



**Regional Table of the Stability Pact
Prague, 16 November 2005**

Speech of the Special Co-ordinator Erhard Busek

Ladies and Gentlemen,

The year 2005 has been quite a turbulent year in South Eastern Europe and in particular for its relations with the European Union. The year started on a very positive note with Croatia receiving candidate status. This was followed by the difficulties in actually starting negotiations between Croatia and the EU and the referenda on the European Constitution in France and the Netherlands, which led to a rather convoluted discussion on how realistic the EU perspective for South Eastern Europe actually is during the summer.

The developments in the autumn have now brought us full circle. The decisions of the EU to start accession talks with Croatia and the positive Avis of the European Commission on the membership application of the former Yugoslav Republic of Macedonia were important reassurances. When you take these developments together with fact that the negotiations on a Stabilisation and Association agreement with Albania are well on track, that Serbia and Montenegro has recently started its SAA negotiations and that there is a good chance that Bosnia and Herzegovina will start SAA talks soon, you see a clear sign that the European Union is standing firmly by its commitment to the region. And while the situation of Moldova is of course a different one, the relations between the EU and Moldova have been significantly upgraded in recent months as well. In this overall context, the start of negotiations with Turkey should not be forgotten either, considering the important role Turkey plays in the region, in particular economically.

These developments have also had an impact on the Stability Pact, both on our overall strategy and approach and on individual initiatives. As the EU integration process becomes more and more a reality in the region, the Stability Pact as one of its facilitators has to adapt its priorities and mechanisms accordingly. As you are all aware, we have launched a re-assessment of our role and activities so that we can ensure that the support we provide is relevant for SEE.

But before mentioning some of our thoughts on this process, let me touch on some of the achievements in 2005 and challenges for the next year. The three Working Table Chairs have outlined the achievements in the past year, so I would just like to highlight two of the most prominent ones:

- The signing of the international treaty between the EU and South East European countries on the Energy Community in Athens only a few weeks ago marked a watershed in terms of regional co-operation, economic reform and integration into EU and international markets;
- The commitment of all the countries of the region to move from the current network of free trade agreements to a single agreement is highly significant as it will dramatically simplify the trade regime SEE and boost trade and investment.

Looking ahead, we still have quite a lot of work to do – the key word being implementation. The year 2006 will be critical for us. To give you some examples:

- In order to have a successful outcome of the planned Evaluation Conference in spring 2006 on Decentralisation and the empowerment of local and regional governments, South East European Governments will need to show a significant degree of engagement to live up to the commitments made at the 2004 Zagreb Ministerial Meeting on Local Governance.
- The Energy Treaty has been signed, but still has to be ratified and implemented in all countries involved. This will require strong engagement of the parliaments, governments and all those involved on the donor side to support this process. The potential socio-economic impact of this Treaty should not be underestimated and efforts to ensure that policies and programmes to ameliorate this are vital. Promotion of business opportunities stemming from this treaty to private investors are an important component of these efforts. And also in other areas of infrastructure significant challenges remain; let me only mention reviving co-operation along the Danube as an example.
- The evolution of the current network of free trade agreements into one single agreement will present the region with some important decisions on how ambitious they want to be in putting in place a framework to manage their trading relationships with each other not only in goods but also in services. The expected impact of this agreement on increasing trade and investment and therefore creating jobs in the region fully justifies this initiative, but it will require full commitment of all the governments involved.
- The necessity of further improvements in the field of Justice and Home Affairs is probably the most notable common denominator in all the reports presented by the European Commission last week. All available support will be required to address these important issues and we will need to look closely at the assessments in the reports to define the required steps.
- Finally let me mention the areas where the countries of the region have continuously asked for additional support from the Pact: Education and building human capital is an area where the needs in the region are quite obvious, but where the added value the Stability Pact could bring needs to be carefully assessed; visa facilitation is another area, where the countries of the region are looking for support and where co-operation in the region can be seen as a first step which could be facilitated by the Stability Pact; finally I would like to mention defence conversion where the South East European countries in the SEECF framework have committed themselves to enhanced co-operation and where the RACVIAC Centre is now being developed into a regional centre of excellence for defence conversion.

I would now like to move to the Regional Ownership process as this is of great importance, not only for the future of the Stability Pact but more importantly for sustainable regional co-operation in South Eastern Europe. However, as the sample of upcoming challenges that I have just outlined makes clear, we have to ensure that our actual work stays on track and gets the attention it requires and deserves.

