



Third Report
of the
Foreign Affairs Committee

Session 2004-2005

The Western Balkans

Response of the Secretary of State for
Foreign and Commonwealth Affairs

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
April 2005*

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THIRD REPORT OF THE FOREIGN AFFAIRS COMMITTEE

SESSION 2004-2005

THE WESTERN BALKANS

RESPONSE OF THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS

INTRODUCTION

- i) The Government welcomes the Foreign Affairs Committee's continuing interest in the Western Balkans and their wide-ranging report on the region. We have taken careful note of their recommendations.
- ii) The Government welcomes the Committee's overall endorsement of UK policy towards the region and their positive comments on the contribution of the UK towards enhancing the stability and prosperity in the Western Balkans. Encouraging the region's closer relations with the EU and NATO forms the bedrock of our policy and we will continue to assist, guide and encourage the countries in support of their Euro-Atlantic aspirations, while ensuring that they meet the relevant criteria for membership.
- iii) We also welcome the Committee's firm conclusion that the countries of the Western Balkans must co-operate fully with the International Criminal Tribunal for the former Yugoslavia (ICTY) as a condition for closer Euro-Atlantic integration. It is an international, legal and moral obligation to do so and vital to enable the region to move away from its past towards a European, democratic future. In this context we agree with the Committee's assessment that Croatia's progress towards the EU must depend on full co-operation with ICTY and we will continue in our efforts to encourage the Croatian authorities to transfer Gotovina to The Hague. EU Foreign Ministers made clear that accession negotiations on EU membership, which were scheduled to begin on 17 March, could only open once Croatia was co-operating fully with the ICTY. We also urge the Serbia and Montenegro (SaM) and Bosnia and Herzegovina (BiH) authorities to take concerted action to locate and transfer Mladic and Karadzic to ensure the countries also make significant progress towards Euro-Atlantic integration. The recent voluntary transfers to The Hague of former Kosovo Prime Minister Ramush Haradinaj and two other Kosovo Albanian indictees, along with several from SaM and BiH, place the spotlight firmly on governments in the region to ensure that all remaining indictees are also transferred to the ICTY.
- iv) The Government fully supports the Committee's assertion that success in Kosovo is crucial to stability in South Eastern Europe and continuing UK engagement is therefore vital. Kosovo's final status, whatever it is to be, must be negotiated, must be fair to all communities in Kosovo and must promote regional stability and multi-ethnicity. The Contact Group have made clear that a positive review of standards in mid-2005 would lead to a process for deciding the future status of Kosovo in accordance with UNSCR1244 (1999). But the outcome of the review depends on progress on the ground. We will continue to work with international partners to encourage the Government in Belgrade, the Provisional Institutions of Self Government (PISG) and the UN

Administration in Kosovo (UNMIK) towards this aim, to improve the lives of all those living in Kosovo.

- v) We agree with the Committee that SaM's long term stability, as well as closer relations with the EU and NATO, depends on firmly establishing democracy and the rule of law, as well as structural and economic development and will continue to work towards this. This is also true of BiH. The Government welcomes the Committee's recommendation that the UK and international partners must remain engaged. We agree that Lord Ashdown is doing excellent work as High Representative, and that the changeover to EUFOR was smooth. We will continue to try and ensure future changes in the international architecture in BiH are well-executed, timely and reflect BiH's democratic development. The Government welcomes the Committee's conclusion that Macedonia has made much progress in implementing the Ohrid Framework Agreement and agrees that the international community must maintain its role in Macedonia to ensure this is completed.
- vi) The Government's responses to the specific conclusions and recommendations of the Foreign Affairs Committee Report are set out below.

CONCLUSIONS AND RECOMMENDATIONS

- 1. We conclude that the accession of the states of the Western Balkans to the European Union is most desirable and in the interests of all parties, provided that they meet all the criteria for membership. We recommend that the Government continue its work to bring the region into the EU and engage fully with the other member states to ensure their support for the prospective members in the Western Balkans. (Paragraph 10)**

We welcome the Committee's conclusion. The Western Balkan states' aspiration to join the EU forms the bedrock of our policy in the region. The EU Thessaloniki Summit in June 2003 confirmed that the Western Balkan states are potential EU members. We want to see the Western Balkan countries make tangible progress towards the EU and we support their EU aspirations. Further integration, as the Committee points out, is conditional on their meeting the criteria for membership. Full co-operation with the ICTY remains a fundamental requirement. Working with our EU partners, we will continue to provide the countries of the Western Balkans with assistance, guidance and encouragement in support of their EU ambitions. We are also encouraging the better co-ordination of EU integration and broader development processes.

- 2. We conclude that the Stability and Association Process (SAp) took too constrained an approach to the Western Balkans, and welcome the Instrument for pre-Accession Assistance (IPA). We recommend that the Government set out in its response to this Report how the IPA will work. We also recommend that the Government urge the EU not to take a parsimonious approach towards the Western Balkans at the risk of creating a relatively impoverished region within its borders, and to consult widely with local governmental and non-governmental organisations in the disbursement of pre-accession funds in line with CARDS aims. (Paragraph 16)**

The Government welcomes the Committee's recommendations regarding the future form of European Community assistance in the Western Balkans which will be covered by the Instrument for pre-Accession (IPA). Although negotiations still continue on the Instrument, which will come into being for the next Financial Perspective (2007-2013), we have set out at

Annex A how the Commission foresees the Instrument will work. In EU discussions on the new instrument, the UK has emphasised that it will be important to draw on the experience of the CARDS programme as well as that of previous accessions in drafting the IPA.

The Government also welcomes the Committee's recommendation that the EU should take a broader perspective towards the Western Balkans. The countries of the region are starting from a much lower base of socio-economic and institutional development than the new member states. We also welcome the suggestion that the EU should consult widely with local governments and NGOs. This is key to effective and efficient disbursement of EU funds in the region. We will continue to raise the importance of local ownership in our discussions with the European Commission and member states on management of assistance programmes.

- 3. We conclude that the presence of the United States of America in the Western Balkans is a crucial ingredient for stability, especially in the fight against terrorism and organised crime. We recommend that the Government encourage the USA to maintain its prominent role in the Balkans, notwithstanding the many other challenges Washington faces. We also welcome the European Union's determination to shoulder a greater part of the burden, and conclude that co-operation between the EU and USA is essential for the maintenance of peace in the region; the United Kingdom has a special role to play in bringing US, EU and NATO personnel together at all levels. (Paragraph 22)**

The Government strongly endorses the Committee's conclusion. For a region that saw three wars in ten years, today's stability is in itself an achievement and a tribute to the extent of EU-US/NATO co-operation over the past ten years. The Committee is right to recognise the significance and value of the role played by the USA in the Western Balkans. Their critical contribution to stability in the region coupled with their unique influence with parties in the region ensures that it is in all our interests that the United States maintains its engagement, including on the ground. We shall continue to work closely with our American partners, including in the particular fora established for international engagement in BiH (the Peace Implementation Council (PIC) Steering Board) and for Kosovo (the Contact Group), and will continue our active co-ordination with all the key international players in the Western Balkans.

- 4. We conclude that the Russian Federation has strong interests in the Western Balkans, in particular in the region's stability, and that the Government should encourage Moscow to contribute to the stabilisation and development of the region. However, we have concerns that the Russian Federation might approach the problem of Kosovo in an obstructionist manner. We recommend that the Government engage closely with its EU partners to ensure a positive and proactive role for Moscow in the Balkans, and stress the importance of stability and progress in the region to all interested parties, including the Russian Federation. (Paragraph 26)**

As the Committee recommends, the Government will continue to engage closely with EU partners to encourage a positive role for the Russian Federation in the Western Balkans. Russia's strong and valuable interests in the region are fully recognised. They are members of the Contact Group but Russian troops are no longer part of KFOR and Russia does not currently maintain an office in Pristina (although we understand this may soon change). The UK will continue to work with Russia, not only through the EU and in the Contact Group, but also directly in the bilateral context, and in other international fora such as the UN, the OSCE and the NATO-Russia Council.

- 5. We conclude that Croatia has an important role in guiding other Western Balkan states on the path to the EU, and that such support will help Croatia's accession process as well as helping its neighbours. However, we also conclude that Croatia has yet to comply fully with the Hague Tribunal, and we recommend that the United Kingdom make clear to Croatia that insufficient effort to secure the arrest of Gotovina will retard its EU ambitions. (Paragraph 31)**

The Government fully supports Croatia's EU aspirations and looks forward to the beginning of accession negotiations, provided the conditions set out in the December European Council conclusions have been satisfied (which stated that for accession negotiations to begin, Croatia must co-operate fully with the ICTY). To this end, the UK has developed a wide-ranging programme of assistance, in particular to the Croatian Ministry for European Integration. Croatia's candidate status should act as an incentive to other countries in the region to pursue the reforms necessary to make similar progress themselves. It is also hoped that in due course Croatia will be able to share her experience of the integration and accession process with her neighbouring countries as they follow the same path. But we fully concur with the Committee's conclusion that Croatia has yet to fulfil her obligations to co-operate fully with the ICTY. As ICTY Chief Prosecutor, Carla Del Ponte, said to the UN Security Council on 23 November 2004, 'As soon as Gotovina will be in The Hague, it will be possible to say, indeed, that Croatia is co-operating fully with the Tribunal'. Del Ponte recently confirmed to the media that her November assessment remains valid: the Government of Croatia is not doing all it can to detain Gotovina. Therefore we continue to make clear that failure to address this issue will obstruct Croatia's further integration with the EU. We will also encourage our EU partners to deliver the same message. EU Foreign Ministers made clear that accession negotiations on EU membership, which were scheduled to begin on 17 March, could only open once Croatia was co-operating fully with the ICTY. This was reaffirmed by the European Council on 23 March.

