

Regional Approach to Recovery and Development of Western Balkans

*When Regional Cooperation Council (RCC) succeeded Stability Pact for South Eastern Europe almost three years ago, the activities focused on long-term development and stability in the region. The new phase of RCC's activities begins with very ambitious plans focused primarily on regional development projects for which European financial institutions have already expressed their interest – **Hido Biscevic, RCC Secretary General** talks about the topic. Interviewer: **Almasa Bajric***

The Regional Cooperation Council (RCC) has succeeded the Stability Pact for South Eastern Europe almost three years ago. The priority of RCC's work is regional cooperation and support to European and Euro-Atlantic integration in South East Europe. The main aim of RCC's activities is a long-term development and stability in the region. Hido Biscevic, Secretary General of the Regional Cooperation Council, talked about the extent to which the RCC succeeded in achieving the set goals over the last three years and about new regional initiatives and projects the RCC initiated, especially in the area of economy.

BM: How would you assess RCC's work from its establishment three years ago until today?

BISCEVIC: If we were to round-up the process of our operations over the last almost three years, I would divide it into three phases. The first phase was establishment of the Secretariat and continuation of certain previously initiated activities. In this segment, the most important fact was that we had to profile the RCC as a new organisation in the region on the basis of the Stability Pact but in a completely different environment – in the sense that we report to the region while the Stability Pact reported to Brussels. Stability Pact had no direct relations with the institutions in South East Europe while we are a unique organisation that as such in fact never existed in the history of this region. We are the first organisation operating based on the cooperation of the countries from the region and not through the factor of domination of international community. Establishing such a body was very complex, primarily due to political

circumstances in the region, which were much more complex at the time RCC was established than it is the case now. There were many open issues that influenced the readiness of countries from the region to regional cooperation. General political climate was complex and burdened with Kosovo situation and uncertainties related to resolution of this issue. There were other open issues that burdened relations within the region as well as the fact that regional cooperation did not have such impact as did cooperation with international institutions.

BM: What changed in regional cooperation over the last three years?

BISCEVIC: Three years ago, the profile of relations between Western Balkan countries and European Union was somewhat different. The countries were not ready to open to each other due to various issues from the past. The other aspect of our activities focused on including the key priorities and detecting the weakest links in the economic situation of the region. After that, together with governments and the EU, we started identifying projects and initiatives and thus entered the third phase which is the commencement of implementation of the RCC Strategy and Work Programme 2011-2013. This is the phase in which RCC wishes and needs to facilitate cooperation of countries on concrete projects to compensate for the region's economies lagging behind the rest of Europe.

BM: RCC identified economic and social development, infrastructure and energy, justice and home affairs, security cooperation, building human capital and parliamentary cooperation as key areas of regional cooperation. Is there, and to what extent, any progress in these areas?

BISCEVIC: There are priority areas such as cooperation in economy, justice and security within which there are a number of projects. Their purpose is to strengthen the functionality of cooperation in the region which is politically fragmented due to the issues it faces. I have to stress economic cooperation in order to avoid the connotations that regional cooperation is establishing some former country. Good example is cooperation with air carriers in the region. A very important initiative and project is cooperation of universities, leading to exchange of students. This year, together with the European Broadcasting Union (EBU) and public broadcasters from the region, we agreed on cooperation that, last month, resulted in establishment of an association of public broadcasters of the region which is a project of importance not only for the TV stations in this region but it will also have impact on social relations in this part of Europe. It has been agreed, for example, to have joint procurement of TV equipment to reduce costs. Also, I have to remind you that the latest EC report on the situation in this part of Europe stresses the need to fight corruption and crime. We are already developing a project with this aim as a joint project of the countries from the region; and it is especially important that the countries of the region gathered around the same principles. There is a wide range of projects we are engaged in, in addition to which, we are also working on taking over regional initiatives that were previously in the hands of international organisations.

BM: Which projects and initiatives are you taking over from international organisations?

