

Speech by the High Representative and EU Special Representative Miroslav Lajčák at the Crans Montana Forum



European Momentum Is More Powerful Than Obstructionism

*Monsieur Carteron
Gospodine Biscevic
Prime Ministers
Excellencies
Ladies and Gentlemen*

Let me first of all congratulate all those who have contributed the Crans Montana Forum to take place here in Sarajevo today which offers yet another opportunity to discuss about challenges ahead in Bosnia and Herzegovina.

Anyone familiar with Bosnia and Herzegovina's progress over the last decade knows, it has come a very long way in creating a business environment that can attract investment, create jobs and raise living standards.

Fundamental free-market reforms were introduced in the early post-war years, but positive benefits were slow to materialise, due to social and political obstructions.

In recent years the reform agenda gained new momentum and it was

increasingly formulated within the context of EU integration.

The signing of the Stabilisation and Association Agreement with the European Union in June this year reflected the success of Bosnia and Herzegovina's efforts to separate itself from a failed past and move towards a much more promising future.

Yet underlying disagreements remain about what sort of country Bosnia and Herzegovina should be.

My message this morning is this: despite recurrent political crises and uneven progress in tackling poverty and corruption, Bosnia and Herzegovina is moving in the direction its people want to move.

This is good news for Bosnia and Herzegovina's neighbours, for the EU,

And above all, it is good news for the citizens of this country.

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The three prime ministers, Mr Spiric, Mr Brankovic and Mr Dodik one year ago signed the Platform for Action, a document that laid out a series of strategic reforms, that can help transform the BiH economy in the short and mid-term.

The prime ministers have honoured their commitment to support these reforms, and good progress has been made in implementing the Platform agenda.

Two of the remaining reforms – introducing a countrywide commercial code and establishing a modern banking supervision system, would bring Bosnia and Herzegovina's business legislation and regulation into the 21st century.

These initiatives – which are also European Partnership requirements – are ready to be implemented as soon as there is political support of the prime ministers.

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Politics in Bosnia and Herzegovina has the tendency to get in the way of

progress rather than contributing to it.

I believe this is largely a result of mixing deep-rooted divisions with practical reforms, thus allowing slow progress on the most difficult issues to set the pace for progress all across the board.

Bosnia and Herzegovina's priorities can usefully be grouped in three categories:

- social and economic challenges, that affect the daily lives of millions of citizens
- bureaucratic and legislative changes, that are required for European integration
- political challenges, left over from the war.

The issues in the last category – affecting constitutional provisions for protecting the rights of constituent groups and so on – are hard (but not impossible) to resolve. They are enormously important and they will take time to fix.

At the same time real and rapid progress can be made in the first two categories – resolving social and economic challenges and getting on with the EU integration agenda.

This doesn't mean abandoning discussion of important constitutional issues – but it does mean not letting that agenda suck all the energy out of the political and legislative process.

We are constantly reminded, that Bosnia and Herzegovina is subject to powerful centrifugal forces. These forces are particularly powerful, when politicians give in to the temptation to articulate fears instead of hopes.

But people forget that the momentum towards prosperity and democracy in Europe is much more powerful.

This country could be more prosperous and it could be further along the European road, if it did not have to contend with obstructionist forces.

I am confident that Bosnia and Herzegovina's European integration will

continue, and, despite recurring political obstacles, I believe we should now be looking at ways of speeding up the process.

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The experience of the Central European states that have already joined the EU shows, that reforms in individual sectors can have a positive secondary impact on other sectors.

Improvements become cumulative.

In other words, technical reforms aimed at increasing efficiency can have a positive – if indirect – impact on tackling what most citizens believe are the most serious issues facing Bosnia and Herzegovina today – crime and corruption.

This is not wishful thinking.

When VAT was introduced at the beginning of 2006, two things happened – public revenue went up and tax evasion went down.

Efficiency increased.

Crime decreased.

When the business registration reform was implemented in 2006, it simplified and accelerated registration procedures throughout the country and provided for the unimpeded flow of information among various government bodies, including tax and customs authorities.

The result?

Efficiency increased.

Crime decreased.

These are Good Things.

They are Good Things that benefit honest citizens in multiple ways.

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The two reforms I mentioned earlier – enacting a countrywide commercial code and establishing a modern banking supervision system – would add to these benefits.

These reforms are part of the broad social, political and economic strategy laid out in the European Partnership. On Friday, EU Enlargement Commissioner Rehn will be here and I am confident he will also highlight the economic requirements of the EU integration process. This is a strategy that has worked in other countries and it will work in Bosnia and Herzegovina.

It depends how fast the country will progress, if its leaders focus on solving tractable problems with the same enthusiasm and energy they have until now devoted to intractable ones.

In conclusion, let me express my thanks for inviting me and I wish you useful and productive discussion and conclusions that will help move this country forward.

Thank you.