

9th Vienna Economic Forum

Quo vadis, Europe? Regional Cooperation for European Integration

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A statement by Rudi Guraziu, Chief Executive of International Business and Diplomatic Exchange,
delivered at the Official Opening of the 9th Vienna Economic Forum

**Your Excellencies,
Distinguished speakers and delegates,
Ladies and gentleman,**

Let me start by expressing my sincere gratitude to the president **BUSEK** and the Secretary General **Ambassador KIRTICHEVA** for inviting me to speak at this prestigious annual event. I am delighted to have Dr Busek on my organization's Advisory Board, and I'm most grateful for his continuing support.

I believe that at a moment of pan-European economic stasis there is a compelling need for picking up on the positive developments in Southeast Europe as well as key remaining challenges as a consequence of the on-going Eurozone crisis so the region of Southeast Europe continues to strengthen its cooperation and develop as an outward-looking region offering myriad business and investment opportunities. In these times of weaker economic growth in Europe, targeted foreign direct investment (FDI) is a vital ingredient in increasing the region's competitiveness internationally.

Therefore, the role of these Forums in this process is very important in order to effectively promote and develop the regions' FDI and business environment while boosting the profile of EU business interests and expertise.

I would like to first share with you my organisation's objectives in Southeast Europe, and then I will talk about the importance of regional cooperation as well as provide an overview on the opportunities and challenges in doing business in the region. I intend to be concise.

The International Business and Diplomatic Exchange (IBDE) is a London based non-profit organisation, committed to facilitating both dialogue and resource-sharing between the global business and diplomatic communities. Beside other projects, IBDE runs successfully an EU-Balkans Discussion Group - designed to support and promote regional cooperation and the socio-economic development of South East Europe (SEE). The meetings bring together Ambassadors of EU-Balkans plus Turkey FCO, EBRD, UKTI, International economic experts and media alongside businesses that are already investing as well as those interested in exploring business opportunities in the region.

IBDE is based in London as this has proved the optimum location for diplomatic, international business, finance and academic networks. Of course, Vienna is equally important in the international networking context and we are delighted to have partnered with the Vienna Economic Forum working together in promoting investment opportunities in Southeast Europe. Indeed, when it comes to Southeast Europe, Austria has made a significant contribution to the overall development of the region, being a number one investor in Croatia, Bosnia and Serbia and in the top three in other countries of the region.

It is over two years since IBDE has established the EU-Balkans Investment Discussion Group and since then the organisation has earned both excellent an reputation and support through various partnerships with many embassies as well as City of London, London Stock Exchange, Foreign and Commonwealth Office (FCO), leading academic institutions, European Commission, European Bank for Reconstruction and Development (EBRD), and many other major corporates.

The programme focuses on enhancing the regional political and economic integration of SEE through the development of an integrated regional investment strategy for the Balkans as well as by providing constructive input on political and economic reforms in the region.

Attracting international investors in the Balkans, I must say, has proven to be a difficult job given the perceived unfavourable image that the outsiders have for the region. The small size of population in individual countries has been also an impediment to attract large businesses. But, I am happy to say that IBDE through its EU-Balkans Programme with the support of the EU Embassies and the European Commission Representation in the UK has already made a modest progress.

Over the past two years we have held 6 EU-Balkans investment meetings one EU-Balkans Ambassadorial Forum and two high-level UK-Albania Investment Conferences.

IBDE has also taken the initiative to organise the first ever 'Western Balkans Investment Conference in London, in a strategic partnership with EBRD under the patronage of Mr. Stefan Fule, European Commissioner for Enlargement and Neighbourhood Policy, and in cooperation with the EU-Balkans Embassies in the UK. The Forum is envisaged for 2013 at EBRD Headquarters in London where we expect the prime ministers of the Western Balkans will participate. Whilst we are at EBRD, I am pleased to note that last Friday the bank has voted to accept Kosovo among its members. This recent development will certainly be a major support towards the enhancement of economic growth and infrastructure in Kosovo and the region as a whole.

