



The Economist EU-BALKAN SUMMIT

PAVING THE WAY TO RECOVERY AND GROWTH

17th & 18th October 2013

Sheraton Sofia Hotel Balkan

The British Bulgarian Chamber of Commerce was among the selected partners of a high-level summit organised by **The Economist** in Sofia on 17th and 18th October 2013.

The Economist Events have selected Bulgaria to be the host country for this major conference at a time when the EU is faced with the challenge of how to emerge stronger from the economic crisis.

Cabinet ministers from the Balkan countries, leading economists and senior fellows from top financial and academic institutions gathered together to brainstorm and share insights with decision-makers from politics and business on how the new political, financial and business landscape in the Balkan region will re-shape itself and how their Governments will manage to put them back on the road to economic recovery and growth.

Speakers from the Bulgarian state institutions included:

Plamen Oresharski, Prime Minister of Bulgaria

Daniela Bobeva, Deputy Prime Minister for Economic Development

Dragomir Stoynev, Minister of Economy and Energy

and

Rosen Plevneliev, President of Bulgaria - **Guest of Honour** and **Keynote Speaker** at the **Gala Dinner** on 17th October 2013

The participants at the Summit had the unique opportunity to take part in an open discussion with key decision-makers from across the Balkan region and debate on the significant challenges and business opportunities that lie ahead for the region as a whole.



On the EU enlargement front, eleven countries from the region joined the EU in 2004, 2007 and 2013. Several others, especially from the western Balkans, are seeking to join. The Economist Events hosted The EU-Balkan Summit, which aimed to demonstrate ways in which the Balkan countries can pave the way to recovery and growth. The forum provided a platform for discussion of various topics, including the EIU forecast on the Balkan region, the upcoming EU Presidency, Financial services - overcoming the crisis, looking forward, energy-pipeline projects, infrastructure, tourism, real estate, telecoms, and IT. The Summit also aimed at finding an answer to the question ‘How the EU can emerge stronger from the crisis?’

Below you can read highlights from the presentations of some of the key speakers at the event

Keynote Address

Mr Rosen Plevneliev

President of the Republic of Bulgaria

In his keynote address, the Bulgarian President, Mr Rosen Plevneliev who is an avid reader of the Economist, congratulated its publishers on the exceptional professionalism manifested and objectivity provided by the Economist to its readership throughout the world.

The President explained that the intensive dialogue and friendly relations in the Balkans are not accidental. “We have been witnessing qualitatively new processes in the region”, he said. It has undergone transformations: from a bombing target 15 years ago and a locus of ethnic conflicts, torn by contradictions, the region has moved into a phase of unprecedented peace, friendliness and understanding. According to the President, the Balkans are a region with an enormous potential and good prospects. He also expressed his strong belief that the future of the region is positive and that the Balkans will prosper and develop steadily in the future.

President Plevneliev outlined some risks: the *insufficient connectivity* as a condition ensuring a sustainable economic growth. This risk concerns the strategic infrastructure that should be built, the hundreds of billions that should be invested so that the region can guarantee a new quality and competitiveness that secures more investments and creates jobs. The second risk identified by the President relates to *the stability and efficiency of the institutions*. The third risk is the process of still *incomplete democracy and democratization*, which is a risk to the steady and positive development of the region.

Mr Plevneliev pointed out that each of the countries in the region is on its way to building a modern European-like democracy. He said, “We need to change our approach when looking back to the past, to our common historical past, we should accept history the way it is. At the same time we should look ahead toward our common future.”

The President spoke in more detail about the work being done to ensure *connectivity*: walls have been demolished in the Balkans, “Iron curtains” have collapsed. Today, bridges are built, highways are constructed, as well as high-speed railways and this is all done to ensure connectivity of people, cultures, states, nations and secure good-neighbourly relations, to secure well-being and prosperity for our peoples.

Mr Plevneliev challenged the common perception of the Balkan Peninsula as the border between the East and West, between Europe and Asia. If we look at Europe and Asia together on the map, the Balkans are located right in the middle. “We are the linking element! We are in the centre”, he said. Only if connected, the countries can develop further on and only connected in the region, can we reposition the chains of supply so that they can pass through our region. With joint efforts we can open doors to new markets of the East to the West and of the West to the East.

The President also spoke about the *integration of the infrastructure* in this region: there have been serious plans for gas interconnectors, new high-speed railways, new roads and new border checkpoints.

