



U.S. Policy in the Balkans

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Thank you very much. It really is an honor and a pleasure for me to be back in Sarajevo, particularly with so many good friends and colleagues in the room. This conference comes at a very timely moment. I am glad to see Bosnia and Herzegovina getting the high-profile attention it deserves and to be able to lend the voice and perspectives of the United States to the discussion.

Let me begin by thanking the conference hosts for having me here and for organizing this conference: The Center for Transatlantic Relations at Johns Hopkins University SAIS (especially Executive Director Dan Hamilton) and the America-Bosnia Foundation (especially President Sasha Toperich). CTR and the America-Bosnia Foundation are uniquely equipped to put on such a conference and they have done a superb job of assembling an outstanding group of scholars and practitioners. I would also like to thank the conference sponsors, including the U.S. Embassy in Sarajevo, led by Ambassador Patrick Moon, who is also here today. Indeed, it is a tribute to the importance and timeliness of this conference

that in a difficult economic climate, so many internationally renowned foundations – 15 in all from the United States and Europe – have so generously contributed. Finally, let me thank Mike Haltzel, not just for organizing this conference but for his long and constant dedication to Balkans issues, first in the United States Senate and more recently in his role at SAIS.

I first visited Sarajevo in 1994, at a time when Bosnia and Herzegovina was still in the grips of the terrible war that would take the lives of over 100,000 people and displace millions of others. I don't need to remind this audience of the horrors that took place during those dark years or of all the hard work Bosnians have done since then to rebuild this country. The United States and NATO, particularly, made an enormous investment in peace and stability in Bosnia and Herzegovina. And with our help, but mostly as a result of your own efforts, Bosnia and Herzegovina has come a long way since.

For the United States, our commitment to Bosnia and Herzegovina is an integral part of our long-standing commitment to a Europe that is whole, free, democratic, and at peace. We believe strongly in the idea that all of Europe must join the Euro-Atlantic institutions and realize the benefits of stability and prosperity. The Balkans are a critical part of Europe—historically, geographically and culturally and its future lies within the Euro-Atlantic institutions. The United States will always support an open door to the European Union and to NATO and we will always be ready to help countries to walk through that door.

As part of this commitment, we take pride in what we have done with and for the Bosnian people. And our commitment continues in the Obama Administration, as demonstrated by the persistent diplomatic attention that Bosnia

and Herzegovina receives. Vice-President Biden came here on one of his very first trips as Vice President, in May 2009; Secretary of State Clinton traveled here this past October, and Deputy Secretary of State Jim Steinberg has visited this country six times during his tenure, more than any other country in the world except Japan. Congress also takes a deep interest in developments here, as the frequent Congressional delegations to Sarajevo will attest.

Many officials in this administration have deep a personal connection with Bosnia. Our professional identities, our understanding of international diplomacy, and even our careers were forged in the crucible of the Balkans War of the 1990s. Over the years, the United States has sent tens of thousands of American soldiers and diplomats to establish and keep the peace. We've invested roughly 1.5 billion dollars to help rebuild, strengthen public institutions, foster better education and promote economic development. We provide \$300 million a year to help Western Balkans countries meet EU and NATO requirements. We are deeply and personally invested in the people of Bosnia and Herzegovina.

In short, we have been your friends. And friends sometimes need to speak to each other bluntly. Bosnia and Herzegovina has made great progress since the horrors of the 1990s. But in the last four or five years, it has not moved in the right direction. There has been a dangerous rise in nationalist rhetoric. The institutions of the state and the Dayton settlement have been brazenly challenged. There have been attempts to roll back the reforms that are necessary for Bosnia and Herzegovina to join the EU and NATO. In general, Bosnian politicians have been too willing to stoke ethnic fears and to privilege their own personal political interests over the needs of the people they are supposed to represent.

If this does not stop – and again I owe it to my friends here to be blunt – then Bosnia risks being left behind, as the rest of the region moves forward.

We can already see this happening. With the help of the international community, many states in this region are making progress: Slovenia joined the EU in 2004; Albania and Croatia joined NATO in 2009; Croatia's EU candidacy is steadily advancing, following the favorable recommendation by the European Commission just last week. Macedonia will join NATO as soon as its name dispute is resolved. Kosovo recently celebrated the 3rd year of its independence and continues to progress as a multi-ethnic democracy. Montenegro, only five years since independence, already has EU candidacy status and is a full participant in NATO's Membership Action Plan. Serbia has applied for EU candidacy and is making progress along that path, including through the recent arrest and extradition of Ratko Mladic.

