



OSCE ECONOMIC AND ENV. FORUM: Connectivity and Economic and Environmental Coop. for Regional Security

Amb. Gazmend Turdiu
Deputy Secretary General,
Regional Cooperation Council
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TOPICS FOR DISKUTION

- How connectivity and economic cooperation contributed to stabilizing the Western Balkans?
- What are the next steps?
- The link between connectivity / economic cooperation and security:
 - What are the lessons learned from the Western Balkans?
 - Which policy approaches could also work in other regional contexts?
- How can the OSCE and its field missions further contribute to more connectivity and economic cooperation in the WB?

WHAT NEWS FROM WESTERN BALKANS?

- EU High Representative Mogherini on the WB regional situation (2017 Bled Strategic Forum): “Optimistic and dynamic. The focus is on the positive side”
- Despite difficulties and turbulences - last ten years have been a history of success for the Western Balkans
- Above all: while support to regional cooperation from outside the region is still necessary, many initiatives come from inside the region, or are embraced and transformed into regional initiatives

WHAT NEWS FROM WESTERN BALKANS?

- Better stability. More security. Better conditions for economic activities
- Better cooperation, both at bilateral and at regional levels.
- SEECP informal ministerial (5 September 2017):
 - “The SEE region is far past the point when just meeting was considered a success. Success is now measured by the positive impact of our actions”

WHAT NEWS FROM WESTERN BALKANS?

- Despite being hit hard by the global financial and economic crisis (EU and EU-MS are the main trade partners) the region's economy (as average) didn't go into depression.

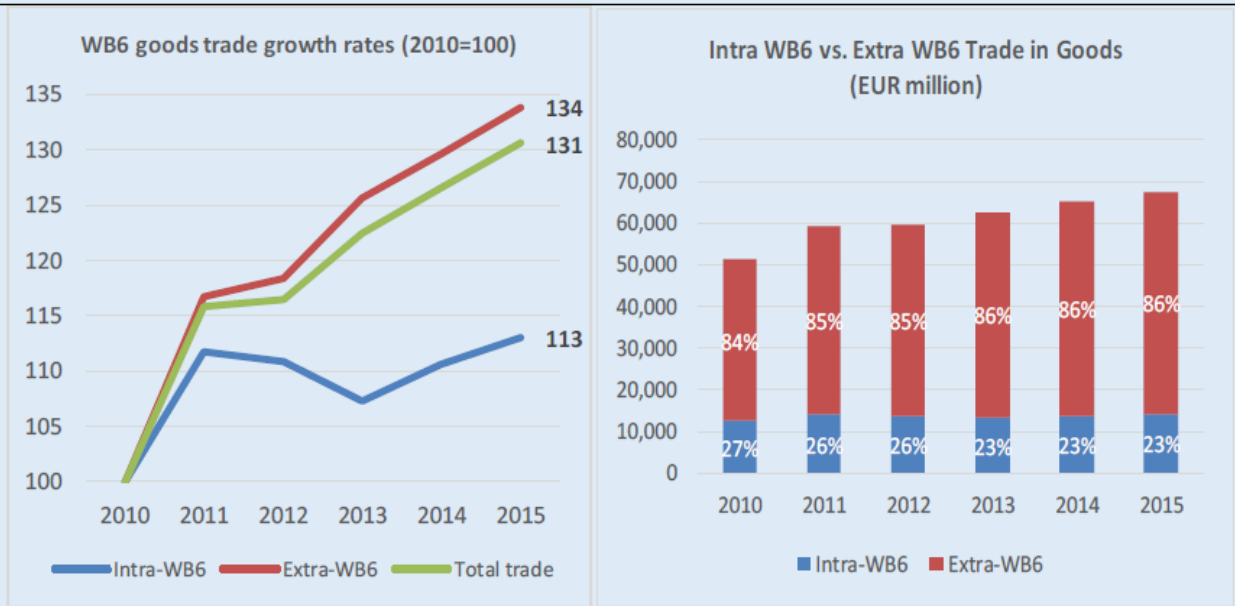
Table 1: Progress towards SEE 2020 Regional Headline Targets

