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Message to the Congress Reporting on Efforts To Achieve a Sustainable Peace in Bosnia and Herzegovina

February 4, 1999

To the Congress of the United States:

Pursuant to section 7 of Public Law 105–174, I am providing this report to inform the Congress of ongoing efforts to achieve sustainable peace in Bosnia and Herzegovina (BiH). This is the first semiannual report that evaluates progress in BiH against the ten benchmarks (''aims'') outlined in my certification to the Congress of March 3, 1998. NATO adopted these benchmarks on May 28, 1998, as part of its approval of the Stabilization Force (SFOR) military operations plan (OPLAN 10407). The Steering Board of the Peace Implementation Council (PIC) subsequently adopted corresponding benchmarks in its Luxembourg Declaration of June 9, 1998.

NATO, the Office of the High Representative (OHR) and my Administration have coordinated closely in evaluating progress on Dayton implementation based on these benchmarks. There is general agreement that there has been considerable progress in the past year. The basic institutions of the state, both political and economic, have been established. Key laws regarding foreign investment, privatization, and property are now in place. Freedom of movement across the country has substantially improved. Fundamental reform of the media is underway. Elections have demonstrated a continuing trend towards growing pluralism. Nevertheless, there is still much to be done, in particular on interethnic tolerance and reconciliation, the development of effective common institutions with powers clearly delineated from those of the Entities, and an open and pluralistic political life. The growth of organized crime also represents a serious threat.

With specific reference to SFOR, the Secretaries of State and Defense, in meetings in December 1998 with their NATO counterparts, agreed that SFOR continues to play an essential role in the maintenance of peace and stability and the provision of a secure environment in BiH, thus contributing significantly to progress in rebuilding BiH as a single, democratic, and multiethnic state. At the same time, NATO agreed that we do not intend to maintain SFOR's presence at current levels indefinitely, and in fact agreed on initial reductions, which I will describe later in this report. Below is a benchmark-by-benchmark evaluation of the state-of-play in BiH based on analysis of input from multiple sources.

1. *Military Stability*. Aim: Maintain Dayton cease-fire. Considerable progress has been made toward military stabilization in BiH. Entity Armed Forces (EAFs) are in compliance with Dayton, and there have been no incidents affecting the cease-fire. EAFs remain substantially divided along ethnic lines. Integration of the Federation Army does not reach down to corps-level units and below. However, progress has been made through the Train and Equip Program to integrate the Ministry of Defense and to provide the Federation with a credible deterrent capability. Although it is unlikely to meet its target of full integration by August 1999, the Federation Ministry of Defense has begun staff planning for integration. The Bosnian Serb Army (VRS) continues its relationship with the Federal Republic of Yugoslavia (FRY) Army. Similarly, the Bosnian Croat element of the Federation Army maintains ties with Croatia. In both cases, however, limited resources impinge on what either Croatia or the FRY can provide financially or materially; the overall trend in support is downward. In some areas, the VRS continues to have certain qualitative and quantitative advantages over the Federation Army, but the Train and Equip Program has helped narrow the gap in some key areas. The arms control regimes established under Articles II (confidence and security-building measures) and IV (arms reduction and limitations) of Annex 1–B of the Dayton Peace Accords are functioning. In October 1997, BiH and the other parties were recognized as being in compliance with the limitations on five major types of armaments (battle tanks, armored combat vehicles, artillery, combat aircraft, and attack helicopters) set forth in the Article IV agreement, which were derived from the Annex 1B 5:2:2 ratios for the FRY, Republic of Croatia, and BiH respectively. The parties have since maintained armament levels consistent with the limitations and are expected

to do so in the future. A draft mandate for an Article V agreement (regional stability) has been approved; negotiations are due to begin in early 1999. Military stability remains dependent on SFOR as a deterrent force.

2. *Public Security and Law Enforcement.* Aim: A restructured and democratic police force in both entities. There has been considerable progress to date on police reform due to sustained joint efforts of the International Police Task Force (IPTF), Office of the High Representative (OHR), and SFOR, which have overcome a number of significant political obstacles. So far, approximately 85 percent of the police in the Federation have received IPTF-approved training, as have approximately 35 percent of the police in the Republika Srbska (RS). All sides continue to lag in the hiring of minority officers and, as the IPTF implements its plans to address this problem, tensions will increase in the short-term. SFOR often must support the IPTF in the face of crime, public disorder, and rogue police. Monoethnic police forces have often failed to facilitate minority returns. In these types of scenarios, SFOR's use of the Multinational Specialized Unit (MSU) has been a force multiplier, requiring fewer, but specially trained troops. At this point, SFOR's essential contribution to maintaining a secure environment, to include backing up IPTF in support of nascent civilian police forces, remains critical to continued progress.

