

PROMOTING AND
PROTECTING DEMOCRACY
IN MONTENEGRO

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**PROMOTING AND PROTECTING DEMOCRACY
IN MONTENEGRO**

TUESDAY, FEBRUARY 1, 2000

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PROMOTING AND PROTECTING DEMOCRACY IN MONTENEGRO

TUESDAY, FEBRUARY 1, 2000

COMMISSION ON SECURITY AND COOPERATION IN EUROPE
WASHINGTON, DC

The Commission met at 10:00 a.m., in Room B-318, Rayburn House Office Building, Washington, DC, the Honorable Christopher H. Smith, Chairman of the Commission, presiding.

Commissioners present: Hon. Christopher H. Smith, Chairman; Ben Nighthorse Campbell, Co-Chairman; Steny H. Hoyer, Ranking Member; Hon. Benjamin Cardin, Commissioner.

Witnesses present: Srdjan Darmanovic, Director, Center for Democracy and Human Rights, Podgorica, Montenegro; Veselin Vukotic, Professor, University of Podgorica and President, Institute for Strategic Studies and Prognosis (ISSP); and Janusz Bugajski, Center for Strategic and International Studies.

OPENING STATEMENT OF HON. CHRISTOPHER H. SMITH, CHAIRMAN

Mr. SMITH. In the past decade, those of us who follow world affairs have had an in-depth lesson in the history, geography and demography of southeastern Europe. Places like Bosnia-Herzegovina, Macedonia and Kosovo were little known and little understood. Unfortunately, too many policy-makers became aware of them only as the news reports of ethnic cleansing began to pour in.

The Helsinki Commission, which I have now had the honor of chairing for the past 5 years and of being a member since 1983 in my second term, has sought for over two decades to inform Members of Congress, the U.S. Government, and the American public of developing issues in countries in Europe, the Caucasus and Central Asia. Hopefully, with timely and well-informed attention, we can more effectively and quickly respond to a potential crisis, and perhaps save lives.

Today, our purpose is to examine the situation in Montenegro, the smallest of the former Yugoslav republics and the only one to have maintained ties in a Federation with Serbia. Since 1997, Montenegro has moved toward democratic reform, and its leaders have distanced themselves from earlier involvement in the ethnic intolerance and violence which devastated neighboring Croatia, Bosnia and Kosovo.

In contrast, the Belgrade regime of Slobodan Milosevic has become more entrenched in power and more determined to bring ruin to Serbia, if necessary, to maintain this power. The divergence of paths has made the existing federation almost untenable, especially in the aftermath of last year's conflict in Kosovo. We now hear reports of a confrontation with Milosevic and a possible conflict in Montenegro as a result.

In addition to the ongoing operations to keep the peace and provide justice and democratic governance in Bosnia and Kosovo, the international community will face the challenge of promoting and protecting democracy in Montenegro. With good judgment and resolve, conflict can be avoided, and those seeking conflict deterred. As democracy is strengthened in Montenegro, the international community can also give those in Serbia, struggling to bring democracy to their republic, a chance to succeed. The people of Serbia deserve support. Democracy building is vital for Serbs, Montenegrins and others living in the entire southeastern region of Europe.

Before we can respond, however, we must know more about what is happening. Today, we have before us two analysts from Montenegro. The first, Srdjan Darmanovic from the Center for Democracy and Human Rights, will provide a political overview of the development of democracy in Montenegro and the relationship between Montenegro and Serbia at this time.

A little over one year ago, Doctor Darmanovic testified before the Commission on the similar subject of the Milosevic regime versus Serbian democracy and Balkan stability. We had hoped, at that time, to point out the flaw of relying on Milosevic, the instigator of conflict, to maintain peace, and I believe the subsequent carnage in Kosovo proved the folly of this policy. Thank you, Doctor Darmanovic, for returning and providing us with new information as to what is happening now.

Next, we will hear Veselin Vukotic, from the Center for Entrepreneurship. Doctor Vukotic will focus on the critical issue of Montenegro's struggle to survive economically, following the collapse of its Yugoslav economic base, the reality of the imposition of sanctions as the means to stop Milosevic's aggression, and Milosevic's own attempts to steal the wealth and the resources of Serbia and Montenegro. Welcome, Doctor Vukotic.

Finally, we have with us today Janusz Bugajski from the Center for Strategic and International Studies here in Washington, DC. Doctor Bugajski is well known to, and valued by, this Commission, having testified in 1993 on the potential for the spillover of the Bosnian conflict into neighboring regions, and in 1998 on the pending conflict in Kosovo. Doctor Bugajski will put the issues relating to Montenegro into the larger perspective and suggest possible policy options which the international community can pursue. It's a pleasure again to see you here as well.

I'd like to yield to the very distinguished Co-Chairman of this Commission, Senator Ben Nighthorse Campbell.

**OPENING STATEMENT OF
HON. BEN NIGHTHORSE CAMPBELL, CO-CHAIRMAN**

Senator CAMPBELL. Thank you, Mr. Chairman. I appreciate your calling this hearing on the very important issue of protecting Montenegro's democracy.

Throughout the 1990s, the American public was confronted with the human tragedy associated with the virtual disintegration of Yugoslavia. In Croatia, Bosnia, and last year in Kosovo, the media brought home images of literally millions of refugees, of concentration camps, of rape, of torture, of murder. Each time we saw these images, we were confronted with the difficult question of what the United States' response should be.

Coddling a ruthless dictator who is now an indicted war criminal ultimately led to more deaths, as you have mentioned. It's led to more displacement and crimes against humanity. Many have been torn between sympathy for these innocent victims of brutality, and a concern over the enormity and the cost of the effort it takes to stop those responsible for such heinous acts. In Bosnia and Kosovo, that effort included putting thousands of American men and women in harm's way, both to make peace and then to keep it.

I had the opportunity, Mr. Chairman, to meet with some of our men and women in uniform who are serving in Kosovo when I visited the region last year, and again just a few weeks ago. Many of our soldiers are being asked to perform jobs that some question whether it's a military mission. They are opening roads, they are opening mines, and they are training police.

They are escorting both Serbs and Albanians to and from church, and to and from shopping. They are literally setting up a government and trying to restore order and the rule of law, and although I do not agree that some of those are in the aspects of the mission of the military, it's certainly important that we support the troops that are at risk in foreign lands.

We also met with General Clark, the Allied Commander, Mr. Chairman, and tried to get a handle on what it's going to cost us this year. He told us that the shortfall appears to be between \$1.2 and \$1.4 billion to get through FY 2000, so we are going to have to deal with that enormity of cost very shortly in this year, as you are well aware.

But, against that backdrop, common sense makes clear that timely efforts to prevent the outbreak of conflict is certainly worth pursuing, and money will be an insignificant factor compared to the tragedy that might come about if we don't pursue it. We are fortunate today that we can focus on developments in Montenegro where the prospects for democracy offer one of the few glimmers of hope in a region that's torn by conflict and hatred.

The massive influx of refugees that went to Montenegro certainly taxed the Montenegrins ability to provide sources of comfort and help to those refugees.

Almost 25 years ago, the Helsinki Final Act laid out the premise that respect for human rights and fundamental freedoms are essential for true peace. Montenegro, it seems, in recent years, has chosen that path, and yet it has been in a very precarious position, and I certainly commend the courage of the people here today and the leaders of Montenegro who have recognized that human rights violations have no place to be in a democratic society.

So, with that, Mr. Chairman, I look forward to the hearing. I can only stay for about an hour, and I hope we'll get through most of the testimony by then, but thank you for convening this hearing.

Mr. SMITH. Thank you, Chairman Campbell. Mr. Hoyer?

**OPENING STATEMENT OF HON. STENY H. HOYER,
RANKING MEMBER**

Mr. HOYER. Thank you very much, Mr. Chairman, and Mr. Co-Chairman, Senator Campbell, who both do such an outstanding job of leading this Commission. I'm pleased to be here. I, too, can only be here one hour, and I would ask that my full statement be included in the record at this point in time.

Mr. SMITH. Without objection.

Mr. HOYER. Mr. Chairman, I'd briefly say that it was approximately 10 years ago that I first visited Yugoslavia, went to Belgrade, then went to Pristina, met with Milosevic on two different occasions. Both occasions convinced me that we were in for a very rough go, and we have been for the past decade. What happened in Croatia and Bosnia and Kosovo—hundreds of thousands of people who lost their lives, millions displaced, either internally or out of country—again teach us the lesson that we cannot tolerate behavior in the international community which is criminal in nature and which will plunge us increasingly into a violent confrontation.

Very frankly, as I'm sure all of you know, Montenegrins, and some of the Montenegrin leadership at the beginning, were complicit in the activity undertaken in the early '90s. Since then, however, the new leadership has grown great courage, and deserves—demands, I think—the support of the West, not just of the United States, but of the West and of all those who want to see decisions made in democratic ways, not at the point of a bayonet.

