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SUCCESSOR STATES TO PRE-1991 YUGOSLAVIA:
PROGRESS AND CHALLENGES
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Thank you for inviting me to testify before your Committee today, Mr. Chairman. I am particularly pleased to have this opportunity to share with you some of the transformations that are taking place in four of the successor states to the former Yugoslavia today--Serbia and Montenegro, Croatia, the Former Yugoslav Republic of Macedonia and Bosnia and Herzegovina--to share with you how far we have come, to underscore our continued commitment to this critical region, and to outline the challenges we still face.

These four countries, and the UN-administered Kosovo, have come a long way over the past two years. Last autumn, a series of elections indicated significant progress in the conduct of free elections, building democratic societies and public support for reforms. Where a decade ago there were bitter divisions among countries in this region, today they are working together on common goals. Just a few weeks ago, all regional foreign ministers met in Sarajevo under the umbrella of the Southeast Europe Cooperation Process (SEECP) where they agreed to work together on key challenges facing the region including trade, energy and the fight against organized crime. And these four countries are expanding their horizons to work with the United States outside the region, in Iraq and Afghanistan.

The region is now dominated by reform-oriented governments. Our intensive work, bilaterally, regionally and through multilateral institutions, is designed to accelerate the range of democratic and market-oriented reforms. Our efforts are specifically targeted to help facilitate the region's integration into the EU and NATO because we believe this is critical to fulfilling the President's vision of a Europe whole, free and at peace. All of the

successors to Yugoslavia share this goal and have made further integration a national priority. Together, we are helping them achieve these common goals.

American assistance -- totaling \$960 million in FY 02 -- plays a critical role in this process, providing an incentive and helping to create an environment and the infrastructure necessary to move forward with the reform and integration process. Counterterrorism, nonproliferation, promoting rule of law and attacking corruption are global concerns, and remain our highest priorities for our assistance programs in the region. This includes programs to enhance capabilities to prevent, deter and detect proliferation of weapons, stop trafficking in persons and drug trafficking and counter transnational crime. We have also sought funding to support regional stability and security concerns through our Foreign Military Financing, International Military Education and Training and Peacekeeping Operations funds.

Our investment is paying off. Democratic institutions are taking root, stability is growing and global threats to our interests are being addressed. Our commitment is also yielding another large dividend in the form of new enhanced partnerships. Macedonia and Croatia provided political and material support for the War on Terrorism, including the stabilization of Afghanistan and rebuilding the Afghan National Army. Together with their other Vilnius-10 colleagues Macedonia and Croatia provided early political support for disarming Saddam Hussein as we prepared for possible military operations in Iraq. Macedonia deployed units to Iraq to assist our stabilization efforts. Bosnia and Herzegovina has expressed an interest in looking for ways it might contribute. We have found a common enemy in the Global War on Terrorism and a common goal in our commitment to protect freedom and democracy around the globe. These relationships will continue to grow and deepen as these countries are further integrated into our common security structures.

Bulgaria's accession to NATO has given hope to Croatia, Albania and Macedonia. Under the Adriatic Charter, signed by Secretary Powell, these countries agreed to cooperate on common goals and to support each other's NATO candidacies. Serbia and

Montenegro and Bosnia and Herzegovina seek to join the Partnership for Peace as quickly as possible. Their desire is fueling impressive progress on civilian control of reformed militaries, as well as regional cooperation. We support them in their goals, while recognizing that important work remains before they can be realized.

NATO's military missions are critical to maintaining safe and secure environments in Bosnia and Herzegovina and Kosovo. Approximately 1800 U.S. soldiers are currently serving in SFOR in Bosnia and Herzegovina, and 2250 in KFOR in Kosovo. We remain committed to these NATO missions. We went in together with our Allies, and we will leave together, but we seek to hasten the day when peace in the region is self-sustaining and our troops can be withdrawn. We are pleased that a framework for cooperation between NATO and the EU (the so-called "Berlin-plus" arrangements) was concluded earlier this year. The EU has since assumed responsibility for the international security presence in Macedonia, an operation now known as Concordia. NATO has been working closely with the EU to help make Concordia a success. While the EU has expressed a desire to assume the SFOR mission in Bosnia, we believe that the time is not yet right to consider this. There are certain tasks for which NATO is uniquely qualified, particularly disruption of terrorist networks and apprehension of persons indicted for war crimes, both of which continue to threaten stability in Bosnia and Herzegovina.

