

Article by Larry Butler, Principal Deputy High Representative: “Good Politics Versus Bad Faith”

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Part of my job as Principal Deputy High Representative is to work, with my BiH and international colleagues, to support Bosnia and Herzegovina's economic development.

Poverty and unemployment breed crime and instability. Peace in Bosnia and Herzegovina depends on prosperity. Government revenues to support increasing public welfare require prosperity.

In the year and a half that I have been here I have been able to detect a modest degree of economic progress – but nothing like the kind of sustained growth that is necessary to lift this country out of poverty and provide public revenues to rebuild schools, hospitals and give pensioners a decent old age.

Yet double-digit growth rates are not an illusion.

Other countries, some of them your neighbors, have shown that they can be achieved.

Other countries, some of them starting from circumstances every bit as unpromising as those of postwar Bosnia and Herzegovina, have stepped onto a “prosperity escalator”, and achieved the sort of economic momentum that delivers huge increases in prosperity every year.

The experience of these countries shows that the difference

between prosperity and poverty isn't cultural; it doesn't depend on how hard people work. Some of the poorest people in the world are the hardest working, and some of the most prosperous people in the world take advantage of that prosperity to reduce the number of hours they have to work. It doesn't depend on natural resources either – economically successful countries such as Singapore and Hong Kong don't have any natural resources at all. Finland has rocks, trees and six months of snow, and is one of the richest countries in Europe. Ireland is another example.

The difference between prosperity and poverty is the difference between a good business environment and a terrible one.

If your country is a place where banks have the capital and the confidence to lend to entrepreneurs, where registering a new company isn't a bureaucratic nightmare, where taxes are fixed at a reasonable rate and collected efficiently, then the chances are that your country is a fairly prosperous place in which to live and work.

Improving the BiH business environment is the only way to create jobs, reduce poverty, fight crime, and put an end to the host of attendant evils that the hard pressed people of this country have to put up with every day.

Yet most readers will know how difficult it has been to cajole, persuade, harass and beseech BiH politicians to take the most basic steps to improve the business environment.

Because progress in this sphere has been modest, economic development has been modest too.

And all citizens have had to live with the consequences of this. Among those citizens are war veterans and their families, who have to contend, sometimes under difficult circumstances brought about by bereavement or invalidity, with the limitations in social and public services that are a fact

of life for all the people of Bosnia and Herzegovina.

I should state that I have experienced first hand the challenges facing veterans and their families. My own father served his country in Korea and Vietnam and his older brother in the Pacific during WWII. Both paid the ultimate price for protecting their fellow countrymen's freedom.

The proponents of the Federation Law on the Rights of Demobilized Defenders and Members and Their Families claim to be fighting to protect the interests of this group of citizens.

But, they are making promises that cannot be kept. I think Bosnians have had enough of empty promises and politicians who think they can fool the people all of the time.

As the World Bank, the IMF, and the EC have all pointed out, together with existing obligations, passage of this law would mean that total annual transfers to veterans and the families of fallen soldiers would amount to around half of the Federation budget.

There would not be enough money left over to finance other public services – such as schools and pensions and hospitals and the police.

The arithmetic just doesn't add up. There isn't money for everything, as much as we may wish it.

The only way to make conditions for veterans better is to make conditions for *all* citizens better. The only way to increase payments to veterans is to increase public revenue – and the only way to do that is to improve the business environment so that profitable companies pay reasonable taxes. The international financial community has already noticed that politicians are promising to pay with money that doesn't exist. Bosnia's credit rating has just gone down as a result, which is bad for investment, jobs, and tax revenue.

Enacting laws that will make BiH a place to do business so that more companies can be established and more jobs can be created is good politics..

Making promises to war veterans that cannot be kept, one week before an election, isn't good politics, it's bad faith.

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