SEE 2020 Headline Indicator	2010 (baseline)	2011	2012	2013	2014	2015	2016	2020 (target)	Progress from baseline towards target
Overall Strategic Goals									
1. GDP per capita relative to the EU average (in PPS), %	32	33	33	34	33	34	n/a	40	17%
2. Total trade in goods and services (EUR million)	54,686	62,972	63,638	67,032	69,965	73,004	78,261	129,500	32%
3. Trade balance, trade in goods (% of GDP)*	-22.1	-23.3	-23.7	-19.5	-20.5	-19.6	n/a	-20.8	192%
Integrated Growth									
4. Intra-regional trade in goods (% of GDP)*	10.6	11.0	10.5	10.1	10.2	10.1	n/a	14.3	-15%
5. Overall FDI Inflows (EUR million)	3,587	5,879	3,023	3,689	3,614	4,517	4,578	7,300	27%
Smart Growth									
6. GDP per person employed (EUR)	26,597	28,917	29,363	29,683	28,960	n/a	n/a	36,300	24%
7. No of highly qualified persons in the workforce (mil)	1.09	1.14	1.27	1.36	1.47	1.55	1.61	1.44	146%
Sustainable Growth									
8. Net enterprise creation (no. of companies)	29,639	30,927	30,579	34,416	31,958	32,622	26,872	26,790	n/a
9. Share of Renewables in Gross Final Energy Consumption*	27.1	20.2	21.7	25.9	30.0	24.0	n/a	31.8	62%
Inclusive Growth									
10. Employment rate - age group 20-64, %*	48.7%	47.6%	47.0%	47.8%	48.8%	49.4%	51.4%	55%	57%
Governance for Growth									
11. Government's effectiveness, WGI (scale 0-5)	2.21	2.24	2.30	2.30	2.44	2.41	n/a	2.65	52%

Source: Eurostat, WB national statistical offices, WB central banks, Worldwide Governance Indicators, RCC calculation

*Targets 3, 4, 9 and 10 are new indicators as per decision of the SEE 2020 Governing Board. The 2020 values for targets 3, 4 and 10 have been proposed by the RCC to the SEE 2020 Governing Board, based on the forecasting exercise done during the reporting period (see Box 1).

Figure 1: WB6 intra-regional vs. extra-regional trade growth



Source: National statistics

SEE 2020: INTEGRATED GROWTH

Target 4: Intra-regional trade in goods as % of GDP

Table 2: SEE 2020 Target 4 – Intra-regional Trade in Goods (% of GDP)

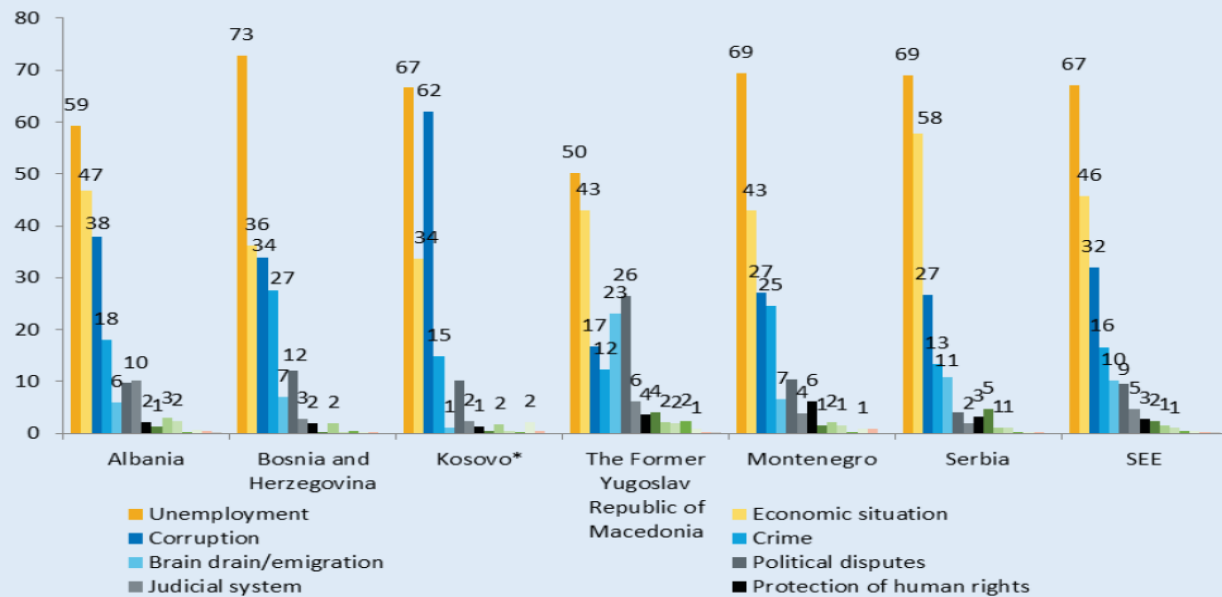
Economy	2010 (baseline)	2011	2012	2013	2014	2015	2016	2020 (forecast)	Progress from baseline towards target
ALB	4.0	5.0	4.5	5.3	5.3	5.0	n/a	4.9	111%
BOS	12.2	12.7	11.1	11.5	11.7	11.3	11.4	11.5	-114%
KOSOVO*	18.3	18.6	17.5	14.7	15.2	15.3	n/a	12.8	-55%
MNE	25.6	30.7	32.7	30.6	27.8	25.9	n/a	25.3	-100%
SER	8.9	8.3	8.3	8.1	8.3	8.6	9.0	9.6	23%
MK'	15.0	16.8	15.4	13.1	12.7	11.9	11.5	19.7	-74%
SEE6	10.6	11.0	10.5	10.1	10.2	10.1	n/a	14.3	-15%