We are pleased that the EU and our European partners are playing a more active role in the region. A basic ingredient of today's successes is greatly improved coordination and complementary work between the United States, EU, NATO, OSCE and other international organizations active in the region. The United States will continue to play a key role in this partnership. The United States and the EU coordinate our political messages on support for democratic governments, conflict resolution, cooperation with the International Criminal Tribunal for the former Yugoslavia, and the return of refugees and displaced persons. The United States and EU consult on the direction of our assistance strategies on economic reform and co-finance law enforcement programs throughout the region.

While this region is in many ways a success story, significant challenges remain. What most holds the region back is organized crime and corruption, post-conflict issues and weak economies burdened by the remnants of communist-style central planning and a top-down method of governing. Groups that traffic in persons, drugs and weapons are well entrenched in the region and quite powerful. Such groups pose a threat to these young democracies, and we provide extensive programs and political support to develop capacity to fight them. Part of moving away from a post-conflict environment toward long-term reconciliation and stability involves the painful process of coming to terms with the past decade of war and bloodshed. This includes the international obligation to cooperate with the International Criminal Tribunal for the former Yugoslavia (ICTY). We are also working to help build countries' capacities to prosecute domestically war crimes cases that will not be tried by the ICTY. Another critical element of reconciliation and a fundamental American value is the right of every displaced person or refugee to return to his home. We work hard to make this a reality throughout the region.

Decades of communism followed by a decade of conflict had a serious debilitating effect on the economies of the region. Reform efforts are just now beginning to bear fruit, but economic growth and job creation have not yet taken off. As evidence that reforms are taking hold, the major multilateral development banks are now operating throughout the region, all countries are either members of the WTO or have begun accession negotiations, and cross-border trade flows are picking up. The IMF and World Bank are also active in the region and play a crucial role in reinforcing these reforms. However, we must continue to push for further reform to confront the many problems still facing the region, including chronically high unemployment, low levels of foreign investment, and pervasive corruption. With these problems in mind, we have worked with the countries of the region to help rebuild shattered intra-regional economic relationships and to create a market-based, investment-friendly economic climate in each country.

Bilaterally, we have used a substantial portion of our assistance resources to foster economic reform efforts, notably regulatory, banking, and tax reform, and to promote private sector development. Regionally, we have been a driving force behind the

successful effort to create a network of bilateral free trade agreements and to begin building a regional energy market, working UN-administered Kosovo into these regional arrangements as possible.

Serbia and Montenegro

On March 12, 2003, Serbian Prime Minister Zoran Djindjic was assassinated in front of the Serbian Government building by sniper Zvezdan Jovanovic, Deputy Commander of the infamous paramilitary unit known as the Red Berets. Rather than crumble, the Serbian Government came together, picked Zoran Zivkovic as Djindjic's successor, imposed a State of Emergency and began a far-reaching crackdown on organized crime and instituted sweeping defense reforms. The assassination reinvigorated the stalled reform process in Serbia and revealed the nexus between organized crime and war crimes indictees and their supporters. Secretary Powell visited Belgrade April 2 to offer his condolences and lend his personal support to the reform agenda emerging out of this tragedy.

