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Bosnia and Herzegovina: Issues for U.S. Policy

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Summary

The 1995 Dayton Peace Accords, brokered primarily by the United States, ended the war in Bosnia, which had cost hundreds of thousands of lives and created over 2 million refugees and displaced persons. The Dayton Peace Accords also set up Bosnia's current political structure of two semi-autonomous, ethnically-based "entities" and a weak central government. It resulted in the deployment of a NATO-led peacekeeping force, which has been charged with providing a secure environment for the implementation of the peace agreement. A U.N.-appointed High Representative, created by the Dayton Accords, oversees the civilian implementation efforts.

In the more than eight years since the accords, the United States and other countries have scored significant achievements in Bosnia, including sharply reduced inter-ethnic violence, restored freedom of movement, and the return of many refugees and displaced persons to their homes. The international community has also helped Bosnia hold largely free and fair elections and set up many of the institutions of a modern democratic state. However, these individual successes have not added up to the accomplishment of the overall goal of international efforts in Bosnia: the creation of a stable, united Bosnia, able to continue reforms on its own and integrate into Euro-Atlantic institutions. Almost all progress on reforms and on promoting greater unity in Bosnia continues to require direct or indirect intervention by representatives of the international community. Reform efforts continue to be met by obstructionism or passivity by the nationalist parties that control Bosnian governments at all levels. Some observers also assert that the cumbersome governing institutions set up by the Dayton Peace Accords are unworkable.

Supporters of international activism in Bosnia say that the only way to move forward is to continue to impose reforms when necessary, and that when these reforms reach a critical mass, they will become self-sustaining. According to critics of current international policy on Bosnia, international interventionism has led to dependency and irresponsibility among local elites. This problem is all the more serious as the international commitment to Bosnia in troops and funding has gradually decreased in recent years. In addition, critics say, the infringement of Bosnia's sovereignty represented by the Office of the High Representative may also prove to be an obstacle in the country's path toward European integration, Bosnia's ultimate goal.

Another important issue is whether Bosnia is still important to U.S. interests. Some say that pressing U.S. commitments in other countries and regions argue for transferring full responsibility for Bosnia to European countries. Others believe that the United States still has a stake in Bosnia's stability, as part of building a Europe "whole and free," the overarching U.S. objective in the region. They say continued U.S. involvement in Bosnia may be needed to arrest indicted war criminals, as well as to make sure that Bosnia is not used as a haven for organized crime or terrorists. This report will be updated as events warrant.

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Bosnia and Herzegovina: Issues for U.S. Policy

Introduction

The 1995 Dayton Peace Accords, brokered primarily by the United States, ended three years of war in Bosnia and Herzegovina, which had cost hundreds of thousands of lives and created over 2 million refugees and displaced persons. Under the Dayton Peace Accords, Bosnia-Herzegovina remains an internationally recognized state within its pre-war borders. Internally, it consists of two semi-autonomous “entities:” the (largely Bosniak and Croat) Federation of Bosnia-Herzegovina and the (Bosnian Serb-dominated) Republika Srpska (RS). Under the accords, the Bosnian Federation received roughly 51% of the territory of Bosnia-Herzegovina, while the Republika Srpska received about 49%.

Each of the entities has its own parliament and government with wide-ranging powers, as well as its own armed forces. Each entity may establish “special parallel relationships with neighboring states consistent with the sovereignty and territorial integrity” of Bosnia-Herzegovina. Most powers are vested in the entities; the central government has responsibility for foreign policy, foreign trade and customs policy, monetary policy and a few other areas. Central government decisions are nominally taken by a majority, but any of the three main ethnic groups can block any decision if it views it as against its vital interests. The Federation is further divided into ten cantons, each of which has control of policy in key areas such as policing and education.

The Dayton Peace Accords also resulted in the deployment of a NATO-led peacekeeping force which has been charged with providing a secure environment for the implementation of the peace agreement. A U.N.-appointed High Representative, created by the Dayton accords, oversees the civilian peace implementation efforts. Since 1997, this official has had the power to fire and take other actions against local leaders and parties as well as to impose legislation in order to implement the peace agreement and more generally bring unity and reform to Bosnia. The current holder of this post is Paddy Ashdown of Great Britain. Ashdown also holds the post of the European Union’s Special Representative in Bosnia.¹

¹ The text of the Dayton Peace Accords can be found at the website of the Office of the High Representative (OHR): [<http://www.ohr.int>]. For more background on Bosnia’s history, government structures and other issues, see CRS Report RL30906, *Bosnia and Hercegovina and U.S. Policy*, by Steven Woehrel, March 28, 2001.

