

English translation

**Speech by the Special Co-ordinator of the
Stability Pact for South Eastern Europe**

Bodo Hombach

**at the Summit meeting of the Heads of State and
Government of the South East Europe Co-operation Process
(SEECP)**

on 12 February 2000 in Bucharest

Check on delivery.

Embargo: 12 February 2000 – 3 p.m.

Excellencies,

I thank our host, Romania, and the Heads of State and Government of the countries of the South East Europe Co-operation Process for inviting me to this important meeting. It is a particular pleasure and honour for me to be able to speak to you today.

You have chosen a good time. I know that we share the same view concerning the critical point at which the Stability Pact finds itself. We are in a transition phase, moving on from consensus-building, formulation of initiatives and identification of projects to the implementation of our decisions and plans.

We have successfully concluded chapter 1 of our work: creating a political consensus on goals and methods. I thank you for your determined support along the way. Now chapter 2 is being opened. Now we are going to turn projects into concrete reality.

President Ahtisaari said, correctly, that the Stability Pact is a marathon, not a sprint. Despite that fact, I understand the constructive impatience of many. I share it. Marathon runners are also judged on the times they achieve for the intermediate stages. But both things are necessary for a successful long-distance run: impatience – as an urgent, positive motivation – and stamina.

When one reads in serious European newspapers, such as the *Financial Times* of 10 February, that the Stability Pact has made a “significant breakthrough”, and that 130 infrastructure projects with a total value of 10.9 billion euro are under serious discussion, then one can see that the patience shown over the last few months has been worth it. But headlines about double-digit billions are not what interest me so much. True, money is important, but only as part of an overall concept.

Therefore, I apply all the emphasis I can when I say: the overall concept of the Stability Pact must win through. Its success will not just be measured in relation to new roads, bridges, infrastructure measures and balance of payments aid for the countries of south eastern Europe, important though such things are. The Stability Pact is founded on the common goal of its participants that the countries of south eastern Europe should be integrated into the euro-atlantic structures.

That is why those countries have committed themselves to make the necessary reforms in the areas of democratisation, human and minority rights, institution building, economic reform and development, and concerning questions of internal and external security. They have said "yes" to strengthened regional co-operation and have made admirable efforts to that end. This is an advance contribution for which I appeal for support and recognition from others. So I am grateful to you for reflecting this spirit in your final declaration.

The international community has committed itself, in return, to supporting such efforts, politically, economically and by projecting security. The Stability Pact has to recognise that it will be measured by whether this partnership – *reform and regional co-operation on the one hand, and support on the other* – works.

My first assessment after half a year is cautiously optimistic. Together we have achieved important first successes. It was not obvious that they would come about. And sadly few people are prepared to notice them and give them due recognition. What I always say to that is: a communications policy is important, but what we principally do is make progress, not PR.

The countries of south eastern Europe have entered into closer regional co-operation. The signing of the SEECP Charter on Good Neighbourly Relations today is a symbol of that, and a new high-point. I congratulate you on it. This signal from Bucharest will be of considerable importance in its effect on the international community, especially in view of the forthcoming Financing Conference.

It is also characteristic of the new spirit created by the Stability Pact that your countries have worked out a large number of joint, cross-border projects since the Stability Pact began. There is now clear recognition that regional co-operation, far from leading to regional isolation or the slow-lane to Europe, in fact represents the acceleration-lane. That this recognition has won through in such a short time is greatly respected in all the talks I have in the EU and USA.

Outside south eastern Europe too, in the interplay of other countries and among the international financial institutions, the added value of the Stability Pact in providing new impulses and as an instrument of co-ordination is already being revealed. I am talking about the international financial institutions which, for the first time, have incorporated themselves into an institutionalised and effective process of consultation directed at support for the countries of south eastern Europe.

I have just come from the second meeting of the Working Table for Economic Reconstruction, Co-operation and Development, in Skopje. There, the World Bank presented a comprehensive report on an economic development strategy for the region. The European Bank for Reconstruction and Development, in co-ordination with that, has developed a plan for promoting small and medium sized enterprises in south eastern Europe. And – reported prominently in advance in the European press, as mentioned earlier – the European Investment Bank presented its proposal for the promotion in the coming years of around 130 regional infrastructure projects, for the most part suggested by your countries. This concerted action would have been unimaginable without the Stability Pact.

Further initiatives now entering the implementation phase show that the Stability Pact gives special emphasis to economic recovery as a basis for sustained stability. The Economic Working Table agreed yesterday on the Investment Charter.

I ask with all emphasis for your personal support in the implementation of this action plan aimed at removing existing barriers to investment, including its country-specific implementation plans and clear deadlines. Its successful implementation will be a prerequisite for obtaining a greater flow of private capital into the economies of your countries.

