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**Senate Foreign Relations Subcommittee on European Affairs**  
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**“Unfinished Business in Southeast Europe:  
Opportunities and Challenges in the Western Balkans”**

Chairwoman Shaheen, Ranking Member DeMint, Members of the Committee:

Thank you very much for inviting me here today to discuss U.S. policy toward the Western Balkans. This is a region that is crucial to Europe’s future. For that reason, it has been the focus of continued and intensive engagement by the Obama Administration and I look forward to updating you on our efforts.

Today, I would like to do four things. First, I would like to explain why the integration of the Western Balkans into the Euro-Atlantic community is a high priority for the United States. Second, I will outline the progress we have seen in recent years in the region. Third, I will describe challenges that remain in the region – in particular, the absence of political compromise in Bosnia, the stabilization of Kosovo, and the dispute between Greece and Macedonia over the latter’s name. Finally, I would like to describe policies that the Administration will pursue, in close coordination with our European partners – and in consultation with Congress – to achieve our long-term objective of successfully integrating the region into the Euro-Atlantic community.

*The Western Balkans and Euro-Atlantic Integration*

Our objectives in the Western Balkans are bound up with the historic work of building a democratic, prosperous, unified, and secure Europe. This is a goal that has been pursued with determination and vision by generations of Europeans and Americans. The last two decades have witnessed extraordinary success as the newly free nations of Central and Eastern Europe have joined the European project. But it is a project that is not yet complete. It must extend to all countries across the continent, and that includes the Western Balkans. We have a vision of a democratic, peaceful, and prosperous region and we believe the path to achieving this vision for the Balkans is through integration into Europe’s political and economic institutions.

Perhaps the best way to understand the logic of this approach is to briefly consider the troubled history of this part of Europe. Consider what Southeastern Europe looked like at both the beginning and end of the twentieth century. The Balkan wars preceding World War I and those of the 1990s saw the region racked by ethnic rivalry, hyper-nationalism, and bloody wars. These conflicts demonstrate the stakes of politics in the region – for the citizens who live there and for outside powers that were inevitably drawn in. Though the experience of the 1990s differs in many ways from that of pre-World War I Europe, I think it is fair to say that the fundamental problem that lay behind this history of conflict was the mismatch between geopolitical and ethnic boundaries and the absence of adequate political mechanisms to deal with

this mismatch. What this difficult history teaches us is that attempts to resolve this contradiction through force are doomed to foster only further conflict and violence.

Other parts of Europe have faced these same challenges, and the experience of Western Europe after World War II and Eastern Europe after the Cold War demonstrates that there is another and a better way: the path of political and economic integration. The twin pillars of this process are NATO and the European Union. Progress for the continent has come from transnational cooperation and institutions that guarantee the rights of citizens, promote economic freedom, ensure the inviolability of borders, and provide a reliable forum for the peaceful resolution of disputes. Moreover, the opportunity for political engagement that crosses national borders reduces the salience and pressure of ethnic and regional disputes within nations. That is the promise of the project of European integration: the peaceful resolution of disputes through a common political enterprise and shared wealth and opportunity through a common market.

The lesson of the 1990s is that significant portions of Southeastern Europe did not share in this experience and we saw the tragic human consequences. The United States and European countries and institutions have an essential role to play in engaging with the region in a strategic and sustained manner. But the responsibility ultimately lies with the countries of the region themselves who must do the hard political work of reform and reconciliation.

#### *Progress to Date*

The progress we have seen during the last ten years is testament to the power of sustained outside engagement, internal political reform, and the process of Euro-Atlantic integration. When I was last in government, in the late 1990s during the Clinton Administration, war in Bosnia was still a fresh memory and Kosovo was consumed by violence and ethnic “cleansing.” A decade of hard work has brought us much closer to realizing our goal of including the Western Balkans in a peaceful and democratic Europe. All of the countries of the region have undergone dramatic political and social transitions in recent years. With Montenegro’s peaceful separation from Serbia in 2006 and Kosovo’s declaration of independence in 2008, the final chapter in the breakup of the former Yugoslavia was closed. Now, nearly every country in the region has taken concrete steps toward integration into Euro-Atlantic structures.