- 6. We conclude that many of their neighbours have much to offer the weaker states of the Western Balkans. We recommend that the Government emphasise to pre-accession states such as Bulgaria, Croatia, and Romania that effective and constructive engagement with their neighbours will reap dividends in the future and win friends in Brussels. We also conclude that regional co-operation is essential to the effective development of the Western Balkans. We recommend that the Government urge neighbouring states such as Albania, Bulgaria, Croatia, Greece, Hungary and Romania to increase regional co-operation, and support infrastructural schemes in the Balkans. (Paragraph 37)**

We agree with the Committee's assertion that regional co-operation and constructive engagement between countries in South East Europe is essential. Many of the problems facing the Western Balkans (e.g. organised crime, economic stagnation) cannot be adequately addressed without a coherent regional approach. There are signs that the countries of the region are stepping up their level of co-operation, although this still often has to be facilitated by international organisations or actors. One example of what can be achieved through regional dialogue and co-operation is the Energy Community for South East Europe (ECSEE - due to be established by treaty in June/July 2005) which will provide an energy market to a single market design across South East Europe. This should help to address energy shortages and will facilitate economic development and post-conflict reconstruction.

The UK will continue to work with EU partners, international organisations and the countries of the Western Balkans themselves to ensure that regional co-operation is maximised. In particular

the UK would like to see the South East European Co-operation Process (SEEC) assume a bigger profile, and develop a co-ordinated strategy and response to the challenges the region faces. The constructive engagement of the countries neighbouring the Western Balkans in this forum and others will continue to be essential. We maintain regular dialogue with the new EU member states and pre-accession countries, who attach importance to sharing their integration experiences with the Western Balkan countries.

7. We conclude that the Organisation for Security and Co-operation in Europe (OSCE) makes a most valuable contribution to the establishment of democratic values in the Western Balkans. However, we have concerns that the Russian Federation might undermine its work, and we recommend that the Government work closely with its EU and US partners to make clear to Moscow that the OSCE plays an essential role in stabilising the Balkans. (Paragraph 40)

The Government shares the view that the OSCE makes a valuable contribution to democracy building in the Western Balkans. We continue to work closely with EU and other partners, including the US and Canada, to address Russia's concerns with the OSCE. We also continue to engage directly with Russia on reform of the OSCE, but have made clear that reform must not be at the cost of the democracy building programmes. At the OSCE Ministerial Meeting in Sofia on 6-7 December 2004, Baroness Symons made clear our strong support for the OSCE and its election observation work.

8. We conclude that Serbian democracy is young and fragile and that the international community, particularly the EU and the United Kingdom, must work to promote Serbian political and economic development. (Paragraph 53)

We agree with the Committee's conclusion. Serbia's (and Montenegro's) long term stability and closer relations with the EU depend on firmly establishing democracy and the rule of law, as well as structural and economic development. We are committed to promoting the country's development through support for political and economic institutions and by helping to build local capacity. We will continue to work through the EU, OSCE and bilaterally (through financial, project and DFID assistance). But in return we also look to the SaM authorities to fulfil their responsibilities to implement reforms and meet their international obligations.

9. We conclude that Serbia must fulfil its obligations to comply with the Hague Tribunal and deliver its war crimes indictees, and we urge the Government to maintain pressure on Serbia to fulfil its international obligations. (Paragraph 60)

The Government wholeheartedly agrees with the Committee's recommendation. We take every opportunity to remind the Government of Serbia (as well as the state level and Montenegrin authorities) of their international legal obligations, as set out in Chapter VII UNSCRs¹, to co-operate fully with the ICTY. We continue to maintain pressure on all the authorities in both Serbia and Montenegro, both bilaterally and with our EU, NATO and other international partners, to deliver all outstanding fugitive indictees to The Hague.

¹ . The following UN Security Council Resolutions (SCRs) adopted under Chapter VII have called for all States or 'Parties to Dayton' to co-operate with the ICTY: SCRs 827 (1993), 1019 (1995), 1031 (1995), 1034 (1995), 1937 (1996), 1088 (1996), 1166 (1998), 1174 (1998), 1207 (1998), 1247 (1999), 1305 (2000), 1329 (2000), 1357 (2001), 1423 (2002), 1503 (2003), 1534 (2004), 1551 (2004), 1575 (2004). The following also make preamble references to the need for States to co-operate: SCRs 941 (1994), 1022 (1995), 1074 (1996). SCR 1244 (1999) also calls on 'all concerned' to co-operate with the ICTY.

10. We conclude that defence reform and membership of NATO's Partnership for Peace are of the greatest importance for Serbia and Montenegro's integration into the Euro-Atlantic framework. We recommend that the Government stress that defence reform is a necessity for both countries and that Serbia cannot enter PFP until it complies with the Hague Tribunal. (Paragraph 66)

We agree with the Committee's conclusion that defence reform is of the utmost importance, not just for PFP membership but in its own right. We are pleased to note that of all EU countries the UK has the largest bilateral defence relationship with SaM. The UK has provided training courses ranging from a week to a year for over 150 members of the SaM Armed Forces, as well as various seminars and visits involving SaM personnel and a resettlement project to help with the process of downsizing of the Armed Forces. The UK has also supported this through Global Conflict Prevention Pool projects to improve the SaM Parliamentary oversight of the armed forces, and to improve the level of mutual understanding and transparency of processes between military and civil groups as a means of achieving security sector reform. We hope the UK will be able to continue providing bilateral assistance in the future. We agree that further efforts to build democracy and the rule of law are vital and we will continue our efforts, both bilaterally and through the EU, to assist with reforms and build local capacity.

The Government also welcomes the Committee's recommendation that SaM must meet her international obligations to co-operate fully with the ICTY in order to realise closer relations with Euro-Atlantic structures. We look forward to welcoming SaM into PFP once it has met the established NATO conditions and will continue to encourage the SaM authorities to that end. We welcomed the decision by the International Court of Justice in December 2004 rejecting the cases against NATO allies for the 1999 conflict. And we, together with our NATO Allies, have gone a considerable way in giving SaM some benefits of PFP membership through the Tailored Co-operation Programme. However, only full co-operation with the ICTY will pave the way for rapid movement on PFP. The arrest and transfer of Mladic and Karadzic to The Hague is key.

11. We conclude that Belgrade's unwillingness to comply with the Hague Tribunal is one of a number of serious obstacles on the path to EU integration. We recommend that the international community offer incentives to Serbia to win support for the EU and to weaken the political stranglehold of the nationalist Radical party. We also recommend that the Government re-examine its visa policy to permit short visits to and educational opportunities in the United Kingdom for more people from Serbia and Montenegro. (Paragraph 71)

Eventual EU membership is the biggest incentive we can offer Serbia and Montenegro to reform. But we recognise this is a long, graduated process, with a positive Feasibility Study for a Stabilisation and Association Agreement (SAA) as the first step. Delivering Mladic and Karadzic to the ICTY would transform SaM's relations with Euro-Atlantic structures. But we will continue to look for ways to help those in SaM who support a European future for their country, although we also look to them to take action to move SaM towards further EU integration. For example, when progress along the Stabilisation and Association process slowed in autumn 2004 (in part due to the difficulties the two republics faced trying to create a single internal market) the EU sought to encourage momentum for reform by agreeing a 'Twin Track' mechanism for SaM. This would result in a single SAA but allow the two republics to negotiate separate economic and trade protocols with the EU, thus providing an incentive to refocus on reform in other areas.

The EU also provides financial incentives to reform. EU technical assistance for Serbia and Montenegro totalled approximately €230 million in CARDS funding last year. We expect several new programmes of CARDS assistance for SaM (totalling €184 million, excluding Kosovo) to be adopted later this year. DFID provides input to the strategic direction of the EU assistance programme and the development of projects, including in some cases, helping with project design. As outlined in our memoranda to the Committee, the UK also provides direct bilateral assistance to Serbia and Montenegro of around £8 million annually, targeted at areas where there is positive buy-in from stakeholders.

The Government notes the Committee's recommendation to re-examine our visa policy for Serbia and Montenegro. Although UK visa policy is reviewed regularly, we see no need for a policy change at present for SaM, or any other part of the Western Balkans. We welcome legitimate visitors from SaM and from the Western Balkans. We continue to encourage visitors from SaM for tourism and study as long as they satisfy the requirements of the Immigration Rules. The British Council's offices in SaM are active in facilitating educational opportunities in the UK, along with the FCO's Chevening Scholarships Scheme. The UK maintains high standards in its visa operations with short processing times, streamlined procedures, including online applications in a number of countries, and fast track facilities for regular travellers. The British Embassy in Belgrade dealt with over 16,000 visa applications in 2003-4, of which over 95% were successful. Currently over 99% of straightforward applications are being processed within 24 hours.