The crackdown on organized crime resulted in the arrest of more than 4500 people and effectively dismantled Serbia's largest organized crime syndicates, most notably the Zemun clan whose leaders were behind the Djindjic assassination. The Red Berets, a paramilitary police organization with a history of war crimes and closely linked to the Zemun clan, was peacefully disbanded by the Serbian Government and many of its top leaders were arrested. Defense Minister Tadic began his military house-cleaning by pledging full cooperation with the ICTY, dismissing Milosevic-era general Tomic and more than a dozen other senior officers, disbanding the "Military Commission on Cooperation with the Hague" which, despite its name, obstructed cooperation with the Tribunal, and issuing an order obligating all army personnel to apprehend or report any information on indicted war criminals. Finally, Tadic initiated a program of defense and security reform, subordinating the military to civilian control for the first time in fifty years. Implementation of these policies is essential. On May 6, President Bush

determined that initiating a bilateral military relationship with Serbia and Montenegro was in the U.S. national interest. We are working now to begin an International Military and Education Program to support this defense reform agenda.

During this crackdown on organized crime and start up of defense reforms, Belgrade took significant steps on cooperation with the ICTY. Following the assassination of Prime Minister Djindjic, authorities apprehended the remaining "Vukovar Three" indictees, Miroslav Radic and Veselin Sljivancanin. Radic has been transferred to the ICTY and Sljivancanin is expected to follow in the coming days. In addition, Serbian State Security Chief Jovica Stanisic, architect of the Serbian nationalist policy of ethnic cleansing, and his deputy Franko Simatovic, founder of the Red Berets, were apprehended and transferred to The Hague.

In this context, the Secretary decided on June 15 to certify that Serbia, pursuant to Section 578 of the Foreign Operations and Appropriations Act, was cooperating with ICTY, taking steps to end support for the Republika Srpska, and implementing policies that reflect a respect for minority rights and the rule of law. This certification does not mean that Belgrade is yet in full cooperation with the ICTY. The United States and our European partners remain committed to ensuring that Ratko Mladic and the other outstanding indictees are apprehended and transferred to the ICTY, and that appropriate access to witnesses and documents by the ICTY is assured.

On June 19, Serbia and Montenegro formally requested an invitation to join the Partnership for Peace in a letter to NATO Secretary General Robertson. Belgrade is aware that two outstanding issues must be resolved before it can be invited into Partnership for Peace: cooperation with the ICTY, including regarding Ratko Mladic; and, Belgrade's suits against eight of our NATO Allies before the International Court of Justice. Once these issues are resolved, the United States will welcome Serbia and Montenegro into the Partnership for Peace.

While defense reforms have recently been in the spotlight, the United States is also heavily engaged in support of economic prosperity, integration and reform in Serbia and Montenegro. We seek to fully normalize our economic relations and strongly support the provision in the Miscellaneous Tariff Bill that would allow Normal Trade Relations to be established between our countries. In May, the President determined that the strong commitment to political and economic reform shown by senior officials in the Government of Serbia and Montenegro warranted removal of the last vestiges of sanctions imposed during the Milosevic era. Earlier this year we also unblocked and returned to the successor states of the former Yugoslavia hundreds of millions of dollars in assets frozen during the Milosevic-era.

Kosovo

Four years since the end of the Kosovo conflict, Kosovo has steadily emerged from the devastation of war to become a more stable and democratic society. Security has improved, with a steady decline in most major crime categories, including interethnic violence, since June 1999. The Kosovo Police Service is assuming most police functions and is quickly approaching its full capacity of 6,500 personnel, while the number of UN international civilian police is dropping. Approximately ten percent of the Kosovo Police Service's officers and rank-and-file are ethnic Serbs, a composition well received by the force and the communities it patrols. U.S. assistance has played a significant role in this success, through contributions to training the Kosovo Police Service and through the American civilian police contingent in the UN police force.

As military threats have decreased, unfortunately, there is less progress in establishing the rule of law where there is a need to train more lawyers and judges to further increase local capacity. Ethnic relations are improving slowly but unevenly. There are several municipalities in Kosovo with Serbian majority councils or significant Serbian participation. Tensions remain in some areas, however, and there is still violence against Serbs and Serbian property. Freedom of movement for minorities is constrained in some areas, while markedly improved in others; much more can be done on this front. The

United States, together with our partners, support the right of all refugees and displaced persons to return to their homes. We are extending intensive political support and lead the way in financial assistance to support significant returns this year.

