

Statement of
Deputy Assistant Secretary
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“Unfinished Business in the Balkans”

Mr. Chairman, distinguished members of the committee, ladies and gentlemen: Thank you for this opportunity to represent the Department of State to discuss our policy in the Balkans. I particularly appreciate the opportunity to appear with Acting Assistant Secretary of Defense Ricardel.

Our efforts in the Balkans will continue to require active, comprehensive, and coordinated U.S. engagement, and that starts here in Washington both among the executive agencies and between the executive and legislative branches. We welcome the advice and the input of this committee and of the individual members of Congress.

As we address the question of “Unfinished Business in the Balkans,” I would like to define the business we are trying to finish; it is nothing less than the completion of the President’s vision of a Europe whole, free, and at peace.

As Under Secretary Grossman noted in his address to the North Atlantic Council in November of last year, “our focus must be on integrating the region into the community of Euro-Atlantic values: democracy, rule of law, and individual freedom.”

As he stated, “bringing the Balkans into Euro-Atlantic institutions is our goal,” and we are dedicating all the means available to us toward this end. As he concluded, “we are not departing the Balkans; we are bringing the Balkans back into Europe.”

There are obstacles in our path:

- A decade of conflict has left ethnic division and economic devastation.
- War criminals remain at large; and nearly one million refugees and internally displaced persons remain displaced.

- Porous borders and weak rule of law structures present serious human rights and security concerns, particularly in the post-9/11 world.
- The transition from a focus on aid to a concentration on trade has gone slowly.

Yet we have made important strides to ensure self-sustaining progress:

- On June 27, in electing Boris Tadic president of Serbia, the people of Serbia voted decisively for domestic reform and Euro-Atlantic integration.
- In the aftermath of the violence in March, the parties in Kosovo are beginning to build needed bridges of dialogue and address the central issue, that of moving forward on the standards for Kosovo.
- Progress in Bosnia has set the stage for the successful conclusion of SFOR's mission in Bosnia, consistent with our efforts to "hasten the day" and our "in together, out together" commitment to our NATO allies.
- With the historic expansion of NATO by seven members agreed at Prague, including several states from the region, we are working with the next generation of aspirants to ensure that others follow to complete Europe.
- In Macedonia, continued implementation of the Ohrid Framework Agreement has taken us back from the brink of broader regional conflict and taken Skopje to the threshold of accession talks with the European Union.
- Croatia has made impressive progress in its efforts to join the Euro-Atlantic family of nations with its successful application for European Union membership. While no firm date has been given to begin negotiations, many feel Croatia could start the process as early as 2005. Progress on refugee returns in Croatia has occurred, though more still needs to be done.
- Throughout the region, progress is underway to develop the means to prosecute and adjudicate war crimes cases domestically in a credible, fair and transparent way. This will leave the International Criminal Tribunal for the Former Yugoslavia (ICTY) to focus on those most responsible for the tragic events of the past decade, most notably Radovan Karadzic, Ratko Mladic, and Ante Gotovina, and let the nations of the region strengthen their

own capacities in rule of law and justice, both in dealing with the past and in laying the foundation for their future development.

- Albania continues to make steady progress towards greater Euro-Atlantic integration. Albania's foreign policy in the region remains moderate and constructive, including with regard to Kosovo. Our bilateral security relationship is excellent.
- The democratically elected governments of the Balkans are cooperating to address the regional problems they can only solve together. Through fora ranging from the Adriatic Charter to the Southeast Europe Cooperation Initiative (SECI), and in their active support for the Global War on Terrorism, they are contributors to their own stability and to international security.

Our vision for the region cannot be realized alone. It will require continued close cooperation and coordination with our Allies, who provide the vast majority of the stabilization forces and the foreign assistance, with the international and non-governmental organizations active in the region, and with the people of the region and their democratically-elected representatives, who must ultimately make the hard decisions and implement the reforms necessary to realize a Euro-Atlantic future.

In FY 2004, the United States continued to provide assistance – about \$337,000,000 to promote civil society, good governance, effective rule of law, economic revitalization, and free media in Croatia, Bosnia and Herzegovina, Serbia and Montenegro, Kosovo, Macedonia and Albania. In addition, we continue to provide substantial support – more than \$25 million in 2004 – to help support vulnerable refugees and internally displaced persons, including ensuring they have a real choice about whether they wish to return to their homes.

High unemployment in the Balkans threatens stability and opens the door to ethnic tension and religious extremism. We have started a major effort to redirect programs to address the policy, capital, and legal constraints to job creation. Unreliable energy supplies have been cited as an impediment to regional development. In response, we are continuing our push to help create a regional energy market, linking the Balkans to Western Europe. Countries will be able to buy from and sell to the market based on marginal cost, and be required to adopt transparent market rules.

