

Speech by the Principal Deputy High Representative, Raffi Gregorian To the American Chamber of Commerce



Creating “Brand BiH” through Reform and Partnership

Ladies and Gentlemen,

Last week the High Representative co-chaired a conference on the BiH economy. I believe some of you participated in the same event. Our objective was to bring together policymakers and economic stakeholders – employers, trade unions, consumers and so on – to stimulate dialogue on a focused set of economic reforms. The reforms that we looked at have broad political consensus already and could be implemented as early as this year and – ideally – some of them could begin to deliver benefits to the people of Bosnia and Herzegovina by 2008.

One problem is that the very word “reform” has acquired a negative connotation for many citizens. It isn’t hard to understand why. The people of this country have experienced the pain of economic reforms but not nearly enough of the corresponding gains. I don’t think it is necessarily useful to point the finger at this or that political party or politician for failing to support or implement reform programmes effectively. The fact of the matter is that during the last decade Bosnia and Herzegovina had to be overcome huge obstacles – obstacles that other transition countries did not have to contend with. One very damaging result of the post-war politics in Bosnia and Herzegovina has been that economic issues have taken a backseat to the national politics and are therefore almost absent in public debate.

Many citizens have simply stopped believing that the economy can be turned around and many politicians – due to the delay between introducing reforms and reaping benefits – have preferred to focus on issues where political intervention and beneficial results are more clearly connected.

We have set out to change this. Last week, the three Prime Ministers and the Mayor of Brčko signed up to a document – the Platform for Action – that commits them to supporting key economic reforms in carefully targeted areas. We will support them and – as long as we can keep the focus of public attention on these reforms – I think the signatories to the Platform for Action can succeed in turning their commitment into legislative reality.

This in turn has to be reflected outside the country. The way that Bosnia and Herzegovina is perceived beyond its borders has a great deal to do with the way its economy performs – or perhaps I should say the way its economy *under* performs.

For a long time – long after the fighting ended – wartime newsreel footage of death and destruction was for millions of people around the world the defining image of Bosnia and Herzegovina.

We have already moved on from there.

Most people, in Europe at least, I think have grasped that the Western Balkans – Bosnia and Herzegovina in particular – are no longer a war zone. Indeed the HR's predecessors have worked consistently with BiH partners to help lay this anachronistic view of the country to rest.

But here is the problem, and it's a big problem.

If millions of people around the world no longer associate Bosnia and Herzegovina with violence and mayhem, what *do* they associate it with?

I'm afraid the answer is: nothing. The rest of the world isn't thinking about Bosnia and Herzegovina. This is tremendously damaging to its prospects in the global marketplace.

Some of conference speakers last week spoke about the need to "brand" the country. I believe this is very much more than a passing fad.

Those of you who are familiar with advertising will know that branding consists of considerably more than simply thinking up catchy slogans and projecting positive images through slick TV ads.

The process involves identifying strategic strengths and communicating these in a focused and consistent way.

When the HR spoke about stimulating a dialogue among policymakers and economic stakeholders he stressed that this dialogue was focused on specific issues. These include, for example, the need:

- to establish a proper system for allocating tax revenue,
- to modernize the commercial code,
- to improve the security of small bank depositors and encourage the banks to lend more to business start-ups,
- to establish an effective BiH Social and Economic Council, and
- to upgrade the country's infrastructure.

These priorities have not just been invented. They are in an advanced stage of preparation – in some cases laws already drafted are waiting to be adopted by governments and parliaments. The economic reforms outlined in the Platform for Action represent a package of measures that can help resolve

key anomalies in the economy, allowing those sectors where Bosnia and Herzegovina enjoys comparative advantage to start performing in a more satisfactory way.

Among the key strategic sectors are power generation, forestry, and tourism (particularly rural and cultural tourism) – and Bosnia and Herzegovina has not yet properly begun to examine and develop its potential in the kind of high-tech and high value-added mass manufacturing that has already transformed the economies of central Europe.

A decade ago it would have been unbelievable to think about trying to lure microchip manufacturers to this country – but it is not far-fetched now.

Absence of a positive image of the country is a real problem. People may no longer have the *wrong* image of Bosnia and Herzegovina, but they do not yet have the *right* image. The country registers a very faint blip on the international investment radar.

As everyone in this room knows very well, it isn't sufficient to say: we have competitive labour costs and friendly people – come and invest here. The pitch must be more compelling than that; it must be premised on clearly definable and attractive criteria.

That is why we believe that economic priorities which have been embraced by the political leadership in the Platform of Action can be useful. These priorities if carried forward will have a direct and positive impact on the economy, and the results of that will be felt very soon. At the same time, these priorities will reflect emerging strengths that can be brought to the attention of prospective international investors.

Let's just take a look at the claims that could be made for Bosnia and Herzegovina a year or eighteen months from now if the Prime Ministers deliver on the commitment they have made.

Let's look at a prospective "New BiH".

This is a country that has

- established a proper system for allocating tax revenue,
- modernized its commercial code,
- improved the security of small bank depositors and encouraged the banks to lend more to business start-ups,
- established an effective Social and Economic Council in order to boost productivity and improve policymaking, and
- started to upgrade its infrastructure.

In other words this is a country that the most hard-headed corporate strategist in Paris or New York or Tokyo might take a second look at – throw in the friendly people and competitive labour costs you have a winning proposition.

The economic reforms that we are seeking to promote in the coming legislative sessions will deliver tangible benefits to citizens – that is the priority. But the effect does not stop there. These reforms, by changing the nature of the economy will create the building blocks that can be used to re-brand Bosnia and Herzegovina – and that in turn will deliver positive long-term benefits in the shape of increased investment in productive capacity and jobs. It's a virtuous cycle.

We made a start last week in launching this virtuous cycle and the HR is under no illusions that sustaining the momentum will be a challenge, but the fact is that the prospects for rapid and sustained economic growth in Bosnia and Herzegovina are not remote – as long as the political leadership succeeds in doing what it says it wants to do and carries these reforms forward. And that would make Brand BiH competitive in the global marketplace.

But we need your help. We need you to pressure political leaders to start doing what they promised to do.

Economic improvements should be measured by what is achieved, not by what should have been achieved.

It all comes down to this fundamental question: do politicians want to work towards creating wealth for all, or divide it amongst themselves.

Thank you.