately with ethnically related incidents that may otherwise be a disincentive to return.
- Finally, the Mission is contributing to *civil society development*, trust-building and reconciliation through support to non-governmental organisations, in particular to organisations of returnees and youth organisations that transcend the ethnic barrier in the war-affected areas.

VI. The political establishment is still not showing sufficient leadership on refugee return and reconciliation, because this is still not a sufficiently popular issue. But Croatia's ambitious *objective to become part of the Euro-Atlantic community* is changing this for the better for at least two reasons. First, as I have mentioned, it is becoming increasingly clear that return of the refugees is a precondition for Croatia's return to Europe. Secondly, and perhaps most importantly, EU integration provides a vision that can be shared by all ethnic communities.

Most of the issues that I have mentioned are important to Croatia's Stabilisation and Association Programme with the EU. For example, the European Commission's first Progress Report on the Stabilisation and Association Agreement lists several measures in the field of refugee return which have to be taken by the Government. These measures relate to property repossession, reconstruction, and regional co-operation in order to facilitate cross-border return. The very similar conditions for NATO membership, which have been enunciated several times by Secretary-General Lord Robertson after Croatia's Membership Action Plan with NATO was announced in May 2002, illustrate the direct link between refugee return and security issues.

VII. Although the resolution of most issues will require considerable time, it should be possible, with the assistance of the OSCE Mission and other international partners, to make progress in the near future to do the following:



- First, create a *more favourable climate towards the return of refugees and displaced persons*, both among individual returnees and in receiving communities. This requires, in particular, encouragement of civil society initiatives and awareness-raising efforts.
- Second, *remove the remaining legal and administrative obstacles to the return of refugees and displaced persons*.
- Third, *involve minorities more effectively in society and political life*. This will require development of minority legislation, including a Constitutional Law on the Rights of National Minorities that is seen as useful and legitimate by the minorities themselves.
- Fourth, *develop a dialogue with regional neighbours* on return issues in order to ensure that rules and procedures are compatible and to increase transparency and predictability.
- Finally, *address the shortcomings of the judicial system* in order to strengthen the rule of law, guarantee basic rights, improve conditions for investment and economic development, and encourage return.

VIII. Taken together, these measures will eventually reduce inter-ethnic tension, revitalise the war-affected areas, and encourage return. It is obvious that this will involve *co-ordinated engagement on several levels by the international organisations*, notably OSCE, EU, and NATO, as well as UNHCR and other UN agencies. Personally, I would list the following priorities:

- Dialogue at the Headquarters level in order to develop joint criteria and mutually supportive positions;
- Joint projects in the field;
- Co-ordination of reporting and development of joint approaches to the authorities at the local level; and
- Joint engagement on regional initiatives in order to address the multifaceted cross-border aspects, both centrally driven initiatives, such as the Stability Pact, and locally driven ones.

I would like to add a caveat on the last point. Regional co-ordination will be most effective when it is used to facilitate resolution of distinct issues, not as a way of putting everybody on the same train towards Euro-Atlantic integration. If this were the case, the powerful incentive to do better would be lost.

Croatia still faces serious problems as a result of the war. But the possibilities for resolving them have never been more favourable, given the impetus provided by the Euro-Atlantic integration efforts and the advice and assistance offered by the international community, including the OSCE. Croatia now has an excellent opportunity to *show the way for other countries* how to operationalise the links between the major European and Euro-Atlantic institutions in order to resolve complex economic, human rights and security issues on the way towards becoming a member of EU and NATO.



**Ambassador Alexander Alekseyev, Head of Mission**  
*Permanent Mission of the Russian Federation to the OSCE*

**THE EVOLVING EUROPEAN SECURITY ARCHITECTURE AND PERSPECTIVE  
FROM THE RUSSIAN FEDERATION**

First of all I would like to thank General Zappulla and Ambassador Turkovic for bringing us all together here for this encouraging and interesting event. I would also like to thank our Slovenian hosts who, from a logistical point of view, organised a really good seminar.