Access to markets is essential for Southeast Europe whose individual economies are too small to encourage significant investment. We have supported the development of a network of WTO-compatible free trade agreements and supplied technical assistance in achieving quality standards, meeting certification requirements and introducing regulatory reform. We are also assisting the government in identifying and eliminating barriers to investment.

SERBIA AND MONTENEGRO

Along with colleagues from the NSC and Department of Defense, I accompanied Undersecretary of State for Political Affairs Marc Grossman when he visited Belgrade last week, July 6-7. We were there to congratulate the Serbian people for their vote for democracy and reform in electing Boris Tadic their new President. With Mr. Tadic's election and a democratic coalition in power in Belgrade, we believe Serbia can succeed and we want to help. But our help – and the success of Serbia – continue to depend on Serbia meeting the ambitious but achievable conditions necessary to advance its own aspirations of Euro-Atlantic integration.

First and foremost among these conditions is cooperation with the ICTY.

Belgrade's poor record on cooperation with the ICTY compelled Secretary Powell, in March of this year, to decline to certify Serbia pursuant to Section 572 of the Foreign Operations, Export Financing and Related Appropriations Act. As a result, new assistance for Serbia covered by this legislation has stopped. The Secretary's decision underscored the importance we continue to attach to Serbia's full cooperation with the ICTY as an international obligation. It is also an essential condition for progress toward membership in the Partnership for Peace, as noted in the communique from last month's NATO Summit in Istanbul, which called on Serbia and Montenegro to "cooperate with ICTY and render all necessary assistance to secure the arrest and transfer to the jurisdiction of the Tribunal of war crimes indictees." I should also add that Belgrade must drop its suits in the International Court of Justice against eight NATO Allies stemming from the Kosovo air campaign before it can join Partnership for Peace.

Serbia and Montenegro's EU aspirations are also on hold with the indefinite suspension of its feasibility study, the first step in the long accession process, because of insufficient progress on addressing political conditionality and constitutional issues. In its March 2004 report on the Stabilization and Association process, the EU noted that Serbia and Montenegro is still failing to comply with its international obligations concerning cooperation with the ICTY.

We also want to see Belgrade engage constructively on the question of Kosovo. Belgrade's restrained, constructive response to the events of March was an important element in containing the violence. Since March, we have encouraged Belgrade to be supportive of efforts to rebuild confidence between Kosovo's Serb and Albanian communities through dialogue, to reengage in dialogue in Pristina, and for Belgrade to participate in a reopening of the direct talks with Pristina on technical issues. We also welcome Belgrade's constructive engagement in a discussion on proposals for achieving better local government in Kosovo, including ideas for decentralization to bring government closer to the people it serves.

KOSOVO

Under Secretary Grossman's recent trip to the region was his third in the past eight months, and included a visit to Pristina as well as Belgrade. In both places, he focused on restoring momentum to our Review Date Strategy in the aftermath of violence in March that left nineteen dead and thousands displaced. There is no question that this violence represented a serious setback to the progress we had seen on implementing the internationally endorsed standards, which represent the only path toward resolving Kosovo's future status.

Our immediate focus in the aftermath of the violence was two-fold:

First, to hold the perpetrators accountable:

To date, international prosecutors are pursuing serious criminal charges in 52 cases, and an additional 200 cases are now before local judges under close international supervision.

And second, to repair homes that were damaged or destroyed, rebuild trust between the ethnic communities, and restore the credibility of the international community:

To date, approximately 260 of 930 damaged homes have been rebuilt, and 205 are currently under construction, according to UNMIK and Kosovo's Provisional Institutions of Self-Government (PISG) sources. Financing is being provided by PISG. The PISG has earmarked approximately 17 million Euro of its funds for reconstruction, and has committed to complete all reconstruction by this fall.

Of the more than 4,000 persons initially displaced in March, some 1,600 have returned. This displacement was doubly harmful, in that it undermined the slow progress on minority returns we had made in the past years. Prior to the March violence, Kosovo had seen the return of nearly 10,000 displaced persons to areas in which they are a minority, and the flow appeared to be increasing slowly. However, the overwhelming majority of those displaced in 1999-2000 remain so to this day. Less than five percent of the internally displaced persons who fled in 1999-2000 have returned to their homes.

Underlying these efforts is the broader question of security for all communities in Kosovo. The NATO-led security force, KFOR, has reviewed its practices in order to ensure that it is fully prepared to maintain a safe and secure environment, operating in close coordination with the UN and local police. At the NATO Summit in Istanbul in June, NATO concluded that it will maintain its present force levels in Kosovo. This will be reviewed in the fall as part of NATO's Periodic Mission Review (PMR) process.