Figure 1. Map of Bosnia and Herzegovina

Source: Map Resources. Adapted by CRS. (K.Yancey 5/10/04)

In the more than eight years since the accords, the United States and other countries have scored significant achievements in Bosnia, including sharply reduced inter-ethnic violence, restored freedom of movement, and the return of many refugees and displaced persons to their homes. The international community has also helped Bosnia hold largely free and fair elections and set up many of the institutions of a modern democratic state. However, these successes in some areas have not added up to the accomplishment of the overall goal of international efforts in Bosnia: the creation of a stable, united Bosnia, able to continue reforms on its own and integrate with Euro-Atlantic institutions. Almost all progress on reforms and on promoting greater unity in Bosnia continues to require direct or indirect intervention by Ashdown and other representatives of the international community. Reform efforts continue to be met by obstructionism or passivity by the nationalist parties which control Bosnian governments at all levels. Some observers also assert that the cumbersome institutions set up by the Dayton Peace Accords are unworkable.

According to critics of current international policy on Bosnia, international interventionism has led to dependency and irresponsibility among local elites. This problem is all the more serious as the international commitment to Bosnia in troops and funding has gradually decreased in recent years. In addition, the infringement of Bosnia's sovereignty represented by Office of the High Representative (OHR) may also prove to be an obstacle in the country's path toward European integration.

Critics ask how a country lacking all the attributes of sovereignty can hope to join NATO or the EU one day, or, in the near term, participate meaningfully in such programs as NATO's Partnership for Peace program. They wonder if Bosnia can or should continue to operate indefinitely as a ward of the international community, as the rest of the region moves, however slowly in some cases, toward European integration.

Another important issue is whether Bosnia is still important to U.S. interests, particularly given perhaps more pressing U.S. commitments in other countries and regions. The United States has invested substantial sums to stabilize Bosnia. From FY1991 through FY2003, the United States spent over \$13.5 billion in incremental military costs in Bosnia, mainly for the U.S. peacekeeping contingent.² U.S. aid to Bosnia over the same period amounted to more than \$1.4 billion.³ Some observers believe that the European Union is now capable of dealing with Bosnia's remaining problems on its own. Indeed, the EU already provides the bulk of financial aid and political guidance to Bosnia, and is expected to take over the military mission there from NATO at the end of 2004. However, many observers believe that the United States still has a stake in Bosnia's stability, as part of building a Europe "whole and free," the overarching U.S. objective in the region. Continued U.S. involvement in Bosnia may be needed to arrest indicted war criminals, as well as to make sure that Bosnia is not used as a haven for organized crime or terrorists.

Successes and Remaining Challenges

Bosnia has achieved progress on some issues since 1995, but continues to fall short in many others. One relative success story has been the restoration of freedom of movement within Bosnia and the gradual return of refugees to their homes. According to the U.N. High Commissioner for Refugees (UNHCR), by February 2004, nearly 1 million of the 2.2 million refugees and displaced persons had returned to their homes, including over 430,000 who returned to areas in which they are an ethnic minority. Ninety percent of the legal claims of persons wanting to have their homes returned to them have been resolved. The UNHCR estimates that some 350,000 people want to return to their old homes but have not done so.⁴

While ethnic relations are sometimes tense, and some acts of violence do occur, the main obstacle to refugee returns is economic. The war often had the effect of destroying local industries, along with the jobs that made communities viable. Many returnees are elderly. Many young people want to leave Bosnia for better

² See CRS Issue Brief IB94040, *Peacekeeping and Related Stability Operations: Issues of U.S. Military Involvement*, by Nina Serafino.

³ U.S. Agency for International Development, U.S. Overseas Grants and Loans, July 1, 1945-September 30, 2001, 170; U.S. State Department, SEED Act Implementation Reports, FY2002 and FY2003.

⁴ UNHCR Bosnia website, [<http://www.unhcr.ba>] and transcript of a speech by Ashdown at the U.N. Security Council, March 3, 2004, from the OHR website [<http://www.ohr.int>]

opportunities elsewhere, up to two-thirds of them, according to some polls.⁵ At the end of 2003, OHR handed over responsibility for refugee issues to the Bosnian human rights and minorities ministry.