Two years after independence, Kosovo’s leadership has made tremendous progress. The Government of Kosovo is building roads and schools as well as ministries and agencies. 2009 was a year of growth and consolidation for Kosovo's institutions, marked by the birth of the Constitutional Court and the success of the first democratic elections managed by Kosovo's Central Elections Commission. Kosovo Serb turnout in the newly established Serb-majority municipalities was significant, and four new ethnic Serb mayors were elected. Kosovo and Macedonia also reached a historic agreement demarcating their shared border and opened full diplomatic relations. Kosovo and Montenegro have also established full diplomatic relations.

The EU is a crucial partner to the United States in our efforts to keep Kosovo on the path of reform and progress. We were pleased to see the European Commission’s October 2009 strategy paper, which set forth practical measures that underscore Kosovo’s European perspective and will help to ensure Kosovo moves forward along with other countries in the

Western Balkans. We appreciated EU High Representative Ashton's recent visit to Kosovo to reinforce the message that it, too, has a future in the EU, along with its neighbors in the region, and that the EU is working with Kosovo towards visa liberalization and an interim trade agreement. The United States is proud to contribute personnel to the European Rule of Law Mission, EULEX, deployed in December 2008, which is now building capacity in Kosovo's police, customs, and judicial institutions. Because of advances in establishing peace and stability, NATO's Kosovo force has begun a phased process to draw down its forces.

This year, Bosnia and Herzegovina will mark fifteen years since the genocide at Srebrenica and the subsequent signing of the Dayton Peace Accords. Bosnia has made significant progress addressing the problems and challenges that are the legacy of the war. Today, Bosnia has a single military, is a member of NATO's Partnership for Peace, and has taken the first major step on the road to EU membership by signing a Stabilization and Association agreement with the EU.

Serbia has elected a pro-European, democratic government, which is moving to institute rule-of-law and market reforms and pursuing improved relations with its neighbors – with the important exception of Kosovo. The Serbian National Assembly passed a resolution on March 31 condemning the crimes committed at Srebrenica and calling for the capture of war crimes fugitive Ratko Mladic. In addition, we were pleased to see Serbia take three significant steps toward EU integration in 2009. In addition to the EU decision to extend visa-free travel in the Schengen zone to Serbian citizens – as well as Macedonians and Montenegrins – Serbia's Interim Trade Agreement with the EU was unfrozen, and Belgrade submitted its EU membership application; these actions all represent positive signs of Serbia's progress on its European path. We understand the EU will review Serbia's Stabilization and Association Agreement later this year, perhaps as early as this summer.

We also support Albania's full integration into the Euro-Atlantic fold. While we believe the Albanian government should do more to combat corruption, and we hope to see an end to the country's parliamentary stalemate, Albania has played a constructive role in the region and beyond, by engaging ethnic Albanians in the region, bringing about reconciliation of Albanian and Serbian communities, by renewing high-level political exchanges with the Government of Serbia after a five-year hiatus, and by supporting Serbia's and Kosovo's Euro-Atlantic integration. Albania has also just submitted its answers to the European Commission's membership questionnaire.

Croatia is far along in its EU accession negotiations and we are paying close attention to efforts to resolve the Slovenia-Croatia border dispute. The United States supports Croatia's European Union candidacy. We hope and expect Croatia can complete negotiations this year. If an accession treaty is ratified quickly, Croatia might enter the EU in early 2012. Of course, this timeline is based upon Croatia's maintaining its pace of reform, including continuing its cooperation with the ICTY and following through on recent commitments to ratchet up the fight against corruption.