12. We conclude that tensions in the Presevo Valley are still high and could precipitate local conflict, but we welcome the success of the Covic plan so far. We also welcome solid engagement by the international community, and recommend that the Government support the work of non-governmental organisations dedicated to reducing ethnic tensions and improving human rights in the Presevo Valley, Vojvodina and other border areas, and if necessary consider providing troops for peacekeeping purposes. (Paragraph 76)

The Government agrees with the Committee's conclusions that the situation in South Serbia is currently stable but that tensions still remain, as the Macedonian border incident in January 2005 illustrated. We commend the Serbian Government's handling of this situation, along with the largely responsible responses of community leaders. (Previous flashpoints in 2003 and 2004 mentioned in the Committee's report have also highlighted how sensitive engagement by the Serbian law enforcement authorities and local leaders is vital: international organisations have a limited role in ensuring security and stability on the ground, with KFOR assisting only from within Kosovo's administrative border areas). The Serbian Government's reinvigoration of the South Serbia Co-ordination Body is also a welcome development. Thanks to an agreement brokered by the OSCE in March 2005, representatives from the municipalities of Presevo, Bujanovac and Medvedja have now agreed to join the Co-ordination Body. The active engagement of representatives of all communities, particularly ethnic Albanians, in South Serbia is an important step in operationalising the work of the Co-ordination Body and making progress on issues of importance to these three municipalities. We will continue to press the Serbian Government to engage fully in the region, particularly on economic regeneration and the further integration of the ethnic Albanian community into the public sector.

We welcome the Committee's endorsement of UK and international partners' work to date in South Serbia. We will continue to provide financial support to NGOs and international organisations' work to improve the rule of law and human rights. We are not considering the

deployment of international peace keeping troops in South Serbia. Our priority is on building the capacity of local law enforcement agencies to be able to deal effectively with possible future instability in South Serbia and other border areas, while respecting human and minority rights. The UK has contributed financial assistance to projects aimed at stabilising the region, including the OSCE's Multi-Ethnic Policing programme, and media training. We will look for further opportunities and continue to put pressure on the Serbian Government to engage in South Serbia, Vojvodina and other multi-ethnic areas.

13. We conclude that the United Kingdom, alongside its EU partners, should increase its support for projects such as judicial reform, changes in tax regime, customs reform and other areas of technical assistance which contribute to Serbian development; the Government should also examine the possibility of reduced tariffs on agricultural exports because continued economic weakness is in no one's interests. We also welcome comments from our witnesses concerning the reduced threat of organised crime in Serbia, but stress that much work remains to be done. We recommend that the Government support initiatives to weaken the hold of organised criminal gangs. (Paragraph 81)

We agree with the Committee that economic and structural development is needed to underpin Serbia's overall democratic reform progress. 2005 will be key for Serbia as it begins to implement the IMF-approved programme of greater structural reform, and a tight fiscal and monetary policy. Belgrade is also hosting the annual meeting of the European Bank for Reconstruction and Development in May and we urge SaM to maximise this opportunity to improve her international profile to foreign direct investors and to enhance good neighbourly relations with the rest of the region.

EU technical assistance for SaM is already significant, as outlined in our response to Recommendation 11. DFID will continue to provide bilateral technical assistance (£2.7m this financial year) through public administration and financial sector reform, which includes fiscal issues. Judicial reform continues to be a priority area for assistance for the UK and international partners, including the establishment of a witness protection system. DFID's ongoing 'Access to Justice' programme (£1m in 2004/5) in Serbia and Montenegro also seeks to address judicial reform, and we will look at further opportunities where bilateral project assistance could help, also taking into consideration other donors' work in this area. The UK has already provided significant support to strengthening SaM's customs regime, with officers seconded to EU customs assistance programmes and the UK providing £641,000 to SaM's Customs Enforcement Division in 2003-5 (which is already producing results with some recent major drugs seizures). We will continue to look for opportunities to assist SaM, both financially and politically. Such an example is hosting the visit to the UK in January 2005 of the SaM President, Svetozar Marovic, and other Ministers, with a programme of both political and economic-focused engagements.

We agree that trade liberalisation is an important engine of economic growth and poverty reduction. Since December 2000, the vast majority of products from the Western Balkans have enjoyed duty-free and unlimited access to EU markets. However, to maximise the benefits of trade liberalisation, the multilateral route is best. UK Ministers have called for the EU to agree to further significant agricultural reform so that border protection is substantially reduced, both for Western Balkan exports and other's worldwide (see the 2004 Trade and Investment White Paper 'Making Globalisation a Force for Good'). Since the Government submitted its memoranda, the EU has agreed to grant Serbia preferential trade arrangements for textile exports. We also look to

the countries of the region to increase efforts to liberalise trade within the region and consider forming a free trade area.

We agree with the Committee that there has been some progress by Serbia in tackling organised crime after the assassination of Serbian Prime Minister Djindjic. But it remains a problem and we continue to urge the SaM authorities to maintain momentum by tackling police and judicial reform, better co-ordination and training of their law enforcement agencies and developing a criminal intelligence capacity. To contribute to this, in 2005-7 the UK will fund a criminal intelligence adviser to the Serbian and Montenegrin Ministries of Interior (£315k). The FCO is also sponsoring a Save the Children Fund project in SaM which includes the training of front line workers (police, social workers, school staff) to adopt and implement child rights and raise public awareness of child trafficking (£75k). However, it is important to recognise that organised crime is not just a problem in Serbia and Montenegro. Organised crime is a regional phenomenon that often works across ethnic divides. It controls enormous resources, is well armed and financed and often funds political parties, including political extremists who in turn may be directed by them. The fight against organised crime is unlikely to succeed without cohesive international and regional governments' own efforts to improve the situation.

14. We conclude that Serbia's integration into the Euro-Atlantic structures is desirable, but must not occur at the expense of Serbia's legal obligations to the Hague Tribunal. (Paragraph 82)

The Government agrees with the Committee's conclusion. The UK is a strong supporter of the Thessaloniki Agenda, which sets out the European perspective for all the countries of the Western Balkans. We want to see all Western Balkan countries joining the EU, if that is what they want and if the relevant conditions are met. We fully support the integration of SaM into both NATO's Partnership for Peace and the EU and have been instrumental in supporting measures to this end, such as the EU's 'twin track' approach to the SAA and NATO's Tailored Co-operation Programme. But we agree that integration cannot be at the expense of political conditionality, most notably SaM's legal obligations to co-operate fully with the ICTY and bring all outstanding fugitive indictees to justice.

15. We conclude that independence for Montenegro in 2006 is probable, and that it is unlikely to lead to serious violence or instability. However, we recommend that the Government strive to minimise the risks of conflict. We conclude that the international community, including the United Kingdom, should seek to ensure that the details of the referendum conform to international norms, should play a role in monitoring any referendum in Montenegro to ensure its fairness, and should accept the results of a free and fair poll. We also recommend that the Government work with the local authorities to tackle organised crime and help build administrative capacity in Montenegro, for instance by offering technical support to the government in Podgorica. (Paragraph 94)

We note the Committee's comments that independence for Montenegro is probable in 2006. We believe that the future of the State Union is in the hands of the peoples of SaM. And we believe that both republics should pursue their common relations through respect for the terms of the Constitutional Charter. We will work with EU and international Partners to ensure that any future referendum is conducted to international norms.

We will consider areas where we can provide further technical support for Podgorica to improve their administrative capacity and tackle organised crime. We are already providing assistance

this year. In 2005-7 the UK will fund a criminal intelligence adviser to work with the Serbian and Montenegrin Ministries of Interior (£315k over 2 years). We are also providing office equipment to the Department for International Co-operation within Montenegro Ministry of Interior and English language training for its staff (£16k).

16. We conclude that the increasing possibility of Montenegro's independence adds to the case for a Post headed by a United Kingdom-based diplomat in Podgorica. (Paragraph 96)

As circumstance change, we continuously review the shape of the network of posts to align our resources more effectively to our priorities. Following the 2001 report that recommended we had a permanent post in Podgorica, we established this with a locally-engaged member of staff who is highly effective. Resources are scarce, but we note the Committee's recommendation that there should be a 'UK-based' diplomat in Podgorica.

17. We conclude that continued action to resolve the tensions in Kosovo is essential if the international community is to establish effective state institutions and to reduce the poisonous atmosphere of ethnic hatred in Kosovo. (Paragraph 100)

The Government agrees with the Committee's assessment that continued action to resolve the tensions in Kosovo is essential. For this reason, our current priority is sustaining momentum on implementation of Standards, particularly in the area of minority rights, to increase the likelihood of a positive mid-2005 Review. If positive, this assessment will pave the way for the long-awaited process to determine Kosovo's final status. DFID is providing technical assistance to the Prime Minister's Office to support the co-ordination of standards implementation in line ministries and municipalities.

