

103
DEVELOPMENTS IN EUROPE AND THE
FORMER YUGOSLAVIA

Y 4.F 76/1:Y 9/5

Development in Europe and the Forne...

-----RING
BEFORE THE
SUBCOMMITTEE ON
EUROPE AND THE MIDDLE EAST
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS

FIRST SESSION

SEPTEMBER 15, 1993

Printed for the use of the Committee on Foreign Affairs



U.S. GOVERNMENT PRINTING OFFICE
DEPOSITORY

1993
BOSTON PUBLIC LIBRARY
TRADE CENTER

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1993

74-337 CC

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-043268-5

DEVELOPMENTS IN EUROPE AND THE
FORMER YUGOSLAVIA

4.F 76/1:Y 9/5

Development in Europe and the Forne...

-----RING

BEFORE THE

SUBCOMMITTEE ON
EUROPE AND THE MIDDLE EAST
OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

SEPTEMBER 15, 1993

Printed for the use of the Committee on Foreign Affairs



INDEPENDENT OF DOCUMENTS
DEPOSITORY

1994
BOSTON PUBLIC LIBRARY
CONGRESS OF DOCUMENTS DEPOSITORY

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1993

74-337 CC

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-043268-5

COMMITTEE ON FOREIGN AFFAIRS

LEE H. HAMILTON, Indiana, *Chairman*

SAM GEJDENSON, Connecticut
TOM LANTOS, California
ROBERT G. TORRICELLI, New Jersey
HOWARD L. BERMAN, California
GARY L. ACKERMAN, New York
HARRY JOHNSTON, Florida
ELIOT L. ENGEL, New York
ENI F.H. FALEOMAVAEGA, American
Samoa
JAMES L. OBERSTAR, Minnesota
CHARLES E. SCHUMER, New York
MATTHEW G. MARTINEZ, California
ROBERT A. BORSKI, Pennsylvania
DONALD M. PAYNE, New Jersey
ROBERT E. ANDREWS, New Jersey
ROBERT MENENDEZ, New Jersey
SHERROD BROWN, Ohio
CYNTHIA A. MCKINNEY, Georgia
MARIA CANTWELL, Washington
ALCEE L. HASTINGS, Florida
ERIC FINGERHUT, Ohio
PETER DEUTSCH, Florida
ALBERT RUSSELL WYNN, Maryland
DON EDWARDS, California
FRANK McCLOSKEY, Indiana
THOMAS C. SAWYER, Ohio
(Vacancy)

BENJAMIN A. GILMAN, New York
WILLIAM F. GOODLING, Pennsylvania
JAMES A. LEACH, Iowa
TOBY ROTH, Wisconsin
OLYMPIA J. SNOWE, Maine
HENRY J. HYDE, Illinois
DOUG BEREUTER, Nebraska
CHRISTOPHER H. SMITH, New Jersey
DAN BURTON, Indiana
JAN MEYERS, Kansas
ELTON GALLEGLY, California
ILEANA ROS-LEHTINEN, Florida
CASS BALLENGER, North Carolina
DANA ROHRBACHER, California
DAVID A. LEVY, New York
DONALD A. MANZULLO, Illinois
LINCOLN DIAZ-BALART, Florida
EDWARD R. ROYCE, California

MICHAEL H. VAN DUSEN, *Chief of Staff*
RICHARD J. GARON, *Minority Chief of Staff*
DEBORAH BURNS, *Staff Associate*

SUBCOMMITTEE ON EUROPE AND THE MIDDLE EAST

LEE H. HAMILTON, Indiana, *Chairman*

ELIOT L. ENGEL, New York
CHARLES E. SCHUMER, New York
ROBERT A. BORSKI, Pennsylvania
ROBERT E. ANDREWS, New Jersey
SHERROD BROWN, Ohio
ALCEE L. HASTINGS, Florida
PETER DEUTSCH, Florida
TOM LANTOS, California

BENJAMIN A. GILMAN, New York
WILLIAM F. GOODLING, Pennsylvania
JAN MEYERS, Kansas
ELTON GALLEGLY, California
DAVID A. LEVY, New York
JAMES A. LEACH, Iowa

KATHERINE A. WILKENS, *Subcommittee Staff Director*
MARTIN SLETZINGER, *Professional Staff Member*
DEBORAH BODLANDER, *Republican Professional Staff Member*

CONTENTS

	Page
WITNESSES	
Hon. Stephen A. Oxman, Assistant Secretary of State for European and Canadian Affairs	2
APPENDIX	
Hon. Stephen A. Oxman, prepared statement	37
List of AID Programs obligated in fiscal years 1992 and 1993	47

DEVELOPMENTS IN EUROPE AND THE FORMER YUGOSLAVIA

WEDNESDAY, SEPTEMBER 15, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON EUROPE AND THE MIDDLE EAST,
Washington, DC.