Security will ultimately require more than the ability of the international community to deter violence. It will require dialogue between the parties, and we are working intensively, with NATO and EU representatives, to start a "Security Advisory Group" that will bring together international and local representatives.

It will also require strong leadership by the new Special Representative of the Secretary-General, Soren Jessen Petersen. He will have our strong support as he works to invigorate the standards implementation process and to reform the bureaucracy of the UN Mission in Kosovo. We have offered to provide him a strong American deputy to assist him in these important tasks.

Despite the March violence, we remain resolved to implement our Review Date Strategy, and to hold Kosovo institutions accountable for implementing the standards. To do otherwise – by accelerating the timeline of the mid-2005 review of progress, or to pre-ordain its findings – would be to reward the violence.

Kosovo has established basic democratic structures under free and fair elections. It must now focus its energies on: strengthening these institutions, securing the rule of law, ensuring that all displaced persons who wish to return are able to do so without fear, and undertaking a dialogue with Belgrade.

Kosovo's ability to meet these tasks will require that everyone in Kosovo participate in the standards implementation process. An important part of that

process is efforts of Kosovo leaders and UNMIK to devise a plan to reform governmental structures to devolve more authority to the local level. Whether termed “decentralization” or “effective local government,” such reform is key to the core issue of Kosovo’s multiethnic future, a future in which local communities of all national groups have the authority to govern their own affairs and to help ensure their own security.

An encouraging step forward occurred late in June, when Kosovo Serb and Kosovo Albanian leaders met for the first time in Pristina since before the March violence in a meeting organized by a U.S. NGO and hosted by the U.S. Chief of Mission in Pristina. A similar meeting occurred July 8 when these leaders met together with Under Secretary Grossman and his delegation. On both occasions, the parties discussed in a forthright fashion important issues of security, reconstruction, and reconciliation. We will continue to foster this spirit of dialogue in Kosovo.

BOSNIA AND HERZEGOVINA

Bosnia and Herzegovina is approaching a watershed moment in its post-conflict transition. At Istanbul, NATO Heads of State and Government agreed to conclude the SFOR mission at year’s end. This decision is recognition of NATO’s success in ending a war, and Bosnia’s progress on the path to recovery.

For the first time since Dayton, Bosnia is in the process of establishing the state institutions essential for both stability and multiethnicity:

The once separate and adversarial entity militaries and intelligence services are now coming under the command and control of the Bosnian state.

New State prosecutors are trying major criminal and corruption cases in new State courts under a new State criminal code.

State revenues to sustain these new institutions will receive a much-needed boost with the ongoing reform of the Customs and Tax administration.

But this progress is not yet irreversible. Ethnic politics remain a divisive force within and between communities. Unnecessary and bloated government structures consume over half of GDP, and current levels of economic growth are not sufficient to overcome Bosnia’s massive trade imbalance and declining levels of international assistance. Local authorities are only gradually taking full

responsibility for their own destiny. The High Representative, Lord Ashdown, continues to set the agenda and the pace for reform, using his powers to impose legislation and to remove officials when necessary.

Most recently, Lord Ashdown was forced to take action against Republika Srpska officials and the Serbian Democratic Party, the party of Radovan Karadzic, for failing to take action to apprehend Karadzic and other persons indicted for war crimes. As we have long stated, no single act would do more to advance peace and justice in Bosnia than the apprehension of Radovan Karadzic. Our efforts toward this end – including dismantling the financial and logistical support network that sustains him and other fugitives – will continue.

While SFOR is concluding, there will be structures in place to protect our substantial investment and to confront the challenges that remain. The EU will lead a new security mission, capable of supporting international civilian organizations and addressing key issues including organized crime.

NATO will continue to play an active and visible role in Bosnia. Under U.S. leadership, a new NATO headquarters in Sarajevo will play a central role in apprehending war criminals, counterterrorism, and defense reform.

MACEDONIA

In stark contrast to where it was just two years ago, Macedonia has moved from interethnic conflict to reconciliation, becoming a more resilient democracy and contributing to U.S. policy goals of peace and stability in the region and beyond. Neither President Boris Trajkovski's tragic death in February, nor the March unrest in Kosovo, proved a danger to Macedonia's stability or deterred it from the path of political, military and economic reform. Macedonia's success owes much to the efforts of the international community, which engaged to deter broader conflict, but most of all it is the achievement of the people of Macedonia.

Much of that credit goes to the late President Trajkovski, a staunch ally of America and a good friend of many in this room. The Framework Agreement, long his primary focus, has become his lasting legacy.

With the election of former Prime Minister Crvenkovski to succeed Trajkovski as president in overall free and fair elections in April, and with the parliament vote for former Interior Minister Kostov as Prime Minister in early June, Macedonia's

multiethnic governing coalition remains committed to peace, stability and interethnic tolerance.

