

Remarks by High Representative and EU Special Representative Valentin Inzko At the Vienna Economic Talks



Despite Crisis, Leaders Can Still Boost Investment and Jobs

Dr Busek, Prime Minister Spiric, Ministers, Ladies and Gentlemen,

I'm particularly pleased to be taking part in this conference because the topic under discussion – inward investment – is *the* crucial challenge facing Bosnia and Herzegovina today. The bottom line is this: we need more investment, to create more jobs, to reduce poverty and raise living standards.

Everything else is a distraction.

As many of our international visitors will be aware, in Bosnia and Herzegovina for the last two years we have been in the grip of a political crisis. During this crisis, tens of thousands of jobs have been lost. These jobs have been lost throughout the country. No corner has been immune.

However, despite a preoccupation in BiH public debate with well-defined and well-articulated political differences, the fact is that, faced with a global as well as a domestic economic crisis, the political establishment has no option right now but to focus on the economy. I am glad the Prime

Minister is here with us today. I am convinced that he shares my view.

I also believe that the leaders of the main political parties understand that, in the face of continuing poverty and unemployment, sensible steps that will improve the material well-being of citizens cannot be delayed any further.

These steps have already been prepared and agreed. There is no political dispute over what Bosnia and Herzegovina must do in order to attract more investment, create new jobs and raise living standards. The steps are laid out clearly in the Stabilisation and Association Agreement and the European Partnership.

Among the EU integration requirements is the enactment of a BiH Law on Obligations. This will standardize the commercial code throughout the country in preparation for entry into the EU single market. Another requirement is to modernise the banking supervision system. This will further strengthen a banking sector that has been one of Bosnia and Herzegovina's success stories over the last decade.

These two steps – which the main political parties have agreed to implement – are key elements in preparing this country for full participation in the free movement of goods, services, workers and capital – the principle that underpins EU membership.

Enacting the Law on Obligations and modernising the banking supervision system will further transform a business environment that has already been changed beyond recognition in the last decade.

BiH political crises have captured international media attention – which has certainly not helped attract desperately needed investment – but even as crises have come and gone, there has been steady and substantial progress in upgrading almost every aspect of the BiH economy. This is something that

I hope will be more widely understood as a result of this conference. It is the reason that Bosnia and Herzegovina notched up years of economic growth before the global recession and it is the reason that the people of this country can look forward to years of economic growth when the recession ends.

Reforms in one sector have had a positive impact on other sectors. For example, when VAT was introduced at the beginning of 2006, public revenue went up and tax evasion went down. Administrative efficiency increased, and crime decreased. Likewise, when business registration reform was implemented in 2006, it simplified and accelerated registration procedures throughout the country and provided for the unimpeded flow of information among various government bodies, including tax and customs authorities – and this too increased overall administrative efficiency and helped to reduce crime. A virtuous cycle was created.

The same positive knock-on effect throughout the economy can be experienced when the Law on Obligations is enacted and when sensible steps are taken to modernise the banking supervision system. That is why we are pushing these reforms and that is why we believe Prime Minister Spiric and the entity premiers will push them too.

In Bosnia and Herzegovina today the priority has to be on getting the public focus back onto the economy. This is the only area of political debate that is going to make an immediate and meaningful difference in people's lives.

Prime Minister Spiric and the two entity premiers, despite manifold and pressing distractions, have worked hard and successfully to push forward with practical reforms. I commend the Prime Minister for the progress that has been made. I hope that this progress will be highlighted at this conference and communicated to international investors. The fact is that Bosnia and Herzegovina has the potential to be one of the most

competitive economies in Southeast Europe – and that will happen when we focus on steps that have already been agreed and that are designed to get people back to work.

Real and rapid progress can be made in resolving social and economic challenges and implementing the EU integration agenda. Faced with chronic deprivation among hundreds of thousands of citizens, this progress must be made sooner rather than later.

Thank you