The subcommittee met, pursuant to call, at 10:05 a.m. in room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman) presiding.

Chairman HAMILTON. The Subcommittee on Europe and the Middle East meets today in open session to discuss recent developments in Europe and the former Yugoslavia.

We will hear testimony from the Honorable Stephen A. Oxman, Assistant Secretary of State for European and Canadian Affairs. The last open subcommittee hearing on developments in Europe with Mr. Oxman was on May 11, 1993. The subcommittee has met on a number of occasions in closed session with Mr. Oxman to consider the situation in former Yugoslavia and U.S. policy issues regarding that conflict. We appreciated his cooperation.

We have several topics of interest today regarding U.S. policy toward Europe. Of primary concern will be recent developments in Bosnia and the rest of the former Yugoslavia and the options facing U.S. policy at this stage of the conflict. In addition, the subcommittee is interested in Mr. Oxman's testimony on a number of other issues including the upcoming NATO Special Summit in January and the debate surrounding the reform of NATO; the fate of the Maastricht Treaty and European unity; the status of the U.S.-EC Blair House Agreement and the Uruguay trade negotiations; the status of political and economic reforms in Eastern Europe; and developments in Turkey, Greece and Cyprus.

Mr. Secretary, we welcome you back before the subcommittee. Your written statement will be entered into the record in full. We would appreciate it if you would summarize that statement before we turn to questions. You may proceed.

I think you are aware the House is not taking up any business the balance of the week because of the Jewish holiday. This is the only date we could work out satisfactorily for you and for us. We appreciate your coming. Your statement, of course, will be entered into the record in full.

You may proceed to summarize that statement and then we will turn to questions.

STATEMENT OF THE HON. STEPHEN A. OXMAN, ASSISTANT SECRETARY, BUREAU OF EUROPEAN AND CANADIAN AFFAIRS, DEPARTMENT OF STATE

Mr. OXMAN. Thank you very much, Mr. Chairman. Congressman McCloskey, very nice to see you as well. It is a pleasure to be back before your subcommittee to discuss developments in Europe.

I will summarize the written statement I have submitted and would like to touch upon the areas of some of the most important developments since I was with you, in particular the conflict in Yugoslavia, the upcoming summit as you mentioned, the political and economic situation in Western Europe, trade negotiations, progress toward democracy and free markets in Central and Eastern Europe, developments in Turkey, Greece and Cyprus, and withdrawal of Russian troops from the Baltic states.

A very full agenda. I think I would like to say as an overview, when you step back and think about developments in Europe, even since we last got together, this is probably the region of the world where the most dramatic developments are occurring. The greatest number of fundamental forces are in play, in my opinion.

It is easy for some to say Europe is not as dynamic a place as Asia or other parts of the world. I would like to make the overall point that I think Europe is one of the most dynamically changing regions of the world. There is tremendous hope. There are lots of problems; but I don't think there is any real occasion for a new wave of Euro-pessimism which I see cropping up in certain quarters.

With respect to the Yugoslav conflict, I think it is important to see it in the context that Europe is still feeling the effects of the collapse of communism. On the bright side, the rebirth of Central and Eastern Europe has tremendous momentum. To give just one example, who could have imagined 10 years ago that this weekend Poland would have a free multiparty election campaign brought about by a parliamentary no-confidence vote?

But the end of the cold war has led to instability, uncertainty, and unease in Europe. The most extreme example of this, of course, is the terrible conflict in the former Yugoslavia. American interests are at stake here, even beyond our humanitarian interests in ending the bloodshed and ethnic cleansing.

Continued fighting in Bosnia and Croatia threatens to widen and draw other nations into a regional conflict that would involve NATO allies.

Our policy has been to try to stop the killing through a negotiated settlement and prevent the conflict from spreading, while making a major contribution to humanitarian efforts to ease the suffering. This spring we sought support for lifting the United Nations arms embargo against Bosnia, as you know. There was no consensus that redressing the imbalance in military strength in this manner was the best way to bring an end to the fighting in Bosnia.

In August, the United States took the lead in NATO's decision on using air power if the strangulation of Sarajevo and other areas in Bosnia were to continue. That decision was instrumental in reducing the level of fighting and improving the flow of humanitarian aid since then—although the situation in Sarajevo is still precar-

ious, many areas of Bosnia still lack sufficient food, water, power, and shelter and more supplies are needed for the upcoming winter.

To try to forestall a wider conflict, we have sent American soldiers to the former Yugoslav Republic of Macedonia as part of the U.N. monitoring force there. We have urged a settlement of the conflict between the Croatian government and Croatian Serbs and warned Mr. Milosevic that if there is violence in Kosovo, the United States will respond.

Finally, we pressed for stringent enforcement of the sanctions against Serbia and Montenegro. This pressure produced positive results, particularly in the case of Macedonia which has recently tightened its enforcement of sanctions very materially.

