



**SPECIAL CO-ORDINATOR OF THE
STABILITY PACT
FOR SOUTH EASTERN EUROPE**

ENGLISH only

**Speech of the Special Co-ordinator of the Stability Pact, Erhard Busek
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Thank you for giving me the opportunity to report on developments in the Stability Pact since my last appearance in this forum in November 2002. Considering the OSCE's comprehensive concept of security, encompassing issues such as military and civilian security, economic and environmental security, as well as democratisation and human rights, it is not surprising that the Stability Pact has been placed under the auspices of your organisation. I thus come to you with pleasure, knowing that our work is based on very similar concepts and that the Stability Pact has an obvious ally in the OSCE.

I would also like to thank the Bulgarian Chairmanship-in-Office for its strong engagement in South Eastern Europe. As a country of the region, which has obviously progressed impressively, there is a great understanding for the problems of the region as well as a direct interest in improving the overall situation in South Eastern Europe.

The Stability Pact – as most of you will know – was officially launched in Sarajevo in July 1999. Without wanting to dwell in memories or celebrate this 5-year anniversary as such, it is an opportunity to take stock of developments in the region and the role of Stability Pact therein.

The Situation in South Eastern Europe today is obviously a very different one than five years ago. The process of democratisation in South Eastern Europe is clearly irreversible with successful democratic elections repeatedly held in all countries, often monitored and organised by the OSCE. Formerly warring ethnic groups are today working closer together to address common problems. While economic development remains an issue, important foundations have been laid. Furthermore, the focus in the security area has clearly moved from military to justice and home affairs issues; a clear indication of stabilisation.

The continuing economic difficulties are probably the biggest single problem remaining, exacerbated by high unemployment and in parts severe lack of investment. We have to be aware of the possible political implications of the difficult economic and social situation in the region. In terms of attracting investment a gap has opened in South Eastern Europe since 2000: Bulgaria, Romania, Croatia and also Serbia-Montenegro have secured more or less four billion Euro in foreign direct investment in 2003, the four remaining Stability Pact beneficiary countries have only managed to secure one billion Euro altogether.

Stimulating economic growth, including attracting investment, requires improvements in the macro and micro-economic environment as well as in the overall rule of law. The Stability Pact has a number of instruments to address these different aspects, which need to be better interlinked to jointly address the various preconditions for economic development. We will be bringing these together for a conference in Bucharest next week to discuss economic and social aspects of employment generation in South Eastern Europe. Furthermore, a number of business fora are being organised, such as next week in Thessaloniki. The Business Advisory Council for South Eastern Europe (BAC) is also very active in bringing private sector advice to the attention of Governments in the region.

Nevertheless, the region is clearly on the right track. The positive Avis of the European Commission regarding the Croatian EU Membership application is an encouraging development for the region as a whole. It clearly shows that the commitment made by the EU at the Thessaloniki EU-Western Balkans Summit last June is taken serious and the EU is devoted to bringing these countries into the Union once they are ready. Considering the significant transformation the EU is undergoing with the recent enlargement by ten new member states, this is an important reassurance. I am pleased to note the commitment of the Croatian Government to promoting South Eastern Europe moving closer to the EU and reinforced regional co-operation with its neighbours. Similarly, the recent Macedonian application for EU membership has to be seen as a commitment by Skopje to further reform and good-neighbourly relations.

The outbreak of violence in Kosovo in March has to be condemned. This was a serious setback for the development of Kosovo as well as staining the image of the entire region internationally. But I would also like to highlight the lack of spill over to other parts of the region as proof of significant progress in stabilising South Eastern Europe. The Stability Pact will continue to foster the integration of Kosovo into regional activities through enhanced cross border and cross-boundary co-operation in full compliance with UN Security Council Resolution 1244, and to consider ways in which the Stability Pact could further support the Standards Implementation Plan. Let me highlight at this point that UNMIK/Kosovo is actively participating in more than 20 Stability Pact initiatives.

Serbia and Montenegro are at a crucial junction of their development. A strong and active Government is required to engage in the difficult reform processes that are necessary to keep up the positive momentum. The current Government should be judged by its actions just as any Government – but action is urgently required.

A very promising development in South Eastern Europe is the growing willingness to take over ownership, particularly visible in the increasing role of the South East European Cooperation Process (SEECF). The recent Chairmanship of Bosnia-Herzegovina culminated in a very successful Summit meeting in Sarajevo. I would also like to mention the symbolic importance of a first ever Meeting of the SEECF Ministers of Defence. The launching of the

Regional Forum on Migration, Asylum and Refugee matters by the SEECP once again showed the close co-operation between the Stability Pact and the SEECP, which I am looking forward to continue with the current Romanian Chairmanship.

While the Stability Pact cannot take all the credit for these developments, it has certainly supported these positive developments by enhancing regional co-operation and finding joint solutions to some of the problems the region is facing.

The establishment of the Stability Pact at the Sarajevo Summit in July 1999 marks the initiation of a comprehensive long-term conflict prevention strategy for South Eastern Europe. I think we can say five years on that moving from ad-hoc interventions to a regional approach in addressing the problems of the region proved to be successful. The notion of improved regional co-operation has made inroads in all beneficiary countries, encouraged as a precondition for further European and Euro-Atlantic integration. The mechanism of the Stability Pact by now provides an established platform for a regionally coordinated reform effort, including matchmaking between recipient countries and donors, thereby achieving one of the major goals set by the Sarajevo Summit in 1999.

Let me give you a few examples, where I think we have successfully addressed common problems of the region, found joint solutions and thereby also supported the approximation of the region to European and Euro-Atlantic integration.