A key focus of international efforts in Bosnia is to strengthen the rule of law. The rule of law is particularly important in order to break down the parallel structures connecting nationalist political parties, certain enterprises and organized crime. Widespread corruption also retards economic development. According to an opinion poll commissioned by Transparency International, Bosnians view corruption as the second most serious problem the country faces, after unemployment.⁶

High Representative Ashdown has undertaken several steps to promote the rule of law in Bosnia. He pushed through a new criminal code and a criminal procedure code in 2003, and put into place three High Judicial and Prosecutorial Councils (HJPCs) to vet about 1,000 judges and prosecutors for integrity and professional competence, with ethnic representation proportionate to the 1991 pre-war Bosnian census. The HJPCs also are responsible for disciplinary actions as well as for appointing new judges and prosecutors. Ashdown is pressing the Bosnian central parliament to consolidate the three temporary councils into a single, state-level one. Ashdown also forced the creation of the Bosnian State Court, with special panels dealing with organized crime. This court has both Bosnian and international judges and prosecutors.

Until January 2003, police training was conducted by a U.N. police mission in Bosnia. The mission vetted policemen for their professional qualifications and participation in war crimes or illegal activity. An EU police mission, which replaced the UN mission in 2003, is continuing the advisory and training functions of the U.N. mission. The EU mission is currently studying how to restructure the Bosnian police to make it more effective and financially sustainable. Ashdown successfully pushed for the establishment of new central government law enforcement institutions, including a Ministry of Justice, a Ministry of Security, and a State Information and Protection Agency (SIPA), charged with dealing with issues such as money laundering and organized crime, as well as terrorism. However, these institutions do not function effectively, as they lack resources and sufficient staffing. There have been a few successes in the area of rule of law. Courts in both entities have prosecuted several cases against organized crime figures. In March 2004, the Bosnian State Court handed down a guilty verdict in Bosnia's biggest human trafficking case.

Another area key to Bosnia's future stability is economic reform and poverty reduction. Here again, the situation is mixed. The International Monetary Fund has praised Bosnia for its success in establishing macroeconomic stability, including low inflation and a stable currency, due to a currency board system that pegs the konvertibilna marka (KM) to the Euro. International officials have pushed through a law to establish an Indirect Taxation Authority, the first step to introducing a value

⁵ Tim Judah, "Half-Empty or Half-Full Towns?" Transitions Online, February 5, 2004.

⁶ "BiH Corruption Moderately Dropping," Transparency International BiH press release, March 11, 2004.

added tax system in Bosnia. Rationalizing Bosnia's tax system is necessary in order to stimulate economic growth, as well as to provide resources for Bosnia's underfunded central government institutions. The international community is pressing Bosnian leaders to cut back the size and expense of entity and lower level governments, as the central government's rule is strengthened.

However, severe economic problems remain. Bosnia is one of the poorest countries in Europe, with per capita Gross Domestic Product (GDP) about one-half of the pre-war level. About half of the population lives close to or below the poverty line.⁷ According to some experts, Bosnia's economy may be on the verge of crisis. Many of Bosnia's main pre-war industries, including military industries, have collapsed, and new businesses to replace these lost jobs have not materialized. According to this view, a substantial part of the economy is dependent on government spending on oversized government bureaucracies (in part a legacy of the complicated government structures created by the Dayton Peace Accords) as well as residual international funding. The public sector accounts for about two-thirds of the country's GDP.⁸

Efforts to stimulate the economy to produce jobs and foreign investment have only been partially successful. Ashdown has established a "Bulldozer Committee" composed of OHR officials and Bosnian businessmen to develop specific proposals to cut through red tape and take other steps to improve the business climate in Bosnia. Nevertheless, Bosnia still lacks many elements of a suitable legal framework to encourage domestic and international investors. Moreover, the privatization process, which is in the hands of the entity governments, remains slow and plagued by endemic administrative and legal shortcomings, according to the international officials. Foreign direct investment (FDI) is increasing, in part due to Ashdown's efforts, but from a very low base. FDI made up only 5% of GDP in 2003, one of the lowest percentages in the region.⁹

Prospects for Stability and Self-Sustaining Reforms

A major concern for international policymakers is the long-term impact on Bosnia of declining international attention and resources. As noted above, most of the modest reform successes in Bosnia have been initiated and pushed forward by the international community. International aid has played an important role in keeping the economy afloat. The nationalist parties in power have often reacted passively on reform issues, or even engaged in overt or covert obstructionism. Local leaders often concentrate on political maneuvering and securing resources for political patronage. Efforts to promote Bosnia's unity through the strengthening of state-level institutions have also met with indifference or opposition. Under international pressure, new

⁷ USAID FY2005 Budget Justification to Congress, Annex III: Europe and Eurasia, 49.