The countries of the region have also taken steps toward integration into NATO. Albania and Croatia joined the Alliance in 2009. Macedonia will receive an invitation to join NATO as

soon as the dispute with Greece over its name is resolved. Montenegro was invited to enter the Membership Action Plan (MAP) at the December 2009 NATO Ministerial and will start its first MAP cycle this fall. We would like to see Bosnia's candidacy for NATO membership move forward. As Ministers noted in December, Bosnia will join MAP once it achieves the necessary progress in its reform efforts. Holding countries to their reform commitments is of fundamental importance to the integrity of the membership process. In the interim, we and our NATO allies will support and assist Bosnia's government to make the necessary changes.

The door to NATO remains open for Serbia. We were pleased when Serbia appointed an ambassador and military representative to NATO last year and we look forward to the implementation of an information security agreement that will enable the opening of Serbia's mission to NATO in 2010. We also hope Serbia will take a more active role in the Partnership for Peace Program, which it joined in 2006, to complement our very robust bilateral military-to-military contacts. Serbia joined the South East Defense Ministerial in 2009, which should lead to increased regional engagement. We've also encouraged Serbia to seek opportunities to participate in international peacekeeping efforts.

Finally, let me note that almost all countries in the region are contributing forces to help advance stability in other regions of the world, including to the International Security Assistance Force (ISAF) in Afghanistan. For those countries still aspiring to join NATO, their ISAF involvement is a tangible expression of their willingness to take up the burden of international security.

### *Remaining Challenges*

Though the progress we have seen is encouraging and demonstrates how far the Western Balkans have come, there still remains substantial distance to travel before the region is fully integrated into the fabric of European and Euro-Atlantic institutions. Addressing the last remaining obstacles to full Euro-Atlantic integration is the responsibility of leaders in the Western Balkans and it is also the object of coordinated U.S. and European engagement in the region. I will focus my remarks on three principal issues which are of the greatest concern to the United States and whose resolution can make the greatest difference to the region's prospects for joining the Euro-Atlantic community: the political situation in Bosnia and Herzegovina, Kosovo's stabilization, and the ongoing dispute between Greece and Macedonia over the latter's name.

*Bosnia.* For the better part of the last four years, Bosnia's political leaders have not demonstrated the political will necessary to advance reforms. They have been stuck in a vicious cycle where narrow ethnic and short-term personal political interests have trumped shared, long-term objectives that would benefit all of Bosnia's communities. During his May 2009 speech to the Parliament of Bosnia and Herzegovina, Vice President Biden emphasized the need for Bosnian authorities to work together across ethnic and party lines so that Bosnia could function as a single, sovereign state. Last October we and the EU started intensive consultations with the political party leaders in Bosnia – the so called Butmir process, named for the military base where the talks began. The goal of this initiative was to reach consensus among the parties to improve the functionality of the state so as to position Bosnia for EU candidacy and the NATO

membership process, and resolve the so-called 5-plus-2 objectives and conditions established by the Peace Implementation Council for closing the Office of the High Representative. It was not an attempt to radically change Dayton, create a centralized state, or alter Bosnia's two-entity structure. But the initiative would resolve basic inconsistencies between the Dayton constitutional framework and the European Convention on Human Rights, give the Bosnian state the clear lead on matters related to EU accession, and improve efficiency and effectiveness of decision making – all of which are needed for Bosnia to move closer to NATO and the EU.

The parties regrettably have not found a way to move the process forward, and we are now entering an election season, making prospects for compromise and agreement all the more challenging. Nevertheless, we are making clear to Bosnian party leaders that the election is not an excuse to do nothing and that they have an obligation to work in the best interests of their citizens. This is the message Deputy Secretary Jim Steinberg, along with Spanish Foreign Minister Miguel Moratinos, took to Sarajevo last week. We are determined, along with the EU, to continue the dialogue on reform, protect the integrity of the Dayton Agreement and Bosnian state institutions, and promote a productive atmosphere leading up to the October 2010 national elections in Bosnia and beyond. Ultimately, however, the burden of achieving Bosnia's aspirations rests on Bosnia's political leaders and their willingness to compromise. If they choose not to do so, they will have to explain to their voters why Bosnia's neighbors are moving ahead, while Bosnia is left behind. Bosnia's citizens, especially its young people, want to be part of Europe and to take advantage of all the opportunities that come with that, including travel, education, and commerce, and it is to them that Bosnia's leaders are answerable.