I believe NATO's decision to authorize the use of air power was also a significant reason behind the parties' return to the negotiating table in Geneva and the progress made toward a settlement. We were very disappointed the negotiations broke off recently.

As you are aware, we urged the parties to return to the negotiating table and, in particular, have urged the Bosnian Serbs and Bosnian Croats to show more flexibility in working on the territorial adjustments sought by the Bosnian government in its efforts to achieve a more equitable settlement.

President Clinton has stated if a viable settlement with enforcement provisions is reached in good faith and all parties demonstrate their seriousness in implementing it, the United States would be prepared, in a manner consistent with our constitutional processes, to participate in implementation as part of a NATO operation.

The people of the former Yugoslavia must recognize that only a negotiated settlement will end the tragic cycle of slaughter that engulfs them.

Finally, I want to address the events of the last 2 days in this connection. We are greatly disturbed by the increase in fighting between Serbs and Croats in the Krajina. This is an extremely dangerous situation which risks expanding into an all-out war and we have urged both sides to avoid a wider conflict.

At the same time, we are encouraged by yesterday's meeting between President Tudjman and President Izetbegovic in Geneva and by their joint statement declaring a cease-fire, closing detention camps, ending all blockades of humanitarian aid and establishing working groups for further negotiations.

Of course, the key is whether this agreement will be carried out. If it is carried out, these steps would represent very positive measures toward a negotiated settlement.

Let me turn to the NATO summit. One of the significant developments of the last few months, perhaps one of the most significant developments, was the President's proposal, announced by Secretary Christopher at the NATO meeting in Athens in June, proposing a summit, a NATO summit, to be held on January 10. This summit will provide an opportunity to accelerate the critical transformation of NATO begun in 1990.

With the end of the cold war, the nature of the security threats to Europe has changed. NATO today does not face a monolithic military threat from the East. The threats include ethnic and re-

gional conflict, proliferation of weapons of mass destruction, disruption of the flow of vital resources, and terrorism.

The administration believes that U.S. engagement in European security remains critical to our interests and that NATO must continue as the bedrock of that engagement. We and our allies have made great strides in adapting NATO to the new Europe. In the space of 3 years, NATO has already revamped its strategy and command structure, established the North Atlantic Corporation Council, called the NACC, and begun a program of East/West military cooperation and peacekeeping.

In June, Secretary Christopher laid out a five-point agenda for continuing this transformation to enable NATO to meet the realities of the new Europe. Very briefly, those points were first to preserve the qualities of NATO cooperation even at a time when the U.S. and European countries are forced by budgetary problems to cut back on their military spending.

Second, develop more effective means to make and keep the peace in Central and Eastern Europe.

Third, improve NATO's links with other multilateral institutions with similar goals.

Fourth, focus alliance attention on cooperation against the threats to allied security from beyond Europe, particularly weapons proliferation.

Fifth and finally, strengthen the basis for continent-wide security.

President Yeltsin's recent statements in Warsaw and Prague indicating that Polish and Czech membership in NATO would not necessarily run counter to Russian interests have, along with recent commentary by interested and expert observers, raised the profile of the question of NATO expansion. We and our allies will be giving close attention to this issue.

Any expansion of NATO must contribute to, and be seen to contribute to, the overall security and stability of the new democracies to NATO's east while preserving the security and stability of NATO's current members. Whatever the outcome of alliance discussions on this issue as we prepare for the summit, we will develop an ambitious agenda for the NACC—particularly in the area of peacekeeping cooperation—aimed at accelerating the process of integrating the Eastern states into NATO's political and military activities while working with them to address their near-term security concerns.

We will be addressing these issues at the summit itself. Our goals will be to strengthen NATO and advance security and stability in the East. We will ultimately forge a new European collective security system with NATO as its central pillar that will insure the peace and security of all of Europe well into the 21st century. Nothing we can accomplish in our foreign policy is more important to our vital interests in the region.

Let me comment briefly on Western European political and economic developments.

As I say, the region is dominated today by a mood of political and economic uncertainty. Governments of Western Europe are, to a great extent, preoccupied with their own domestic economic difficulties. Their economic growth is hobbled by stubbornly increas-

ing unemployment, inflation, and budget deficits. Currency speculation recently forced a revision of the EC's exchange rate mechanism and most of the countries of the Community are falling away from the economic convergence criteria necessary for implementation of monetary union.

There is political unease as well. Elections have been held since the beginning of this year in Spain, France and Italy, leading to new governments in the last two of those countries. The upheaval in Italian politics has been particularly dramatic. Voter dissatisfaction with the political system and widespread corruption produced widespread support for fundamental change.

In the U.K., Prime Minister Major's government survived a vote of "no confidence" this summer. Germany faces an unprecedented number of state, local and Bundestag elections in 1994. Governments in many countries fare poorly in public opinion polls. These uncertainties, both economic and political, have forced the governments of Western Europe to look inward to their domestic problems. Continued American leadership thus remains important to the goal of a secure and prosperous Europe.