Mr Plevneliev provided several examples of the *tremendous opportunities* that exist in the region. The turnover between Bulgaria and Turkey today is worth about USD 3bn and it is expected that it will increase to 5bn in the next three years. Some of the big Turkish investments in Bulgaria include that of „Shihedzham“, which will be the biggest investment in the country. The turnover between Bulgaria and Serbia has reached EUR 700 m. The turnover with Croatia recently reached EUR 100 m.

On the engine of our integration, the common European prospects: more than EUR 48 bn from the European structural instruments will be invested in the countries and the region by 2020, which is five times more than the funding provided under the Cohesion Fund and the structural funds.

In two months, the new tunnel under the Bosphorus in Istanbul will be opened, the President said. This is an incredible facility, in which over USD 3 bn have been invested in a high-speed railway connection between Europe and Asia. It is envisaged that by 2016 a high-speed connection of 250 km per hour will reach the Bulgarian border.

By 2020, there will be a dramatic change of the infrastructure in the region, ensuring connectivity. The number of tourists from and to Bulgaria is growing. A single, upward trend is observed. It shows that everyone in the region seeks such connectivity and integration and the numbers prove it.

New programs for *trans-border cooperation* have been developed. Bulgaria-Romania (EUR 220m); Bulgaria-Greece (EUR 200m); Bulgaria-Serbia and Bulgaria-Macedonia, Bulgaria-Turkey. Similar programs will be developed between Croatia and its neighbouring countries.

New border checkpoints are being opened: 3 new border checkpoints with Greece.

On energy: we should *diversify the sources* for supplying energy. Bulgaria is putting a lot of efforts to this effect: gas interconnector with neighbouring countries are being built or planned. The gas interconnector Bulgaria-Greece will give Bulgaria access to the TAP project. The new LNG-terminal on the island of Krk would offer new prospects for the whole gas market in the region. America could supply shale gas to Bulgaria through the gas terminal on Krk and the interconnectors Croatia-Serbia and Serbia-Bulgaria. Through the TAP project Bulgaria could supply gas through Greece and Bulgaria back to Croatia.

On investments in the automobile sector: the big factories of Ford and Renault were built in Romania. Furthermore, more than 15 factories, sub-suppliers of automobile components, were built on the Bulgarian side next to the border. We have common clusters.

On the second risk: *the efficiency, stability, transparency of the public institutions* of each of the countries in the region. Protests are staged in Bulgaria, similar protests were staged in other countries in the region. People expect that the politicians will be up to the standards of a really democratic state. People want institutions that will face the small and mid-sized companies, not the companies having billions.

The private sector is efficient. It is motivated and it expects the institutions to function efficiently. The President expressed his belief that better practices will be adopted in the region, including an e-government, e-services, increasing the transparency and efficiency of the administration.

On the third risk: *democratization* and the role of the civil society. It involves the road each country in our region should take to our common future. There are problems with the half-expressed stories of communism, of the communist secret services, something which the Visegrad Four and many other countries have long solved.

The President elaborated on the agreement reached with Serbia for the first time. In 2014, when 100 years since the beginning of World War I will be marked, Bulgaria and Serbia will commemorate the event together. This European approach adopted by the two countries is a guarantee that the Balkans will develop in a very positive manner and we all have to give this change a chance. The European prospects are the engine of this change. The more countries join the EU, the better for the region.

Setting the stage

SE Europe: What should we anticipate?

Dimitris Kourkoulas

Deputy Minister of Foreign Affairs, Greece

In his speech Mr Kourkoulas said that Greece has traditionally supported the European aspirations of Balkan countries. It is best to be surrounded by countries which share the same values, the same institutional norms and principles.

On enlargement: it has always been and continues to be a top priority for Greece. In this context, the forthcoming Greek Presidency will be committed to promote the enlargement priorities of the Union.

From the perspective of potential members, the EU provides the only means of translating common values and principles into high standards for citizens, through respect for citizens' rights, labor rights, anti-discrimination laws, consumer protection and environmental standards. In terms of achieving growth, employment, security, energy sufficiency and promoting trade, no one can manage better alone than from within the EU.

From an EU standpoint there is an already established political commitment to further enlargement. But it is also about pursuing EU interests. The EU cannot afford to exclude the Western Balkans from the European Project. In the past decade SE Europe has moved closer to the EU. Three more countries in the region have acceded to the EU and two have opened accession negotiations. Serbia will shortly become the third, while the rest hope to follow suit.

