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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

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RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

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- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20504

Chon 5090

July 6, 1999

ACTION

MEMORANDUM FOR SAMUEL R. BERGER

THROUGH: GREG SCHULTE *JS*

FROM: SAMUEL MOYN *Sam*

SUBJECT: Semiannual Report to Congress on Progress toward
Achieving Benchmarks in Bosnia

Attached at Tab I is a memorandum to the President recommending that he submit the attached report to Congress on progress toward achieving benchmarks in Bosnia. The Levin Amendment to P.L. 105-174, the Bosnia Supplemental, urged the President to seek agreement with NATO Allies on benchmarks for a sustainable peace process, on estimated target dates for achieving those benchmarks, and on a process to review progress towards achieving the benchmarks. The President submitted his first report under this amendment on July 29, 1998. The Amendment also required that semiannually after the first report, so long as U.S. ground combat forces continue to participate in SFOR, the President report to the Congress on progress made toward achieving the benchmarks. The President submitted the first semiannual report on February 2. This is the second semiannual report.

Concurrences by: Mike Hurley; Chuck Allen; Joseph Bouchard; *Sam*
Mark Tavlarides

RECOMMENDATION

That you sign the memorandum to the President.

Attachments

Tab I Memorandum to the President
Tab A Transmittal Letters
Tab B Report to Congress
Tab C Incoming Correspondence

THE WHITE HOUSE
WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

THROUGH: THE EXECUTIVE CLERK

FROM: SAMUEL BERGER
LARRY STEIN

SUBJECT: Semiannual Report to Congress on Progress Toward
Achieving Benchmarks in Bosnia

Purpose

Submit report to Congress on Progress in Bosnia.

Background

The Levin Amendment to P.L. 105-174, the Bosnia Supplemental, urged you to seek agreement with NATO Allies on benchmarks for a sustainable peace process, on estimated target dates for achieving those benchmarks, and on a process to review progress towards achieving the benchmarks. The Amendment also required you to submit to Congress a report on efforts in this regard. Your first report under the Amendment was submitted on July 29, 1998, explaining that both NATO and the Peace Implementation Council (PIC) had adopted a set of ten U.S.-proposed benchmarks and a six-month review cycle corresponding to Congressional reporting requirements.

The Amendment also required that semiannually after the first report, so long as U.S. ground combat forces continue to participate in SFOR, you report to the Congress on progress made toward achieving the benchmarks. You submitted the first semiannual report on February 5, noting considerable progress in the areas of institutional, legal, electoral and media reform, but a need for more work on interethnic tolerance and reconciliation as well as organized crime. Attached is a second semiannual report in reponse to the requirement. It concludes that, despite the conflict in Kosovo, progress has been made toward Dayton implementation. Nevertheless, much remains to be

cc: Vice President
Chief of Staff

accomplished in some areas such as refugee return, economic development, and organized crime. The conclusion is that SFOR's presence continues to be crucial to create a secure and stable Bosnia and Herzegovina.

RECOMMENDATION

That you sign and transmit to the Congress the enclosed letters and report.

Attachments

Tab A	Transmittal Letters
Tab B	Report to Congress
Tab C	Incoming Correspondence

Dear Mr. President:

As required by the Levin Amendment to Public Law 105-174, the Bosnia Supplemental, I transmit herewith a six-month periodic report on progress made toward achieving benchmarks for a sustainable peace process.

Sincerely,

The Honorable Al Gore, Jr.
President of the Senate
Washington, D.C. 20510

Dear Mr. Speaker:

As required by the Levin Amendment to Public Law 105-174, the Bosnia Supplemental, I transmit herewith a six-month periodic report on progress made toward achieving benchmarks for a sustainable peace process.

Sincerely,

The Honorable Dennis Hastert
Speaker of the
House of Representatives
Washington, D.C. 20515

Dear Senator Levin:

As required by the Levin Amendment to Public Law 105-174, the Bosnia Supplemental, I transmit herewith a six-month periodic report on progress made toward achieving benchmarks for a sustainable peace process.

Sincerely,

The Honorable Carl Levin
United States Senate
Washington, D.C. 20510

REPORT TO CONGRESS ON PROGRESS TOWARD ACHIEVING
BENCHMARKS IN BOSNIA

As required by section 7 of public law 105-174, this report outlines the latest developments in our continuing efforts to achieve lasting peace in Bosnia and Herzegovina (BiH). In February 1999, I sent the first semiannual report to Congress detailing the progress towards achieving the ten benchmarks adopted by the Peace Implementation Council (PIC) and the North Atlantic Council (NAC) for evaluating implementation of the Dayton Peace Accords. This second semiannual report provides an updated assessment of progress on the benchmarks.

As the conflict in Kosovo so clearly demonstrated, the United States continues to have strong national interests in fostering regional security and stability in Southeastern Europe. To that end, we are making headway in supporting a new BiH on its way to political and economic recovery. The United States took the lead in brokering the Dayton Peace Accords, which BiH, Croatia, and the Federal Republic of Yugoslavia (Serbia-Montenegro, or "FRY") all signed. Now, we must see

through the implementation and actualization of the Accords, at once advancing peace and stability while helping BiH to take on increasing levels of autonomy and responsibility for its own affairs.

In June 1999, the United States, BiH, and 40 other European states, as well as NATO, the EU, the OSCE, the UN and other organizations adopted a Stability Pact for Southeastern Europe, under which we will work together to stabilize, transform and eventually integrate the countries of southeastern Europe into the European and transatlantic mainstream. Together, Dayton and this broader regional effort balance our own goals with BiH's aim to become self-sufficient and integrated as a full member in the family of European democracies.

The following evaluation provides a detailed account of progress made over the past six months despite the conflict in Kosovo. A basic structure of government is now in place in BiH. Dayton-mandated central institutions have been created and are functioning. These include the Joint Presidency, Council of Ministers, Parliamentary Assembly, Standing Committee on Military Matters, and Central Bank. Nevertheless, there remains much room to improve the effectiveness of these and other institutions, and many tasks remain before a truly multi-ethnic

state is firmly established. Some important political leaders still resist cooperating with the international community and with one another, war criminals remain at large, the rate of minority refugee returns continues to be unsatisfactory, and many needed economic and judicial reforms are still pending. A benchmark-by-benchmark analysis of the current situation in BiH follows:

1. Military Stability. Aim: Maintain Dayton cease-fire. Since the February 1999 assessment, and despite the Kosovo crisis, BiH continues to be relatively calm. However, the recent NATO operations in the FRY have significantly slowed progress toward increasing mutual confidence between the Entity Armed Forces (EAFs), and the Republika Srpska's (RS) military relations with SFOR have been affected. Individual members of the RS military supported the Serbian VJ, MUP and paramilitary groups in Kosovo. Senior levels of the RS military also provided behind-the-scenes support to the VJ during NATO's air campaign. Federation armed forces were not involved in any way. Since the Madrid PIC in December 1998, the Office of the High Representative (OHR), OSCE, and SFOR have been cooperating closely to increase the professionalization and education of the EAFs in order to push the Entities towards a common BiH security policy and a Bosnia-wide defense structure. Recent OSCE and

NATO/SFOR activities suggest that major improvements in this area are possible and that there is an increased willingness to cooperate at the highest levels. A Permanent Secretariat for the Standing Committee on Military Matters is being established. Despite the strain imposed by Kosovo, the Military Liaison Mission (MLM) is flourishing, and the establishment of Joint Verification Teams at the Multi-National Division (MND) level is encouraging.

2. Public Security and Law Enforcement. Aim: A restructured and democratic police force in both entities. There continue to be positive signs of reform in both public security and law enforcement. The Federation and the RS have signed agreements with the UN International Police Task Force (IPTF) committing both governments to a process for restructuring police forces in accordance with democratic principles. The local police now organize their own law enforcement coordination meetings and assist one another in their duties. The Federation Police Academy, with U.S. and IPTF assistance, graduated its first class in 1998, and even more have enrolled in its second course, which is currently underway. Though progress has been made, all sides unfortunately continue to lag in the hiring of minority officers, and tensions will persist during implementation of IPTF efforts to make local

police forces fully multi-ethnic. Local police, with IPTF coordination, are undertaking increasingly professional and serious criminal investigations, and SFOR, within its mandates and capabilities, continues to support the IPTF and BiH authorities. Public disorder, as was demonstrated during NATO action in Kosovo, remains a threat in Bosnia. SFOR's use of the Multinational Specialized Unit (MSU), which is not yet fully staffed, has been crucial in supporting local police in their response to these situations.

