



## NEWSLETTER

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Regional Conference Documents, including Opening and Concluding Remarks, Discussion Papers, Background Papers, Conference Conclusions and Press Releases can be consulted at:

[www.stabilitypact.org](http://www.stabilitypact.org) or [www.seecon.org](http://www.seecon.org)



Bodo Hombach addresses the Regional Conference.

#### Letter from Brussels

*Dear readers*

*The Regional Conference in Bucharest is over. A hearty "thank you" to our Romanian hosts. It was highly symbolic that for the first time such a conference was held in South East Europe. I believe it sent the intended message of truly regional ownership.*

*The Conference was of course about much more than symbolism, it was living proof that the support for SEE is steady and forthcoming. This is especially important in times like these, when priorities of world politics seem to have shifted elsewhere.*

*Although the Conference was not designed as a traditional donors' gathering, the financial support, which has been mobilised since the First Regional Funding Conference in March 2000, has been substantial. In fact, the total amount in Bucharest is even higher than last year's result, totalling 2.4 bn € for 27 infrastructure projects alone. In addition, some 500 mn € was committed to refugee matters for Yugoslavia, Croatia and Bosnia-Herzegovina. This amount is the more indicative as it tops up 550 mn €, which was already allocated by the three countries themselves. A further 100 mn € was dedicated to other activities in Working Table I as well as projects in Working Table III, thereby adding up to a total of approx. 3 bn €. This proves that the support of the international community to SEE is steady and long-term in its nature, as many infrastructure projects will take years to mature, thereby creating employment as well as economic opportunities.*

*Another "First" in Bucharest was the close association of private business to the Regional*

Conference. Under the auspices of the Stability Pact's Business Advisory Council, we have seen that the interest of the international investors for the region is there. The tenor of the meeting was that more reforms were needed, but that the countries were on the right track. If we look at private investment figures over the past two years, then we start to see a positive trend (with the sole exception of FYR Macedonia, which is a serious concern and a setback to our efforts).

For me personally, I would gauge the success of this Conference not against figures but against the very fact that regional co-operation is now established on all levels between the Governments of SEE. What began timidly two years ago by supporting only projects of two, three, or more countries is today a self-sustaining element. This is a much-needed achievement on the way to Europe. As EU-Commissioner Verheugen put it: "If countries want to join the European Union, they have to demonstrate that they can develop regional co-operation and can solve their problems in co-operation with their neighbours".

This very element combined with the opportunities of free trade, which will be created by the end of 2002 based on the Memorandum on Trade Liberalisation, contain the very essence of European integration. If we remember the beginnings of Western European integration in the 50's and 60's, it was based on two driving forces: good neighbourly relations and free trade. I do not see any reason why this "recipe" should not work in SEE. I hope that in a few years, looking back, we will conclude that governmental financial support of both Regional Conferences was essential in kick-starting a process, but finally it was private initiatives, which made the SEE development engine run. This is why I personally value the element of regional co-operation "higher" than the 3 bn € committed in Bucharest, of which we can still be very proud.

Bodo Hombach

## International Community reaffirmed commitment to South East Europe in Bucharest

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Ministers and High-level officials from **37 countries and 32 international organisations** concluded the Second Regional Conference for South East Europe, in Bucharest, expressing a renewed and continued commitment to long term economic and social development of South East Europe.

The Conference of 25/26 October, co-chaired by the European Commissioner for External Rela-

tions, **Chris Patten** and World Bank Vice-President for Europe and Central Asia, **Johannes Linn**, was organised in association with the Special Co-ordinator of the Stability Pact, **Bodo Hombach**, and hosted by the Romanian Government represented by Prime Minister **Adrian Nastase** and Foreign Minister **Mircea Geoana**. The fact that this Conference was held in Romania, one of the countries of the region, emphasises the ownership of the process by the South East European countries themselves.

During the meeting, the **Donor countries strongly reaffirmed their political and economic commitment to the region** in the aftermath of the events of 11 September. They recognised the substantial progress made by the countries of South East Europe toward democratic and macroeconomic stabilisation and regional co-operation, particularly the Stability Pacts regional initiatives for trade liberalisation, refugee return and fighting organised crime and corruption. The countries of the **region expressed their clear commitment to expand and consolidate regional co-operation**, and fully implement on-going economic and institutional reforms. All participants were very encouraged by the significant shift from emergency assistance and reconstruction to medium and long term sustainable development strategies.