Enlargement policy must be seen in the context of the continuing EU internal change. Greece is assuming the Presidency of the Council during what could be called a transitional phase for Europe. The debt crisis has stipulated the adoption of a tight fiscal policy in order to safeguard monetary stability. The extent of the crisis and of the associated recession and unemployment has undermined the confidence of EU citizens to the very idea of European integration. Furthermore, social cohesion has suffered enormously in particular to the countries where the effects of crisis are more pronounced. As a result, for the first time we see consistent Euro-sceptic attitudes throughout the Member States.

We need to rethink about Europe.

Euro-sceptic attitudes cannot be separated from the democratic deficit of European institutions. From 2008 onwards, as the crisis unfolded, a different institutional framework was gradually formed. That institutional framework had intense intergovernmental, but not EU community, characteristics. The Eurozone was actually cut off from the EU institutional mechanisms and guarantees, namely from the competences of the European Parliament.

Political Priorities of the Greek Presidency

1. Growth- Employment –Cohesion: the most pressing issue stemming from the present crisis is unemployment. Our aim is to balance the necessary fiscal consolidation with the implementation of a reinforced and realistic Compact on Growth and Employment, which can be transformed to a multifaceted European investment program, with an emphasis on the creation of new jobs.

2. Deepening the Union / Completing the Eurozone: safeguard the stability of the common currency through the reinforcement of the EMU and the ex ante coordination of national policies.

In this context, emphasis will be placed in a) the promotion of the Banking Union as the primary tool for the efficient function of the EMU and a condition for the reinforcement of trust and liquidity in the European economy; b) the social dimension of the Eurozone.

3. Immigration, Borders and Mobility: The precarious situation in the immediate vicinity of EU borders increases the pressure on Member States in a time where there is an urgent need for stability and growth. In this context, the aim of the Greek Presidency is to enhance efforts demonstrating the benefits of a comprehensive European approach to the management of migratory flows in boosting economic growth.

In his closing remarks, Mr Kourkoulas expressed his hope that 2014 will prove to be the year that Europe pulled itself out of the crisis, more united, stronger and open than ever before.

Moving forward: Attracting global citizens through investments

Milen Keremedchiev

Vice President Business Development, Arton Capital, Bulgaria

In his introduction Mr Keremedchiev presented the three main challenges to attracting foreign investment in the EU:

1. The economic crisis which hit Europe made the competition for attracting foreign investments between the EU member states even more fierce

2. The Governments of the struggling economies realised that the EU regulated incentives for attracting foreign investors are not enough to draw the attention of more than 20,000 wealthy individuals from China and MENA region who are ready to invest over USD 1 billion every year and in return receive free movement within the EU.

3. More than 20 countries around the world, including a number of EU member states, started competing in providing residency and citizenship opportunities as additional incentive to foreign investors

Then Mr Keremedchiev briefly presented Bulgaria's Investor Programme for Residence and Citizenship and the amendments to the Investment Promotion Act and the Foreigners in Bulgaria Act in 2009 and 2013.

Energy: Untapping the significant potential

Ivan Ayolov

Deputy Minister of Economy and Energy, Bulgaria

Deputy Minister of Economy and Energy Mr Ayolov pointed out that the main priorities of the government in the energy sector are the balanced development of the energy sector; the decrease in dependency on imported energy resources, and the promotion economic growth and employment.

Mr Ayolov elaborated on Bulgaria's huge potential for diversification: the construction of interconnectors with neighbouring countries could be completed in shorter timeframe and at a lower price, compared to the big transit gas projects. These gas interconnectors will allow the delivery of gas to and from Bulgaria. They will also contribute to a better economic cooperation between the Balkan countries.

In Minister Ayolov's words, the development of Bulgaria's gas infrastructure is a much vital strategy compared to the big strategic trans-border gas corridors that need huge investment resource and which depend on geopolitics.

The Deputy Energy Minister presented the current status of Bulgaria's gas interconnections: it is expected that at the beginning of 2014 the gas interconnector with Romania will be operational. The interconnector Bulgaria-Serbia is at the stage of feasibility stud. The interconnectors with Greece and Turkey will give Bulgaria access to natural gas from Azerbaijan as well as to the LNG gas terminals in Greece and Turkey. The "northern" interconnectors will provide for the transit of Azeri gas from Bulgaria and the LNG terminals to Romania, Serbia and to Hungary and other countries in Europe.

Mr Ayolov finished off by saying that these projects will speed up the economic development of SEE. Furthermore, they will prepare the western Balkan countries to participate in the single energy market of the EU.