I would like to say that after 11 September the strategic and political situation in the world changed drastically and continues to change with. We feel this in Europe and you should feel this in Southeast Europe. We feel this in the other regions of the OSCE area, and we also feel this very much in the areas of the world in which, OSCE does not operate.

I would like to speak about the rapid change in Russian - American relations. Now there is some kind of strategic touch in these relations that was never previously present. The creation of the NATO - Russia Council, the upcoming enlargement of the EU, which from my point of view will be a tremendous event in our modern history, the increasing role of the EU and the new international and security commitments the EU takes upon itself, makes all these events very important.

Never mind which regional problem we discuss, our discussions today prove that we cannot ignore the international environment that is rapidly changing around us, and we cannot but think of the possible new role of the OSCE in this context. This is due to that fact that this area has many connections with the OSCE, and practically in most of the countries of Southeast Europe the OSCE has and operates its missions.

The continuation of the discussion on the future of Europe demonstrates the prevailing feeling of uncertainty and unpredictability - in terms of where central political institutions will evolve and what niche every major European area or Euro-Atlantic security institution will eventually take in this process. To a great extent the same feelings are also in the OSCE and we come across them practically every day.

Almost every self-respecting organisation has recently engaged in an extensive search of the ways to better accommodate themselves to the new political realities and to the new political environment, marked by globalisation and multi-lateralism, with the only aim to find its new role, its new niche, and new *modus operandi*.

It is absolutely clear that it might take years to comprehend the simple idea that we have nothing to share but the common aspirations of a predictable and safe future for our people, a clean environment, and decent living standards.

With many positive factors in the post-11 September world, we need to do what we can to preserve these new positive signs and not to allow them to disappear, because these possibilities are very much present here.

Yesterday we discussed quite a number of problems connected to economic globalisation. With the help of Mr. Temsch, we spoke rather in depth concerning a number of elements that globalisation and economic globalisation could bring us. Today I would like to touch upon two or three political and security aspects.

What we skipped yesterday and what I would like to draw your attention to, when we speak about globalisation, is that we should remember that globalisation is accompanied by the growing tendency to delegate a part of state sovereignty to international organisations and associations. It looks quite logical through joint efforts within multi-national structures that nations are trying to overcome collectively the remaining dividing lines: thus shaping a basis for a unified and prosperous Europe.

However, this process has unfortunately a reverse side. Let us take for example the security aspect. We all know and have discussed a number of times the expansion of NATO. It was touched upon yesterday by Mrs. Jelusic, who spoke about Slovenia. She said that in Slovenian society there are doubts as to what extent Slovenia should join NATO, and from my point of view this is understandable that there are no external threats and the security of the area is quite stable, and it is difficult to imagine that the country would be the subject of aggression from Austria, Italy or some other quarters. And joining NATO, this is not only a privilege, but is signifies also obligations; and some of them are connected to a rather large financial burden as well. To what extent should some small state take this obligation and financial burden if the society feels and has all the grounds to feel that it is secure and is not subject to any security danger in the future.

Still, when Mrs. Jelusic tried to explain why the government still wants to join NATO, she gave us the example that Slovenia wants to be a normal state. It is maybe unfair to use this argument if we keep in mind Finland, Switzerland, Austria; however, it is still understandable. But now it is a balance to what extent in just feeling that in joining NATO you will become a normal state compensates for the kind of financial and other losses that you have as a NATO partner. This is for the Slovenians to calculate and take the decision. From my point of view, they want to be part of the family, and it seems more important for European states to join the EU to feel part of the family.

For me, for example, the joining of Slovenia or any other countries to NATO could have some psychological aspects, but not any military or security implications. I think the more interesting factor is the question of new countries joining the European Union. Being a member of an economic union to some extent will really make you a part of affluent states, leaving those who did not join behind the division lines in Europe. With the speedy accession of Slovenia, and I do

not see anything that could prevent Slovenia it is inevitable that after some time these new division lines will cross Southeast Europe as well.

