

Speech by High Representative Paddy Ashdown at the International Investment Conference

The Course of Reforms in BiH: Expectations, Perspectives, Opportunities

Ladies and gentlemen,

It is a pleasure to be back in Mostar and in Herzegovina ... again!

As my BiH colleagues know, Mostar has taken up much of my time over the last few months as we have, together, embarked on the long and difficult process of re-unifying this Great City – a process that, exactly one month ago, led to the enactment of a new City Statute.

I have to tell you, when I accepted President Covic's invitation to this conference back in December, I did so with a certain degree of apprehension.

After all, back then there was no way of knowing precisely where this process would lead, or what the political fall out would be.

Would our efforts at re-unification have stalled?

Would the process of bringing Mostar's peoples back together have backfired, forcing them apart more certainly even than before?

It was not impossible, as my advisors warned, that this conference could be drowned out by the sound of nationalistic

disputes and political discord. Indeed many predicted that our plans for the future would die an early death under the weight of Mostar's dysfunction and division.

Well, so far, that risk has not materialised. Those hoary old ghosts from Mostar's past have not reappeared.

That is not to underestimate the task ahead. The process of implementation in Mostar will be tough, detailed, and long.

There is much to do over the coming months to ensure that Mostar will have, at last, a government that puts its citizens first. There are many pitfalls on the way. Success is not assured and lack of care, the triumph of inertia or the return of petty obstructionism could still lead us back to failure. Nevertheless, it would not be an exaggeration to say that as a result of the changes already made, we do indeed meet today in a new City that could, slowly but steadily build a new future.

Today's event will, I believe, lead to new investments, new businesses and new jobs. A big moment for Mostar's economy.

In two weeks time, Mostar will get a unified government and a slimmed down, single City administration. A big moment for Mostar's politics.

And in July, as a symbol of Mostar's new start, the famous Old Bridge that for centuries has linked the two sides of this vibrant, multi-ethnic City will be re-opened. A big moment in Mostar's proud history.

So we meet at a good time.

Mostarians, like all the people of Bosnia and Herzegovina, have learnt the hard way over the last eight years, the extent to which crime, corruption and poverty travel in the slipstream of conflict. Now, I hope, they are about to learn that the converse is also true – that peaceful, multi-ethnic co-existence and political stability attract investment, which

in turn leads to new jobs, new businesses and new opportunities.

And what is true for Mostar is, of course, true for the rest of Bosnia and Herzegovina.

Over the last few years, as the debris of the war has been swept away, a path has been cleared for investors to move in.

In the years immediately after hostilities ceased, the focus was on removing the physical wreckage left behind by four savage years of war.

More recently, we have, together, been attempting the even more difficult task of bulldozing our way through the political detritus left behind by the war. Discriminatory laws, parallel institutions, irrational regulations, corrupt procedures and a host of other unnecessary strictures all combined to keep this country divided, and its people poor.

But these too have changed.

On the monetary side, thanks to the independent Central Bank and the currency board arrangement, Bosnia has, for several years, benefited from a stable single currency and the region's lowest rate of inflation.

On the fiscal side, we have tight government spending controls in place and are, as we speak, preparing to establish a new, countrywide, European-standard Indirect Tax Administration to collect customs revenues and oversee the orderly introduction of VAT by the start of 2006.

So the macro-economic framework is in place. Now we need to turn our attention to the business environment.

We need to build on the 50 reforms, passed in Parliament, and drawn up by the businesspeople on BiH's now celebrated Bulldozer Committee, that has been ploughing a furrow through the tangle of red tape and bureaucracy that stifles enterprise

and deters investment. Under Phase II of the Bulldozer Initiative, now underway, another 50 reforms are now making their way through the system, and a further 50 reforms will be drawn up under Phase III, which is about to be launched. I believe these should concentrate especially on small, even very small, business.

We need to help businesses borrow, invest, expand and export.

Take an industry familiar to many in this part of the country – wine production.

Herzegovina has 98 percent of all the vineyards in BiH. Yet only 25 to 30 percent of pre-war vineyards are in use.

