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**Council on Foreign Relations
Independent Task Force Report: Balkans 2010**

Thank you very much for your warm welcome here in Greece. I welcome your invitation to speak about the Balkans, a part of the world that has concerned us for so many years.

We have heard from several of our speakers that the United States and Europe came into the Balkans together and they will leave together. I think that is certainly true. However, our roles have been very different over these years. The United States initially entered the Balkans with a sense of idealism whereas Europeans had a sense of cynicism. Today it is the United States that is developing a sense of cynicism and the Europeans who are rediscovering idealism.

Recalling my personal involvement, I am reminded of the London Conference in 1992 that was convened under the chairmanship of Mr. Boutros Ghali on behalf of the United Nations and Mr. John Major on behalf of the United Kingdom that occupied the European Union presidency during that period. The London Conference occurred during a pivotal moment in the Bosnian conflict. After the ITN reported on Serb-run concentration camps, the UN Human Rights Commission met in special session and it was agreed that concerned countries would meet in London later that summer.

There were discussions over several days in London. Finally the Vance-Owen Plan was put forward. I remember being in one of the backrooms of the Victoria Conference Center as the plan was presented by Boutros Ghali, John Major and his foreign minister, Douglas Hurd. Bosnia's President Alija Izetbegovic and Foreign Minister Haris Silajdzic listened impassively. Izetbegovic looked at the document and said, "On paper this is a beautiful declaration of intent, but there is no timetable for implementation and no enforcement mechanism. There is no way we can agree to it". Major turned to him and replied, "Mr.

President, you have my word of honour that if the shelling of Sarajevo doesn't stop within 30 days, the royal air-force will be overhead".

We all know that Vance-Owen plan was signed but never fully implemented. The Royal Air Force did not intervene and it took another three and a half years of bloodshed before the Dayton Accord brought an end to the war in Bosnia.

The reason why I have talked about idealism and cynicism is because the Europeans wanted nothing more than to get Bosnia off the headlines and sweep the problem under the rug. When Silajdzic challenged John Major accusing the British Prime Minister of not really caring about the Bosnian people, Major responded, "How dare you 'accuse me of that? Don't you know that I've been immersed in your problem for the past three days?'. The Bosnians were incredulous. They were suffering 24 hours a day and 7 days a week. The international community was not prepared to back diplomacy with force.

There are some important lessons to be learned from the early years of the Bosnian conflict. The international community failed miserably to enforce agreements. Scores of UN Council resolutions were never implemented. And failure to act together caused a growing gap between the United States and her European allies.

On the positive side, the concept of humanitarian intervention was born out of the misery of the Bosnian War. We learned the importance of early action in conflict prevention, which we saw implemented in Macedonia (FYROM) when the international community deployed an international force to keep violence from spreading there.

It is always preferable to avoid military action. If you have to exert yourself militarily, the preference should always be to do so in accordance with international law. When international systems do not function, as they did in Bosnia, then it is important to uphold peace and security even without the blessing of the UN Security Council. Secretary General Kofi Annan discussed this in the context of Kosovo. Of course, international law is paramount but international law also addresses the prevention and the punishment of the crime of genocide.

In my view, humanitarian interventions must not be based on national self-interest or on national economic or security concerns. They must be based on higher ideals. We must be committed to international humanitarian action, to stopping war criminals before they

commit, to incorporating a moral dimension into international affairs.

When I made my first trips to the Balkans in the 1980's, a state of emergency had been declared in Kosovo. I have made dozens of trips to Kosovo, Bosnia and Macedonia over the years. I am glad that violence in the Balkans has wound its course and there is no longer an appetite for fratricide and genocide. New democratic governments have taken office in all of the countries of the former Yugoslavia and that all of these countries share a common ambition to join the EU and participate in NATO and European security structures. The Dayton Agreement was, at the time, the best deal possible. In many ways, it still provides a framework to address ethnic separatism that prevails in Bosnia. In Kosovo, the repression is over; the Yugoslav army has been driven out and we hope that Serbian citizens of Kosovo will find conditions acceptable for their return in the near future. The fact that Slobodan Milosevic is on trial in Hague is also a remarkable event. I remember several meetings with him each of which increased my hope to see him the dock of the War Crimes Tribunal.