*Kosovo.* Sixty-five countries across the world have recognized Kosovo as a sovereign and independent state – Kosovo's independence is irreversible. Kosovo has come far in its first two years of independence, but has much work to do. We are working closely with Kosovo's government to address a range of remaining challenges. The important task of decentralizing government must continue. To succeed, the government must step up its outreach to Kosovo's Serb community, including in northern Kosovo, to outline the benefits of decentralization, which will bring governance closer to the people. The government must also ensure that municipalities have all the support they need to succeed in exercising their new functions and providing services to citizens. The protection of Serb religious and cultural sites remains an important priority that will have an impact on the success of decentralization and interethnic relations throughout Kosovo. Getting decentralization right will help lay the groundwork for a prosperous, democratic future for all of Kosovo's citizens.

Strengthening rule of law is a critical priority for Kosovo; in fact it is the key to success in other areas. The Kosovo government has begun to build the legal framework and judicial institutions for a stable, successful justice system. But the government must move aggressively now to tackle remaining deficits by passing and implementing critical legislation that will strengthen Kosovo's institutions, modernize its judicial process, and update its legal codes in line with democratic standards. The government must take energetic steps to root out corruption and fight organized crime, in close cooperation with the EULEX Rule of Law mission. With these reforms in place, Kosovo can continue its steady progress toward fulfilling its promise as Europe's newest country.

On the economic front, the government must implement the reforms necessary for the private sector to grow. Here Kosovo is particularly challenged by a legacy of socialism and strife, with high unemployment, low investment rates, and a relatively small economic base on which to build. We are working closely with the Kosovo government, the EU, and other international partners to help implement the reforms that will spur private-sector led investment and growth. Clear and transparent privatizations remain integral to building trust with citizens and international partners alike, and developing an attractive investment climate. Equally important, until revenues increase, the Government of Kosovo must implement a sustainable budget. We are also supporting comprehensive energy sector reform, another key component to ensuring stable growth and one that cannot afford further delay.

Serbia has an important role to play on issues that will have practical benefits for the people of Kosovo. We urge Belgrade to find ways to cooperate on concrete humanitarian issues in Kosovo that would help the ethnic Serb communities there to improve their quality of life. Our vision for the Western Balkans relies on Serbia and her neighbors maintaining good relations, including supporting the participation of all countries in the Western Balkans in regional fora so they can address issues of mutual concern. The United States welcomes the recent joint initiative of Serbian President Tadic and Croatian President Josipovic for strengthening bilateral cooperation between the two countries. We hope that Serbia will continue to improve its efforts to ensure stability throughout the Balkans, including in Kosovo. Dialogue and cooperation to address practical, day-to-day issues such as electricity supply, customs, and courts are in everyone's interest and will improve the lives of all people in Kosovo, including Kosovo Serbs.

The United States remains committed to Kosovo's sovereignty and territorial integrity. Kosovo's independence is a force for stability in the region, as all the countries in the Western Balkans are now free to focus on promoting good relations and advancing on their respective tracks to full Euro-Atlantic integration.

*Macedonia.* Supporting Macedonia's integration into NATO and the EU remains a vital element in our efforts to promote peace and stability in the Balkan region. Macedonia has met nearly all of the technical reform benchmarks set by the EU, and the European Commission has recommended setting a start date for accession negotiations. We also commend Macedonia and Kosovo on completing the demarcation of their mutual border in October of last year and on establishing formal diplomatic relations. This is a major step for regional stability. Macedonia is an active participant in NATO's Partnership for Peace and Membership Action Plan. It is also one of the highest per capita troop contributors to ISAF. Macedonia's troop commitments are a reflection of the substantial progress the country has made in recent years in meeting NATO's standards in the defense sector.