3. *Judicial Reform.* Aim: An effective judicial reform program. Several key steps forward were taken in 1998, such as the signing of an MOU on Inter-Entity Legal Assistance on May 20, 1998, and establishment of an Inter-Entity Legal Commission on June 4, 1998. The Federation Parliament in July adopted a new criminal code. Nevertheless, the judicial system still requires significant reform. Judges are still influenced by politics, and the system is financially strapped and remains ethnically biased. Execution of judgments, in particular eviction of persons who illegally occupy dwellings, is especially problematic. The progress made in the area of commercial law is encouraging for economic development prospects.

4. *Illegal Institutions, Organized Crime, and Corruption.* Aim: The dissolution of illegal pre-Dayton institutions. Corruption remains a major challenge to building democratic institutions of government. Structures for independent monitoring of government financial transactions are still not in place. Shadow institutions still need to be eliminated. The burden of creating institutions to combat fraud and organized crime falls mostly to the international community and in particular to the IPTF. SFOR contributes to the secure environment necessary for the success of other international efforts to counter these illegal activities.

5. *Media Reform.* Aim: Regulated, democratic, and independent media. Approximately 80 percent television coverage has been achieved in BiH through the international community's support for the Open Broadcasting Network (OBN), which is the first (and so far only) neutral source of news in BiH. Several television and radio networks have been restructured and are led by new management boards. Most are in compliance with Dayton except for some regional broadcasts. The Independent Media Commission assumed responsibility for media monitoring from the OSCE on October 31, 1998. Progress has been significant, but BiH still has far to go to approach international standards. SFOR's past actions in this area are a key deterrent against illegal use of media assets to undermine Dayton implementation.

6. *Elections and Democratic Governance.* Aim: National democratic institutions and practices. With the exception of the election of a nationalist to the RS presidency, the September 1998 national elections continued the long-term trend away from reliance on ethnically based parties. The two major Serb nationalist parties lost further ground and, once again, will be unable to lead the RS government. Croat and Bosniak nationalist parties retained control, but saw margins eroded significantly. In this regard, SFOR's continued presence will facilitate conduct of the municipal elections scheduled for late 1999 but, as has been the case with every election since Dayton, the trend of increasingly turning over responsibility for elections to the Bosnians themselves will continue.

7. *Economic Development.* Aim: Free-market reforms. While the process of economic recovery and transformation will take many years, some essential groundwork has

been laid. Privatization legislation and enterprise laws have been passed, and banking legislation has been partially passed. Fiscal revenues from taxes and customs have increased significantly. Nevertheless, the fiscal and revenue system is in its infancy. Implementation of privatization legislation is slow and the banking sector is under-funded, but there are signs of development in GDP. There has been a marked increase in freedom of movement, further enhanced by the uniform license plate law. SFOR's continued contribution to a secure environment and facilitating freedom of movement is vital as economic reforms begin to take hold.

8. *Displaced Person and Refugee (DPRE) Returns.* Aim: A functioning phased and orderly minority return process. While there have been some significant breakthroughs on DPRE returns to minority areas, such as Jajce, Stolac, Kotor Varos, Prijedor, Mostar, and Travnik, the overall numbers have been low. In some areas where minority DPREs have returned, interethnic tensions rose quickly. Some nationalist political parties continue to obstruct the return of minority DPREs to the areas they control. Poor living conditions in some areas present little incentive for DPREs to return. The Entities are using DPREs to resettle regions (opstinas) that are of strategic interest to each ethnic faction. SFOR's contribution to a secure environment remains vital to OHR efforts to facilitate minority returns.

9. *Brcko.* Aim: A multiethnic administration, DPRE returns, and secure environment. Freedom of movement in Brcko has improved dramatically. Citizens of BiH are increasingly confident in using their right to travel freely throughout the municipality and the region. Police and judicial elements have been installed, but the goal of multiethnicity in these elements still has not been realized. About 1,000 Federation families have returned to the parts of Brcko on the RS side of the Inter-Entity Boundary Line, but few Serb displaced persons have left Brcko to return to their pre-war homes. SFOR support will be a critical deterrent to the outbreak of violence during the period surrounding the Arbitrator's decision on Brcko's status anticipated for early in 1999.

