

## **Press Conference in Brussels**

**CARL BILDT:**As you might be aware, we have these meetings at roughly monthly intervals, where all the leading nations involved in the Peace Implementation efforts come together to review, to discuss and to plan further action, and this was the first regular review of 1997. General satisfaction was expressed by the different countries on the state of peace implementation, in particular the setting up of the common institutions. Who would have really thought a year ago that there would be relative calm in Bosnia, but turmoil elsewhere be that in Belgrade, in Pristina, in Sofia, I don't know, perhaps in Zagreb. So there is general satisfaction, but certainly not any sense of being satisfied with everything. We are heading towards the Brcko arbitration on the 15th of February. There was concern expressed by a number of countries at the Steering Board that there have been statements coming from the different parties indicating that their adherence to the peace agreement is less than perfect. Everyone has undertaken to fully respect, and to fully implement whatever comes out of the arbitration, and any sort of direct or indirect threat connected with the Brcko process is contrary, both to the spirit and the letter of the peace agreement, and concern was expressed on these issues. We are working on the ground quite a lot with implementation of the measures that are necessary in order for the common institutions to start to work. You might be aware of the fact that we have something that we have been working with for the past few months called the Quick Start Package. That is a package of essential laws about the measures that are necessary for the country to start working as a country and for the state to be a state. We are now working very intensely with the new Council of Ministers on various issues. We had a lengthy discussion last Thursday, we have a new session this Thursday, on the central bank law, a budget for the common institutions, the trade and customs arrangements, the preparations for the agreement with the IMF; and such an agreement with the IMF is the pre-condition for the holding of the Donors' conference, and the timing of the Donors' conference is to a certain extent in the hands of the Council of Ministers. When the Council of Ministers and the Parliamentary Assembly have taken these essential decisions, with our help, then we are ready to go forward with the Donors' conference, but economic aid without economic reform is not going to do the trick. That is why we put such a great emphasis on the economic reform issues.

We have discussed certain of the issues of the structures of the Peace Implementation efforts. You might be aware of the increased role of the Economic Task Force that has been there for some time, that was reinforced at the Paris meeting and at the London meeting. And we have now beefed up the Economic Task Force secretariat, that is a technical detail of no major interest to you, but does make a difference on the ground, and the ETF is now really playing the central role for the priorities and policies of international reconstruction assistance that it was intended to. Two more Task Forces have been formed or are in the process of formation. We have a Freedom of Movement Task Force that was decided in London, that has started to operate in Sarajevo bringing together the SFOR, former IFOR, you can still call it IFOR, I think that the date of transition finally to SFOR is few days ahead of us, and the IPTF working quite a lot with the police restructuring issues that we see as central to the freedom of movement efforts. We agreed at the meeting in Geneva yesterday to set up a Reconstruction and Return Task Force. Our intention there is to have a closer co-ordination, and a closer integration of the economic reconstruction efforts, and the efforts to facilitate the return of the refugees and the displaced persons. We had a lengthy meeting, myself and Mrs Ogata on that, also with the European Commission and with the World Bank, the IMD and with other actors, to bring all of that together. We anticipate the first meeting of that Task Force to be in Sarajevo some time next week. We are also aiming to have another meeting at the same level as we had in Geneva yesterday, some time in March when the co-ordinated plans really should be in place. I will have a meeting with Mrs. Ogata, and we will review the progress on that in the next ten days.

What else? Local elections, another major challenge of 1997. We had a representative of the Danish Chairman-in-office, Ambassador Møller here, and we had Ambassador Frowick, the head of the OSCE Mission in Bosnia and Herzegovina for a lengthy review of the preparations for the local elections. We had also very constructive discussions on the central election implementation efforts. We don't want to have Belgrades all over Bosnia during the later part of the year, because that would obviously have a negative impact on the overall political process, but I think we will in the next few months set up the election result implementation structures that will deal with the mechanisms to be able to handle the challenges that are going to be there. The regional dimension is something that I have been stressing continuously during the past year, that is we can't focus on one country alone, although our mandate is mainly Bosnia, of course we are concerned with developments in the other parts of the region, Serbia most particularly. Everyone expressed continued concern with the situation in Serbia. There must be a full,