The new economic aspects of this could be rather serious. Hypothetically speaking, why I think it could be serious is because we know very well how much money the European Union invested in Portugal and Spain when they became members. It was a really large amount of resources and money. We know how much Germany invested in East Germany. From my point of view, if the European Union takes on board such countries as Poland, Romania, Bulgaria and others, the economic consequences of this for the European Union could be very serious and for quite a long time the European Union will have to absorb these countries and their histories. We must keep in mind that all countries that will not be in the first group of states could feel the economic consequences of this action. It will result in the lack of resources, the lack of attention and many other factors because all will be concentrated in coping with the huge problem of new associated states becoming members of the European Union. It would take tremendous time and resources from the European Union to put them to the level of at least Portugal.

So, this is an aspect in which the OSCE can find some new role to play in just putting this question on the agenda and trying just to see to what extent to make this process, if what I have just said would become true, less painful. Out of all Euro-Atlantic institutions, OSCE is the only one that pursues a truly comprehensive pan-European agenda and practically has the participation of fifty-five states. We strongly believe that despite its numerous weaknesses, the organisation has the capacity to play a pivotal role in promoting a common undivided European security and economic space, and to provide common 'rules of the game' on the new economic relations, based upon democratic values, respect for human rights and international law.

From my point of view, in order to remain relevant the OSCE critically needs a new agenda that corresponds to the political realities of today and of tomorrow, because some of the realities of the future are easy to predict. To some extent this is occurring because the organisation is very much in discussion as to how to reform itself and how to prepare for the challenges of the future - both on the whole of the Euro-Atlantic area and on the regional aspects as well. But efforts made so far to bring the organisation's activities and instruments in line with the changing international environment have proved, to some extent, incomplete, but not unsuccessful. It is clear that the organisation that was created twenty-five years ago, under a very much different historical situation, still remains a symbol of somehow old concepts and instruments. Some states need the change and feel the necessity of change, while other participating OSCE states still do not need and feel the necessity of change.

So why do I think that the organisation is in danger? Being focused on selective secondary topics at the expense of strategic security issues, strategic economic issues and how to live together in this partnership of fifty-five states, the OSCE prefers to abstain modestly from tackling any serious security topics, or simply generously to delegate them to other security organisations. The main reason for this stalemate is the difference in views of the participating states concerning the organisational role in Europe.

For quite some time we have drawn attention to the problems that are of some importance but not relevant for such an organisation of such status and scale. That is why the international

community is less and less interested in the OSCE. Nobody sees any role for the OSCE in the present changing world. The reaction is generally that countries will fix their security problems with NATO, countries will fix their economic problems with the European Union, countries will fix their humanitarian and human rights problems with the Council of Europe; why do we then need OSCE? It is possible to find an answer to this question, and we are trying to find an answer to this question. But the questions still stand before us.

For example, if the OSCE Permanent Council got together and discussed for an hour as to whether an unimportant official from Kazakhstan was arrested for corruption and is suffering because he is corrupt or has been arrested due to some kind of political motivation of the authorities, if we do this for so long with no result then frankly for how long can we continue to do this and stay in the limelight of international politics. I do not see any perspective here. We must leave these small themes - never mind how important they are, there are some other organisations that can deal with them effectively - we can mention these things, but to devote the powers of the whole organisation to discuss such small things, which has become practically the habit of the Permanent Council in Vienna, this is not the way to the new role of the organisation. Either we will find the new agenda, and for our field activities as well, or frankly not in a very distant time there will not be much for the OSCE to do.