Source: SEE6 National Statistical Offices, Central Banks, RCC calculation

Note: New headline indicator, 2020 targets to be confirmed by the SEE 2020 Governing Board

Figure 2: Public opinion on the main challenges in SEE6

What do you think are the two most important problems facing your economy?



*This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

WHAT NEWS FROM WESTERN BALKANS?

- 2007 - The Stability Pact for SEE EU was transformed into RCC
- 2011 - The Ministers of Economy of the WB draft a common vision for the future, the basis for the SEE 2020 Strategy (*Jobs and Prosperity in the European Perspective*)
- 2014 - Berlin process, borne as initiative of Chancellor Merkel, was swiftly embraced by the prime ministers of the region and strongly supported by the EC
- 2016 - Prime Ministers of Albania and Serbia propose a closer economic integration and cooperation - setting up REA
- 2017 - The MAP for Regional Economic Integration is approved

WHY REGIONAL APPROACH?

- The rationale for this regional approach: to reap the benefits of economies of scale.
 - We are a collection of small economies, both in terms of population and economic opportunities, yet strongly reliant on each other.
- The Western Balkans match the population of Netherlands and Belgium combined. In terms of market size:
 - Up to 60% of the purchasing power of the Belgian economy, or
 - equals the purchasing power of Portugal
- Poor intraregional trade

SEE 2020 STRATEGY: Jobs and Prosperity in a European Perspective

- Modelled after EU 2020. Five pillars:
 - Integrated Growth
 - Smart Growth
 - Sustainable Growth
 - Inclusive Growth
 - Governance for Growth
- Eleven headline targets and sixteen dimensions
- Solid programming, monitoring and reporting systems

BERLIN AGENDA

- Regional Cooperation and Solution of Bilateral Disputes
- Rule of law and Good Governance
- Economic Prosperity and Connectivity
 - Transport Connectivity: Extending the Trans-European Transport Network (TEN-T)
 - Energy Connectivity.
 - Investment Planning
- Market Integration
 - Trade Facilitation
 - Mobility
 - Growth (establish economic corridors)
- Youth, Education, Science and Research

REGIONAL ECONOMIC AREA

- Joint proposal of the Prime Ministers of Albania and Serbia
- Builds upon the Berlin process - aims at integrating the WB as one economy
- Strongly supported by the EU
- Coordinated and monitored by RCC and CEFTA
- Implemented on the basis of the Multiannual Action Plan, approved at the WB6 Trieste Summit on 12 July this year

MULTIANNUAL ACTION PLAN

- Components
 - Trade
 - Investment
 - Mobility
 - Digital Integration
- Governance, Coordination and Monitoring (RCC/CEFTA)
- Partnerships for implementation
 - WB6 authorities
 - Private sector
 - International organizations, IFIs
 - European Union

NEXT STEPS

- Improving/deepening regional cooperation. Working on resolving bilateral disputes
- Continuing implementation of the Berlin Agenda, most urgently:
 - Implementation of the soft measures related to Transport Connectivity
 - Implementation of the soft measures related to Energy Connectivity
- Setting up governance, coordination and monitoring structures for implementing REA - MAP
- At national level:
 - Continuing implementation of reform programs
 - Improving governance

FINAL NOTES

- Stability, security and economic cooperation are mutually supportive to each other. It happens when governments focus on policies based on the real needs and on what brings them together, not on what sends them apart.
- Possible areas of support by the OSCE and/or its field missions: Good Governance, RoL, dispute resolution, as components of the Berlin Agenda and of the REA - MAP



Thank you!

Regional Cooperation Secretariat
Trg Bosne i Hercegovine 1/V
71000 Sarajevo, Bosnia and Herzegovina

Tel: +387 33 561 700
Fax: +387 33 561 701
Mob: +387 61 190 601

www.rcc.int
Twitter:@rccint
Facebook:RegionalCooperationCouncil
YouTube:RCCSec