We are also working with Oxford University in organizing a ministerial conference on European integration next year; where we aim to assess the progress and challenges of EU's Enlargement in the Western Balkans, including regional cooperation. IBDE is among very few if not the only organization in the UK taking a proactive hands-on approach towards the strengthening of the EU-Balkans cooperation at every level. We see this as crucially important. The UK is a staunch supporter of the region's aspirations towards EU membership, despite many recent speculations that Britain might be cooling relationships with the continent. When we talk about European integration, it should be mentioned that the accession of Croatia in 2013 is an encouraging development in this process.

It is only with Britain in the EU that Europe can become a true global power in a changing world economic order, as it is true that only within the EU can Britain remain competitive in the world markets and the City of London lead globally as a European International Financial Centre.

In view of the on-going sovereign debt crisis this year we have launched a project on "Crises and Opportunities: The reshaping of World markets" (the first series is looking on the impact of the Eurozone crisis on the world markets), in partnership with the City of London Corporation, EU and G20 Embassies and major corporates. Through meetings in this series we would further increase the potential of promoting the Balkans to prospective investors given that over 250 international banks are represented in the City of London.

Going back to regional cooperation for European integration; I wish to mention a part of our editorial written a few months ago in IBDE's Exchange magazine citing World Bank's report "Doing Business in South East Europe 2011". The report reveals an unprecedented phenomenon: the transition of the Balkans from the

status of “Balkanization”, a term that implies fragmentation of states into smaller states as a consequence of conflicting ethnic groups, to a spirit of regionalization and synergies towards creating a better economic environment and serious prospects for collective prosperity.

This may seem improbable, at first look, considering region’s recent troubled history and the economic crisis that has been consuming Europe’s competitiveness since 2008. World Bank’s facts and figures are, however, quite explicit about the direction and trends that drive the smaller nations in the region towards becoming a model of determination to succeed in spite of all odds. Certainly, the perseverance and resolution of the European Commission and the European Bank for Reconstruction and Development (EBRD) have provided the platform for stability and change of focus from culture and religion-driven disputes to consideration of common challenges and opportunities among the regional constituents. With a cumulative injection of cash of more than EUR 8 billion, augmented annually by another EUR 1.4 billion, the EBRD is one of the most important institutional investors in the Western Balkans.

Austria, Greece and Turkey have also played an important role in the development of their smaller neighbours through investment in these post-Communist era start-up states.

The doing business environment has also been significantly enhanced. According to the World Bank’s report, it takes three working days and three administrative procedures only to register and run a business in Skopje, the capital of Macedonia. This is the third best performance in this criterion among the cities measured by the World Bank in 183 countries around the globe! Albania, Bosnia and Herzegovina, Kosovo, Montenegro, and Serbia rank high in this survey, including in contract enforcement, a criterion which has in the past deterred foreign companies interested to invest and start commercial activities in the Balkans.

In spite of the risk of contagion from the crises of the European economy the development prospects in the region are quite positive, mainly because of the ongoing implementation of large infrastructure projects in national and regional motorways, airports, sea ports, electricity grids, and telecommunications. Rapid development of higher quality tourism through hotel and real estate development also provide growth drivers.

Governments for their part have begun reforming their respective business legislations and fiscal policies to attract European industrial groups and investment funds. There is a huge potential for regional co-operation in the energy sector for example. The Western Balkans could potentially become one of the most robust and competitive economies in Europe, with rewardingly high returns to those who will invest early.

It is clear that the region offers plenty of opportunities. But, governments need to prioritise among competing projects, establishing clear and realistic objectives for the projects chosen, and integrate them into broader development strategies. The provision of good quality **infrastructure** for example is a prerequisite for economic and social development.

This coming Wednesday (21 Nov 2012) IBDE in partnership with the Turkish Embassy in London are hosting our next regional investment discussion with speakers including EBRD and ENKA, focusing on business opportunities in the much needed investment in the region’s infrastructure networks. ENKA has already been active in the building of motorways in Albania, Kosovo, Romania, Croatia and Turkey. EBRD continues to be committed to the development of the region.

A significant proportion of investments in infrastructure could be funded through private public partnerships (PPPs) and the United Kingdom leads the field when it comes to planning, managing and delivering projects, from roads to hospitals to ports. British expertise when it comes to services is second to none and IBDE would be pleased to make a professional contribution as the Balkans takes forward its PPP projects.

