

Interview by Secretary General of the Regional Cooperation Council,
Hido Bišćević, to BiH daily *Dnevni list*

Thursday, 29 September 2011

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DO WE NEED “YUGOSPHERE”?

Only regional cooperation and projects will facilitate development

Interviewed by: Predrag Zvijerac

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MOSTAR Hundreds of millions of euros have been invested so far and announced through the EIB and EBRD for energy development in the region of South East Europe. However, will anything change because of the crisis in the Eurozone?

Regional projects

Secretary General of the Regional Cooperation Council, Hido Biscevic, said in the interview for our papers that although there was sometimes a widespread perception among the general public that the international financial institutions were not sufficiently committed to our region, the facts confirmed that not only the mentioned banks but also the others had continually invested in economies, development and reform in the countries of our part of Europe through bilateral arrangements or regional projects.

- Only in the last five years, EIB and EBRD have invested almost ten billion euros in the Western Balkans. In the broader picture, with a gradual stabilization of the situation in South East Europe in the second half of the nineties and almost simultaneous completion of the last round of EU enlargement in Central Europe, investment capital had gradually shifted from Central Europe toward the South East. Along with everything else, i.e. stabilization of the political situation and the pro-European reforms, this had also facilitated the strong economic momentum in our region which, until somewhere around 2008 and 2009, recorded the highest growth rates in Europe and confirmed itself as one of the most dynamic 'new markets' in the world. Perhaps as early as today, a debate could or even should be opened on the structure of this growth and its main parameters, i.e. on the economic development

model itself that dominated the region. However, it is the fact that South East Europe was highly-ranked in the investment strategy of the EIB, EBRD and other investors until the outbreak of the crisis and its spillover to this region, said Biscevic. As an example, Biscevic indicated that in late 2009 it was precisely those two banks, together with the Council of Europe Development Bank and the European Commission, that signed a memorandum confirming their readiness to jointly finance the major development projects in priority areas such as energy, infrastructure, water management, rail transport and other areas where delays and underdevelopment were obvious. At the same time, this readiness was also confirmed by the operation of the Western Balkans Investment Framework, and by contributions from the European Commission through the standard funding channels or additional anti-crisis measures, etc.

- In other words, the impact of the crisis shook the economies of the region in multiple ways, with rare exceptions, revealing deep structural deficiencies and lack of functionality, whereas the crisis in the Eurozone inevitably opened the debate on its future functioning. However, even in such circumstances, investment interest in our region has not significantly decreased. President of the EBRD, Thomas Mirrow, expressly stated at a recent EU-Western Balkans Ministerial Meeting that the region remained a top strategic priority of the Bank, stressing that he completely understood the importance of steady investment in South East Europe given the political uncertainty and social instability which could still be renewed in the circumstances of economic crisis and a large number of unresolved issues. However, for the sake of clear public understanding, I must say that, given the very nature of the projects that are most needed today to the countries of this region, there is an increasing focus on pooling around joint regional, sectoral and functional projects that will facilitate, on a broader basis, the accelerated development and elimination of underdevelopment in the key sectors, said Biscevic for our papers. Secretary General of the Regional Cooperation Council stressed that, after all, our problems and our delays were common.

- There is a lack of good quality infrastructure all around, the railway transport is more or less underdeveloped everywhere, everyone could use the potentials of waterways in the region - in other words, it is clear that investors would prefer to see the broad picture and large-scale projects. From such a perspective, the source of investment may also considerably change, because in such context, it is not hard to understand why China may have interest to invest in the development of rail transport in the region after having bought the port of Thessaloniki and in anticipation of the imminent opening of the rail transport route from the EU market through new tunnels under the Bosphorus and further to Asia.

Political insecurity

All this is impossible to achieve without the cooperation of countries in our region. To which extent are the countries really interested and united in the cross-border projects, such as energy, infrastructure and many others? Biscevic stressed that it was impossible to contemplate development of national economies in the modern, globalized world without the cooperation and openness, and that self-sufficiency

might be bolstered for some time by populist phrases about patriotism and sovereignty, but it usually lead to isolation in the long run which, as it happened in these areas, fed profiteering and rent seeking at the expense of national economies.

- The reduction or complete loss of industrial production is but one example. In other words, open regionalism today is a precondition for any individual national economic progress. The current serious crisis has only additionally underlined the fact that, for example, Serbian, Croatian, Romanian and Bulgarian economies can better and more effectively respond to the impact of the crisis by developing joint projects and cooperation rather than by self-closure. I understand certain reluctance and resistance if they result from the reasoned debate on whether such forms of regional cooperation might potentially lead to a kind of 'levelling' at a lower level in order to 'assist' the least developed. But this is hardly likely, given that all the countries today are practically bound by the same standards through the EU negotiations and instruments of the Stabilisation and Association Agreement. What I do not understand is politically coloured or conditioned reluctance. The German and French people had not quite reconciled and fully opened towards each other after the war, but they initiated the process with 'coal and steel'. That is why I mention functional cross-sector collaboration to the benefit of each national economy, stressed Biscevic.

Development projects

For example, Slovenia, Croatia and Serbia have started to think strategically so they have embarked on a joint railway project and it is really high time to stop the politicization of such strategic regional projects, particularly in BiH, which suffers the most because of that.

- Yes, I would say that it is truly high time for serious and responsible strategic deliberation on such major regional projects. Why? Firstly, delays are evident and sometimes worrisome in many sectors - energy, infrastructure, and railways are examples only. Secondly, any attempt to attract investments solely on a national basis for such large and necessary projects is obviously difficult and time-consuming. Thirdly, in the background of the current crisis, which will not disappear overnight, there is an obvious need for a rapid, innovative and courageous response to prevent further negative impact, such as further increase of unemployment rate; and let me briefly outline only this aspect - a prolonged period of rising unemployment compounded by unresolved political issues and widespread social uncertainty may lead to serious threats. Not only in terms of what is happening on the streets of Greece, but on a much more serious scale, from the eruption of instability to further deterioration of criminogenic environment. Fourthly, major changes in international relations gradually lead to marginalization of the region on the scale of global political interests and, therefore, a kind of 'self-help' is a logical necessity. And finally, the EU enlargement policy, which is rightly perceived as the most important and most powerful tool for stabilization and progress, is still marked by uncertainties – it is common sense to raise the issue and it should be raised on time: what will be the engine of economic and social galvanization while some countries are waiting for the accession negotiations? In my opinion, concentrating on development projects may be the right response not only to economic but also political aspects of various potential

frustrations and challenges, said Biscevic. In short, it is certainly the time for bold steps forward, for elaborated and well managed large-scale regional development projects with multiple funding sources, ranging from foreign investment to pooled funds from the region and private sector.

From the EU to Chine, through Bosphorus

I mentioned at the last summit of the Southeast European Cooperation Process (SEECP) in Montenegro in June, in front of all the assembled presidents and prime ministers, the potential for joint cooperation in the reconstruction and modernization of the railroad corridor from Ljubljana via Zagreb and Belgrade to Sofia and Istanbul, precisely in the context of the mentioned future route from the EU market through new tunnels under the Bosphorus to the Central Asia and China. I was encouraged by the interest and attention given at this high level meeting. But in everyday life, mainly the old ill – facing sluggish administration and a lack of initiative, said Biscevic.