

Speech by the Principal Deputy High Representative, Raffi Gregorian, To the Foreign Trade Chamber of Bosnia and Herzegovina



Investment, Jobs and Higher Living Standards Depend on Normal Politics

Ladies and Gentlemen,

Thank you for inviting the High Representative and EU Special Representative to address your assembly meeting today. He sends his regrets that he cannot attend because of urgent business in Brussels, and he asked me to address you on his behalf

I do not propose to go into detail this morning about Bosnia and Herzegovina's economic priorities, but I would like to make a couple of points that I believe are of paramount importance – for those of you who are active in the business community and for citizens as a whole.

As all of you know, the BiH political process is stuck. As perhaps all of *you* know better than most, this situation is something that Bosnia and Herzegovina simply cannot afford.

As long as the parliaments are unable to enact and implement the reform programme that has already been prepared, BiH will not be able to attract and retain investment needed to create jobs and lift the country out of poverty..

The bottom line is that political deadlock over police reform and two or three other key reforms is keeping the people of this country poor. After nearly a decade of involvement with BiH issues, I have come to the conclusion that political deadlock is what the current crop of politicians must want. How else to explain their actions? They say they are for Euro-Atlantic integration, but all of their actions indicate otherwise. They divert people's attention by creating political conflict where none, in objective terms, should exist. Why? Because they all have a stake in preserving the current system. As my predecessor observed in January, they are more interested in dividing wealth than in creating it. One need look no further for proof than by examining the politicians' statements about constitutional reform. They all focus on how to carve up BiH into areas that they can each exploit. There is no mention at all of how their proposals will actually make life better for the citizens' of BiH. Instead, it is all about how it will make life better for THEM.

Politicians are responsible for maintaining barriers to business, driving away investment, destroying jobs, hindering trade, and keeping living standards low. Privatizations of most strategic companies have been delayed for a decade, and further delay is likely as the struggle for control of their management boards—and the money control of them means for political parties—plays out after the last elections. Other privatizations are anything but that: selling a state-owned asset to another state-owned company is hardly privatization: it is just reallocation of wealth.

I hope that we will be able to get the politicians to secure a breakthrough, and I hope that that breakthrough will be

secured before very much more time is wasted. The International Community's overall aim is to help create a political environment which can respond to the actual needs of the people – and that includes by far the most pressing need: to create jobs and reduce poverty. Progress in this direction can be made through the Stabilisation and Association process and, specifically, through the economic reform agenda that has been drawn up under the European Partnership.

All of you understand the perils and possibilities of the BiH economy very well, but I want to draw attention this morning to a particular danger that this country faces. It is the misplaced belief among many politicians that economic reforms can be put on hold until other issues have been resolved. In my discussions with political leaders I have stressed repeatedly that this is not the case. The present crisis of poverty and unemployment cannot be allowed to continue indefinitely. It must be tackled and tackled now. This morning I want to appeal to YOU to raise this issue – in your direct discussions with the authorities and also in the media. The Foreign Trade Chamber and other chambers are well placed to make this case.

Clearly, many of the country's leaders are finding it hard to break out of an obsolete mindset in which the importance of investment and job creation is inadequately understood. If the business community begins to call for a return to a constructive political debate I believe we can start to change the political mindset and build up real momentum in a positive direction. More importantly, politicians might actually start to be accountable to the people that elected them.

The steps that are needed to create the conditions that will make economic takeoff in Bosnia and Herzegovina possible include:

- consolidating the Single Economic Space in order to ensure better economic integration between the State,

- the Entities, Brcko District, and even among the Cantons. This includes reducing red-tape and making it easier for businesses to obtain permits and licences;
- improving fiscal coordination by establishing a State National Fiscal Council;
 - setting up a BiH Economic and Social Council as a first step towards an institutionalised social dialogue among economic stakeholders;
 - modernising banking supervision and the commercial code;
 - privatizing strategic enterprises in a transparent manner; and
 - rationalising public sector wages.

All of the preparatory work has already been done on these issues, but everything has been held up because the politicians want to maintain the status quo as long as possible so they extract every remaining *pfennig* for themselves.

Proof that the current political atmosphere is poisoning economic development is that a year ago the priorities were exactly the same, with one notable exception: the BiH House of Representative has ratified the CEFTA agreement, and this is certainly worth welcoming. We hope the House of Peoples will do the same in the near future.

You can help change this dismal state of affairs if you publicise the lamentable fact that the absence of normal politics is driving investment away from this country, destroying jobs, hindering trade, and keeping living standards low.

Next month, HR/EUSR Lajcak will convene a conference on the economy and I hope that many of you will be able to participate. He intends to bring together policymakers and stakeholders so that together we can break the deadlock on some of the core economic issues I have just mentioned. Our intention is to get back to a situation where economic issues

are firmly in the mainstream of political debate and people come to learn that their futures are at stake.

We have to make progress on police reform and constitutional reform and other essentially political issues – but we cannot simply let the people stay poor while we do that.

Let me finish on a positive note. Bosnia and Herzegovina's balance of payments situation continues to improve – not fast enough, of course, but steadily – with exports rising faster than imports. This is something that is clearly of particular interest to members of the Foreign Trade Chamber and indeed many of you are directly responsible for a large part of this improvement. But if this is something that can be achieved despite negative news stories about BiH politics in the world's media, despite the inadequate coordination of economic policies at home and the inadequate representation of BiH investment opportunities abroad, and despite the scandalous maintenance of a fractious and unresponsive business environment – just think what would be possible if we could get the economic reform agenda back on track.

We will do our part to help make that happen, but we will need your help to do so. It is clear that the politicians will not act unless people like you and other economic stakeholders push them.

Thank you.