This new focus on longer-term development challenges was reflected in discussions on key **infrastructure** sectors - transport, air traffic, energy and water, and the new set of 27 infrastructure projects that secured donor financing of 2.4 bn € (listed at [www.seerecon.org](http://www.seerecon.org)). Beyond these commitments within the Stability Pact fold, the EU/WB co-chairs announced that **total donor funding** for South East Europe remains substantial and has amounted to over 6bn € per annum since 1999.

All participants stressed the **importance of the private sector** and the need to attract foreign investment. To that end, discussions focused on the fight against corruption and improving the private sector enabling environment across the region.

Donors also announced significant new funding for **refugee matters** amounting to 500 mn € in addition to equal contributions from the countries themselves.

The **Chairmen's Conclusions** of Bucharest Conference can be consulted at:

[www.stabilitypact.org/stabilitypactcgi/catalog/cat\\_descr.cgi?prod\\_id=71](http://www.stabilitypact.org/stabilitypactcgi/catalog/cat_descr.cgi?prod_id=71)

## Regional Response to Fighting Terrorism

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Facilitated by the Stability Pact's Working Table III (Security and Defence), Albania, Bulgaria, Bosnia-Herzegovina, Croatia, FYR Macedonia, Moldova, Romania, Turkey and the Federal Republic of Yugoslavia engaged in consultation on their regional contribution towards fighting terrorism. The Declaration was adopted on the occasion of the Regional Conference in Bucharest, 26 October 2001. The consultations were started following the terrorist attacks on the United States in September.

By the declaration, these **countries "unequivocally condemn all acts of terrorism, by whomever committed and whatever the motivation"**. They pledged to co-operate against what they called the "scourge of terrorism", stressing that the struggle was not between religions or cultures but against a universal evil.

In that respect they agreed:

- to strengthen their co-operation in Stability Pact Working Table III initiatives which can be made use of in the fight against terrorism, such as, SPOC, the Police Initiative, the Border Guards initiative, and SALW-related activities;
- to work towards enhancing the level of co-operation both bilaterally and on a regional level in the following spheres:
  - sharing of information and analyses regarding terrorists and terrorist organisations, in close co-operation and co-ordination with Europol, Interpol and the SECI Crime Centre;
  - training police and other related security sector agencies to be more effective in combating terrorism;
  - exchanging experts, including, inter alia, the exchange of liaison officers in border security posts and HQs;
  - exchanging information on cross-border financial transactions that might relate to financing terrorist actions;
  - further harmonising, in line with European standards, domestic legislation regarding extradition, prosecution and other legal mechanisms aimed at combating terrorism;
- agree also, to effect a more focused exchange of information, to establish an ad hoc Group on Terrorism Issues in the context of the Stability Pact Working Table III.

**Full text of Declaration** can be consulted at:

[www.stabilitypact.org/stabilitypactcei/catalog/cat\\_descr.cgi?prod\\_id=71](http://www.stabilitypact.org/stabilitypactcei/catalog/cat_descr.cgi?prod_id=71)

## Bodo Hombach's Concluding Remarks in Bucharest

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▪ The Bucharest Conference clearly demonstrated that two years of hard work within the Stability Pact has set the **region on solid track of reforms and regional co-operation**.

Not only has South Eastern Europe remained on the agenda, but also we have clearly seen that it has remained a high-ranking priority.

▪ **Regional co-operation**, in 1999, was an exception from the rule. It has now become a common practice of which this Conference was living proof, along with the Stability Pact initiatives of trade liberalisation, regional infrastructure, refugee return, fighting crime and corruption, or today's joint declaration against terrorism.

▪ Participants concluded that joint efforts must continue to be based on the perspective that **all** South Eastern European **countries** are **potential candidates for membership of the EU**.

▪ All Ministers of South Eastern European countries have confirmed their commitment to regional co-operation, as an indispensable component of the European integration process.

▪ Conference participants agreed on an impressive package of regional **infrastructure projects** amounting to **2.4 bn €**. These projects aim at improving the infrastructure network, notably in the areas of transport, energy and water. Another important element was the support for **private sector development** amounting to **60 mn €** in the fields of trade financing, SME support and banking. In addition, Bosnia, Croatia, and the FRY have committed 550 mn € for **refugee issues**, assisted by the donor community with another **500 mn €**. These **commitments** alone amount to **approximately 3 bn €** and by far exceed the results of last year's Funding Conference.