We have commended the Provisional Institutions of Self-Government (PISG) on progress made so far, making clear that this momentum must be sustained. We continue to encourage Belgrade to engage constructively. International partners have made clear that obstruction of progress by Belgrade will not be held against the PISG.

On 8 March, Ramush Haradinaj, resigned as Prime Minister, having received an indictment from the ICTY for alleged war crimes. On 23 March, Bajram Kosumi (AAK), was elected as the new Prime Minister. The UK will encourage his Government to maintain the momentum on Standards implementation, in particular reaching out to Kosovo Serbs.

18. We conclude that reform of UNMIK is necessary to satisfy growing discontent with its performance, most particularly in the economic arena, and we support Ambassador Kai Eide's suggestion of a two stage reform. However, we recommend that the Government urge UNMIK not to rush a transfer of competences if the indigenous capacity for administration is not in place. (Paragraph 105)

There was widespread recognition after March 2004 that reform of UNMIK was needed to make it more effective. We welcome steps by the Special Representative of the Secretary General's to improve co-ordination and efficiency within UNMIK. We also welcome the efforts of the new head of Pillar IV to support the PISG's work to develop Kosovo's economy.

The Government has welcomed the Eide report and its recommendations that the UN needs to pursue a more dynamic policy in Kosovo. We also agree that the EU should play a strong role in

Kosovo in support of the UN and its efforts and discussion is underway in the EU. For the time being, we believe the EU should continue to focus on those areas where it can add value, particularly on the economy, but we expect and welcome the leading role the EU will play in any final status process.

We also welcome the transfer of competences to the PISG. The SRSG has in recent months set up three new ministries for Energy, Local Self-Government and Returns and Communities. While we agree that the transfer of competences needs to be carefully implemented, capacity cannot be built without also handing over responsibility. The transitional phase must therefore be one of partnership.

19. We conclude that Kai Eide's proposals to transfer competences to and broaden consultation with the Provisional Institutions of Self-Government are sensible and could reduce local resentment of the international community in general and UNMIK in particular. However, we also conclude that the recent events such as the selection of Ramush Haradinaj as Prime Minister and the Serb boycott of elections for the Kosovo Assembly have further polarised the political climate in Kosovo and could damage efforts to transfer responsibilities in a peaceable manner. We recommend that the Government work to strengthen moderate political forces in Kosovo, perhaps by fostering ties with political and civil society organisations in the United Kingdom and throughout Europe. (Paragraph 110)

The Government fully supports the progressive transfer of competences to the PISG. We agree that the strengthening of political and civil society organisations is essential to Kosovo's future as a functioning democracy and we will continue providing support to this end, both bilaterally and through our work with the UN, EU, OSCE and other international organisations and NGOs. Following the October elections, which were judged to be free and fair by international monitors, Ramush Haradinaj's AAK party entered into a coalition government with President Rugova's LDK party. This government has made significant progress in standards implementation. For example, former Prime Minister Haradinaj took the lead in reaching out to minority communities by visiting the ethnically mixed municipality of Klina, and making clear to all municipality leaders that they must encourage returns and promote freedom of movement. He also appointed Slavisa Petkovic, a Kosovo Serb, as head of the new Ministry of Returns and Communities and promised him full co-operation in driving the returns process forward. Following Haradinaj's resignation, the UK will continue to work with the new Prime Minister, Bajram Kosumi, on Standards implementation and working towards a multi-ethnic, democratic and stable Kosovo.

The Government agrees with the Committee's assessment that the very low turnout in the October Kosovo Assembly elections by Kosovo Serbs, following calls for a boycott by Serbian Prime Minister, Vojislav Kostunica, was a disappointment. Non-participation was a mistake and we have made clear that Kosovo Serbs can only hope to improve their lot if they participate in the political life of Kosovo.

One of our priorities is to encourage Belgrade to play a constructive role in getting Kosovo Serbs to engage e.g. in technical working groups and by taking up reserved seats in the Kosovo Assembly. The six nation Contact Group (UK, US, France, Russia, Germany, Italy) and EU representatives have made clear to Belgrade that obstruction by third parties will not be held against the PISG. We will continue to look creatively for ways of encouraging the Kosovo Serbs to engage.

20. We conclude that decentralisation of government is an excellent way to increase trust in Kosovo's institutions. We recommend that the Government work to support Kai Eide's proposals, and provide support for schemes improving inter-communal relations at a low level such as the Gnjilane/Gjilan-Presevo-Kumanovo-Trgoviste (GPKT) project. We also recommend that the Government along with its EU partners maintain pressure on the Kosovo leadership to devolve government to the lowest level. (Paragraph 114)

The Government agrees with the Committee's conclusions on the importance of the decentralisation process. The Contact Group expects concrete progress in this area and supports the Framework Document for the Reform of Local Self-Government in Kosovo of 19 July 2004 and the plan for implementing this, which was agreed by the Kosovo Government on 24 February 2005. This includes five new pilot municipal units, in two of which Serbs are a majority, and the progressive transfer to all municipalities of further competences. This takes account of issues such as the protection of minority community rights and security and the need to ensure better living conditions for all inhabitants in Kosovo. The Government expects these plans to be taken forward by UNMIK and the Kosovo Government as soon as possible. The Government is in principle happy to support projects to improve inter-communal relations. These should complement the activities of the PISG, including the Ministry for Returns and Communities.

21. We conclude that the March riots revealed major deficiencies in the security arena. However, we commend the work of the international community since then to reduce the number of national caveats and the adoption of a system of reserves for KFOR, and we recommend that the Government continue its work to reduce the remaining caveats on troops. We also recommend that the Government encourage its NATO partners to prepare KFOR for any eventuality which may provoke further instability in Kosovo. (Paragraph 119)

The Government agrees with the FAC that the March 2004 riots revealed deficiencies and demonstrated the clear need for improvements in international security capabilities in Kosovo. As the FAC observe, progress has been made since in improving capabilities with the reduction of caveats on KFOR troops, the adoption of a tactical reserve force, increased training especially in crowd and riot control, and other measures. The NATO Secretary General, Jaap de Hoop Scheffer, has undertaken to continue to push for further improvements. We continue to work hard with our NATO allies to further improve the capacity of KFOR (currently 17,000 troops), including its co-ordination with the UNMIK police, so that it can respond effectively to any eventuality. The Committee will have noted that NATO deployed reserves (including a British battalion) to Kosovo in March 2005 to support KFOR's ongoing efforts to provide a safe and secure environment.

22. We conclude that the international community must do more to develop the Kosovo Protection Corps (KPC) into a modern, democratically accountable force with minority representation. We recommend that the Government call on its partners in NATO to turn the KPC into a force complying with NATO standards, and to provide both finance and personnel for training. (Paragraph 122)

The mandate of the Kosovo Protection Corps is as a civil emergency force (where NATO standards would not be applicable). The Government agrees that the KPC currently has problems with structures and financing. The UK provides the KPC Co-ordinator UK Major General Balfour and supports him in developing the KPC in their civil emergency role, through

use of Global Conflict Prevention Pool Funds (GCPP). The UK has so far spent £450k (with a further £150k approved) on a 'train the trainer' de-mining package, to establish KPC Mine Action Teams. Each Mine Action Team is led by a member of the KPC, ensuring local ownership. This project should provide Kosovo with an indigenous capacity in this area. In late March we will be funding a £82k pilot project for fire and emergency rescue (including training in dealing with serious road traffic accidents), in conjunction with the fire charity Op FLORIAN. Dependent upon the outcome of the pilot, this project is likely to be extended. Further GCPP funds will be deployed in this area over the coming year. We hope other nations will engage with us, and the office of the KPC Co-ordinator, in supporting this work and on reform more generally of the security sector in Kosovo. Future security arrangements will need to be discussed during the final status process.

23. We conclude that policing is of the utmost importance for Kosovo's stability, for the region and for the EU, but that much work needs to be done before Kosovo can stand alone. The Government and its UN partners must increase their contribution to policing in Kosovo, by working towards a more coherent international policing effort; one means to do so might be for fewer states to focus on policing efforts, on the same line as building capacity in the customs service. We also commend the work of the OSCE police training school to establish a multi-ethnic police force, but stress that much needs doing, such as training local police officers in modern investigative techniques and ensuring Serb participation. (Paragraph 128)

The Government agrees that policing is vital to both the stability of Kosovo and indeed, to the whole of the region. We are also aware of the direct negative effect of organised crime for the Balkans on the streets of the UK. The Kosovo Police Service performed credibly during the violence in March 2004 and is fully multi-ethnic, with 16% membership of ethnic minorities (including 9% Serbs). But, of course more needs to be done before the KPS can stand alone. The UK currently contributes 94 police officers to the UNMIK police and has also seconded 4 officers to the OSCE-run Kosovo Police Service School which has, as of 11 March 2005, graduated 6,925 Police Officers. The UK has already been instrumental in establishing the intelligence led policing capability in Kosovo, providing equipment, personnel and training. We are also supporting the development of community policing through the Global Conflict Prevention Pool. We will continue to provide assistance. More generally, the FCO has taken the lead in developing a more coherent approach to the UK's policing contribution to international missions, establishing a 'Strategic Task Force' at the beginning of 2005. Comprised of key policing players across Whitehall and the wider Police Service, the Task Force is expected to submit recommendations to Ministers in July.

