

Office of the Assistant Secretary of Defense
International Security Affairs
BOSNIA TASK FORCE

Date: August 23, 1995

Note For: Dr. White
Mr. Slocombe
Mr. Lodai
Dr. Warner

Subject: DC Agenda

Two topics have been added to the agenda for the DC today: (1) Economic reconstruction (Tab A) and Sanctions (Tab B). Both are continuations of yesterday's discussions.

The "arm and train" topic may be dropped from today in favor of the new items.

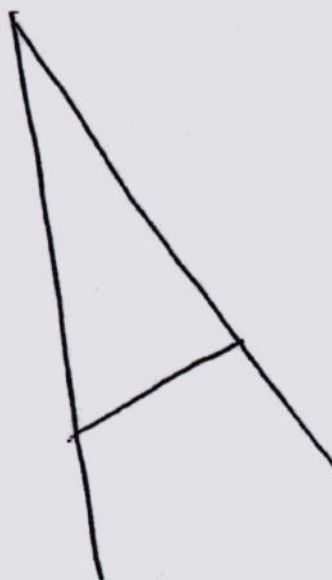
The NSC Staff views the "Washington Studies" list brought back from the PC yesterday as a longer term project except for the items on the DC today.



Jim Pardew

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Concept Paper
Comprehensive Post-settlement Assistance Package
for Ex-Yugoslavia

1. Principles

a. Humanitarian assistance should be driven by needs, with equal treatment across ethnic groups and a clear phasedown strategy.

b. Reconstruction assistance should reinforce political and economic objectives:

--preservation of territorial integrity of sovereign states (in particular Bosnia-Herzegovina)

--multiethnic democracy

--return of refugees

--development of private enterprise and a market economy

c. Limited military cooperation should

--contribute to stability

--limit the potential for future conflict

--encourage observance of international norms

--exclude indicted war criminals.

2. Mechanisms

a. Humanitarian assistance should continue to be delivered by U.N. organizations, PVOs and national governments.

b. Reconstruction assistance should be implemented in coordination with national governments (ie, Zagreb and Sarajevo) and NGO's; donor coordination should be through the IBRD.

c. Military assistance should also be coordinated through national governments.

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3. Country-specific considerations**a. Croatia:**

--Humanitarian: needs should decline as displaced persons and refugees return to their homes.

--Reconstruction/development: aid should be focussed on the former UNPA's, where it should be used to encourage return of Serb as well as Croat refugees.

--Military: PMRI and IMET to continue.

b. Bosnia:

--Humanitarian: obstacles to return of Croat, Muslim and Serb DP's and refugees should be removed, but realistically many may choose not to do so; continuing but declining need for humanitarian assistance.

--Reconstruction/development: aid should be conditional on reestablishment of multiethnic society, which would mean no assistance to areas that will not permit return of DP's and refugees or refuse to build up democratic institutions open on an equal basis to all.

--Military: likewise, assistance should be directed to and through multiethnic institutions (Federation Army) and not permitted to ethnically pure ones (HVO, Bosnian Serb Army).

c. FRY:

--Humanitarian: Croatian Serb refugees should be encouraged to return by establishment of conditions of safety and decency in Croatia, but realistically speaking many may choose not to do so; there will be a continuing need for humanitarian assistance.

--Economic and democratic development: Serbia proper has suffered no war destruction; assistance should be through normal IFI mechanisms; USG would not help clear arrears.

--Military: limited IMET program for the FRY military, conditional on no crackdown in Kosovo.

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4. Resources required and available

a. Croatia:

--Humanitarian: current \$200 million?

--Reconstruction/development:

- o Current: FY95 \$14.5 million; FY96 \$9.6 million
- o Needed: \$100 million/year for reestablishment of multiethnic society in former UNPA's.