Despite progress, Americans have a tendency to be bit overly optimistic. It's important to be realistic and recognize that instability still exists in the Balkans. Widespread economic stagnation causes unemployment, underemployment and despair. Hundreds of thousands of refugees and internally displaced persons still suffer. Despite the billions of dollars that have been spent on reconstruction and humanitarian assistance, much more money is needed. Prominent war criminals are still at large. Despite some satisfaction that Mr. Milosevic is in The Hague, the fact that Mladic and Karadzic are still at-large is shameful. Legal and political reforms are undermined by corruption and obstructionist forces that include criminal networks. These are serious problems. If they are not addressed, they will worsen. In this event, Southeastern Europe would be destabilized. Conditions of poverty would worsen. Illegal activity, such as the trafficking of narcotics, people, and sexual slavery, will continue. As we have seen in Afghanistan, political extremism caused failed states that are safe harbors for terror networks.

It is essential to prevent states from failing, so that they don't become hospitable to groups that are antagonistic to US and European interests. It's essential that the US and European countries work together, to keep Balkan countries on the path of progress and reform.

These efforts would be much more effective through trans-Atlantic cooperation. However, the leadership and the centre of gravity for such efforts have shifted to Brussels and European capitals.

The vision that we all share for Europe is one of integration. Formal integration involves shared structures and institutions. Informal integration encompasses shared norms and ideals. This can be achieved through a coordinated international effort with clear lines of responsibility between countries, regional, and multilateral institutions.

This brings me to a brief presentation of our report on the Balkans 2010 issued by the Council on Foreign Relations, a private think tank based in New York. Balkans 2010 takes a long-term approach. The tendency in the Balkans is to think month to month, year to year. We wanted to identify an optimum outcome and propose a collective strategy for getting there. Our methodology identified international stakeholders and recommended incentives and disincentives that international stakeholders can bring to bear to influence the behaviour of the key national and local actors. To define international stakeholders, they are governments, regional and multinational institutions, non-governmental organizations and the business sector. Let me briefly assess some of the steps that stakeholders can make to achieve optimum ends by 2010.

The stated goal of the EU is to elevate countries in the Balkans so that they accommodate European standards and norms. The EU proposes to spend US \$ 4.65 billion between the years 2000 and 2006. That does not include the value of bilateral aid-programmes or the cost of peace-keeping operations. There are a whole variety of instruments that are used to dispense those funds. Some are more effective than others. We envision increasingly important roles for the European Investment Bank and the European Agency for Reconstruction. We also recognize the key importance of the stabilization and association process. The fact that road maps are provided to countries to clear benchmarks and criteria measuring their progress is essential for those countries to know they are heading in the right direction. There must be a light at the end of the tunnel.

There is a view around the world that the US fights and the EU funds. What I want to point out is that the American monetary commitment to the Balkans remains strong. For military and peace-keeping

operations, the estimated expenditure between 2003 and 2010 is US \$ 8-12 billion. In terms of assistance, the estimated expenditure during that same time period will be US \$ 2.5-3.5. America's commitment through the UN and in collaboration with European structures is solid. The US is committed to SFOR in Bosnia, KFOR in Kosovo, as well as the transformation of Amber-Fox in FYROM to an EU-led operation. NATO has a key role to play as an international stakeholder and via its Partnership for Peace Programme (PFP) and the Membership Action Plan.

The best way to induce behaviour is through financial incentives, aid programmes, loans, technical assistance, and preferential trade agreements that open markets and stimulate private sector involvement. We advocate a "carrots and sticks" approach. However, conditionality linking the distribution of funds to performance benchmarks needs to be flexible. As we have seen in other cases, strict conditionality can backfire. Recipients must not be made to feel that they are locked into a timetable or a set of benchmarks that are unrealistic.

