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SOUTH-EASTERN EUROPE: OPPORTUNITIES AND
POTENTIAL FOR INVESTMENT AND GROWTH

(summary)

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South-eastern Europe: opportunities and potential for investment and growth¹

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Abstract

This paper examines the prospects for south-eastern Europe (SEE), a growing and increasingly dynamic region where a new wave of European Union (EU) accession is expected in the coming years. The paper focuses on the prospects for eight transition countries in SEE: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Moldova, Romania, and Serbia and Montenegro. These countries have the potential over the medium-term to grow rapidly and to become an increasingly attractive investment destination in the run-up to further EU expansion. This paper outlines several reasons for cautious optimism about the future of SEE. Overall, our judgement is based on the clear and unmistakable progress that the region has made since the late 1990s. Notwithstanding difficulties and occasional setbacks, it is now a region of opportunity and potential.

Recent progress in SEE has been remarkable, both politically and economically. But some people remain sceptical about SEE's future. One legacy of the conflicts and civil unrest that affected much of the region during the 1990s is an image problem that is difficult to shake off. The possibility of renewed tensions and conflict in parts of the region cannot be completely ruled out. But it is important not to exaggerate these threats. By and large, governments in the region are firmly focused on a medium-term agenda of sustainable growth and poverty reduction through economic reforms, increasing cooperation and enhanced domestic and foreign investment.

The paper outlines recent progress, and the remaining challenges, in six areas vital for long-term prosperity: macroeconomic performance; structural reforms; business environment; access to capital; foreign investment; and international trade. The paper then charts the way ahead for the region, pointing to the crucial role of eventual EU accession as an anchor for further reform.

¹ This paper draws on and updates material presented in the EBRD publication “Spotlight on South-eastern Europe: an Overview of Private Sector Activity and Investment”, by Peter Sanfey, Elisabetta Falcetti, Anita Taci and Sladjana Tepic, published in April 2004 (available at <http://www.ebrd.com/pubs/find/index.htm>). Both the previous publication and the present paper represent the views of the authors only and not necessarily of the EBRD.