All the decisions concerning the new agenda were purely rhetorical in Vienna until 11 September. The tragedy shocked the OSCE, as it shocked all other organisations and the international community, and made many other states realise how vulnerable and unprepared all of our so-called mighty security institutions are in the face of unconventional threats. I speak not only of international terrorism, but the understanding is growing that terrorism as a phenomenon cannot exist on its own - it goes hand-in-hand with other threats such as organised crime, all kinds of trafficking, illegal immigration, corruption, inter-ethnic issues, aggressive nationalism, intolerance, political extremism, socio-economic development, environmental degradation, and many other factors. So here this is where our organisation can find its new future agenda for the 21<sup>st</sup> Century. There is enough work for everybody, both to the east and west of Vienna, and this is the ground on which fifty-five states can forge for themselves a united partnership to fight against common dangers and challenges that could threaten the way of life that they chose and threatens the commitments that they taken to build civil society on the basis of democracy, security and pluralism.

Because it is clear that no state organisation can unilaterally counter these new challenges, risks and threats, the comprehensive nature of new threats requires a comprehensive response through the timely, well co-ordinated efforts of all nations and international organisations.

We believe that the unique advantages of our organisation, its universal mandate, its flexibility and its broad membership, could and should be employed to make it an effective instrument for transnational co-operation in combating these new threats. Never mind if we speak about the United States, the Russian Federation or Southeast Europe, if we start to look at this as the partnership and the family then we can easily understand what we really should fight against to preserve our values and to keep this partnership in safe water from all the kinds of threats and challenges that are clear for us.

I do not want to say that the OSCE stays aside from this process. I have already mentioned that the OSCE already is doing much in this respect. It has accumulated a number of ideas and practical experiences by engaging its institutions and field missions to deal with some of those risks. More or less we can already see the first results and dangers of this process. The OSCE's on-going work on anti-terrorism has so far been conducted rather usefully and successfully; however, this has already provided us with some lessons. The main lesson is that there should be more deeds and fewer words from the organisation. I do understand how difficult it is for any international organisation to do this, but still this is a must if we really want to do something. This is due to the fact that declarations, no matter how good they are, are easy and can serve only as a public proclamation of war against the new risks. But clearly it is not enough. We have heard during this seminar so many presentations that clearly showed that these new risks and challenges are very much blocking the progress of the whole region of Southeast Europe to a better life, to joining the family. This is where we can really see the new agenda as to what we must do and fight in the future.

So, a strategy of threats to security and stability in the 21<sup>st</sup> Century just could be the document, focusing on practical steps that the OSCE could undertake internally and together with other organisations, keeping in mind the goals and aims that I have already mentioned.

As the Russian Federation, we have got quite a number of concrete ideas as to what exactly the organisation should do, and how we should do this; however, I do not want to take your time and attention because this is quite another story and I already feel guilty that I have hijacked your attention from other serious, concrete problems of the area. But the original context is very much here as well - I tried to show this. And if we speak about new threats and challenges we are speaking about this part of the world as well.

There is no region in the Euro-Atlantic region that is exempt from the threats and challenges that I previously mentioned. And in conclusion I would like to reiterate what I mentioned at the very beginning. The stakes, from my point of view, are rather high for this organisation. The OSCE is now at some kind of crucial crossroads as to whether it will succeed to formulate its new political agenda for the future and to remain a key European security instrument or it will continue to lose its role and political relevance and be eventually squeezed out by other more ambitious and self-motivated actors. The time we have, I think, is from seven to ten years. So the topic of new threats to security and stability provides this organisation with a unique opportunity to take a lead in devising a new pan-European framework of collective efforts, thus proving its relevance for years to come. Thank you.





## FINAL DISCUSSION PERIOD

**Ambassador Emina Keco Isakovic**, *Permanent Mission of BiH to the OSCE*

At the end of this seminar and at the beginning of my speech I would like to take this opportunity to thank Ambassador Turkovic and General Zappulla for the excellent organisation of this seminar.

The OSCE Mission in Vienna is fortunate of the possibility to have talks on this topic along the lines of global solutions, but also true problems that are arising in the Balkans.