KFOR's presence remains invaluable to ensuring an overall safe and secure environment within which implementation of UN Security Council Resolution 1244 can occur. The improvement in the internal security situation has allowed for large reductions in KFOR in the past 18 months. We believe that reductions in KFOR scheduled for this year will adequately match the force to the situation on the ground.

The United States supports the approach of the UN Secretary General's Special Representative in Kosovo, Michael Steiner, who laid out in April 2002 eight standards that should be achieved before the question of final status is addressed. This approach is called "standards before status." Together with the standards, Special Representative Steiner also laid out certain benchmarks that would indicate the achievement of each standard, along with some specific actions required by local entities. It would be fair to say that there has been some progress on each of the eight standards, but that for none of them have the benchmarks, nor the actions by local entities, been fully achieved. The United States is committed to assist Kosovo achieve progress in each of these areas. We are also supporting action by the United Nations Mission in Kosovo (UNMIK) to further elaborate the benchmarks, and required activities to achieve them, so that the way forward in Kosovo is substantially clearer to all. This summer we plan to provide to UNMIK an experienced U.S. planner to help it develop a detailed workplan for achieving the benchmarks.

We believe that it is premature to discuss final status. There are those in Kosovo who seek independence, and those in Serbia who seek partition. We believe that moving toward either could risk destabilizing Kosovo and the broader region, which has only now emerged from a decade of brutal conflict. The standards laid out by Special Representative Steiner address many of the issues that at present are sources of political volatility and potential instability--like the right of people to return, unemployment, and

lack of functioning institutions of local government. Final status for Kosovo should help stabilize the region. Provided the benchmarks are achieved, this will be the case.

Croatia

Croatia has been a good partner in the war on terrorism such as the interdiction by customs officials of an arms shipment to Iraq aboard the ship Boka Star. Regrettably, its rather vocally divergent position on Iraq and Article 98, its refusal to join successor state consensus to accept unblocked Yugoslav assets, and its refusal to submit a Memorandum of Understanding on Intellectual Property Rights that we signed in 1998 to its Parliament for ratification, have strained relations. However, we welcome Croatia's recent offer to contribute a military police unit to support reconstruction in Iraq. The Department and incoming Ambassador Ralph Frank are committed to finding additional opportunities for cooperation. We look forward to reciprocal Croatian efforts to diminish the current bilateral tensions.

We want Croatia to fulfill its commitments on facilitating refugee returns, property restitution, and housing reconstruction and tenancy rights, the implementation of which has been repeatedly delayed. On June 12 the government approved measures for providing subsidized housing to refugees who had lost their "tenancy rights" under the old Yugoslav system. This represents an important step in the right direction, and we will encourage Croatia to implement these measures promptly.

We also insist that Croatia cooperate fully with ICTY, and follow through on its commitments to provide documents, expand efforts to locate indicted war criminal Croatian General Ante Gotovina, and be responsive to any new indictments. While we support Croatia's NATO and EU membership aspirations, it is imperative that we first see greater efforts to facilitate refugee returns and cooperate with ICTY.

Macedonia

In Macedonia, free, fair and peaceful elections last fall ushered in a new multiethnic coalition government with a strong, forward-looking reformist agenda. Prime Minister Crvenkovski, allied with the largest ethnic Albanian party, which includes many former fighters from the 2001 insurgency, is focused on normalization, reconciliation, and advancing Macedonia on the path of Euro-Atlantic integration. Completing implementation of the Framework Agreement that ended the 2001 insurgency is the new government's highest priority. The United States, together with the EU, NATO OSCE and others, is heavily engaged in supporting this goal. Macedonia has made substantial progress in passing legislation and improving minority representation in state structures, with special focus on the security forces. There are natural tensions within the governing coalition over the implementation of reforms, particularly in the hiring of ethnic minorities. The working relationship between the coalition's two largest parties is growing, however, as is the relationship between their leaders, Prime Minister Crvenkovski and former insurgency leader Ali Ahmeti. As the Framework Agreement implementation proceeds, public confidence in Macedonia's political institutions is deepening, lending increasing stability to the country.