Our report also focuses on international structures. We recommend that the Office High Representative and UNMIK should be gradually phased out and their function should be replaced by indigenous institutions working in collaboration international donors and agencies. International structures should be phased out gradually. There is still a long way to go. The Bosnian elections of October 2002 showed the strength of nationalist parties. Kosovo's political parties pursue goals consistent with the desires of their ethnic constituencies. In FYROM there is a tenuous security. When you look at birthrates, it is clear that the ethnic Albanian minority will continue to grow.

US-European cooperation should include both programme and policy development. There's great duplication and overlapping activities between trans-Atlantic partners as well as among European countries. This should be assessed in order to eliminate overlap. There's much talk about donor coordination, but no donor likes to be coordinated. As a result, donor coordination is difficult. Innovative mechanisms for sharing information between donor countries both in capitals and on the ground through embassies should be developed.

We must also recognize the inevitability of donor fatigue. Therefore, it is important to develop investment promotion strategies, policies

that promote private savings, finance and mortgage systems, and to establish the rule of law so that the investors know there is recourse in the event of a dispute or when it comes to repatriating profits.

There are other dimensions to the rule of law. Clarifying property rights is key. Property rights are also linked to the return of the refugees who need legal access to their own homes or rely on compensation for lost properties.

A number of NGOs are working creatively especially in the educational field where educators are working on co-existence curricula overcoming chauvinism and stereotypes that have justified violence in the past.

My personal experience in the Balkans started in Kosovo. I am convinced that the root of conflict in the Balkans can be traced to rise of Serbian nationalism in Kosovo, which spurred nationalistic sentiment among other groups in the Balkans. The question of Kosovo is still very much unsettled. Uncertainty regarding Kosovo's status will be a constant source of instability. So will poverty and failure to develop economically.

I remember visiting a winery in Kosovo that was actually producing pretty good wine. The producer wanted to export the wine to Europe but he was not allowed to label it a "Product of Kosovo". He refused to export bottles wine identified as a "Product of Yugoslavia". The problem was solved by a label that read "Product of UNMIK". Clarifying Kosovo's legal status is critical to the region's political development, the foundation of democracy, the promotion of tolerance, and addressing economic problems.

Our report offers phased recommendations first reducing tensions, which would lead to direct talks between authorities in Belgrade and Kosovar political leaders. What the report doesn't say, which I add as my personal view, is that those talks need to identify modalities for the Republic of Kosovo to become an independent country fully recognized by the international community. If that doesn't happen, conflict will recur and the international community will find that there is no exit from the Balkans. You won't hear a US government official endorsing independence for Kosovo. Instead they talk about Helsinki principles, which exclude the redefinition of boundaries by force. Helsinki principles do, however, allow for the redefinition of orders based on mutual

agreement. From my own work experience in Kosovo, there is no chance that ethnic Albanians will ever submit to rule from Belgrade again. To think otherwise will merely incur expense and difficulties for Europe and the United States, as well populations directly affected.

If that is a reality, which I firmly believe it is, then the question becomes how one redefines borders through mutual agreement. In my view, there is a formula that could be adopted as a financial transaction. The Belgrade regime is desperately in need of financial inputs. Belgrade has spent considerable sums in the development of Kosovo over the years. The total value of those investments should be calculated and, after deducting war damages, Belgrade should have the amortized value of its investment restored. I think that the number will be somewhere between 2 and 4 billion dollars. The final figure can be paid out over time.

With that transaction complete and Kosovo independent, obstructionist forces in the region will be undermined. The principle of adhering to orders in the Balkans would also be strengthened. Going forward, the financial demands on the international community will be reduced.

Resolving Kosovo's status takes vision. It takes courage, foresight, and leadership. Effective leadership needs to harmonize idealism and realism in order to advance the democratic aspirations of all peoples in the Balkans.