We are committed to providing that leadership. With respect to trade, Mr. Chairman, which you mentioned as well, the best tonic for Europe would be stronger economic growth. One important way to achieve growth in Europe, as in the United States, is to increase international trade.

Since the beginning of the year, the administration has negotiated vigorously in the cause of opening world markets while not hesitating to take tough actions when necessary to aid American business against unfair market restrictions.

We are making every effort to successfully conclude the Uruguay round this year. In particular, we will continue to resist demands to reopen the Blair House Agreement. This agreement did not fully satisfy the desires of any single nation, including the United States, but was a carefully crafted compromise for the greater benefit of all. To reopen it now would risk the success of the entire Uruguay round and threaten the continued viability of the GATT system.

Turning to Central and Eastern Europe, I would note that democracy is beginning to take root in a region that had known only the dead hand of totalitarianism for two generations. There are also some promising hints that some countries may be beginning to recognize the need to address their most critical security problem, the question of national minorities.

Of course, Yugoslavia is a horrible exception with its record of ethnic cleansing and slaughter, an exception to the point I am making now. But other countries in the region are seeking democratic means of dealing with the problems of a heterogeneous population, although much more progress needs to be made in this area. We will continue to encourage governments to follow the path of defusing ethnic tensions that could otherwise lead to conflict and to provide support for their efforts to do so.

The economic picture in Central and Eastern Europe is less encouraging. Some countries have shown a strong commitment to free markets and privatization of state enterprises. Others have taken more tentative steps, but the process of transition to market econo-

mies is painful. Central and Eastern Europe on the whole remains in deep recession. Replacing a command economy with one based on market forces, closing inefficient enterprises, and tightening fiscal and monetary policies are bound to lead in the short run to contraction of output, increased unemployment, and a decline in living standards.

Governments throughout the region face increasing popular discontent with the burdens of economic reform. As I said in May, before this committee, the countries of Central and Eastern Europe continue to need our assistance to complete their transition to stable and prosperous democracies.

More than assistance, they need trade and investment with us and with the nations of Western Europe. The EC countries recently took initial steps to open their markets to goods from Central and Eastern Europe. We feel they must go further.

We will also continue to seek closer trade and investment ties with this region, for economic failure in the East would likely lead to political turmoil and perhaps a rejection of democracy while prosperity will help ensure stability and security throughout the region.

Let me turn to Southern Europe, an area I know is of particular interest to this committee and with good reason. The cooperation of Greece is important to successful implementation of sanctions against Serbia and Montenegro and to a resolution of the Macedonia question. Turkey is critical to our efforts to contain Iraq and Iran and could help provide stability in Central Asia and the Caucasus. Both of these NATO allies are thus of increasing strategic importance in the post-cold war era.

In this region, as well, the political situation is unsettled with the upcoming elections in Greece, Turkey, and the Turkish Cypriot community. We will watch these political developments with interest.

Our hopes of progress in Cyprus have not yet been fulfilled. We were initially very much encouraged by the direct face-to-face negotiations on confidence-building measures between President Clerides and Mr. Denktash. Unfortunately, Mr. Denktash, after promising to seek approval of the confidence-building measures by the Turkish Cypriots did not do so and failed to return to the negotiations as he promised.

Along with others, we are still working for approval of the confidence-building measures. We believe they are fair and balanced and could give the impetus to a broader settlement that meets the needs of both sides. The Secretary General's special representative, Mr. Joe Clark, was in the region last month, along with our Special Cyprus Coordinator Ambassador Jack Maresca, promoting acceptance of this proposal. We support these efforts and urge the Turkish Government to use all its influence on the Turkish Cypriots. They must recognize that if they reject this proposal, viewed by the rest of the world as fair and constructive, they risk even greater isolation than they now face.

Finally, Mr. Chairman, I would like to comment on the Baltics. I know the Congress and this committee are very interested in the withdrawal of Russian troops from the Baltic states. We are encouraged by the apparent commitment of the parties to resolve this

issue. In Lithuania, as you know, the Russians have withdrawn their troops as they agreed to do. Although there are no agreements yet with Latvia and Estonia, the Russians have been withdrawing troops from both countries and negotiations are continuing.

There are fewer than 20,000 Russian troops in the Baltics today, down from a high of, I believe, approximately 120,000. We have urged the Russians, the Latvians and the Estonians to reach agreements putting this vestige of the Soviet empire behind them. At the same time, the passage of laws governing citizenship and resident aliens in Latvia and Estonia has provoked protests from the substantial Russian minorities in those countries as well as from the Russian Government.

Our Embassy and the CSCE long duration mission in Estonia played a constructive role in decreasing tensions resulting from the passage of Estonia's Alien Law. We urge the establishment of a CSCE long term mission in Latvia as well.