3. Judicial Reform. Aim: An effective reform program. Under Dayton, OHR has overall responsibility for civilian implementation and hence for achieving reform of the court system. It is assisted by many international organizations and NGOs. The UN's Judicial System Assessment Program (JSAP), composed of both international and local staff, issued its first comprehensive report in April 1999, covering many areas of the law that need reform including property, employment and commercial law. The JSAP has made a concerted effort to involve Bosnian legal experts in judicial reform, ensuring that local capacity is developed at the same time that critical areas requiring reform are identified.

4. Illegal Institutions, Organized Crime, and Corruption.

Aim: The dissolution of illegal pre-Dayton institutions.

Customs control has improved over the last six months.

Following advances in police and law enforcement reform, greater emphasis has been placed on dealing with corruption and organized crime. Units specializing in organized crime and drugs, for example, have trained local police and are providing technical assistance to ongoing investigations. A stronger civil society is taking root. As state institutions become stronger and decision-making by governmental bodies becomes more transparent, parallel institutions will gradually lose support. This is an ongoing process that still requires a great deal of work. Political leaders are being encouraged to develop a strategy to address the issue of corruption.

5. Media Reform. Aim: A regulated, independent and democratic media. Continued progress has been made over the past six months in democratization and de-politicization of the media. Success here is critical to establishing firmly the foundation of a strong civil society. One of Bosnia's two public television networks, RTV BiH (in the Federation), has been freed from party control, and progress is being made toward freeing party control over the second public television network, SRT (in the RS). A draft law creating a new, independent two-

channel Federation television system is pending legislative approval. Croatia's HRT state television broadcasting in Bosnia will be terminated once the new Federation television system comes on line. The IC-funded Open Broadcast Network (OBN), Bosnia's only cross-entity television network, continues to be a reliable countrywide source of professional, objective news and public affairs programming. In the past year, OBN has improved its programming and adopted a business plan that aims to make the network self-financing within five years. The Independent Media Commission (IMC), an FCC-type regulatory body created almost a year ago, has put in place a comprehensive licensing framework and a code of practice for electronic media. SFOR's presence continues to support an environment for open yet responsible exchange of information via television and other media.

6. Elections and Democratic Governance. Aim: National democratic institutions and practices. At the State level, the Joint Presidency, with the notable exception of a temporary Serb boycott of its work, made progress toward functioning as an institution responsible to all citizens of BiH, representing the state in several multilateral and bilateral fora. Drafting is now underway on a Permanent Election Law, which could be in place by the end of 1999. Until the formal adoption of the law,

the OSCE remains in charge of running elections in Bosnia, pursuant to the Dayton Accords. In June, a new multiethnic municipal assembly was finally seated in Srebrenica, implementing the last of the election results from the December 1997 municipal elections. The next round of Municipal elections was postponed from November 1999 to April 2000. Open and transparent elections, the foundation for democratic governance, are being supported by SFOR's contribution to a secure and stable environment in which the Parliamentary Assemblies at the State and Entity levels can function and in which democratic elections may take place.

7. Economic Development. Aim: Free-market reforms. After three and a half years of assistance, Bosnia has made progress towards economic reconstruction and economic recovery. However, progress toward a functioning, free market economy is far too slow. Ethnic tensions hinder the political reform process, but, most significantly, the political leadership remains wedded to ethnic and political control over economic activity, which provides the financial and employment underpinnings of the respective mono-ethnic parties which seized various parts of the economy during the war. These vested interests continue to block privatization and market reform. There is still little private investment, either domestic or

foreign. Due to international assistance flows, annual economic growth has averaged about 40 percent in real terms since 1995, and GDP reached \$4.1 billion in 1998, equivalent to roughly 40 percent of its pre-war level. Yet even with these high growth rates, BiH remains the second poorest country in Europe. The economy suffered the largest drop of any European country in the post-communist era, and it will need external assistance for many years just to recover its relatively low pre-war level of economic activity. The Kosovo crisis has compounded economic reconstruction difficulties, in particular for the RS, whose major trading partner was once the FRY. As long as the government of BiH is making progress towards Dayton implementation, the United States will support that economic and political transition. SFOR has proven a vital component in fostering an environment in which economic recovery, reconstruction, and market reforms can be achieved.

8. Displaced Person and Refugee (DPRE) Returns. Aim: A functioning, phased and orderly minority return process. Almost 600,000 DPRES have repatriated or returned to their homes since the signing of the Dayton Accords. Of those, more than 80,000 returned to areas where their ethnic groups are now minorities. Meanwhile, about 1.2 million Bosnians remain displaced internally or abroad, and most of them come from areas where

their ethnic groups are now in the minority. Hard-line nationalists continue to block minority returns with bureaucratic maneuvers (e.g., failure to evict illegal occupants from DPRES' homes) and, occasionally, violence. However, the number of acts of violence against minority returnees has substantially declined, and implementation of property legislation is improving. While the pace of minority returns has been unacceptably slow, momentum is accelerating. Almost as many minorities returned in 1998 as in the two preceding years combined. While not receiving much public notice, significant spontaneous returns have occurred, particularly in former conflict areas such as Drvar, where Serb returns have reached significant levels in the last 6 months, with no repetition of earlier violence. SFOR's contribution to a secure environment is the linchpin on which this return process turns. Although an influx of refugees from Kosovo and elsewhere in the FRY into BiH has complicated the Bosnian return process, the burden currently remains manageable.

9. Brcko. Aim: Implementation of the Brcko Arbitration Tribunal's Final Award that was issued on March 5, 1999. The award called for the creation of a neutral, multi-ethnic, self-governing district comprised of the entire pre-war opstina (county) of Brcko. Both entities will be required to delegate

their authority over the district to a democratically elected local government. Strict international supervision of the district would remain in place with enhanced powers. Although the award is final, the Arbitrator must still finalize an annex containing implementation details, including the precise structure of the district's government and modalities for local elections. Moderates in the RS, led by Prime Minister Dodik, have accepted the award after some initial objections. Despite pressure from hard-line Serb elements not to do so, Dodik's government has actively engaged with Federation authorities, OHR, and the Arbitrator to discuss implementation of the award. SFOR support remains crucial to deterring violent attempts by hard-liners to disrupt Brcko implementation.

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. Acting within its mandate, SFOR has assisted in the transfer of 29 indictees to The Hague, including numerous detentions and voluntary surrenders of indicted war criminals in BiH. Cooperation from the Parties varies widely. Bosnian Serb cooperation with the Tribunal has improved in the year and a half since Milorad Dodik became Prime Minister of the RS entity. The two most senior indictees for war crimes

committed in BiH, Radovan Karadzic and Ratko Mladic, have yet to be apprehended. Mladic is believed to have gone underground in Serbia, which continues to be wholly uncooperative with the Tribunal. Karadzic is thought to be in hiding in the RS.

In my report to you dated February 4, 1999, I emphasized the important role that SFOR continues to play in supporting the secure environment needed for democratic principles and free-market reforms to take root and grow. The tragic conflict in Kosovo served further to emphasize the effectiveness and importance of SFOR in carrying out its mission. Throughout the Kosovo conflict, FRY President Milosevic engaged in efforts to overthrow RS Prime Minister Dodik and to gain overt military support from the RS armed forces. He failed in both efforts. On March 26, two FRY MiG 29s illegally entered BiH airspace, in violation of the Dayton Peace Accords. SFOR shot down the MiGs in the northeastern RS in accordance with its mandate to protect and defend BiH airspace. On April 3, SFOR preemptively destroyed a portion of the railway line in southeastern Bosnia to deny FRY entry into and transit through BiH for purposes of transporting war material from Serbia through BiH to Montenegro.

The fact that the Kosovo conflict did not spill over into Bosnia and Herzegovina, with SFOR now at only half the size of

its peak deployment in 1996, is a tribute to the professionalism of U.S. and other SFOR Armed Forces, and proof that the U.S. investment in the Dayton Accords is paying off. Rather than suffering a setback during this period, the conflict in Kosovo actually served to consolidate progress toward Dayton objectives in Bosnia and Herzegovina.

