

Ambassador's AmCham Speech  
November 7, 2008

Thank you for inviting me to speak to you today. It's always a pleasure to be among a group of friends, and I always find myself learning quite a bit from leaders like yourselves so seasoned at navigating the turbulent waters of the business environment in Bosnia and Herzegovina.

One of my primary objectives as Ambassador is to promote advancement of U.S. - Bosnian relations. But I take particular pleasure in working to advance relations in the private sector, where people can develop relationships on the basis of economic needs, moving beyond political squabbles to fulfill the demands of their customers. I hope that during my tenure here, I can help U.S. companies improve their ties to Bosnia, to broaden the options available in Bosnia's consumer market and increase America's private sector presence. I have seen an increasing number of U.S. companies interested in business opportunities here. Despite some of the political and bureaucratic hurdles that remain, I feel that it is worthwhile for these companies to come here and explore opportunities.

A strengthened American Chamber of Commerce can only increase the avenues available for U.S. companies interested in investment or marketing opportunities. I commend the AmCham for its efforts to reorganize its board in order to qualify for entry into the global U.S. Chamber of Commerce community. We are following AmCham's application closely and hope to have a positive word soon. I also understand that several new members have joined this year. It is wonderful to see renewed interest in the AmCham and that the organization is constantly expanding. The newly active intellectual property committee and financial committee are very encouraging signs that AmCham is on its way to becoming a force for economic reform in this country. The U.S. Embassy welcomes the progress AmCham has made and congratulates all of you and especially your capable executive director Violeta Cibukcic.

The United States believes in Bosnia and Herzegovina and its people. We believe that this country's citizens deserve the peaceful, prosperous future inside Euro-Atlantic structures that they are asking their political leaders to secure for them. The invitation to join NATO's Intensified

Dialogue in April was a critical milestone along the path to Euro-Atlantic integration. Bosnia took another huge step with the signing of the Stabilization and Association Agreement on June 16.

But as I stressed in June, the signing of the SAA was not the end, but only the beginning of this long process. Compromises will be necessary to fulfill SAA requirements and ultimately join the EU and NATO. Yet the uncomfortable truth is that almost every advance thus far along the road to Euro-Atlantic integration has required sustained intervention by the international community. Political party leaders and elected officials must be mindful of their responsibilities to build consensus -- for the good of the country -- in order to succeed in this endeavor. They will need to do better.

Bosnia and Herzegovina has a true and steadfast partner in the United States. Over the past thirteen years and two administrations, despite pressing foreign policy challenges around the globe, the United States has maintained an active presence and an abiding interest in this country. We have unshakeable confidence that the people of Bosnia and Herzegovina want a multiethnic, democratic Bosnia inside Euro-Atlantic structures. That is the goal that guides my government, and our commitment to Bosnia and Herzegovina will not waver. We will continue to help build the institutions Bosnia and Herzegovina requires to secure a brighter future.

You can expect this commitment to continue. The newly-elected Obama Administration has expressed its desire to focus on foreign policy, strengthening relations with our current friends and building new partnerships across the globe. On Tuesday in his acceptance speech, The President-elect declared "To those [in the world] who seek peace and security – we support you. And to all those who have wondered if America's beacon still burns as bright – tonight we provide once more that the true strength of our nation comes not from the might of our arms or the scale of our wealth, but from the enduring power of our ideals: democracy, liberty, opportunity, and unyielding hope." The President-elect understands that every democracy, despite which party wins or loses an election, must ultimately be united. Another quote from his acceptance speech continues, "in this country, we rise or fall as one nation; as one people." I hope this is a message Bosnia's politicians can take to heart.

