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Kosovo: U.S. Policy Measures for Stabilization,  
Peace Building, and Economic Reconstruction

by

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A paper submitted to the Faculty of the Naval War College in partial satisfaction of the requirements of the Dean of Academics.

The contents of this paper reflect my own personal views and are not necessarily endorsed by the Naval War College, the Department of the Navy, or the Department of the Air Force.

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## Abstract

A year after Operation Allied Force, proponents and critics of current U.S. strategy in Kosovo disagree over its effects to date and the level of commitment required to secure U.S. interests. While successes have occurred, serious issues remain. This essay offers insights into the dilemmas and challenges facing the national security strategy to achieve stability and security in Kosovo. While focusing on the application of economic power toward stabilization and reconstruction, this paper demonstrates that economic objectives in Kosovo are inextricably linked to security and political objectives. It first provides an overview of the political, security, and economic environment. It then proceeds to outline international and regional approaches to integrate Kosovo and the rest of the region into a more stable Europe. The essay next identifies and examines specific U.S. political, economic, and military policies. Finally, in evaluating U.S. interests in Kosovo and possible alternative strategies to secure them, this essay provides recommendations to strengthen U.S. policy.

U.S. policies for post-crisis Kosovo must aim to secure not only economic stabilization and growth but also the consolidation of peace and security. A strategy that fails to build on the powerful interrelation among these economic, political, and security objectives will ultimately fail to achieve any of them. While this farsightedness may seem a tall task for Kosovars, the regional and international institutions, and U.S. peacemakers and economic policymakers who support them, the charge can be no less.

The transition from conflict to peace in the Kosovo province of former Yugoslavia poses formidable challenges for U.S. national security strategy. An environment of economic stability and prosperity cannot exist without an environment of peace and security. Yet, a peaceful and secure environment cannot last without an environment of economic productivity.

A year after Operation Allied Force, proponents and critics of current U.S. strategy in Kosovo disagree over its effects to date and the level of commitment required to secure U.S. interests. While successes have occurred, serious issues remain. This essay offers insights into the dilemmas and challenges facing the national security strategy to achieve stability and security in Kosovo. While focusing on the application of economic power toward stabilization and reconstruction, this paper demonstrates that economic objectives in Kosovo are inextricably linked to security and political objectives. It first provides an overview of the political, security, and economic environment. It then proceeds to outline international and regional approaches to integrate Kosovo and the rest of the region into a more stable Europe. The essay next identifies and examines specific U.S. political, economic, and military policies. Finally, in evaluating U.S. interests in Kosovo and possible alternative strategies to secure them, this essay provides recommendations to strengthen U.S. policy.

### **The Challenge: Current Strategic Environment**

The following synopsis sketches the context for economic policy in Kosovo, including a brief history of the political and security aspects and recent macroeconomic performance.

#### Political Setting

*Pre-crisis.* Prior to 1989, Kosovo functioned as an autonomous province of former Yugoslavia, enjoying many rights and obligations laid out in its constitution. As a wave of nationalism erupted with the fall of the Soviet Union, the rest of East and Central Europe

experienced a peaceful “velvet revolution,” but unfortunately, Yugoslavia regressed. Slobadon Milošević promoted nationalist sentiments to foment ethnic tensions. His government stepped in to assume control of Kosovo, altered its constitution, and replaced Albanians serving in the public sector with Serbs. Serb-owned enterprises incorporated Albanian-owned companies through joint venture take-overs. In response to this loss of autonomy, the ethnic Albanians established a parallel government that shadowed the one populated with ethnic Serbs. They ran social programs for health and education out of private homes. They maintained some domestic economic activity, but most financing for this government came from diaspora remittances.<sup>1</sup>

*Post-crisis.* During Operation Allied Force, the International Criminal Tribunal declared Milošević a war criminal, thus issuing a warrant for his arrest. When Milošević conceded to terms demanded by NATO and the UN Security Council, both Milošević and the Kosovo Liberation Army (KLA) made concessions. Slobadon Milošević agreed to withdraw forces and allow autonomy in Kosovo. In turn, the KLA agreed to lay down their arms, reintegrate into civilian life, and contend for power via free elections.