Of course, all of these countries still have a lot of work to do to realize their aspirations: Serbia and Kosovo particularly need to advance in their dialogue and to work creatively to resolve their differences before they can move much further along their path to EU membership. Throughout the Balkans, people are free from violence, but they often do not have jobs. Hatreds have eased but dangerous nationalism and prejudice persists.

So Bosnia is hardly the only country in the region to face major challenges. But whereas other countries in the region are managing to make progress, however halting, in their efforts to join Europe—Bosnia and Herzegovina is not.

To get back on the right path, Bosnia must be able to function as a state that can deliver results for all of its citizens. Reforms are needed for their own sake, but they are also necessary to meet EU requirements and the country's international obligations. Only the greater integration into Europe will provide the stability and opportunity that the people of Bosnia and Herzegovina want for their children.

Bosnia's leaders specifically need to make progress in three areas: government formation, respect for state institutions and the Dayton Framework, and governmental reform.

Government formation

The first is state-level government formation. It has been eight months since the elections and this country still does not have a state-level government. Without a broad-based coalition government, Bosnia cannot make the decisions necessary to progress on the Euro-Atlantic reform agenda.

Efforts in the parliament to start the process for appointment of Chairman of the Council of Ministers are a step in the right direction. But it is disappointing that we still have not seen a serious initiative from any political party leader to form a governing coalition.

There is no time to lose. Unless a government is formed soon, the economic consequences will be felt far and wide. Moody's has already downgraded the country's credit rating from "stable" to "negative" due to the stalemate. Deficit spending will result in budget shortfalls in both entities later this year, but the IMF and other international financial institutions have made clear that Bosnia and

Herzegovina will not be able to access additional lending until a new state government is in place. Pensioners, veterans and other vulnerable groups whose benefits have already taken a hit will see deeper reductions.

Every day that passes without a government Bosnia and Herzegovina falls further behind its neighbors and increases the risk that Bosnia and Herzegovina will fall off the European path. In this context, it is irresponsible for any party to block formation of a government based on maximalist demands, be it a claim on a certain number of positions in the Council of Ministers or for a specific ministerial appointment. All must be prepared to compromise. Those who refuse to consider any compromise are playing into the hands of those who seek to undermine Bosnia and Herzegovina's capacity to function as a state. I will be meeting this afternoon with some of the major party leaders and will be looking forward to hearing from the constructive ideas about how to form a state-level government in the very near future.

The responsibility to form a government that can advance the well being of the citizens of Bosnia and Herzegovina should supersede any personal or political concern.

Respect for State Institutions and the Dayton Framework

Second, Bosnia and Herzegovina's politicians need to demonstrate their commitment to the Dayton Framework and their willingness to abide by the decisions of state institutions.

Like other members of the international community, the United States has repeatedly reaffirmed our support for the Dayton framework – one state, two vibrant entities, three constituent peoples – to reassure all the peoples of the country that their future is secure within Bosnia and Herzegovina, and that the goal is a more functional -- not a more centralized -- country, capable of meeting European integration requirements.

Similar efforts at reassurance have been made by some politicians in Sarajevo, including by President Bakir Izetbegovic, who has made conciliatory statements and offered greater flexibility on key reforms required by NATO and the EU. In return, others have intensified separatist rhetoric and sought to undermine Bosnia and Herzegovina's state institutions and OHR.

One of the most recent challenges to the state was the April 13 decision by the RS assembly to call a referendum on High Representative decisions and on the legitimacy of the BiH Court and Prosecutor's Office.

The RS decision to step back from a referendum has headed off an immediate crisis. I hope that the leadership in Banja Luka uses this opportunity to reevaluate its approach—the challenges made by the RS assembly to the Dayton Framework are not acceptable. They are incompatible with the goal of European integration. The leaders and the people of the RS need to decide whether they want to have a relationship with the United States and with Europe or not.

Those who think they can outwait us and our Allies on the Peace Implementation Council Steering Board are wrong. As I have already made clear,

the United States has a significant personal and political investment here. We will not give up on Bosnia and Herzegovina or its people.

We will continue to defend and strengthen existing state institutions, like the BiH State Court and Prosecutors Office, which are doing critical work to combat terrorism, organized crime and to bring war criminals to justice; and the Indirect Tax Administration, which had ensured a dedicated revenue stream for the BiH government.

We will continue to promote further reforms, including of the constitution, as are necessary for a functional state and for Bosnia and Herzegovina to meet EU accession requirements. And we will stand behind the High Representative and his decisions. We will not permit the closure of the Office of the High Representative until the agreed reform agenda is completed.

We also welcome the EU's determination to play a leading role in supporting positive change and protecting against threats to stability in Bosnia and Herzegovina. EU High Representative Ashton has named Peter Sorensen, a senior diplomat with 15 years of experience in the Balkans, to lead this EU effort. As Secretary Clinton wrote last week in an article co-authored with UK Foreign Secretary Hague, the United States "will be strongly supportive of Ambassador Sorensen, using all of the levers available to achieve progress, while working in close partnership with the Peace Implementation Council and the Office of the High Representative."