While progress continues to be made, there is much left to be accomplished. We have placed emphasis in 1999 on fostering returns of minority refugees and displaced persons, developing greater cooperation among Entity defense establishments, accelerating the growth of democratic central institutions, and laying the groundwork for a sustainable market economy. These goals require strong commitment from the international community, of which SFOR is a part. Nevertheless, the goal is a Bosnia and Herzegovina that is fully integrated into European political, economic and security structures. To reach this goal, the fledgling state must gradually take greater responsibility for its own development until it can stand on its own without foreign military or economic assistance.

In my February 4 report, I also outlined steps being undertaken by NATO planners to restructure and reduce SFOR's presence in BiH. NATO planners are seriously studying ways to

guarantee Dayton's success while continuing to reduce SFOR's presence toward its eventual full withdrawal. As part of the second six-month review of SFOR, the NAC has approved the Military Committee's recommendation that SFOR's operations plan be revised to provide for increased operational flexibility that would both offer an opportunity for substantial force reductions and allow for continued support for civil implementation. NATO planners' initial estimates indicate a reduction in SFOR from the current 29,000 troops to 19,000. Thus, SFOR would be reduced by about 33 percent. The NAC must still debate this recommendation and take decisions on its execution. Of course, any and all reductions of U.S. forces in the short or long term will be made in accordance with this Administration's policy that such reductions will not jeopardize the safety of U.S. Armed Forces serving in BiH.

The Administration is grateful for the support of Congress for Dayton implementation. I look forward to continuing to work with the Congress in pursuit of U.S. foreign policy goals in the Balkans.

THE WHITE HOUSE



S/S 9912427

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United States Department of State

Washington, D.C. 20520

July 2, 1999



UNCLASSIFIED

MEMORANDUM FOR GLYN T. DAVIES
EXECUTIVE SECRETARY
NATIONAL SECURITY COUNCIL

Subject: Levin Amendment Reporting Requirement on Progress
toward Achieving Bosnia Benchmarks

The Levin Amendment to P.L. 105-174, the Bosnia Supplemental (attached at Tab 2), urged the President to seek agreement with NATO Allies on benchmarks for a sustainable peace process, estimated target dates for achieving those benchmarks, and a process to review progress towards achieving the benchmarks. The President reported to the Congress on July 29, 1998, that both NATO and the Peace Implementation Council (PIC) had adopted a set of ten U.S.-proposed benchmarks, and that both organizations had established a six-month review cycle that corresponds to our Congressional reporting requirements.

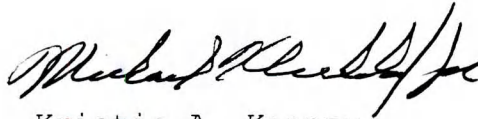
The Levin Amendment also required that semiannually after the first report, so long as U.S. ground combat forces continue to participate in SFOR, the President report to the Congress on progress made toward achieving the benchmarks. Attached at Tab 1 is an interagency-cleared draft of the second such semiannual report, for the President's signature. This report was due to Congress on June 30. The current report concludes that, despite the conflict in Kosovo, progress has been made toward Dayton implementation. Nevertheless, much remains to be accomplished and SFOR's presence continues to be crucial to supporting the secure environment necessary to create a secure and stable Bosnia and Herzegovina for the long term.

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- 2 -

For your reference, the final, cleared version of the previous six-month report, dated February 5, 1999, is attached at Tab 3.

A handwritten signature in black ink, appearing to read 'Kristie A. Kenney', is positioned above the printed name.

Kristie A. Kenney
Executive Secretary

Attachments:

- Tab 1 - Draft Report to Congress, June 30, 1999
- Tab 2 - Section 7 of P.L. 105-174, the Levin Amendment
- Tab 3 - Report to Congress, February 5, 1999

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UNCLASSIFIED

TO THE CONGRESS OF THE UNITED STATES:

As required by section 7 of public law 105-174, this report outlines the latest developments in our continuing efforts to achieve lasting peace in Bosnia and Herzegovina (BiH). In February 1999, I sent the first semiannual report to Congress detailing the progress towards achieving the ten benchmarks adopted by the Dayton Peace Implementation Council (PIC) and the North Atlantic Council (NAC) for evaluating implementation of the Dayton Peace Accords. This report provides an updated assessment of progress on the benchmarks.

As the conflict in Kosovo so clearly demonstrated, the United States continues to have strong national interests in fostering regional security and stability in Southeastern Europe. To that end, we are making headway in supporting a new BiH on its way to political and economic recovery. The United States took the lead in brokering the Dayton Peace Accords, which BiH, Croatia, and the Federal Republic of Yugoslavia (Serbia-Montenegro, or "FRY") all signed. Now, we must see through the implementation and actualization of the Accords, at once advancing peace and stability while helping BiH to take on increasing levels of autonomy and responsibility for its own affairs.

In June 1999, the United States, BiH, and 40 other European states, as well as NATO, the EU, the OSCE, the UN and other organizations adopted a Stability Pact for Southeastern Europe, under which we will work together to stabilize, transform and eventually integrate the countries of southeastern Europe into the European and transatlantic mainstream. Together, Dayton and this broader regional effort balance our own goals with BiH's aim to become self-sufficient and integrated as a full member in the family of European democracies.

The following evaluation provides a detailed account of progress made over the past six months despite the conflict in Kosovo. A basic structure of government is now in place in BiH. Dayton-mandated central institutions have been created and are functioning. These include the Joint Presidency, Council of Ministers, Parliamentary Assembly, Standing Committee on Military Matters, and Central Bank. Nevertheless, there remains much room to improve the effectiveness of these and other institutions, and many tasks remain before a truly multi-ethnic state is firmly established. Some important political leaders still resist cooperating with the international community and with one another, war criminals remain at large, the rate of minority

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refugee returns continues to be unsatisfactory, and many needed economic and judicial reforms are still pending. A benchmark-by-benchmark analysis of the current situation in BiH follows:

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capabilities, continues to support the IPTF and BiH authorities. Public disorder, as was demonstrated during NATO action in Kosovo, remains a threat in Bosnia. SFOR's use of the Multinational Specialized Unit (MSU), which is not yet fully staffed, has been crucial in supporting local police in their response to these situations.

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4. Illegal Institutions, Organized Crime, and Corruption. Aim: The dissolution of illegal pre-Dayton institutions. Customs control has improved over the last six months. Following advances in police and law enforcement reform, greater emphasis has been placed on dealing with corruption and organized crime. Units specializing in organized crime and drugs, for example, have trained local police and are providing technical assistance to ongoing investigations. A stronger civil society is taking root. As state institutions become stronger and decision-making by governmental bodies becomes more transparent, parallel institutions will gradually lose support. This is an ongoing process that still requires a great deal of work. Political leaders are being encouraged to develop a strategy to address the issue of corruption.

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6. Elections and Democratic Governance. Aim: National democratic institutions and practices. At the State level, the Joint Presidency, with the notable exception of a temporary Serb boycott of its work, made progress toward functioning as an institution responsible to all citizens of BiH, representing the state in several multilateral and bilateral fora. Drafting is now underway on a Permanent Election Law, which could be in place by the end of 1999. Until the formal adoption of the law, the OSCE remains in charge of running elections in Bosnia, pursuant to the Dayton Accords. In June, a new multiethnic municipal assembly was finally seated in Srebrenica, implementing the last of the election results from the December 1997 municipal elections. The next round of Municipal elections was postponed from November 1999 to April 2000. Open and transparent elections, the foundation for democratic governance, are being supported by SFOR's contribution to a secure and stable environment in which the Parliamentary Assemblies at the State and Entity levels can function and in which democratic elections may take place.

7. Economic Development. Aim: Free-market reforms. After three and a half years of assistance, Bosnia has made progress towards economic reconstruction and economic recovery. However, progress toward a functioning, free market economy is far too slow. Ethnic tensions hinder the political reform process, but, most significantly, the political leadership remains wedded to ethnic and political control over economic activity, which provides the financial and employment underpinnings of the respective mono-ethnic parties which seized various parts of the economy during the war. These vested interests continue to block privatization and market reform. There is still little private investment, either domestic or foreign. Due to international assistance flows, annual economic growth has averaged about 40 percent in real terms since 1995, and GDP reached \$4.1 billion in 1998, equivalent to roughly 40

percent of its pre-war level. Yet even with these high growth rates, BiH remains the second poorest country in Europe. The economy suffered the largest drop of any European country in the post-communist era and it will need external assistance for many years just to recover its relatively low pre-war level of economic activity. The Kosovo crisis has compounded economic reconstruction difficulties, in particular for the RS, whose major trading partner was once the FRY. As long as the government of BiH is making progress towards Dayton implementation, the U.S. will support that economic and political transition. SFOR has proven a vital component in fostering an environment in which economic recovery, reconstruction, and market reforms can be achieved.

