

# Speech by the High Representative, Paddy Ashdown at a Meeting on Employment Creation and Launch of 'Action for Jobs' organized by the European Union

Ladies and Gentlemen, distinguished guests.

May I start by saying how pleased I am to be able to participate in today's event – for three reasons:

First because what we are talking about is, in my view, the key priority for us over the coming months and years.

Second because we are here to celebrate success.

And third, because, whatever the success of the moment, I want to issue a very grave warning about a very serious danger that lies ahead of us.

## **The Success**

But let me start by talking about success:

And in particular, the success of the European Commission's 'Quick Impact Facility' – a 5.5 million Euro project that has helped create over two thousand new jobs, many of them for returnees, working with a wide range of small and medium sized enterprises.

That success includes those in the international community – like CARE International – who have worked so tirelessly, on the ground, doing the sometimes unglamorous but always

essential work needed to develop local economies, strengthen local communities and help local people, sometimes in the most difficult of circumstances.

But, more than anything else, we are here to celebrate the success of some of Bosnia and Herzegovina's businessmen and women who we acknowledge today, and who, through their own hard work, are doing more than practically anyone else to turn their – and their country's – fortunes around.

It is in the nature of my job that I have to focus predominantly on problems. And all too often, I have to deal with people who are cause of those problems, who thrive off them and sometimes even exacerbate them.

But today I am here with people who are not part of the problem, but at the heart of the solution. With people who represent the future of this country. It is to those business people here today that I would like to pay tribute.

To the Skebric Shoe Company, which is now exporting its own product line and employing 110 people.

To the Ferimpex potato chip company which now employs 134 people.

To EKO Trade, which is now exporting its furniture to Germany and Italy and has created 70 new jobs.

To Tiziana Shoes based near Mostar. To Unicom Textiles. To those representing the Modrice Business development Bureau that assists over 250 people in a dozen different enterprises.

To all of you, and to all those other businessmen and women – big, small, and very small – all trying to get on, make a profit and employ people, I say well done.

You have shown the vision to spot an opportunity, and the determination to turn it into a reality.

You have shown the courage to move away from the past, and build a better future.

It is you, and the people who work for you, who represent this country's best chance.

## **The Threat**

When I arrived in Bosnia and Herzegovina, a little more than six months ago, I described my priorities as Justice and Jobs through Reform.

The first of these is now well underway. Building on the success of the UN's police reforms, we are now undertaking a root-and-branch reform of Bosnia's legal and judicial system.

We must stay focused on this over the coming months and years if we are to see it through to success – but the groundwork is now well advanced.

Which is why, immediately after the October 5<sup>th</sup> elections, I announced my intention to shift the focus onto the second priority – jobs.

Reforming this country's economy, clearing away all the obstacles to investment, cutting back on all the unnecessary bureaucracy and red tape that stifles growth and destroys jobs, is now the most urgent challenge we face.

If there is one thing that keeps me awake at night, it is this country's economy.

Aid is falling, debts are mounting and investment is flat. We are importing more than we are exporting. We are buying more than we are selling. And it cannot go on.

The trade deficit during the first seven months of this year was over 3 billion KM. We imported nearly four times more than we exported during this same period. This is clearly unsustainable.

The only thing that is saving us from bankruptcy is international aid that is filling the gap. But soon, very soon, that begins to decline sharply.

The only way this country will be able to avoid a very grave economic crisis over the coming years is through serious structural reform to create jobs, increase investment and turn an aid dependent economy into an export driven economy.

The only alternative to this is a savage 'cut-import' strategy to reduce the trade deficit – bringing in its wake lower investment, lower consumption, economic contraction, job losses and social dislocation.

That is the choice facing the incoming governments. Implement the reforms needed to lever in investment, stimulate growth, create jobs and, above all, turn this economy towards exports – or face the consequences of not doing so.

Our situation is the same as Hungary ten years ago, but worse.

We have to follow the path they have followed, but faster.

And it's going to be very tough. But however tough, the consequences of not following this path are even worse.

That is why we must dramatically increase the gradient of reform.

Why it is so important that the European Commission is pressing ahead with the next phase of its business support programme through QIF 2.

Why it is so important that the economic development agencies and local government continue with the process of regenerating local economies, helping with business start up, and continuing to assist enterprises with market identification, organisation, finance and planning.

And why it is so important that government at the higher levels – in the entities and the State – fulfil their side of the bargain by creating an environment that encourages enterprise, rewards hard work, attracts investment and facilitates trade.

Some of this will be about getting the fiscal situation right – about reforming the customs and the corruption prone sales-tax system in particular.

And some will be about aggressively removing the barriers to business, which is why I have joined the Minister for Foreign Trade and others on what we have called the ‘bulldozer’ committee – the economic task force charged with clearing away the reams of red-tape and bureaucracy in which small businesses become ensnared and jobs are destroyed.

That’s the only way to avoid the problems that are looming for BiH

You, the business community, doing your bit.

The economic development and business support agencies doing their bit.

And now, in the parliaments, the councils and the chambers of this country, it is time for the politicians to do their bit too.

How can they do that?

By getting down to work without delay.

By getting on with the job.

I want every new Minister in every government in this country to ask themselves the question, each and every day as they sit down to work:

“What can I do to make this country the most business-friendly

in this region?"

"What can I do to increase exports?"

"What can I do to attract investment, promote jobs, clear away red tape, and provide a lighter and more dependable tax and legal structure?"

We need rapid progress on all these issues. We need to see rapid progress on the introduction of VAT in place of the iniquitous sales tax, and real progress on reforming the corruption prone customs. And it's not just me: the EU is demanding progress on these issues too. And so, I know, are you.

But above all, we need exports, exports, exports.

That must be our slogan in the years ahead if we are to avert an economic and social crisis.

So I hope you will join me, in the months ahead, in insisting that the politicians make the changes you need as businessmen and women to make this country work, and help this country trade.