When it comes to investment promotion it all boils down to whether investors, as wealth creators enjoy the right conditions to flourish in SEE?

It's worth reiterating that good progress has been made so far, as mentioned earlier in terms of improved doing business indicators as an example. But, serious challenges remain. Governments of the region need to work hard to fight corruption, strengthen the rule of law, improve access to finance, devise proper legislative and regulatory framework and not least enhance further business indicators.

Another issue of concern is obviously the ongoing Eurozone crisis and I think it is important to make a distinction here as sometimes the crisis gives an impression that the Euro currency is in trouble, which of course is not true. The problem is sovereign debt in some of the Eurozone members. IBDE has produced a report earlier this summer dealing with the impact of sovereign debt crisis in world markets. Further deterioration of the turmoil in the Euro area poses the largest risks to already-slower projected growth in the region for 2012 and 2013. Last year growth projections in most countries were between 2-3 %, whilst this year projections are lower than 1 %, with some countries being already in recession, according to this month's EBRD Transition Report. Kosovo has fared better in terms of GDP growth and Turkey even better as the largest economy in the region.

The good news is that, despite the sovereign crisis in the Eurozone, so far Europe has avoided both protectionism and competitive currency devaluation. This is very important. Strengthening the single market, which remains one of the most success stories of the EU, is very crucial for the member states' economies, the UK included, as well as the countries of the region, given that they enjoy free trade with the EU.

Further EU membership prospective is the key incentive towards regional economic and political cooperation. It is also the strongest tool to encourage more FDI in the region. So it is vital that potential investors see the Balkans as a part of a larger European market when devising their investment strategies

In conclusion, SEE countries as emerging markets have tremendous growth potential. Proximity to the West and Central Europe, low cost for unit labour, and the lowest flat tax regime are some of the competitive advantages that the region offers. In addition, the region benefits from a dynamic, young and well-educated population that can sustain higher levels of economic growth. Given that I have spent most of my life living and working in Kosovo, I suppose it gives me some authority to talk about the opportunities and challenges of doing business in the region.

I believe the region as a whole, should receive more attention from foreign investors. Indeed, I hope that this Forum will go some way to further identifying investment opportunities and the role of business in supporting regional cooperation and the economic growth.

Thank you very much for this opportunity.

I look forward to exploring some of these ideas in more detail during the course of this conference.

Rudi Guraziu

Rudi Guraziu is founder and CEO of International Business and Diplomatic Exchange (IBDE). He is also Editor of IBDE Reports and 'Exchange: The Magazine for International Business and Diplomacy'. Mr Guraziu for many years has been actively engaged with business leaders and diplomats as a consultant in political risk and foreign affairs. His expertise covers international affairs with a particular focus on EU foreign policy, business and commercial diplomacy. His research interests are in exploring the impact of international events and turning crises into opportunities. Before Establishing IBDE, with a commitment to strengthening democracy in less strong states, he initiated the establishment of the Centre for Business and Parliamentary Dialogue (CBPD) to encourage mutual understanding and exchange of information between parliaments and businesses for the public benefit. For much of that time he worked with different parliaments particularly in the relationship between legislative bodies and economic operators. Mr Guraziu holds an MA in International Relations from Middlesex University, UK. He is a UK national based in London having lived and worked previously in Kosovo, Balkans, Sweden and Switzerland.

More about IBDE:

International Business and Diplomatic Exchange - **IBDE** provides assistance with promoting international trade and investment flows to create new business opportunities. IBDE supports: wealth creation, public private partnerships, good governance and corporate social responsibility, as well as the integration of developing countries into the global market. Through selected events such as investments forums, round-tables, workshops and networking opportunities, IBDE aims to support international businesses in identifying key investment opportunities and strategies within the international economic and political context. IBDE provides an independent, accessible platform for debate on the international business and political issues impacting global markets.

IBDE's overarching concept, defining its commercial diplomacy role, commits IBDE to using its influence to assist embassies/businesses in securing new trade opportunities. As such IBDE's goal is to work creatively and innovatively in identifying more targeted interventions and thus stimulate and support its members' international commercial and diplomatic interests. **For more information please visit www.ibde.org**