So, Mr. Chairman, I am pleased that you are having this hearing. I'm glad that we have some cameras here. I'm not sure where they are from, but I hope their pictures get to large numbers of people. We don't have large numbers of people in this room. Montenegro is a small region, with relatively few people, but the lesson we have learned in this past bloody century was that if we ignore the little places all the big places will have very substantial problems. So, I thank our witnesses for being here, and, Mr. Chairman and Mr. Co-Chairman, I thank you for having this hearing.

Mr. SMITH. Thank you very much, Mr. Hoyer. Mr. Cardin?

**OPENING STATEMENT OF
HON. BENJAMIN L. CARDIN, COMMISSIONER**

Mr. CARDIN. Thank you, Mr. Chairman. Let me also thank you for holding these hearings and thank our witnesses for being here today.

Montenegro is especially important in its efforts currently to promote stability and rule of law in the Balkans. We are, obviously, very encouraged by the recent developments in Montenegro. The United States must continue to support these efforts.

I want to applaud Montenegro's efforts to maintain control over its democratic institutions, to promote further democratic reforms and form closer ties with the West. I also want to comment on its statement by its President on the war crimes issue. I was very pleased to see that the President indicated that he would extradite war criminals that had been indicted to the Hague, including Mr. Milosevic. It's important that Montenegro continue its efforts to cooperate with the Hague and with international laws.

So, I think, as Mr. Hoyer and as the Chair and Co-Chair have said, there's certainly been encouraging developments within Montenegro, and I really look forward to the witnesses' testimony here today to see what we can do to be a positive influence to see that these reforms, in fact, continue to take place, and that Montenegro can continue its efforts to democratization.

Thank you, Mr. Chairman.

Mr. SMITH. Thank you very much, Mr. Cardin.

I'd like to ask Doctor Darmanovic if he could begin his testimony.

**TESTIMONY OF SRDJAN DARMANOVIC, DIRECTOR,
CENTER FOR DEMOCRACY AND HUMAN RIGHTS, PODGORICA,
MONTENEGRO**

Mr. DARMANOVIC. Honorable Ladies and Gentlemen, Mr. Chairman, I am honored to speak again in the U.S. Congress, before the same Committee I spoke a little bit more than a year ago. I would like to thank you for giving me this exceptional opportunity.

In the last 2¹/₂ years, substantial changes occurred in Montenegro. As a result of the split in the former monopolistic ruling party, its pro-reform wing prevailed in the internal party struggle and then won firstly the presidential and afterwards, together with their coalition partners, the parliamentary elections too. From that very moment, the main characteristics of the Montenegrin state policy is the following: anti-Milosevic orientation on the internal scene and pro-western policy in foreign affairs.

Unlike the period of the rule of former united ruling party (1990-1996), characterized by hardly any movements in the transition process, the first serious pro-democratic and pro-reform efforts took place in the last 2 years. Undoubtedly, positive results of this period might be summarized as:

- a) broadening of the political base of the pro-democratic block by forging victorious coalition and then creating a coalition government, no matter that strength of coalition partners is far from being equal;
- b) substantial increase in protection of ethnic minority rights, including their positive discrimination in electoral system;
- c) creating of a liberal legal framework for the development of civil society and increasing the number and activities of NGOs;
- d) substantial opening of space for independent media and increasing of the level of professionalism in the state media;
- e) first, more or less successful efforts in the reform of the judiciary, public administration and local administration;
- f) opening the Republic towards the world and a pro-western foreign policy orientation, in spite of the fact that Montenegro is still formally a part of internationally isolated FRY whose foreign policy is more and more based on an anti-western and anti-European course. These initial pro-democratic results can not be underestimated.

They underwent a very hard test during the NATO intervention in FRY when the federal government made attempts to impose marshal law in Montenegro. In spite of that, unlike the situation in Serbia, although endangered by the Belgrade regime and Federal Army, the suspension of civic and media freedoms was not allowed. The Montenegrin government, vast majority of independent media and NGOs were united in this matter.

On the other hand, regardless of these undoubtedly positive achievements, the process of democratic transition in Montenegro faces with many problems. Montenegro is still far from being a member of the 'first league' among transitional countries. It is neither Poland, nor Hungary, nor the Czech Republic, nor Slovenia, nor Lithuania.

Many obstacles still burden the transitional process, among which the most serious are the following:

- a) remained tendencies for preserving and holding some of the former economic and political monopolies, while keeping pluralistic democracy much more as a facade than the reality;
- b) rather slow and insufficiently transparent process of privatization which opens the space for corruption, typical for most of the transitional economies;
- c) in spite of a substantial increase of media freedoms, the process of transferring state media into the real public services instead of using them just as a typical pro-governmental media is slow;
- d) many inherited and deep-rooted old patterns of behavior in public administration and the judiciary as well as many other problems characterizing many East-European transitional countries.

These problems and obstacles are rather typical and could be resolved in a reasonable period of time. But the most important danger for the Montenegrin pro-democratic process comes from other source. It is, of course, Mr. Milosevic's regime that rules the federation of which Montenegro is still formally a member.

Due to that fact, the Montenegrin transition is burdened with the struggle between the pro-reform government in Podgorica and Mr. Milosevic's autocratic regime in Belgrade, on a day-by-day basis. It requires constant attention just to enable Montenegro to survive. What is much more dangerous, the Montenegrin pro-democratic process is constantly faced with the potential new conflict in the region, this time on its own territory. Thus, the security issue becomes the most important democratic issue in Montenegro. If conflict would be initiated and a violent scenario imposed, the democratic process would be automatically stopped.

So, having all that in mind, it is possible to say that the international factor is becoming more and more important in the process of Montenegrin pro-democratic efforts. To protect itself from the Belgrade regime, the Montenegrin government has distanced itself from the federal legal system and has taken over the vast majority of federal responsibilities except the army. Still, the government in Podgorica has not yet decided to take formal steps toward independence. Internal division among citizens of Montenegro, possible violent reaction from the Belgrade regime, and repeated warnings and attitudes of the main countries of the international community, have made the Montenegrin government very cautious in this complex and sensitive issue.

Through my participation in many international conferences that dealt with this issue, and my meetings with many senior international officials, I have had the opportunity to conclude that the main Western partners of Montenegro are encouraging president Milo Djukanovic to exercise the so-called 'politics of ambiguity.'

This Western approach seems logical from their point of view. They don't want to be involved in a possible new conflict in the region while two peacemaking operations in Bosnia and Kosovo are already underway.

Also, that political solution for Kosovo is still unclear and maintenance of the illusion that FRY exists overcomes this issue somehow and for the time being. On the other hand, Western allies equally don't want Montenegro to be taken over by the Milosevic regime and the pro-

democratic process to be stopped or completely destroyed. So, the 'politics of ambiguity' remains as an option and creates a very narrow space in which Montenegrin government has to play a dangerous chess game with Mr. Milosevic's regime, in which price of failure or miscalculation could be very high.

Regarding the fact that Montenegro is not a great power, but one of the smallest countries in the world, it has to respect all existing international realities and the very sensitive situation in the region. But, the 'politics of ambiguity' has very dangerous limits. It cannot last forever. It requires an exhausting waiting strategy and the making of very small and very cautious steps that could not be accepted from the electorate with patience and approval. So, in the foreseeable period of time, it can give some results only if key international players back this strategy in its very important aspects. These are, of course, the economic and security aspects.

Economic and financial aid to Montenegro is crucial above all to support and stabilize the new monetary system based on the German Mark as a parallel national currency, as well as to help in rising current very low living standard, at least to some extent.

It is quite understandable that if the government of Montenegro cannot, for the time being, seek independence from the Milosevic dominated federation, it has to offer to its electorate and to all citizens as well, some strong evidence that even in those circumstances Montenegro can survive with viable economy. Without such a kind of evidence, time will not be the ally for pro-democratic forces but of their pro-Milosevic opponents.

Another very important factor for keeping alive the pro-democratic process in Montenegro is creating a kind of security shelter for the Republic. It requires a decisive and clear preventive strategy against potential violent action that could be undertaken by the Belgrade regime. The role of the U.S. is crucial in both aspects (economic and security), because it is more or less clear that the so-called Stability Pact is still a new and sometimes even a confused mechanism.

On the other side, the European Union is still far from being a power that can act independent in preserving peace and stability in its own continent. Unfortunately, it is very difficult to conclude whether any kind of real and developed preventive strategy for Montenegro exists. It seems that the logic of *ex post facto* action still prevails and that mistakes from the recent past will be repeated again.

Without the active role of main Western countries, and without a serious peace and stability preserving strategy in the whole region, including Montenegro, the Belgrade regime will sooner or later decide to act in order to topple the Djukanovic government or to instigate conflict in Montenegro. It is in the very logic of that regime. From time to time, crises are the only real fuel of its existence and there are not so many places any more for to create crises except Montenegro or Serbia itself.

It is very possible that action against Montenegro would end in Mr. Milosevic's defeat and disaster like it was in Croatia, Bosnia or Kosovo. But regardless of the final result, it would be a real tragedy for Montenegro and its citizens. For Western allies, it would also be one more involvement in a regional conflict. The well-known experience has so far showed that it is much better to prevent conflicts than to deal with consequences.

