

“BiH Open For Investments”

Speaking at an investment conference in the City of London, the High Representative, Paddy Ashdown, on Tuesday called on international investors to learn from the success of foreign banks in Bosnia and Herzegovina and enter the market as the difficult reforms of the last few years begin to open up real investment opportunities. Comparing BiH to Poland and Hungary in the early 1990s, the High Representative noted that “macroeconomic stability has been achieved; monetary and fiscal discipline are in place; and the macroeconomic reforms to clear away the debris of the formerly socialist economy and open up the country to international markets and investment are well underway.”

Noting that “the commercial banking sector has been transformed by international funds” the High Representative said that foreign banks had quickly won the confidence of the domestic market – to the benefit of the investors themselves and their customers. “As banking services have proliferated, the competition has benefited citizens,” he said. “As with all emerging markets, those who are first to spot the opportunities, and who have the confidence to act on this, will reap the greatest rewards.”

He went on to underline that “new jobs” in BiH and higher salaries will come from this kind of foreign investment in BiH’s private sector, not by trying to revive the failed state enterprises of the former Yugoslavia. “In today’s world, governments don’t create jobs – businesses do.”

The High Representative was speaking at the Bosnian Business Conference organized in the City of London, one of the world’s largest financial centres by the UK Embassy in Sarajevo and the BiH Foreign Investment Promotion Agency.

He emphasized that wartime images of BiH bear no reflection to

the reality today, and he drew attention to the years of painstaking work that has been done on infrastructure reconstruction and on establishing democratic institutions and modernizing criminal and commercial law. "This has been time-consuming and messy – like any building work," he said, adding that the benefits will become apparent in the coming years.

The High Representative drew attention to the medium-term reform programme to expand the private sector and initiate a new round of tax cuts aimed at stimulating investment, agreed by the prime ministers and finance ministers on 2 December, and he briefed potential investors on the Bulldozer Commission's successful efforts to eliminate pointless and job-destroying bureaucracy. He also laid out the economic program – including the implementation of indirect tax reforms, the creation of a single business registration system, the formation of a coherent and comprehensive trade policy, the setting up of EC certification procedures to boost exports, and improvements to statistics gathering and government budget structures – that must be implemented in the next six months if BiH is to begin negotiations for a Stability and Association Agreement with the EU. "These are achievable goals," the High Representative said, "and every one of them will make BiH a more attractive place to invest.

"We in BiH are well aware that we are *competing*," he said. "BiH is making itself as competitive as its neighbours in Southeast Europe. It already has the most stable currency in the Balkans and enjoys near zero inflation. The large diaspora created by the war, followed by a wave of returns from overseas, has produced an unusually polyglot and worldly-wise workforce; salaries are competitive, and BiH is geographically well positioned. It is next door to the EU and at the heart of the Southeast European free-trade area, which has a domestic market of 55 million consumers."

He indicated that because of unregistered cash-based commerce, the real economy may be growing a good deal faster than

official figures suggest. "The bad news is that the governments are still struggling to find a way to regularise much of this unregistered commerce without destroying it. The good news is that this commerce exists at all – it indicates a vibrant entrepreneurial environment that can be the springboard for economic take off. As in other transition countries, the challenge is to integrate the thriving gray economy in BiH into the mainstream."

He concluded by urging the 200 business delegates who attended the conference to seize the opportunity and invest in BiH.