Immediately upon cease-fire of Operation Allied Force, the United Nations Security Council (UNSC) passed Resolution 1244, which defined Kosovo as a province of Serbia, but with “substantial autonomy and meaningful self-administration” while still recognizing the “sovereignty and territorial integrity of the [Federal Republic of Yugoslavia (FRY)].”<sup>2</sup> The resolution demanded an “immediate and verifiable” end to FRY “violence and repression in Kosovo,” and a “complete verifiable phased withdrawal from Kosovo of all military, police and paramilitary forces.” The resolution further established the UN Mission in Kosovo (UNMIK) as the interim civil administration authority. The international community intends to transition UNMIK responsibilities to eventual Kosovar self-government. Although no clear path exists for

this transition to permanent local government, UNMIK plans to hold elections by this summer to establish Kosovar representation from all ethnicities in provisional macroeconomic, political and civil institutions.<sup>3</sup>

#### Security Setting

*Pre-crisis.* The security situation in former Yugoslavia systematically deteriorated through the 1990s. The Yugoslav republics increasingly demanded independence, and Milošević implemented stringent measures to prevent them from seceding. First Slovenia, next Croatia, and then Bosnia. Milošević, determined not to lose the sacred Serb territory of Kosovo, proved willing to destroy the province's institutions and economy to maintain control. He positioned Serbian military forces in Kosovo, replacing some of the officers with his political cronies. He strengthened these forces with the addition of paramilitary and police. Unrest among the ethnic Albanians grew throughout the 1990s as Milošević systematically stripped them of their autonomy and positions within their local government. The KLA arose in violent opposition. Evidence of ethnic cleansing by the Serbian forces, along with the failed diplomatic efforts before, during, and after Rambouillet, pushed NATO into action to compel Milošević to withdraw his forces and restore autonomy.

*Post-crisis.* Surprisingly to many observers and humanitarian assistance providers, most ethnic Albanian refugees returned to Kosovo immediately—even before international relief organizations and nongovernmental organizations (NGOs) were ready to handle the re-influx of 1,300,000 from neighboring countries and approximately 550,000 internally displaced refugees. Now, the minority Serbs face displacement, with only about 75,000 remaining of the approximately 200,000 there prior to the bombing.<sup>4</sup>

UNMIK and the NATO-led Kosovo Forces (KFOR) provide security and peace building activities in accordance with UNSC Resolution 1244, which authorizes "all necessary means." Over the past year, KFOR has undertaken responsibilities encompassing demilitarization, demining, humanitarian assistance, infrastructure reconstruction, and security for civilians trying to reintegrate into their neighborhoods. KFOR troops have cleared over 16,000 homes, 1,000 schools and 2,000 kilometers of mines and unexploded ordnance. They have distributed over one million roofing tiles, 18,000 stoves and 4,000 truckloads of firewood. KFOR medics have treated more than 43,000 Kosovars in KFOR facilities. Civil engineers have rebuilt power stations, roads, bridges, and railroads. More than half of KFOR's forces provide protection for minority populations by guarding their homes and villages, transporting them to school, church, and shopping, by patrolling and monitoring checkpoints, and by confiscating any remaining weapons held by former-KLA and other extremists on both sides.<sup>5</sup> However, in light of all these successes, ethnic tensions continue with serious implications for public security. Some ex-KLA members are widely cited as a factor in the country's growing crime rate.

Law enforcement falls under the auspices of the UNMIK. Its police force consists of approximately 2,500 of 4,000 volunteers promised by the EU and other countries. Some police have already left due to frustration with lack of financial and personnel resources to accomplish their job. UN bureaucracy has set up a pay structure where interpreters and drivers, paid at rates established in New York, receive more than judges and court personnel, paid at a locally viable rate.<sup>6</sup> This makes it difficult to secure the necessary expertise to administer law enforcement and justice, along with a lack of prisons and an effective court system to process criminals. Criminals gain confidence in impunity, raising a specter of lawlessness. Organized crime has begun to take root. The UN also addressed the reintegration of former-KLA members into

civilian life. UNMIK established the Kosovo Protection Corps, a community effort intended to augment the UN in disaster relief. Some KLA have successfully integrated, but others have not.

### Economic Setting

*Pre-crisis.* Prior to 1989, former Yugoslavia was held as an example of how to achieve a prosperous market-oriented economy within a socialist political framework. However, Kosovo was its poorest province, not due to lack of resources, but due to neglect and bad management. Kosovo's natural resource base provided for a small, state-owned heavy-industry sector. Its fertile agriculture provided privately-held farms for more than sixty percent of its population. Unfortunately, Milošević's intervention in 1989-90 caused a contraction of Kosovo's gross domestic product (GDP) by an estimated fifty percent within only five years. By 1995, the per capita GDP was estimated to be below \$400—the lowest in the region. In 1995, its GDP consisted of roughly a third industry, a third agriculture, and a third regional trade. The province's unemployment was steadily increasing and its inflation rate soared over 40 percent.<sup>7</sup> Within this internal context, the international community enforced sanctions against the FRY.

