

Speech by Erhard Busek at the signing of the agreement to amend and enlarge CEFTA (Bucharest, 19 December 2006)

Caption: On 19 December 2006, in Bucharest, at the official signing of the agreement to amend and enlarge the Central European Free Trade Agreement (CEFTA), Erhard Busek, Special Coordinator of the Stability Pact for South Eastern Europe, welcomes the ability of the signatory countries to overcome their differences and praises their determination to build a prosperous future.

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Friends and Colleagues

I am delighted to be with you today in Bucharest to participate in this truly historical event for South Eastern Europe and I would like to thank Prime Minister Tariceanu for kindly inviting me to address this meeting. Eight months on from our last meeting in this very room, the South Eastern European parties have fulfilled the challenging instructions given by you - their Prime Ministers - to negotiate an inclusive, modern and ambitious CEFTA 2006.

Many people were sceptical of the region's ability to achieve this impressive task and as many people in this room are only too well aware it was an extremely demanding undertaking that has required incredible hard work and dedication as well as political compromises by all sides.

The end result of this process is the first regional agreement among the countries and territories of South Eastern Europe since the fall of communism and the conflicts of the 90s. This is a tremendous achievement. Economically, it is a hugely important building block for development in the region. It should contribute significantly to your ability to boost trade, participate in the multilateral trading system, compete globally for much needed investment and very importantly create jobs.

It also clearly demonstrates the capacity of the parties to engage in constructive regional co-operation. Given that such co-operation is the *raison d'être* of the Stability Pact, you will not be surprised that I emphasise this. However, it is not just the SP that looks at this important element of Euro-Atlantic integration. Last week's European Council ensured that the door to the EU remains open for the Western Balkans. Commissioner Rehn, I take this opportunity to applaud your role in securing this decision.

However, the Council stressed that the ability of the applicants to fully meet the entry criteria before joining would be scrutinised more strictly than ever before. These criteria include good neighbourly relations and ability to co-operate with regional partners. Therefore today is not just good for your economies it is also good for your future engagement in the EU.

Another piece of good news that I want to highlight is the fact that through the functioning of this agreement the countries of the region will take over responsibility for the development and implementation of trade policy in South Eastern Europe, a responsibility that to date has rested heavily on the Stability Pact and the European Commission in particular. In fact, I think several Prime Ministers around this table can attest to the active role played by Trade Commissioner Mandelson in finalising this agreement for which we are very grateful.

As many of you are aware, the Stability Pact is entering its final full year of operation. In early 2008, we will hand over to a more regionally owned framework for co-operation, the Regional Co-operation Council. We are able to do this because the region has progressed politically, economically and security wise. Since 1999, the Stability Pact's role has been to identify, launch and in several cases administer a range of regional co-operation processes. The Stability Pact Trade Working Group is an excellent example of such a process. Since its establishment in 2000, it has provided the forum for regional trade policy in SEE, starting with the Memorandum of Understanding in 2001, leading to 32 bilateral FTAs and eventually to today's signature of CEFTA 2006. Like all Stability Pact initiatives, the Trade Working Group will continue to operate throughout 2007 to ensure that a smooth and sustainable handover to the CEFTA structures can take place when CEFTA 2006 comes into force.

But today signals another step in the region's progress in assuming greater ownership of those regional co-operation processes that are vital for its continued development and I am very pleased to witness this.

Of course, signing is just the first step in this ownership process and the next challenge is actual implementation. As has been mentioned, this is an ambitious and modern agreement – ensuring that it is

implemented properly will require considerable care and attention from all members. As in all trade relations - indeed in any sort of relationship - it is inevitable that disputes will arise. The strengthened dispute settlement mechanism in the revised agreement will help, but the successful resolution of these will also require that the members look at the regional agenda and not just their national agendas. Your progress in this respect will be carefully monitored as CEFTA is considered by many as an excellent preparation for the highly demanding EU single market.

While CEFTA 2006 is an excellent agreement, the region must also continue its fight to abolish non-tariff barriers, attract investment and eliminate corruption. Otherwise this excellent agreement will only be a lost opportunity. Stability Pact initiatives such as the Investment Compact, the Business Advisory Council and the Stability Pact Anti-Corruption Initiative will continue in the future under the RCC to support you in this process.

But that is for after Christmas....for the moment, I would like to pay tribute to the 10 negotiating teams from SEE who worked so hard, including over the summer break to fulfil the Prime Ministers' request that the agreement should be signed by the end of 2006. I know that the four intensive negotiating rounds were, in general, marked by a very constructive and hard working atmosphere and I would like to commend you for this.

The international community has also played a considerable role in the success of the Stability Pact Trade Working Group since 2000 and in particular during this latest phase. I am very pleased to see representatives of the international members of the Trade Working Group here today – Germany, Hungary, Norway, Slovenia, Switzerland, Turkey, Great Britain, the USA, the World Bank and the WTO. Your continued support will be both needed and appreciated.

I would like to single out some specific individuals who have contributed hugely to the regional trade agenda in SEE over the last 5 years. These individuals are known in our office as “The Wise Men” – they are Per Wijkman of Sweden, Hanspeter Tschani of Switzerland and Leopoldo Rubinacci and Moumen Hamdouch of the European Commission's Directorate General for Trade. Gentlemen we thank you for your dedication to the cause.

Finally, if you will allow me, I would like to thank some specific members of my own team at the Stability Pact office who have also devoted considerable time and effort to this process. Ambassador Laurent Guye, the Director of WT II who chaired the negotiations and for whom the signing ceremony today provides a very nice birthday present. Mary O'Mahony - one of the handful of people in this room who has been involved in this process since December 2000, my political adviser, Björn Kühne who has developed an in-depth knowledge of trade issues and last but not least Liudmila Mihajlova the Trade Working Group Administrator.

I look forward to watching the political and economic benefits of this regional agreement enriching SEE in the years to come.

Thank You.