--Military: IMET FY95 \$65,000; MPRI is paid by the GoC.

b. Bosnia

--Humanitarian: current: about \$600 million

--Reconstruction/Development:

- o Current: FY95 \$25.2 million
- o Needed in the event of a settlement: \$300 million in the first year, rising to \$500 million in each of the next two years

--Military:

- o Current: FY95 \$70,000, FY 96 \$200,000
- o Needed in the event of a settlement: DoD "arm and train" plus \$10 million for "military in a democracy" focussed on the Federation Army

c. FRY

--Humanitarian: current: nil

--Economic and democratic development

- o Current: nil
- o Needed in the event of a settlement: nil

--Military: begin small IMET program

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5. Current international context: spending is at about \$1.2 billion/year

- a. Humanitarian assistance: current expenditure (FY 95) about \$1 billion, not counting UNPROFOR; this should decline with a settlement
- b. Reconstruction/development: current expenditure is almost entirely in Bosnia, at perhaps \$220 million per year (\$170 million from Western Europe)
- c. Military: minimal, except for unknown amount of Islamic country military assistance to the GoBH

6. Comprehensive international aid package for the future: \$4.0 billion over three years

a. Requirement: \$1.9 billion in the first year

- Humanitarian assistance: \$1000 million
- Reconstruction/development: \$400 million
- Payment of arrears: \$500 million (one-time)

\$1.2 billion in the second year, \$900 million in the third, with humanitarian assistance declining, reconstruction/development increasing (see charts)

b. U.S. share

- One-quarter of total (\$500 million in the first year, \$1 billion total)

c. Burdensharing

- One-quarter from Europe
- One-quarter from Islamic moderates
- One-quarter from the Japanese

25% ml
for Europe

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FORMER YUGOSLAVIA ASSISTANCE BUDGET : Reconstruction
in millions of dollars

U.S. Commitment FY 95	Three Year Gross Budget Projection CY 96 CY 97 CY 98	U.S. Share	
		CY 96	CY 97 CY 98
Bosnia *	25.2 300 500 500	100	150 100
Croatia **	14.5 100 100 100	30	30 25
Totals	39.7 400 600 600	130	180 125

* Includes all territory of Bosnia-Herzegovina as defined in 1992.

** Focus on economic development and reconstruction activities in conflict areas only.

ASSUMPTIONS:

Peace will be achieved by the end of the calendar year.

Assistance program will only cover territory within internationally recognized borders.

Program aim is to quickly and effectively provide assistance, demonstrating U.S. commitment to countries who have signed the peace agreement. This budget assumes bi-lateral programs undertaking both short-term and longer-term economic, democratic and social development. These assistance efforts are expected to encourage other bi-lateral as well as multi-lateral assistance.

The U.S. assistance program is to renovate, rehabilitate and strengthen key assistance sectors. Major infrastructure rehabilitation will require multi-national (IFIs) participation. The 3 year intervention is to be complementary to the full fledged involvement of the IFIs. Our timeline assumes the IFIs will increasing undertake the infrastructure renovation.

U.S. Assistance by Sector:

Infrastructure Rehabilitation - 45%

Water and sanitation
Utilities

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Transportation (rail/tram/road/bridge repair)
Telecommunication (repair)

Economic Restructuring - 25%

Micro-enterprise development
Enterprise restructuring
Agribusiness/agriculture/forestry

Democratic Initiatives - 15%

Governance
Legal reform
Media

Quality of Life - 15%

Housing (repair)
Health care (facility renovation/equipment repair/medical supplies and delivery system)
Education (building renovation/supplies)

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Former Yugoslavia Comprehensive Post Settlement Assistance Package				Millions of dollars				Current Global Spending	
	Current U.S. Spending	U.S. Share of Projected Needs		Global Projected Needs					
	FY 93	CY96	CY97	CY96	CY97	CY98			
Humanitarian	300	300	200	100	1000	300			1000
Re-									
Construction									
Bosnia	25.2	100	150	100	300	500			220
Croatia	14.5	30	30	25	100	100			100
Arrears Payment	0	125	0	0	500	0			0
Total	340	455	380	225	1900	1200			1200

The Bottom Line

\$1B

\$4B

U.S. Share

Total Required

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Sanctions discussion questions:

- Duration of offer?
 - Open-ended or finite time span?
 - If offer withdrawn, what happens then?
- Are FRY and Pale treated the same throughout?
 - If different, for what purpose and how?
- When does the FRY get suspension of sanctions?
 - Upon start of negotiations & satisfaction of other conditions?
 - or, Upon actual signing of an agreement?
- When are sanctions and border closure on Pale suspended?
- When are FRY sanctions lifted?
- When are sanctions and border closure on Pale lifted?
- Reimposition mechanism:
 - What automatic mechanisms are needed?
 - Do we insist on set review periods with votes to renew?
 - Can we accept a right of challenge with votes to extend?
- What to do about a Croatia linkage?
 - Decouple?
 - Delay full lift pending a Belgrade-Zagreb settlement?
- Whether & how to include a war crimes linkage?