*Post-crisis.* During Operation Allied Force and its immediate aftermath, industrial production collapsed due to interruption in workflow, power outages, and water shortages. Agriculture production dropped off, as well, because herds were either lost or killed and farmers missed planting seasons. The social services operating out of private homes were badly damaged.<sup>8</sup> Although more than half of the population was displaced during the conflict, amazingly, most of the ethnic Albanians rapidly returned. Some of them have successfully reclaimed their property, but others remain displaced within Kosovo, either because their homes no longer exist or because someone else now lives there. Idleness has further increased unemployment and decreased income. Some Kosovars have developed an informal economy on



the streets and in small markets, but as long as Kosovars cannot provide for their subsistence and inequalities in income continue, ethnic tensions will remain high. Kosovars need productivity and an opportunity to develop themselves, raise families and achieve a sense of accomplishment.

The UN Security Council resolution has been implemented within this destabilized political, security, and economic environment. Developed Western countries and international financial institutions generally take for granted the basic underpinnings of an economy, including a socially accepted distribution of property, a legal system to enforce property rights and contracts, and a government able to perform necessary economic tasks not fulfilled by markets, such as the provision of public goods. All these preconditions have been diminished by conflict over the past decade. As an initial effort to stabilize inflation, UNMIK designated the deutsche mark as Kosovo's currency. However, the institutions needed to implement a market-based transition no longer function. The ethnic Serbs, who managed the public sector organizations, have now become refugees themselves. Most ethnic Albanians, denied such positions for the past decade, lack the knowledge and expertise to fill the positions. Their distrust for formal institutions grew as they created shadow ones. The institutions must be rebuilt gradually in a process regarded as legitimate by all parties.

#### **The Framework for a Solution: International and Regional Cooperation and Collaboration**

Contemporary economic development theory, as outlined by former World Bank Chief Economist, Stanley Fischer, and its current Chief of Socialist Economies Unit, Alan Gelb, in their treatise, "The Process of Socialist Economic Transformation," distinguishes between short-term stabilization and medium- to long-term adjustment through liberalization and privatization. Stabilization involves primarily fiscal and monetary policy. Liberalization and privatization refer to policies designed to alter the structure of the economy, including the relative sizes of the

public and private sectors and the promotion of trade. Political, security, and economic stabilization are all necessary for pushing the society back onto a path of economic growth. Raging inflation and social tensions potentially hamper private investment and impede recovery.

The European Union (EU) has sponsored an international political framework to enhance stability and promote economic integration for Southeast Europe. The Southeast Europe Stability Pact provides coordination within three "working tables" that focus on democracy and human rights; security; and economic reconstruction, development and cooperation, respectively. The EU realizes that greater European stability, security, and prosperity cannot be achieved without stabilization of this historically volatile region. While supporting the entire region, it is obvious Southeast Europe cannot prosper without significant transition in Kosovo and Serbia.

The international community has developed a larger political framework for coordinating an economic strategy with UNMIK and KFOR security strategy. The UNSC Resolution 1244 empowers the UNMIK as the interim civil authority with three primary functions: humanitarian affairs, led by the UN High Commissioner for Refugees (UNHCR); institution-building, led by the Organization for Security and Cooperation in Europe (OSCE); and economic reconstruction, led by the European Commission.<sup>9</sup> The Bretton Woods institutions (World Bank and International Monetary Fund (IMF)) are working in support of the UN. Economic policy has traditionally been the province of the former, the peace building and political process the province of the latter. In a sign of coordinated economic and political policy, the World Bank and IMF have been invited by the UNMIK to provide technical assistance in collaboration with the European Commission.

Along with these efforts, the European Bank for Reconstruction and Development (EBRD) has created a Southeast Regional Action Plan to stimulate and promote private sector

investment opportunities. And, the international community has reacted through the efforts of more than 200 international relief organizations and NGOs. Many of these organizations are comprised of U.S. volunteers willing to actively participate and promote American values.

### **The Plan: U.S. Strategy**

The U.S. national security strategy to deal with instability in Kosovo falls largely within this international political framework. The current administration desires to enhance security, promote prosperity, and promote democracy and human rights. In a statement before the Senate Foreign Relations Committee in April 1999 concerning U.S. and NATO policy, Secretary of State Madeline Albright stated,

“Our explicit goal should be to transform the Balkans from the continent’s primary source of instability into an integral part of the European mainstream. We do not want the current conflict to be the prelude to others; we want to build a solid foundation for a new generation of peace—so that future wars are prevented, economies grow, democratic institutions are strengthened and the rights of all are preserved.”<sup>10</sup>

U.S. policy makers realize this cannot occur in Southeast Europe without the removal of Slobadon Milošević and his government. His indictment through the international war crimes tribunal provides legal authority to arrest him and remove him forcefully, but not the political will. It remains very unlikely that a consensus to do so can be reached within U.S. domestic politics, much less within international politics. Therefore, the current approach aims to eventually remove Milošević through the pressure of economic sanctions and diplomatic isolation. This requires a commitment to economic prosperity for the people of Kosovo and Serbia along with democratic reforms that will enable organized opposition to the current Serbian regime and its overthrow through legitimate free and fair elections. The following discussion examines current implementation of U.S. diplomatic, economic, and military power to achieve this desired end-state.

