

Remarks by Principal Deputy HR Larry Butler at a Conference on BiH Competitiveness Centre for Management and Information Technology

Ladies and Gentlemen,

If you want to compete, you have to go to the ball game – and if you *do* go to the ball game, I think we all agree you should play to *win*.

Bosnia and Herzegovina isn't competing effectively yet – none here will argue with that.

And since there is a talented pool of businesspeople, educators, engineers, artisans and others in this country who are ready to take on the world – and *win*, BiH's lack of competitiveness is a scandal.

Bureaucratic sclerosis and chronic political squabbling continue to undermine Bosnia and Herzegovina's competitiveness.

If I can stretch the metaphor: it's inside the stadium of the global economy, but it's not yet on the pitch.

But we are now seeing marked improvements – and we are going to see more.

Over the last several weeks we have looked back at the decade since Dayton and looked forward to an era that will be dominated by EU accession – the things that have to be done to

secure EU succession and the benefits that will come as it is being secured.

The final years of the Dayton decade saw huge strides in rationalizing the BiH state and getting it to work for citizens – these improvements will have a direct and positive impact on the country's competitiveness.

The next decade will accelerate this process, as BiH implements the provisions of the *acquis communautaire*.

Now, if we were talking about a country of limited economic potential, then the most ambitious administrative and political reform programme would yield only modest results.

But Bosnia and Herzegovina is not a country of limited economic potential. It is a country that has the capacity to excel.

And that means that administrative and political reforms can yield huge results.

We are already witnessing a positive trend:

- Customs reform, banking reform, and utilities reform have collectively exercised a positive influence on the economy.
- Efforts to cut the administrative hoops that new businesses have to go through before they can start operating have also made a noticeable improvement in the business environment.
- The introduction of VAT on 1 January will create the framework for a fair and efficient indirect taxation system, a plus for inward investment as well as European integration.
- GDP growth, projected to be 5.6 percent, is the highest in the Balkans; inflation remains negligible; industrial production, exports and foreign direct investment are all up.

So the economy is already responding to sensible management. As a result, BiH has improved its ranking in the World Economic Forum's Global Competitiveness Report. However, as the report has been expanded this year to include more countries, BiH's position on the Business Competitiveness Index has actually slipped, from 93 to 94.

This one-point drop is not the most noteworthy aspect of this year's report. The real issue is that BiH, a middle-income country, remains in the bottom quadrant of the country rankings where competitiveness is concerned.

In this year's report it is placed just behind Moldova and just ahead of Algeria.

Croatia is already moving up the ranks swiftly, gaining 12 places this year. BiH can do the same.

Number one position for the last two years has been occupied by Finland. This is a country I know something about, having spent several years as a diplomat in Helsinki.

Finland, as WEF Executive Chairman Klaus Schwab points out, maintains its position at the top of the competitiveness rankings because it has one of the most innovative business environments in the world; this has sustained improvements in productivity. Finland has effectively adapted its macroeconomic management to meet changing circumstances – something larger economies find exceptionally difficult to do, and something that BiH is well positioned to emulate. And Finnish governments have also been prepared to run budget surpluses, resisting the temptation to buy voter popularity and instead making proper provision for voters welfare ten or fifteen years from now when the country will experience a pension crunch. And finally, Finland continues to benefit from the perceived and actual integrity of its institutions and from a business in which the rule of law is respected.

One way or another, these are all areas where BiH is already

on, or is seeking to initiate a reform trajectory that will bring it coincidentally into line with the Finnish model – prudent macroeconomic and fiscal management, openness to innovation, creation of honest and efficient institutions and respect for the rule of law.

Fifteen years ago Finland simply wasn't spoken of when it came to world economic rankings.

The message is quite clear.

BiH is incredibly well positioned to embark on a steep economic and business development curve.

That means continuously rising living standards.

Major issues of political organization still have to be dealt with – but in recent years such issues have been successfully addressed and resolved. Meanwhile, the EU accession process will maintain the momentum for administrative and political initiatives that can have a profoundly beneficial impact on the business environment.

All of this will allow BiH to come off the sidelines and compete in the global economic ball game.

This is already beginning to happen. It is producing positive results. What we must do is accelerate the process.

Thank you