▪ These amounts dedicated to defined Stability Pact activities, are part of the **firmly committed global support** by both bilateral donors and International Financial Institutions, to the region amounting to **6.6 bn € in 2001**, as Commissioner Patten pointed out.

These figures give clear evidence of the international community's determination to support the region. And they clearly indicate that support is also forthcoming in times when new priorities challenge world politics.

▪ While there has been a significant revival of investment in the region, this has been mostly linked to privatisation. There is a need to create the conditions for the resumption of a steady self-sustaining flow of **private investment**. Therefore, we welcome the support given to the implementa-

tion of the Investment Compact. Participants also confirmed to implement commitments to build a regional free trade zone by the end of 2002.

- **With regard to Working Table I**, much progress has been achieved in the field of refugee matters, thus very directly contributing to enhancing stability in the region. Work is also well underway in the field of media, where a strategy has been formulated and national working groups have been established in all countries concerned. A strategy has also been formulated in the area of education and youth. Preparations are now being made to enlist additional donor support in the months to come. Conference participants underlined that one of the major challenges ahead for Working Table I is the newly selected priority area of inter-ethnic dialogue and cross border co-operation. These are overarching issues requiring the involvement of all layers of civil society.

- **Security Sector Reform**, the comprehensive approach taken by Working Table III in the security and defence and justice and home affairs sectors, was further elaborated, and the key priority areas of the Working Table were discussed.

- **To conclude:**

This Conference was a proof of the viability of the Stability Pact's basic design. The Governments of all Countries of the region reaffirmed their commitment to political and economic reforms, and they expressed their readiness to do so with a regional approach.

## The Follow up to the Conference

In order to follow up and implement Bucharest Conference conclusions, all three Working Tables have scheduled meetings in SEE capitals of respective co-chairing countries.

After the comprehensive approach taken by **Working Table III** in the security and defence as well as justice and home affairs issues was ratified in Bucharest, the key priority areas and the Table's initiatives and projects will be discussed at the Table III meeting scheduled for Budapest, 27/28 November 2001. The issues to be discussed will include regional approaches to counter-terrorism, Arms Control and Non-Proliferation, Defence Economic Reform (base conversion and retraining for demobilised personnel, Transparency of Military Budgeting, Small Arms and Light Weapons, Humanitarian Demining, Disaster Preparedness and Prevention, The Fight against Corruption and Organised Crime, Police Co-operation and Training, Border Management, and Migration and Asylum issues, including the Trafficking in Human Beings.

Next will be Sarajevo for **Working Table II** on 29/30 November. The chair of WT II will call for a formal meeting in Sarajevo on 30 November. The agenda will focus on 3-4 items, including trade and the Pact's social initiative. An annotated agenda will be circulated ahead of the meeting. On 29 November, BiH authorities will organise a regional seminar on the reform of "Payment Bureaux". There will also be a restricted Ministerial meeting on the river Sava co-operation process.

**Working Table I**, under the Macedonian co-chair, is tentatively scheduled to meet mid December in Skopje. The topics will include the priority areas Refugee Return, Support to Media and Education & Youth, and review particularly progress made in the operationalisation of the strategies in these areas, as endorsed at the Regional Conference. Furthermore, a discussion will take place on the fourth priority area, Inter-ethnic dialogue and cross-border co-operation with a view to reaching a consensus on the approach to be followed, as a basis for the development of concrete activities. The possibilities to strengthen the role of the civil society and the involvement of NGOs will also be addressed.

## What Delegations said in Bucharest

*In general, Delegates went at great lengths in supporting the achievements of the Stability Pact, especially regarding the substantive improvements in regional co-operation. Some Delegations gave valuable suggestions for focussing and streamlining Pact activities. Below is a non-exhaustive overview.*

- **EU presidency:** the SP applies to all SEE countries "It has a broader geographic base and is therefore complementary to the SAP. It also provides a forum for regional co-operation..." Regional co-operation is a central component of the SAP.

- **European Commission:** "big progress has been made since the Pact's inception, and it is continuing to be made". The goal is "to make SEE a full part of Europe". "SP has played – and will continue to play a central role in bringing a sense of shared purpose to this effort... Bodo Hombach deserves great credit for the way he has persevered at that task, and for all that the Pact has achieved in a short time" (Patten).

- **US:** SEE remains a foreign policy priority even in light of the events of September 11. "The SP has contributed to this economic and democratic transition and will continue to do so with firm U.S. support." The US will do its part „to help ensure that it - the SP - continues to play a key role in SEE.“

- **France:** The Pact is historically related to the Europeanisation of the Balkans, the first results are already visible.