At the same time, the government has set a priority on accelerating preparations for NATO and EU membership. "Operation Concordia," that assumed NATO's Amber Fox mission in March, is scheduled to depart in September, but the EU has requested of the Government an extension until December 1. Macedonia's leadership is eager to demonstrate renewed self-sufficiency in the security arena, in the face of the continued presence of small numbers of violent extremists who oppose reconciliation and seek to destabilize Macedonia and the region. Macedonia has made commendable progress toward restoring state control throughout the former conflict areas. New multiethnic police units, with international training, new policies and new procedures, are making inroads against lawlessness -- to the welcome of inhabitants who do not want to live at the mercy of organized criminal gangs or violent extremists. Through ongoing security assistance and police training programs, we will continue our work with the government on developing capable, modern, democratic security forces that conform to Western standards.

Bosnia and Herzegovina

Nearly eight years after the 1992-95 war, Bosnia and Herzegovina has only recently reached the stage where it should have been in 1992: in transition from a communist, command economy to a democratic, pluralistic, market economy state. A new currency and banking system has brought macro-economic stability and low inflation to Bosnia and Herzegovina, and business and municipal leaders are increasingly more vocal in pushing government leaders to accelerate reform. However, despite government pledges to remove obstacles to foreign and local investment, current economic growth is not sufficient to overcome its massive trade imbalance, compensate for declining international aid, or generate sufficient jobs to sustain the last three years' record level of returns by refugees and displaced persons. While Bosnia and Herzegovina held its first post-Dayton self-administered elections in October 2002, which were deemed free and fair by international observers, ethnic politics remain a divisive force at all levels of government.

At the same time, there is increasing recognition in both the Republika Srpska and the Federation that development of sustainable state-level institutions is necessary to achieve their common goal of Euro-Atlantic integration. There has been a dramatic change in the entities' attitudes in favor of developing state-level command and control of the armed forces to meet NATO's conditions for joining the Partnership for Peace, and discussions are underway to create a single state-level intelligence service. The multi-ethnic State Border Service has made a major dent in illicit trafficking in persons, weapons, and commodities, and a new state-level criminal court is trying cases using updated criminal codes. Plans are on track for a unified customs service and a state-wide value-added tax that will provide sorely-needed revenue sources to help sustain these new institutions. Bosnia and Herzegovina also has been a solid partner in the war on terrorism.

These changes are astonishing in a country where freedom of movement and free elections were problematic only a few years ago. None of the changes would be possible

without the continued presence of international civilian and military missions. The High Representative remains the agenda-setting political actor in Bosnia and Herzegovina, and still must use his powers to remove obstructionist officials and impose laws. The NATO-led Stabilization Force at greatly reduced levels continues to ensure a safe and secure environment, to disrupt any terrorist groups, and apprehend war criminals.

Persons indicted for war crimes remain at large, protected by a criminal support network whose members permeate the Republika Srpska government, military, and intelligence services, and which are connected to people involved in the assassination of Serbian Prime Minister Djindjic. The assassination has made many leaders in Bosnia and Herzegovina realize the threat posed by the symbiotic criminal-war criminal partnership. However, many remain intimidated by Radovan Karadzic and his thugs. No single act could do more to advance reform and justice for Bosnia and Herzegovina than the apprehension of Karadzic, which remains a top priority of the U.S. Government.

SFOR has from the beginning been deeply involved in providing a safe and secure environment for the High Representative and Bosnia and Herzegovina's elected leaders to do the tough work of reform and rebuilding. Refugee returns, functioning police and judicial systems, adherence to the rule of law, and economic opportunity are possible only because of the security that SFOR has created and maintained.

Conclusion

More than a decade after the start of the Balkan wars of the 1990s, reformist leaders throughout the region are not playing on grand new ideas to benefit one group at another's expense. Instead, these reformers are trying to walk the difficult, painful path away from Communism and war into Euro-Atlantic institutions. Our interest lies in helping ensure sure the path is clear, and to support their journey in every way we can.

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