And we will be prepared to take measures against any individuals and organizations that threaten to undermine the stability, sovereignty and territorial

integrity of Bosnia and Herzegovina. All levels of government in Bosnia must accept and respect Dayton.

Governmental reform

Finally, Bosnia and Herzegovina must move forward with the governmental reforms necessary for NATO and EU integration.

Bosnia and Herzegovina's future lies in its integration into Europe, specifically membership in NATO and the EU. Once the state level government is formed, we expect Bosnia and Herzegovina to move forward quickly to resolve the defense property issue so that it can participate in NATO's Membership Action Plan. The EU has made clear that Bosnia and Herzegovina must take three steps in order to be considered for candidate status: establish a serious process to change the constitution to accommodate the Sejdic-Finci decision, act on state aid provisions, and conduct a census. In addition, Bosnia and Herzegovina needs a well-functioning government at the state level that will have the power to engage effectively with Brussels and to participate effectively in the EU accession process.

We are convinced this is possible while protecting and preserving the decentralized government structures established in the Dayton constitution.

But it will require reform, including of the constitution. The most immediate change necessary to comply with basic EU human rights standards following the European Court of Human Rights ruling in the Sejdic-Finci case. And there will need to be additional changes over the longer term to ensure the state has sufficient functionality and decision-making capacity to comply with EU

and NATO standards. Although the EU accession process will be difficult, it is the only viable alternative for this country. Threats to abandon the process or not participate are incompatible with the needs of the people.

Reform is also imperative in the entities. The Federation has far more government than it can afford. Years of mismanagement, corruption and political infighting by the previous government have exacerbated the problem. Last year the government had to adopt emergency austerity measures just to avoid bankruptcy and the new Federation government still faces serious funding issues. The most recent EU progress report singled out the Federation in particular as being incompatible with EU accession criteria.

The new Federation government has gotten off to a good start. It has a fresh opportunity to make progress on privatizations, which have languished for years due to corruption and political infighting, as well as on education and economic reforms.

We regret that the HDZ parties declined to accept a compromise that would have included them in the coalition. No political party can claim the exclusive right to represent an entire ethnic group.

But we also recognize the concerns of those citizens who feel that the new government does not include representatives that they elected or who are committed to representing their interests.

It is incumbent upon the new government to demonstrate that it is acting in the interests of all of the entity's citizens. It is understandable that Bosnian

Croats, as the least numerous of the three constituent peoples of Bosnia and Herzegovina, are concerned about their status within the Federation. But redrawing new internal boundaries to add a new entity or other layers of complexity to an already overly complicated government is unrealistic. We welcome recent steps by HDZ parties to participate actively in the Federation parliament.

The Republika Srpska faces its own serious economic challenges. The entity has exhausted all of its reserves from the RS telecom and oil refinery privatizations and now faces a \$500 million deficit. Last year the RS economy grew at an anemic 1 percent. The forecast for this year is not much better. Provocative political rhetoric and attacks on the independence of the state judiciary is driving away foreign investment, which is a tenth of what it was just three years ago. The Republika Srpska would be much better off if its leaders focused more improving the economy and thus on serving the needs of the citizens rather than on promoting greater division within the country. A positive step would be to discuss with the Federation ways to harmonize their regulations and to promote inter-entity economic cooperation.

The Path to Europe

These steps together constitute a path toward Europe. If Bosnia and Herzegovina's politicians make the necessary choices and compromises, we will be there to help with resources and political support. As Secretary Clinton said here in October, "The bonds between Bosnia and Herzegovina and the United States have been forged through harsh trials and historic triumphs and today we remain committed."

But you should understand that our commitment will mean little if Bosnia and Herzegovina cannot summon the will to help itself. We stand ready to advise, assist and support, but we cannot do it alone. We need partners who share this vision and who are prepared to compromise for the greater good.

The people of Bosnia and Herzegovina deserve better; they deserve a Euro-Atlantic future. The young people of this country, particularly, want and deserve to join the European mainstream, to travel and work abroad, and to take advantage of all that the modern world has to offer. There are courageous actors in this country, many of whom are represented at this conference, who understand what needs to be done. Each of you has responsibility to work in interests of all Bosnians and Herzegovinians, to work across ethnic lines, and to avoid feeding ethnic fears. We are confident that, in so doing, you can overcome your divisions and build a European state, just like so many other Europeans before you.

No one can do this for you. But I can tell you that if you try, the United States will be with you every step of the way.