BISCEVIC: From the European Commission and the Council of Europe we are taking over the Ljubljana Process dealing with restoration of cultural and historic facilities in South East Europe. The headquarters of this initiative will be located in Montenegro, and we will certainly take over range of projects of international community. We have also initiated rationalisation of various formats of initiatives, and there are a couple of dozen of these initiatives established over the last years which sometimes overlap. We have started this process with the support of our members and partners in order to make cooperation more effective.

BM: Taking over the Investment Committee for South East Europe from the OECD by the end of next year sounds particularly interesting. What does this in fact mean?

BISCEVIC: This is a process that has currently started and we have to finish it by the end of next year. There are some technical issues in the sense of funding this transfer since we need to expand the capacities. The main task of the Committee is to have the region deciding on the investments in the region. The place of decision-making will no longer be in Paris or somewhere else but agreements on cornering markets will be made in the region. We are convinced that this part of Europe has strong potentials in a number of sectors due to its position, transport corridors and everything else. These are vast potentials and these qualities of the countries from the region should be recognized at political level, thus launching new projects that would be the best response to crisis the region is experiencing. Two or three years ago, our region was the most dynamic in Europe in terms of investments, while presently almost all countries are facing difficulties. Some of the countries have already used international funds to cover their debts and patch up their budgets. This is a crisis with complex and dangerous consequences having in mind the unemployment rate and indebtedness as well as unresolved political issues. Thus, it seems to me that the region should use the crisis impact and design a regional approach to recovery and development. If we could strengthen and raise awareness on cooperation in fighting the crisis, design joint projects and use natural resources, then this could be the best response to crisis. The crisis hit the region when it started getting out of the post-war zone, so presently, the crisis should be used in the attempt to gather the countries of the region around large-scale projects which would ultimately lead to large European investments in this area. If the EU has interest in establishing market links with Turkey and the Middle East, our region seems a logical link for these investments.

BM: To whom will these regional projects be presented to – international financial institutions, funds, private investors...?

BISCEVIC: Certainly none of the large-scale projects could be funded from governments alone, or solely by private capital or foreign organisations, but it should be a combination of all these stakeholders. The latest European Commission report states the need for large investments in transport and infrastructure, and projects in these areas are something the European Commission

is interested in to invest. It is possible to raise around €6.6 billion as initial capital through banks that have confirmed their readiness to take this step. The Commission report also notes the need to initiate public-private partnerships, while the fourth pillar is involvement of governments in those projects. Without *new deal* projects, that would facilitate progress, it is hard to anticipate any other way of coming out of this crisis. In the near future or in some longer period, we could be facing a paradoxical situation where the region remains linked and enters the EU but where, in terms of infrastructure, we remain outside the EU. We fly to Brussels but one cannot get from Budapest to Sarajevo using the road transport. Vertical corridors and road connectivity are crucial for economic development. There is no way that an investor would come to Bosnia and Herzegovina if it remains with 47 km of modern European motorways.

BM: Last year, there were many talks about establishing a regional investment bank. What is happening with this initiative?

BISCEVIC: There are different views in this sense, and the initiative did come from Bosnia and Herzegovina. It went through an expert filter of similar banks but it was not particularly positively viewed in European financial circles as the relation with other institutions could not be clearly distinguished. The idea is still out there but, for the time being, there is no clear position of all countries from the region. EU and European financial institutions operate by rules that had been established earlier and their changing and adapting to some new ideas is very difficult. I believe that we can use the existing European financial institutions quite well. However, larger initiative on the part of the countries is lacking, and there is also the slowness of national administrations. It seems odd to me that administrations are functioning routinely while the times we are living in are everything but routine. ●

CEFTA is an Excellent Project

BM: In the area of economic cooperation among the countries from the region, some projects, such as CEFTA, function successfully, though it seems that each participating state has its own complaints regarding this project. To what extent can regional projects such as CEFTA improve regional cooperation?

BISCEVIC: It is true that there are some problems within CEFTA but it is also true that, finally, CEFTA members have the largest trade exchange with other CEFTA member states. This is precisely why CEFTA is an excellent project. The largest issue of CEFTA functioning is political climate between Belgrade and Pristina that is somewhat holding back this organisation. I have to say that RCC is the only organisation with participation of representatives of both Belgrade and Pristina in its work, and this is an important achievement.