The Montenegrin pro-democratic process deserves to be supported also from the regional perspective. After very clear democratic change in Croatia, maintaining stability and peace in Montenegro and facilitating the real success of its reforms could mean additional pressure on Belgrade regime and important indirect help to the democratic forces in Serbia.

Thus, by preventing Milosevic from transferring crises out of its territory (which has been his pattern so far) it would be much more difficult for the isolated regime in Belgrade to maintain control in Serbia. And possible change in Serbia, I strongly believe, would mean the end of the era of wars and bloody tragedies in our region.

Mr. Chairman, I would like to thank you once again for inviting me to speak on this hearing and to express my readiness to answer all your questions on issues we discuss here with great pleasure.

Mr. SMITH. Doctor Darmanovic, thank you very much for your excellent testimony and the insight you provide to the Commission.

I'd like to now ask Doctor Vukotic if he would provide his insights as well.

TESTIMONY OF VESELIN VUKOTIC, PROFESSOR, UNIVERSITY OF PODGORICA AND PRESIDENT, INSTITUTE FOR STRATEGIC STUDIES AND PROGNOSIS (ISSP)

Dr. VUKOTIC. Good morning, Mr. Chairman, all other members of Congress. Thank you for holding this important hearing, and thank you for giving me the opportunity to speak on the subject of promoting democracy in Montenegro.

Mr. SMITH. Could you bring the microphone a little closer, please? Thank you.

Dr. VUKOTIC. We in Montenegro believe that the most efficient way to avoid new conflict and to develop permanent democracy is through complete reform and reconstruction of our political and economic system. However, reconstruction is needed not just of our economy, administration and state, but also of our mentality. Our principal problem lies in how our society thinks; how we understand and solve problems.

Unfortunately, the Balkans still suffers from closed society. Our society requires more freedom and less dictatorship, more rules of the game and less secret decisions, more personal responsibility and less dependence on the state for solving personal problems.

This reconstruction of the Balkan mentality is more than just a philosophical idea. It is the practical starting point for our reform. For Americans, the philosophy of open society is understood: respect for success, mobility of people, the free market, and democratic government. You have had this philosophy since 1776. There is no need for Americans to discuss it.

Montenegrins, however, must discuss it. Our key problem is overcoming our fears of open society, of an open economy, and of globalization. On this point, we are more irrational than rational.

In order for Montenegrins to begin changing our mentality, we must build a new economic system based on private property, economic freedom, and the development of entrepreneurship. We have already started this process, and we are getting closer to an American-style free market system, rather than the so-called 'social market' system of Europe or the state-controlled market system in Russia.

We are very grateful for the assistance we have received from the United States in helping us begin our reform efforts. Indeed, we could not have done it without you. However, much more reform is needed.

Our economic reforms so far have focused on three areas:

Complete, transparent privatization of state ownership; Monetary reform and financial system reform; Economic sovereignty from Yugoslavia.

I would like to provide you with a review of what we have accomplished so far in these areas, and then discuss a vision for Montenegro and how the United States can help us achieve that vision.

Regarding transparent privatization, our viewpoint is that everything must be privatized. There must be no area in which the state controls property. Transparency is fundamental to our privatization process. Without transparency, there can be no opening of Montenegro to the world, no American and European business, no American and European tourists.

So far, Montenegro has privatized 25 percent of total state capital. The remaining 75 percent of state capital we will privatize through two basic methods:

(1) The Mass Voucher Privatization program, and (2) the sale of state-owned businesses through international tender.

We are conducting the Mass Voucher Privatization program with the help of USAID and the Barents Group, and it should be complete by the end of June 2000. Under this program, citizens receive vouchers from the Montenegrin government free of charge, with which they can purchase private shares in formerly state-owned companies.

In addition, we view privatization as an ideal opening to the international community. We have begun the process of selling our largest companies to strategic commercial partners from around the world. Our goal is to have major international corporations invest their capital in Montenegro. We are preparing to public tenders for Elektroprivreda, the electric company, Telecom of Montenegro, the tobacco company, the oil company, and a few hotels.

Our motto is, "We are not selling our companies, we are buying good owners."

We are working with a number of American and international firms and organizations to assist us in our privatization effort. In addition to USAID and the Barents Group, and the Center for International Private Enterprises, we are working with the Know How Fund, the Hong Kong-Shanghai Bank, Credit Ainstalt Investment Bank, Raiffeisen Investment Bank, Deloitte and Touche, Price Waterhouse Coopers, the Open Society Fund, the European Union, and several other organizations.

Regarding monetary and financial system reform, a precondition to privatization, of course, is monetary reform. We are aware that without stable currency, there can be no foreign investments, no foreign companies. For the moment, we have introduced a double currency system, the dinar-Deutsche mark system. Within a few months, I expect the Deutsche mark will be our only currency. We don't wish to create our own Montenegrin currency. Rather, we are hoping to adopt the euro as soon as possible.

Montenegro does not wish to be a country that solves its monetary problems through printing money. We are creating the conditions necessary for solid, stable monetary policy through the reform of the finan-

cial system. Working with experts from USAID, the European Union, and analysts from CIPE and my NGO ISSP, we are developing a plan for a complete legal restructuring of the financial system, reforms in the following areas: the tax system; the pension system; the statistical system; the foreign trade system; the budget and budget administration; business environment; the law on banks; commercial law codes; and provision of foreign investments guarantees.

In all of these efforts, we are very grateful for the continued support of USAID, the European Union, and the Know How Fund. As I said before, we could not do this without them.

Regarding economic sovereignty from Yugoslavia, our objective for Montenegro is to achieve complete economic sovereignty from Yugoslavia. What do I mean by that? Economic sovereignty means that the Montenegrin parliament should have complete authority to pass laws and create a legal and institutional framework for a free market economy.

We Montenegrins don't have a time to wait for Mr. Milosevic to resign. The question of his resignation is not Montenegro's problem. It is Serbia's problem. If the citizens of Serbia choose Milosevic as their president, then good luck to them. Serbia's votes are not Montenegro's concern.

I cannot ask my three children to wait for Milosevic to resign for two reasons: (1) I don't believe that he will resign soon, at least not for a few years, and (2) Who will come after him? A new Milosevic, or something else? Who can ask my three children to wait for their economic and political freedoms?

Regarding the vision for Montenegro, Montenegro has a population of only 700,000 people. We are small, and as we say in business, small is beautiful. We have a vision for our small, beautiful country. We want to see a Montenegro with:

- An open economic system, with complete freedom of movement for people, capital and goods, and the internationalization of economic life;
- Entrepreneurial freedom to establish new enterprises, banks and financial institutions;
- Equal treatment for foreign investors, where foreign investors have the same rights and obligations as domestic investors;
- Limited government administration;
- No expensive standing army.

Today, Montenegro has a critical mass of young people that understand our new philosophy, who are computer-literate, fluent in English and truly want reform. To secure their future, we want to create a market that is more powerful than the state, and an economy that is more powerful than politics.

Montenegro does not wish to take any step in the area of economics that might create a new conflict in the Balkans. But we do want to provide economic reforms with the goal of improving the quality of life for all of Montenegro's citizens, because we believe that quality of life is a basic human right.

As far as how the United States can continue to help, as I said before, we are extremely grateful for the generous help we have received from our American friends. Without your help, we could not have come this far. But we must go much further, and we need American support to do so. Our needs are relatively simple:

Special status with the International Monetary Fund and the World Bank. Although Montenegro is not a sovereign country, our reforms could be greatly expanded and accelerated with access to these international financial institutions;

Increased technical assistance from USAID, to continue the restructuring of companies, the overall privatization process, and the building of a completely new economic institutional framework;

Specific assistance for jobs training and creation programs, to help those who lose their jobs through restructuring and privatization transition into new jobs;

Establishment of an enterprise fund, to provide small start-up grants to individuals and small businesses wishing to establish new enterprises;

Continued financial support of the current Montenegrin government to ensure budgetary stability and facilitate the resolution of some social problems;

Mr. Chairman, Montenegro must change. We must change our economy and our government, but most importantly we must change our minds. Without American help, our success in making these changes is uncertain. With your help, Montenegro's success is assured.

Thank you for your time and attention.

Mr. SMITH. Doctor Vukotic, thank you very much for your testimony.

I'd like to ask Doctor Bugajski to begin.

TESTIMONY OF JANUSZ BUGAJSKI, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. BUGAJSKI. Thank you, good morning, Mr. Chairman and honorable members. It's a pleasure to be here again.

I would like to look briefly at five issues pertaining to the present situation in Montenegro, but likely future developments. They are the following:

First of all, the contrasts between Montenegro and Croatia, Bosnia and Kosovo. Second, possible conflict scenarios. Third, the U.S. position. Fourth, what I consider the advantages of independence. Fifth, the question of Montenegrin democracy.