## Diplomatic

The U.S. seeks its diplomatic objectives through key, but secondary, leadership positions. The second-in-charge of UNMIK and KFOR are Americans. The Secretary of Treasury and his representatives hold key positions in the World Bank and IMF. The State Department maintains several policy coordinators, particularly the Coordinator for Southeast Europe Stability Pact and the Special Representative for Kosovo and Dayton Implementation.

President Clinton has also outlined three guiding principles for U.S. engagement in the region: 1) self-sufficiency—states in the region should assume ownership of the process, 2) incentives—the international community should fully support and encourage the region's integration into Euro-Atlantic structures, such as the EU and potentially NATO; and 3) liberalization—private sector-led growth will be essential to sustainable economic development.<sup>11</sup> Within the objectives of regional self-sufficiency and burdensharing, Congress has enacted into law a U.S. cap of fifteen percent of total international contribution per year in personnel and financial support.

The U.S. also wants to enforce diplomatic isolation of Milošević; however, every major European country currently maintains senior diplomatic representation in Belgrade. This points to a general dissension between the U.S. and the EU regarding the most effective way to remove Milošević. Europeans tend to believe interaction with Serbia rather than isolation will more likely promote the Western-oriented tendencies of its people.<sup>12</sup>

## Economic

U.S. economic objectives within the Stability Pact framework entail: helping to create stability and reform, increasing market access and trade, promoting business opportunities, and encouraging private investment.

Stabilization requires significant foreign development aid in the near-term for humanitarian assistance, civil administration, and other urgent projects. At the first International Donors' Conference for Kosovo in July 1999, the U.S. committed \$557 million for immediate requirements of such programs. At the Second Donors' Conference, in November 1999, the U.S. pledged \$157 million for fiscal year 2000 (FY00) recovery programs encompassing agriculture, human services, criminal courts, police training, elections, and media.<sup>13</sup> This amount constitutes fifteen percent of total international contributions. In July 1999, Congress also enacted the Serbian Democratization Act, which authorizes an additional \$100 million over two years. The Administration has committed \$11.8 billion of this for FY00 projects to assist democratic opposition against Milošević and his Socialist Party.<sup>14</sup>

The U.S. views trade liberalization as a key mid-term goal to promote transition from socialist to market economies. President Clinton has indicated the priority should emphasize regional trade. But, the administration also drafted a trade bill currently under consideration in the Senate Finance Committee, titled, "Southeast Europe Trade Preference Act," which proposes duty-free entry for more than eighty percent of regional products into the U.S., as long as such trade does not adversely affect U.S. labor interests. If passed as drafted, the act will allow duty-free treatment of goods from Kosovo and even considers returning normal trading status to the Republic of Serbia, *but only* if it makes significant strides toward democratic reform and cooperates fully with the International Criminal Tribunal.<sup>15</sup>

In 1999, the U.S. also lifted the Commerce Department's license requirements, except for military and dual-use items, for U.S. exports to Kosovo.<sup>16</sup> Commerce's Overseas Private Investment Corporation (OPIC) has developed an equity investment fund for the region.

Working in conjunction with the EBRD, the administration is pressing Congress for a \$50 million contribution toward a regional trust fund for small and medium enterprises.<sup>17</sup>

Toward further liberalization, USAID is taking the lead in promoting business opportunities and cooperation. USAID's development of an internet-based clearing house that links buyers with suppliers, called the Global Technology Network—Balkans, has helped regional and transatlantic business-to-business partnerships. USAID has also spent U.S. disaster relief funds specifically in Kosovo, rather than purchasing products out of region, to promote active participation of local firms in their domestic relief and reconstruction efforts. USAID established another internet database, referred to as the Southeastern European Business Network, to facilitate intra-regional procurement for assistance supplies.<sup>18</sup> The USAID program to promote regional and Kosovo internal private investment in reconstruction efforts provides an innovative and promising approach for foreign aid.

U.S. economic policy toward Kosovo and the rest of the Balkan region promotes current economic theory for transitioning socialist economies to market economies. The U.S. advocates active participation of Kosovars to help themselves. Policy makers favor a long-term emphasis on generating private investment with the realization that economic recovery and democratic transition cannot succeed without it. While definitely a key element to successful reform, the Kosovars need substantial external support to stabilize their government so they can achieve such self-sufficiency. The challenge lies in stabilizing the political and security environment in order to encourage such investment.