24. We conclude that the trafficking of women and girls both to and through Kosovo is a major problem, and that while the UNMIK initiatives are welcome, they do not go far enough. We recommend that the Government work with the EU, US and UN to establish a unified strategy on trafficking in women and girls, and that it encourage UNMIK and KFOR to treat any links to trafficked women and girls by its personnel with the utmost severity. We also recommend that the Government increase its contribution to schemes for victims of trafficking, such as offering financial support to refugees and NGOs in Kosovo dealing with the problem. (Paragraph 134)

We agree that human trafficking throughout the Western Balkans is a serious concern. Kosovo in particular has become a transit and source country for the trafficking of women and girls. We will continue to work with UNMIK, KFOR, EU and the OSCE in order to co-ordinate efforts to

combat this abhorrent crime. The Government agrees that KFOR troops, UNMIK personnel and any others accused of trafficking should face full justice. We therefore welcome the recent prosecutions of those found responsible.

The Government works to combat human trafficking through a wide range of actions, including prevention in source and transit countries, co-operation with international partners, tackling criminals through intelligence and enforcement operations and clamping down on the illegal working and support of trafficking. As outlined in response number 23 above, the UK has 94 police officers in Kosovo, many of whom are attached to UNMIK's specialist crime units. We are currently working on strengthening awareness of trafficking and gender issues on their pre-deployment training. In 2004 we played a key role in the development of the first NATO policy to combat trafficking in human beings. The UK Government is also working to combat organised crime including human trafficking in other countries within the region and is seeking to fund similar anti-human trafficking projects in Kosovo. For example, in BiH, the FCO funded the provision of interview rooms to provide safe surroundings to victims of trafficking and encourage them to testify against the traffickers.

25. We conclude that the state of Kosovo's economy is a source of intense political discontent, and that its problems in part stem from doubts about Kosovo's final status. We also conclude that other serious problems, such as an ineffective judicial system, endemic corruption, a scarcity of skilled professionals and the reduction of remittances from Western Europe retard the growth of Kosovo's economy. We recommend that the Government promote EU and UN schemes to revitalise Kosovo's economy, offer expanded scholarship opportunities to Kosovans, and increase its contribution of personnel to train people in Pristina, in areas such as accounting and the policing of economic crime. (Paragraph 141)

The Government agrees with the Committee's conclusions that there is an urgent need for progress on the economy. The Government also agrees with the recommendation to promote EU and UN schemes to revitalise Kosovo's economy. The Government is therefore pleased that the PISG agreed, following an FCO-funded Wilton Park conference, on 31 January 2005, to take forward the drafting of an economic development plan. A PISG-owned medium-term strategy to promote economic and social development in Kosovo is clearly essential. It will be important that it is broad based, integrating development with progress towards European integration. The Government through the EU and the UN will need to work closely with the PISG in helping them to take this forward. The new Head of the UNMIK EU Pillar IV, Joachim Rucker, has injected greater urgency into the privatisation process, which remains a key feature of Kosovo's economic development. However, it is also important that the new PISG takes on more responsibility for economic issues. We are considering with the International Financial Institutions whether there is scope for a more comprehensive approach.

We already contribute specialist UK personnel to Kosovo institutions to provide training to help combat financial crime and we will consider further opportunities. For example, a UK specialist from HM Customs and Excise has been working in Kosovo to set up the Financial Information Centre which deals in part with money-laundering. We note the Committee's recommendation to expand scholarship opportunities for people from Kosovo and will also consider this.

26. We conclude that the international community must work to resolve the issue of Kosovo's status as soon as possible, since deferring the decision will contribute to

growing tensions and make the province increasingly unstable and hostile to the international community. (Paragraph 145)

The Government has noted the Committee's view that Kosovo is on an inevitable road to independence. Independence is clearly one option to be considered. It is not for the UK to dictate Kosovo's future, nor can it be wrought unilaterally or by violence. We and our Contact Group Partners have made clear there will be no return to the pre-1999 situation. Kosovo's final status, whatever it is to be, must be negotiated, must be fair to all communities in Kosovo and must promote regional stability and multi-ethnicity. Belgrade will have a seat at the table, but no one party will be able to dictate the outcome.

The Contact Group has also made clear that a positive review of standards in mid-2005 would lead to a process for deciding the future status of Kosovo in accordance with UNSCR1244 (1999). The outcome of the review is not a given. It depends on progress on the ground.

27. We endorse Kai Eide's proposals for combining standards and status, and agree that a re-evaluation of the standards process is essential. However, we recommend that the international community should not let the search for stability divert efforts from establishing minority rights in Kosovo. We recommend that the Government make clear to politicians in Kosovo that the fulfilment of human rights standards is a non-negotiable condition for progress towards status discussions, and that it urge its US and EU partners to do the same. (Paragraph 150)

The Government welcomes the Committee support for Kai Eide's report which we endorsed on its publication in August 2004. We are encouraging the UN to do more to address the Kosovo population's frustrations over the economy and lack of PISG powers. In a statement of 22 September 2004, the Contact Group also emphasised to the PISG that standards, particularly those pertaining to the protection of minorities, freedom of movement and rule of law, are not just a means to starting the status discussion. They are also key to improving the daily lives of all people in Kosovo and will require ongoing work and commitment for many years to come.

28. We conclude that the scheme for decentralisation put forward by Belgrade would result in an unacceptable transfer of population and could result in effective partition of Kosovo. We recommend that the Government press on its interlocutors in Serbia that their contributions must take into account the interests of the local population, as well as the views of Pristina and the international community. (Paragraph 155)

We note the Committee's conclusions that the Belgrade Plan would be unacceptable. The Government believes that the basis for decentralisation must be the UNMIK/PISG Framework Document agreed in July 2004 and the Kosovo Government plan for implementing this, adopted on 22 February 2005. This includes a commitment to further discussion of ideas for local involvement in policing and the judicial system. However, the Government will continue to stress to the Serbian Government that they must look to work within existing structures rather than try to create new ones, as the Minister for Europe, Dr MacShane emphasised to the House of Commons on 4 May 2004 (Hansard Column 415WH):

'I find the proposals that have come forward from Belgrade in recent days very hard to accept. From the British Government's point of view, those proposals are simply unacceptable as formal policy. They may be a basis for discussion, but I have read, for example, references to Serbs in Kosovo claiming entitlement "to parts of the territory that

links in a natural way Serb-dominated settlements, in which they previously did not make up a majority". I really do not understand what that means. I saw a village that was made up of completely contiguous Serb and Albanian parts, on the same road. The notion that they can be separated, which is what seems to be indicated in the plan from Belgrade, simply will not work. I understand the fears and the needs of the Serbs in Kosovo, but Belgrade must discuss, in depth and continuously, its concerns with Pristina. Policies cannot be decided in Belgrade or in New York and then announced as decrees to be obeyed. Dialogue is necessary.'

29. We conclude that Kai Eide's proposal for increasing the role of the EU while the UN scales back its operations in Kosovo is a good way forward, provided the EU establishes a more cohesive policy towards Kosovo. We also conclude that such a process must include the United States, given its popularity amongst Albanians, and take great consideration of Kosovo Albanian and Serbian political sensibilities. We recommend that the Government urge its partners in Brussels to formulate a long term plan for expanding the EU's role in Kosovo, and in particular to outline how it intends to advance this work when it holds the Presidency of the EU in the latter half of this year. We also conclude that any resolution of the status issue must emerge from a dialogue between Belgrade and Pristina and we recommend that the Government work with its partners to establish a channel of communication between the two parties, perhaps by establishing a EU or UN accredited diplomat as an envoy between the two cities. (Paragraph 159)

The Government agrees that the EU should play a strong role in Kosovo in support of the UN and its efforts and discussions are underway in the EU. UNSCR 1244 puts the UN in the lead. We also agree that continued engagement of international partners, including the US, will be vital. An international presence, both civilian and military, will be required for sometime after any status settlement to oversee implementation. We have made this clear to our EU and NATO colleagues.

The Government also agrees that a channel of communication between Belgrade and Pristina will be important. We welcome therefore the re-launching of the Belgrade-Pristina Working Group on missing persons which met on 16 March. We will consider the Committee's recommendation that the UN Secretary General should, if the Review is positive, appoint a Special Envoy for this purpose.

30. We conclude that success in Kosovo is crucial to stability in south eastern Europe, and that the international community must tread a delicate path between the claims of the various parties in order to resolve the status issue. We further conclude that it is unrealistic to expect the international community to continue to shoulder the responsibility of governing Kosovo indefinitely and we agree with Kai Eide that Kosovo is on the path to independence. We recommend that the Government acknowledge this reality and work with its international partners to bring about an independent Kosovo with full safeguards and protection of the rights of the Serb minority. (Paragraph 160)

The Government fully supports the Committee's assertion that success in Kosovo is crucial to stability in South Eastern Europe. However, international community policy, in accordance with UN Security Council Resolution 1244, is that the process to determine Kosovo's final status will begin only once sufficient progress has been made against the UN-endorsed Standards. The outcome of the mid-2005 Review is not a given, so our current focus must be on sustained

implementation of Standards. We do, however, agree that any final settlement must be consistent with the principle of a stable, democratic and multi-ethnic Kosovo. The Contact Group statement of 22 September 2004 affirmed that there can be no return to Kosovo's pre-1999 situation.