Economy and security are two subjects that are linked together. The long run peace and stability of the region depends on economic stability. In order to achieve permanent conditions for peace in the region, it is necessary that the security and defence policies are coordinated with NATO and the USA, but the support of Russia is also of great importance.

The fragile stability in the Balkans could be easily disrupted with the influence of Islamic groups, which are of danger to Bosnia but also to the rest of the world. Anti-terrorist activities that are undergoing in the world after the September 11, made Bosnia increase their share in the global security. It is estimated that Bosnia is really well involved in international antiterrorist activities.

A militaristic attitude in resolving problems in the world is one of the solutions in resolving crises, but it carries lots of risk even when successful - Afghanistan - it is not a coincidence that the current rethinking and backing off in agreement of our allies in Afghanistan when it comes to intervention in Iraq. Generally, it is always better to prefer an economic relationship over a military one. After all, after every military intervention, economic support is expected in order to help the maintenance of stability and security.

The permanent security of the Balkans is not a military question anymore. It is an economic one.

The establishment of co-operation with ex enemies has to be accelerated with economic co-operation and common projects that lead us together towards European integration. That is the goal of us all for a secure future and the stability of the region. Economic support is expected and can be achieved with international help. After that the economy is self-supporting and profitable.

The strategy of the OSCE in the future should be based on its three dimensional comprehensive approach to security.

The OSCE is now better equipped to counter these threats. It disposes of a more active FSC, a new Subcommittee of the PC on economic and environmental issues besides the Economic Forum in Prague and has agreed on new modalities for the HDIM in Warsaw. Also it disposes of an office of Strategic Police Matters and of a Terrorism Unit. Special actions should be designed

together with partners for co-operation concerning threats, challenges, risks and dangers stemming from situations adjacent to OSCE areas.

The security policy should be taking human security increasingly into consideration. Human security means respect for human rights, law and justice, peace and cultural identity, as well as justifiable hope in social and economic development.

Most of these new threats are transnational in nature. The OSCE should strengthen the international Criminal Court. The OSCE should reinforce the platform for co-operative security.

Common co-operation that is established on economic level will be a guarantee for security and stability and Europe that we are all engaging ourselves for.

We are thanking all of those who are helping that Bosnia and Herzegovina becomes an economic prosperous country.

**Ambassador Branislav Milinkovic**, *Permanent Mission of the FRY to the OSCE*

Thank you for giving me an opportunity to say a few words on the more general OSCE developments. I think that Ambassador Alekseyev was completely right in saying that the OSCE is a juncture; that it is a critical point to decide which path that we are going to take. I also agree very much with several points of his criticisms of the OSCE - really we are sometimes dealing with secondary topics and avoiding real topics of security. I understood the scepticism that he shared with us that is in Moscow. I would like to convince him that scepticism is also felt in Belgrade and very many Heads of Missions in Vienna had a problem to convince their capitals about the lasting utility of the OSCE. I also detected his criticism of the field presences of the OSCE, when at the beginning he thanked god that the OSCE does not operate in some areas. However, immediately after him we heard a very positive example of OSCE activities in Croatia. We are aware of the bad examples of the field presences of OSCE, but we have very good OSCE Missions in FRY, Skopje, and many other places. So I am aware of these negative sides. Still, as Ambassador Keco Isakovic just said, our agenda at the OSCE is larger and larger, and it is difficult for smaller delegations to follow everything that is going on in the OSCE. New bodies have been created: the Economic Environmental Committee - clearly linked to the topic of our seminar - Senior Police Advisors, Anti-Terrorism Unit. Our budget is being increased from year to year. So there are quite a few arguments that despite the fact of this criticism the organisation is still in good shape. It is even opening new issues - trafficking in human beings. A very interesting issue just mentioned by Ambassador Alekseyev was as to whether we could also discuss the economic implications of European Union enlargement. I believe strongly that we should discuss this issue in the Economic Environmental Committee. I will now finish with the positive sides of the OSCE. The universal mandate is comprehensive, and the political-military *acquis* of the OSCE is critically important; some documents exist really only within the OSCE and no where else in other international organisations - like the code of conduct for political-military aspects of security or documents on small arms. Not a single other organisation has documents such as these. To conclude, the issue of new security threats and challenges is something that the OSCE should face in the near future. That is how I see its quick adaptability,