In conclusion, Mr. Chairman, I would note that these are some of the significant developments in Europe since the beginning of the year. They present us with opportunities and with dangers. Strong American leadership can help devise a new structure for European security that will ensure peace and stability. It can secure free trade agreements that will spur economic growth throughout the world. And it can help ensure the triumph of democracy, free markets and human rights.

I would be very happy to answer any questions that you or your colleagues may have, Mr. Chairman. I would also like to hear your views on the developments I have discussed.

Thank you very much.

[The prepared statement of Mr. Oxman appears in the appendix.]

GENERAL COMMENTS ON EUROPE

Chairman HAMILTON. Let me just open with some very general questions with regard to Europe.

If you look back over the past year or so in Europe, you cannot help but be impressed with the number of setbacks that have occurred. You have seen the very strong public opposition to the Maastricht treaty, an increase in right wing extremism in Europe, violence, riots. We have seen those on television. Very, very high unemployment. The European exchange rate mechanism kind of fell apart.

You have had tremendous differences of opinion in the European Community in the United States with respect to Bosnia. When you look at all of these and other developments, some of the journalists have been talking about a Europe that is weary, splintered, and has less public confidence than it has ever had. I can remember just a year or so ago, Chancellor Kohl coming here, saying that the decade of the nineties is the decade of Europe; very confident about the future. That seems to have changed.

How do you characterize Europe today? I know that this is a sweeping question. How do you characterize it? Have we seen a real drop in confidence in Europe, the development of a lack of confidence? What are the implications of it for the United States?

Mr. OXMAN. I think there is a bit of a crisis of confidence in Europe. I think it is occasioned by two principal causes. The first is the inability of the international community to deal successfully with the situation in Yugoslavia. That is a very significant factor. It is in Europe. The Europeans are very cognizant, as we are, but especially they are cognizant of the inability of the European Community to have dealt successfully with this issue.

The second main cause, in my view, is the rather significant economic downturn. If you look at the key indicators across Europe, essentially Europe is in a recession. As we know from our own experience, lots of problems come to the surface when money gets short and economic conditions get tight. I think that that is a very significant part of what is happening.

Coming from the business world in my own background, I know enough to know there are hills and valleys in the business cycle and in the economic cycle. In my judgment, Europe is in a cyclical downturn. I don't think there is any reason to be unduly pessimistic about that, because once you are at the bottom of a trough, there is a lot of up side as you move up to the better part of the business cycle or the economic cycle.

Chairman HAMILTON. Is Europe less able to be a strong partner of the United States today than it was because of the difficulties you have cited?

Mr. OXMAN. No, I wouldn't characterize it that way. They are a terrific partner. We are very, very fortunate to have the allies we have and the other relationships in Europe. They are going through a difficult time. But the fundamental bedrock of European strength and the European interest in U.S. involvement in European security is still there.

Chairman HAMILTON. How serious is the split over Bosnia? Is transatlantic cooperation jeopardized by that because we have not been able to agree with our European allies and friends about how to proceed on Bosnia? Does that have big indications for NATO and other types of cooperative arrangements?

Mr. OXMAN. I think transatlantic cooperation is good. I think the dispute we had over the approach that we preferred in Bosnia was a significant difference of opinion. We worked beyond it. We have addressed the issue in different ways now. The President has stated that that was his preferred option. It is still something which remains on the table, depending upon how events go.

But I think that that was a difference of opinion among allies, was not something which has poisoned any relationships. It has not had any fundamental effect on transatlantic cooperation.

Then it is important to focus on all the other areas where we do have a consensus of views and very, very good cooperation, both on issues affecting Iraq or Iran or other parts of the world, on issues affecting the future of NATO.

I would come back to the point that the fundamentals are there. We are seeing forces at work which can shake people's confidence and cause concern, but I see no fundamental changes in those important factors I mentioned.

EUROPEAN VIEW OF NAFTA

Chairman HAMILTON. How do the Europeans look at NAFTA?

Mr. OXMAN. I think with great interest they look at it.

Chairman HAMILTON. Are they for it or against it?

Mr. OXMAN. You get a range of views. Some are for it for different reasons. Many of the Europeans I spoke to favor it because they know of its great importance to Mexico, for example, and for the economic reforms that have been instituted in Mexico. I have not discerned a unified European position on NAFTA.

Chairman HAMILTON. Do they fear an unified trading block?

Mr. OXMAN. I do not see that sentiment anywhere. That may be a function of the fact that NAFTA is not approved and functioning as it were. I don't pick that up at all. What I pick up is a view that it is a very natural salutary development for the North Americans to be looking at a free trade zone. Obviously it will pose challenges for Europe, but I see no apprehension.

EUROPEAN UNITY

Chairman HAMILTON. I will raise a couple more questions and then go to Mr. Gilman. Has the steam now gone out of the plans to push for closer European unity? You had this kind of blueprint laid out in Maastricht. Is that being readvised, rethought, recalculated now?