The Anti-Corruption Initiative, which cuts across the tables, points in the same direction. It brings together and operationalises the existing approaches in this area. Here too there will be an unambiguous road-map for implementation, respect for which will influence the readiness to provide economic aid and to invest.

A few weeks ago in Berlin, with high-ranking business people from Stability Pact countries, including your countries, we created the Business Advisory Council. It will contribute substantially to the implementation of the instruments referred to, and to advising your governments. It has taken on the task of speaking at least once each year, with those carrying the political responsibility in each of your countries, about strategies to improve the investment climate.

I would also remind you of the talks, promoted by the Macedonian government, on the removal of trade barriers between the countries on south eastern Europe. This initiative is very much to be welcomed. In parallel I have been in contact with the European Commission, so that we can also make progress with the reduction of EU trade barriers to products from your countries. On this, Commissioner Lamy will, together with me, present a first paper to the Financing Conference. We want to propose, for discussion, concrete steps for the reduction of such trade barriers.

In the areas of democratisation and human rights on the one hand, and security questions on the other, I look forward to still greater progress and concrete suggestions from your countries. But here too there are the first independent initiatives and highly promising ideas. For example, the Szeged Process, promoted by Hungary. The first meeting, with over thirty opposition mayors from Serbia, had the goal of bringing about partnerships with towns from Stability Pact countries and led to a wide range of national activities. Across Europe the first resulting exchanges and aid actions have started.

In the area of internal and external security we are building, as elsewhere in the Stability Pact, on the work already done by participants. A good example is the SECI Regional Centre for Combating Cross-Border Crime, which we visited today.

Also on the Security Table, the Stability Pact has shown that it has been able to bring together to the same table for the first time all those active in a particular area – such as the question of small arms, or on demining – so that their joint expertise can be directed into a common approach. It is also clear that on the Security Table NATO and the World Bank are for the first time going to implement a joint project, for the professional training of Bulgarian and Romanian officers who have been retired. This

is a further, good example of the co-ordinating and catalytic function which the Stability Pact has taken on.

Ladies and gentlemen, the Financing Conference at the end of March will be the moment of truth for the Stability Pact. Here it will be clear to all to see whether, in the countries of south eastern Europe, actions are following the words of the Stability Pact Summit in Sarajevo concerning democracy, economic recovery and security.

I have publicly made a link between the future perspective for the Stability Pact – including the work of the Special Co-ordinator - and the success of this conference. Since I took office in July I have had two roles. When I have talks in your countries I regularly ask: what has happened to the promised reforms? In the EU and G8 I equally regularly ask the question: where is the promised support? That is the philosophy of the Stability Pact. It must now stand the test of the Financing Conference.

Some people have criticised the fact that the Financing Conference is only taking place in March. This criticism is unjustified and ignores important aspects of the situation:

1. Without the Stability Pact a Regional Financing Conference – let alone one now already – would have been unthinkable. I would remind you of the first meetings of the “High Level Steering Group” for co-ordination of the donor process, led by the World Bank and European Commission, at which the regional approach which I advocated, and the Regional Financing Conference which I requested, only with difficulty got a hearing and now have to be implemented.
2. We are taking on now, in advance, the determination and precise evaluation of projects, something which normally happens only after a donors conference and then often lasts for years. After the March conference we will get projects on their way immediately.

3. The success of the conference is more important than its date. A conference which was insufficiently prepared would have helped no one. And the international financial institutions have – as was clear in Skopje yesterday – done good work and, given the complexity of what we are dealing with, very fast work.

I talk about a Financing Conference, not a Donors Conference. That is because the Stability Pact builds on the well-established donor co-ordination mechanisms of the World Bank and the EU Commission using an innovative approach directed at broadening the material basis for support to the region.

That includes using more fully than before in our work the possibilities of public-private partnership. Also, integrating into the Financing Conference private foundations, like the Soros Foundation, which are ready to provide substantial means to support the democratic development of the countries of the region. Also, a discussion about improving the export credit and investment guarantee instruments of those countries which have economic relations with the countries of the region. And it includes reform.

In my discussions with the World Bank and the European Commission I am also trying to ensure that this Financing Conference will become a genuine dialogue between partners. So I want to put the conference under the banner of "Partnership for Democracy and Prosperity". It will be a conference at which mutual commitments are made.

And it will not be a conference at which donor countries and institutions simply throw money into a large pot. Following my suggestion this conference will be characterised by the contributions of south east European countries, which will present their reform plans and commitments for the future. That includes commitment to the implementation of the Investment Charter and the Anti-Corruption Initiative.