8. Displaced Person and Refugee (DPRE) Returns. Aim: A functioning, phased and orderly minority return process. Almost 600,000 DPRES have repatriated or returned to their homes since the signing of the Dayton Accords. Of those, more than 80,000 returned to areas where their ethnic groups are now minorities. Meanwhile, about 1.2 million Bosnians remain displaced internally or abroad, and most of them come from areas where their ethnic groups are now in the minority. Hard-line nationalists continue to block minority returns with bureaucratic maneuvers (e.g., failure to evict illegal occupants from DPRES' homes) and, occasionally, violence. However, the number of acts of violence against minority returnees has substantially declined, and implementation of property legislation is improving. While the pace of minority returns has been unacceptably slow, momentum is accelerating. Almost as many minorities returned in 1998 as in the two preceding years combined. While not receiving much public notice, significant spontaneous returns have occurred, particularly in former conflict areas such as Drvar, where Serb returns have reached significant levels in the last 6 months, with no repetition of earlier violence. SFOR's contribution to a secure environment is the linchpin on which this return process turns. Although an influx of refugees from Kosovo and elsewhere in the FRY into BiH has complicated the Bosnian return process, the burden currently remains manageable.

9. Brcko. Aim: Implementation of the Brcko Arbitration Tribunal's Final Award that was issued on March 5, 1999. The award called for the creation of a neutral, multi-ethnic, self-governing district comprised of the entire pre-war opstina of Brcko. Both entities will be required to delegate their authority over the district to a democratically elected local government. Strict

international supervision of the district would remain in place with enhanced powers. Although the award is final, the Arbitrator must still finalize an annex containing implementation details, including the precise structure of the district's government and modalities for local elections. Moderates in the RS, led by Prime Minister Dodik, have accepted the award after some initial objections. Despite pressure from hard-line Serb elements not to do so, Dodik's government has actively engaged with Federation authorities, OHR, and the Arbitrator to discuss implementation of the award. SFOR support remains crucial to deterring violent attempts by hard-liners to disrupt Brcko implementation.

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. Acting within its mandate, SFOR has assisted in the transfer of 28 indictees to The Hague including numerous detentions and voluntary surrenders of indicted war criminals in BiH. Cooperation from the Parties varies widely. Bosnian Serb cooperation with the Tribunal has improved in the year and a half since Milorad Dodik became Prime Minister of the RS entity. The two most senior indictees for war crimes committed in BiH, Radovan Karadzic and Ratko Mladic, have yet to be apprehended. Mladic is believed to have gone underground in Serbia, which continues to be wholly uncooperative with the Tribunal. Karadzic is thought to be in hiding in the RS.

In my report to you dated February 4, 1999, I emphasized the important role that SFOR continues to play in supporting the secure environment needed for democratic principles and free-market reforms to take root and grow. The tragic conflict in Kosovo served further to emphasize the effectiveness and importance of SFOR in carrying out its mission. Throughout the Kosovo conflict, FRY President Milosevic engaged in efforts to overthrow RS Prime Minister Dodik and to gain overt military support from the RS armed forces. He failed in both efforts. On March 26, two FRY MiG 29s illegally entered BiH airspace, in violation of the Dayton Peace Accords. SFOR shot down the MiGs in the northeastern RS in accordance with its mandate to protect and defend BiH airspace. On April 3, SFOR preemptively destroyed a portion of the railway line in southeastern Bosnia to deny FRY entry into and transit through BiH for purposes of transporting war material from Serbia through BiH to Montenegro.

The fact that the Kosovo conflict did not spill over into Bosnia and Herzegovina, with SFOR now at only half the size of its peak deployment in 1996, is a tribute to the professionalism of U.S. and other SFOR Armed Forces, and proof that the U.S. investment in the Dayton Accords is paying off. Rather than suffering a setback during this period, the conflict in Kosovo actually served to consolidate progress toward Dayton objectives in Bosnia and Herzegovina.

While progress continues to be made, however, there is much left to be accomplished. We have placed emphasis in 1999 on fostering returns of minority refugees and displaced persons, developing greater cooperation among Entity defense establishments, accelerating the growth of democratic central institutions, and laying the groundwork for a sustainable market economy. These goals require strong commitment from the international community, of which SFOR is a part. Nevertheless, the goal is a Bosnia and Herzegovina that is fully integrated into European political, economic and security structures. To reach this goal, the fledgling state must gradually take greater responsibility for its own development until it can stand on its own without foreign military or economic assistance.

In my February 4 report, I also outlined steps being undertaken by NATO planners to restructure and reduce SFOR's presence in BiH. NATO planners are seriously studying ways to guarantee Dayton's success while continuing to reduce SFOR's presence toward its eventual full withdrawal. As part of the second six-month review of SFOR, the NAC has approved the Military Committee's recommendation that SFOR's operations plan (OPLAN 10407) be revised to authorize increased operational flexibility that would both offer an opportunity for substantial force reductions and provide significant support for civil implementation. NATO planners' initial estimates indicate a reduction in SFOR from the current 29,000 troops to 19,000. Thus, SFOR would be reduced by about 33 percent. The NAC must still debate this recommendation and take decisions on its execution. Of course, any and all reductions of U.S. forces in the short or long term will be made in accordance with this Administration's policy that such reductions will not jeopardize the safety of U.S. armed forces serving in BiH.

The Administration is grateful for the support of Congress for Dayton implementation. If Members have any questions or would like further information, we would be happy to provide briefings. I look forward to continuing to

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work with the Congress in pursuit of U.S. foreign policy goals in the Balkans.

William J. Clinton

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PUBLIC LAW 105-174—MAY 1, 1998

1998 SUPPLEMENTAL APPROPRIATIONS AND
RESCISSIONS ACT

(2) establish "Centers of Excellence" for complicated surgical procedures;

(3) make timely and complete reports to the National Practitioner Data Bank and eliminate associated reporting backlogs; Reports.

(4) assure that Military Health Services System providers are properly licensed and have appropriate credentials;

(5) reestablish the Quality Management Report to aid in early identification of compliance problems;

(6) improve communications with beneficiaries to provide comprehensive and objective information on the quality of care being provided;

(7) strengthen the National Quality Management Program;

(8) ensure that all laboratory work meets professional standards; and

(9) ensure the accuracy of patient data and information.

(d) REPORT.—Not later than six months after the date on which the panel is established, the panel shall submit to the Secretary a report setting forth its findings and conclusions, and the reasons therefor, and such recommendations it deems appropriate. The Secretary shall forward the report of the panel to Congress not later than 15 days after the date on which the Secretary receives it, together with the Secretary's comments on the report.

(e) PANEL ADMINISTRATION.—(1) The members of the panel shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized by law for employees of agencies while away from their homes or regular places of business in the performance of services for the panel.

(2) Upon request of the chairperson of the panel, the Secretary of Defense may detail to the panel, on a nonreimbursable basis, personnel of the Department of Defense to assist the panel in carrying out its duties. The Secretary of Defense shall furnish to the panel such administrative and support services as may be requested by the chairman of the panel.

(f) PANEL FINANCING.—Of the funds appropriated in Public Law 105-56 for "Research, Development, Test and Evaluation, Navy", \$4,700,000 shall be transferred to "Defense Health Program", to be available through fiscal year 1999, only for administrative costs of this panel and for the express purpose of initiating or accelerating any activity identified by the panel that will improve the quality of health care provided by the Military Health Services System.

(TRANSFER OF FUNDS)

SEC. 6. Of the funds appropriated in Public Law 105-56, under the heading "Chemical Agents and Munitions Destruction, Defense" for Operation and maintenance, \$40,000,000 shall be transferred to "Operation and Maintenance, Defense-Wide".

SEC. 7. (a) Congress urges the President to seek concurrence among the members of the North Atlantic Treaty Organization (NATO) on arrangements that set forth—

(1) the benchmarks for achieving a sustainable peace process that are detailed in the report accompanying the certification that was made by the President to Congress on March 3, 1998;

(2) estimated target dates for achieving the benchmarks; and

President.
Reports.