To maintain this positive momentum, there are further steps we encourage Macedonia to take. We encourage the Macedonian government to prioritize improving inter-ethnic relations by continuing to implement both the letter and spirit of the Ohrid Framework Agreement. In addition, Macedonia must continue to focus on reforms, particularly in the area of rule of law.

Most crucially, the ongoing name dispute with Greece must be resolved as soon as possible. The United States strongly supports the ongoing UN negotiation efforts, led by Matthew Nimetz. We will embrace any mutually acceptable solution that emerges from the negotiations, but there must be a solution and soon. Active, constructive engagement between Athens and Skopje is vital to any positive outcome. We are encouraged by bilateral contacts at the highest levels in recent months to build confidence and to make progress on this issue. The dispute continues to impede Macedonia's integration into NATO and the EU and is therefore a potential threat to the stability of the whole region. In the interests of both countries and indeed of the entire region, leaders in both Macedonia and Greece must now take bold and decisive action to resolve this issue once and for all.

### *The Way Forward*

Despite the challenges that remain, this Administration remains confident that, with close coordination with our European partners and the willingness of regional leaders to make the right choices, the Western Balkans can complete their path toward Euro-Atlantic integration. Nowhere else has U.S.-EU cooperation been more important or more promising than in Southeast Europe, where we have worked together successfully for over a decade to move the Balkans beyond the bloody and divisive mindset that tore apart the region in the 1990s. And indeed, while Balkan policy once divided the United States and Europe, today we are united in our determination to see this process through to a successful conclusion.

This Administration has also reinvigorated our engagement in the Balkans. Vice President Biden's May 2009 visit to Bosnia and Herzegovina, Serbia, and Kosovo underscored our commitment to help the countries of the region realize their Euro-Atlantic aspirations. And, as I mentioned earlier, Deputy Secretary Steinberg just completed the most recent of his many trips to the area. Together with our European partners, we are seeking to facilitate the resolution of those disputes that are holding back integration and reform. And we are backing this commitment with considerable resources: our assistance effort in the Balkans has amounted to over 5 billion dollars since 1995, helping these countries to meet the needs of their people, develop their economies, and build their institutions so that they can become full partners of the United States and members of the Euro-Atlantic community.

More than ever before, credible prospects of membership in the EU and NATO remain the most powerful incentive for continued reforms. The "Open Door" must be tangible, and the prospect of EU and NATO membership real, to continue driving necessary reforms. At the same time, to ensure the positive effect of these incentives continues, we must not compromise on the high standards we expect of prospective EU and NATO members. This is why we have been closely monitoring and encouraging efforts to resolve the border dispute between Croatia and Slovenia and the name dispute between Macedonia and Greece, so that other current and future candidates with unresolved bilateral disputes do not become discouraged.

The EU's decision last year to grant visa-free travel throughout the entire Schengen area to Macedonia, Montenegro, and Serbia was an important signal of the tangible benefits of progress toward integration. While Bosnia was unable to meet the EU requirements at that time, it has since made tremendous progress in addressing the outstanding technical requirements.

We hope it will earn the right to visa-free travel sometime this year. Further, we welcome the EU's commitment to provide Kosovo with technical advice to help the government complete reforms that will qualify it for EU visa liberalization.

Ultimately, of course, the burden of achieving Euro-Atlantic integration, and through it security and prosperity, lies with the leadership and the people of the Western Balkans. One of the most promising developments of the last decade is the increasing realization among countries in the region that their prospects rise and fall together. This understanding has spurred the steps toward regional cooperation and ethnic reconciliation that we have seen, though there is still more to do. If the countries of the Western Balkans are willing to make the hard choices necessary for reform and joining the Euro-Atlantic community, the United States will stand with them.

Madam Chairwoman, Senator DeMint, members of the Committee, I am grateful for the opportunity to speak before you today, and I welcome the opportunity to respond to your questions.