One of the greatest advantages of the Stability Pact has been its flexibility to adapt to changes in its environment. It has gone through a number of phases and the Pact as we see it today is very different to that of 1999 because the situation in South Eastern Europe is very different.

Recognising the significant progress in the region, the Regional Table in Sofia initiated the Regional Ownership process to ensure that the Pact can continue to readjust as necessary.

Considering the temporary nature of the Pact – we were never meant to be a permanent institution, – we have to assess the functions provided by the Pact and identify what thematic areas should be sustained. Is a regional co-operation forum required in the future? If so, what will its key functions be? Is there a need for an overall political forum for South Eastern Europe, or will the work done in thematically focused regional centres be sufficient?

We have come quite a way since starting this process in Sofia in May. I am most grateful for the considerations of the Senior Review Group, which Ambassador Alpo Rusi will outline on behalf of the Group in a few minutes. Following our discussions later today and further consultations in the upcoming months the Group will develop clear recommendations on how they feel the future Pact should look like and where the priorities for regional co-operation in South Eastern Europe should lie. We will then have the possibility to reconsider these recommendations at the next Regional Table in May 2006.

I would like to highlight the four general criteria the report outlines as preconditions for success:

- Strong involvement of both the South East European countries and the EU;
- Continued involvement of non-EU donor countries, the international financial institutions and key international organisations;
- A clear focus on priority areas to ensure a full political commitment by the countries of the region;
- High-quality, sustainable structures, which can serve as efficient regional networks.

But the overall precondition for the success of this exercise is that the South East European countries voice their needs and have their input is taken into account. We have had good discussions with the countries of the region in recent months on their assessment of priorities for regional co-operation and this will have to continue in the next half year. The time for imposed solutions is clearly over – we thus need a clear assessment from the side of South Eastern Europe regarding what the priorities should be what kind of forum you consider necessary as well as how the process should look.

Apart from the countries of the region it is of course the EU and in particular the European Commission which is our main partner. Our discussions today and in the coming months should therefore keep the recently published Enlargement strategy of the European Commission in mind. This is the overall framework for a strategy on the Pact.

The SEECP, as a political forum of the region, of course has an important role in this respect. We are working closely with the current Greek SEECP Chairmanship and the incoming Croatian one. But it must be mentioned that the functions the Stability Pact and the SEECP are providing are rather different from one another. Defining the role the SEECP should take in the regional ownership process of the Pact, depends largely on the willingness and ability of the SEECP to evolve from its current role and setup. We have to ask the participating countries how they see the evolution of the SEECP and whether they want the SEECP to take on a more operational role, which would be required to take over some of the functions of the Pact.

From our experience in the past, we know that it can be very fruitful to have countries with varying status co-operating and engaging in joint exercises. The willingness of Bulgaria and Romania to remain engaged in the Pact even after they join the European Union is a very positive sign. Their role will change, but their expertise and political support is most welcome.

Today our discussions should be focused on an assessment of the priorities and future needs regarding regional co-operation, considerations for an overall time frame for the transition process of the Stability Pact, as well as an outline of the transition from the current heavily donor driven framework to a more regionally owned co-operation forum.

Let me stress that this is a process that will take some time. I find it necessary to emphasise that there is no intention of closing the Stability Pact prematurely. But in order to have sufficient donor commitment to this process, we have to clearly outline the process ahead. In the end it is about South Eastern Europe defining what its priorities are and what resources it is willing to commit to these processes, what kind of support is still required and what kind of framework is best suited to facilitate these co-operation processes?

Looking at the list of challenges outlined earlier, there are a number of areas that clearly require longer term support and therefore are of priority for our future engagement: Trade and Investment; fighting organised crime and corruption; Infrastructure; as well as defence conversion. Both Parliamentary Co-operation and Education have an important supportive role in making progress on these areas.

Our aim should be to use the next Regional Table in May to come to conclusions about the future process. The informal meeting of the EU and Western Balkans Foreign Ministers under the Austrian EU Presidency will play an important role in this context. But both the decision-making until then as well as the subsequent evolution process depends largely on the speed of regional implementation.

Let me end by offering my congratulations to the region and its supporters within the donor community for a year of clear progress and for joining forces to determine the challenges and priorities for our work in the future, both with regard to the year ahead and the medium-term, where greater regional success is clearly possible.

You have my best wishes and full support.

Thank you very much.