⁸ Discussions with U.S. and European Balkan experts, March 2004.

⁹ European Commission, "Commission Staff Working Paper: Bosnia and Herzegovina, Stabilization and Association Agreement 2004," March 30, 2004.

institutions have proliferated, often without the funding or staffing to make them effective.

Analysts have therefore expressed concern about the sustainability of Bosnia's reforms and the country's long-term unity. According to some analysts, part of the problem is due to the shortcomings of the Dayton constitution. They say the governing structures set up by Dayton are too complex, with too many layers of government that are too expensive and not accountable to the people. Various proposals have been made for simplifying the structure, including eliminating the entities to create a unitary state, or a system of cantons within a more conventional federation.¹⁰

Another problem is that while Bosniaks overwhelmingly favor a united Bosnia, Serbs, and to a lesser extent Croats, do not. For example, a State Department-sponsored opinion poll in the Republika Srpska (RS) last year, found that 69% favored RS independence from Bosnia. Another poll from the same source found that former Bosnian Serb leader and indicted war criminal Radovan Karadzic is the most popular politician in the RS. The poll also noted that the main nationalist parties in Bosnia have maintained and even increased their support at the expense of non-nationalist parties. On the other hand, 55% of Bosnian Serbs expect that, notwithstanding their wishes, Bosnia will remain a single state. The poll found that 41% of Bosnian Croats favor remaining part of Bosnia, while 54% favor independence or union with Croatia. Interestingly, Bosnian Croat support for Bosnia has sharply increased since 1999, at the same time as Croatian governments have publicly renounced territorial claims on Bosnia.¹¹

Ashdown and previous High Representatives have tried to exhort local leaders to take "ownership" of reforms, without much success. The international community also tried to influence the domestic political scene by helping non-nationalist parties win elections and form government coalitions. However, these efforts were not very successful, due to the heterogeneity of the coalitions and the continued popularity of nationalist groups, which successfully play on the fears of people and still have effective patronage networks.

After the victory of the three major nationalist parties in the October 2002 general elections, Ashdown has tried to work with the new nationalist leaders on reform issues, but has also jumped into the middle of the Bosnian political system himself, campaigning under the slogan "Jobs and Justice." He has intervened actively in the making of laws and continues to fire and take other actions against obstructionist politicians and parties. His moves have angered Bosnian leaders at times, but there has been little public protest against his actions. Indeed, an October 2003 State Department-sponsored opinion poll indicated little public awareness of the "Jobs and Justice" program. According to the same poll, Ashdown is supported

¹⁰ For one such proposal see European Stability Initiative, "Making Federalism Work: A Radical Proposal for Practical Reform," ESI website [<http://www.esiweb.org>].

¹¹ "Bosnian Political Mood Hits Post-Dayton Low," State Department Office of Research, September 22, 2003 and "Bosniaks and Bosnian Croats Support, Serbs Oppose Unified State," State Department Office of Research, October 2, 2003.

by two-thirds of Bosniaks, but is opposed by two-thirds of Bosnian Croats and 94% of Serbs.¹²

Bosnian critics of Ashdown charge that he has neglected the non-nationalist opposition, which could have been his natural allies. Now, they charge, he is at a political dead-end — partnered with ruling nationalist elites with little interest in reform, and an opposition too weak and disenchanting to serve as a viable alternative.¹³ Ashdown has replied that he has had to work with whomever the Bosnian people elect as their leaders. Some analysts support Ashdown's actions, saying that however paradoxical it may seem, interventionism is needed in the short term to provide the basis for a self-sustaining Bosnia.¹⁴ On the other hand, other experts are concerned that local institutions cannot develop as long as OHR continues its active, and some critics say undemocratic, intervention in Bosnian affairs. They suggest that the development of responsible democratic local institutions should take priority, and that OHR's use of its powers should be more limited and more accountable to the Bosnian people.¹⁵

Possibly acting in the international community's favor in the long run is the slowly increasing realization of Bosnian politicians that it is in their own interest to promote Bosnia's integration into the European Union. The 2003 EU summit in Thessaloniki, Greece, held out the prospect of Bosnia and other countries in the region joining the EU when they are ready. The problem with possible EU membership as a motivating factor is that it may be too distant to have as powerful an effect as it has had in Central Europe. Earlier this year, the EU warned that Bosnia has not fully implemented any of the 16 measures set by an EU feasibility study before it can begin negotiations on a Stabilization and Association agreement, a first step in the long road to EU membership. Bosnia's central government has set a goal of EU membership by 2009, although most observers view this goal as unrealistic at present.