10. *Persons Indicted for War Crimes (PIFWCs).* Aim: Cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) leading to the transfer of PIFWCs to The Hague for trial. Thanks to action by the Congress, the Secretary of State now has the ability to offer rewards of up to $5 million for information leading to the arrest or conviction of PIFWCs. Of the 81 people indicted publicly by the Tribunal, only 29—36 percent—are still at large. The two highest-profile indictees, Karadzic and Mladic, are among them. Bosniaks are cooperating with the ICTY, but the failure of the RS to support the ICTY is a major obstacle to progress. Bosnian Croats have cooperated with respect to the surrender of all but two public indictees, but have not cooperated fully with respect to the Tribunal's orders that they turn over documents needed for the fair trial of a number of indictees. SFOR continues to provide crucial support in the apprehension of PIFWCs and for ICTY exhumations.

In my report to the Congress dated July 28, 1998, I emphasized the important role that realistic target dates, combined with concerted use of incentives, leverage, and pressure on all parties, should play in maintaining the sense of urgency necessary to move steadily toward an enduring peace.

The December 1998 Peace Implementation Council Declaration and its annex (attached) offer target dates for accomplishment of specific tasks by authorities in BiH. The PIC decisions formed the background against which NATO Defense Ministers reviewed the future of SFOR in their December 17 meeting. Failure by Bosnian authorities to act within the prescribed timeframes would be the point of departure for more forceful action by the OHR and other elements of the international community. Priorities for 1999 will include: accelerating the transition to a sustainable market economy; increasing the momentum on the return of refugees and displaced persons, particularly to minority areas; providing a secure environment through the rule of law, including significant progress on judicial reform and further establishment of multiethnic police; developing and reinforcing the central institutions, including adoption of a permanent

election law, and the development of greater confidence and cooperation among the Entity defense establishments with the goal of their eventual unification; and pressing ahead with media reform and education issues.

In accordance with the NATO Defense Ministers' guidance in June 1998, NATO is conducting a series of comprehensive reviews at no more than 6-month intervals. The first of these reviews was completed on November 16, 1998, and recently endorsed by the North Atlantic Council (NAC) Foreign and Defense Ministers. In reviewing the size and shape of SFOR against the benchmarks described above, the United States and its Allies concluded that at present, there be no changes in SFOR's mission. NATO recommended, however, that steps begin immediately to streamline SFOR. The NAC Foreign and Defense Ministers endorsed this recommendation on December 8, 1998, and December 17, 1998, respectively. The Defense Ministers also endorsed a report from the NATO Military Authorities (NMAs) authorizing further adjustments in SFOR force levels—in response to the evolving security situation and support requirements—to be completed by the end of March 1999. While the specifics of these adjustments are still being worked, they could amount to reductions of as much as 10 percent from the 6,900 U.S. troops currently in SFOR. The 6,900 troop level already represents a 20 percent reduction from the 8,500 U.S. troops deployed in June 1998 and is 66 percent less than peak U.S. deployment of 20,000 troops in 1996.

The NATO Defense Ministers on December 17, 1998, further instructed NMAs to examine options for possible longer-term and more substantial adjustments to the future size and structure of SFOR. Their report is due in early 1999 and will give the United States and its Allies the necessary information on which to base decisions on SFOR's future. We will address this issue in the NAC again at that time. Decisions on future reductions will be taken in the light of progress on implementation of the Peace Agreement. Any and all reductions of U.S. forces in the short or long term will be made in accordance with my Administration's policy that such reductions will not jeopardize the safety of U.S. armed forces serving in BiH.

My Administration values the Congress' substantial support for Dayton implementation. I look forward to continuing to work with the Congress in pursuit of U.S. foreign policy goals in Bosnia and Herzegovina.

William J. Clinton

The White House,
February 4, 1999.

NOTE: this message was released by the Office of the Press Secretary on February 5.

Remarks on Presenting the Presidential Awards for Excellence in Microenterprise Development

February 5, 1999

The President. Thank you. Carol, you'd better watch it. Before you know it you'll be running for office. [*Laughter*] What a remarkable statement; thank you so much.

I'd like to take a little—a few moments more than I normally would by way of introduction today. Hillary and I and Bob Rubin are real happy today, because this is one of the things that I ran for President to do, to see these stories, to see the spirit, and to see the potential.

I want to thank Secretary Rubin. You know, I used to tell a joke about Bob Rubin. He's been here a long time now, and he left this fabulous career on Wall Street. And I used to tell everybody that I asked Bob Rubin to come to Washington in 1993 to help me save the middle class, and by the time he leaves he'll be one of them. [*Laughter*]

Secretary Rubin. That always seems a lot funnier to you, Mr. President. [*Laughter*]

The President. Yes. I don't know how much it's cost him to stay here these 6 years, but one of the reasons that I really wanted him to come is that when we—even in the beginning, when we began talking about these matters in '92, he always said, "You know, I'd like to get the economy going again and working again, and then we could maybe really do something for poor people in this country. Maybe we could really bring the spirit of enterprise to all these places that have been left behind."