Essentially, U.S. economic policies encompass foreign aid, liberalized trade, macroeconomic reform, and sanctions against Milošević's government. While promising on paper, it is debatable whether current U.S. level of commitment can meet these objectives. The

burden-sharing limit indicates dissension within domestic politics over both the utility of foreign aid, in general, and the degree to which the U.S. should actually support such aims in Kosovo. Long-term economic and political reform dictates a significant infusion of foreign aid for short-term humanitarian assistance and to promote medium- to long-term private investment. Even an explicit decision to scale-back U.S. objectives dictates a steady flow of aid for the short-term to improve Kosovar living conditions, which will help prevent resumption of hostilities and allow the security environment to stabilize enough for reduced U.S. participation in KFOR.

The greatest sticking point in U.S. economic policy for the region lies in current sanctions against the FRY. These sanctions essentially aim to weaken Milošević's ruling Socialist Party and achieve his removal through free and fair elections. Regional reform depends on Milošević's removal, but it also depends on regional trade. The FRY has historically been a hub for regional trade routes via the Danube, road and railways. Sanctions impact such trade, while questionably impacting Milošević. He possesses the will to resist compliance with the sanctions because succumbing to them would mean loss of power and likely arrest. The Serbian population has grown accustomed to economic deprivation over the past decade thus, it appears questionable whether more economic hardship will promote enough opposition to remove him and his party, even in the long term. While the sanctions hamper regional trade, other Balkan countries still receive FRY goods through black market activities and organized crime, providing the unintended consequences of further instability. And, countries such as Russia and China indicate willingness to trade with Milošević.

The Socialist Party recently boasted success in surviving the winter after NATO's bombings. U.S. policy makers predicted hyperinflation if the FRY government printed more money to pay its military and pensioners and rebuild its infrastructure. Although the FRY

currency has weakened, inflation runs at only an estimated five to ten percent. Apparently, Milošević used favors from businessmen who benefited from past cronyism and corruption to avert collapse.<sup>19</sup>

The U.S. shows signs of weakening its enforcement of sanctions. The Europeans provided oil for Serbian cities during the winter, and they pressured the lifting of a flight embargo into and out of Belgrade.<sup>20</sup> After a meeting with opposition leaders in April 2000, policy makers announced a willingness in support of the opposition, to lift U.S. oil and flight embargoes against Serbia, but only after elections.

### Military

The U.S. has committed 7,000 troops (approximately fifteen percent of the 50,000 total pledged) to the KFOR mission. KFOR currently maintains about 44,000 troops because not all countries have met their commitment. There has been a lack of heated discussion regarding timed withdrawal and an exit strategy from Kosovo, perhaps a lesson from Bosnia. However, public debate will increase. Some Congress members have called for withdrawal of U.S. troops, claiming overextension of our military responsibilities and capabilities.

Three current Department of Defense concerns perhaps portend U.S. willingness to make a long-term commitment: readiness, operations tempo (optempo), and force protection. Readiness has long been a primary focus for the military. Unfortunately, due to the legislative guidelines regarding funding for contingency operations, DoD must often pay for unanticipated crises by dipping into annual fourth quarter operations and maintenance (O&M) funds until Congress approves supplemental appropriations. If Congress fails to pass the bill before the fourth quarter, those borrowed funds remain unpaid, and training and readiness programs suffer.<sup>21</sup> Congress approved the FY99 supplemental request of nearly \$15 billion for the



replenishment of munitions expended during Operation Desert Fox and Operation Allied Force. However, it appears Congress will not pass—at least by the fourth quarter—the FY00 supplemental request for roughly \$2 billion to cover U.S. contribution to KFOR peacekeeping costs this year. This certainly sends a signal that Congress is not completely committed to peace implementation efforts in Kosovo. Secretary Cohen recently announced redistribution of Air Force and Navy O&M funds to cover severe Army shortages for necessary training due to these peacekeeping costs, but this transfer is expected to cover Army expenditures for only a month.<sup>22</sup> In the FY01 budget, the Administration has requested \$2.2 billion for Bosnia and Kosovo, which will fully fund projected Defense costs for these missions during the upcoming year.