What would be the impact of reduced international intervention in Bosnia's political system and a decrease in economic assistance, particularly if reforms are slowed as a result? It appears unlikely that the situation could explode into conflict again in the near future, perhaps most importantly because the geopolitical situation in the region has changed. Bosnia's civil war was in part the playing out of the designs of nationalist leaders in Croatia and Serbia on Bosnian territory. According to a State Department sponsored opinion poll, about a third to slightly less than one-half of the three main ethnic groups believes that a return to fighting could occur

¹² "Bosnian Views Diverge on the International Community," State Department Office of Research, October 8, 2003.

¹³ Mirsad Bajtarevic and Nerma Jelacic, "Ashdown Celebrates Lonely Anniversary," IWPR Balkan Crisis Report, no. 490, April 2, 2004.

¹⁴ International Crisis Group, "Bosnia's Nationalist Governments: Paddy Ashdown and the Paradoxes of State Building," July 22, 2003, from the ICG website [<http://www.crisisweb.org>].

¹⁵ See Gerald Knaus and Felix Martin, "Travails of the European Raj: Lessons from Bosnia and Herzegovina," *Journal of Democracy*, July 2003, 60-74.

within the next few years. Only about one-tenth are “very concerned” about such an outcome.¹⁶

The downfall of nationalist regimes in Serbia and Croatia in 2000 reduced concerns about a partition of Bosnia, as new democratic regimes in both countries put domestic reforms and improving relations with the West over past nationalist projects to redraw borders. The comeback of the nationalist HDZ party in Croatia and nationalist forces in Serbia in 2003 have caused some concern. However, the HDZ government has shown no interest in carving up Bosnia again, knowing that to do so would put an end to achieving its main foreign policy goal, joining Euro-Atlantic institutions. Similar views are held by leaders in Serbia, although some voices have raised the possibility of a partition of Bosnia if Kosovo is permitted to become independent from Serbia. The Serbian political scene remains unsettled, and a victory by the ultranationalist Radical Party in future elections could conceivably pose a danger to Bosnia’s future.

On the other hand, even if a poor, disunited, unreformed Bosnia could be nominally stable, it still might also present problems. The weakness of its institutions could provide an environment conducive to organized crime activities such as trafficking in weapons, drugs and persons, as well as the operations of terrorist groups, which could threaten U.S. and European interests.

U.S. Policy Issues

SFOR and Partnership for Peace

Due in part to the improving security situation in Bosnia and the need to shift troops to the war on terrorism and other responsibilities, the NATO-led SFOR has undergone deep reductions in recent years. By the end of this year, NATO’s role in Bosnia is expected to shift from peacekeeping to reforming Bosnia’s armed forces and other tasks. The European Union is planning to take over peacekeeping duties. The EU force would use NATO’s planning capabilities and other assets, under what is known as the “Berlin Plus” formula. The proposed EU force would reportedly consist of about 7,000 troops.

In December 2004, NATO defense ministers agreed to reduce the size of SFOR from under 12,000 (including about 1,800 U.S. troops) to 7,000 (of which about 1,000 would be U.S. soldiers, if U.S. troops continue to make up about 15% of the total force). During a visit to Croatia in February 2004, Secretary of Defense Donald Rumsfeld said that at the end of 2004, “if the situation is right, NATO will complete its work [in Bosnia], and the EU will take over a new role in Bosnia, which is less military and more police in its orientation...NATO would keep a headquarters in Bosnia for the purpose of assisting with defense reform, and to assist with the

¹⁶ “Bosniaks and Bosnian Croats Support, Serbs Oppose Unified State,” State Department Office of Research, October 2, 2003.

handling of indicted war criminals...”¹⁷ Current NATO plans call for a headquarters consisting of 200 to 250 military personnel under U.S. command.¹⁸

U.S. and EU officials believe the proposed EU role in Bosnia could serve as a precedent for a similar handoff of responsibilities in Kosovo, although widespread anti-Serb violence in Kosovo in March 2004 may make this a more uncertain prospect in the near term. On the other hand, it is unclear whether the EU successor force will have the credibility that SFOR enjoyed partly due to the U.S. presence. Bosniaks in particular have viewed the United States as their best ally among leading Western nations, dating back to the perceived U.S. role in helping to put an end to the war by permitting the Bosniaks to arm themselves. In contrast, European countries are viewed less favorably, in part due to the perceived failures of the European-led U.N. Protection Force (UNPROFOR) during the war. Some observers claim that many European troops in KFOR were much less effective than U.S. troops during the March 2004 riots in Kosovo, due at least in part to the restrictive rules of engagement they had received from their governments.¹⁹ Some observers say the United States should retain troops in Bosnia, because the Europeans by themselves may not be able to ensure the country’s stability.²⁰