contrary to some other organisations that belong to the European security architecture. In the 1970s and 1980s, the OSCE was involved in those political-military issues in order to safeguard stability between states and to avoid any conflict between states. Political-military aspects are important here. In the 1990s, OSCE quickly reacted to the new circumstances, strengthening its human dimension and also improving performance for new democracies in the form of democratic assistance. Now, at the beginning of the 21<sup>st</sup> Century, we are reacting to the new security threats - terrorism but also amplified are all other forms of threats and security challenges. This adaptability is, as I would argue, the strongest asset of the OSCE. I hope that we can build on that and very much to focus on these new security threats. This adaptability is also something that we have seen now, that the office of General Zappulla is extremely capable of taking care of: selecting this new approach to focus on the economic aspects of security is an extremely valuable exercise and I am grateful to them for arranging this. Thank you very much.

**Ambassador Nedžad Hadzimusic**, *Ministry of Foreign Affairs, Bosnia and Herzegovina*

I would like to join Ambassador Milinkovic in the appraisal of this meeting and the role and agenda of the OSCE. One cannot overstress the adaptability of the OSCE. The merits of introducing neutral and small states into the European arena and the discussion of security and military matters in the OSCE way belongs to the OSCE. Other organisations dealing with stability and security in Europe, or transatlantic ones, are a "rich man's club", and those lofty issues before were reserved for them. The organisation that was transformed from the Conference for Security Measures, the conference in Madrid, Stockholm, etc, reflects the feeling of the momentum that the OSCE adapted and structured itself to respond to the new environment.

If you allow me to go back to the region, to Bosnia and Herzegovina, it is amazing that one peace agreement, the Dayton Peace Agreement, behind which is the charisma of the United States of America, could be read in two or three versions. The reading of Dayton should also be adapted to the momentum. One of my friends, from the American Institute for Peace, invented a beautiful expression of how to deal with Dayton, how to change Dayton. He did not use the word 'change', he used the word 'upgrading'. So, in upgrading maybe we are educating ourselves being an object of that agreement, which is an unfinished agreement and it should be the onus of the region to improve that document to the benefit of them all. So some themes are no longer taboo.

I would like to say that this has been a very serious seminar and it has been my great honour to participate here. Once again thank you very much General Zappulla and Madame Turkovic.



## APPENDIX A

### Programme

#### SEMINAR ON Economic Aspects of Security

13 – 14 SEPTEMBER 2002  
Portoroz, Slovenia

*This seminar has been organized by the Office of the Personal Representative of the OSCE  
Chairman-in-Office for Articles II and IV, Annex 1-B of the Dayton Peace Accords, in  
conjunction with the Centre for Security Studies BiH and  
the University of Banja Luka*

#### Friday, 13 September

08:30 – 09:00

Registration

09:00 – 10:00

**Welcoming Address – Introduction**

**General Claudio Zappulla**

*OSCE CiO's Personal Representative for  
Articles II and IV, Annex 1-B of the DPA, Vienna*

**Mr. Ignac Golob**

*State Secretary,  
Ministry of Foreign Affairs, Slovenia*

**Dr. Anto Domazet**

*Minister of the Treasury of BiH*

**10:00 – 10:15**

**Coffee Break**

**10:15 – 12:15**

**Session I:** Small States in the Era of Globalisation: the Challenges of the 21<sup>st</sup> Century

**Chair: Ambassador Bisera Turkovic**

*Director, Centre for Security Studies, BiH*

“Economic Transition of Bosnia and Herzegovina”