Let me begin with the contrasts with Croatia, Bosnia and Kosova. I think the Montenegrin government has now acquired the resources not only for self-government but also for a certain measure of self-defense. I think Montenegro is more prepared than Croatia in '91, Bosnia in '92, or Kosova, in particular, in '99, to challenge Belgrade's domination.

Diplomatically, politically, and economically, as we have heard this morning, Podgorica is proving that it can survive without Belgrade, while its security forces are trained and motivated to resist the Yugoslav army. President Djukanovic has gained support among a broad range of political forces in the country, including ex-communists, democrats, nationalists, and, very importantly, the ethnic minorities.

I think more than at any time since the disintegration of Tito's Yugoslavia, there seems to be majority support for Montenegrin statehood. This position, the position on dependence, I think is based on pragmatic grounds, not ethnic grounds. In other words, remaining in a union with Serbia will simply accelerate economic decline, social unrest, and inter-

national isolation. Conversely, leaving the Serbian-dominated federation could launch Montenegro on the road to international institutional integration.

The NATO intervention in Kosova, the promise of the South East European Stability Pact, and the recent democratic breakthrough in Croatia have also encouraged Montenegro's self-assertion. Last year, Podgorica issued a platform for a loose confederal arrangement with Serbia, but in effect the offer has been ignored or rejected by Belgrade. Expectations that Milosevic will be dislodged by the Serbian opposition, and that a new political agreement can be forged with Montenegro, I think will become increasingly remote given the failures of Serbian democracy and the deepening economic abyss in the Yugoslav Federation.

The second point I'd like to touch on, the possible conflict scenarios within Montenegro. I think other than surrendering Montenegro completely, Mr. Milosevic has three options: a military coup and occupation; the promotion of regional and ethnic conflicts; or the provocation of some kind of an internal civil war.

I think more likely Milosevic will engage in intimidations, provocations and even assassinations, as we've recently seen in Belgrade itself, to unbalance the Montenegrin leadership. He will endeavor to sow conflict between the parties in the governing coalition, his broad spectrum of parties.

He will heat up tensions in the Sandjak region of northern Montenegro, by pitting Muslims against Christian Orthodox, and he will threaten even to partition the northern parts of the country. I believe the political environment will continue to heat up before the planned referendum on independence.

Thirdly, conflict prevention and the U.S. position. I believe Washington should aim to deter armed conflict, but it is not in a position to prevent a political showdown between Belgrade and Podgorica. Above all, the international community must avoid any repetition of the Croatian, Bosnian, and Kosova scenarios where a halfhearted response to Milosevic simply encouraged violence.

In order to have any chance of dissuading Milosevic from striking against Montenegro, the Allies need to make clear that any attempted crackdown will provoke a strong NATO response against Yugoslav and Serb targets. We also need a clear position that we will recognize the result of any planned referendum in Montenegro. Preparations must also be made for direct military assistance to the Montenegrin security forces.

Simply encouraging Montenegro to stay inside Yugoslavia, without any prospect of democracy in Serbia, may actually assist Milosevic in applying pressure on Podgorica and it will also undercut our leverage with Belgrade. Ultimately, Montenegro has as much right to statehood as the four other post-Yugoslav states that we have recognized.

Fourth, the advantages of independence. I believe Montenegro's independence could actually contribute to resolving some combustible regional issues. It would take Montenegro off the Serbian national agenda, which has proved a distraction to domestic reform.

If Montenegrin independence is non-nationalist, as I have said, but based on the principles of democracy, pluralism, multi-ethnicity, and international cooperation, then it could become an important factor for Balkan stability.

This will also contribute to resolving the wider Albanian question, by giving the Albanian minority a stake in the new state, and by eliminating the possibilities of Serb manipulation of minority issues inside Montenegro. Montenegro is also prepared to become a reliable partner for a number of states in the region, including Croatia, Albania, Bosnia and Macedonia. This is simply not the case with Serbia.

Fifth, and last, the question of Montenegrin democracy. We must remember that Slovenia, Croatia, Macedonia and other former Soviet republics, did not leave their respective federations as fully formed civic democracies. Montenegro is now in a similar position. Independence should not be opposed on the grounds of a communist legacy, or because of insufficient progress towards a liberal democracy.

To its credit, and unlike the regime in Serbia, Montenegro has avoided ethnic division, discrimination and conflict, and it has involved a broad range of political forces inside the government. This creates an invaluable foundation for tolerance, compromise and democratic development.

I believe the Djukanovic government can become a stepping stone toward democracy in a much more manageable territorial unit, especially with more substantive international involvement. The current coalition government can help ensure that statehood is constructed on a non-nationalist basis in which the country's minorities are involved in the political process, and where citizenship is based on residence and not ethnicity.

With independence, Montenegro will become even more open to international democratization programs that should focus on the development of a civic society, a free media, and international cooperation.

And, alongside statehood, Montenegro will need to launch a process of economic transformation based on market competition, transparency and legalism. As a sovereign country, Montenegro can plug into regional reconstruction programs and move towards an association agreement with the European Union. I would say that far from being a disadvantage, Montenegro's size could be turned into an asset, as it may be easier to ensure progress amongst a smaller and more politically homogenous population.

Thank you.

Mr. SMITH. Since Co-Chairman Campbell has to leave, I yield to him for any questions he might have at this time.

Senator CAMPBELL. What military forces does Montenegro have now in which to defend itself, if the need arose?

Yes, go ahead, Mr. Darmanovic.

Mr. DARMANOVIC. I'm not a member of the government and I can give you just estimations. During the NATO intervention, there were some rumors in the press that Montenegro could have 12,000 to 16,000 police forces if necessary.

Senator CAMPBELL. Police forces?

Mr. DARMANOVIC. Police forces, but part of police is rather similar to military, if I can say.

And also, there are estimations that it could even have up to 20,000 forces, 20,000 persons, well-trained, and well-equipped.

Senator CAMPBELL. They'd be like light infantry.

Mr. DARMANOVIC. Yes, and they are loyal to the government.

But, nobody knows the exact figures, not really for sure.

Senator CAMPBELL. They have no armor, though?

Mr. DARMANOVIC. I think yes, I think yes to some extent, to some extent yes.

Senator CAMPBELL. I understand that the Montenegrin politics are very polarized, and some of the polarization has some religious overtones, too. Could Mr. Vukotic address the relationship between the Roman Catholic community, the Islamic community, and the Orthodox Church—the Montenegrin Orthodox Church—in forming some coalition. Have they created any tension within the forming of a coalition government?

Mr. VUKOTIC. I want to say that we have formed a coalition now, but now we have some problems inside of Croatia, but I am not a member of parties, but it is my estimation, my feeling, and one of the problems is it is a problem of church, about Montenegrin Church, is there a Montenegrin Church or not, or a Montenegrin Church has independence or not.

It is now, I think, it now has a political side, a political struggle, and I don't believe that it will be in the future sources of political mission in Montenegro. Maybe Darmanovic is closer with that problem than me.

And I want to say about the army in Montenegro, I know economic side of the situation, because the army needs about 1.2 million Deutsche mark for salary. It's a problem with monetary reform.

Mr. DARMANOVIC. About churches, the Catholic community in Montenegro is not so big. We have some Catholic community among Albanians, but mostly they are Muslims, and some Catholic community in the coast, actually Croat—but Catholic Church has a pretty good relationship.

Senator CAMPBELL. Have they been active in promoting an independent Montenegro or not?

Mr. DARMANOVIC. Not so many, but today they almost all voted for Mr. Djukanovic as their natural protector, let's say, because their opponents are very pro-Serbian Nationalists.

The problem of churches among Montenegrins is not really a religious problem. It is a political problem, because the Montenegrin Church was dissolved in 1920 by the Yugoslav monarchy, and now it has been renewed. But what is very interesting, is that both churches have supported Mr. Djukanovic's government so far. The Serbian Church, because it is very anti-Milosevic in Serbia itself, and the Montenegrin Church because it is Montenegrin and it is pro-Djukanovic.

Regarding the ruling coalition's problems, a small member of the coalition is very pro-independence, and it has occasionally said it might leave the coalition if things do not go so quickly toward independence.

Ultimately, I don't think the coalition will be dissolved in the foreseeable future, but some tensions among partners could be possible in the future.

Senator CAMPBELL. Let me ask you just a couple of questions about the economic dimension of an independent Montenegro. Does Serbia need Montenegrin seaports to survive?

Mr. VUKOTIC. Yes. They do need Montenegrin ports. Port of Bar is very important for Serbia, but Serbia has the other alternatives—to use Greece ports.

Mr. DARMANOVIC. Thessaloniki?

Mr. VUKOTIC. Thessaloniki. But the ports of Bar is very important for economy in Serbia.

Senator CAMPBELL. Since the last elections, has the economic interaction and trade increased or decreased with the Serbs?

Mr. VUKOTIC. You know, we have closed border, and it is the reaction of Serbia when we introduce our Deutsche Mark as our currency, and 3–4 years ago, for example, Montenegrin companies were buying the federal market about between 65 percent, now it is less, about 40 percent. It means that Montenegrin businesses are looking for other markets.