31. We conclude that the hard work of Lord Ashdown in Bosnia and Herzegovina (BiH) is most commendable. However, we also conclude that plans to reduce the role of the High Representative are essential to the establishment of an effective non-dependent state in BiH and we have concerns about the impact of the Bonn Powers on the evolution of democracy in BiH. We recommend that the Government encourage its partners to speed the transfer of competencies to the BiH government at the same time as increasing EU involvement in BiH, in a manner conducive to the long term development of democratic standards. (Paragraph 171)

The Government welcomes and endorses the Committee's praise for the work of Lord Ashdown in BiH. We agree that it is desirable to reduce the interventionary role of the High Representative (HR) as BiH moves closer towards Euro-Atlantic structures, but we favour an evolutionary approach which reflects progress on the ground.

The Bonn Powers were introduced in 1997 to allow the HR to remove officials and impose legislation. Legislation imposed by this means has to be passed by the relevant BiH assembly. In recent years the Bonn Powers have been used less and less on legislation and it is Lord Ashdown's intention to continue, and if possible, to accelerate this trend. In our view, and that of most of our European Partners, the Bonn Powers will need to continue to exist for a little longer for use in emergencies or on issues relating to BiH's national interest.

The Government supports the Office of the High Representative (OHR)'s efforts to strengthen BiH government institutions at State level. We also support the OHR's and the EU's drive to increase BiH ownership of reforms, particularly those necessary for an EU SAA, for example in the fields of the economy, public broadcasting service and police reform. We welcome the increasing prominence the HR has given to his EU Special Representative role and welcome the Committee's support for increasing EU involvement in BiH.

32. We conclude that the international community should not impose a new constitutional structure from outside, but should nurture the state structures that could make constitutional reform easier. However, we also conclude that while the Dayton Agreement is a complex document, difficult to reform, some elements of the existing constitutional structure, such as the powers of the High Representative (HR), are more informal and flexible. We recommend that the Government work with its partners to ensure that the more informal elements of BiH's constitution are fully incorporated into the emerging state structures, in a democratic manner. (Paragraph 177)

We agree that any changes to the constitutional structure must emanate from within BiH. We continue to support the Office of the High Representative's and European Union's work to strengthen the structures at State level.

The current constitutional structures provide for extensive competencies at sub-state levels. The emerging State structures have provided for greater competencies at State level with the accompanying democratic oversight. The Bonn Powers are intended to remove obstacles in the civilian implementation of Dayton and have been useful when obstructionists have prevented the

BiH authorities making progress on reform within the existing complex constitutional arrangements. We welcome the Council of Europe Venice Commission's recognition in March 2005 of the necessity of the Bonn Powers in the post-conflict period, particularly in the context of the inefficient constitutional structure. We also welcome its recommendation of a gradual move away from the Bonn Powers rather than their immediate abrogation, and the suggestion that this should be done in conjunction with constitutional reform to make BiH government more effective. The OHR's recent instigation of a review and rehabilitation process designed to enable individuals removed using the Powers to return to public life is also welcome. We believe that there will no longer be a role for the Bonn Powers once BiH is irreversibly on the path to Euro-Atlantic integration. It is for the BiH authorities to increasingly take responsibility for the strengthening of state structures and other reform to put BiH on this path.

33. We conclude that nationalist politics is a natural aspect of the democratisation process in Bosnia and Herzegovina. However, we also conclude that the centralisation of decision-making has resulted in a failure to accept responsibility by BiH's politicians. We recommend that the Government and its EU partners do more to counteract nationalism by fostering civil society in BiH and to increase the stake of the Bosnian people in the political process by encouraging the integration of Bosnian politicians into the European mainstream, by fostering exchanges and links with international parliamentary institutions. We also conclude that BiH's politicians must work harder to re-establish trust between the communities. (Paragraph 182)

We agree with the Committee's conclusions that BiH's politicians must accept more responsibility and work harder to re-establish trust between the communities. We believe that fostering civil society is a pre-requisite for a democratic and transparent society and not just for 'counteracting nationalism'. We also believe that a better relationship between different ethnic communities would be achieved by increasing awareness of the rights and responsibilities of the citizens and improving the accountability of the government.

We already provide support to a range of programmes fostering civil society in BiH. The Government supports the work of the OSCE who are very active in the field of civil society through FCO secondments and financial support to projects. These include funding Political Resource Centres, the Citizen Participation and Outreach Initiative, Youth in Democracy project and Beacon Scheme Project promoting the exchange of best practice between municipalities. The Government is also supporting a Human Rights and Good Governance project, which strengthens working relations between citizens and municipal governments and trains local officials and local NGOs in organisational capacity-building.

The UK also supports parliamentary exchange programmes. The Government funded the BiH Parliamentary Reading Room and visits by BiH journalists to Westminster, the Scottish Parliament and Welsh and Northern Ireland Assemblies under the OSCE's Parliamentary Support Programme. We also provide financial support to the Westminster Foundation for Democracy, which establishes the exchange of good practice between British and BiH political parties, and to the British Association for Central and Eastern Europe, which recently hosted the visit of a BiH parliamentary delegation to London. The Government is also funding a General Election study visit to the UK later in 2005 to shadow candidates during the General Election and learn about the UK electoral system.

34. We conclude that the launch of EUFOR is of the greatest importance for BiH and for the credibility of a European security and defence policy. We also conclude that the

United Kingdom has a special responsibility to ensure that the transition from SFOR to EUFOR is smooth because of the large number of senior British personnel involved. We recommend that the Government work to clarify the different responsibilities of NATO and EUFOR in BiH, and with military contributors outside the EU. We also recommend that the Government urge its military partners to continue their work to reduce the number of national caveats amongst EUFOR troops. (Paragraph 189)

The Government welcomes the Committee's conclusion that building on the successful completion of SFOR, EUFOR's success is important for both BiH and for the credibility of European Security and Defence Policy. The UK committed significant time and effort working with partners to ensure a seamless and effective transfer of authority from SFOR to EUFOR occurred on 2 December 2004. Our early commitment to provide the Force Commander to EUFOR for the first year of the mission, in addition to the provision of other senior British personnel in BiH, is an indication of this ongoing commitment.

We are content that the arrangements between NATO and EU concerning delineation of responsibilities are clear and working well in practice. The EU is the main stabilisation force in Bosnia and Herzegovina and leads on implementing the military aspects of the General Framework for Peace. The NATO Headquarters in Sarajevo leads on defence reform and also performs some operational tasks, in close co-ordination with EUFOR, including on counter terrorism, intelligence work and in working to detain persons indicted for war crimes by the ICTY.

Within EUFOR, command and control arrangements in place are clear for all troops, whether they are from EU Member States or not. Also, there is a Committee of Contributors, which representatives from all EUFOR contributors attend. This is the forum for non-EU troop contributors to raise issues of concern relating to the mission. As with KFOR, we continue to support the Force Commanders and Chain of Command in working with Partners to reduce national caveats of EUFOR troops to ensure they can respond flexibly to the changing situation on the ground.

35. We conclude that the policy of the High Representative to root out the support networks of the war criminals is sensible and a means to ensure thoroughgoing reform of BiH. However, we recommend that the Government seek to encourage co-operative elements in BiH, for instance by targeting development aid to those regions which have fulfilled the requirements of the ICTY and by encouraging the EU and its constituent states to do the same. (Paragraph 197)

The Government agrees with the Committee that action to tackle the support networks of war crime indictees is vital for progress and reform in BiH, and we fully support the High Representative's efforts in this area. The EU has taken steps to restrict the travel of those known to be aiding and abetting fugitive indictees, and to freeze the assets of those indictees. We welcome the Republika Srpska authorities' role in the recent transfers of the fugitive Bosnian Serb indictees Savo Todovic, Gojko Jankovic and Mico Stanisic to the International Criminal Tribunal for the former Yugoslavia.

However, we believe it is BiH's responsibility as a state to co-operate fully with the ICTY, and it is for the State-level authorities to ensure that they have the capability to deal with this issue. Fulfilling the ICTY requirements also requires good co-ordination of agencies at state level, as well as co-operation from the regions. Development aid to BiH helps support key reformers in

the government at all levels, and facilitates reforms, which will make all BiH institutions better able to co-operate fully with the ICTY.

36. We conclude that BiH has made real progress on defence reform, although more needs doing; Sarajevo must comply with demands from the ICTY before acceding to Pfp. We recommend that the Government continue its efforts alongside its NATO allies to support defence reform in BiH. We also conclude that an effective police service would act as a crucial prop for the Bosnian state and we recommend that the Government provide expertise and financial support to the efforts to establish a national system of policing, and to prepare for potential problems arising from any response to police reform. (Paragraph 204)

We agree with the Committee that BiH has made real progress on defence reform, although full co-operation with the ICTY remains a pre-requisite to BiH's accession to Partnership for Peace.