(3) a process for NATO to review progress toward achieving the benchmarks.

(b) The President shall submit to Congress—

(1) not later than June 30, 1998, a report on efforts to gain agreement on arrangements described in subsection (a), and such report should include an explanation of the Administration's view of whether it would promote United States interests to adopt firm schedules or deadlines for achieving such benchmarks; and

(2) semiannually after that report, so long as United States ground combat forces continue to participate in the Stabilization Force for Bosnia (SFOR), a report on the progress made toward achieving the benchmarks referred to in subsection (a)(1), including any developments which may affect the ability of the relevant parties to achieve the benchmarks in a timely manner.

(c) The Congress urges the President to ensure that efforts to meet the estimated target dates described in this section do not jeopardize the safety of United States Armed Forces in Bosnia.

(d) The enactment of this section does not reflect approval or disapproval of the benchmarks submitted by the President in the certification to Congress transmitted on March 3, 1998.

SEC. 8. Notwithstanding any other provision of law, in the case of a person who is selected for training in a State program conducted under the National Guard Challenge Program and who obtains a general education diploma in connection with such training, the general education diploma shall be treated as equivalent to a high school diploma for purposes of determining the eligibility of the person for enlistment in the Armed Forces.

SEC. 9. In addition to the amounts provided in Public Law 105-56, \$179,000,000 is appropriated under the heading "Research, Development, Test and Evaluation, Defense-Wide": *Provided*, That the additional amount shall be made available for enhancements to selected theater missile defense programs to counter enhanced ballistic missile threats: *Provided further*, That of the additional amount appropriated, \$45,000,000 shall be made available only for the purpose of adjusting the cost-share of the parties under the Agreement between the Department of Defense and the Ministry of Defence of Israel for the Arrow Deployability Program: *Provided further*, That of the additional amount appropriated, \$38,000,000 shall be made available only for the Sea-Based Wide Area Defense (Navy Upper-Tier) Program: *Provided further*, That the entire amount shall be available only to the extent that an official budget request for \$179,000,000, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress: *Provided further*, That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A) of such Act.

SEC. 10. (a)(1) The Secretary of Defense may enter into a lease or acquire any other interest in the parcels of land described in paragraph (2). The parcels consist in aggregate of approximately 90 acres.

(2) The parcels of land referred to in paragraph (1) are the following land used for the commercial production of cranberries:

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THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

February 5, 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 Srpska (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.

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United States Department of State

Washington, D.C. 20520

July 2, 1999

UNCLASSIFIED

MEMORANDUM FOR GLYN T. DAVIES
EXECUTIVE SECRETARY
NATIONAL SECURITY COUNCIL

Subject: Levin Amendment Reporting Requirement on Progress
toward Achieving Bosnia Benchmarks

The Levin Amendment to P.L. 105-174, the Bosnia Supplemental (attached at Tab 2), urged the President to seek agreement with NATO Allies on benchmarks for a sustainable peace process, estimated target dates for achieving those benchmarks, and a process to review progress towards achieving the benchmarks. The President reported to the Congress on July 29, 1998, that both NATO and the Peace Implementation Council (PIC) had adopted a set of ten U.S.-proposed benchmarks, and that both organizations had established a six-month review cycle that corresponds to our Congressional reporting requirements.

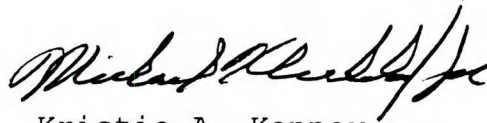
The Levin Amendment also required that semiannually after the first report, so long as U.S. ground combat forces continue to participate in SFOR, the President report to the Congress on progress made toward achieving the benchmarks. Attached at Tab 1 is an interagency-cleared draft of the second such semiannual report, for the President's signature. This report was due to Congress on June 30. The current report concludes that, despite the conflict in Kosovo, progress has been made toward Dayton implementation. Nevertheless, much remains to be accomplished and SFOR's presence continues to be crucial to supporting the secure environment necessary to create a secure and stable Bosnia and Herzegovina for the long term.

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For your reference, the final, cleared version of the previous six-month report, dated February 5, 1999, is attached at Tab 3.



Kristie A. Kenney
Executive Secretary

Attachments:

- Tab 1 - Draft Report to Congress, June 30, 1999
- Tab 2 - Section 7 of P.L. 105-174, the Levin Amendment
- Tab 3 - Report to Congress, February 5, 1999

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TO THE CONGRESS OF THE UNITED STATES:

As required by section 7 of public law 105-174, this report outlines the latest developments in our continuing efforts to achieve lasting peace in Bosnia and Herzegovina (BiH). In February 1999, I sent the first semiannual report to Congress detailing the progress towards achieving the ten benchmarks adopted by the Dayton Peace Implementation Council (PIC) and the North Atlantic Council (NAC) for evaluating implementation of the Dayton Peace Accords. This report provides an updated assessment of progress on the benchmarks.

As the conflict in Kosovo so clearly demonstrated, the United States continues to have strong national interests in fostering regional security and stability in Southeastern Europe. To that end, we are making headway in supporting a new BiH on its way to political and economic recovery. The United States took the lead in brokering the Dayton Peace Accords, which BiH, Croatia, and the Federal Republic of Yugoslavia (Serbia-Montenegro, or "FRY") all signed. Now, we must see through the implementation and actualization of the Accords, at once advancing peace and stability while helping BiH to take on increasing levels of autonomy and responsibility for its own affairs.

In June 1999, the United States, BiH, and 40 other European states, as well as NATO, the EU, the OSCE, the UN and other organizations adopted a Stability Pact for Southeastern Europe, under which we will work together to stabilize, transform and eventually integrate the countries of southeastern Europe into the European and transatlantic mainstream. Together, Dayton and this broader regional effort balance our own goals with BiH's aim to become self-sufficient and integrated as a full member in the family of European democracies.

The following evaluation provides a detailed account of progress made over the past six months despite the conflict in Kosovo. A basic structure of government is now in place in BiH. Dayton-mandated central institutions have been created and are functioning. These include the Joint Presidency, Council of Ministers, Parliamentary Assembly, Standing Committee on Military Matters, and Central Bank. Nevertheless, there remains much room to improve the effectiveness of these and other institutions, and many tasks remain before a truly multi-ethnic state is firmly established. Some important political leaders still resist cooperating with the international community and with one another, war criminals remain at large, the rate of minority

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refugee returns continues to be unsatisfactory, and many needed economic and judicial reforms are still pending. A benchmark-by-benchmark analysis of the current situation in BiH follows:

1. Military Stability. Aim: Maintain Dayton cease-fire. Since the February 1999 assessment, and despite the Kosovo crisis, BiH continues to be relatively calm. However, the recent NATO operations in the FRY have significantly slowed progress toward increasing mutual confidence between the Entity Armed Forces (EAFs), and the Republika Srpska's (RS) military relations with SFOR have been affected. Individual Bosnian Serbs supported the Serbian VJ, MUP and paramilitary groups in Kosovo. Nevertheless, the senior leadership of the RS army has remained neutral. Federation armed forces were not involved in any way. Since the Madrid PIC in December 1998, the Office of the High Representative (OHR), OSCE, and SFOR have been cooperating closely to increase the professionalization and education of the EAFs in order to push the Entities towards a common BiH security policy and a state dimension of defense. Recent OSCE and NATO/SFOR activities suggest that major improvements in this area are possible and that there is an increased willingness to cooperate at the highest levels. A Permanent Secretariat for the Standing Committee on Military Matters is being established. Despite the strain imposed by Kosovo, the Military Liaison Mission (MLM) is flourishing and the establishment of Joint Verification Teams at the Multi-National Division (MND) level is encouraging.