These elements, along with the full support of the Stability Pact, should also be recorded in the conclusions of your meeting today. The Pact is the instrument you can use to address your interests. There is no better alternative. Use this instrument, and contribute to its continued improvement.

I am confident that, in return for the commitments to reform, the international community and other interested donors will provide sufficient financial means for the initiatives and infrastructure measures which have reached the project stage.

The connection between reform and support has to be made clear at every stage. I want to achieve that also by means of two further measures. First, the Financing Conference should not just concern itself with economic infrastructure projects from the areas of transport, communication, water, environment and so on. Support for necessary reforms is equally important, and this will be promoted and implemented through the work of the Tables for Democratisation and Human Rights, and Security.

I therefore want a financing instrument to be created which finances reform efforts, such as the implementation of the Investment Charter, or in the field of human and minority rights. It could perhaps take the form of a trust fund directed by the donors.

Another aspect which the Financing Conference must bring about is a "Quick Start Package" which, by means of flagship projects will show the determination of the Stability Pact countries immediately to provide support to the countries of south eastern Europe. Yesterday the EIB presented a convincing package in this area, and has already publicly said that it will provide 900 million euro for the package. If others show a similar level of engagement we will have a great success.

Among this group of projects are also those questions which, through the mediation of the Stability Pact, were able to be unblocked. I give as a good example here the project for a second bridge across the Danube between Romania and Bulgaria, as well as the reconstruction of the border post at Blace, between the former Yugoslav Republic of Macedonia and Kosovo. And I am also working hard to ensure that the construction of a humanitarian bridge in Novi Sad will become such a flagship project.

We have to show clearly to the people of the Federal Republic of Yugoslavia that the Stability Pact is not building a wall around their country. It is clear to everyone: without a democratic Federal Republic of Yugoslavia there can be no lasting stability

in the region, if only because of the central geostrategic and economic position of the country. The Stability Pact is waiting impatiently for the moment when Serbia has solved its political problem. The Stability Pact is open to a democratic Federal Republic of Yugoslavia which respects the goals and principles of the Pact.

At the same time however, I would warn against the false conclusion that the Stability Pact cannot function without the Federal Republic of Yugoslavia. Support for the other countries of south eastern Europe can make a considerable contribution to the stabilisation of the region as a whole. Beyond that, the Stability Pact can and must make its contribution to the peaceful democratic transformation of the Federal Republic of Yugoslavia. With that in mind the Stability Pact is working together with the Serbian opposition on joint projects for the future.

At the Financing Conference I want to push for a special degree of support for Croatia. The voters in Croatia have convincingly made clear their wish for social and economic reform as well as a European perspective. This change of course is of the greatest importance for Croatia, as well as for the whole region. I hope to travel to Zagreb as soon as possible to discuss with the new government their reform plans, and the possibilities which the Stability Pact offers. In that context, we should also realise that powerful international support can also be seen as a signal to the population and opposition in the Federal Republic of Yugoslavia.

I am concerned about the situation in Montenegro. Montenegro has a special position as a beneficiary of the Stability Pact. The government of Montenegro is steering a moderate pro-European course and needs the support of all of us. In the preparation of the Financing Conference it has however become clear that there are still major hurdles to be overcome for the international financial institutions to support Montenegro. This "self-blockade" has to be overcome by political means. On this matter I am in close contact with the government of Montenegro and major Stability Pact partners. We must succeed in incorporating Montenegro into the package of support at the Financing Conference.

I say again: the Financing Conference is about more than project financing. It is about the credibility of the Stability Pact. Certain important Stability Pact partners are

already sending positive signals. The USA has said that it will provide several hundred million Dollars, some of that particularly quickly. I am convinced that the European Union will be true to its leading role in the Stability Pact, as the biggest donor by a long way. I have been in touch with the Commission about improving their often laborious procedures. I know that in this I have Commissioner Patten on my side.

But I am looking for more than money. The Stability Pact does not have implementing structures of its own. The countries of south eastern Europe must whole-heartedly adopt the projects which are agreed, and see them through, where necessary with the support of the international community.

If the justified expectations of the Conference were to be disappointed the Stability Pact could no longer be credibly presented as a comprehensive approach to preventative diplomacy. In any case, I personally could no longer explain what was the point of our activities. Therefore, I appeal to all those concerned to contribute to the success of the Financing Conference – also as a matter of self-interest. After all, crisis prevention also prevents costs.

For me that also means that there is no alternative to the basic principles of the Stability Pact and its success. Everyone must understand that it is not only a matter of the authority of the 31 Heads of State and Government who met at Sarajevo, but also the Common Foreign and Security Policy of the European Union and the future of millions of people in south eastern Europe.