

# Remarks by High Representative/EU Special Representative Christian Schwarz-Schilling At the 2006 Investor of the Year Awards



## Investment Means Jobs

Ladies and Gentlemen,

First of all let me say what a pleasure it is to be here with you this evening at so encouraging an event. It is positive for those companies that are being recognised for their contribution to the economy of this country. And it is positive for Bosnia and Herzegovina as a whole.

So please let me begin by paying tribute to those who are being honoured this evening. Congratulations for what you have achieved and for what you have given to this country.

All of the people in this room are well aware of the way in which commercial investment fuels economic recovery. But I would like my message this evening to go beyond this gathering.

Many of the citizens of Bosnia and Herzegovina still do not understand that investment means jobs.

To those of us here, this may be self-evident. But for hundreds of thousands of citizens, investment often appears less than wholesome. It is associated with fraudulent privatisation, with remote and obscure ownership of valuable resources, with redundancies and lack of owner accountability.

This has to change.

It has to change because the authorities need popular support for the steps they must take in order to increase investment. Why should voters appreciate efforts to improve the business environment, if a direct connection is not made between these efforts and subsequent job creation?

It also has to change because investors themselves need popular understanding for the changes – sometimes-difficult changes – that have to be made when they try to turn a company around.

But also, the authorities must understand that companies cannot flourish in an uncompetitive business environment. I visited the Volkswagen factory in Vogosca today. Their message was clear. This factory in Vogosca has to compete with Volkswagen factories elsewhere – in Slovakia, Poland, Germany and many other places.

If the factory in Vogosca is more competitive than the others, it gets the contract to produce spare parts for the others. If not, then this contract goes to another Volkswagen factory in another country. And this means fewer jobs in Vogosca.

The Volkswagen management made it clear to me what they need in order to compete, namely a fast and efficient judicial system, a regulatory environment that ensures legal certainty, and coherent macroeconomic policies. In concrete terms, this means courts have to be properly equipped. It also means the adoption of, for example, the State Law on Obligations and the effective implementation of property laws. And it means that the authorities at every level have to coordinate their

activities. Volkswagen gave me an example where two different authorities interpreted the same article in the Customs Policy law in a completely different way.

This is not first and foremost a political issue: it is a practical one.

I am happy that we have with us here this evening Prime Minister Spiric and Foreign Trade Minister Puhalic. I believe that the new government can be counted on to promote and implement the kinds of measures that will make the BiH business environment more competitive, attract investment and create jobs.

The best way to communicate the positive reality of foreign direct investment is to demonstrate the number of jobs that have been created as a result of this investment. Of course, this cannot be done with precision, but I do not believe it is beyond the capacity of FIPA, for example, to come up with estimates that show the value of foreign direct investment, perhaps on a quarterly basis, and show the number of jobs that have been created or secured as a result of this investment.

This is a necessary initiative, because as long as the public in general – and bureaucrats in particular – do not grasp the key role of foreign direct investment in job creation (and even in some instances display hostility to such investment) Bosnia and Herzegovina will continue to fall behind its neighbours in its efforts to attract foreign investors. The money and the jobs will go elsewhere.

Thank you