

Speech by High Representative and EU Special Representative Valentin Inzko At an IEDC-Bled School of Management Seminar On the Challenges of Transforming Bosnia and Herzegovina



Urgent Steps Can Halt BiH Economic Decline

Ladies and Gentlemen,

I have had several opportunities in the past to take part in seminars organised by the Bled School, and I am always happy to do this. The bulk of my time and my colleagues' time is taken up with political issues – yet our efforts will not succeed if we work in a vacuum. Progress has to be made on several fronts – and one of the key areas where progress is essential is, clearly, the economy.

I do not regard the economy and the business environment as being somehow subsidiary or less important than politics.

I rather believe that in substance and in approach, the

business world is key to the recovery of Bosnia and Herzegovina and the transformation of Southeast Europe.

- In substance, because recovery and transformation would be meaningless if it didn't include *economic* recovery and *economic* transformation.
- In approach, because business techniques can succeed – are *already* succeeding – even in a political culture that is beset by shortcomings and by failure.

Steps to halt Bosnia and Herzegovina's economic decline

I have spoken at length in recent weeks about the steps that need to be taken in order to halt Bosnia and Herzegovina's economic decline and get it back on the path to stability and prosperity. And these steps are all the more urgent because the elections are now behind us and we have an opportunity to move forward after years of stalemate.

I'm not going to go into the details of this agenda this morning – the steps that need to be taken will be familiar to many of you. They are a blueprint for a better business environment; they are being implemented in neighbouring countries as part of the EU integration process and, of course, they have already been implemented in EU member states and are constantly being upgraded.

In a nutshell, we need a properly regulated and undivided internal market in Bosnia and Herzegovina that will attract investment, sustain growth in employment and protect consumers.

That must be the collective priority of the incoming governments.

Business leadership

We are here this morning to talk about the challenges of transforming Bosnia and Herzegovina – the challenges of addressing this priority collectively. And I would like to examine ways in which the business community can help the political establishment meet this challenge effectively.

As this is a “leadership” seminar I would like to focus my remarks on how business leaders can seize the initiative. How they can adapt their commercial operating environment and make it work to their advantage – and how, by doing this, they can spread benefits to the population as a whole.

I came across two quotes about leadership, from very different periods of history, but I think they both touch on an underlying truth.

US President Dwight Eisenhower joked that – and I quote – “leadership is the art of getting someone else to do something you want done, because he wants to do it.”

I don’t believe the Chinese philosopher Lao Tzu shared Eisenhower’s taste for pithy one-liners, but he expressed a similar insight.

“A leader is best when people barely know he exists,” Lao Tzu wrote. “When his work is done, when his aim is fulfilled, people will say: we did it ourselves!”

Both Eisenhower and Lao Tzu make the same point: Leadership is getting people to do what they already want to do.

In this sense, political leadership in a market democracy is about creating the conditions in which all of the individual dynamism of the entrepreneur, the shopkeeper, the schoolteacher, the car mechanic, and the taxi-driver can be unleashed. The people will do the work they want to do: the system should ideally simply make it easier for them to prosper when they do this.

At the end, the entrepreneur, the engineer, the farmer will all look at their work and say: we did this.

And so they should.

In a functioning market, hard work is rewarded. Conscientious effort pays dividends.

I do not believe this is simply a matter of self-interest. After all, starting a business involves a great deal of empathy, of sensitivity to what the public wants. It involves ambition and reward, but it also involves reaching out to the rest of the community.

People who want to make a better business very often also want to make a better world, or at least a better neighbourhood.

They can do this by lending a helping hand to those less fortunate. But even if they don't engage in full-blown philanthropy, simply by creating successful businesses – and the jobs that go with successful businesses – they will help to raise living standards across the board.

Successful business is the backbone of a viable and vibrant economy that allows citizens to live and work in dignity.

A blueprint for positive things

The economic agenda that Bosnia and Herzegovina has agreed to implement as part of its European Union accession path is a blueprint for creating a market in which these positive things can happen.

But it takes two to tango (I don't, by the way, believe that's a phrase that Lau Tzu ever used, though President Eisenhower might have done). In Bosnia and Herzegovina the business community has shown more enthusiasm for an up-tempo two-step than the political establishment.

I think there is an important role for leadership here.

Business must lead politics.

When I say business, I mean any sort of productive activity – so, as well as managers and entrepreneurs I mean doctors and engineers and trade union organisers and everyone else who contributes day in and day out to the country's GDP.

How do we get the politicians to do what we would like them to do?

I think we should begin by looking at the issue from *their* point of view. There may be some exceptions – though I don't know of any – but all of the mainstream party leaders, I believe, would prefer if the four million citizens of Bosnia and Herzegovina had access to decent schools, decent housing and decent health-care and if everyone who wanted to work had a decent job with a decent wage.

It can be argued that achieving this happy result has not been a priority of BiH politics – but generally I think most leaders would prefer a booming economy to a struggling one.

So, they *want* the right things.

They want the economy to grow.

They want businesses to succeed.

They haven't been able to make this happen yet, in some respects because politicians do not always understand business.

But the principal stumbling block is that economic laws have been viewed as pieces on a chessboard, to be moved or held back according to tactical politics.

So, I think we should start making a very clear distinction. On the one hand there is a political agenda that will require

enormous energy and creativity to carry out. On the other hand there is a package of economic reforms that have to be implemented in the coming weeks and months so as to start rolling back the spread of poverty in Bosnia and Herzegovina.

These two sets of tasks can be addressed separately.

Economic legislation does not need to be put on hold until, for example, negotiations on constitutional reform are successfully concluded.

Consensus

The good news is that there is general consensus on what has to be done to fix the economy.

Among others, Bosnia and Herzegovina needs modern countrywide legislation regulating contractual relations – that's one way we can make the business environment competitive. And a competitive business environment is the key to creating jobs.

This legislation has been prepared, refined, improved, and extensively debated in public, and it is ready for adoption.

It has been ready for three years.

But it has been put on hold because of that besetting sin of the BiH political establishment, which is to withhold assent for things – even positive things on which there is general agreement – because of a political calculus.

I think the community of productive citizens – the schoolteachers and shopkeepers and taxi-drivers and every variety of worker and professional – must come out vociferously and persistently and demand that economic legislation is taken out of the deep freeze.

Political issues *will* be resolved – but the majority of BiH

citizens simply cannot wait for that resolution before steps are taken to turn the economy around.

Those steps must be taken *now*.

Follow the people

The closure of the OHR has repeatedly been called for by politicians claiming a political settlement in Bosnia and Herzegovina could not be achieved under international pressure.

Yet pressure is often exactly what politicians need before they will do the right thing.

And it can and should also come from the people of Bosnia and Herzegovina.

Here, I think, we find the real heart of leadership.

It often comes not from the top but from below.

It comes from the great evolving transformation that is achieved by individual men and women who set out to make things better.

As former British Prime Minister Benjamin Disraeli put it: "I must follow the people. Am I not their leader?"

When BiH politicians "follow the people" and start to deliver the economic and social improvements that citizens want – I will certainly have no problem in allowing politicians to take the credit for the progress that is achieved.

Even if politicians are slow to respond to this popular will, transformation has a way of happening anyway.

The popular will, will find its way.

Bosnia and Herzegovina is changing. The incoming leaders can show that they have understood this change by making the economy the first item of business in the new parliaments.

And the people can demonstrate their determination to build a prosperous democracy in which all can live and work in dignity, by vociferously insisting that their elected leaders actually do what they constantly say they want to do – which is to move out of an unsatisfactory present into a much more promising future.

Thank you