

Ardian Fullani: Regional cooperation in South East Europe

Speech by Mr Ardian Fullani, Governor of the Bank of Albania, at the conference organised by the Central Bank of Bosnia and Herzegovina, Sarajevo, 13-14 September 2007.

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I. Introduction

It is a pleasure to be here today and engage in this discussion on strengthening regional cooperation. This meeting in Bosnia builds upon other important activities in which we have come together to discuss similar issues. It is one thing to organize one activity where the governors of all central banks come together to share their views and agree upon importance of regional cooperation, but it is completely another thing to have them to bind themselves to continue the institutional dialogue. Today, we present another proof of such commitment and show that regional cooperation in SEE is not a slogan but a real process with real results and products.

II. Why cooperation?

In general the nature and the character of any form of cooperation is shaped by the most important problems that central banks deal with. Therefore the stage of economic development, and economic and social challenges faced by our economies are bound to play an important role in this cooperation.

a. Common challenges

While the overall region seems to experience macroeconomic stability, issues that the central banks face today in their respective jurisdictions with their main partners bear striking resemblance. Most importantly we share the same partners. We have all accepted the same challenges and set similar priorities which converge to the same objectives. Dealing with a much faster globalization of financial sector than the rest of the economy, guarding macroeconomic and financial stability in face while this is happening, and the challenge of European integration define similar problems across the region. Structural reforms I would consider as the main future challenge. Building a stable financial system, enhancing financial infrastructure, improving financial markets, deepening and broadening through innovative initiatives provides fundamental ground for such cooperation.

The memories of the latest episodes that have trembled financial markets in the western hemisphere, and the architecture of the financial system that is developing in our region (meaning the same banks becoming major players in each country) should make us aware of the potential risks. They indicate that each financial market remains highly exposed toward negative phenomenon that could develop in any of the region's economies.

b. Common destination

In this respect, I see enormous possibility for cooperation and policy coordination in the direction of information sharing, institution building, modification of the legal infrastructure and lobbying in European structures. Facing these problems in group rather than separately will allow to benefit and embrace the positive effects of "economies of scale". I also invite the ECB and EC to explore the possibility of adopting a "party" treatment for the entire SEE region, by adopting a specific program for a specific group of countries.

The process of mergers and acquisitions has incorporated financial system of the region into the bigger European market. This market driven, business initiative of the financial community, calls for institutional integration as well. Bringing central banks of the region into

the appropriate European structures has the potential to minimize the probability of dangerous drifting apart into worthless initiatives and create positive energy.

I encourage foreign partners as well as donor agencies to adopt the same logic of coordination in the process of the compilation and implementation of technical assistance in areas of integration, institutional building, and financial stability process. This approach and will benefit the region in several ways but most importantly it will avoid major economic and social disparities between our economies, which in the long run have the potential to develop into serious threats to stability.

On the other hand, several differences emerge in certain areas of developments. Yet, this provides further room for cooperation. It is a fact that our economies have adopted diverse approaches toward establishing macroeconomic and financial stability. We are at different stages of integration. It is probably due to these diverse characteristics that contagion has not been a prevailing phenomenon in SEE region. Along the path of transition our economies have encountered distinct problems in different moments. Just to point out a few examples:

- Credit has penetrated deep in the culture of some economies in the region while it still remains a fast growing new phenomenon in a few others;
- Some of us have experienced high capital inflows while the others expect to have in the future;
- Some pegged their currencies to Euro; the others have not.

For the rest of the region it is very important to know what triggered such different choices. How did authorities respond to such problems, what to expect, how to react? Due to these different paths that we have taken and nature of the problems that each economy has encountered, we are positioned in different parts of the learning curve. There is a great deal of learning by doing experience we have accumulated during this period of existence, and I believe that this knowledge must be shared.

c. Common achievements

We have succeeded to establish a network of communication with all central banks in the region among governors. I have noticed that they have always expressed their enthusiasm to intensify regional cooperation in this context. I am also happy to say that during my contacts with respective international organizations, they have highly endorsed our cooperation and have promised their support with regard to specific problems that characterize financial and economic development of our region. I want to take this opportunity to thank my dear colleagues (friends I should say) and the institutions that they lead for the significant efforts and distinguished contributions provided in several important activities that are or will be organized by the Bank of Albania in the context of financial stability, monetary policy decision making, foreign reserve management and economic research.

III. How to cooperate?

On personal grounds I can also identify other important areas of fruitful cooperation which bear common benefits. I would like to encourage the establishment of an annual SEE Central Banks Forum. This forum could discuss in details topics such as financial stability, statistics, payment systems, economic research, and why not human resources. I would like to encourage active participation of the second and third level Central Banks' managers in this "Forum – to be". They must follow the example of their governors and engage in a closer cooperation. They should not only follow up issues discussed and decided amongst governors, but they can open a dialogue and exchange opinions, identify the best business practices and standards and then adopt those in their daily work.

IV. Conclusion

I do not know how many times I might have mentioned the word “cooperation” today, but I hope that you will still tolerate me to close my discussion by saying that I strongly believe in the regional cooperation. I will never stop promoting this important process among financial systems of the Balkans.

Dear governors, we have all spent enough time and energy on this important topic, to know that you share the same opinion as I do. The regional countries are on the right track, leaving behind the status of transition countries and joining the community of developing market economies. The central banks in the region need to play their irreplaceable role in order to sustain their countries in their path to common progress and reforms.

So let’s keep up such attitude toward cooperation, it will build confidence in the region and enhance our efficiency.

I wish the Central Bank of Bosnia and Herzegovina success and prosperity for the many years to come.

Thank you.