Mr. OXMAN. I would say that as has been true over the last 40 years, the road to European unity is a bumpy road. It keeps going in the same direction. It keeps making progress, the movement toward European integration and union.

This year has been a bumpy year. There were challenges to Maastricht. There is still an outstanding challenge in the German courts which is likely to be resolved in the near future. There were stresses leading to the revision of the European exchange rate mechanism.

There are all the issues that go with expanding the European Community. What does that mean for the institutional framework and procedures? I know our European colleagues are looking hard at that.

They will have by the end of this year a summit of the European leaders. They will assess where does the Maastricht process stand? Where does the prospect for economic and political union stand?

I think it will probably be a very different view from what people had 12 months ago. On the other hand, there is still, as I perceive it, among the European governments, a fundamental commitment to proceeding with the process of European integration and a conviction they can do it and do it well despite any obstacles.

Chairman HAMILTON. Is the European Monetary Union still an objective?

Mr. OXMAN. I believe it is an objective but they have had to stretch out and revise. There are considerations of timing and the character that that would achieve. There have been very significant developments in that area, as you know, over the last few months.

Chairman HAMILTON. Of course, that was pride at the center of the Maastricht treaty, the whole idea of common monetary policy and currency, single currency. That is years off, I presume, now?

Mr. OXMAN. I think it is in the future, and it is a little further in the future than a year ago.

Chairman HAMILTON. Finally here, if you were trying to size up the shape of the European Community 5 years from now, what would you say? Would you see membership for Finland, Sweden, Austria, Norway, Switzerland, Poland, Hungary? The Czech Republics? Slovakia? Are they all coming into the European Community.

Mr. OXMAN. I would say it is likely by the beginning of 1996, that the EFTA countries, Norway, Sweden, Finland and Austria, would have become members of the European Community.

Chairman HAMILTON. Switzerland?

Mr. OXMAN. Switzerland I am not so sure about in view of the domestic opinion on that issue in Switzerland. There will be an issue in Norway. As you know, there is strong feeling in Norway on both sides of this issue. They just had an election yesterday.

Chairman HAMILTON. Who won that election yesterday?

Mr. OXMAN. I believe the Labor Party which is the incumbent party.

Chairman HAMILTON. Prime Minister Brundtland's party?

Mr. OXMAN. I think they won the plurality of the votes.

Chairman HAMILTON. The plurality?

Mr. OXMAN. A plurality. There will be a continuation—as I understand it, I don't have the final numbers or a report, there will be a continuation of the coalition government.

Chairman HAMILTON. The other countries, Poland, the Czech Republic, Slovakia?

Mr. OXMAN. With respect to those countries, the EC has entered into association agreements with virtually all of them. I think the realistic prospect for full membership of those countries in the EC, if you ask most observers and involved people in Europe, would be that it would not be before the end of this century, probably into the next century that they would be full members of the EC. That is the best judgment I pick up from their governments in Europe.

Chairman HAMILTON. Where would you put Turkey in the scheme of things here?

Mr. OXMAN. Well, Turkey has a very strong interest in becoming a member of the EC. My personal judgment is I don't see that happening by any means as early as the EFTA countries in 1996.

Chairman HAMILTON. Would they come in before Poland, Hungary and the Czech Republic?

Mr. OXMAN. Hard to predict. I think it is a function of a lot of different factors; and I would hesitate to make a prediction on that.

Chairman HAMILTON. Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman. I want to welcome the Secretary to the hearing.

EC TRADE SUMMIT

What is the purpose of the special EC summit on trade proposed to take place a little later on this month? Is that being called to pressure the French into dropping a common community position on agriculture in the Blair House agreement? How do you explain the French insistence on that issue?

Mr. OXMAN. I think it is mainly being called to address the issue of GATT and the Blair House situation. I don't know whether it is being called to pressure the French or not. I know that the French

have the principal position on this. They are the main objectors, as you know, to the Blair House accord.

I know that the other European governments are very concerned about the situation, just like we, they do not wish to see the GATT round derailed. They know the importance that we attach to the Blair House agreements and to not opening the Blair House agreement.

So I think that that will be topic A at the meeting. How it will come out, I don't know. But this will be a very critical topic.

Mr. GILMAN. How is it the European Community cannot bring France along on this agreement?

Mr. OXMAN. Well, I think the ultimate outcome here none of us know yet. It may be that there will be agreement from the French on these issues. They have a particular situation with respect to their farmers and their agricultural sector which is causing very significant political stress in France of a kind that some of the other governments are not sensing.

Chairman HAMILTON. Will the gentleman yield?

Mr. GILMAN. Yes. I will be pleased to yield.

Chairman HAMILTON. To follow up on Mr. Gilman's questions, if the French insist on modification of the Blair House agreement, is GATT dead?