Senator CAMPBELL. New markets?

Mr. VUKOTIC. Destruction of the first then Kosovo, I think that after political changes in Croatia, within Croatia, especially in area of tourism.

Senator CAMPBELL. And last, Mr. Chairman, it's my understanding the Montenegrin Foreign Minister was recently indicted by an Italian court for corruption, and that's also been of ongoing interest to this Commission, too. Could you comment on the degree of corruption in the Montenegrin economy?

Mr. VUKOTIC. You know that we have had sanctions, and it was a closed economy, and to survive we needed some activities to get money. It was cigarettes, and it was one of the main sources for how to survive, but now we want to establish a completely new economic system, it is my point of view, and I emphasize it today, we need a new economic system, a new institutional framework, and this, in my opinion, is the first condition against corruption.

Senator CAMPBELL. Yes, well, you did mention the transparency in government, and I think that's certainly a step in the right direction.

Mr. VUKOTIC. Yes.

Senator CAMPBELL. Okay, thank you, Mr. Chairman, I appreciate that.

Mr. SMITH. Thank you, Chairman Campbell.

Senator CAMPBELL. I do apologize that I have to leave.

Mr. SMITH. Mr. Hoyer?

Mr. HOYER. Thank you, Mr. Chairman.

You commented that the port was critical, but that the borders are closed. How does that work with respect to goods flowing from the ports into an out of Serbia itself? Is international trade allowed now through the ports?

Mr. VUKOTIC. No. We have a very small amount of flow from Serbia to port, and from Serbia we don't use the port. It is political reasons that they don't want to help Montenegro if Serbia uses ports.

Mr. CARDIN. So, Serbia has at this point made a judgment that they can survive without the use of the port, is that right?

Mr. VUKOTIC. Yes, it is, but we don't want to forget that Serbia economy now is at a very low level, and Serbian GDP may be one third of GDP 10 years ago, but I think that when Serbia provides economic reform it might increase economic activity. That port is very important for Serbia, and then Serbia will use Port of Bar.

Mr. CARDIN. Mr. Bugajski set forth a number of possible actions that Serbia would take in his reference to conflict scenarios. I don't know whether the three of you were listening very closely to that. He posited that a military coup and occupation was one alternative, the promotion of regional and ethnic conflicts a second alternative, or the provocation

of civil war. Then he went on to say more likely Milosevic will engage in various provocations, intimidations and even assassinations to unbalance the Montenegrin leadership. I'd like your thoughts on his observations on the likelihood of any of those scenarios occurring and what actions are being taken to meet them.

Mr. DARMANOVIC. I think that the scenario described by Mr. Bugajski are very precise as possibilities. You know, Milosevic will go to full-scale war only if he knows that there will be no reaction from the West. It is for him the best scenario, like in Bosnia, to burn all house, you know, in Montenegro.

But, if he knows that reaction from the west is prepared or likely—I am not sure, he can survive any more bombing in Serbia.

So, it would be the Bosnian scenario if he is more or less sure that the reaction will not occur or will be very light.

But, as Mr. Bugajski described, he could use several tactics to initiate internal conflicts, riots, showdowns, and even assassinations, which we fortunately have not yet seen in Montenegro.

There is a third option of partitioning the north, by initiating some troubles in the north, and trying to proclaim some northern part of Montenegro as an autonomous republic or part of Serbia. That certainly could work for a short period of time, but Montenegro will react in that situation like Croatia, to proclaim that the territory is occupied and sooner or later it will be returned back.

Mr. HOYER. What portion of the population is in the north?

Mr. DARMANOVIC. I think around a third of the population of Montenegro, around a third. But, it is really important to remember that in the north, the pro-Milosevic party won the elections in only one large city. Djukanovic won the elections in almost all critical cities in the north. Okay, he was accused by pro-Milosevic opponents that Muslims helped him and so on, but Muslims are citizens of Montenegro.

So, if Mr. Milosevic is sure that there will be a response from NATO, he will try maybe to exercise the strategy that Mr. Bugajski described as a strategy of not full-scale war. There are some warning signs. Mr. Milosevic initiated creation of so-called 'special police force' in the army, which is formerly the army unit, but substantially it is a party-based unit, and it is not under control of the army in Montenegro, but under direct control of Belgrade. And, what is remarkable, that unit was used in the airport incident on December 10th, when there was the chance of conflict over the airport.

There are signs that he is preparing for something, maybe for what Mr. Bugajski described, not for full-scale war.

But, if you want my opinion, I think he has not decided yet what to do with Montenegro.

Mr. HOYER. Thank you. Mr. Chairman, I've got to go.

Mr. SMITH. Thank you, Mr. Hoyer. I'd like to just continue to focus on the conflict scenarios, and just ask a couple of additional questions.

Mr. Dienstbier from the United Nations, after a visit to the northern region of Montenegro, expressed due concern that the crisis might provide a means for Milosevic to intervene by manufacturing some kind of chaos. Three different statements came to my attention recently. The first was by the former Yugoslav Army spokesman, Colonel Stojadinovic.

I could be mispronouncing that, but he said, and I quote, and this was on January the 19th, "The federal authority might intervene if it loses all other means of exercising control over Montenegro, as is evi-

dent that the federal state is completely defunct. This would be one of the preconditions to the creation of a level of chaos necessary for this authority to function, and if there is not enough chaos the regime will create it in order to be able to resolve it in the worst possible way, of course.”

A statement by the Deputy Prime Minister of Serbia on January 29th, and I quote, “We are all concerned, Milosevic and I, and the Socialist Party, and the Serbian Radical Party, and Yugoslavs left, that Montenegrins voting for independence at a referendum is an impossibility.” These seem like lines in the sand that are being drawn by the Serbians.

And then, in answer to statements that all of you have made, at least this sends an opening shot across the bow. Tom Pickering, as quoted by Reuters yesterday, said, “Any further conflict in the region should be avoided. We are prepared to stand firm against any military actions of Milosevic in the region.”

It would seem, you know, some of us are concerned about the time line, where are we going, how fast is this moving, what about walking the tightrope of independence versus some kind of new-found relationship with Serbia by Montenegro. You know, it would seem that the word “independence” is being avoided. Is it being avoided? What are we talking about?

We saw in Kosovo, there was a massing of troops on the border, which we ignored at our own peril. I think we then, perhaps, did the wrong thing in initiating a bombing without having a contingency plan as to how to take care of the Kosovo Albanians.

Here we have a situation where we are getting very strident statements out of the Serbs, a clear indication that there’s going to be an attempt to foment something, assassinations, all these different things that are on the table.

What are we talking about, days, weeks, months? What should we be doing?

Mr. DARMANOVIC. Maybe you could start.

Mr. BUGAJSKI. If I could just say very briefly, in addition to the statements you read, I find one very worrying recent development after the assassination of war criminal Arkan, the state media seems to be pointing the finger at some kind of a Montenegrin connection, Montenegrin mafia. In other words, the possibility of preparing the Serb population itself as some sort of crackdown against what they view as the Montenegrin mafia, in other words, President Djukanovic.

As far as timing goes, I think this spring there will be a crunch point. From my last trip to Montenegro, and talking to various officials and members of the coalition, preparations are being made, although there are difficulties with the exact formulation of the question, but preparations are being made for some kind of a referendum this spring. Again, I think our two visitors from Podgorica probably know better, but I think sooner or later there will be a showdown, a political one, which will then, I think, accelerate into some kind of a military showdown. I basically fear the worst with Mr. Milosevic at this point.

Mr. DARMANOVIC. I don’t think the Montenegrin government will undertake quick and radical steps.

As I described, Mr. Djukanovic is encouraged by our Western partners to go slowly, and not to go directly to independence. And, without the clear support from the West, he will not do this, for sure. Mr. Dju-

kanovic stated 2 days ago to CNN that the crisis will be resolved by the end of the year, it means the government has not planned some referendum, something else, for example, in the spring or in the summer.

The right question is, will Milosevic act regardless of whether the referendum is organized or not. Is the referendum real—*causus belli* or he can act before?

At the moment, it is not only the international community that wants Mr. Djukanovic to go slowly, the figures from Montenegro are the following: in the last week of December, 36 percent of the people supported independence; 33.5 percent supported pro-Milosevic federation; and 22.5 percent supported the so-called governmental platform for redefining relationships between Serbia and Montenegro. You can call them confederalists.

So a pro-Milosevic type federation is definitely the minority view now in Montenegro, but you cannot say the independence option is quite clearly in the majority—but if you add confederalists to independence, or that confederalists are mostly Djukanovic voters, you have majority in Montenegro for possible independence, but it is very complex game.

As I described, some concrete steps from the West are necessary. For example, it's not so clear to me why NATO has not yet decided to use the port of Bar for logistics for KFOR. It would not be a military intervention. To demonstrate that Montenegro is important, the port of Bar could be used for the KFOR logistics operation, and as you know the whole operation in Kosovo is under United Nations resolution, United Nations Security Council resolution, and FRY cannot object to logistics from Montenegro. I cannot see how it could be. Maybe it could be, but I cannot see how.