- The network of 28 bilateral **free trade agreements** between the countries of South Eastern Europe has been fully established, effectively creating a free trade area of 55 million consumers. This will make the region more competitive, encourage foreign direct investment and create employment in the long run.
- In the field of **infrastructure**, our efforts to enhance cooperation have been successful on two levels. For one, 53 infrastructure projects of regional scope have been agreed within the Stability Pact with a total volume of 4 billion Euro; physical work has commenced on most of them. A precondition for these projects has been that they had to be proposed by at least two countries to be accepted, therefore forcing the countries to develop joint projects. On a different level, the Infrastructure Steering Group was formed, bringing together all the International Financial Institutions active on the ground to coordinate their activities in South Eastern Europe. A coordination forum like this does not exist for any other region in the world. Its mandate has just been prolonged and extended to encompass also environmental issues.
- In another infrastructure sector, the **Energy** sector, a joint initiative of the European Commission and the Stability Pact to establish a Regional Energy Market is well underway. Negotiations on a legally binding treaty will commence soon. This will make the sector more attractive for private

investment, will improve the supply of electricity in the region in the mid-term and will lay the foundations for inclusion of the region into the internal European energy market.

- Regarding **refugees**, supported by the Stability Pact, close cooperation between Bosnia-Herzegovina, Croatia and Serbia-Montenegro has allowed most refugees and internally displaced that still wish to return to return to their places of origin. While many issues such as undiscriminated access to rights and sustainable solutions for those not wishing to return are still open in some areas, the Refugee Return Initiative has basically worked itself out of a job and has been refocused to address broader issues of Migration, Asylum and Refugees. Return issues regarding Kosovo of course remain on our agenda and we stand ready to support UNMIK and Serbia-Montenegro in its activities in this respect.
- **Fighting organised crime** and corruption remains one of the crucial issues in South Eastern Europe, but not just here. This is an issue area that can only successfully be addressed on a regional basis – close cooperation between the agencies involved in the different countries is essential. The Stability Pact Organised Crime initiative (SPOC) and the Transborder Crime Fighting Centre in Bucharest have been working closely together to establish these links not only in South Eastern Europe, but also with European and International institution such as Europol, Eurojust and Interpol. But as you might imagine, this is work in progress.

In past and present, many Stability Pact initiatives are working very closely with OSCE institutions, most notably with the field missions in South Eastern Europe. Here we have a **partnership truly based on comparative advantages** - the Stability Pact can offer its regional approach and issue-specific expertise, whereas the OSCE Missions can provide country-specific expertise and an invaluable presence on the ground.

I myself have participated in a number of **Regional Heads of Mission** meetings. This has been very successful from our point of view and we hope to continue this close cooperation. To illustrate, I would like to mention a few areas of successful cooperation between the OSCE and the Stability Pact:

- **Trafficking in Human Beings** is an obvious area in this respect, highlighted by the recent appointment of Helga Konrad as the OSCE Special Representative Against Trafficking. I would like to personally congratulate her to this appointment. I am also very pleased about it from the perspective of the Stability Pact, since this clearly is an OSCE-wide recognition of the important work done in the Stability Pact Task Force in fighting trafficking in human beings. I am looking forward to continuing close cooperation in this respect, since the issue itself will certainly remain a problem in South Eastern Europe. We have to prevent any kind of duplication.
- The **Ohrid Process for Border Management and Security** was a joint effort by the countries of the region, the OSCE, the EU, NATO and the

Stability Pact to address the very sensitive issue of borders. Considering the sensitivity of the issue in a region that saw violent conflicts only a few years ago, coming together to discuss the matter itself is progress. But even beyond that, the Ohrid process is moving ahead very well, with the countries of the region step by step implementing the commitments made.

- Regarding **Parliamentary Cooperation**, the Stability Pact Parliamentary Troika was established in June 2001, comprising the Parliamentary Assemblies of the OSCE, the Council of Europe and the European Parliament. The annual Troika Conferences are important to highlight the importance of the parliamentary dimension of the Stability Pact. Considering the current transformation processes, in particular regarding approximation of EU legislation, the role of the parliaments in the region will become even more important. Building the capacity of these parliaments to enable them to live up to this growing responsibility is therefore crucial. We have been assessing our activities in this field in the past months to reinforce our engagement. A number of OSCE Missions play an important role in preparing the parliaments for this important task through training and capacity building.
- Several OSCE Missions, for example in Albania, have used the Stability Pact emphasis on **empowering local government** as a starting point for their own efforts to promote the relevant legislation and train local government officials. The aim often has been to deepen and speed up the decentralization process and to obtain the commitment and support of external partners. A Stability Pact conference on Local Democracy and Cross-border cooperation this autumn organised jointly with the Council of Europe will highlight the need for empowering local and regional authorities in a democratic society and will hopefully end with a firm commitment by the Governments of the region on the next steps to be taken.
- In the field of **Media**, the Stability Pact Media Task Forces has established Working Groups in the countries of South Eastern Europe comprised of representatives from media outlets, NGOs and government. Since a number of OSCE Missions are quite active in the field of media development, this could be an area for further cooperation. In particular, confronting journalists with their contribution to hatred or reconciliation would be an important endeavour. We will coordinate our activities in this respect closely with Miklos Haraszti, the new Representative for Freedom of Media.

To conclude, I would like to stress again that due to the comprehensive concepts of security that the OSCE as well as the Stability Pact are built upon, the two are natural partners. I look forward to continuing our close cooperation in the future.