

Opening Remarks by the High Representative at the Economic Policy Forum

Today's meeting is a true sign of the agenda for peace starting to dominate over the agenda for war in Bosnia and Herzegovina.

With the common institutions of Bosnia now starting to work, we must all concentrate efforts on creating the right conditions for good economic, social and political development in the years and the decades ahead.

The legacy of war and destruction will be with Bosnia for a long time to come. The ruins will serve to remind of the horrors of war and the necessity of going forward. But the legacy of the problems of Bosnia is not only the war. It is also the decades of socialist policies and mismanagement of the economic system in all of former Yugoslavia.

The past decades across the world have created a new understanding of the conditions for economic growth and development. And it will only be by applying these lessons and this understanding that Bosnia will have the opportunity to prosper.

After 1945, when most of Europe lay in ruins, there were large amounts of economic aid helping with reconstruction. And the same is the case here in Bosnia, although the amounts are far larger. In relation to size, the economic aid to Bosnia today is three times the aid of the Marshall plan to Europe after 1945.

But in the end, it was not the economic assistance that secured the recovery of Europe out of the ruins. It was the

wise economic policies, symbolized by Ludwig Erhard in Germany, and the strong efforts to achieve economic integration and free trade, which were later to pave the way for economic union. Without these policies and efforts, the aid programmes would have produced very little but dependence on continued aid.

The lessons from those days have been reinforced by our experiences since then across the world. We have seen nations prospering and declining depending on their economic policies.

We have seen the effects of socialist mismanagement in the massive failures of the economies of Central and Southeastern Europe, but also of some of the countries of the Third World pursuing the same course.

We have seen how some of the countries receiving the largest amounts of economic aid have been the worst in terms of succeeding with economic development due to the wrong policies. And we have seen poor and desperate nations practically without aid starting on paths of spectacular development thanks to the right conditions and the right policies. During the last decades especially we have seen the spectacular success stories of countries that have pursued consistent and clear policies of economic liberalization, free trade, respect for private property and the rule of the law. And these success stories are now on the verge of being repeated in the post-socialist countries of Central and Eastern Europe which have learnt the lesson and embarked on the necessary reforms.

Bosnia and Herzegovina has the possibility of success – or failure. The choice is in the hands of many of you here today. By pursuing consistent and clear policies of reform, you can pave the way for growth and social development, making your country a shining star in this part of Europe.

You have the talent and the experience. You know the horrors

of war. You have learnt from the massive mistakes of Yugoslavia.

But you can also fail. And if you fail, your failure will be massive. Economic aid from the outside world will not be here for a long time. Investments will not come to a country not reforming itself. You will be on a downward spiral that might well endanger also the peace which we have all worked so hard for.

1997 and 1998 will be decisive. And the next weeks and months will set the course for the consolidation period.

For a Donor's Conference to be successful, there must be clear proof of you moving forward on your own. An agreement with the [International Monetary Fund](#), talks on which will start in the next few days, based on agreement on a Central Bank with a common currency, on a state budget for 1997 and on arrangements to let trade flow freely and with as few restrictions as possible across all the borders of Bosnia with the outside world will be the key.

No other task is as important for the Council of Ministers and the Parliamentary Assembly during the next few months as to secure this.

This work will take place against the background of developments around Bosnia.

The turmoil of Serbia is connected to the inability of Serbia to pursue the necessary policies of economic reform, and it must be a priority to see that Bosnia, and primarily Republika Srpska, are not dragged down by the impending financial disaster of the Serbian economy. With a stable monetary and currency system on offer for all of Bosnia, this possibility should be utilized.

Bosnia should also fully seize the opportunity presented by the regional approach now being developed by the European

Union. This will pave the way for trade arrangements, with not only Europe but with the entire outside world. Borders open for trade with the region, with Europe and with the world will be possible as soon as the necessary arrangements for customs and tariffs are in place. The constitution itself paves the way. It states clearly that there will be no barriers to the free movement of goods, services and capital throughout the country. It commits Bosnia to high standards of respect for the rule of law – including private property. And this is the way which must be followed in the weeks, months and years ahead.

The time for the generals has passed. The time for the economists and the reforms has come.

We – the representatives of the international community assembled here today – stand ready to help and assist in all ways possible. This Economic Policy Forum today will present our views and our experiences but the ultimate responsibility for the future of your country rests in your hands.