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Press Briefing by Mr. Albert Rohan and Stefan Lehne after Vienna round of talks on the economic status issues

Albert Rohan : Ladies and Gentlemen, good afternoon . We discussed today the economic status issue. We tried to keep the discussion as technical as possible. Whatever the status of Kosovo will be in the future there will be some kind of economic division in terms of assets and liabilities, property, the various kinds of property, state property, public-owned property, socially-owned property, private property; there will be the question to divide the external and internal debt and there are a number of other claims which have to be dealt with within this process.

If you speak of economic division, we want to make clear in the same time that whatever happens, Serbia and Kosovo and all the other regional countries will of course continue to cooperate economically and in the future, this cooperation will increase. What we hope in doing in this process is to find a number of detailed solutions in some areas, to establish mechanisms to deal with more complex matters in the future and then also identify those areas where the parties have to find solutions post settlement.

Stefan Lehne - I am grateful that he accepted to co-chair this meeting since he has been leading the preparatory talks for this meeting - will give you his conclusions on the meeting, I would just look into the future on all the subjects under discussion at this process here in Vienna.

We will have on decentralization tomorrow a meeting of technical experts on the question of decentralisation, in particular on the creation of municipalities, with the Kosovo delegation. And we will have expert talks in Belgrade in the next few days on the same matter and also on the substantive aspects of decentralisation. We are under the process of establishing a working group on the question of religious sites, on the question of the protective zones for Serb Orthodox churches and monasteries, with the inclusion not only of the parties and the Serb Orthodox Church of course and the Council of Europe and UNESCO and we hope to dispatch this working group to the region in the week of the 12th of June.

There are other matters which we might consider - the community rights aspects and the question of the future international presence in Kosovo - this will be discussed when the time is right. This is as far as the future is concerned.

A last point: happily today the government of Pristina approved the Protocol on sustainable returns. This is not a matter falling within the competence of UNOSEK,

but it's UNMIK. But within our mandate we have to support UNMIK, and during our last meeting we could achieve an agreement between the parties and I am in particular grateful on this context for the energetic work of Professor Kojen on the one hand and Darden Gashi, which allowed us to bring a conclusion to this matter. It is a matter which has been pending for many months and we are happy that now protocol is ready for signature. The signature will take place in Pristina. Stefan, please.

Stefan Lehne: I think that the issues we discussed are probably the most important ones in this status process. The dynamics of the process we will be driven by political issues that are enormously complex. Some of these issues are very closely related to the core status issues. Therefore, they are very difficult to handle at this stage of the process. There are also important economic interest aspects at take both for Serbia and for Kosovo and, thirdly, at least some of these issues are technically enormously complex and that was issues that was the [inaudible] for legal implications.

This was the first meeting on this subject so I think we should not be surprised that there was not a large measure on agreement. The meeting was very useful in so far as we got a much better understanding on where the sides stand but at this stage I think we should not get any illusions that there are very, very considerable difference of views on some of the key issues on the agenda.

One key point on our agenda today was external debt. And on this issue the overall approach I think we have a certain amount of agreement. Kosovo is prepared to show that it shares of the international debt of Serbia and Montenegro, in the future of Serbia. There is an agreement that this debt should be apportioned on the basis of the final beneficiary principle, this means if the loan has been given to a project in Kosovo, then Kosovo will take over the debt servicing and the principle of this debt.

There is of course also a part of the debt of Serbia which is unallocated, where you cannot identify the specific projects to which it has gone, and I think there is an agreement for this unallocated debt it should be apportioned on the basis of a key and the key will be developed on the basis of precedents in other places. There are international financial institutions, particularly the IMF, that have been working and have a lot of experience in this area and will help us solve this out.

Overall, there is basic agreement. Kosovo is prepared to take this debt on and of course there is an agreement that they need to understand exactly this debt should be apportioned. We hope - we are not quite sure to what extent - that this process of reconciliation of the debt can now move ahead rapidly.

Certainly we believe that the basis for that should be that – and we very much hope that - that both sides would share the documentation loan by loan. Documentation on this is a very heavy complicated process, but necessary because Pristina has to be able to analyze the debts and come to conclusions what portion of it is relevant to it. We are at this point, on the basis of this meeting, not quite sure at what extent Belgrade is willing to engage in such a process but we very much hope that soon they will be ready to share the relevant information. We'll also have to work very closely with the relevant international organizations: the World Bank, the IMF, the EU Commission

to try to get a common, proper understanding of this process of the question of the apportioning of debt, reconciliation of the debt of Serbia and Montenegro and identifying the share will be taken on by Kosovo. A certain amount of agreement and some elements of disagreement and the question of whether the commitment is there but the process of actually starting this can start now or not quite now.