2. Public Security and Law Enforcement. Aim: A restructured and democratic police force in both entities. There continue to be positive signs of reform in both public security and law enforcement. The Federation and the RS have signed agreements with the UN International Police Task Force (IPTF) committing both governments to a process for restructuring police forces in accordance with democratic principles. The local police now organize their own law enforcement coordination meetings and assist one another in their duties. The Federation Police Academy, with U.S. and IPTF assistance, graduated its first class in 1998, and even more have enrolled in its second course, which is currently underway. Though progress has been made, all sides unfortunately continue to lag in the hiring of minority officers, and tensions will persist during implementation of IPTF efforts to make local police forces fully multi-ethnic. Local police, with IPTF coordination, are undertaking increasingly professional and serious criminal investigations, and SFOR, within its mandates and

capabilities, continues to support the IPTF and BiH authorities. Public disorder, as was demonstrated during NATO action in Kosovo, remains a threat in Bosnia. SFOR's use of the Multinational Specialized Unit (MSU), which is not yet fully staffed, has been crucial in supporting local police in their response to these situations.

3. Judicial Reform. Aim: An effective reform program. OHR has overall responsibility its civilian implementation responsibilities in Dayton for achieving reform of the court system. It is assisted by many international organizations and NGOs. The UN's Judicial System Assessment Program (JSAP), composed of both international and local staff, issued its first comprehensive report in April 1999, covering many areas of the law that need reform including property, employment and commercial law. The JSAP has made a concerted effort to involve Bosnian legal experts in judicial reform, ensuring that local capacity is developed at the same time that critical areas requiring reform are identified.

4. Illegal Institutions, Organized Crime, and Corruption. Aim: The dissolution of illegal pre-Dayton institutions. Customs control has improved over the last six months. Following advances in police and law enforcement reform, greater emphasis has been placed on dealing with corruption and organized crime. Units specializing in organized crime and drugs, for example, have trained local police and are providing technical assistance to ongoing investigations. A stronger civil society is taking root. As state institutions become stronger and decision-making by governmental bodies becomes more transparent, parallel institutions will gradually lose support. This is an ongoing process that still requires a great deal of work. Political leaders are being encouraged to develop a strategy to address the issue of corruption.

5. Media Reform. Aim: A regulated, independent, and democratic media. Continued progress has been made over the past six months in democratization and de-politicization of the media. Success here is critical to establishing firmly the foundation of a strong civil society. One of Bosnia's two public television networks, RTV BiH (in the Federation), has been freed from party control, and progress is being made toward freeing party control over the second public television network, SRT (in the RS). A draft law creating a new, independent two-channel Federation television system is pending legislative approval. Croatia's HRT state television broadcasting in Bosnia will be terminated once the new Federation television system comes on line. The IC-

funded Open Broadcast Network (OBN), Bosnia's only cross-Entity television network, continues to be a reliable countrywide source of professional, objective news and public affairs programming. In the past year, OBN has improved its programming and adopted a business plan that aims to make the network self-financing within five years. The Independent Media Commission (IMC), an FCC-type regulatory body created almost a year ago, has put in place a comprehensive licensing framework and a code of practice for electronic media. SFOR's presence continues to support an environment for open yet responsible exchange of information via television and other media.

6. Elections and Democratic Governance. Aim: National democratic institutions and practices. At the State level, the Joint Presidency, with the notable exception of a temporary Serb boycott of its work, made progress toward functioning as an institution responsible to all citizens of BiH, representing the state in several multilateral and bilateral fora. Drafting is now underway on a Permanent Election Law, which could be in place by the end of 1999. Until the formal adoption of the law, the OSCE remains in charge of running elections in Bosnia, pursuant to the Dayton Accords. In June, a new multiethnic municipal assembly was finally seated in Srebrenica, implementing the last of the election results from the December 1997 municipal elections. The next round of Municipal elections was postponed from November 1999 to April 2000. Open and transparent elections, the foundation for democratic governance, are being supported by SFOR's contribution to a secure and stable environment in which the Parliamentary Assemblies at the State and Entity levels can function and in which democratic elections may take place.

7. Economic Development. Aim: Free-market reforms. After three and a half years of assistance, Bosnia has made progress towards economic reconstruction and economic recovery. However, progress toward a functioning, free market economy is far too slow. Ethnic tensions hinder the political reform process, but, most significantly, the political leadership remains wedded to ethnic and political control over economic activity, which provides the financial and employment underpinnings of the respective mono-ethnic parties which seized various parts of the economy during the war. These vested interests continue to block privatization and market reform. There is still little private investment, either domestic or foreign. Due to international assistance flows, annual economic growth has averaged about 40 percent in real terms since 1995, and GDP reached \$4.1 billion in 1998, equivalent to roughly 40

percent of its pre-war level. Yet even with these high growth rates, BiH remains the second poorest country in Europe. The economy suffered the largest drop of any European country in the post-communist era and it will need external assistance for many years just to recover its relatively low pre-war level of economic activity. The Kosovo crisis has compounded economic reconstruction difficulties, in particular for the RS, whose major trading partner was once the FRY. As long as the government of BiH is making progress towards Dayton implementation, the U.S. will support that economic and political transition. SFOR has proven a vital component in fostering an environment in which economic recovery, reconstruction, and market reforms can be achieved.

8. Displaced Person and Refugee (DPRE) Returns. Aim: A functioning, phased and orderly minority return process. Almost 600,000 DPREs have repatriated or returned to their homes since the signing of the Dayton Accords. Of those, more than 80,000 returned to areas where their ethnic groups are now minorities. Meanwhile, about 1.2 million Bosnians remain displaced internally or abroad, and most of them come from areas where their ethnic groups are now in the minority. Hard-line nationalists continue to block minority returns with bureaucratic maneuvers (e.g., failure to evict illegal occupants from DPREs' homes) and, occasionally, violence. However, the number of acts of violence against minority returnees has substantially declined, and implementation of property legislation is improving. While the pace of minority returns has been unacceptably slow, momentum is accelerating. Almost as many minorities returned in 1998 as in the two preceding years combined. While not receiving much public notice, significant spontaneous returns have occurred, particularly in former conflict areas such as Drvar, where Serb returns have reached significant levels in the last 6 months, with no repetition of earlier violence. SFOR's contribution to a secure environment is the linchpin on which this return process turns. Although an influx of refugees from Kosovo and elsewhere in the FRY into BiH has complicated the Bosnian return process, the burden currently remains manageable.

9. Brcko. Aim: Implementation of the Brcko Arbitration Tribunal's Final Award that was issued on March 5, 1999. The award called for the creation of a neutral, multi-ethnic, self-governing district comprised of the entire pre-war opstina of Brcko. Both entities will be required to delegate their authority over the district to a democratically elected local government. Strict

international supervision of the district would remain in place with enhanced powers. Although the award is final, the Arbitrator must still finalize an annex containing implementation details, including the precise structure of the district's government and modalities for local elections. Moderates in the RS, led by Prime Minister Dodik, have accepted the award after some initial objections. Despite pressure from hard-line Serb elements not to do so, Dodik's government has actively engaged with Federation authorities, OHR, and the Arbitrator to discuss implementation of the award. SFOR support remains crucial to deterring violent attempts by hard-liners to disrupt Brcko implementation.

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. Acting within its mandate, SFOR has assisted in the transfer of 28 indictees to The Hague including numerous detentions and voluntary surrenders of indicted war criminals in BiH. Cooperation from the Parties varies widely. Bosnian Serb cooperation with the Tribunal has improved in the year and a half since Milorad Dodik became Prime Minister of the RS entity. The two most senior indictees for war crimes committed in BiH, Radovan Karadzic and Ratko Mladic, have yet to be apprehended. Mladic is believed to have gone underground in Serbia, which continues to be wholly uncooperative with the Tribunal. Karadzic is thought to be in hiding in the RS.

In my report to you dated February 4, 1999, I emphasized the important role that SFOR continues to play in supporting the secure environment needed for democratic principles and free-market reforms to take root and grow. The tragic conflict in Kosovo served further to emphasize the effectiveness and importance of SFOR in carrying out its mission. Throughout the Kosovo conflict, FRY President Milosevic engaged in efforts to overthrow RS Prime Minister Dodik and to gain overt military support from the RS armed forces. He failed in both efforts. On March 26, two FRY MiG 29s illegally entered BiH airspace, in violation of the Dayton Peace Accords. SFOR shot down the MiGs in the northeastern RS in accordance with its mandate to protect and defend BiH airspace. On April 3, SFOR preemptively destroyed a portion of the railway line in southeastern Bosnia to deny FRY entry into and transit through BiH for purposes of transporting war material from Serbia through BiH to Montenegro.