An important focus of U.S. and international efforts in Bosnia is to promote defense reforms that will permit Bosnia to join NATO’s Partnership for Peace (PFP) program. Bosnia and Serbia and Montenegro are the only two European countries that are not members of PFP. SFOR, OHR and Western governments have pressed Bosnia to undertake defense reforms that will permit Bosnia to be admitted as a PFP member by the NATO summit in Istanbul in June 2004. These reforms include the unification of Bosnia’s two armies under a single command structure, including a Minister of Defense and Chief of Staff. The army would not be unified at lower levels, however. It would eventually comprise three 4,000-man brigades (down from the current 22,000 men in both entity armies combined). One brigade would be Bosniak, another would be Serb, and the third Croat.²¹ The supreme command of this force would be held by Bosnia’s collective presidency, which also is composed of one Bosniak, one Serb and one Croat.

It is an open question whether Bosnia will undertake all of the necessary reforms by June 2004. The Bosnian parliament has passed the legislation needed to create the new command structure. It approved a new defense minister in March 2004, after two previous Bosnian Serb-nominated candidates for Defense Minister were rejected by Ashdown due to their questionable conduct during the war. In March 2004,

¹⁷ State Department transcript of Secretary of Defense Donald Rumsfeld’s press availability with Croatian Prime Minister Ivo Sanader, February 8, 2004.

¹⁸ Radio Free Europe/Radio Liberty Newsline, Part II, May 10, 2004.

¹⁹ Discussion with a Serbian official, May 2004.

²⁰ “Holbrooke to Bush: Keep Troops in Bosnia,” Associated Press, February 12, 2004. For more on SFOR and the possible EU follow-on force, see CRS Report RS21774, *Bosnia and International Security Forces: Transition from NATO to the European Union in 2004*, by Julie Kim.

²¹ RFE-RL, February 5, 2004.

Ashdown, SFOR commander U.S. Maj. Gen. Virgil Packett, and other key international officials in Bosnia warned Bosnian leaders that their country will not be invited to join PFP in June unless “urgent” steps are made toward necessary reforms. They said that Bosnian leaders lack the “political will” to move forward, expressed as “residual obstructionism.” Reforms that are needed include nominating qualified candidates for state-level defense institutions, providing these institutions with adequate funding, and harmonizing current entity-level defense laws with the new Bosnia-wide Law on Defense.²² Bosnia must also cooperate with the International Criminal Tribunal for the former Yugoslavia (ICTY) in order to become a member of the PFP program.

War Crimes and Cooperation with the ICTY

An important focus of current U.S. and international efforts in Bosnia is to apprehend indicted war crimes suspects and transfer them to the ICTY, particularly former Bosnian Serb leader Radovan Karadzic and former army chief Ratko Mladic. The Bosnian government and the two entity governments are required by the Dayton Peace Agreement to fully cooperate with the ICTY. According to ICTY chief prosecutor Carla Del Ponte, the Federation has largely cooperated with the ICTY, but the RS has not. RS officials have not arrested a single indicted war criminal since the peace accords were signed. Indeed, some of them have allegedly assisted indictees to evade capture. Therefore, the arrest of war criminals thought to be hiding in the RS has been left almost entirely to SFOR and agents of Western governments.

The United States and its allies are motivated in their search for war criminals by a desire for justice as well as a belief that the arrest and transfer of these two men and other war criminals would deal a serious blow to those forces obstructing reforms in Bosnia. However, this task has been complicated by uncertainty over the whereabouts of Mladic and Karadzic. According to press reports, Mladic is living in Serbia, and is therefore outside the jurisdiction of SFOR. Karadzic reportedly lives mainly in Bosnia, repeatedly moving within the Republika Srpska to evade capture, but may also live at times in Serbia and Montenegro. In recent years, U.S. officials have said that SFOR’s mission in Bosnia would not be completed until Karadzic and Mladic are in The Hague. However, the United States and its NATO allies are expected to withdraw SFOR by the end of the year, while Karadzic and Mladic remain at large. Both a proposed EU successor force and a NATO headquarters unit would participate in developing intelligence for the possible seizure of war crimes suspects, although the actual seizures themselves would likely be carried out by specially-trained teams based outside of Bosnia.

