

**ANNUAL REPORT ON
THE IMPLEMENTATION OF THE AGREEMENT ON
CONFIDENCE- AND SECURITY-BUILDING MEASURES
IN BOSNIA AND HERZEGOVINA (ARTICLE II, ANNEX 1-B) AND
THE AGREEMENT ON SUB-REGIONAL ARMS CONTROL
(ARTICLE IV, ANNEX 1-B, DAYTON PEACE ACCORDS)**

Introductory Remarks

I am very pleased to report the continued successful implementation of the Agreement on Confidence- and Security-Building Measures in Bosnia and Herzegovina (Article II) and the Agreement on Sub-Regional Arms Control (Article IV).

This report is divided into two sections: Implementation and Future activities.

Section I: Implementation

Agreement on Confidence- and Security-Building Measures in Bosnia and Herzegovina (Article II)

1. Inspections/Visits to Weapons Manufacturing Facilities. Nine (9) inspections were conducted this year; four (4) were led the OSCE. Eighteen (18) OSCE countries contributed by either leading inspection teams or providing experts. Four (4) visits to Weapons Manufacturing Facilities took place. On the whole, the inspection regime is implemented regularly and professionally.
2. Annual Exchange of Information. Annual Information Exchanges continue to show marked improvement.
3. Voluntary Measures. The Parties were actively engaged in voluntary programmes. Listed below are some of the more important activities this past year:
 - (a) *Code of Conduct.* Finland and Sweden provided experts who conducted four Code of Conduct seminars for junior and mid-level officers from the two Entities. One can note a substantial increase in the active participation of the attendees and the level of interest. Similar seminars are programmed for next year.
 - (b) *Aerial Observation Exercises.* One exercise occurred this year, supported by the Czech Republic. I anticipate that in the future the Parties will try to conduct these exercises using their own internal resources.
 - (c) *Working Group on Common Manuals.* This Working Group has made tremendous progress and plans are well under way for the long-planned Command Post and

Field Training Exercise along the Inter-Entity Boundary Line. The goal is to develop procedures allowing the respective Entity armed forces to assist one another in cases of man-made or natural disaster.

- (d) *Seminar on the Economic Aspect of Security*: This Seminar was held in Portoroz, Slovenia and was well attended by a number of key individuals within the government of Bosnia and Herzegovina, as well as the members of the Joint Consultative Commission, and a number of military/civilian experts from the region. I am particularly grateful for the support and contributions of Ambassador Aleskseyev from the Russian Delegation, Ambassador Milinkovic from the Delegation of the Federal Republic of Yugoslavia, and Ambassador Keco-Isakovic from the Delegation of Bosnia and Herzegovina. I am also very grateful to Slovenia for providing the venue for this event and for their invaluable support. Proceedings from this event are available for those who are interested.
- (e) *Seminar for Media and Journalists*: Switzerland once again graciously agreed to host this seminar. The Parties have indicated tremendous enthusiasm for this seminar.

4. Summary. Implementation of the Protocol on Verification and the Exchange of Information and Notifications continues almost flawlessly.

Last year I had to note the political disturbance that occurred which fortunately did not impact the implementation of this agreement. This year I am very pleased to note that no such disturbance occurred. In short, implementation was unimpeded by political disturbance. Implementation of Measure XI, Voluntary Activities, continues at a very aggressive pace. In fact, the level of activity for next year remains the same. The Parties remain very interested in the Code of Conduct seminars, in the Disaster Relief exercise and in further seminars on the Economic Aspect of Security.

One issue must be addressed though. Recent reports from SFOR indicate that a Weapons Manufacturing Facility (Orao) in Republika Srpska may have violated United Nations sanctions concerning the sale of equipment to Iraq. I will reserve comments until the investigation is complete. However, I have sent a letter to the Republika Srpska member of the Joint Consultative Commission asking him to verify that activities occurring within this factory are not in violation Measure XII (Principles Governing Non-Proliferation). That measure specifically states:

The Parties shall contribute to efforts to prevent the proliferation of nuclear weapons, the acquisition, development, production, stockpiling and use of chemical and biological weapons and to control the transfer of missiles capable of delivering weapons of mass destruction and their components and technology.

Agreement on Sub-Regional Arms Control (Article IV)

1. Inspections. Inspections are conducted as scheduled (except as noted below.) It is important to note that the Parties conducted an “undeclared” site inspection this year. I view this as a perfect example of the level of confidence and security currently in existence between the Parties. I encourage the Parties to continue to conduct these inspections next year.
2. Annual Exchange of Information. The quality of the Annual Information Exchange continues to improve each year.
3. Summary. On the whole, the Article IV Agreement is implemented fully, with one exception: inspections by Bosnia and Herzegovina.

Section II: Future Activities

Agreement on Confidence- and Security-Building Measures in Bosnia and Herzegovina

Due consideration is being given to the streamlining process of the international organizations in Bosnia and Herzegovina. I will continue to work closely with the other international organizations in Sarajevo to minimize overlap and to ensure that I am in harmony with the collective end-state. Once again I will note that a very close co-operation exists with SFOR and OHR and my office. An even closer co-operation exists between Ambassador Beecroft and myself.