The fact that the Kosovo conflict did not spill over into Bosnia and Herzegovina, with SFOR now at only half the size of its peak deployment in 1996, is a tribute to the professionalism of U.S. and other SFOR Armed Forces, and proof that the U.S. investment in the Dayton Accords is paying off. Rather than suffering a setback during this period, the conflict in Kosovo actually served to consolidate progress toward Dayton objectives in Bosnia and Herzegovina.

While progress continues to be made, however, there is much left to be accomplished. We have placed emphasis in 1999 on fostering returns of minority refugees and displaced persons, developing greater cooperation among Entity defense establishments, accelerating the growth of democratic central institutions, and laying the groundwork for a sustainable market economy. These goals require strong commitment from the international community, of which SFOR is a part. Nevertheless, the goal is a Bosnia and Herzegovina that is fully integrated into European political, economic and security structures. To reach this goal, the fledgling state must gradually take greater responsibility for its own development until it can stand on its own without foreign military or economic assistance.

In my February 4 report, I also outlined steps being undertaken by NATO planners to restructure and reduce SFOR's presence in BiH. NATO planners are seriously studying ways to guarantee Dayton's success while continuing to reduce SFOR's presence toward its eventual full withdrawal. As part of the second six-month review of SFOR, the NAC has approved the Military Committee's recommendation that SFOR's operations plan (OPLAN 10407) be revised to authorize increased operational flexibility that would both offer an opportunity for substantial force reductions and provide significant support for civil implementation. NATO planners' initial estimates indicate a reduction in SFOR from the current 29,000 troops to 19,000. Thus, SFOR would be reduced by about 33 percent. The NAC must still debate this recommendation and take decisions on its execution. Of course, any and all reductions of U.S. forces in the short or long term will be made in accordance with this Administration's policy that such reductions will not jeopardize the safety of U.S. armed forces serving in BiH.

The Administration is grateful for the support of Congress for Dayton implementation. If Members have any questions or would like further information, we would be happy to provide briefings. I look forward to continuing to

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work with the Congress in pursuit of U.S. foreign policy goals in the Balkans.

William J. Clinton

UNCLASSIFIED

PUBLIC LAW 105-174—MAY 1, 1998

1998 SUPPLEMENTAL APPROPRIATIONS AND
RESCISSIONS ACT

(2) establish "Centers of Excellence" for complicated surgical procedures;

(3) make timely and complete reports to the National Practitioner Data Bank and eliminate associated reporting backlogs; Reports.

(4) assure that Military Health Services System providers are properly licensed and have appropriate credentials;

(5) reestablish the Quality Management Report to aid in early identification of compliance problems;

(6) improve communications with beneficiaries to provide comprehensive and objective information on the quality of care being provided;

(7) strengthen the National Quality Management Program;

(8) ensure that all laboratory work meets professional standards; and

(9) ensure the accuracy of patient data and information.

(d) REPORT.—Not later than six months after the date on which the panel is established, the panel shall submit to the Secretary a report setting forth its findings and conclusions, and the reasons therefor, and such recommendations it deems appropriate. The Secretary shall forward the report of the panel to Congress not later than 15 days after the date on which the Secretary receives it, together with the Secretary's comments on the report.

(e) PANEL ADMINISTRATION.—(1) The members of the panel shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized by law for employees of agencies while away from their homes or regular places of business in the performance of services for the panel.

(2) Upon request of the chairperson of the panel, the Secretary of Defense may detail to the panel, on a nonreimbursable basis, personnel of the Department of Defense to assist the panel in carrying out its duties. The Secretary of Defense shall furnish to the panel such administrative and support services as may be requested by the chairman of the panel.

(f) PANEL FINANCING.—Of the funds appropriated in Public Law 105-56 for "Research, Development, Test and Evaluation, Navy", \$4,700,000 shall be transferred to "Defense Health Program", to be available through fiscal year 1999, only for administrative costs of this panel and for the express purpose of initiating or accelerating any activity identified by the panel that will improve the quality of health care provided by the Military Health Services System.

(TRANSFER OF FUNDS)

SEC. 6. Of the funds appropriated in Public Law 105-56, under the heading "Chemical Agents and Munitions Destruction, Defense" for Operation and maintenance, \$40,000,000 shall be transferred to "Operation and Maintenance, Defense-Wide".

SEC. 7. (a) Congress urges the President to seek concurrence among the members of the North Atlantic Treaty Organization (NATO) on arrangements that set forth—

(1) the benchmarks for achieving a sustainable peace process that are detailed in the report accompanying the certification that was made by the President to Congress on March 3, 1998;

(2) estimated target dates for achieving the benchmarks; and

President.
Reports.

(3) a process for NATO to review progress toward achieving the benchmarks.

(b) The President shall submit to Congress—

(1) not later than June 30, 1998, a report on efforts to gain agreement on arrangements described in subsection (a), and such report should include an explanation of the Administration's view of whether it would promote United States interests to adopt firm schedules or deadlines for achieving such benchmarks; and

(2) semiannually after that report, so long as United States ground combat forces continue to participate in the Stabilization Force for Bosnia (SFOR), a report on the progress made toward achieving the benchmarks referred to in subsection (a)(1), including any developments which may affect the ability of the relevant parties to achieve the benchmarks in a timely manner.

(c) The Congress urges the President to ensure that efforts to meet the estimated target dates described in this section do not jeopardize the safety of United States Armed Forces in Bosnia.

(d) The enactment of this section does not reflect approval or disapproval of the benchmarks submitted by the President in the certification to Congress transmitted on March 3, 1998.

SEC. 8. Notwithstanding any other provision of law, in the case of a person who is selected for training in a State program conducted under the National Guard Challenge Program and who obtains a general education diploma in connection with such training, the general education diploma shall be treated as equivalent to a high school diploma for purposes of determining the eligibility of the person for enlistment in the Armed Forces.

SEC. 9. In addition to the amounts provided in Public Law 105-56, \$179,000,000 is appropriated under the heading "Research, Development, Test and Evaluation, Defense-Wide": *Provided*, That the additional amount shall be made available for enhancements to selected theater missile defense programs to counter enhanced ballistic missile threats: *Provided further*, That of the additional amount appropriated, \$45,000,000 shall be made available only for the purpose of adjusting the cost-share of the parties under the Agreement between the Department of Defense and the Ministry of Defence of Israel for the Arrow Deployability Program: *Provided further*, That of the additional amount appropriated, \$38,000,000 shall be made available only for the Sea-Based Wide Area Defense (Navy Upper-Tier) Program: *Provided further*, That the entire amount shall be available only to the extent that an official budget request for \$179,000,000, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress: *Provided further*, That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A) of such Act.

SEC. 10. (a)(1) The Secretary of Defense may enter into a lease or acquire any other interest in the parcels of land described in paragraph (2). The parcels consist in aggregate of approximately 90 acres.

(2) The parcels of land referred to in paragraph (1) are the following land used for the commercial production of cranberries:

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 5, 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 Srpska (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.

#

TO: AGENCIES

FROM: DAVIES

DOC DATE: 08 JUL 99
SOURCE REF:

KEYWORDS: KOSOVO
DC

SOC



PERSONS:

SUBJECT: SOC FOR DC MTG ON KOSOVO ON JUL 2

ACTION: SARGEANT SGD MEMO

DUE DATE: 12 JUL 99 STATUS: C

STAFF OFFICER: SCHULTE

LOGREF:

FILES: IFM

NSCP:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO

BAKER
BARTLETT
KERRICK
NSC CHRON
POWELL
SARGEANT
SCHULTE

DECLASSIFIED

E.O. 13526

White House Guidelines, May 16, 2017

By VZ NARA, Date 4/18/2024

2008-0494-K.3

COMMENTS:

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSTSM

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DOC 2 OF 2

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ACTION DATA SUMMARY REPORT

RECORD ID: 9905103

DOC ACTION OFFICER

001 STEINBERG
001
002

CAO ASSIGNED ACTION REQUIRED

Z 99070710 FOR DECISION
X 99070809 STEINBERG APPROVED RECOM
X 99070809 SARGEANT SGD MEMO

DISPATCH DATA SUMMARY REPORT

DOC DATE DISPATCH FOR ACTION

DISPATCH FOR INFO

002 990708 FUERTH, L
002 990708 KENNEY, K
002 990708 COMSTOCK, N
002 990708 CRIBBS, M
002 990708 TOWNSEND, F
002 990708 SYPTAK, S
002 990708 KYLE, R
002 990708 RICCHETTI, S
002 990708 WOLFE, T
002 990708 CONROY, R
002 990708 WHITE, D
002 990708 ROMBERG, A

