

Speech by Principal Deputy High Representative Raffi Gregorian At the Presentation of the Global Competitiveness Report 2009-2010



Three Years of Rising Poverty and Unemployment

Ladies and Gentlemen,

Let me apologize at the beginning for having to take my leave from you immediately after these remarks, as I am expected over at the Joint Institutions Building for the Annual Conference related to International Anti-Corruption Day.

It will come as no surprise to most of you that there is a strong correlation between entrenched corruption at the highest political levels and BiH's drop in global competitiveness. In the last 12 months I gave two speeches to Circle 99 about the causes and possible remedies for this systemic corruption, so I will not repeat myself on the topic, although this speech will seem remarkably similar in substance to my previous appearances at this event.

Suffice to say, however, that corruption, like water, flows downhill and the only people made wet are those those ordinary working people at the bottom.

We are coming to the end of what has been – by any measure – a difficult year. It has been *most* difficult for more than 70,000 families in Bosnia and Herzegovina that reportedly lost

an income in the first nine months of the year. Everything we discuss here today has to be understood in the context of that figure – more than 70,000 jobs lost just in the first nine months of 2009. And that's in addition to the already shocking figure of more than 500,000 unemployed.

That figure, more than any other, testifies to Bosnia and Herzegovina's declining competitiveness.

Since I became Principal Deputy High Representative at the beginning of 2007 I have stressed again and again that things are getting worse because key reforms have been put on hold while we sit out the political crisis.

This was true in 2007; and it was still true in 2008 and it has been true all through the year that is now coming to a close.

Citizens are suffering – and little is being done to alleviate that suffering because every serious concrete initiative that could improve things has been suspended.

The reason for this suspension?

Political deadlock.

The result of this suspension?

Well, the result is laid out starkly in the data collected for the latest edition of the Global Competitiveness Report.

Three years ago, Bosnia and Herzegovina was placed at 95 in the World Bank's country ranking for ease of doing business; two years ago it had slipped ten places to 105th spot; last year it was down to 119th, and this year, with a very slight variation, it has hovered around the same completely unacceptable level.

In the overall Global Competitiveness Index – taking into

account business environment, commercial law, government stability and so on – Bosnia and Herzegovina is now in 109th place out of 133 countries, just behind Uganda and just ahead of Cambodia.

It may be worth noting that Uganda has moved up 20 places since last year, while Bosnia and Herzegovina has slipped down two places.

The real scandal is that this has nothing to do with Bosnia and Herzegovina's access to natural resources or markets, or the quality of its workforce or the work ethic of its people. Bosnia and Herzegovina doesn't lag behind in any of those categories. It has vast untapped natural resources; it has access to huge markets; it has a pool of world-class workers (more than 70,000 of whom have recently been made redundant), and its people are as industrious and entrepreneurial as anywhere else in the world.

The reason Bosnia and Herzegovina is uncompetitive is that key reforms have been put on hold while the politicians maintain the political crisis for their own interests.

And not only is the political system conspicuously failing to make things better; it is actually making matters worse. The Global Competitiveness Report finds that government instability, political instability and the inefficiency of government bureaucracy are responsible for more than half of the major problems in doing business in this country.

The political crisis – which takes up reams and reams of newspaper space and hours of television coverage – has involved a great deal of sound and fury, but has produced nothing – at least nothing positive. What is clear is it that it entails what economists call “opportunity costs.” The most obvious evidence of the opportunity cost of political deadlock is the drop in competitiveness, but there are many other ways to measure it too.

When we look at the cumulative result of BiH politics over the last three years we find tens of thousands of jobs lost, hundreds of millions of Euros worth of foreign and domestic investment lost, and poverty on the increase all across the country. All of this has a human and financial cost, where instead of output of workers, we instead have unemployment, rising social welfare costs, and increased social instability, like rising rates of violent crime.

In other democracies, governments that produce results like this are not re-elected!

As we are well into the campaign season ahead of the October 2010 elections, it would be reasonable to make poverty and unemployment part of the campaign. It seems to me that the key question over the coming months ought to be this:

Which party can do most to create jobs, raise living standards and make Bosnia and Herzegovina more competitive?

It will be the party that does most to unblock key reforms.

As soon as these reforms are taken off the shelf where they have been sitting for the last three years or more, it will be possible to start bringing relief to hard-pressed citizens.

Which party leaders will take the initiative and end the blockade?

The urgent priority in the effort to kick-start investment and create jobs is to streamline business legislation. The existing system is one of the most damaging underlying factors in the country's lamentable lack of competitiveness. The present hodgepodge of conflicting laws relevant for doing business is sending prospective investors and their money elsewhere.

The Law on Obligations, a single, comprehensive, modern code drafted with international funding and with extensive input

from law practitioners and businesspeople throughout Bosnia and Herzegovina, has been ready for years – years during which the country has slipped disastrously down the ranks of competitiveness.

Enacting this law can help stop the rot.

Setting up a single, modern banking supervision system in Bosnia and Herzegovina can help stop the rot too.

Further upgrading – as opposed to rolling back – previously agreed reforms, such as those concerning electricity transmission, indirect taxation and public procurement, will also help stop the rot!

The people who are keeping Bosnia and Herzegovina in the economic neighborhood of Uganda and Cambodia are the politicians who have shamelessly stood in the way of these and other key economic reforms.

I believe they can show good faith to the electorate by ending their obstruction. They should either lead, follow, or get out of the way of needed reforms.

If the results of this year's Global Competitiveness Report can be used to shame the political establishment into doing the right thing, then it would certainly have served an exceptionally useful purpose.

So I am asking all of the media covering today's event to go from here and ask the party leaders what they propose to do about the Law on Obligations and banking supervision, for instance – or how they propose to build upon the achievements of previous reforms. Then they should move onto other key economic reforms that have been placed in deep freeze even though they are crucial for consolidating the single economic space and thus ensuring the truly free movement of labor, goods, services and capital in Bosnia and Herzegovina.

Will we see these issues – all of which are core elements in the EU integration process – come to dominate the election campaign?

Realistically speaking, the answer to that must be no – at least if party leaders are allowed to set the agenda.

On the other hand, if the electorate has a hand in setting the agenda – economic issues will undoubtedly come to the fore, with health care and education close behind.

That could mean as early as this time next year that Bosnia and Herzegovina begins to move back up the global ranking in this report. Much more importantly it could mean that this time next year many of those tens of thousands of lost jobs have been replaced and the cycle of poverty and unemployment in this country has been reversed.

In the last year there has been a lot of talk about “process”, from Prud to Butmir. Process is supposed to be a means to an end, not an end itself. Results are what matter. But the only result we see is a drop in competitiveness and living standards for the bulk of the population, while the people responsible for that enjoy their many houses, cars, and fat bank accounts abroad.

The competitiveness Bosnia and Herzegovina needs right now is competitiveness among parliamentarians to get proper legislation onto the statute books so that we can start attracting investment again, creating new jobs and raising living standards.

I suspect they will only do this if they are afraid of losing their own jobs, which is something the people of this country can actually do something about. Not just by voting next October, but by bombarding parliamentarians and party bosses with demands to fix problems rather try to affix blame to others.

Thank you