Increased optempo, doing more with less, has become a critical concern since the end of the Cold War. In a “troop talk” to forces deployed in Southwest Asia, Secretary Cohen recently commented:

“...Bosnia costs the United States \$2 billion per year. Kosovo is another \$2 billion. That’s a very big expense to bear...[b]ut the United States will bear that cost until it sees in Kosovo the lessening of tension and restoration of civil rule that U.S. troops are starting to see in Bosnia...But in each case we have to weigh and calibrate our interests...The U.S. military cannot answer every call. Otherwise, when that 911 call comes through, we’ll have to say, ‘Sorry, we haven’t got the forces, we don’t have the capability or professionalism we once had.’”<sup>23</sup>

Secretary Cohen advocates a strategy of selective engagement simply because DoD lacks the resources to commit fully at anytime and anyplace toward securing U.S. interests, as outlined in the current national security strategy (NSS) document. He states that significant U.S. interests lie in achieving security and stabilization in the Balkans, but not everyone within the domestic political system agrees.

Force protection has also become a contemporary defense issue. Senior national security leaders and Congress members increasingly emphasize force protection as the primary concern of any military operation. U.S. troops in Kosovo use armored personnel carriers, not as

weapons, but as a form of protection when conducting security patrols or guard duties. Nothing is wrong with this method—it provides a daunting show-of-force to would-be attackers, but it also prevents Americans from interacting with and instilling trust in the local population. A more ominous force protection issue arose earlier this year when the U.S. commander on the ground directed some of his troops to leave their sector in southeastern Kosovo and help other KFOR forces in the French sector to patrol the hostile area of Kosovska-Mitrovika. News media reported a memo from the Chairman of the Joint Chiefs of Staff to then-SACEUR, General Clark, reportedly directing him to keep all U.S. forces in their designated sector. Although it is not apparent whether the memo expressed Gen Shelton's personal opinions or whether it carried an order on behalf of the National Command Authority, this input implies a questioning of the commander's decision on the ground, based on potential violence against American forces. Certainly domestic politicians took note and raised objections to the possibility of unnecessarily endangering U.S. forces.<sup>24</sup> The danger of this approach within a multilateral framework lies in the possibility of negligible reciprocal effort to assist U.S. troops, as needed, in our sector. Perhaps the reaction to operations in Kosovska-Mitrovika, along with the force cap and congressional hesitance to fund current year peacekeeping operations, reflects the degree of U.S. commitment in military peace operations that lack a clear opponent. If so, ambivalence remains about the long-term commitment necessary to successfully stabilize Kosovo.

### **The Reason: U.S. Interests**

The current administration outlines its perception of national interests in "A National Security Strategy for a New Century." In regard to Europe, it states,

"European stability is vital to our own security. The United States has two strategic goals in Europe. The first is to build a Europe that is truly integrated, democratic, prosperous and at peace—a realization of the vision the United States launched 50 years ago with the Marshall Plan and the North Atlantic Treaty Organization (NATO). Our second goal is to work with our allies and

partners across the Atlantic to meet the global challenges no nation can meet alone. This means working together to consolidate this region's historic transition in favor of democracy and free markets; to support peace efforts in troubled regions; ...and to build a more open world economy without barriers to transatlantic trade and investment."<sup>25</sup>

The NSS further outlines an "abiding interest in peace in the [Balkans] because continued instability there threatens European security."<sup>26</sup> The NSS advocates advancing U.S. national interests through three core objectives: shaping the international environment, promoting prosperity, and promoting democracy and human rights. It proposes attainment of these objectives specifically through initiatives such as sustainable development programs, foreign aid, and open trade.

The administration's current strategic framework for stabilizing and reconstructing Kosovo falls within these guidelines. Unfortunately, not all participants within the domestic political system have reached consensus about our interests in the region, nor about the best approach to achieve them. Thus, the application of our strategy reflects a middle-of-the-road approach. While contributing significant emergency aid in 1999 for immediate humanitarian assistance and reconstruction efforts, by law the U.S. now limits its contribution in financial aid and personnel resources to fifteen percent. American forces in KFOR aim to suppress tensions between Serb and Albanian Kosovars to enable municipal elections later this year. Yet, unless ethnic Serbs can safely return to Kosovo and reclaim their property, they cannot participate in these elections; hence, there can be no expectation that any near-term elections will be viewed as fair. Politicians are increasing discussions about when to draw down or bring all our troops back home. Perhaps those who propose quick troop withdrawal from Kosovo do not fully consider the inextricable linkage between the security, political, and economic objectives for stability. The national security strategy cannot be judged without regard to the trade-offs and dilemmas among political, security, and economic stabilization.

## **The Dilemmas: Obstacles to Stability and Reconstruction**

This current strategic approach presents numerous dilemmas and challenges. While difficult, they can be overcome, but certainly not in the near-term. Unless the U.S. is willing to address these dilemmas, current policy will fail, and we must select an alternative approach.