speedy and total implementation of the Gonzalez recommendations, and there must be a dialogue on the establishment of the conditions for the further elections that are supposed to be held in 1997. This is essential for the integration of Serbia into the framework of European nations, and that integration is central to the overcoming of the rather fundamental problems that are there in Serbia. The issue of Kosovo was also raised; basic concern over that issue is that there is a need to put that on the international, as well on the national agenda in Yugoslavia. That I think roughly completes my introductory remarks, but there might well be questions.

We expect to have the next meeting of the Steering Board immediately after the arbitration verdict on Brcko, that is on 15 February and we are aiming to have the next meeting of the Steering Board in the days immediately after that, for somewhat obvious reasons. I should just mention, we also touched on the question of the Tribunal and the co-operation with the Tribunal. Judge Arbour is in Bosnia today, she has been meeting extensively with my office down there and we have been discussing different ways of expanding co-operation, expanding support to the Tribunal, and there were some ideas that were circulated at this Steering Board, but that, as I think I said previously, will be the subject of a more extensive discussion at a later meeting of the Steering Board during the next few months.

**QUESTION:** Now it is more than two months that the Serbian crisis is going on and you expressed concern for the consequences in Bosnia. Two months is enough long period to see some consequences.

**CARL BILDT:** I am concerned with the consequences for the region, I wouldn't stick only to Bosnia. I would be concerned with the entire region. I am concerned with tension that seems to be building up around Kosovo. It is very interesting to see that extremist elements on different sides produced the uncertain situation in Belgrade to further their particular aims, and that those aims are not really the ones that are ours in terms of peaceful evolution of the situation in Kosovo in the direction of the solution that we seek, and that concerns us. As for the situation in Bosnia I don't think that there has been an immediate impact so far, the impact that we have seen is of course the impact of the de facto devaluation of the dinar that is happening on the markets, and that impacts directly on the Republika Srpska economy. We have been discussing that with the Republika Srpska leadership and I made the point that I made previously, that the sooner we can go over to the some sort of currency arrangements for Republika Srpska that are stable, disconnect Republika Srpska, or the Bosnian Serb part of the Bosnian economy, from the instabilities associated with the dinar, the better it would be for the Bosnian economy and for the Bosnian Serb economy – and they fundamentally agreed with that.

**QUESTION:** Do they accept this?

**CARL BILDT:** They accept that. That does not necessarily mean that we have solved all of the problems associated with the setting up of the Central Bank. We are going through a local version of all of the problems associated with the common European currency, in terms what is the design of the bank notes, in terms of what is the relationship between the European central bank and the local central banks, and we have an on-going discussion on that with the Republika Srpska, with the Bosnia and Herzegovina authorities and with the Central Bank. There is quite some work that remains to be done. But the disconnection between the Yugoslav dinar and the Bosnian Serb economy, yes, that is agreed, because, when the dinar goes down on the red market in Podgorica or in Nis or in Belgrade, it goes down within minutes in Bijeljina or Banja Luka. The black market is the true market, it works. That is an impact that we have seen, that they have seen, this is something that ordinary people see, it effects their standard of living .

**QUESTION:** Are you changing the overall position of the Bosnian Serb leadership regarding Belgrade and the attraction power of Belgrade for the Republika Srpska?

**CARL BILDT:** Well, my general impression and that is the impression really since September, the elections, the distance between Pale and Belgrade has been increasing. This is not obvious when you look at the map, but in political terms this distance has been increasing from both ends. I think Milosevic has been disengaging to a certain extent. One of the reasons for that is that he did not have the success in the Bosnian and Republika Srpska elections that I think he was counting on, at least in initial phase of the political battles in Republika Srpska, and of course the Bosnian Serb leadership wants to be on their own. They don't see Belgrade as their political capital. It is obviously the human, the cultural, religious, tradition link, but they see themselves as operating now increasingly within the Bosnian framework, although that is a very loose Bosnian framework from that point of view. They struggle every day between different conceptions on how strong or how weak the Bosnian framework is, but it is a Bosnian framework, and that is an element of progress.