The UK provides support to defence reform both through NATO's Tailored Co-operation Programme and bilaterally, through our UK MOD Defence Relations Activity Programme (DRAP), including English Language Training and military training for the Armed Forces of BiH. The UK has given substantial financial support, more than £650k over the last three years, from GCPP to the OSCE and International Organisation for Migration work with assisting ex-soldiers demobilised from the Armed Forces of BiH make the transition to civilian life. Activity has included training ex-soldiers as fire fighters to enhance emergency cover in communities of all ethnic groups across the country, and providing toolkits to personnel to help stimulate new and sustainable businesses and wider employment opportunities. A major aspect of the UK programme is the Peace Support Operations Training Centre located at Camp Butmir in Sarajevo, which aims to provide a professional military education for a new generation of soldiers in the Armed Forces of BiH that will encourage common bonds between entities and strengthen the State structures. The UK Ministry of Defence and Foreign and Commonwealth Office are also running a joint project on the decommissioning of small arms and light weapons. In addition, the UK has funded one of the OSCE's key advisers on defence reform, who has played an important role in progress achieved in the past 12 months. The UK will also support the NATO Headquarters in Sarajevo as it plays a continuing key role in assisting defence reform in BiH, including through the Defence Reform Commission.

We agree with the Committee's conclusions on the importance of police reform. The Government already contributes to the EU Police Mission (EUPM) in BiH, which aims to help the BiH Police Force reach European standards, and together with its EU partners, it is looking at ways to support further police reform, including a national system of policing.

37. We conclude that the EU is the ultimate destination for BiH, but that certain obstacles such as the question of compliance with the ICTY and Bosnia's constitutional structure slow progress. We conclude that BiH must enter the EU as a whole, and we recommend that the United Kingdom provide support in certain technical areas, as defined by "market share" discussions at the EU level, to speed the process of integration. (Paragraph 211)

The Government agrees that the European Union is the ultimate destination for BiH, and that the failure to co-operate with the ICTY slows progress. We agree that BiH must enter the EU as a state.

The Government already provides significant financial (committing £900k in 2003/4 and 2004/5) and other support to the High Representative in BiH, whose Mission Implementation Plan (MIP) closely reflects the technical reforms in the 16 priority areas identified in the EU Feasibility Study published in November 2003. The Government disbursed £11.5 million of bilateral assistance to BiH in financial year 2003/04 across its range of programmes. The Department for International Development's bilateral programme supports civil service reform, the Poverty Reduction Strategy Process, the Medium Term Expenditure Framework, social and health insurance policy, social policy reform, business registration, and corporate restructuring. The Government also provides support for security sector, judicial and public broadcasting reform. The UK also contributes to the EU Police Mission working on police reform, another measure contained in the Feasibility Study.

We are committed to offering assistance to BiH and all of the Western Balkans bilaterally and within EU programmes, where the UK is best placed to add value. We are also committed to continuing co-operation and co-ordination with Partners, the EU and other international actors in the region, in order to ensure that assistance is delivered as efficiently and effectively as possible.

38. We conclude that Lord Ashdown's efforts to establish the rule of law in BiH are commendable, although democratic accountability remains a serious concern. We recommend that the Government stress to its EU partners the importance of establishing an effective rule of law throughout BiH, and that it take the lead with them in strengthening the physical infrastructure and personnel to this end, including the training for judges and legal employees. (Paragraph 215)

The Government agrees that Lord Ashdown's efforts to establish the rule of law in BiH are commendable. OHR's rule of law reforms have strengthened the accountability and transparency of BiH's legal institutions.

The Government already provides considerable support to the establishment of the effective rule of law in BiH, through financial support and secondments to OHR's rule of law department. It also provides extensive funding (£2.6 million pledged over 5 years) and UK secondments of personnel to the War Crimes Chamber in the BiH State Court, including the establishment of a State-level detention facility. The War Crimes Chamber was inaugurated on 9 March 2005. As well as making a key contribution to the completion of the work of the ICTY, the BiH War Crimes Chamber will in the long term enhance BiH's domestic judicial capacity and promote the rule of law. The European Commission Feasibility Study already places a strong emphasis on the rule of law in its 16 priorities, not least through police and judicial reform.

39. We conclude that the economic development of BiH is central to the region's future stability and that external powers such as the United Kingdom and the EU can offer much in terms of aid. We recommend that the United Kingdom continue to support the reunification of the economy of Bosnia and Herzegovina through schemes such as the state wide system of VAT. We also recommend that the Government provide training in areas which would strengthen the economy, such as accounting and economic policing, second personnel with relevant technical expertise, and work with its EU partners to implement infrastructural projects which will integrate the BiH economy into the European mainstream. (Paragraph 218)

The Government agrees that the economic development of BiH is important for the region's future stability and welcomes the ongoing establishment of a state-wide system of VAT, which

was imposed through the Bonn Powers. We also agree that it is important to continue to bring about the unification of the BiH economy. Together with the European Commission and other donors, we are supporting a number of initiatives to promote economic development and private sector growth. A key focus of our support is building capacity within government and private sector organisations to foster the right conditions for economic growth.

40. We conclude that the international community must maintain its commitment to BiH, for fear that the good work to date be lost. Engagement by the United Kingdom and the EU with BiH is crucial for the success of the state building effort. We also conclude that the prominent role of British personnel in BiH makes success a particular concern and opportunity for the United Kingdom. However, we retain serious concerns about inter-ethnic relations, and the weakness of both democracy and the economy in Bosnia and Herzegovina. (Paragraph 219)

The Government agrees that international organisations must maintain their commitment to BiH, and that the UK must remain committed to engagement with BiH bilaterally and with international partners. We welcome the opportunity to contribute to BiH's progress through providing prominent British personnel in BiH, and agree that much remains to be done to ensure that BiH becomes a multi-ethnic and sustainable state.

41. We conclude that the international community must maintain its role in Macedonia, since its interventions to protect the Ohrid Framework Agreement have proved successful in ensuring stability. We recommend that the Government maintain its commitment to peace in Macedonia, continue to support the implementation of the remaining parts of the Ohrid Agreement, such as the flags and symbols issue, and contribute where it can to the final agreed delineation of the border between Macedonia and Kosovo. A lack of engagement by the international community could result in another crisis in Macedonia. (Paragraph 226)

The Government welcomes the Committee's recommendation that international organisations and actors must maintain their role in Macedonia. Macedonia has made much progress, particularly in passing the necessary legislation called for by the Ohrid Framework Agreement. Some work is required on the outstanding laws, but the main focus now needs to be on the practical implementation of the laws, for example, on decentralising power to local government and on achieving equitable representation of minorities in the public sector. The UK Government in close co-operation with international partners, and in particular the EUSR, will continue to support Macedonia to this end. EU engagement is very visibly demonstrated on the ground by the presence of the ESDP police mission Proxima in Macedonia, which continues to mentor, monitor and advise the Macedonian police.

The Government recognises the need to delineate the border between Macedonia and Kosovo at some point. This issue remains sensitive for local inhabitants, and will need careful handling.

42. We conclude that the recognition of Macedonia's constitutional name by three of the five permanent members of the UN Security Council should encourage the United Kingdom to follow suit. We recommend that the United Kingdom work in unison with Germany, France and other EU partners to recognise Macedonia's constitutional name, and encourage the Greek Government by an act of statesmanship to do the same. (Paragraph 230)

The Government notes the Committee's recommendation. We recognise that the name issue remains a sensitive issue for all parties concerned. In common with a number of EU Partners, the UK uses the constitutional name "Republic of Macedonia" bilaterally and internally. However, in certain international situations, such as in the UN, EU and NATO, we continue to use the temporary designation "the former Yugoslav Republic of Macedonia." We have no plans to change our current policy. We continue to encourage actively both parties to work together to achieve a mutually acceptable solution soon.

43. We conclude that Macedonia's membership of NATO is desirable but that rigorous standards for entry must apply; Skopje must fulfil all the terms of the Ohrid Framework Agreement. We recommend that the Government provide technical support on defence reform to Macedonia alongside its NATO partners, with a particular focus on minority representation in Macedonia's military institutions. (Paragraph 234)

The Government welcomes the Committee's recommendation that NATO membership for Macedonia is desirable but that meeting the appropriate standards must come first. We note the recommendation about technical support on defence reforms. Macedonia has made good progress on defence reforms thus far. As outlined in FCO memoranda to the Committee, the Government continues to provide support to the Macedonian Ministry of Defence on outstanding issues through the UK MoD Defence Relations Activity Programme (DRAP). The assistance focuses on defence reforms, including on the development of flexible, capable and deployable forces, aiming for more equitable representation in military institutions. Assistance provided so far has included activities such as English language training, staff courses and courses about managing defence in a democracy. Currently, we are also looking into the possibilities of providing assistance in the area of personnel management. We also recall that the UK provides the senior military representative and Commander of NATO HQ Skopje, Brigadier Blease, who is also the Director of the NATO Advisory Team which provided advice to the Macedonian Government on defence reform and future NATO integration.