That's a microcosm of the economy countrywide.

The raw material for prosperity exists. Indeed, it exists in abundance.

But until now we have not been able to create the conditions on a countrywide scale to transform this raw material into wealth.

But that is changing. We are setting the stage for economic take-off – and this conference can serve to publicise that.

In Herzegovina itself the potential for further development is clear. Significant foreign investment has already been made in companies such as the Ljubinje poultry processing plant in eastern Herzegovina, Ledo in Citluk, Lasta in Capljina, Nerfil in Mostar, Uniline in Grude and of course BiH's largest exporter, Aluminij, also here in Mostar.

That is where the future for this area, and this country lies. With exporters like Trebinje Tool Factory, Fortuna Trade Tours, Nerfil, Listo, Weltplast, UNIS-Igman, Bobita, and Prodex.

Every day, these firms are proving to BiH's politicians and

workers that privatisation can work and can create jobs in BiH.

Every day, they are proving to the rest of the world that a compelling case for doing business in BiH can be made, and that a healthy return on your investment can be secured.

Of course we are not there yet. Business people know that, and I'm not about to tell them otherwise. But I can assure them of this:

We have a plan, and we intend to see it through.

The Governments have recently adopted a far-reaching economic action plan – a practical, detailed 'to-do list' to give businesses what they need to invest and grow.

For example the plan includes a commitment to establish 15 commercial chambers around the country, attached to existing courts, by the end of March. Several are already up and running and the remainder should be functioning on schedule by the end of next month.

It includes a commitment to introduce a single business registration system, EC certification procedures, a coherent trade policy and a raft of new, European-standard legislation on bankruptcy, insurance and corporate governance.

None of these measures, in and of themselves, will convince investors. You, the business community, will make your own, hardheaded analysis of the benefits of putting your money into BiH.

But I would say this.

If you look at the reforms that Poland, Hungary, the Czech Republic and Slovenia were introducing a few years ago, you will see that they are the same measures being introduced in BiH today.

If you look at where they, and the six other new EU Member States are now, you will see where BiH could be in a few years time.

And if you look at the business opportunities that have opened up in these countries in the last few years, you will see the opportunities that could open up in BiH over the next few years.

Things are not perfect here – Bosnia and Herzegovina still has some way to go before the benefits of reform make themselves apparent.

Like any country, there are still dangers ahead.

For BiH, now entering another electoral cycle, there is a danger that the very parties who have opened the doors over the past 18 months to Europe and NATO, will, facing the ballot box, retreat back to the old easy game of claiming victimisation. I hope that these Parties, and perhaps more crucially, the newspapers who support them, will resist the temptation of the easy but cynical tactic – for it is also a destructive and sterile one. BiH now has a new future. Elections should be about that future and about celebrating how far down the road BiH has come. Not about the past, with each side claiming that they were the greatest victims then, and remain the greatest victims still. We have won for ourselves a new future in BiH. It is time to celebrate that future, not return to our past.

Mostar is a case in point. A typical example of how the politics of the past can hold a community back. A politics that confronts the real challenges facing this country, rather than wastes time fighting the ghosts of the past.

I am confident that the direction ahead is clear.

Like its neighbours, Bosnia and Herzegovina has set its course for membership of the Euro-Atlantic institutions.

It has a growing economy, a stable currency, low inflation and affordable labour.

It is situated at the edge of the European Union and at the heart of the Southeast European free-trade area, with its market of 55 million consumers.

As Mostar's re-unification demonstrates, this country is now moving beyond its past to build a better future.

And in my job, I see the consequences of this development on a daily basis.

The issues of economic transition and European accession are increasingly replacing those of conflict resolution and peace implementation.

The international media left long ago.

And each year, thousands more international troops and aid workers are leaving.

Increasingly, it is tour operators, bankers and businesspeople who are flying in.

And, having looked not only at where Bosnia and Herzegovina currently is, but also at where it is heading, more and more of them are deciding to stay.

I hope some of you will do the same.

Thank you.