**QUESTION:**What is in the letter from Biljana Plavsic to the UN Secretary-General Kofi Annan?

**CARL BILD:**I think that letter is public. I am not quite certain that I have it here, but otherwise we can make it available. The letter from 2 January is not that sensational, it re-states the Republika Srpska, well that is not fair, it states the Republika Srpska position in that they claim that the Tribunal doesn't have any authority any longer, because they thought that the Tribunal was set up under completely different conditions, conditions of war. That is the essence of the argument. That is of course completely unacceptable, and a completely fake argument, that is not taken seriously anywhere. I am finding it somewhat surprising that her advisers have her write a letter that is so completely beyond what I think they are increasingly understanding is the case. There has been movement in co-operation between the Tribunal and the Republika Srpska authorities. I don't know the state of the discussions that have been going on today but they have been recognising the authority of the Tribunal on a number of other issues during the past year, and during the past few months. The letter to Kofi Annan was really not consistent either with the Republika Srpska position as it has been expressed in other matters.

**QUESTION:**You have said more than a half year ago that the time is running out for Karadjic and Mladic, it is running out very slowly I think.

**CARL BILD:**I am not quite certain about that, we will see. Mladic, you know the fate of him as we have been seeing it so far, he is fading away. The same applies to Karadjic, although he is fighting back somewhat more behind the scenes. That is our interpretation of events. Then we will see what happens, we have a dialogue going on these issues.

**QUESTION:**Who participate in that dialogue ?

**CARL BILD:**It is an open dialogue, everyone can make his or her contribution.

**QUESTION:**Something happening as now ?

**CARL BILD:**Well, Judge Arbour was, as I said, there today. She was up at Pale and had discussions and I have not been informed about the state of these discussions as they have been happening today.

**QUESTION:**Is the answer to give some type of republic to Kosovo within Yugoslavia ? Is this your personal point of view or there is another plan that the international community is ready to implement?

**CARL BILD:** Our concern is with the human rights situation. Human rights must be respected in Kosovo as well as in all other parts of the former Yugoslavia, in all other parts of the region for everyone, be that Albanians or the Serbs. In order to insure that everyone is certain of his or her human rights being respected, there is most probably the need for political arrangements of the one sort or the other . I would prefer there to be a dialogue between the Kosovo leadership and leadership in Belgrade on the political arrangements that are going to be necessary. We are not insisting on an internationalisation of the issue, we are insisting on a solution to the issue. What I expressed, and I can't remember the exact phrase, but I said that personally, as things have been developing, I can't see that sort of solution falling far short of, it was something along these lines, a Republican like solution for Kosovo. That was my personal appreciation of how things stand, in a rather personal appreciation of the entire situation in Serbia, which I'm sorry to say I think is far more problematic long term than I think most people have foreseen in Serbia itself.

**QUESTION:**Could you explain that on the overall Serbian side.

**CARL BILD:**Look at the combination of problems. Roughly 600,000 refugees coming out from a lost war. Massive de facto ethnic cleansing of Croatian Krajina, lots of people coming out of Bosnia, all of them in despair to a certain extent. You have the political problems, Kosovo being number one, you can discuss these demographic trends endlessly and I am not an expert on it, but I noted this rather famous speech in the Serbian Academy of Scientists in the summer last year; the President said rightly or wrongly that on present demographic trends, there are going to be as many Albanians as Serbs in Serbia within twenty to thirty years, and if that is the case it really points to the necessity of finding a new modus vivendi the one way or the other, and we know that tension has been building up, there has been more violence in Kosovo during the past year than there was previously. This is not in the interest of everyone interested in seeking a solution. Then look at the economic situation of Serbia, most other former socialist countries, there are exceptions, Bulgaria being an obvious one, have made an amount of progress since 1990 or 1991. It has been a difficult transition period for a number of them but some of them are now surging

