



**Talking points for the opening remarks of the Secretary General
of the Regional Cooperation Council (RCC), Mr. Hido Bišćević**

Western Balkans 2020 Conference

Sarajevo, 24 February 2010

Excellencies, Dear Ladies and Gentleman,

- **It is indeed a great pleasure to welcome you to this conference dedicated to the prospects of the Western Balkans, the core of our region of South East Europe.**
- **We felt that now is the right time for organizing such an event - we have accumulated substantial experience in dealing with the current crisis, we should also be able to assess the current policies related to economic and social development, but we also need to be bold enough to try to look over the horizon and sketch the landscape of the region as we would want to see it ten years from now.**
- **Even though we will be discussing the challenges of the past and present, it is the future that we want to focus on in the next few days.**
- **Thinking creatively about where our region wants to be 10 years from now will help us shape the vision of our economies and societies at the end of this decade.**

- **Two decades ago, when the Wall fell and changes started to reshape Europe from the Baltics throughout Central Europe, our region missed the opportunity due to miscalculated politics and complex issues of history, ethnicity and international relations in general.**
- **Twenty years has passed by marked by armed conflicts, destruction, unfinished transition and unsettled peace whilst the region is today additionally charged with harsh effects of the current crisis.**
- **Today we are witnessing reinvigorated energy for a historical project of democratic free and undivided Europe.**
- **In this light, to allow for lagging behind once again, to settle with stagnation and lethargy and to discard the interest and wishes of citizens in our countries would certainly mean missing history again.**
- **But, against this pessimistic outlook, there is also an encouraging one as we today indeed stand at the crossroads, deciding about the future of the region.**
- **We have come a long way in the past several years.**
- **The countries of South East Europe have seen tremendous growth in the previous period, positioning South East Europe as the fastest growing region in pre-crisis Europe. In the five years leading to 2008, our Western Balkans members have succeeded in adding one third to their economies.**
- **External financing was readily available and the cost of capital was steadily declining. The region was tapped into the European financial market through the foreign owned banks that have come to dominate the local markets. In the Western Balkans, the banking assets held by foreign banks range anywhere between 75% and 95%.**

- **High growth, macroeconomic stability and increasing trade levels have all helped attract considerable foreign direct investment – over 180 billion USD was invested in the region of South East Europe, from Croatia in the west to Turkey in the east in the period between 2003 and 2008.**
- **Parallel to the economic growth, the countries of the Western Balkans have made substantial improvements to their societal and structural frameworks. We have seen constant progress on the path towards the EU membership. Virtually every country in our region was able to show tangible results of its efforts in this area at the end of last year.**
- **Efforts made by our member countries were not left unnoticed by our partners in Brussels. Last year’s European Commission progress report on the enlargement process has been the most promising so far and the major tangible benefit of these efforts has become evident to over 10 million of our citizens by the end of last year. The visa liberalization for three of the countries in the region will hopefully be followed soon by others as well.**
- **However, after years of hard work in which the countries prepared themselves for EU standards, they are faced with another challenge: the global financial and economic crisis has hit the countries of South East Europe particularly hard.**
- **The external shock has exposed vulnerabilities and weaknesses such as explosive credit growth and over-dependency on foreign financing.**

- **There has been plenty of criticism as to the various policy choices taken to offset the crisis. But one important aspect of the crisis response is often overlooked – response has been well coordinated with the international partners. Even though the room for fiscal maneuver was limited, as weaker economic activity has contributed to a significant drop in public revenues, the initial crisis response has so far managed to contain the worst aspects of the downturn that have threatened to push our societies into a swift downward spiral.**
- **Part of the credit is due to our international partners. The European Commission, IFIs, the World Bank and the International Monetary Fund (IMF) have all reacted promptly and rolled out an extensive package of measures and financing facilities to offset the negative impacts of the crisis.**
- **A number of initiatives and stabilization programs were developed, such as the Vienna Initiative, Crisis Response Package and other facilities, including the ones provided by the World Bank and IMF in the form of direct budgetary support.**
- **Western Balkans Investment Framework was created as a single entry point for IFI projects in the region. We will be hearing more about this concerted response over the next couple of days.**
- **Equally important has been the rapid response in finding new generators of growth going forward. The European Commission is about to launch a Regional Competitiveness Initiative, an OECD implemented project aimed at supporting the long-term competitiveness of the region and we will be hearing more about this tomorrow.**
- **Although it seems premature to call the crisis over, there are evident signs of, albeit slow, recovery in many countries throughout the region.**