In the meantime, SFOR has stepped up its efforts this year to try to apprehend the two men. In a strategy that appears similar to that undertaken in 2003 to capture Saddam Hussein in Iraq, SFOR has arrested several persons who are suspected of assisting Karadzic to avoid capture, including a former Bosnian Serb defense minister. Others have been removed from their posts by Ashdown, including high-

²² “BiH Failing to Meet Requirements for PFP, OHR press release, March 12, 2004, OHR website, [<http://www.ohr.int>].

ranking Bosnian Serb police officers, and Mirko Sarovic, a senior official of the Serbian Democratic Party, formerly headed by Karadzic and now a ruling party in the Republika Srpska. Ashdown has frozen the assets of these and other persons suspected of helping war criminals. The United States has also added them to a list of persons who are barred entry into the United States and whose U.S. assets are frozen. In a March 2004 speech to the Republika Srpska parliament, U.S. war crimes envoy Pierre-Richard Prosper warned that in addition to these steps, the RS could face expanded political and economic sanctions if it does not cooperate with the Tribunal. In April 2004, Ashdown blocked state funding to the nationalist Serbian Democratic Party (SDS), charging that the SDS had helped to finance Karadzic's efforts to avoid arrest. Skeptics have noted that most SDS funding does not come from the state, but from state-owned firms run by SDS supporters.²³

The United States is also offering a \$5 million reward to anyone providing information leading to the capture of Karadzic or Mladic. Del Ponte claimed that Karadzic had narrowly escaped capture during an SFOR raid in the Bosnian Serb city of Pale in February 2004. Subsequent SFOR raids have failed to capture Karadzic, including a raid on April 1, 2004 that resulted in severe injuries to a Serbian Orthodox priest and his son. International critics of SFOR say that it has failed to develop much useful intelligence on the whereabouts of war criminals and does not coordinate sufficiently with the ICTY and other international organizations in Bosnia.²⁴

In addition to pursuing Karadzic and Mladic, the United States and the international community have also promoted efforts to have war criminals tried by local courts. This policy is part of the international "completion strategy" for the ICTY, adopted in U.N. Security Council Resolution 1503 in August 2003. The resolution calls for the ICTY to complete its investigations by 2004, its trials by 2008, and all appeals by 2010.

In October 2003, international donors held a conference on the establishment of a war crimes chamber in the state court of Bosnia and Herzegovina. The United States contributed \$5 million and said it would contribute an additional \$5 million in 2004. The court is expected to hear its first cases in late 2004. However, it is unclear how effective the new court will be. Bosnian courts have tried a few war crimes cases so far, but have been criticized for long delays, insufficient protection for witnesses, and ethnic bias. Recognizing this fact, the court will have international judges and prosecutors working with their Bosnian counterparts for the first few years, similar to Bosnian courts currently charged with prosecuting high-profile organized crime cases. However, the court will have to depend on local police forces to assist its work. Domestic war crimes prosecutions will also depend on Ashdown's efforts to improve Bosnia's judicial system, including by dismissing corrupt and ineffective prosecutors and judges, as well as imposing tougher criminal laws.

²³ Institute for War and Peace Reporting (IWPR), *Balkan Crisis Report No. 492*, April 16, 2004.

²⁴ *IWPR Balkan Crisis Report No. 490*, April 2, 2004.

Terrorism

Since the September 11, 2001 terrorist attacks, the main focus of U.S. foreign policy has been the war on terrorism. Terrorism has also become an important focus of U.S. policy toward Bosnia, which has been a haven for Al Qaeda and other terrorist groups, although it has not played as important a role in this regard as other European countries such as Spain, Germany and Britain. One way in which Bosnia is different from other countries in Europe is the role of several thousand Islamic fundamentalist fighters during the 1992-1995 war in Bosnia. Most left Bosnia at U.S. insistence after the deployment of the NATO-led peacekeeping force in December 1995. However, a few stayed and became Bosnian citizens by marrying Bosnian women. Perhaps more troublesome have been Al Qaeda ties among some Islamic charities and humanitarian organizations that proliferated during and after the war. Al Qaeda used a few of them for planning attacks in Bosnia and elsewhere. Some Al Qaeda operatives in Bosnia reportedly have had connections to members of Bosnia's intelligence service, another legacy of Bosniak wartime cooperation with Islamic militants. In 2003, six former Federation officials were investigated for their role in helping to establish a terrorist training camp in Bosnia with Iran's help during the mid-1990s.²⁵

