Life as a Regional Representative

Since 2005, Christoph Rosenberg has served as head of the Fund's Regional Office for Central Europe and the Baltics, which includes the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, the Slovak Republic, and Slovenia. The first Fund staff member to bear the title "Senior Regional Representative," Rosenberg talks to **Staff News** ***about the challenges of covering eight countries.***

Why did the Fund decide in 2004 to open a regional office covering Central Europe and Baltics?

As the Fund moved away from a very intensive relationship with many of these countries, individual resident representative offices were closed. EUR decided to convert one of the last of these—the Poland office—into a regional office instead of closing it. The Fund wanted to maintain a foothold in the region to enhance its ability to carry out surveillance. Politics are constantly shifting, and the region remains vulnerable to financial market turbulences. So it is useful for us to keep our ears to the ground and help create constituencies for good policies.

Why Poland? It is by far the largest of the new European Union member states. It is also logistically easy and relatively cheap to get to the other new member states from Warsaw—an important consideration in today's budgetary environment.

This is a part of the world where the Fund is generally well respected. People remember our financial and technical support of 15 years ago, in the early days of the transition. While we don't play as prominent a role as we did then, governments and civil society are generally interested in what we have to say. We have a voice in the debate.

Is it unusual for the Fund to have eight countries covered by one office?

I don't think it's ever been done before. There are a few posts that cover two countries, but here, it's a truly regional operation.

Slovenia adopted the euro in January. Did the changeover go smoothly?

The changeover worked like clockwork, just like the meeting schedule when you go on mission to Ljubljana. Slovenia is a small, disciplined and relatively wealthy country where there was a national consensus to join the euro as soon as possible. The central bank, government, and trade unions all worked together to generate the economic stability required by the EU in the run-up to euro adoption.

Other countries are still years away from euro adoption. Are you concerned that a lackadaisical attitude toward euro adoption might be taking hold in the other seven countries?

When I first started here, most governments in the region were focused on getting the euro as quickly as possible. But the original eagerness has lost some steam. Not across the board—Slovakia, for example, is very determined to adopt the euro in 2009. But the urgency of the project in some other countries, notably Poland, is waning. At the same time, prospects for meeting the Maastricht citeria (the conditions imposed by the EU to enter the euro area) are becoming more difficult. In a way, the countries have become victims of their own success: reform fatigue is setting in, now that growth is strong and EU membership has been achieved. The booming economies also mask the true state of public finances and make it hard to meet the inflation criterion. Lithuania tried for euro membership and was denied entry because it missed the inflation criterion by 0.06 percentage point.

Is quick euro adoption necessarily the goal?

Euro adoption has to occur under the right circumstances. And the fundamental conditions required for successful euro adoption are not necessarily the ones tested by the Maastricht criteria. I consider a flexible economy and a flexible budget to be very important elements, and they're not explicitly required. Some countries, especially the Baltics, are meeting these conditions. But they find it is hard to keep inflation at the low level demanded by the Maastricht criteria as their economies are rapidly converging and price levels are adjusting to West European levels.

If the conditions are right, however, euro adoption is a huge plus for trade and investment. And it is an

The Warsaw office staff (left to right): Christoph Rosenberg (Senior Regional Representative), Barbara Kostrzewa (Administrative Assistant), Agata Kariozen (Research Assistant), Wieslaw Glocer (Driver), Marcel Tirpak (Economist), and Robert Sierhej (Senior Economist).


Christoph stops by the office of Robert Sierhej, a Senior Economist in the regional office.

important exit strategy from current vulnerabilities, especially currency mismatches. In several countries in the region, people like to borrow in euros or Swiss Francs—for example, for mortgages. If the exchange rate would suddenly depreciate—maybe due to a change in the global liquidity environment—there could be negative repercussions for household and corporate balance sheets.

The Central European and Baltic countries have low savings rates and need foreign capital to speed up their convergence. Eliminating the exchange rate risk will help them to attract investment. It also makes the savings of those who invest, such as people saving for their retirement in Western Europe, safer. From this perspective, the euro is a win-win for both capital exporters in the West and capital importers in the East.

Last fall, the media drew attention to parallels between East Asia in 1996 and Central Europe in 2006. To what extent is this comparison valid?

Nothing is as simple as some of these accounts make it seem. There are similarities, such as rising external indebtedness and rapid credit growth, but for most countries there are some very important differences too: for instance, greater transparency of public and private accounts than in East Asia in the 1990s; large foreign ownership of banking systems; and in some countries, virtually complete exchange rate flexibility.

There are obvious historic differences between, say, the Baltic countries and the other countries you cover. Does that come into play in your surveillance?

Every country is different. When you step into a taxi in Riga, you speak Russian; you wouldn't dare to speak Russian in Prague or Warsaw. In the Baltics, it feels more and more like Scandinavia, just in terms of the way people speak and interact, the architecture, and the use of technology especially (in Estonia, almost every meeting is accompanied by a PowerPoint presentation). So there are cultural differences, and these differences are reflected in some of the economic variables. Take trade, for example. The Baltic countries are more integrated with Scandinavia and Russia, while the central European countries are more integrated with Germany and the "old" European countries. That, of course, has repercussions for their growth performance. There are many reasons for the very strong growth of the Baltic countries, but one element is that they're trading with two areas that are also doing economically well—Russia and Scandinavia.

What's it like, logistically, to cover eight countries?

I spend about two days a week, on average, on the road. It's very much driven by events. I travel generally to attend a conference or join a mission. I may join a mission and then stay on a day longer to talk to people. My goal is not to duplicate what the mission does, but rather to reach out to people who are not covered in a standard five-day staff visit or a two-week Article IV

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consultation. I talk to people at think tanks, journalists, and sometimes government agencies whose work is slightly outside the scope of Fund missions.

Out of these contacts come notes and papers on regional issues that are off the beaten track. For example, we're currently looking at the usage of EU funds in these countries. How well prepared institutions in these countries are for absorbing this money—up to 4 percent of GDP—is critical to the full and effective use of this opportunity. This is a classic example of something that's more efficiently done in the field than at headquarters because it requires more contacts with people than could typically be accomplished during a standard mission. We've built expertise on this, which means that the missions sometimes ask one of my economist staff to join them for two or three days to cover that part of the work. We've also done work recently on east European energy security, on the car industry in central Europe, and on the growing role of remittances.

The old town of Warsaw.

How many staff do you have?

Two local economists, Marcel Tirpak (Economist) and Robert Sierhej (Senior Economist); a research assistant, Agata Kariozen; an administrative assistant, Barbara Kostrzewa; and a driver and "right-hand man," Wieslaw Glocer, who was hired by Mark Allen when he was resident representative in Poland in the early 1990s.

What are the challenges of running a regional office?

The greatest challenge is to simultaneously serve eight mission chiefs and the EUR Front Office, as well as keep the authorities in all eight countries happy. Every mission chief has different expectations of this office. Some draw on it a lot; others do so to a lesser degree. The same is also true for the countries we serve. I have to be aware of what everybody wants and adjust to that, because I see our office as a service institution. ◆