- **But, at the same time, there are rather worrying economic and financial developments in some other countries of the region.**
- **Thus, we are still witnessing an unsettled economic and financial landscape, where unresolved political issues, of varying nature, additionally call for concern and cautiousness.**
- **As the analysts are predicting meager growth for the region in 2010 with the recovery expected to pick up somewhat in 2011, it would be unrealistic to expect the return to pre-crisis growth rates in the short term.**
- **We felt this would be a good time to take stock of the policies implemented within the past year and a half, while focusing on future sources and drivers of growth in our region.**
- **Ladies and gentleman,**
- **The timing of this conference coincides with the second anniversary of the RCC.**
- **Over the past two years, the RCC has successfully completed the succession from the Stability Pact and the cooperation process in South East Europe now firmly resides in regional ownership.**
- **We have deepened our work with a wide ranging network of regional cooperation programs – we currently cooperate with 40 regional initiatives, structures and task forces.**
- **However, the economic and social horizon has altered dramatically over the past two years.**
- **The RCC Secretariat, whose establishment coincided with the peak of the previous economic cycle, acknowledged the changes that have occurred in the regional economies and adapted its activities to best suit the needs of South East Europe in this volatile environment.**

- **We have instigated a number of regional initiatives in the area of investment facilitation, SME development, trade liberalization, education and research and development.**
- **Some of our initiatives in the area of public-private partnerships, women entrepreneurship, university cooperation and regional research strategy development have been directly focused on offsetting the impacts of the crisis and positioning the region better to harvest its many potential in the future.**
- **After two years of operation, the RCC is well profiled and operationally capable to help the national governments and other stakeholders rethink the South East European growth model in the following period.**
- **The focus of RCC's activities is shifting from short-term support to specific regional initiatives and structures to longer term strategic objectives that will contribute to the overall mission of EU integration.**
- **The regional structures and the work they do will remain in the focus of RCC's activities, but as a means of achieving the main goal of increasing the competitiveness of the region.**
- **The challenges that we are facing today, as seen from the RCC perspective, are clear and evident:**
- **Domestic industrial production is still rather low throughout the region affecting the trade balance, foreign debt and budgetary needs.**
- **The private sector, and especially the SME segment, is struggling to access favourable capital, tap into new markets, and create higher value added products and services.**
- **High unemployment persists throughout the region additionally straining already fragile social cohesion.**

- **The technological base of companies in the region is very low, and its capacity to innovate and attract early stage financing is extremely limited.**
- **The lack of research and technology development in the countries of Western Balkans is also shaping the structure of the industry and its outputs with regional exports being dominated by commodities.**
- **However, it is the solutions to these problems that are less apparent.**
- **It is with this in mind that we look to you for inputs that would inform our activities going forward.**
- **I hope that at the end of these two days we will have a clearer image of policies needed to avert these problems and steps necessary to shape our societies in the next decade in order to keep pace with the rest of Europe.**
- **Ladies and gentleman,**
- **Consumed by our joint efforts to move ever closer to the goal of EU membership it is easy to overlook the underlying rationale.**
- **We want our societies and economies to reflect the European values of sustainable social market economies not just for the sake of EU membership, but for the benefit of the new generations that will hopefully live in prosperous and conflict-free societies.**
- **The borders of Europe do not end with the EU.**
- **As the Lisbon Strategy is succeeded by the EU 2020, so do we, in the Western Balkans, need to put our creative potentials together in order to find new, sustainable generators of growth in the next period. The first step in that process should be the articulation of a shared and inclusive long-term vision for the development of our region.**

- **We want to contribute and give our fair share in the future of the European continent – not by simply emulating the EU 2020 exercise, but rather complementing it with our own vision for the future.**
- **Only when we know where we want to be at the end of this decade will we start to understand how to get there.**
- **If you would allow I will share with you my personal landscaping of the region in ten years. Yes, I could imagine a region with the remaining political issues resolved and peace completed.**
- **I could see a region with transition finalized.**
- **I could see a region where the rule of law will reign over crime and corruption. I could see all Western Balkan countries within the EU.**
- **I could see Croatia and Serbia and all other countries of Western Balkans cooperating and developing their relations in the entirely new spirit.**
- **I could see rise of new generations that shall be free of all stereotypes and prejudices from the past.**
- **I could see a self-sustainable Bosnia-Herzegovina at peace with itself and dedicated to its economic and social development.**
- **I could see a pattern of mutually beneficial pragmatism in dealing with many sensitive issues.**
- **I could see a genuine embracement of culture of dialogue and tolerance and coexistence in this complex corner of Europe.**
- **I could see a genuine devotion to cooperation that will make best use of vast natural and human resources and potentials of our region.**

- I could see completed transportation infrastructure projects, reconstructed railways, energy transportation routes, IT parks throughout the region, rehabilitated in-land waterway corridors, cross-border industrial zones, clean rivers, joint gas storage facilities, joint industrial production clusters, foresting project, access to drinkable water projects, illiteracy projects, aviation cooperation project, cooperation among harbors in the region, free labor market in the region.
- I could see Energy Exchange, Development bank, Technological Fund, Western Balkan Gas Ring...
- Now, I know all this may sound too optimistic, if not too naïve.
- But, at the same time, we all know how much political stability and social development in our part of Europe is dependent on economic progress.
- There is no future in stagnation and there is no way to overcome longstanding and current economic and social needs of our region without joining hands and cooperating on the basis of a long-term vision
- I am confident that during the next two days we will be able to articulate the contours of a new regional vision that will drive our regional policy agenda in the years to come.
- Thank you.