

# CRS Report for Congress

Received through the CRS Web

## **Bosnia and Herzegovina: Issues for U.S. Policy**

**February 10, 2005**

Steven Woehrel  
Specialist in European Affairs  
Foreign Affairs, Defense, and Trade Division

# Bosnia and Herzegovina: Issues for U.S. Policy

## 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 relatively weak central government. It resulted in the deployment of a NATO-led peacekeeping force, which was charged with providing a secure environment for the implementation of the peace agreement. In December 2004, a European Union force took over peacekeeping duties from NATO. A U.N.-appointed High Representative, created by the Dayton Accords, oversees the civilian implementation efforts.

In the more than nine 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 decreased in recent years.

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. The 109<sup>th</sup> Congress will likely be involved in such issues as appropriating foreign aid for Bosnia and examining Bosnia's compliance with its obligations to the International Criminal Tribunal for the former Yugoslavia. 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.<sup>1</sup>

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<sup>1</sup> 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 nine 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 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, according to

some observers. 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 FY2004, the United States spent over \$13.6 billion in incremental military costs in Bosnia, mainly for the U.S. peacekeeping contingent.<sup>2</sup> U.S. aid to Bosnia over the same period amounted to more than \$1.5 billion.<sup>3</sup> 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 took over the military mission there from NATO in December 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 October 2004, over 1 million of the 2.2 million refugees and displaced persons had returned to their homes, including over 447,000 who returned to areas in which they are an ethnic minority. Over 92 percent of the legal claims of persons wanting to have their homes returned to them have been resolved.<sup>4</sup>

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

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

<sup>3</sup> U.S. Agency for International Development, U.S. Overseas Grants and Loans, July 1, 1945-September 30, 2002, from the AID website [<http://www.usaid.gov>]

<sup>4</sup> UNHCR Bosnia website, [<http://www.unhcr.ba>] and the OHR website [<http://www.ohr.int>]

<sup>5</sup> Tim Judah, "Half-Empty or Half-Full Towns?" *Transitions Online*, February 5, 2004.

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.<sup>6</sup>

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 a High Judicial and Prosecutorial Council (HJPC) which has vetted Bosnia's judges and prosecutors for integrity and professional competence, with ethnic representation proportionate to the 1991 pre-war Bosnian census. The HJPC is also responsible for disciplinary actions as well as for appointing new judges and prosecutors. 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, is continuing the advisory and training functions of the U.N. mission. 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. In December 2004, a Police Restructuring Commission, composed of Bosnian and international officials, issued a report calling for Bosnian central government institutions to take over responsibility for all police matters. Ashdown has also called for the elimination of entity Interior Ministries. Such proposals, if implemented, would mark a dramatic blow to the power of the entities within Bosnia, which had previously controlled most police functions, and have been strongly resisted by Bosnian Serb leaders.

However, it should be noted the implementation of these reforms has been slow. These institutions often do not function effectively, as they lack resources and sufficient staffing. However, 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 laws to establish an Indirect Taxation Authority and a value added tax in Bosnia.

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<sup>6</sup> "BiH Corruption Moderately Dropping," Transparency International BiH press release, March 11, 2004.

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, as well as to assist Bosnia's EU integration. 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 Gross Domestic Product (GDP) about 60% of the pre-war level. About half of the population lives close to or below the poverty line.<sup>7</sup> 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. Government spending accounts for over 50% of the country's GDP.<sup>8</sup>

Efforts to stimulate the economy to produce jobs and foreign investment have only been partially successful. Ashdown 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.<sup>9</sup>

## **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

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

<sup>8</sup> Discussions with U.S. and European Balkan experts, March 2004.

<sup>9</sup> 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.<sup>10</sup>

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) in 2003 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. 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.<sup>11</sup>

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

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

<sup>11</sup> "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.<sup>12</sup>

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 disenchanted to serve as a viable alternative.<sup>13</sup> 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.<sup>14</sup> 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.<sup>15</sup>

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. As of early 2005, Bosnia continued to fall short in implementing 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

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

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

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

<sup>15</sup> 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.<sup>16</sup>

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. In December 2004, The European Union took over peacekeeping duties. The EU force (EUFOR) of about 7,000 troops uses NATO’s planning capabilities and other assets, under what is known as the “Berlin Plus” formula. Fewer than 200 U.S. military personnel remain in Bosnia as part of a small NATO contingent to assist Bosnian defense reform, search for indicted war criminals, and fight terrorism.

