

Speech by the Principal Deputy High Representative & Brcko Supervisor Raffi Gregorian at a Conference on Inward Investment



Organised by the Bosnia and Herzegovina Foreign Investors' Council

24 April 2007

Investment Equals Employment

Ladies and Gentlemen,

I am particularly pleased to be here at a gathering that brings together senior policymakers and key foreign investors. All of us are engaged in the same undertaking – and that is to inject the oxygen of capital and expertise into the BiH economy, and the overriding objective of this is to create jobs and raise living standards.

Ensuring an adequate oxygen supply is the first prerequisite of keeping the human body healthy – no oxygen; no life. And all of us in this room understand that Bosnia and Herzegovina's quest for a satisfactory inflow of foreign direct investment isn't just a commendable aspiration; it's much, much more than that; it is a search for the oxygen supply without which the economy – and all prospect of creating new jobs and raising living standards – will wither and die.

Although all of the participants at today's conference

understand this, we should not take it for granted that the equation – investment equals employment – is well understood outside this room.

It isn't.

As in other transition countries a steep learning curve has to be traced before policymakers, bureaucrats, trades union members and the general public stop viewing foreign ownership with suspicion and start viewing it with creative and confident enthusiasm.

We haven't completed that learning curve in Bosnia and Herzegovina – not by a long shot – and the Foreign Investors' Council has an obvious role in promoting a better understanding of how foreign investment works.

Investment equals employment. That is the message that has to get through. Until now, it hasn't got through, and this has made the task facing foreign investors in Bosnia and Herzegovina much more difficult than it would otherwise have been.

Also making it harder to attract capital and create jobs is a business environment that actually deters investment and destroys employment creation prospects.

Here again, the Foreign Investors' Council has an obvious and, I think, a crucial role in lobbying the authorities, publicly and privately, to introduce systemic changes that will eliminate some of the worst business-inhibiting regulations and practices.

I was recently approached by two big foreign investors in the Federation who have encountered enormous difficulties in getting the necessary quantities of wood for their further production in this country. One of them has even started to import logs from Croatia – and this in Bosnia and Herzegovina, which is a major exporter of logs.

Instead of exploiting the country's limited economic advantages and establishing a competitive production sector current practices actually make it difficult to invest in this country. This clearly demands a change in policy – and the Foreign Investors' Council is in an optimal best position to help politicians adopt policies that will start to eliminate the current anomalies and obstacles.

Improving the business environment must be the government's number one economic task, and completing the direct tax reform, labour reform and corporate restructuring are the most crucial elements in this.

Passage of the National Fiscal Council Law, for example, will represent a huge step forward in ensuring fiscal coordination and macroeconomic stability – and helping to create the fiscal room for direct tax reform and labour reform and other reforms. This will, in turn, enhance the country's attractiveness as an investment destination.

There is also support from the BiH business community for enacting a State Law on Obligations and creating a central banking supervision system. These are two areas where foreign investors have a natural interest in publicly urging the authorities to act. Among other things, the Law on Obligations would enhance legal certainty and business predictability in contractual relations.

As I mentioned earlier – and this really is a mantra that can't be chanted too often – the argument that trumps every other argument is that investment equals employment. These legislative improvements to the business environment will help to attract investment that they will result in jobs. That is their ultimate justification.

In this respect I would draw your attention to a conference which the OHR is organising at the beginning of June when we hope to bring policymakers together with representatives of

workers, employers and other stakeholders in order to build consensus behind core economic reforms and place economic issues where they ought to be – in the mainstream of political debate.

The issue of dialogue is one that I think we can usefully address here today. It takes two to tango – and the key partners in the BiH foreign investment tango cannot yet be said to be moving in tandem across the dance floor.

The Foreign Investors' Council, which is a relatively new body, is still consolidating its membership so that it can function as an articulate and confident voice for the foreign investment community as a whole. There is a chicken and egg situation here. Some companies will prefer to stay on the sidelines until they determine that the Council is going to be effective – but the Council cannot be fully effective as long as some companies stay on the sidelines. I would, therefore, like to take this opportunity to invite major foreign investors that have not yet joined the Council to take the plunge. The foreign investment community has a collective interest in lobbying for improvements in the BiH business environment, and the Foreign Investors' Council is the obvious body through which to do this.

At the same time I would remind the BiH authorities that potential foreign investors exercise due diligence before deciding where to put their money – and the first people they consult when assessing the merits and shortcomings of an investment destination are the people who have *already* put their money there. Foreign investors in Bosnia and Herzegovina will spread the word about this country's investment potential – and it is huge – more effectively than anyone else. The Foreign Investors' Council therefore has the capacity to support in an extraordinarily effective way the work already being done by the Foreign Investment Promotion Agency. It is a body that the authorities can usefully do business with.

Current levels of foreign direct investment in Bosnia and Herzegovina are inadequate – and consequently the economy is not creating enough new jobs. If further barriers to investment and cumbersome administrative procedures can be removed this situation can be turned around. I hope that today's conference – and the continuing work of the BiH Foreign Investors' Council – will help take this process forward.

Thank you