**Dr. Anto Domazet**

*Minister of the Treasury of BiH*

“Small States and Cultural Insecurity in the Era of Globalization”

**Assoc. Prof. Dr. Ljubica Jelusic**

*Head of Defence Studies of the*

*Faculty of Social Sciences, University of Ljubljana*

“Global Information Society and its Impact on the Economy of Southeast Europe”

**Dr. Richard Tensch**

*The Missing Link, International Consulting Corporation*

**12:15 – 13:15**

**DISCUSSION PERIOD**

**13:15 – 14:30**

**Lunch Break**

**14:30 – 16:30**

**Session II:** Challenges for Democracy in South-East Europe:

**Chair: Mr. Kishore Mandhyan**

*Head of Liaison Office,*

*UN Mission to Croatia, HR*

“Corruption and Organized Crime: the Challenge in South-East Europe”

**Mr. Paolo Borgna**

*Expert Working Table III*

*Stability Pact for South East Europe*

“The Problem of the Forced Displacement of National Minorities: Prospects for Return”

**Mr. Dario Carminati**

*UNHCR Representative in the Federal Republic of Yugoslavia*

“Demobilised Soldiers and Incorporation in Civil Society”

**Ms. Nidia Casati**

*Head of Mission,*

*International Organisation for Migration, BiH*

**16:30 – 16:45**

**Coffee Break**

**16:45 – 17:45**

**DISCUSSION PERIOD**

**20:00**

DINNER

**Saturday 14 September**

**09:30 – 11:30**

**Session III:** Prospects for Stability and Security in South-East Europe – Challenges to Security: A Round-Table Discussion

**Chair: Ambassador Nedžad Hadzimusić**

*Head of Department for Multilateral Relations,*

*Ministry of Foreign Affairs of BiH*

“The Future Impact of the Economy on the Security Environment in Croatia”

**Mr. Robert Barić**

*Office of the President of the Republic of Croatia*

“The Future Impact of the Economy on the Security Environment in Serbia and Montenegro”

**Ambassador Branislav Milinković**

*Head of Mission,*

*Permanent Mission of the Federal Republic of Yugoslavia to the OSCE*

“Economic Perspective of the Federation of Bosnia and Herzegovina”

**Mr. Neset Muminagić**

*Director, Federal Institute for Programming,*

*Government of the Federation of BiH*

“Some Aspects of Political Culture, Culture of Dialogue,  
Tolerance, Democracy and Ethnic Relations in Bosnia  
and Herzegovina»

**Dr. Dusko Vejnovic**

*University of Banja Luka, BiH*

**11:30 – 11:45**

**Coffee Break**

**11:45 – 12:45**

**DISCUSSION PERIOD**

**12:45 - 14:00**

**Lunch Break**

**14:00 – 16:00**

**Session IV: The Evolving European Security  
Architecture**

“OSCE and EU Enlargement: the case of Croatia”

**Ambassador Peter Semneby**

*Head of Mission,*

*OSCE Mission to Croatia, HR*

“A Perspective from the Russian Federation”