Idle hands and idle minds will continue to foment Kosovar tensions. U.S. economic policy to promote prosperity through productivity and private investment is critical for long-term growth, but private investment will not take root in an environment of instability. Private enterprise needs a legal framework to provide for property and contract rights as well as monetary and fiscal stabilization to encourage confidence necessary for investment. Thus, any discussion of an exit strategy for KFOR must be linked to clear indications of economic prosperity. Such an environment depends on the success of the UNMIK.

Another dilemma concerns the popular, but disorganized, political opposition groups to the ruling FRY Socialist Party. U.S. policy outlines economic support specifically for opposition groups and their institutions. However, an infusion of aid and investment alone will not engender cooperation. These groups must first change their attitudes and learn to trust each other and work together in order to achieve enough political power to remove Milošević. This can only occur within a stable security and economic environment. They must organize civic and political institutions, accepted by all ethnicities in Kosovo, to which the U.S. can financially support. Such an environment again depends on the success of the UNMIK.

While not a specific economic and political objective for Kosovo, the issue of UN reform must be effectively addressed. Without such reform, UNMIK cannot expect to attract enough police, court personnel, and judges needed to stabilize the security environment. While Congress conditions payment of UN debt until the UN makes significant progress in bureaucratic reform,

the UN cannot hope to accomplish that without an infusion of funds. The unintended consequences of current U.S. policy require American KFOR troops to undertake police and security actions normally the responsibility of law enforcement personnel. Ironically, the U.S. took action in Bosnia due to perceived failure of UN efforts. Now, the international community has given the UNMIK the daunting responsibility of creating a civil government in Kosovo—while still respecting the sovereignty of Serbia—with similar resources used for a much narrower mission objective in Bosnia. It seems very likely that without U.S. monetary support for the UN, the UNMIK and KFOR will fail to prevent resumption of hostilities, and U.S. forces will again intervene with force. Requiring conditions of reform prior to commitment of debt reduction ensures UN failure, especially within the security environment of Kosovo.

One other, and perhaps the most challenging, dilemma facing U.S. policy involves isolation of Slobadon Milošević. Unless the U.S., KFOR, and the UN come to a consensus to remove him by force, the U.S. must pursue its objectives while circumventing economic and diplomatic activity with an indicted war criminal. The U.S. must also be able to ensure the rest of the world community does the same.

In light of these dilemmas, if the U.S. maintains its current course without effectively addressing them, its strategy for Kosovo will fail. It essentially faces two other alternatives: 1) scale back efforts with the goal of simply preventing resumption of hostilities or 2) aggressively commit to long-term political and economic reform.

Scaling back to less than fifteen percent contribution and gradually withdrawing support from the region will raise concerns about U.S. commitment toward Europe and international institutions, particularly the UN. It will draw into question U.S. world leadership. Isolationists may advocate lack of U.S. interest in the region, but that certainly ignores at least a century of

experience. That same attitude—"It's a European problem"—did not prevent the U.S. from eventually intervening in two world wars, and it probably kept us from acting sooner to prevent such crises and destructiveness. If we withdraw our military troops and financial support before Milošević and his government cede power, the U.S. will likely return again with force and at much greater cost.

Aggressively committing to long-term reform will provide the most promising avenue for lasting peace and stability. However, the current domestic environment certainly indicates unwillingness to remain focused on the region for long. Yet, pointing to history again, the U.S. rose above such intense domestic political tensions and committed to the "Marshall Plan" in the aftermath of World War II. We conducted the successful Berlin Airlift to provide needed humanitarian assistance and occupied West Berlin for more than forty years. We committed significant resources for economic reconstruction of Western Europe. Although different circumstances and threat environments, the goal of a stable Europe remains the same. The U.S. now possesses the opportunity to complete the original vision for a unified and stable Europe.

#### **The Recommendations: Which Way Forward?**

The U.S. can strengthen its national security strategy for Kosovo through three key steps: lifting sanctions, lifting the burden-sharing cap, and proactively supporting UN reform.

While the sanctions aim to isolate Milošević, the U.S. unfortunately cannot exert complete control and enforcement of them. FRY goods are leaking into the international economy. The sanctions impact the Serbian and Kosovar people as well as regional trade, thus hampering efforts to stabilize and liberalize the economy. Economic interaction with the FRY will more likely engender pro-democratic and market-based activities among its population.

Diplomatic isolation of Milošević should continue, however, and the current small staff of foreign service officers in Belgrade who provide general consulate support for the public suffices without the need to provide senior diplomatic representation.