ahead very impressively. In this period of time Serbia has been sinking down, it has been a combined effect of sanctions and socialism, both of them extremely negative phenomena for any sort of decent economy. The absence of reform and the sanctions have meant that the Serbian economy is in desperate situation. It is going to take 15-20 years, even under an optimistic scenario for the Serbian economy to be back to where it started, and in the meantime all of the other economies of central and eastern Europe have advanced. It is an open question whether pensions can be paid three or four months from now. You can't print money. They did an attempt in December, in order to diffuse political tension, they started to print money and took down electricity bills, and started to pay certain pensions, but if you print money you devalue the currency, and we have the immediate mini-collapse on the black markets and the currency lost roughly a third of its value. It recovered something of that, it is now hovering around 4 or 4.5 or something like that, it was up to 5 but then it recovered somewhat. What they have done I understand, is that they have confiscated the foreign exchange reserves of the commercial banks, and they used that to offer trade-in arrangements for DM and dinars up until a given amount per individual, you can do it. You can't do it in any sort of ordinary legal society, you can do it, but you can only do it once. You can confiscate the foreign exchange reserves of the commercial banks once, that is the end of the commercial banks and the foreign exchange reserves, and the fact that they are going to such extreme measures in order to counteract the effects of their own policy really shows that the financial situation is beginning to be desperate, and when the financial crisis really starts to move in Serbia, then I think we will see the aggravation of the social and the political situation. It is an accumulation of serious problems in the country that we have rarely seen.

**QUESTION:** Let me turn back to the Kosovo issue. How do you see the possibility to implement the dialogue between Pristina and Belgrade about the political solution in Kosovo?

**CARL BILDT:** There have been of course some positive signs, the education agreement. It is better to have it on paper than to not even have it on paper, but it needs to be implemented.

**QUESTION:** Can we expect some kind of direct role by the European countries or the United States to have both sides around the table.

**CARL BILDT:** What we are primarily doing is that we are encouraging the two sides to have a dialogue on their own. That would be the best. We are not seeking a role. We would think it best for them in their own interest, and there should be the mutual interest both on the Serb and the Albanian side to enter into dialogue. There are attempts, I think there's a meeting between intellectuals from both sides having a dialogue under one of the foundations in Germany these days. There are other attempts. If there is the need for it, we are certainly ready to play a role. Ambassador Lutz from my side has been active on that issue, as you know he has been there for the last few days. The best thing would be for both sides themselves to sit down and try to sort it out, they can do it far better than we can do it.

**QUESTION:** Could you tell us something about the succession issues talks. We understand that this is an on-going process.

**CARL BILDT:** It is on-going as you say, and the fact that there are new rounds shows that there is a possibility for moving forward, but I have not had a report from the latest round, that is the on-going one, and it is only after it has been completed that I will have the possibility of assessing how the situation is. But that should also be in the mutual interest of each and everyone to sort that out. Not necessarily that much money in it but at least some should be found.

**QUESTION:** If I understand well, between yourself and the Bosnian government, there is a permanent conflict and confrontation. What is the problem in your opinion about it?

**CARL BILDT:** Not necessarily but on certain issues yes, that can be the Bosniac side, that can be the Serb side and that can be the Croat side, if they try to re-interpret the peace agreement on some points, yes then there is tension. That goes on and off with the different parties and that is in the nature of things. The latest thing was they complained about the fact that we delayed the Donors' information conference, because we said we are not going to have the Donors' information conference until you set up the Council of Ministers, because we are not going to run the Donors' information meeting with just one side, we want everyone there and that proved to be very effective. The Council of Ministers setting up process was accelerated as an effect, although there was an amount of fireworks in the Sarajevo media, and immediately after that we had a problem with the Serb side because then they were making sort of trouble, wanting to go back on the previous agreement we had with them, and then we said OK we are going forward with the Donors' information meeting but without you, and that concentrated their

minds in a constructive way. We had a possibility of having the Donors' information meeting roughly a month later that we had planned to, but with the Council of Ministers there, and with a united Bosnian delegation, that is a good example of how we use the leverage that we have on different issues, in order to bring the process forward.