



The JVI Policy Research Conference 2010

“The Global Crisis: Economic Challenges and Lessons for South-Eastern Europe”

Jointly organized by the
DG ECFIN/European Commission and the Joint Vienna Institute

March 22, 2010

**Joint Vienna Institute
Vienna, Austria**

Overview of the program

The global recession, unprecedented since the Second World War, has had a profound, albeit asymmetric, impact on advanced and emerging European economies. Trade, foreign investment, and banking sector links among these two groups of countries run deep, labor market integration, migration and remittances are growing, and the requirements of the “*acquis communautaire*” guide institutional development in emerging Europe. But the reduction in capital inflows into emerging Europe after a long period of benign external conditions and growing external imbalances are forcing dramatic fiscal and external adjustment for many countries in the region, with wide-ranging implications for the pace of real and nominal convergence in emerging Europe and its integration in the European Union.

This High-Level Seminar will bring together policymakers from the EU and its partners in emerging Europe to take stock and discuss exit strategies, with emphasis on developments and prospects for South-Eastern Europe. Some of the questions to be addressed include:

- What were the pre-crisis macroeconomic and structural conditions in emerging Europe? Were large current account deficits, unhedged foreign currency borrowing, and the rapid development of financial sectors in emerging Europe unsustainable or is the crisis a short-lived interruption of catch-up and real convergence?
- Were macroeconomic frameworks and financial sector regulatory regimes in emerging Europe up to the task of safeguarding macroeconomic and financial stability?
- What have been the main policy responses in South-Eastern Europe (SEE) and other emerging Europe?
- Are these policy responses able to tackle the roots of the difficulties SEE is facing? What are the main lessons that might be drawn for addressing the need for deeper reforms able

to safeguard stability in the future? Has the crisis affected the momentum of reforms in emerging Europe?

- What are the prospects of real and nominal convergence of SEE and other emerging European countries in the aftermath of the crisis? What are the changes the global crisis would imply for the growth strategy in South-East Europe?

To address these intertwined issues, **Session I** will review economic developments in emerging Europe, surveying the comparative performances of the New Member States, SEE countries and other emerging Europe before and during the crisis. It will analyze the main features and impacts of the global crisis and the crisis transmission channels to emerging Europe and SEE, paying particular attention to the role of the financial sector.

Session II will deal with short term policy responses to the crisis, assessing the monetary and fiscal macroeconomic tools.

Session III will start from the lessons that could be drawn from the design and implementation of IMF-supported programs for issuing some guidelines for the design of exit strategies in South-East Europe, and for assessing the role of international coordination, discussing the benefits of informal platforms for covering financing gaps, burden sharing between home and host countries and international banks (“Vienna Initiative”).

A concluding **General Panel** of experts will discuss the prospects and strategies in South-East Europe for restoring a sustainable growth path in the region, including the possible roles for domestic fiscal rules and the role of the EU surveillance mechanisms, opening the floor for a **general discussion** with the audience will close the working day.

Program

Monday, March 22, 2010

- 8:30 a.m.** **Registration**
- 9:00 a.m.** **Opening remarks**
Carole Garnier (European Commission) and
Eduard Hochreiter (JVI)
- 9:15 a.m.** **Session I. Economic developments in the EU Central and Eastern
Member States in the Global Crisis**
Chair: Christian Ghymers (JVI/European Commission)
- 9:15 a.m. – 9:35 a.m.** **Issue 1:** Overview of economic performance in the New EU
Member States before and during the crisis, crisis features, and
comparison with South-Eastern Europe.
Carole Garnier (European Commission)
- 9:35 a.m. – 9:45 a.m.** **Discussant:** **Alex Mourmouras** (IMF)
- 9:45 am – 10:05 am** **Issue 2:** Southeastern Europe in the aftermath of the Crisis:
**What Has the Crisis taught us about Emerging Market
Growth Strategies?**
Susan Schadler (St Antony's College, Oxford)
- 10:05 a.m. – 10:15 a.m.** **Discussant:** **Reiner Martin** (OeNB and ECB)
- 10:15 am – 10:45 am** **Question time and general Debate**
- 10:45 am – 11:15** **Coffee break**
- 11:15 a.m.** **Session II. Challenges for Macroeconomic Policy**
Chair: Cristian Popa (National Bank of Romania)
- 11:15 a.m.-11:35 a.m.** **Issue 1:** Which room for maneuver for monetary policy in
crisis management in South East European countries
Gordi Sušić (Croatian National Bank)
- 11:35 a.m.-11:55 p.m.** **Issue 2:** The fiscal impact of and responses to the crisis in
South East European countries
Christophe Pavret de la Rochefordière (European
Commission)
- 11:55 a.m. – 12:15 p.m.** **Discussant for both issues:** **Thorvaldur Gylfason** (University
of Iceland)
- 12:15 p.m. – 12:45 p.m.** **Question time and general debate**
- 12:45 p.m. – 2:00 p.m.** **Buffet Lunch at the JVI Residence**

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| 2:00 p.m. | Session III. Lessons for South-Eastern Europe <i>Chair: Eduard Hochreiter (JVI)</i> |
| 2:00 p.m.-2:20 p.m. | <u>Issue 1:</u> Lessons from IMF Stand By programs and the appropriate design of exit strategies in South-East Europe Poul Thomsen (IMF) |
| 2:20 p.m. – 2:40 p.m. | <u>Issue 2:</u> Lessons from international policy coordination initiatives during the crisis Piroska Nagy (EBRD) |
| 2:40 p.m.-3:00 p.m. | <u>Discussant for both issues:</u> Thorvaldur Gylfason (University of Iceland) |
| 3:00 p.m. – 3:30 p.m. | Question time and general debate |
| 3:30 p.m.-4:00 p.m. | Coffee break |
| 4:00 p.m.-5:45 p.m. | Panel Discussion: <i>Prospects and strategies in South East Europe</i> <ol style="list-style-type: none"> 1) Beyond the crisis: towards a sustainable growth model for the region; 2) Can domestic fiscal rules bridge the gap between the past and current IMF and future EMU anchors? <p>Panelists:</p> <p>Moderator: Cristian Popa (National Bank of Romania) Panelists: Michael Landesmann (WIIW, Vienna) Christophe Pavret de la Rochefordière (EC) Ben Slay (UNDP Regional Bureau for Europe and the CIS) Susan Schadler (St Antony's College, Oxford) Poul M. Thomsen (IMF)</p> |
| 5:45 p.m. – 6:00 p.m. | Question time and open debate |
| 7:00 p.m. | Conference dinner |