

Speech by Deputy HR and Head of OHR Economic Department, Patrice Dreiski at the Security Education Development Initiative Summer School of Security

The Single Economic Space

Ladies and Gentlemen,

I am delighted to have been asked to participate at this conference. I am an economist; the focus of the conference is security – and the point that I wish to make this morning is that you can't have security if you don't have economic stability. Economics and security are inextricably bound up.

Poverty and unemployment have been cited as the greatest security threats facing BiH. I believe that to be true.

Bill Clinton's catchphrase in 1992 when he ran successfully against George Bush Sr. was "It's the economy, stupid!"

The same applies in BiH today.

It's the economy.

For three reasons.

The first is the most obvious. Economic dysfunction breeds political unrest. And any return to political unrest would have a traumatic impact on the still fragile fabric of BiH society. This country is engaged in a race. It is running away from poverty and chronic instability and it is running towards

stability and a prosperous market democracy. It's a close race, but it is one that BiH simply cannot lose. The fortunes of millions of people depend on the result.

The second reason the economy is paramount is this. In BiH economic integration is one of the greatest – some might argue *the* greatest – of incentives to political and communal reconciliation. The Single Economic Space has a dual significance. It makes solid economic sense. (No Single Economic Space, no prosperity – it's as simple as that.) But the arguments for a Single Economic Space also buttress the arguments for turning BiH into a viable, inclusive modern state.

- The Single Economic Space embodies the four freedoms of the European Union's *acquis communautaire* – the unimpeded circulation of goods, capital, services, and people. Eliminating barriers increases people's freedom – in political as well as economic terms.
- The Single Economic Space means that companies can roll out their manufacturing and marketing activities beyond the boundaries of the Entities – and that means a natural and productive interaction among people in all parts of BiH.
- The Single Economic Space means a domestic market that has enough consumers to sustain commercial and industrial growth, generating prosperity and employment.
- The Single Economic Space means that investors deciding whether or not to put millions of dollars into the BiH economy will be presented with rules and regulations that are clear, uniform and consistent throughout the country. That investment will fuel the small and medium-sized enterprise sector that can make BiH economically viable.

The third reason the economy is paramount in discussions of political and military security is this: the functional and pragmatic economic arguments now being addressed in BiH

reflect the demands of a globalised market economy. In this sense they correspond to a post-modern, in many ways a post-*national*, kind of politics. They involve a type of discourse, I would argue, that is thoroughly incompatible with, for example, viewing citizens in terms of ethnicity or religion or culture. In the global economy, a producer in China may add value to a product by subcontracting components from India, and using a European advertiser to boost sales in North America. That's the world we live in. It's not a world where anyone preoccupied with ethnic exclusion is going to feel at home; it's not a world in which nationalist politics is destined to prosper.

Successful modern decentralised countries – think of the Germany, for example, or the United Kingdom – devolve government from the national to the local level, through various tiers of state and municipal authority, but they never confuse political devolution with economic fragmentation – because the spirit of our age is moving in the opposite direction. Markets are global and inclusive. Politics increasingly reflect that.

Micromarkets, artificially segregated markets, distorted markets – none of these makes much sense. The attempt to create two small markets in BiH instead of one large one – an attempt that reached its height in the late 1990s and significantly damaged the material well-being of the citizens of this country – demanded economic sacrifices for the sake of political ideology. That was stupid. The attempt failed. It is being abandoned. We must make sure that it is never revived.

This effort to establish separate economies at the Entity level resulted in mushrooming regulations, which in turn produced mushrooming crime. The criminals who benefited from artificial divisions have been among the strongest opponents of the Single Economic Space.

Even worse, the web of contradictory and rapacious regulations

and taxes forced honest businesspeople into the grey economy, simply to survive. Many foreign investors simply gave up.

Progress is now being made in dismantling the absurd bureaucratic paraphernalia that went with having two economies in one country. This work is about more than economics. It involves consolidating the four freedoms – free movement of capital, goods, services and people. It involves delivering benefits to citizens – the ultimate responsibility of a modern state. It buttresses the creation of a society in which individuals are not viewed in terms of ethnicity or culture. It is, I believe, a compelling example of the ways in which economics serve as the driving force for political and social progress – and it is that progress that will in the long run ensure BiH's security.

BiH's security is a function of European security as a whole. This country is being transformed into a productive component of the new Europe, a partner not a pariah. That represents a gain for the people of BiH and it represents a gain for the rest of the continent.

Thank you very much.