

Remarks by the High Representative Christian Schwarz-Schilling at a meeting of the Foreign Trade Chamber Assembly

Ladies and Gentlemen,

I am here today because I believe that your work is important and that your views should be listened to.

I think we can all agree that although exports have increased significantly, Bosnia and Herzegovina is not yet making full use of its free-trade access to EU markets and markets in the region. This is because the domestic business environment is flawed.

Progress has been made (compared to previous years), but not enough – and you just have to look at the pace of globalization to understand that the world will not stand still and wait for BiH to catch up.

We should not waste more time. We must identify and resolve core problems related to foreign trade – and the Foreign Trade Chamber in close cooperation with the other Chambers is clearly in a unique position to help lead this effort. This is something that I hope my colleagues in the BiH authorities fully understand. If they haven't then I would urge you in the FTC to take your case to government, to parliament, to political institutions in a vigorous way – you must make yourselves heard.

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First the good news: the value and volume of BiH exports is rising and it is rising at a faster rate than the corresponding figure for imports. BiH continues to run a large trade deficit – more than 500 million Euro in the first quarter of this year according to the World Bank – but the imbalance is contracting year by year.

The reason for this improvement is not a mystery. The economy is expanding steadily and substantially, resulting in a corresponding expansion in exports.

Yet, BiH is enjoying strong export growth *despite* the slow pace of progress in improving the business environment, *despite* inadequate administrative support for exporters and *despite* a physical and transport infrastructure desperately in need of upgrade. BiH entrepreneurs have to be talented not just in making and selling products and services but in *getting round* the administrative obstacles that stand in their way.

Export success matters not just to those of you in this room who work in the trade sector. It matters to *all* citizens of Bosnia and Herzegovina – because each improvement in the trade environment represents a corresponding improvement in the employment environment, and each improvement in job creation produces a rise in living standards.

We have already seen a significant step forward in the decision announced last month by Moody's Investor Service to upgrade Bosnia and Herzegovina's credit rating from B3 to B2. Moody's noted that BiH has successfully implemented major economic reforms, including internal debt resolution and the introduction of VAT, which will encourage investment and growth, and it also noted that the SAA process will encourage further political and economic strengthening.

The Moody's verdict is particularly welcome in this respect because it demonstrates in a practical and useful way that BiH

is moving in the right direction, and that this is recognized by those in the investment community whose assessment of this country is determined by purely commercial criteria, and whose assessment will determine to a larger degree the level of job creation that can be achieved.

Another indication of movement in the right direction is the fact that the business registration system is at last being upgraded – and by the end of this year we expect the time required to register a new business in this country to fall from several months to as little as five days.

These positive developments demonstrate that reforms *do* deliver results.

I can tell you that I myself am receiving queries from prospective investors interested in Southeast Europe – since they are approaching me I believe we can conclude that they have started to put BiH into the same bracket as Slovenia , Croatia , Serbia , Rumania and Bulgaria .

In order to capitalise on this interest – and let us be perfectly clear we simply cannot afford *not* to capitalise on this interest – the relevant BiH agencies must cooperate and cooperate productively. The worst thing that could possibly happen would be if investors were to decide to come here, then experience the bureaucracy and decide to go somewhere else.

Things would improve quickly if the BiH authorities would enact economic reforms – on which they have already agreed in principle – before the October elections.

Among key economic reforms to be enacted this year are the BiH Law on National Fiscal Council, the BiH Law on Obligations and the BiH Salary law and the centralization of banking supervision at the State level so as to offer stronger guarantees to depositors. Then there is the Pharmaceuticals Law, which would ensure the quality of medicines sold in BiH.

None of these pieces of legislation is controversial. They represent a body of parliamentary business that, when completed, will reflect positively on the political parties and their representatives and will deliver tangible and speedy benefits to the people of Bosnia and Herzegovina.

I made this point to parliament two weeks ago.

I am still waiting for action from the politicians – and I believe in an election year *action* rather than *inaction* would be a good way to improve their reputations.

You are well positioned today to take that process forward. This is the first session of the Foreign Trade Chamber assembly as it will be constituted for the next four years. The people in this room are the people who will be articulating and defending the FTC agenda for the remainder of this parliament and for most of the next parliament.

This is an assembly composed of representatives of major importers and exporters as well as small and medium sized enterprises. When *you* speak, you do so with authority.

Speak forcefully and often.

Thank you