

Speech by High Representative/EU Special Representative Christian Schwarz-Schilling At the Bosnia and Herzegovina Business and Investment Summit

**Speech by High Representative/EU Special Representative
Christian Schwarz-Schilling At the Bosnia and Herzegovina
Business and Investment Summit Organised by the European
Finance Convention and FIPA At the Parliament of Bosnia and
Herzegovina**

Job Creation Is Key to Progress in Other Areas

Ladies and Gentlemen,

In Travnik at the beginning of last year, just one week after I took up my duties as High Representative and EU Special Representative, I sat down with businesspeople from all over the country and listened to what they had to say about the business environment here.

They said a great deal, and most of it was not good.

A year on, I would like to be in a position to conclude that the business environment has improved significantly, but –

although there have been some important steps forward – I'm afraid we must all accept that progress has been slow.

We have achieved less than we might have hoped – in making Bosnia and Herzegovina investment friendly, in increasing incentives for job creation, in implementing measures that will, within a year or two, have a direct and positive impact on living standards.

The reason is not hard to find. Economic issues are not in the forefront of political debate.

I want to take this opportunity – here in the Parliament and at a gathering that includes some of the most senior politicians in the land – to reiterate a plain political truth. This is a truth which, alas, seems not to have been fully grasped by this country's party leaders.

If you cannot create jobs and raise living standards your efforts in every other sphere will founder.

Easier said than done?

No!

The economic reforms that need to be enacted and implemented in order to get the economy moving have in many cases already been prepared.

Central planks of the reform agenda include:

- Enacting the National Fiscal Council Law and the BiH Law on Obligations;
- Creating a central banking supervision system;
- Taking steps to free up the movement of labour between the Entities – a key component of a functioning Single Economic Space;
- Creating pro-actively a competitive environment in the telecom sector; (privatising the telecom operators would be an important step in this direction – although the

telecom market has been fully liberalised since 1 January 2006, we have not seen the same boom as in Europe after the telecom liberalisation in 1998);

- Facilitating infrastructure investments; this includes Corridor Vc, but it also includes more prosaic issues such as appointing a single Infrastructure Manager to supervise the BiH railway management system; and
- Setting up a BiH Social and Economic Council in order to facilitate a dialogue among workers, employers, policymakers and other stakeholders (this, by the way, has proved to be indispensable in other transition economies).

Much of the economic reform agenda arises directly from requirements of the Euro-Atlantic integration process – and indeed, successful reforms have supported the negotiation of a Stabilisation and Association Agreement with the European Union, which can be signed as soon as political roadblocks have been removed in the matter of police reform, public broadcasting reform, education reform, and cooperation with the ICTY.

However, I want to reiterate here a point that I have emphasised many times – but which cannot be emphasised enough. These reforms are not about meeting international requirements – they are, first and foremost, sensible and practical steps that will attract investment, create jobs and raise living standards.

We are not talking here about abstractions – but about policies that work, and have been shown to work. Reforms introduced in recent years are already turning the BiH economy around.

GDP continues to expand at a steady five percent annually; last year saw a substantial contraction in the balance of payments deficit as the value and volume of exports soared; the successful introduction of VAT and BiH's accession to

CEFTA in 2006 were high points of a year in which competitive interest rates, continuing near-zero inflation and, in the RS, corporate tax cuts sustained a steady expansion in the productive capacity of the SME sector.

Yet, despite clear evidence that reforms are starting to deliver benefits to citizens, we have lost a whole year because of political disputes that have done precisely nothing to improve the country's economic prospects. Party leaders have displayed a greater preoccupation with ministerial positions than with economic indices.

At the end of May I intend to convene a major conference which will bring together the principal BiH policymakers – including I hope, the prime ministers and finance ministers – with representatives of workers and employers. The object will be to get economic issues back into the mainstream of political debate. I will seek to focus attention on practical legislative and administrative initiatives that have broad political support already – and have only been held up till now because the attention of the parties has been focused elsewhere.

I say it again: If you cannot create jobs and raise living standards your efforts in every other sphere will founder. In this respect the deliberations at this investment summit are clearly key to the recovery and overall wellbeing of Bosnia and Herzegovina .

Thank you