Mr. OXMAN. It seems that there is very serious risk of that, yes.

GATT DEADLINE

The GATT round includes agriculture. Agriculture is addressed in the Blair House agreement. We had an agreement on that a year ago. We do not want to see the Blair House agreement opened; and there is a very serious issue here. We need to come to an understanding on this. We need the Europeans to adhere to the agreement reached so we can proceed with the GATT round.

Chairman HAMILTON. You have a deadline out there, December 15?

Mr. OXMAN. That is correct.

Chairman HAMILTON. Of course, we have had a number of deadlines on GATT over a period of years. They have all slipped. Is this thing coming to a crunch this time, do you think?

Are we at a point now where GATT is going to sink or swim depending upon what happens on the Blair House agreement?

Mr. OXMAN. I think we are at a point where there are a lot of hard negotiations ahead to get a Uruguay round success; and one of the key issues in this picture is the Blair House agreement; and we do not agree to any reopening of the Blair House agreement.

So we are at a difficult point in the negotiations. There is time left. There will be hard negotiations ahead.

Chairman HAMILTON. Well, you know, if you go beyond December 15, you have to get approval by the Congress for fast track legislation. That is not going to be the easiest thing to do around here under the present views.

I think that date is a very, very important one. I know you understand that.

Mr. OXMAN. Yes, sir.

Chairman HAMILTON. Thank you, Mr. Gilman.

Mr. GILMAN. Mr. Chairman, thank you.

NATO SUMMIT

Secretary Oxman, at the NATO Foreign Ministers Meeting in Athens back in June, our Nation called for a special NATO summit to be convened at the end of the year. I think you now set a date for that summit for January 10, 1994.

What is the purpose of the special NATO summit? What issues are going to be on the agenda? What do we hope to accomplish by that special NATO summit?

Mr. OXMAN. We hope to be in a position to take decisions on the future security structure for Europe going into the next century.

I commented a bit on this in my opening remarks, but basically NATO is facing a new kind of threat, as it were. The old threat of a monolithic threat from the East, potential attack from the East, obviously NATO has to retain the capability to defend, but the new threats arise in the East from instabilities created by ethnic and regional rivalries.

NATO needs to be in a position to address that, to reach out to the East, to address those kinds of concerns. That is one thing that will be very important, a very important issue at the NATO summit to come to decisions on how to do that.

The second thing will be how to come to decisions on the whole question of the so-called European pillar of NATO, the European security and defense identity. We have specific ideas that we are working on, proposals that we will be making in that regard. For NATO, at the NATO summit, to address that issue, to make decisions with respect to the European role, we think is very, very important.

Those are, I would say, the principal issues. The question of the expansion of NATO, which I mentioned in my opening comments, we are looking very hard at that. We have no final decision internally on it; but President Yeltsin's comments recently in Poland and in the Czech Republic certainly have provoked a renewed look at that issue, as have the comments of expert observers and interested people here in the United States.

Mr. GILMAN. A number of critics of NATO have argued that if NATO couldn't stop the violence in Yugoslavia, how do we expect it to be a policing agent in any other problem areas, that if they can't resolve the Yugoslavian problem, NATO will die. How do you respond to that?

Mr. OXMAN. I think what NATO has been asked to do with respect to Yugoslavia, it has done quite well. I think to some degree, it is important to think about the specific issues. NATO has been asked to help enforce the no-fly zone. It is doing it. It is doing it very well.

NATO is cooperating in the Adriatic Sea with the WEU, with the naval blockades, to enforce the sanctions against Serbia. NATO is ready to provide close air support in the event that UNPROFOR troops are attacked. This was a decision taken in June at the meeting you mentioned.

NATO, pursuant to its decision in August, is ready to use air power in the event of the continued strangulation of Sarajevo and other areas in Bosnia. These are very important commitments and activities by NATO.

On the other hand, has NATO itself been able to solve the problem overall in Yugoslavia? No. There are a lot of lessons we can all learn from the Yugoslav situation. One of the key points I would make though, that gets back to Chairman Hamilton's question about the possible crisis of confidence in Europe, is I think, a mistake to jump to the conclusion that Yugoslavia and Bosnia are the paradigm or the precedent or the template for how things will unfold elsewhere in Europe.

A lot of mistakes have been made there, but there is no reason to conclude or become unduly pessimistic that this is the way it has to be. Indeed, part of what we are going to be talking about at the NATO summit is precisely aimed at how to better enable ourselves and position ourselves to deal with situations like this more effectively in the future.

So I think it is important to not let NATO take a bum rap for what has happened in Yugoslavia. NATO, after all, is an alliance of 16 nations. NATO does what this alliance of nations decides to do. The things that NATO has decided to do and been asked to do it has done pretty well so far in Yugoslavia.

Chairman HAMILTON. Will the gentleman yield again to me?