The new Administration faces many challenges, some of which are daunting indeed. On the financial front, we have all witnessed the recent events that are affecting the entire globe. Fortunately, we have also witness an unprecedented international response to this financial turmoil. The Group of Seven industrialized countries have announced and are implementing a coordinated action plan to stabilize financial markets and restore the flow of credit. Others around the world, from Denmark to Hong Kong, have adopted similar approaches. Together, we are taking steps to provide liquidity to markets, strengthen financial institutions, prevent failures that post systemic risk, protect depositors, and enhance confidence in the financial system. I am quite sure that the new Administration will continue very active measures to meet these critical obligations to our partners around the world.

In that vein, I would like to commend the responsible actions on the part of several Bosnia and Herzegovinian officials to respond to the global financial crisis, and believe that this model of cooperation can be used in other areas of governance, particularly in the economic arena. Perhaps we can take the example of the cooperation we witnessed during the financial crisis and use that cooperation to move Bosnia closer to its goal of joining the European Union.

In that regard, we have some successes to note in the effort to forge a single economic space and improve market conditions – both of which lead to a more stable society.

For example, both the RS and the Federation has been working to streamline business regulations and reduce the amount of time it takes to register a business. Although there is still much more work to be done, we have seen active participation of the Federation, several cantons and the RS government towards making the process easier.

The corporate income tax has been harmonized, country-wide, to 10 percent.

The U.S. Embassy has been working very closely with the American Chamber of Commerce's Intellectual Property Rights Committee to bring public awareness to the problem of piracy in Bosnia. We have already hosted several events, in Banja Luka and Sarajevo and expect to

strengthen our relationships with the relevant Bosnian law enforcement officials, encouraging them to take a more serious stance on piracy and the importation of counterfeit goods into BiH.

Two specific economic goals that we want to achieve are to harmonize and reduce employer wage contributions in both entities, and to establish a Social-Economic Council (ECOSOC) at the State level. As you well know, current employer contributions on wages in the Federation at 69% and 51% in the RS, are some of the highest rates in Europe. These rates have a chilling effect on creating jobs in the formal economy and make it very difficult for employees to move jobs. An ECOSOC at the state level will provide a forum for negotiating economic reforms between business, unions and government.

One arena in which we have been disappointed is privatization in the Federation. Despite years of promises, Federation officials have been particularly slow to privatize entity-owned enterprises such as BH Telecom. Their inaction has proven unwise as the company continues to lose market share to more agile competitors without the necessary influx of foreign investor R&D and marketing know-how and the company has also lost value on the local stock market. Proceeds from this and other privatizations should already be available for funding the key infrastructure projects such as roads and airports that will help this economy in the long term and provide economic stimulus now.

Unfortunately, BH Telecom is not the only victim of Federation inaction. Aluminijski Mostar and the energy sector are two other industries in need of privatization that today only represent lost opportunities and long delays in making key decisions.

As you know, the European Union status report was published on Wednesday. As was stressed in the report, there is still much work to be done, to harmonize legislation and strengthen state institutions so that Bosnia can be represented as a single economic space to the EU. According to the report, “overall, nationalist rhetoric has prevailed and Bosnia and Herzegovina’s leaders have made no progress towards creating, through the reform of the constitutional framework, more functional and affordable state structures, which support the process of EU integration.” More than one third of the EU accession requirements that BiH has accepted to undertake have not been fulfilled. The

legislative process has been incredibly slow and must be stepped up in order to fulfill EU requirements in a timely manner.

Although I have noted several areas where politicians in Bosnia have “room for improvement”, there is reason for hope. The banking sector in Bosnia is sound and we have recently witnessed uncharacteristic coordination among the responsible Bosnian officials to stay above the global financial crisis. This can only help current foreign investors and potentially attract other investors to the area. Officials’ efforts to streamline the registration process for businesses and the introduction of the state-wide corporate tax and the success of the VAT are also good signs. However, without more coordination among political officials, foreign investment potential will not be fulfilled. The old saying that capital is risk adverse is true, and political instability is easy to read and will be avoided by many potential investors. We must be proactive and together communicate this to the people of Bosnia and its politicians, so that the changes necessary to move this country toward Europe and a brighter economic future are implemented.