In line with OHR, SFOR and Ambassador Beecroft, I will continue to work towards steadily increasing functional state-level organizations and institutions within Bosnia and Herzegovina. Regarding implementation of the Agreement, my main focus continues to be overseeing the inspection regime although more attention is devoted to voluntary measures. It is through these voluntary measures that true confidence and security is developed. Thus, I will continue to actively encourage the Parties to participate in any activity that promotes confidence and transparency. I will continue to push for greater transparency of the military budgets and promote Code of Conduct seminars.

In addition, I am looking at ways in which I can begin to give more responsibility to the Parties to allow them to eventually take “ownership” of this process. As you will hear momentarily when I discuss the Agreement on Sub-Regional Arms Control, the Parties are increasingly becoming self-sufficient with regard to implementation of this agreement and the role of the Personal Representative is becoming increasingly advisory. I view this as a very positive sign and a very clear indication of the high degree of confidence and transparency that exists. Also, I am consulting with a number of OSCE delegations to discuss ways forward, in particular, how best to and how quickly to proceed with giving the Parties “ownership” of this Agreement. Fortunately, the fourth Review Conference is scheduled for February of 2003 and I anticipate that this particular topic will be discussed in great detail.

Furthermore, after consulting with Ambassador Beecroft, I transferred full operational responsibility for the Committee on Security Studies to the Department for Security Studies (to Dr. Heinz Vetschera); I continue to maintain “policy” responsibility. I consider this part of the streamlining process as well, giving DSC more responsibility for those routine activities that occur primarily within Bosnia and Herzegovina. Clearly this can be viewed as a cost saving measure as well. I will continue to consult with Ambassador Beecroft and Rear Admiral Edelston to determine if in the near future more operational responsibilities can be transferred to Sarajevo (while ensuring that the OSCE the Contact Group in Vienna remains actively engaged in policy and strategic discussions.)

Agreement on Sub-Regional Arms Control

The Parties to the Agreement met on three occasions this year and held the third conference to review the implementation of the Agreement. During this conference key decisions were taken that finally resolved a number of issues concerning exempted equipment. The Parties should be congratulated on taking these important decisions and closing these “loopholes” that allowed them to have, in effect, large numbers of equipment above the ceilings that was not subject to inspection. The members of the Sub-Regional Consultative Commission have been able to resolve issues within the Agreement on Sub-Regional Arms Control that remain unresolved in a similar conventional arms control regime. Two areas of exempted equipment remain unresolved: armaments in internal security forces and armament held for research and development. I anticipate resolving these two issues this next year.

On January the first, 1999, the Parties assumed chairmanship of the Commission, the body with oversight responsibility for the Agreement on Sub-Regional Arms Control. At that point the OSCE, through the Personal Representative, took on a more advisory role, to include “secretariat” responsibilities. Subsequently, at the 21st meeting of the Commission, the Parties decided to hold meetings on their respective territories, thus ending the long-standing tradition of holding meetings in Vienna.

The Parties have shown continued improvement with regard to implementation of the Agreement. Each year the Information Exchanges have improved with respect to presentation and content. This is indeed a remarkable achievement when considering the aggressive restructuring of the armed forces taking place, the number of military installations that have subsequently been closed and the large number of military personnel who have been retired or demobilized. Equally important, during a period of political turbulence two years ago, the Commission continued to meet regularly and implementation was not impeded. The Parties continue to request OSCE “Assistants” on their inspection teams although it is evident that their respective verification agencies have reached a high-level of competence. While there are occasional misunderstandings of routine matters, no ambiguities have been declared and the inspection process can be described as a complete success, with inspections being conducted in a very professional and thorough manner.

With all of this in mind, I am consulting with a number of OSCE delegations to develop a long-term strategy consistent with the over-all strategy within the region, namely, giving the Parties ownership of this process and “streamlining” the role, presence and responsibility of the international community. Ownership, within the confines of the Article IV Agreement, has been achieved. As I previously noted, the role of the OSCE within this regime is purely advisory although as Personal Representative I do retain responsibility for co-ordinating inspections and the participation of OSCE Assistants. However, this is indeed a purely administrative function that could easily be accomplished by the Parties themselves, if the appropriate transfer of authority has been agreed.

Thus, what remains is “streamlining” and by that I mean my position, my staff and my budget. I believe the time has come to consider the possibility of decreasing the size of my office, eliminating and consolidating certain positions, and reviewing the role of the Personal Representative. Anyone who knows me knows that I am not ready to leave Vienna, I like it here very much, however, I truly believe that in the near future the role of my office, with respect to the Article IV Agreement, will be to provide technical support to the inspection process and provide analysis of the annual information exchange.

Once I have concluded my consultations and have reached some conclusion on the way forward, I will update the Council.

Conclusion

The Parties to both Agreements continue to improve implementation and annual information exchanges. While the OSCE continues to provide support to both regimes, support is not an absolute necessity for successful implementation. I look forward to a future when the OSCE’s involvement in the implementation of both regimes is decreased and the Parties have assumed more ownership of their respective regimes.

I welcome any future bi-lateral/multi-lateral efforts in the sub-region designed to further the goals of the Dayton Peace Accords in general, and Article II and IV in particular.

In conclusion, I wish to thank the many OSCE countries who consistently support the Dayton Peace Process and encourage that support once again this next year. In particular though, I wish to thank the countries that have seconded officers to my staff this past year, and in previous years. Finally, I wish to thank the Contact Group delegations who continually provide guidance and support.