The second big issue on the agenda has been the property issue and I think here we have really fundamental disagreements on some important issues. Belgrade has very much the point of view that, they believe that the processes that were set up over the last 7 years by UNMIK to deal with these issues, to deal with the question of private property, to deal with the question of socially-owned property, the privatisation process, are fundamentally flawed. They have been set in motion without sufficient coordination, input from Belgrade and they should be fundamentally re-worked, suspended considered before this can start gain. This position is absolutely not shared by the Pristina delegation, which means that these processes are legitimate, are in motion, and basically should be concluded. Pristina is quite ready to give safeguards that these issues by the claims will be handled correctly in the future, but they are certainly not ready to put everything to a halt and fundamentally re-work the basis of this process.

I must also say that UNOSEK, our feeling, our approach to this issue is very much that it is not part of the mandate of Martti Ahtisaari to fundamentally re-negotiate the economic legislation of Kosovo in the last 7 years. We also have no mandate to interfere with the management of these processes in Kosovo right now. This clearly remains the task of Søren Jessen-Petersen. We feel that the task of the Status Process on the property issue is to look at the mechanisms that are in place that should guarantee that claims regarding private property, claims regarding privatisation, etc. are handled correctly even after 1244 is replaced by another resolution. This we believe is really the job to be done within the context of the status process.

Obviously Belgrade is free to take up any issue with UNMIK directly but, regarding this process, I can only limit the focus on the follow-up mechanisms to make sure that the claims are processed in line with the rule of law and that the rights of citizens and companies are dealt with properly. So these are the two big topics on the agenda. There was also an opportunity for both sides to bring to the table other claims, other interests they want to discuss in the context of the status process. We received a list of such issues. I will just mention a few of them. The question of internal debt was brought up by Belgrade. Pristina raised the issues of the cadastral documentation that they would like to see returned rapidly. They brought up the issue of pensions rights that from the nineties – Kosovars feel that they have rights that are not fulfilled – the question of foreign currency accounts that were confiscated in the early nineties. There was also the idea of an overall compensation mechanism to should deal with claims by private individuals arising from the period following 1989. There was no time at this point to have a substantive discussion on these various other issues. But the parties agreed to exchange relevant information and will return to this issue at a later stage. Thank you very much.

Question/Answers

Q: (RTK) (question on the international debt.)

Stefan Lehne: I think that the Kosovo delegation expressed its view on this matter, They are not as absolute as you now say, but they said they will examine each loan whether the asset, which was the subject of this loan, is actually in Kosovo and is being used by Kosovo and this will be a case by case examination on whether they will accept the responsibility for this loan or not, but they made the general political point that there was a period where they were not actually in control of the economy of Kosovo and therefore they have to be very careful in examining what type of debt they can take on during this period. Of course this position is rejected by Belgrade who feel this is an economic technical question and this is an issue that should not be taken into account into this conference.

Question; (on general progress after the rounds of Vienna talks)

Albert Rohan: Well I think as I have said often before there has been substantive amount of practical points where we have common ground. The most obvious one is the one on the question of the protection of religious sites, where there has been agreement on the need for physical protection, on the principle of protective zones, on the principle of free access, on tax and customs facilities for the Church, on the need for reconstruction and restoration and on all these matters there is an agreement. What we have to now, and this will do in the next few weeks, is to only settle the question of the size of the protective zones. And there is a difficulty because from the Serbian delegation was brought in the matter of the restitution of Church property which was expropriated during the Second World War. And this is more a conceptual problem.

On decentralisation for instance although the concepts are different and contradictory again if you look into the practical methods, the question of what competencies municipalities should have, how they should be financed, in what way they should be able to cooperate amongst themselves or with outside institution with Belgrade, there are not that many differences as of use. It's again more on the conceptual side. So I think it goes that it goes in many ways. We believe that this bottom-up approach was very fruitful. It has prepared the work that we have to do later to flesh out these various partial understandings. It will prove very useful later. Also I must say we don't really believe that discussion on the Status, which must come obviously - and the Special Envoy had always the intention to do this in the middle of the year and he is going to do it - that the discussion of Status will suddenly open the door for agreements on all these practical matters. Maybe at the end the Status decision on what status Kosovo is going to have will facilitate then the direction in which decisions will go. But I think it was good to have these meetings and I wouldn't necessarily say this was the last one. I said only we hadn't scheduled anything at the moment.

Question: (Koha Ditore) on Simic's statement that the Economic issue meeting has not been properly prepared by Mr. Rohan

Albert Rohan: You should ask Mr. Simic to elaborate. Ask him what he means. I don't understand what he means, I haven't discussed it with him, he hasn't discussed it with me, we have prepared this meeting very conscientiously with three expert missions in the region, with questionnaires, with papers'. So it's not a question of preparation. If progress is made we are happy and it shows the parties have the good will to make progress. If progress is not made, then it is the lack of will of the two parties. It's as easy as that. But if you want elaboration ask Mr. Simic, I am sure he will give it to you.

Question (AFP) on a reaction on the letter containing the Belgrade platform for Kosovo sent by Belgrade to the CG and UNOSEK.

Albert Rohan: We have received this paper this morning at the outset of the meeting and we haven't studied it in details yet.