And it shows:

For the first time since 1993, Macedonia has no foreign military peacekeeping mission on its soil.

The government is making progress on reforms, including important inroads against corruption through some key arrests.

Macedonia has applied formally for EU membership and is hoping to become a candidate country within the next year.

In this regard, we and our international community partners in Skopje continue to support the coalition's efforts to bring the final major pieces of decentralization legislation required by the 2001 Ohrid Framework Agreement to completion this summer, in preparation for municipal elections this October. While work remains, we want to see Macedonia continue on the right path.

CROATIA

And as we do with Croatia.

When Croatia's new government came to power, we resolved to judge it by its actions.

Since the beginning of 2004, Croatia has turned over four Croatian and five Bosnian Croat indictees to the ICTY. We applaud these positive moves by Zagreb officials and hope this trend will continue with the arrest and transfer of Ante Gotovina.

Working with its partners in the Adriatic Charter, Albania and Macedonia, Zagreb is preparing to assume the responsibilities of NATO membership. As noted in the communique at the Istanbul Summit, NATO insists on full cooperation with the ICTY and bringing to justice all those indicted by the Tribunal. The communiqué also acknowledges the progress that all three states have made in their quest for NATO membership and tasked NATO Foreign Ministers to keep the enlargement process under continual review.

One of the criteria for evaluating an aspirant's candidacy is regional cooperation, and Croatia has taken steps to improve its relations with neighboring states. Economic and political contacts are expanding, and increased attention has been given to the situation of ethnic minorities within Croatia. The current government has made positive, concrete steps on returns and appears to be making a concerted effort to meet aggressive deadlines for settling housing reconstruction and occupancy rights cases. Of the 190,000 homes damaged or destroyed by the war, 125,000 have been reconstructed by the government and the international community; most Croatian homes have been reconstructed, and now the government is focusing on reconstructing homes belonging to ethnic Serbs. When the current government assumed office in December, there were approximately 500 cases of illegal occupancy left unresolved (of 2000 plus at the end of the war). Now only some 55 remain to be resolved – a resolution of some 90 percent in six months. After years of avoiding the issue, the government has made some progress towards providing apartments for tenancy rights holders, but much work remains to be done.

Of the nearly 300,000 Serbs who fled Croatia during the conflict there, only approximately 137,000 have returned. More than 200,000 refugees remain displaced in Serbia and Montenegro and Bosnia and Herzegovina, and a recent OSCE study indicates that as time goes on, they are less likely to return and more likely to integrate into the community in which they have been living for the past decade. We continue to work closely to encourage the government to ensure local government cooperation provides a welcoming atmosphere for those displaced persons who wish to return to their homes, including working to ensure groundless war crimes indictments against Croatian Serb refugees are dismissed.

We continue to work with Croatia in securing an agreement to exempt U.S. citizens from the International Criminal Court. With such an agreement, also known as an Article 98 agreement, the United States will be better able to assist Croatia in carrying out the needed military reforms for NATO membership.

We also are working closely with Zagreb on a possible troop contribution to the Coalition forces in Iraq. Currently, Croatia has deployed troops to the ISAF mission in Afghanistan, where they have performed admirably. We look forward to the day when the Coalition bringing peace and stability to a free Iraq includes Croatian forces.

ALBANIA

Albania continues to be a staunch ally in the Global War on Terrorism. Albanian troops are serving with distinction in Afghanistan and Iraq, and the government has recently stated its intention to increase its forces in Iraq.

The government has frozen terrorist assets and maintains a watchful eye against foreign extremist elements seeking to influence the overwhelmingly moderate Muslim community. With U.S. and international donor help, Albania has made gains in controlling corruption, increasing transparency, and curbing organized criminal activities such as human trafficking and narcotics smuggling. Albania's ability to hold free and fair parliamentary elections in summer 2005, and particularly its ability to resolve election disputes according to the rule of law, will be an important indicator of the country's progress towards democratization.

Conclusion

Mr. Chairman, the issues you have asked me to address here today, the "Unfinished Business in the Balkans," remain daunting when laid out so starkly. But with your great experience in this part of the world you know well how long a road we have traveled in the past decade. Ten years ago, when the region was torn by wars fostered by those who fuelled ethnic hatred, reconciliation was barely a dream. I wish I could say that every day that dream seems closer to being realized, but even in the "two steps forward, one step back" manner in which progress is made in the Balkans we have much cumulative success to celebrate. Mr. Chairman, with the support of the Congress we will continue to press forward, and with perseverance I believe we will see all the nations of the Balkans take their rightful place in that Europe of President Bush's vision .at last whole, free and at peace.

Thank you, Mr. Chairman, and I look forward to answering any questions you may have.