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NATIONAL SECURITY COUNCIL
THE WHITE HOUSE

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OWELL	_____	_____	_____
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AVIES	<u>1</u>	<u>8/7/6</u>	_____
ERRICK	_____	_____	_____
TEINBERG	<u>2</u>	<u>[Signature]</u>	_____
ERGER	_____	_____	_____
SITUATION ROOM	_____	_____	_____
EAST WING DESK	<u>4</u>	<u>HC 7/8</u>	<u>[Signature]</u>
CORDS MGMT.	_____	_____	_____
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DATE: JUL 6 PM 3:00

COMMENTS: SOC DC m Kosovo 7/2

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NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20504

July 8, 1999

MEMORANDUM FOR

MR. LEON FUERTH
Assistant to the Vice
President for National
Security Affairs

MS. KRISTIE A. KENNEY
Executive Secretary
Department of State

MR. NEAL COMSTOCK
Executive Secretary
Department of the Treasury

COL. MARIA I. CRIBBS
Executive Secretary
Department of Defense

MS. FRANCES F. TOWNSEND
Counsel for Intelligence
Policy
Department of Justice

MS. STEPHANIE SYPTAK
Staff Assistant to the
Representative of the U.S.
to the United Nations

MR. ROBERT D. KYLE
Associate Director for
National Security and
International Affairs
Office of Management and
Budget

MR. STEVEN RICCHETTI
Deputy Chief of Staff to the
President

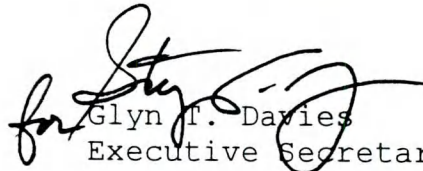
MR. THOMAS H. WOLFE
Executive Secretary
Central Intelligence Agency

MS. RYAN CONROY
Executive Secretary
Agency for International
Development

COL. DAVID C. WHITE, USA
Secretary, Joint Staff

SUBJECT: Summary of Conclusions for Deputies Committee
Meeting on Kosovo on July 2, 1999 (C)

Attached at Tab A is the summary of conclusions for the Deputies
Committee meeting on Kosovo on July 2, 1999. (C)


Glyn T. Davies
Executive Secretary

Attachment

Tab A Summary of Conclusions

~~CONFIDENTIAL W/SECRET~~ ATTACHMENT

Classified by: Glyn T. Davies

Reason: 1.5(a), (d)

Declassify On: July 7, 2009

DECLASSIFIED
E.O. 13526
White House Guidelines, May 16, 2017
By VL NARA, Date 4/18/2024
2008-0444-F.3

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Summary of Conclusions for Meeting of the NSC Deputies Committee, July 2, 1999. [Record ID: 9905103] [partial] (1 page)	07/08/1999	P3/b(3)

COLLECTION:

Clinton Presidential Records
National Security Council
Kosovo Office (Schulte, Gregory)
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FOLDER TITLE:

Chronos for July 1999 [Part I] [6]

2008-0994-F
vz6309

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Summary of Conclusions for
Meeting of the NSC Deputies Committee

DATE: July 2, 1999

LOCATION: Situation Room

TIME: 9:30 - 11:00 a.m.

SUBJECT: Summary of Conclusions of Deputies Committee Meeting
on Kosovo ~~(S)~~

PARTICIPANTS:

Chair:

James Steinberg

CIA:

(b)(3)

OVP:

Leslie Davidson

AID:

Harriet Babbitt

Paige Alexander

State:

Thomas Pickering

James Dobbins

Robert Gelbard

James Pardew

JCS:

Joseph Ralston

Edward Anderson

Treasury:

Mark Medish

USNATO:

Alexander Vershbow (via SVTS)

Defense:

Walter Slocombe

Joseph Kaufmann

NSC:

Greg Schulte

Eric Schwartz

James Baker

Mary McCarthy

Miles Lackey

Matthew Vaccaro

Michael Hurley

P.J. Crowley

Justice:

Eric Holder

USUN:

Nancy Soderberg (via SVTS)

OMB:

Sylvia Mathews

Summary of Conclusions

~~SECRET~~

Classified by: Glyn T. Davies

Reason: 1.5 (a), (d)

Declassify on: July 7, 2009

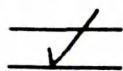
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2014-0549-M (1.76)
3/20/2014 KBH

It was agreed that:

- State would recommend to Secretary Albright that she contact Minister Ivanov concerning issues raised by the Russian military delegation sent to SHAPE to conclude detailed military arrangements to implement the Helsinki agreement on Russian participation in KFOR. (Action: State) ~~(C)~~
- The USG should ensure that adequate liaison arrangements are in place between KFOR and the Kosovo Liberation Army (KLA), particularly in the Italian and French sectors. (Action: State, DOD) ~~(C)~~
- The USG should develop a strategy to promote KLA compliance with its disarmament commitments, taking advantage of U.S. channels to Thaci and other KLA leaders. (Action: State) ~~(C)~~
- DOD will assign a defense representative to the U.S. presence in Pristina. (Action: DOD) ~~(C)~~
- Deputies will review the politico-military implementation plan for Kosovo at least monthly. A sanitized version of the plan should be released to the UN. (Action: NSC) (U)
- The USG should pursue an aggressive democratization program for Serbia, to include efforts to undermine Milosevic's sources of power and to build up a cohesive and effective opposition. As part of this program, the USG should consider the provision of humanitarian-related reconstruction assistance to localities controlled by the opposition. (Action: State) ~~(S)~~

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DTG: _____

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PAGES: 4
(Including Cover)

FROM: NSC West Wing Desk
(NAME)

(202) 456-9425
(PHONE NUMBER)

WH Situation Room
(ROOM NO.)

MESSAGE DESCRIPTION: SOC for DC mtg on Kosovo July 2nd

NSC LOG # 5103

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<u>DOS</u>	<u>Ex. Sec.</u>	_____	_____
<u>Treasury</u>	<u>Ex. Sec.</u>	_____	_____
<u>DOD</u>	<u>Ex. Sec.</u>	_____	_____
<u>Justice</u>	<u>Ex. Sec.</u>	_____	_____
<u>USUN</u>	<u>Asst. to the Rep.</u>	_____	_____
<u>CIA</u>	<u>Ex. Sec.</u>	_____	_____
<u>AID</u>	<u>Ex. Sec.</u>	_____	_____
<u>JCS</u>	<u>Col. D. White</u>	_____	_____

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FROM: National Security Council PHONE: 202-456-9425 ROOM: WHSR
SUBJECT: SOC for DC mtg on Kosovo July 2nd PAGES: 4
(w/ Cover)

PLEASE DELIVER TO:

DEPT/AGENCY	NAME/OFFICE	PHONE	SECURE FAX
<u>USUN New York</u>	<u>Ms. Stephanie Syptak</u>	<u>212-415-4407</u>	<u>212-415-4177</u>

SPECIAL DELIVERY INSTRUCTIONS/REMARKS

Eyes Only for Stephanie Syptak for hand delivery to Ambassador Peter Burleigh.

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JOINT STAFF
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MR ALAN ROMBERG
USUN/W - ATTN: ALAN ROMBERG
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2201 C STREET NW
WASHINGTON, DC 20520-6319
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PAGE 02 OF 02 PAGES

July 6, 1999

ACTION

MEMORANDUM FOR JAMES STEINBERG

FROM: GREG SCHULTE 

SUBJECT: Summary of Conclusions for Deputies Committee
Meeting on Kosovo on July 2, 1999

The memorandum at Tab I summarizes the conclusions from the Deputies Committee meeting on Kosovo that you chaired on July 2.

RECOMMENDATION

That you approve the summary of conclusions at Tab A and authorize that it be distributed to agencies.

Approve  Disapprove _____

Attachments

Tab I Memorandum for Signature

Tab A Summary of Conclusions

DECLASSIFIED
E.O. 13526
White House Guidelines, May 16, 2017
By VL NARA, Date 4/18/2024
2008-0994-1.3

~~CONFIDENTIAL W/SECRET~~ ATTACHMENT

Reason: 1.5 (a), (d)

Declassify on: July 7, 2009