

# Speech by the High Representative and EU Special Representative Christian Schwarz-Schilling at a Conference on Economic and Social Development in Bosnia and Herzegovina



Speech by the High Representative and EU Special Representative Christian Schwarz-Schilling at a Conference on Economic and Social Development in Bosnia and Herzegovina organised by the Austro-French Centre for European Rapprochement and the French Institute for International Relations, Sarajevo 11 June 2007

## Citizens Are Entitled to an Explanation

Ladies and Gentlemen,

I am particularly pleased to have an opportunity to address this conference because there is a strong presence this morning of politicians as well as economists. The fact of the matter is that economic issues are Cinderella issues as far as mainstream political debate in Bosnia and Herzegovina is concerned, and this is debilitating. If we make all the progress we would like to make on resolving political questions, and at the same time we fail to fix the economy, then our overall effort will be in vain. Attracting

investment, creating jobs and raising living standards are basic conditions that must be met if the rehabilitation of Bosnia and Herzegovina is to succeed.

This morning, I would like to explore, very briefly, the relationship that currently exists between economic management, political debate and popular perception.

Television talk shows and newspaper columns are given over to exhaustive discussion of issues such as the role of vital national interest, or the propriety of bringing this or that question before the Constitutional Court, or the representation that is proper and optimal in the Houses of Parliament. Entire forests have been cut down in order to supply the paper on which discussion of these issues has been printed.

But place against this massive coverage of purely political issues the volume and quality of coverage given to core economic tasks such as improving the business environment, or breathing life into the small and medium enterprise sector, or resolving bilateral trade issues that bedevil the effort to boost domestic production and increase exports.

Core economic tasks simply do not receive the media attention that they deserve and that they need. There is a basic disconnect between economic issues that are of huge importance to citizens and the amount of public discussion that is given on these issues.

It is important that we have politicians and economic experts with us this morning. We need serious and practical economic analysis, on the one hand, and we need politicians to make effective use of that analysis, on the other.

The conference agenda – strengthening the economy, relieving social tensions and examining regional integration and EU perspectives – deals in a pertinent way with the strategic economic tasks facing Bosnia and Herzegovina. I believe we can

usefully place the economic analysis of these issues in a political context – the only context that will allow us to translate bright ideas and insights into administrative and legislative steps that will have an impact on the ground.

But politicians and economists are only two voices in a trio. The third voice is that of the general public.

And the general public in Bosnia and Herzegovina is tired of being urged to support reforms, above all because the results of economic reforms have to date been patchy. The people of this country have experienced a great deal of pain as a result of the restructuring that has taken place fitfully in the course of the past decade and they have derived a pitifully modest amount of gain. They have been promised much and they have received little. That is why it is important that conferences such as this one produce more than simple exhortations to support more reforms.

When I was a cabinet minister I was responsible for the reform of the German telecom and postal sector. This was a major undertaking that directly affected every man, woman and child in the country. I speak from experience when I say that there are three simple steps that have to be taken when you set about making a change that will affect millions of people. You have to explain what it is that you propose to do; explain why you propose to do it, and explain the benefits you propose to deliver as a result of the reform.

It is a matter of prudence as well as courtesy to explain the nature of reforms and identify the benefits that can be expected when they are successfully implemented. Until now, I think it is fair to say that core economic reforms have not been properly or successfully explained to the citizens of Bosnia and Herzegovina, and this failure has played a major role in the disappointing results of some reform initiatives.

Let me briefly run through some of the major items in Bosnia

and Herzegovina's current reform agenda, together with the basic reasons for and likely benefits of each reform:

- Enacting the National Fiscal Council Law – to rationalise the country's overall economic management and ensure that Bosnia and Herzegovina lives within its means;
- Enacting a BiH Law on Obligations – to modernise the business environment, attract investment and create jobs;
- Creating a central banking supervision system – to increase protection for depositors and stimulate the financing of new industry;
- Taking steps to free up the movement of labour between the Entities – to accelerate economic growth;
- Creating proactively a competitive environment in the telecom sector – to generate a boom in this sector that will encourage investment and job creation;
- Facilitating infrastructure investments – to modernise the country's productive capacity and help it compete with neighbours; and
- Setting up a BiH Social and Economic Council – to generate a productive dialogue that will make it easier for industry and trade to expand.

None of these reforms should be politicised and each of them should be explained. The fact of the matter is that each of them will provide benefits, and when these benefits are identified and publicised it will be possible to sustain the political focus needed to turn proposals into government policy that can be implemented on behalf of citizens.

This is not an impossible task. Reforms may have been patchy, but real benefits have been delivered. Economic growth is steady and strong; exports are up; indirect tax reform has been a success; and there are signs that Bosnia and Herzegovina is beginning to respond positively to emerging and positive trading patterns across the region.

But poverty remains endemic and unemployment remains unsustainably high. Living standards are rising, but they are not rising nearly fast enough.

Unless we can explain to the general public what we propose to do to fix the economy, why we propose to do it and the benefits that can be expected as a result, citizens will continue to view the economic reform agenda with indifference or hostility – and as long as that is the case the prospect of summoning up the political will to enact and implement the reforms I have mentioned will be small.

If there is one conclusion I would like to emerge from the discussion at this conference today and tomorrow, it is that economic issues must be placed at the centre of political debate in Bosnia and Herzegovina. This is not just desirable; it is necessary. It is in fact a prerequisite for creating and sustaining a prosperous democracy in this country.

Thank you