So, other possible cooperation on military or semi-military basis is possible in Montenegro, let's say a mutual drug traffic fight, or an American government or other Western presence. Okay, there are many humanitarian organizations, NGOs, but Montenegro needs signs of strong, as Mr. Bugajski described it for us, strong potential military support if necessary.

It will be the way to keep Mr. Milosevic out of—to get him out of Montenegro.

Mr. VUKOTIC. We don't think any radical steps and radical message. In general, of course, in economy, for example, we have had the big pleasure to changing our money to introduce Montenegrin money, but it can be cause for conflict with Serbia. But, maybe 40 percent of Montenegro thinks that we need our money. It's a very big struggle inside of Montenegro.

Then I want to say that Milosevic, to his supporters, Montenegro they view social problems as their main course for conflict inside of Montenegro, because we have a very difficult economic situation, and he wants to encourage cargo between companies, inside the companies, and the second area, it is a courage against West and U.S., it is special war inside of Montenegro.

Mr. SMITH. Let me ask a question. Prime Minister Vujanovic is in town, as you know, and the Prime Minister, in an interview in the Washington Times today, called on U.S. lawmakers to increase the proposed \$40 million aid package. What kind of numbers would be necessary to really make a difference in Montenegro? I recall that

last November 4th, former Secretary of State Madeline Albright committed \$55 million, so I'm not sure what the \$40 versus \$55 million, would really make a difference at this particular juncture?

Mr. VUKOTIC. Okay. I want to say that we need two kinds of supports. The first, it is support in the area to build a new economic system, a new economic, a new institution, framework, of our companies is one. The second, it is money for current situation to current budget.

And, because I don't like that we have only directing budgets, money directly in budgets, I think that we need to encourage entrepreneurship, encourage to change our system.

We have a deficit of about \$120 million. It is our gap now during this year, and we do depend on situation this year, especially in tourism, we expected that this year we will have more revenues in that area, and we expect some prioritization because we published for some companies. It can be very useful for our economic situation.

The current situation, they are in the long-term stage.

Mr. SMITH. Let me just note for the record, and all three of you might want to comment on this, but one of the issues that the Commission has taken a very strong stand on is this very egregious practice of trafficking in people, mostly in women, for the use of those women in forced prostitution.

On January 14th, we contacted Prime Minister Vujanovic, and asked him if he would look into the case of some eight Ukrainian women that had been brought to our attention by La Strada, a non-governmental organization that is dedicated to helping women who are caught in this terrible situation of being brought into the country under false premises, and then they were put into brothels and were abused.

To date, at least seven of those women have been rescued. One apparently was further trafficked. There are still three women that are of great concern to La Strada that we continue to ask the government to look into.

But, the Prime Minister did not respond. We don't know if he ran into any problems at the local level. One of the women pointed out that she was concerned that the very police that were sent to free her were actual customers, suggesting that the level of corruption there is dangerous to other women who are caught in this situation.

However, it is worth noting that the Commission did, along with others, contact the Prime Minister, asking for his intervention, and thankfully, as of January 20th, seven of those women were back with their families in the Ukraine, having been freed from this terrible slavery.

What does this say about the government? Are there problems at the local level with corruption, and how big of a problem is trafficking in the country?

Mr. DARMANOVIC. What you described just now, I've heard from my counterparts, from two women NGOs dealing with violence over women and children, and because I also run one NGO. The director of this shelter organization, the lady who is in charge, visited my office informing me just what she knew about it. She told me that seven Ukrainian women had been rescued by them through contact with police and with the government.

There are rumors that some former police officials were involved in this trafficking, and harassing, and maltreating women, in some private house. I don't know what type. But, there are no signs that the present government or police are involved in that case. It was a private action, a private criminal action, and I can give full credit to my NGO colleagues for their acting on this issue and for making sure to this issue gets resolved.

I think any cases like these deserve to be put on the table and the government pressured if necessary to deal with this problems more efficiently.

Yes.

Mr. VUKOTIC. I am no specialist for that area, but I think that traffic of cigarettes are the main sources for corruption, and now it is more than before, and it is one reason that we published ' these days publish a tender, we want to sell tobacco company. It is one of size that Montenegro want to provide struggle against corruption and to introduce transparency system.

Mr. BUGAJSKI. If I could just add, I think this is another reason for supporting sovereignty and independence in Montenegro. Remember the system that is run and controlled by Milosevic is a kleptocracy, it's an authoritarian kleptocracy, it thrives on some of the crimes you described, people trafficking, prostitution, in addition to war crimes, peace crimes, as well as smuggling, sanctions busting and so on.

I think we can work much more closely, much more cooperatively and effectively, with the Montenegrin government that has freed itself from that burden of being dependent in any way on the federal system, on the Milosevic system of government, and I think we can also use this as a stepping stone to solving wider criminal citing wider criminal syndicates in the Adriatic region, in the Albanian region, the south Balkans in general. I think Montenegro can, through its experience, both good and bad, can contribute a lot to our current fighting potential, let's say, in the Balkans.

Mr. SMITH. Mr. Bugajski your fourth point was, if Montenegrin independence is non-nationalist, but based on the principles of democracy, pluralism, multi-ethnicity, and international cooperation, then it could become an important factor for Balkan stability. That seems to have happened in Croatia about a month ago, and last year in Macedonia. Is this a positive trend, since it's happened in these other places and apparently is poised to happen in Montenegro? And, has that had any impact on Serbia?

Mr. BUGAJSKI. You have two questions there. Yes, some very positive developments in both Macedonia and Croatia. In Macedonia, the fact that the anti-Albanian option was rejected by the majority of the population voting President Trkovsky, and the multi-ethnic coalition government is now in place.

In Croatia, it's not really the ethnic question, it's the democracy question, in other words, overthrowing very authoritarian leadership, very personal leadership of not just of President Tudjman, but of the ' and I think both are sending a positive signal to Montenegro that this is possible.

I think on the other hand, Montenegro, in a way, has had a longer experience of multi-ethnicity and tolerance within the country, and of accepting refugees. I think this is another very important question. Montenegro has received a vast number of refugees from Bosnia, from

Croatia, as well as from the war in Kosova, and yet has maintained social stability and peace, and has counted attempts by Serbia to ferment ethnic war.

On the other hand, whether Montenegrin democracy, independence will encourage Serbia, I think yes. I personally think that a government that is very pro-Western and manages to make a lot of progress to bring in Western resources, to democratize will be another source of encouragement to Serbia, more so, I'd say, even than Croatia because these are an orthodox population, it's always been very close to Serbia. If the Montenegrins can do it, why not the Serbs?

Mr. DARMANOVIC. Just a brief addition about minority rights, there is a special provision in the Montenegrin electoral law which guarantees to Albanian minorities five seats in Montenegrin government.

Theoretically, if the whole Albanian population voted for their national parties they would have five seats, despite the fact that they are only six or seven percent of the Montenegrin population.

But, an interesting thing happened in the last Parliamentary elections with the Albanian situation. Their own national representatives, took two seats, and three seats went to Mr. Djukanovic. This means they voted, they expressed confidence in the multinational coalition rather than to their national party, which is very good for stabilizing democracy.

Mr. SMITH. Sure. Thank you for that insight.

Mr. Cardin?

Mr. CARDIN. Thank you, Mr. Chairman.

Well, in listening to the hearing, I'm obviously pleased about what's happening in Montenegro, but on the other hand I am very concerned that the people are liable to be put through a major trauma because of Mr. Milosevic and the reaction that may take place within Serbia.

And, I look at the statistic that you gave about a little over one third of the people being in favor of independence, a little less than one third in favor of continuing with Mr. Milosevic, and then another less than a third interested in some type of a co-federation. There's no real dominant desire, at least through public opinion, as to where the country popularly shouldn't be led.

I guess my question is, how dominant is Mr. Milosevic in all this? Mr. Djukanovic's victory: was it a personal victory for him, for what he stood for, or was it an anti-Milosevic vote? I mean, if Mr. Milosevic wasn't there would there be a much easier time of trying to work out the autonomy of Montenegro? Would it be a co-federation, or would it be an independent state?

It seems to me that Mr. Milosevic, you can't ignore him obviously, I mean, he's a dominant factor here, but how much is that one individual controlling what's happening in that region, rather than the population's desire for nationalism or for independence?

Mr. BUGAJSKI. If I could just begin. It's not just Milosevic as a person, although I think his personality and style of rule defines that regime, it's really the system of the kleptocracy, the system of interest that he keeps in place, that he guarantees throughout the wars, throughout the crisis within the country.

So, it's not just a question of replacing the individual by some post-Milosevic individual, it's a question of replacing what has become a very criminalized post-Communist system that has never been reformed, that has eliminated all sources of opposition, whether in poli-

tics or in the media, and thrives on the sort of conflict that we are now beginning to witness vis-a-vis Montenegro. So, I'll just address that part of the question.