44. We conclude that the United Kingdom should support Macedonia's efforts to join the EU, provided the state complies with the necessary criteria. We recommend that the Government offer Macedonia technical support in areas as defined by 'market share' discussion at EU level. (Paragraph 238)

The Government welcomes the Committee's support for Macedonia's future EU membership. The European Commission has recently acknowledged Macedonia's progress on the path towards EU membership. We continue to encourage the Government of Macedonia to focus efforts on the economy, judicial reform and improving the security situation. Such progress is crucial if Macedonia is to receive a favourable avis from the European Commission in autumn 2005. To assist Macedonia in reaching this goal, we continue to provide assistance both bilaterally and multilaterally, where the UK is best placed to add value. We co-ordinate with other actors in order to ensure that assistance is delivered as efficiently and effectively as possible.

45. We conclude that support for economic development in Macedonia, particularly in the area of legal reform, is essential for its long term stability. We recommend that the United Kingdom support Macedonia in the technical areas necessary to bring foreign direct investment into the state, for instance by funding advice from experts in investment law. (Paragraph 242)

The Government agrees with the Committee that economic development, particularly in the area of legal reform, is essential for Macedonia's long term stability. But we highlight that there are many impediments to Foreign Direct Investment in Macedonia which need to be tackled. These include reassurance of a stable security situation, strengthening and improving the judiciary, removing obstacles in the tendering process and seriously tackling corruption. We continue to look at ways in which we can help Macedonia to improve in these areas. We note the Committee's recommendation to fund advice from experts on investment law and will consider.

46. We conclude that while Macedonia's stability is not yet fully guaranteed, the continued willingness of its people to avert conflict is commendable. We also conclude that continued engagement is essential to maintain stability and that offering greater access to pre-accession funds might ease Macedonia's movement towards the EU; economic development would lessen the likelihood of future conflict and contribute to regional stability. (Paragraph 243)

The Government agrees with the Committee's conclusion that Macedonia has made substantial progress in the area of stability. Macedonia remains stable on the whole, but fragile in places, in particular the former crisis areas to the north and west of the country. The rule of law does not always apply there, as shown in particular by the situation in Kondovo, November 2004. Although much progress has been made since 2001, moves against known criminals can still precipitate tension between the local population and the security forces. We continue to monitor closely and offer assistance where appropriate. Since 2003, we have continued to provide assistance and advice on the police Rapid Deployment Unit. This included helping establish transparent recruitment and assessment criteria for the unit. In March 2005, a UK team will visit Macedonia to conduct a training needs analysis to help form an action plan for the unit to improve on its basic skills and develop to European standards.

47. We conclude that the work of the British Council in the Balkans is essential and we commend the good work of its Belgrade office, for instance by bringing young people from across the region together in conferences. We urge the British Council to expand this work, and to increase educational opportunities in areas necessary for the effective development of the Balkans, such as those relating to good governance. (Paragraph 245)

The British Council welcomes the Committee's endorsement of its 'essential' work throughout the Balkans region and appreciates particular commendation for its work in Belgrade. The British Council's stated aim for the Balkans is to promote effective development of cultural and educational partnerships with the UK as a means of enhancing the UK's relationship with the region. The British Council will certainly look to further expand its work with young people, especially through promotion of educational opportunities and projects in social awareness and cultural identity, as the opportunities arise and as resources permit.

48. We conclude that the BBC World Service's contribution to broadcasting in the Balkans is most commendable. However, we regret the lack of Bosnian programming; we urge the BBC to expand its coverage to include Bosnia and Herzegovina. We also recommend that the BBC and the Foreign and Commonwealth Office work together with the governments in the region to improve the regulatory framework for the media, for instance by providing technical expertise to help Belgrade simplify the allocation of radio frequencies in Serbia. (Paragraph 247)

BBC World Service programmes in Serbian and Croatian continue to be available across Bosnia and Herzegovina through a network of re-broadcasting partners. With regard to BiH programming, the BBC continues to review its portfolio of languages periodically, and decisions reflect global priorities at the time.

The BBC, through the BBC World Service Trust, has a long history of involvement in media projects across the Western Balkans. In BiH and in Macedonia it has been engaged in the training of journalists and improvements in the regulatory framework. In Montenegro, it has assisted in the efforts to reform the national broadcaster and help it assume a proper public service role. In Serbia, the BBC World Service Trust watches media developments closely and maintain a good working relationship with the regulatory authorities but these have not asked the Trust, as yet, for assistance or advice with regard to changes in the legal framework governing the media sector. The Trust, together with the FCO, will consider pursuing this. The FCO will also continue to support development of the media sector to increase standards of reporting and investigative journalism. This is a priority area for the FCO's Reuniting Europe Global Opportunities Fund programme in SaM, with £125k going towards media related projects in 2005/6. We also welcome the OSCE's assistance in the area of media reform in the region and will continue to support its work.

ANNEX

EUROPEAN COMMISSION PROPOSAL TO ESTABLISH AN INSTRUMENT FOR PRE-ACCESSION (IPA) FOR THE NEXT FINANCIAL PERSPECTIVE

In its Report of its Inquiry into the Western Balkans, the Committee recommended that the Government set out in its Response how the Instrument for Pre-Accession (IPA) will work. Negotiations on the financial instruments which provide the framework for the Community's External Actions spending in the next Financial Perspective 2007-2013 are not yet concluded. But we set out below an outline of the Commission's draft regulation.

At present the EC's External Actions spending is funded from a multitude of diverse instruments and budget lines. As part of the 2007-2013 Financial Perspective the Commission has proposed that all External Actions spending should be grouped under one heading (Heading 4) and within this, divided into instruments covering the main subject areas; Pre-Accession assistance, European Neighbourhood and Partnership, Stability, Development Co-operation and Economic Co-operation, Humanitarian Assistance and Macro-Financial Assistance.

As proposed, the IPA will create a single framework for assistance by the European Union to the countries concerned. It will replace existing programmes of assistance (Phare/ISPA/SAPARD/CARDS), with the addition of other Structural Funds and Rural Development Funds components.

The proposal divides countries into candidate or potential candidate countries. The candidate countries will be Croatia and Turkey (listed in Annex 2 of the draft Instrument). The potential candidate countries will be Albania, Bosnia and Herzegovina, Serbia and Montenegro and Macedonia (listed in Annex 1 of the draft Instrument).

The proposed IPA has a broad scope. A (non-exhaustive) list of target areas for assistance to all countries covered is provided in Article 2(1):

- (a) strengthening democratic institutions and the rule of law,
- (b) public administration reform, including the establishment of a system enabling decentralisation of assistance management to the beneficiary country in accordance with the rules set down in Regulation (EC) 1605/2002,
- (c) economic reform,
- (d) the promotion and the protection of human rights and fundamental freedoms and enhanced respect for minority rights,
- (e) the development of civil society,
- (f) reconciliation, confidence building measures and reconstruction,
- (g) regional and cross-border co-operation.

The aim is for assistance provided under the IPA to be driven by the requirements of the pre-accession process, but that the instrument should be drafted to allow it to address the specific needs of individual countries in their paths towards accession, rather than applying a generic model to all countries covered. A clear distinction is made between candidate countries (Annex 2) and potential candidate countries (Annex 1). In addition to the areas set out above, the mandate for potential candidate countries covers economic and social development and progressive alignment with the acquis. However candidate countries will receive assistance to ensure the full implementation of the acquis and preparation for the implementation of Structural and Rural Development Funds after accession. A country can move from Annex 1 to Annex 2 only after a decision of the Council giving it candidate status.

The different objectives will be divided between 5 component headings; Transition and Institution Building, Regional and Cross-border Co-operation, Regional Development, Human Resources Development and Rural Development. The objectives applicable to Annex 1 countries will be covered under the first two components only. Priorities for assistance will be developed on the basis of Partnerships; Accession Partnerships for candidate countries (Annex 2) and European Partnerships with potential candidate countries (Annex 1).

The Commission intends to submit annual reports to the Council and European Parliament. Committees of Member States (e.g. the successor to the PHARE committee) will deal with each of the 5 components.

UK POSITION

The UK Government supports the division of the External Actions (Heading 4) elements of the Financial Perspective into distinct instruments covering the main policy areas. With regard to the IPA, the UK has long been a strong supporter of enlargement and believes pre-accession assistance remains of great importance. The UK supports the list of countries included in the proposed IPA and the distinction made between candidates and potential candidates.

The Government wants all External Actions instruments to be based on policy objectives. The UK supports the use of committees of Member States but believes that scrutiny should not cover only multi-annual indicative programmes; Member States should have the opportunity to give further opinions as these are finalised.

FINANCIAL IMPLICATIONS

The proposed financial framework for this instrument for 2007-2013 is €14,653 million in 2004 prices (ref: Legislative Financial Statement 2.1). As expenditure falls in the 2007-2013 Financial Perspective the funding available for the IPA will depend on the outcome of the overarching negotiations on the finances of the EU from 2007-2013.

The UK, along with several other Member States including Germany, France, the Netherlands, Austria and Sweden, believes that the Union's priorities can be funded by a budget stabilised at 1% of EU GNI. The level of funding available for the IPA would therefore need to be consistent with this.



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