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August 21, 1995

SUBJECT: Sanctions Issues for 8/22 Principals Committee Meeting

The USG-Contact Group sanctions relief proposal made in May and Bildt's subsequent ad ref agreement with Milosevic in July were both intended to get Belgrade to bring long-term pressure on the Bosnian Serbs to come to the negotiating table. These proposals were outgrowths of our long-standing approach to sanctions relief which held that sanctions should be divided into as many pieces as possible and doled out as slowly as possible to retain leverage for later phases of a peace process that could stretch over months, if not years. Such an approach does not match the tempo of the current U.S. diplomatic strategy, which is intended to get a signed agreement quickly and move into actual implementation this fall.

We need speed and decisiveness out of the Serbs in order to get a settlement in the next few weeks. We should be willing to offer substantial sanctions relief in return for decisive action. Even in a radically compressed time-frame, however, we can design a relief package that gets bankable actions up front from the Serbs and retains sufficient leverage to ensure follow-through. Thus, it is possible to move away from the principle of holding back extensive sanctions relief for leverage later in the process -- sanctions are worth giving away to achieve decisive results.

The "Framework Agreement" Milosevic gave A/S Holbrooke's party in Belgrade last week (Tab 1) is a maximalist bargaining position. He wants full and irrevocable sanctions suspension up front for recognition of Bosnia. We should talk to him about full sanctions suspension, but set the bar much higher by demanding a signed settlement in Bosnia as the condition for initial relief followed by speedy implementation. To ensure speedy implementation, sanctions relief must be credibly reversible if implementation lags. Indeed, the more we are willing to give away in return for decisive action by Milosevic, the more we have to insist on credible reimposition. The worst position to be in would be to give away sanctions for a promise that Milosevic may or may not intend to fulfill.

The Proposal:

The proposed new sanctions relief strategy diagrammed and explained in Tab 2 provides near-total sanctions suspension to Belgrade in return for an early settlement and a country-wide cease-fire, free access for relief supplies, and continued closure of the FRY-Bosnia border. Full lift is tied to final implementation of the settlement.

Pale is held on a shorter leash than Belgrade with sanctions suspension coming only after implementation is clearly underway. The UNSC would vote to extend sanctions relief to Pale not sooner than 60 days after the settlement is signed, and only after the commander of the implementation force asserts that he has been able to deploy sufficient forces to begin his implementation mission.

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Reimposition provisions allow the USG to block periodic extension of sanctions relief if the Serbs backslide. The plan also contains options for rewarding the Serbs with limited sanctions relief if they support the peace process but the Bosnian Government does not.

Other Issues:

As outlined in Tab 2, the proposed sanctions relief strategy includes recognition of Croatia as a condition for lifting sanctions against the FRY. The President asserted to Izetbegovic and Tudjman that U.S. sanctions relief packages would contain a Croatia linkage, and Tudjman has continued to seek linkage in subsequent discussions. In practical terms, we would probably try to have some sort of accommodation between Belgrade and Zagreb in place before we acquiesced to releasing frozen assets to ensure that successor state issues were adequately resolved. Indeed, Zagreb and the other former Yugoslav states will probably insist on accommodations as a prerequisite to release of assets.

Finally, cooperation with the War Crimes Tribunal could be reintroduced into the sanctions relief package as an additional condition for lifting FRY sanctions, as an issue to be considered by the UNSC when it votes to renew sanctions relief, or as an element of the peace settlement itself. USG-proposed references to the Tribunal in earlier sanctions relief packages were rejected by other members of the Contact Group as beyond the original purpose of the sanctions regime and impossible to enforce. Adding such conditionality at this time risks Contact Group and FRY rejection and dilutes the relief package's focus, but may offer a way to get at least minimal Serb cooperation with the Tribunal.