**Ambassador Alexander Alekseyev**

*Head of Mission,*

*Permanent Mission of the Russian Federation  
to the OSCE, Vienna*

**16:00 – 16:15**

**DISCUSSION PERIOD**

**16:15 – 17:15**

**CONCLUDING REMARKS**

**20:00**

**DINNER**



**APPENDIX B**  
**SEMINAR ON**  
**Economic Aspects of Security**

**LIST OF PARTICIPANTS**

**13 – 14 September 2002**  
**Portoroz, Slovenia**

1. **Alekseyev**, Alexander, Ambassador  
Head of Mission,  
Permanent Mission of the Russian Federation to the OSCE, Vienna
2. **Baric**, Robert, Mr.  
Deputy Advisor for Defence and Military Issues,  
Office of the President of the Republic of Croatia
3. **Borgna**, Paolo, Mr.  
Expert Working Table III,  
Stability Pact for South East Europe
4. **Carminati**, Dario, Mr.  
UNHCR Representative in the Federal Republic of Yugoslavia
5. **Carter**, David, Mr.  
Special Advisor to the OSCE CiO's Personal Representative for Articles II and IV,  
Annex 1-B, DPA, Vienna
6. **Casati**, Nidia, Ms.  
Head of Mission,  
International Organisation for Migration, BiH
7. **Domazet**, Anto, Dr.  
Minister,  
Ministry of Treasury of BiH
8. **Fernandez**, Fatima, Ms.  
Project Personnel Manager,  
UNIDO, Vienna

9. **Hadzmusic**, Nedzad, Ambassador  
Head of the Department for Multilateral Relations,  
Ministry of Foreign Affairs of BiH
10. **Hadzovic**, Denis, Mr.  
General Secretary,  
Centre for Security Studies, BiH
11. **Hubo**, Hajrudin, Mr.  
Ministry of Defence of the Federation of BiH
12. **Golob**, Ignac, Mr.  
State Secretary,  
Ministry of Foreign Affairs, Slovenia
13. **Gasparic**, Jure, Mr.  
State Undersecretary,  
Head of the OSCE Department for the Republic of Slovenia
14. **Jelusic**, Ljubica, Assoc. Prof. Dr.  
Head of Defence Studies of the Faculty of Social Science  
University of Ljubljana, Slovenia
15. **Kadic**, Amel, Mr.  
Programme Assistant,  
Centre for Security Studies, BiH
16. **Keco-Isakovic**, Emina, Ambassador  
Permanent Mission of Bosnia and Herzegovina to the OSCE, Vienna
17. **Kosir**, Alenka, Ms.  
Desk Officer for BiH,  
Ministry of Foreign Affairs of the Republic of Slovenia
18. **Krznaric**, Dijana, Ms.  
First Secretary,  
Embassy of the Republic of Croatia, Republic of Slovenia
19. **Mandhyan**, Kishore, Mr.  
Head of Liaison Office,  
UN Mission to Croatia, HR
20. **Milinkovic**, Branislav, Ambassador  
Head of Mission,  
Permanent Mission of the Federal Republic of Yugoslavia to the OSCE, Vienna

21. **Mocivnik**, Ida, Ambassador  
State Undersecretary, Head of the Department for Neighbouring States  
and Southeastern Europe
22. **Muminagic**, Neset, Mr.  
Director,  
Federal Institute for Programming - Government of the Federation of BiH
23. **Ostojic**, Jovan, Mr.  
Head of Verification Centre  
Ministry of Defence of Republika Srpska
24. **Palumbo**, Giovanni, Mr.  
Office of the OSCE CiO's Personal Representative for Articles II and IV, Annex 1-B,  
DPA, Vienna
25. **Puljic-Cadman**, Sanda, Ms.  
Programme Assistant,  
Centre for Security Studies, BiH
26. **Rascan**, Stanislav, Mr.  
State Undersecretary,  
Ministry of Foreign Affairs, Slovenia
27. **Semneby**, Peter, Ambassador  
Head of Mission,  
OSCE Mission to Croatia, HR
28. **Siric**, Anton-Ivan, Mr.  
Ministry of Defence of the Federation of BiH
29. **Temsch**, Richard, Dr.  
The Missing Link, International Consulting Corporation
30. **Turkovic**, Bisera, Ambassador  
Director, Centre for Security Studies, BiH
31. **Vejnovic**, Dusko, Dr.  
University of Banja Luka, BiH
32. **Veljan**, Ekrem, Mr.  
Head of Verification Centre,  
Ministry of Defence of the Federation of BiH
33. **Zappulla**, Claudio, General  
OSCE CiO's Personal Representative for Articles II and IV, Annex 1-B, DPA, Vienna