- **UK:** Since 1999, the political situation in SEE has improved. "The SP itself has become an important part of the political scenery, facilitating direct contacts and making new agreements possible." The UK has strongly supported the Pact from the beginning and will continue this support.
- **Germany:** The conference marks a cornerstone in the development of the Stability Pact. "We will continue to contribute to its work and its goals, in close co-operation and dialogue with our partners in the region. The Stability Pact provides an indispensable contribution to the development of the region, helping it to draw nearer to the EU and encouraging regional co-operation. Germany will therefore continue to give its full support to the Stability Pact."
- **Italy:** "Italy's commitment to the SP reflects the conviction that the regional approach embodied in the Pact is the best road towards overcoming the consequences of decades of isolation and/or years of conflict." Its main objectives have been fully achieved.
- **OSCE CiO:** "SP as an example of successful co-operation at the regional level which is backed by international support".
- **Russia:** attaches extreme importance to the stabilisation process in SEE... great hopes with regard to the Regional Conference and that it will play an important role in creating peace and prosperity in the region.
- **Switzerland** was pleased to state that the Stability Pact has become a well established platform for co-operation in SEE". "We have seen gratifying results which would have been unthinkable until recently." There is no doubt about its usefulness.
- **Several Participants** expressed their gratitude to the personal contribution of the Special Co-ordinator. "His intensive work has been a great assistance to the countries of the region in defining our strategic joint policies and reaching donors support", Albanian Minister Meksi said. "Bodo, you have made the Pact what it is - a force for progress in SEE." (UK)
- **Romania:** "SP ought to be the primary instrument of political and institutional support for the EU integration of SEE countries."
- **Greece:** MoU and AREA "show us the road to follow". "Despite bottlenecks and difficulties in some areas, the SP has proven its value as a comprehensive and flexible framework to promote the objectives laid down in the Cologne Document and the Sarajevo Declaration."
- **Bulgaria:** initiatives such as QSP, Anti-Corruption Initiative, Investment Compact, Media Charter, MoU on Trade, AREA "are individual success stories". "Countries of the region have explicitly shown desire and ability to work together and deepen their co-operation. A new culture of communication among the neighbours has emerged." There is "strong Bulgarian political support for the Pact"

- **FRY:** the SP "could be used as a strong political mechanism for integration of the SEE region into the Euro-Atlantic structures".
- **BiH:** the great achievements of the Pact are regular meetings and open discussions among countries of the region, in particular good neighbourly relations with the FRY and Croatia. Citizens had great expectations that have not been fulfilled to a great extent, however, "we are aware that in the first line, it depends on ourselves".
- **SEEC:** "The principled stand on the concept of SEEC-Stability Pact partnership has prompted our governments to transform their individual concrete and practical efforts into a shared operating mechanism. ... The SEEC countries are convinced and determined to co-operate with the work and priorities of the Stability Pact to reinforce our steady progress toward eventual EU membership."
- **Moldova** lauded achievements of, and gave full support to the Pact.
- **Albania:** the SP process "brought to the region a new perspective of political and economic development", in particular increased attention of the IC to the region, and enhanced reforms. The Pact has a complementary value added.
- **Croatia:** SP should develop into an efficient complementary mechanism to the EU's SAP without duplication of activities.

#### There were suggestions to:

- **reduce the number of initiatives** to those where regional co-operation brings an added value, e.g., trade, infrastructure, private investment, transborder co-operation, parliamentary co-operation (France), develop a "more focussed approach" (OSCE CiO), and to streamline activities in order to achieve concrete results – each of the WTs to identify two or three specific achievements under each of the priority areas that can be realised by the end of 2002 (US);
- **enhance regional ownership** (FYROM, Romania, FRY, Albania). SP should be "owned, and much more used, directed, influenced and upgraded by the Region itself" (FRY). For instance, SCSP should be "enriched with experts from the region" (FRY);
- **reinforce co-operation between SP and SEEC** (Greece, FRY);
- **integrate the work of SECI** with that of SP (Law Anti-Crime Centre, Trade and Transport Facilitation project, Business Advisory Council) – (US);
- improve **transparency** with regard to financial strategies, national priorities should find a more visible place on the infrastructure list (Croatia);
- enhance co-ordination and **liaison between OSCE field activities** and the SP (OSCE CiO).