A Limited-Time Offer:

The sanctions relief package outlined here should lapse if a settlement has not been reached in October. There may be circumstances in which we would want to offer Milosevic sanctions relief even if no settlement has been reached by then -- if negotiations are going along well, but not yet finished; or the Serbs are negotiating in good faith, but the Bosnians are stonewalling. In these cases, we could offer a modified version of the Bildt plan (i.e.: limited sanctions relief in return for recognition, cease-fire, humanitarian access, border closure, etc.) as outlined in the explanation at Tab 2. If the U.S. initiative has failed because of intransigence in Pale, we may want to offer Milosevic additional incentives to strengthen the border closure. If both Pale and Belgrade are at fault, we may want to consider measures to strengthen current sanctions. In any event, the offer presented in this memo should be withdrawn. It is intended to bring about a specific outcome. If we do not obtain that outcome the intended time, Principals should consider how sanctions leverage might be used under new conditions.

Attachments:

- Tab 1: Milosevic's Framework Agreement
- Tab 2: Proposed Sanctions Relief Strategy

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Tab 1

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Milosevic's "Framework Agreement"

Upon mutual recognition between the FRY and Bosnia and Herzegovina

Suspension of all sanctions, sine die

Pale accepts the Contact Group plan as the starting point for negotiations

FRY lifts border closure against Pale

When plan is implemented on the ground and forces have withdrawn to agreed territories

All sanctions are lifted

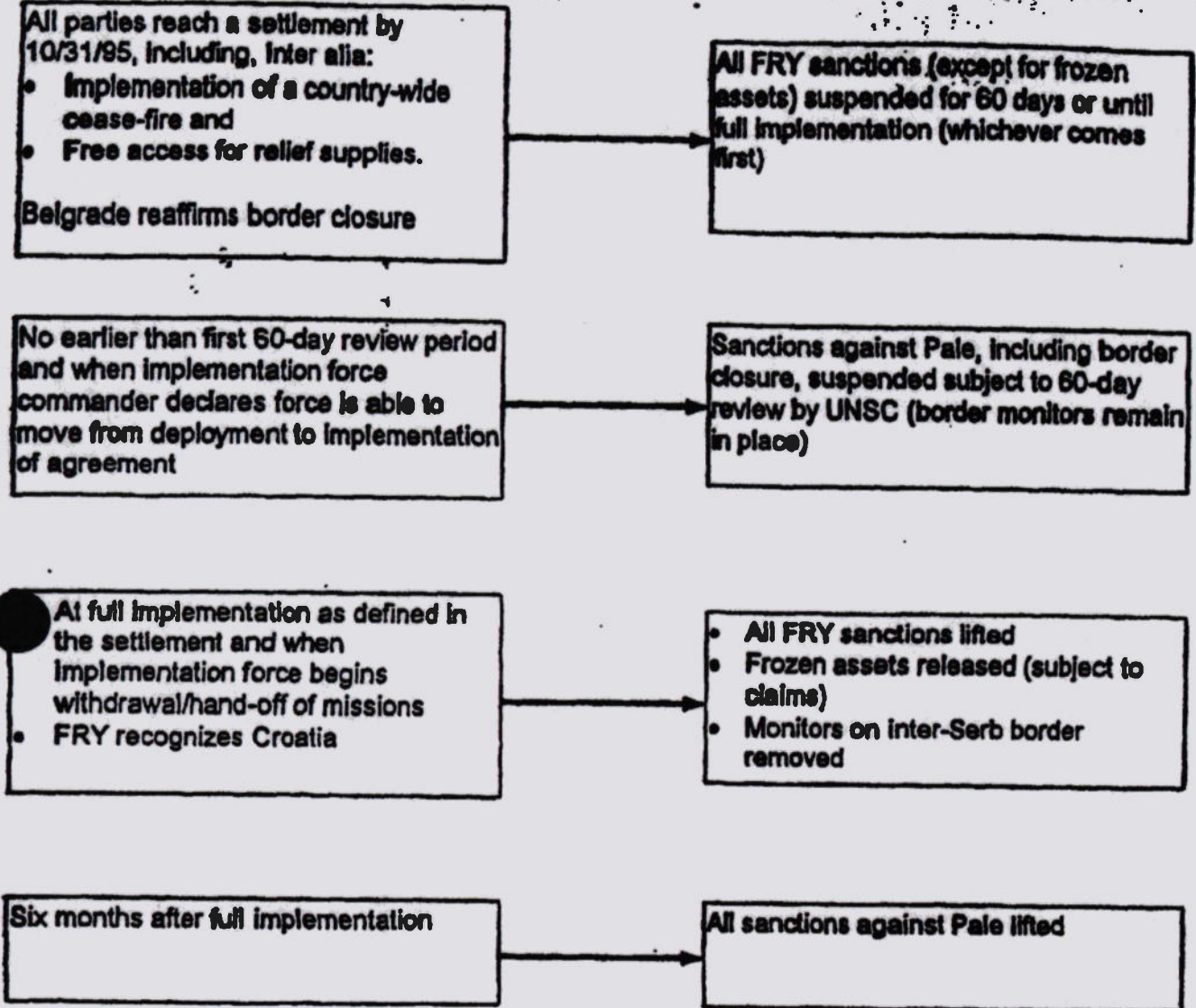
Frozen assets: Not mentioned, but probably released in first step.

