

Press Conference by the Principal Deputy High Representative and the Special Coordinator of the Stability Pact for Southeast Europe

The Principal Deputy High Representative, Larry Butler:

Good morning. I just want to give you a report from the meeting I had with Dr. Erhard Busek, the Special Coordinator of the Stability Pact for South Eastern Europe. We talked about free trade and we spoke about the benefits of Bosnia 's integration into regional, European and world economies. Amongst issues that we covered was why the people of Bosnia and Herzegovina , although we have seen a pretty strong increase in exports, are not yet experiencing the full benefits of integrated trade.

We noted that Bosnia and Herzegovina made some mistakes when concluding the free trade agreements with its immediate neighbours. Issues connected to them need to be resolved if Bosnia and Herzegovina is going to have an opportunity to join the Central European Free Trade Agreement (CEFTA).

The benefits of liberalised free trade are well established and well known for every country in Europe. It would be unfortunate if Bosnia is not able to resolve issues with its neighbours on free trade agreements and if that were to prevent BiH from being able to join the CEFTA later this year, because that would deny the people of Bosnia and Herzegovina the investment and jobs that would flow from that. I am sure

that the politicians responsible for the trade policy, especially in an election year, understand the imperative of economic progress to benefit the citizens of this country.

We also had the opportunity to talk about the High Representative's proposal, put forward in Belgrade recently, that would see Sarajevo serve as the seat for a reformed Stability Pact, and that is still very much a possibility.

Stability Pact Special Coordinator, Erhard Busek:

Good afternoon. I had the pleasure not only to meet the Acting High Representative, but also the Prime Minister of Bosnia and Herzegovina, Adnan Terzić, to discuss where we are concerning CEFTA and a single free trade agreement.

The job of the Stability Pact for South Eastern Europe is not just peace-keeping and the political development of the region as it approaches the European Union, but also the improvement of the economic and social situation.

More trade, especially interregional trade also means more employment, more investment and, for sure, a better income. The Stability Pact has been able to organise 31 free trade agreements between the countries of the region. As a result interregional trade has doubled, which I think is an excellent result, but more is possible.

The single free trade agreement under the umbrella of CEFTA is necessary because it is a kind of a training camp for the Common Market of the European Union. The European Commission is very supportive of it, not only politically but also technically, and is very interested in seeing the whole region, including Bosnia and Herzegovina, as members of CEFTA and the single free trade agreement. There is a common interest by CEFTA to conclude the negotiations by September

this year.

There are specific problems for Bosnia and Herzegovina , especially coming out of earlier these bilateral free trade agreements. To be positive, Bosnia and Herzegovina in the past liberalised everything, but then it emerged that this harmed specific groups, especially farmers, therefore the free trade agreements – especially towards Croatia and Serbia – were suspended. So, it is now necessary to solve the problems of the past in relation to Croatia and Serbia . And also set the procedures in the CEFTA to handle it in the future.

The Stability Pact was asking for precise documentation so that we can assist in Bosnia and Herzegovina 's negotiations with Croatia and Serbia . We also want to develop for some proposals procedures for the future. The time frame is a meeting in Salzburg , which will be on 1 August, where the Prime Minister, Adnan Terzić will be present, as well as Koštunica and Sanader. There we will discuss how it can be done as quickly as possible. Also we are providing technical assistance to help the BiH government develop the proposals and work the negotiations.

The political risk at the moment is that either we are not able to conclude a single free trade agreement with CEFTA or that Bosnia and Herzegovina is excluded from it. We do not want either to happen.

The future of Stability Pact for South Eastern Europe is a Regional Cooperation Council which will be established by 2008. This Council will be in charge of the South-East European Cooperation Process. There is a good chance for Sarajevo because the Stability Pact was founded in July 1999 in Sarajevo , and, therefore I think that, if I may say so, a traditional relationship with Sarajevo exists.

Thank you.

RTQs:

Daria Sito-Sucic, Reuters:

How serious is the risk of Bosnia being excluded from CEFTA, if everything is not prepared in time and the time frame is quite tight?

Stability Pact Special Coordinator, Erhard Busek:

I think the danger is very serious. But if you ask me, it is possible to overcome and that is one of the reasons why we are offering technical assistance.

Daria Sito-Sucic, Reuters:

So what was the view of Prime Minister Adnan Terzić? Does he believe that this can be overcome?

Stability Pact Special Coordinator, Erhard Busek:

He and Minister Đoko, who is responsible for the economy, promised to deliver the proposals. They accepted that we are doing a kind of mediation to come closer to results. There is a real will existing, maybe election time sometimes makes things more difficult.

Danka Polovina-Mandić, Dnevni List:

If I understood you well, the disputes between Bosnia and Herzegovina and its neighbours concerning their existing free trade agreements are the main problem? However, is it not also true that BiH's neighbours do not want to change the agreements. How can this situation be overcome, in order to prevent Bosnia and Herzegovina being sanctioned for the actions and views of its neighbours?

Stability Pact Special Coordinator, Erhard Busek:

I think first of all that it has to be said that Bosnia and Herzegovina has agreed to the existing free trade

agreements. But we are prepared to act to overcome these problems. The best solution would be to make a common free trade agreement for the future which addresses these problems.