Mr. DARMANOVIC. So, I would add to what Mr. Bugajski said, Mr. Milosevic is not the only factor of crisis in the region. What if he will be ousted from power? I don't think a classic typical federation in Serbia and Montenegro will be possible anymore, not only with Mr. Milosevic. It is possible some kind of community maybe, because Montenegro is 17 times smaller than Serbia in any statistics, and I think that after Mr. Milosevic is ousted from power one important thing will happen, there will no longer be a pistol over Montenegrin heads while negotiating the relationship between Serbia and Montenegro.

But, I think the Montenegrin government can expect early negotiations with a new Serbian democratic government. There will be no war, no conflicts, but negotiations over what kind of community they can create, because a new Serbian democratic government, if it succeeds to go to power, will consist of very different elements. Among them, many nationalists, some democrats. They will be depending on the West normally, and they will seek to return to international community.

But, I don't think they really want Montenegro to be equal partner in the...

Mr. CARDIN. You say that ultimately all of the former states of the former Yugoslavia are going to become independent of some sort?

Mr. DARMANOVIC. Of some sort, yes.

Mr. CARDIN. Including a democratic Serbia?

Mr. DARMANOVIC. Yes. Maybe some confederation or whatever, but it will be the healthiest solution for everybody, and afterwards we will see what happens. I am not obsessed with the independence issue, as you can see. I want a democratic state and normal economy, and a stable region.

But, I think that Serbia and Montenegro can preserve their ties on a level like that which you have in the European Union or something like a commonwealth, something like that. It will be very difficult to create a new...

Mr. CARDIN. I understand your point, and it's well taken, that it's not Mr. Milosevic, the person, it's what Mr. Milosevic has done to Serbia that is causing the difficulty today in working out these relationships, but I take it you would acknowledge that as long as Mr. Milosevic is there the prospects for democracy within Serbia are nil.

Mr. DARMANOVIC. Yeah, I know, and there is a threat of war. That is very important.

Mr. VUKOTIC. I think that Milosevic is not cause for situation, Milosevic is a consequence of a specific way of thinking in that area, it is linking anti-markets and anti-democracy, and I don't know who will be after Milosevic, who will be winner.

And, Montenegro wants to create a new economic and democratic system. For us, for me personally, the framework is not an important system. I want to live in Europe, and I know that sovereignty and independence, it is not sufficient condition for increasing economic situation.

We have a good example, our neighbor, Albania, was sovereign country, sovereign country during 50 years, and it was the power country. It means that for us very important to provide economic and democratic reform and create a new framework.

Mr. SMITH. I just have one final question, if I might, and that is, I'm curious how Mr. Djukanovic is handling the pro-nationalist population within Montenegro. Is he including that faction within the discussions or what's taking place? Is he trying to reach out to all the people? We talked about ethnic minorities, which are very important, and it appears like there is a real game plan to try to deal with the problems of ethnic minorities, but how about the political diversity of those that really do believe in a unified Serbia?

Mr. DARMANOVIC. Unified?

Mr. SMITH. Well, in pro-nationalist with Serbia.

Mr. DARMANOVIC. And, Milosevic supported.

Mr. SMITH. Right.

Mr. DARMANOVIC. They have a pretty strong political party that achieved 56 percent of the votes in the parliamentary elections in '98. They are supported from Belgrade financially, and logistically, but the critical issue is how would they behave or how would they act in the possible crisis, or are there, in the pro-Milosevic party, divisions over what is to be done in the near future.

It seems to me there are not serious divisions in the pro-Milosevic party in Montenegro, but just theoretically and generally speaking, the party is in a position similar to the former communist parties before the Berlin Wall fell. They know deep in their hearts probably, that the dictator will be overthrown one day, and some of them have to ask themselves what to do afterwards. And, I think that the party will be strongly united, as long as Mr. Milosevic is still there, but if they begin to feel that things could go wrong, we could witness divisions like what happened in Croatia after Tadjman passed away.

Mr. CARDIN. Thank you. Thank you, Mr. Chairman.

Mr. SMITH. Doctor Darmanovic, could you tell us how many Roma are —

Mr. DARMANOVIC. How many?

Mr. SMITH. How many Roma or gypsies are in Montenegro, and are they treated well?

Mr. DARMANOVIC. I don't know exact figure. There are not so many, around one percent.

Mr. SMITH. Do they enjoy full rights?

Mr. DARMANOVIC. Theoretically, yes, but in practice, like in many countries, they do badly. They are very poor, and their living conditions are not good. It is not because of any kind of harassment of the government.

Mr. SMITH. That would be my next question.

Mr. DARMANOVIC. It is not that. There are no problems on that issue, but their life is poor as I understand it.

Mr. SMITH. Have any of them banded together to form an NGO of any kind?

Mr. DARMANOVIC. There are some NGOs, we even invited them to our conferences of NGOs, but they didn't answer. And, maybe these NGOs just don't read the paper, I don't know.

Mr. VUKOTIC. But, The Open Society Institute supported them—

Mr. DARMANOVIC. Yes, that's true, The Open Society Institute did.

Mr. VUKOTIC. Yes.

Mr. DARMANOVIC. There is a separate program for them.

Mr. VUKOTIC. Yes.

Mr. SMITH. Let me just ask one final question, and then if there are any additional questions.

As we all know, as a member of the unified Federation, Montenegro has had to endure the sanctions, not to the extent that Serbia has, obviously, but to some extent, and there has been some attempts made to exempt them. Can you tell us how the sanctions have hurt, and continue to hurt Montenegro today?

Mr. VUKOTIC. Yes, it's a special problem for us, it's financial side of it, because the foreign banks don't want to come to Montenegro because we aren't in support of international financial organizations. Then there's struggle with insurance of foreign investments, it is too big of a problem for us in economy.

Mr. SMITH. Is there any effort underway to carve out an additional protection for Montenegro, so it does not continue to get hurt by these sanctions, which are more properly imposed upon Serbia?

Mr. DARMANOVIC. We have some good signs after our monetary reform. After we introduced the Deutsche Mark, some foreign banks wanted to establish a branch in Montenegro, but we need a new law, because now we have the current federal law. According to federal law, if somebody wants to establish bank in Montenegro, he/she must go to Belgrade for a license, to a certain bank in Belgrade. You need license from Belgrade, which cannot be signed by anyone in Montenegro. We now want to establish a new law and address the federal law for our locations in Montenegro.

Mr. SMITH. So, if the initiative comes from Montenegro, that is enough to satisfy the bankers, or does something have to be done by the United Nations or by some other entity?

Mr. VUKOTIC. We have some in that direction so far, but I think that we haven't understood that problem, and we have some contacts which, for example, George Soros, and he's helped us in that area, and I think that it is one of our requests for a new government and to support us, to position Montenegro in IMF and world banks, and a special status, because we are not independent country.

Mr. DARMANOVIC. Mr. Chairman, if you'll allow me, about the Deutsche Marks, the Deutsche Mark increased some prices in Montenegro 30 percent, but people chose to have that stable currency in their hand.

And, one journalist from the independent weekly, *Vremje* from Belgrade, went to Montenegro to be there and to write about Montenegro, and a taxi driver from the airport who drove him was very anti-Djukanovic oriented. And, during the drive, he spoke against the government, how they betrayed Montenegro, how they are just a puppet of the U.S., how the Deutsche Mark is nothing, and so on and so on. And, when he, at the end, when the journalist tried to pay in dinars, he said, oh, no, give me Deutsche Marks.

Mr. SMITH. Mr. Cardin, do you have anything further?

Mr. CARDIN. I don't.

Mr. SMITH. Witnesses, do you have anything further you'd like to add before we close the hearing?

I want to thank all three of you for your very fine remarks. It certainly gives us insights and some actionable items in going forward, and, hopefully, we'll all be further alerted to what could be a calamity

unless some beginning steps are taken, and I think this helps establish a record for us to act and to work with the Administration, with our international friends, to make a difference.

So, I do want to thank you for your excellent testimonies and your insights.

Thank you.

(Whereupon, the hearing was concluded at 11:38 a.m.)

**PREPARED STATEMENT OF
HON. BEN NIGHTHORSE CAMPBELL, CO-CHAIRMAN**

Thank you, Mr. Chairman. I appreciate your calling this hearing on the important issue of protecting democracy in Montenegro.

Throughout the 1990s, the American public was confronted with the human tragedy associated with the virtual disintegration of Yugoslavia. In Croatia, Bosnia and last year in Kosovo, the media brought home images of literally millions of refugees, of concentration camps, of rape and torture victims. Each time we see these images, we are confronted with the difficult question of what to do in response.

Coddling a ruthless dictator — who is now an indicted war criminal - ultimately led to more deaths, displacement and crimes against humanity. Many have been torn between sympathy for these innocent victims of brutality, and concern over the enormity of the effort it takes to stop those responsible for such heinous acts. In Bosnia and Kosovo, that effort included putting thousands of American men and women in harm's way, both to make peace and then to keep it.