The issue of terrorism has been politicized in Bosnia to some extent, as each ethnic group has used the label "terrorist" to define its adversaries. Some Bosnian Serb officials have alleged that Bosniaks were harboring Islamic terrorists. However, it should be stressed that Bosnian opposition to terrorism has been remarkably broad, despite the still-deep ethnic divide in the country. The United States enjoys a strong reservoir of support in Bosnia, especially among Bosniaks, for bringing peace to the country and providing post-war aid. In addition, Bosniaks are known in the Muslim world as particularly secular and European in outlook. This has often caused friction between foreign Islamic extremists and many ordinary Bosniaks. Efforts by foreign Islamists to recruit Bosniaks into their organizations have met with limited success. Some Bosniaks also fear that the terrorists will give Bosnia a bad name in Europe, thereby hindering their ability to travel there, and setting back Bosnian efforts to join European institutions in the long run.²⁶

In general, the Bosnian constitution gives domestic powers to fight terrorism to the entities, while the central government deals with international efforts to fight terror. Bosnian efforts to fight terrorism are hampered by the weakness and inefficiency of its government institutions, which have created an environment in which crime and corruption have flourished. One example of this corrupt environment was the 2002 sale of arms from Bosnia to Saddam Hussein's Iraq.

Ashdown's efforts to strengthen state-level institutions and the rule of law may increase the effectiveness of Bosnia's fight against terrorism. With help from the EU and United States, Bosnia has deployed a State Border Service throughout virtually

²⁵ Patterns of Global Terrorism 2003, available from the State Department website at [<http://www.state.gov/>].

²⁶ Colin Woodward, "In Rebuilt Bosnia, No Terror Toehold," *Christian Science Monitor*, March 24, 2004, 1.

all of the country's territory. Ashdown is also pushing for implementation of legislation to increase the effectiveness of the State Information and Protection Agency, which is charged with combating terrorism, organized crime, trafficking and smuggling of weapons of mass destruction. However, as with other issues, Ashdown's efforts have been slowed by local politicians opposed to an increase in central government power. The 2003 State Department report on Patterns of Global Terrorism said that Bosnia's commitment to the fight against terrorism has slowed since the victory of nationalist forces in Bosnia's October 2002 elections. On the other hand, the report notes that the Federation Financial Police has continued to shut down NGOs and bank accounts linked to terrorists.²⁷

The presence of SFOR and other international officials on Bosnia's territory has also helped in the fight against terrorism. NATO troops and intelligence services can work with their Bosnian counterparts and independently track down and arrest suspected terrorists. The powerful influence exercised by international officials in Bosnia gives the United States more freedom to arrest and deport terrorists than in many other countries, which might object on civil liberties or other grounds. However, the delivery of five suspected terrorists in January 2002 by the Bosnian government to SFOR was criticized by some Bosnian legal experts as a violation of the rule of law. After SFOR's withdrawal at the end of this year, a NATO headquarters in Bosnia will continue to play a role in anti-terrorist efforts in Bosnia, as will the EU successor force to SFOR.

U.S. Aid

U.S. aid to Bosnia has declined gradually in recent years, after an initial post-war surge to deal with urgent humanitarian and reconstruction needs. The United States is the largest bilateral donor to Bosnia, although the European Union and the World Bank are the largest donors overall. U.S. aid has shifted to programs to help Bosnia develop democratic institutions and a free market economy. From Bosnia's independence in 1992 through FY2001, the United States provided \$1.35 billion in aid. The United States provided \$65 million in aid for Bosnia in funding under the SEED program in FY2002 and \$50 million in FY2003. In FY2004, the Administration budgeted \$44.7 million in SEED aid to Bosnia and has requested \$41 million for FY2005. U.S. aid programs focus on such issues as strengthening the country's legal system, supporting small and medium-sized businesses, and making refugee returns sustainable, through infrastructure repair, strengthening utility companies and helping refugees become economically more self-sufficient.²⁸

²⁷ 2003 State Department Patterns of Global Terrorism report.

²⁸ U.S. Agency for International Development, U.S. Overseas Grants and Loans, July 1, 1945-September 30, 2001, 170; U.S. State Department, SEED Act Implementation Reports, FY2002 and FY2003, and USAID FY2005 Budget Justification to the Congress, Annex III: Europe and Eurasia.