Position mechanism: None.

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Tab 2

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Proposed Sanctions Strategy - 8/21/95**Reimposition mechanisms:**

- Automatic if settlement not implemented by date specified in the settlement.
- Automatic upon report by implementation force commander that Pale and/or Belgrade is impeding implementation or otherwise failing to fulfill obligations
- UNSC must vote to extend sanctions suspensions every 60 days during the implementation period.

Proposed Sanctions Strategy - 8/21/95Suspension

- If the parties reach a settlement by October 31, the Contact Group will recommend that the UNSC suspend all sanctions against Belgrade (except the freeze on assets). Settlement must include, inter alia:
 - Country-wide cease-fire.
 - Full access for relief supplies.
 - FRY commitment to maintain border closure.
- Sanctions against Pale -- including the FRY's closure of its border with Bosnia -- will remain in place until at least 60 days after the settlement is signed and until the implementation force commander reports that sufficient forces have deployed for the force to begin its implementation mission.

Reimposition

- The settlement should define what constitutes full implementation and establish a date certain to accomplish those goals. Sanctions against Belgrade and Pale will be automatically reimposed if the agreement was not implemented by that date -- unless the UNSC votes to extend sanctions relief on the grounds that Belgrade and Pale has made good-faith efforts to fulfill the settlement and delays are the result of GOBH actions.
- Sanctions against Belgrade and Pale will be automatically reimposed if at any time during the implementation period ICFY reports that Belgrade is no longer enforcing the border closure and/or the Commander of the Peace Implementation Force reports that the Bosnian Serbs have
 - impeded deployment of the PIF or otherwise prevented it from accomplishing its mission,
 - stalled implementation through refusal to re-deploy forces or failure to abide by the final map,
 - violated the country-wide cessation of hostilities, and/or
 - interfered with humanitarian deliveries.
- During the implementation period, the UNSC must vote every 60 days to extend sanctions relief based on Pale's efforts to implement the peace settlement as outlined in the preceding paragraph and Belgrade's continued closure of the border and support for the peace process.

Lift

- Upon full implementation of the peace settlement and FRY recognition of Croatia, the Contact Group will recommend that all sanctions against Belgrade be lifted (including frozen assets except for those subject to claims).
- Six months after full implementation, the UNSC will vote to lift all sanctions against Pale, provided the Bosnian Serbs continue to live up to the terms of the settlement.

Flexibility

- If there is no settlement by October 31, the Contact Group retains the option of recommending more limited sanctions relief (e.g.: oil import quota, non-strategic trade, etc.), subject to periodic renewal by the UNSC, if Belgrade has
 - recognized Croatia and Bosnia,
 - tightened its border closure with Bosnia, and
 - induced Pale to enter into a country-wide cease-fire and allow free passage of humanitarian supplies.

(This approach is similar to the Bildt approach, as modified and limited in the USG's August 2 internal paper.)

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