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

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

Kosovo, due at least in part to the restrictive rules of engagement they had received from their governments.<sup>17</sup>

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. 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. One brigade would be Bosniak, another would be Serb, and the third Croat.<sup>18</sup> 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.

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. Reforms that are needed include staffing state-level defense institutions with qualified personnel, providing these institutions with adequate funding and premises, and eliminating the entity Defense Ministries.<sup>19</sup>

## **War Crimes and Cooperation with the ICTY**

The most important factor hindering Bosnia's membership in PFP and opening talks on a Stabilization and Association agreement with the EU is Bosnia's lack of cooperation with the International Criminal Tribunal for the former Yugoslavia (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 war criminal indicted by the ICTY since the peace accords were signed.<sup>20</sup> Indeed, some of them have allegedly assisted indictees to evade capture. Therefore, the transfer of war criminals thought to be hiding in the RS to the ICTY has been left almost entirely to voluntary surrenders of suspects, as well as action by international peacekeepers and agents of Western governments.

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<sup>17</sup> Discussion with a Serbian official, May 2004.

<sup>18</sup> RFE-RL, February 5, 2004.

<sup>19</sup> OHR website, [<http://www.ohr.int>].

<sup>20</sup> However, the RS government in November 2004 arrested eight Bosnian Serb war crimes suspects wanted by Bosnian authorities.

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. According to press reports, both Mladic and Karadzic move within Bosnia and between Bosnia and Serbia and Montenegro. Both EUFOR and the remaining NATO presence in Bosnia participate in developing intelligence for the possible seizure of war crimes suspects, although the actual seizures themselves, if they occurred, would likely be carried out by specially-trained teams based outside of Bosnia.

High Representative Ashdown has tried to weaken the support network for the war criminals. He has removed many RS officials from their posts, including high-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, as has the European Union. The United States has also added these people to a list of persons who are barred entry into the United States and whose U.S. assets are frozen. 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.<sup>21</sup>

In December 2004, in a further move to punish the Republika Srpska for its non-compliance on war crimes issues, Ashdown removed nine Bosnian Serb officials of the State Border Service, the Intelligence and Security Service, and the RS Interior Ministry. Ashdown also announced plans to abolish entity Interior and Defense Ministries by fall 2005, leaving only central government ministries for these functions. Ashdown warned that he will take further steps against the assets and institutions of the RS if Bosnian Serb leaders continued to block Bosnia's PFP membership by failing to cooperate with the ICTY. In taking such moves, Ashdown also may be using RS war crimes non-compliance to weaken the RS and the whole system of ethnically-based entities set up by the Dayton Accords, which some observers see as a key stumbling block to reform and Euro-Atlantic integration.

The United States also introduced measures in December 2004 to punish the RS for non-cooperation with the ICTY, freezing all SDS assets in the United States and imposing a visa ban on all members of the SDS and the Party for Democratic Progress (PDP), a key member of the RS government. A number of high level Bosnian Serb leaders in the RS and the Bosnian central government resigned their posts in protest.

The United States has offered 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,

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<sup>21</sup> Institute for War and Peace Reporting (IWPR), Balkan Crisis Report No. 492, April 16, 2004.

including a raid in April 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.<sup>22</sup>

In addition to pursuing Karadzic and Mladic, the United States and the international community have 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. 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.

## **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

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<sup>22</sup> *IWPR Balkan Crisis Report No. 490*. April 2, 2004.

role in helping to establish a terrorist training camp in Bosnia with Iran's help during the mid-1990s.<sup>23</sup>

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.<sup>24</sup>

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 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.<sup>25</sup>

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

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<sup>23</sup> Patterns of Global Terrorism 2003, available from the State Department website at [<http://www.state.gov/>].

<sup>24</sup> Colin Woodward, "In Rebuilt Bosnia, No Terror Toehold," *Christian Science Monitor*, March 24, 2004, 1.

<sup>25</sup> 2003 State Department Patterns of Global Terrorism report.

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 in December 2004, a NATO headquarters in Bosnia continues to play a role in anti-terrorist efforts in Bosnia, as does 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 FY2002, the United States provided \$1.56 billion in aid. The United States provided \$44.7 million in aid for Bosnia under the SEED program in FY2004, and an estimated \$41 million for FY2005. The Administration has requested \$40 million in SEED funding for Bosnia in FY2006. 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.<sup>26</sup>

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<sup>26</sup> U.S. Agency for International Development, U.S. Overseas Grants and Loans, July 1, 1945-September 30, 2002, 170 and FY2006 Budget Summary and Highlights, International Affairs Function 150, February 2005.