I had the opportunity to meet with some of our men and women in uniform who are serving in Kosovo when I visited the region last year and again just a few weeks ago. Many of our soldiers are being asked to perform jobs that have nothing to do with military action, but may be helpful in restoring order and the rule of law. While I may not agree with certain aspects of their mission, it is important that we support our troops when they are at risk in foreign lands.

Against this backdrop, common sense makes clear that timely efforts to prevent the outbreak of conflict are worth pursuing. We are fortunate today that we can focus on developments in Montenegro where the prospects for democracy offer one of the few glimmers of hope in a region torn by conflict and ethnic hatreds.

Almost 25 years ago, the Helsinki Final Act laid out the premise that respect for human rights and fundamental freedoms are essential for true peace. Montenegro seems, in recent years, to have chosen that path, yet it is in the precarious position of being part of a larger Yugoslav federation in which human rights are violated and democratic developments are ruthlessly crushed.

Today's hearing offers an important opportunity to explore the possibilities of averting yet another costly and protracted conflict in the Balkans. I look forward to hearing from our three distinguished witnesses about the current situation and the prospects for democracy in Montenegro as well as in Serbia.

Thank you, Mr. Chairman.

**PREPARED STATEMENT OF
STENY H. HOYER, RANKING MEMBER**

It will be ten years this April, Mr. Chairman, that I made my first visit to what is now the former Yugoslavia. At that time, we visited the capital Belgrade and met with a variety of Serbian and Yugoslav officials, including Slobodan Milosevic. We also traveled to Pristina, the capital of Kosovo, and met with Serbian officials and Albanian leaders there.

At that time, it was apparent that trouble was on the horizon. No, I was not a scholar on Yugoslav affairs, knowledgeable of the troubled history and convinced that it would only be repeated. Rather, it was clear that Milosevic and his minions, including those in control of Kosovo, had just come to power, and were determined to keep it in spite of the democratic wave which was sweeping east-central Europe at the time.

That is what they did throughout the ensuing decade, encouraging nationalist hatred for neighboring peoples and demonstrating this hatred through the brutality of ethnic cleansing, indeed the horror of genocide. Hundreds of thousands were killed, tens of thousands tortured and raped, millions displaced from their homes, in Croatia, in Bosnia and in Kosovo, from 1991 to 1999. And, of course, through all of this, Serbs have become the victims as well, including in Serbia itself, where they are denied their basic human rights.

Before us now is the question of whether Montenegro will be next on the list. While Montenegrin leaders were originally accomplices in carrying out some of the aggressive policies formulated in Belgrade, in recent years there has been a turnaround. Montenegrin authorities have taken steps toward political reform, and they have opposed further bloodshed in the Balkans. This has made relations with Belgrade untenable. Something has to give, and I hope that it is not peace.

I support the efforts of the administration regarding Montenegro. We need to send, however, as strong a signal as we can that another Milosevic-made conflict will not be tolerated. We can hope that democratic forces in Serbia can change the environment in which Serbian-Montenegrin relations are determined, by challenging Milosevic's rule. Until they do, we must be sure that instigating new violence is not an option for Milosevic, not a solution to his political problems at Home.

I look forward to hearing from our witnesses, and I wish to assure them I will remain active on this issue.

**WRITTEN SUBMISSION OF JANUSZ BUGAJSKI,
CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES**

The Montenegrin government has acquired the resources not only for self-government but also for self-defense. Montenegro is more prepared than Croatia in 1991, Bosnia in 1992, or Kosova in 1999 to challenge Belgrade's domination. Diplomatically, politically, and economically Podgorica is proving that it can survive without Belgrade, while its security forces are trained and motivated to resist the Yugoslav army. President Djukanovic has gained support among a broad range of political forces, including ex-communists, democrats, nationalists, and ethnic minorities. This support is also based on a calculation that the ruling team is best positioned to deal with Belgrade. Many factions have agreed to subsume their partisan disputes beneath the drive for sovereignty.

MONTENEGRIN POSITIONS

More than at any time since the disintegration of Tito's Yugoslavia, there seems to be majority support for Montenegro's statehood. Opinion polls indicate that nearly 70% of the population would back independence: while half of this number are committed Montenegrins, the rest are Djukanovic supporters. The independence position is based on pragmatic grounds. Remaining in a union with Serbia will accelerate economic decline, social unrest, and international isolation. Conversely, leaving the Serbian federation could launch Montenegro on the road to international institutional integration.

The NATO intervention in Kosova, the promise of the South East European Stability Pact, and the democratic breakthrough in Croatia have also encouraged Montenegro's self-assertion. Podgorica has issued a platform for a loose confederal arrangement with Serbia but the offer has been ignored by Belgrade. Plans are underway to hold a referendum on statehood this spring. President Djukanovic's critics charge that he has delayed the referendum in expectation that Milosevic will be dislodged by the Serbian opposition and that a new political agreement can then be forged. But such a prospect has become increasingly remote given the failures of Serb democracy and the deepening economic abyss in the Yugoslav federation.

CONFLICT SCENARIOS

Other than surrendering Montenegro altogether, Belgrade has three options: a military coup and occupation; the promotion of regional and ethnic conflicts; or the provocation of civil war. More likely, Milosevic will engage in various provocations, intimidations, and even assassinations to unbalance the Montenegrin leadership. He will endeavor to sow conflict between the parties in the governing coalition, heat up tensions in the Sandjak region of Montenegro by pitting Muslims against Christian Orthodox, and threaten to partition northern Montenegro if Podgorica pushes toward statehood. The political environment will continue to heat up before the planned referendum.

CONFLICT PREVENTION AND THE U.S. POSITION

Washington should aim to deter armed conflict but it is not in a position to prevent a political showdown between Belgrade and Podgorica. Above all, the international community must avoid any repetition of

the Croatian, Bosnian, and Kosova scenarios where a halfhearted response to Milosevic simply encourages violence. In order to have any chance of dissuading Milosevic from striking against Montenegro the Allies need to make clear that any attempted crackdown will provoke a strong NATO response against Yugoslav and Serb targets. Preparations must now be made for a forceful reaction and for direct military assistance to the Montenegrin security forces. Simply encouraging Montenegro to stay inside Yugoslavia indefinitely without any short-term prospect of democracy in Serbia may assist Milosevic in applying pressure on Podgorica and undercut our leverage with Belgrade. Ultimately, Montenegro has as much right to statehood as the four other post-Yugoslav states that we have recognized.

ADVANTAGES OF INDEPENDENCE

Montenegro's independence could contribute to resolving some combustible regional issues. It would take Montenegro off the Serbian national agenda, which has proved a distraction to domestic reform. If Montenegrin independence is non-nationalist but based on the principles of democracy, pluralism, multi-ethnicity, and international cooperation, then it could become an important factor for Balkan stability. This will also contribute to resolving the wider Albanian question by giving the Albanian minority a stake in the new state and by eliminating the possibilities of Serb-Yugoslav manipulation of minority issues. Montenegro is also prepared to become a reliable partner for a number of states in the region including Croatia, Albania, Bosnia, and Macedonia: this is simply not the case with Serbia.

HOW DEMOCRATIC IS MONTENEGRO

Slovenia, Croatia, Macedonia and other former Yugoslav satellites did not achieve independence as civic democracies, and neither did the Soviet republics escape from Moscow as fully formed democratic states. Montenegro is now in a similar position. Independence should not be opposed on the grounds of a communist legacy or because of insufficient progress toward a liberal democracy. To its credit and unlike the regime in Serbia or the nationalist authorities in Bosnia-Herzegovina, Montenegro has avoided ethnic division, discrimination, and conflict, and has involved a broad range of political forces in the government. This creates an invaluable foundation for tolerance, compromise, and democratic development.

WILL INDEPENDENCE FOSTER DEMOCRACY

The Djukanovic government can become a stepping stone toward democracy in a much more manageable territorial unit, especially with more substantive international involvement. The current coalition government can help ensure that statehood is constructed on a non-nationalist basis in which the country's minorities (Serbs, Albanians, Muslims, and Croats) are involved in the political process and where citizenship is based on residence and not ethnicity. With independence, Montenegro will become more open to international democratization programs that should focus on the development of a civil society, a free media, and international cooperation.

Alongside statehood, Montenegro will need to launch a process of economic transformation based on market competition, transparency, and legalism. This will not only stimulate entrepreneurship but will also



attract foreign investment. As a sovereign country, Montenegro can plug into regional reconstruction programs and move toward an association agreement with the European Union. Far from being a disadvantage, Montenegro's size could be turned into an asset as it may be easier to ensure progress among a smaller and more homogenous population.

IMPACT OF SERBIAN POLITICS

A major transformation in Serbia, not only in terms of the ouster of Milosevic but the replacement of the authoritarian regime in Belgrade, may be the last hope for keeping the federation together. However, if any new Serbian government is unwilling to create a genuinely equal two-republic system then the pressures for independence may actually increase while the fear of a violent Milosevic-type intervention will substantially recede.



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