The burden-sharing cap limits U.S. ability to achieve its goals. While the Europeans should play the most significant role, the U.S. should not bind its commitment. Limits to contribution hamper U.S. leverage to influence others to contribute as pledged. And, certainly, if we do not commit fully what we pledge, the U.S. cannot expect others to do the same. The cap may also impact U.S. military capabilities in KFOR. If the commander on the ground identifies a specific need that exceeds the force limit, then the troops will do without. The U.S. must be willing to participate fully.

Finally, the U.S. must support the UN, not simply by providing for volunteer UNMIK police resources and training, but by financially promoting reform. Since we support the establishment of UN civil authority in Kosovo, we must ensure it can succeed. The U.S. must reconsider political conditions for economic support. Otherwise, we will likely pick up the pieces of UNMIK failure at far greater cost.

U.S. policies for post-crisis Kosovo must aim to secure not only economic stabilization and growth but also the consolidation of peace and security. A strategy that fails to build on the powerful interrelation among these economic, political, and security objectives will ultimately fail to achieve any of them. While this farsightedness may seem a tall task for Kosovars, the regional and international institutions, and U.S. peacemakers and economic policymakers who support them, the charge can be no less.

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<sup>1</sup> World Bank, *Transitional Support Strategy for Kosovo*, (Washington, D.C.: 1999), 4.

<sup>2</sup> United Nations, Security Council, "Resolution 1244," 2.

<sup>3</sup> World Bank, 4.

<sup>4</sup> Rohde, David, "Kosovo Seething," *Foreign Affairs*, May/June 2000, 70.

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- <sup>5</sup> North Atlantic Treaty Organization, *Kosovo One Year On: Achievement and Challenge* (Brussels: NATO, 20 March 2000), 17.
- <sup>6</sup> Cullen, Kevin, "Hatred Blunts Kosovo Police Effort," *The Boston Globe*, 22 April 2000, A:8.
- <sup>7</sup> World Bank, 5.
- <sup>8</sup> Ibid., 5.
- <sup>9</sup> Rattner, Steven and Michael B.G. Froman, *Independent Task Force Report: Promoting Sustainable Economies in the Balkans* (Washington, D.C.: Council on Foreign Relations, 1999), 60.
- <sup>10</sup> Albright, Madeleine K., Secretary of State. "U.S. and NATO Policy Toward the Crisis in Kosovo." *Statement before the Senate Foreign Relations Committee*, (Washington, D.C.: Office of the Spokesman, Department of State, 20 April 1999), 4.
- <sup>11</sup> White House Office of the Press Secretary, "Fact Sheet: U.S. Support for Southeast European Stabilization," 15 November 1999.
- <sup>12</sup> Erlanger, Steven, "American Effort to Isolate Belgrade Falters," *New York Times*, 16 April 2000, A: 12.
- <sup>13</sup> <http://www.seerecon.org-Calendar-SDC-pledges-usd.pdf>
- <sup>14</sup> Congress, Senate, Committee on Foreign Relations, *Prospects for Democracy in Yugoslavia*, Hearing before the Subcommittee on European Affairs, 106<sup>th</sup> Cong, 1<sup>st</sup> sess, 29 July 1999, 2.
- <sup>15</sup> Congress, Senate, Committee on Finance, *Southeast Europe Trade Preference Act*, (unenacted bill) S. 2395, 11 April 2000.
- <sup>16</sup> The White House, "Fact Sheet: U.S. Support for Southeast European Stabilization," 15 November 1999.
- <sup>17</sup> Ibid.
- <sup>18</sup> Ibid.
- <sup>19</sup> Fletcher, Philippa, "Socialist Party Official Boasts of Averting Collapse in Serbia After NATO Air War," *The Boston Globe*, 21 April 2000, A: 18.
- <sup>20</sup> Erlanger, A: 12.
- <sup>21</sup> Perry, Secretary of Defense, "Unfunded Contingency Operations Affect Readiness," *Defense Issues: Volume 10*, Number 6. 25 January 1995, <<http://www.defenselink.mil/speeches/1995/t1995-0125-perry.html>>.
- <sup>22</sup> Inside the Army, "Kosovo Funding Transfer Will Keep Army Afloat for Only a Month," 1 May 2000, 1.
- <sup>23</sup> Garamone, Jim. "Cohen Addresses Deployment Issues in Kuwait," *American Forces Press Service*, 12 April 2000.
- <sup>24</sup> Daniel Smith, Colonel, USA (Ret.), "No Risks, No Reward: U.S. Troops in the Balkans," *Weekly Defense Monitor*, Volume 4, Issue 9. (Washington, D.C.: Center for Defense Information, 3 March 2000), <<http://www.cdi.org/weekly/2000/issue09.htm>>
- <sup>25</sup> The White House, "A National Security Strategy for a New Century," October 1999, 29.
- <sup>26</sup> Ibid., 30.



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