To pick up on Mr. Gilman's comment again, the argument has been made so often that because NATO cannot deal with Bosnia, NATO is dead. That is the question Mr. Gilman raised. What you are saying to us is that that is just not the case?

Mr. OXMAN. Absolutely not.

Mr. GILMAN. Thank you, Mr. Chairman.

Mr. Secretary, in a recent Foreign Affairs article, several analysts from the Rand Corporation argued that NATO's collective defense and NATO's security regions must be extended to the regions of future conflict in Europe which they identify as NATO's southern and eastern borders. In this article the dilemma is presented that NATO must go out of the area or it will go out of business.

Do you think that is a real problem facing NATO today?

What are your thoughts about their going out of area?

Mr. OXMAN. Well, I think the article in question was a very good article, very provocative. I think it goes way too far to say "NATO: out of area or out of business." NATO is already out of area. All that I just described in Yugoslavia that NATO is doing with real planes in the air, ships on the sea, this is real stuff happening, real preparation for carrying out the use of air power with very elaborate planning, exercising, all of that is really happening, that is out of area. That is out of area. That is happening.

I think we crossed the out of area issue in many ways. The out of area issue does raise domestic issues in certain countries in Europe. As you know, in Germany there is a constitutional issue as to what we can do out of area, as it were.

Although even with those issues in Germany, they are participating in these various NATO activities and in the air-drops, which is a non-NATO activity, nevertheless an important activity, the air-drops which we and others are carrying out.

So I think that that is a red herring, the out of area thing, in many ways.

Now if you are talking about NATO operating in Zaire or something, that is a different kettle of fish. I don't think that that is what the authors of that article were really addressing, however.

Mr. GILMAN. They are talking about the southern borders, its other borders, whether it should be extended further.

Mr. OXMAN. Yes. I think that that is an issue which has been addressed to some degree, the Yugoslav situation, and I think will continue to be addressed as to what else does out of area mean for NATO. I think it is a very live issue.

Mr. GILMAN. Thank you.

Thank you, Mr. Chairman.

Chairman HAMILTON. Mr. McCloskey.

Mr. MCCLOSKEY. Thank you very much, Mr. Chairman.

Mr. Oxman, good to see you again. I appreciate all your help and the information you have provided. There have been many previous meetings.

SITUATION IN BOSNIA

I think you know of our friendship, and I'm not trying to be contentious but I am not alone in the Congress in opposing this administrations Bosnia policy. It is a truly mind-boggling policy. Contrary to all basic U.N. principles that have been developed since World War II, this administration and the European powers have allowed the situation in Bosnia to deteriorate to the condition that it is now in.

This morning, I was visited by a young representative of the notorious and lively democratic opposition group in Serbia, the clandestine—or perhaps so clandestine—radio station, B-92. We ought to do more to support such groups.

This young man also got to the heart of the question I want to ask you more formally in a minute. He said there is a democratic opposition in Serbia, and that the West could do much more to support that. He said he could not believe that Milosevic has outsmarted the West and that the West is accepting a partition of Bosnia—in effect a Milosevic victory. He says his colleagues cannot believe that the West is sitting down and negotiating with these war criminals like they are respected governmental leaders.

He believes that, a year or two from now, the situation will get worse. I think we can speculate about this by looking at what is happening today in Croatia, Karlovac is being pounded this week. And we can see what is likely to be the fate of the Bosnians or, as people like to say, the Muslims in Bosnia. We can also see ongoing ethnic cleansing in Kosovo.

You can speculate in a moment as to how the situation will play itself out in Croatia, but I want to get on the record one thing as far as State Department policy and views are concerned: the dismemberment and the partition of Bosnia violates the U.N. charter, all the U.N. Security Council resolutions passed on Bosnia, the CSCE charter, and all our foreign policy principles since World War II. How do we reconcile these principles and commitments with the fact that we are prodding the Bosnians to accept a partition agreement?

Mr. OXMAN. We have felt and continue to feel that the best outcome in a very unsatisfactory context is a negotiated settlement.

We have made that view known to all the parties. We have urged them to come to an agreement that they can all accept.

We have not pressured the Bosnian government or the Bosnian Muslims into taking any particular position. We tried to be helpful to them. We made it clear to them that a negotiated solution is what we favor; that this conflict is not going to be resolved by outside military force; that there is not a consensus that military force should be used to coerce an agreement, but rather that the parties should do their best to come to an agreement, that we will do what we can to be helpful, that we have taken the position we have on implementation which I described in my remarks, and that is the way we see it.

We have also gone beyond that, Congressman, as you know. We have said we will take steps if the strangulation of Sarajevo and other areas were to continue. That initiative was premised on two objectives: one, the humanitarian objective, obviously; and secondly, in support of the negotiations. It was, as we said at the time, the use of air power in support of diplomacy because if those areas are strangled and overrun, then there would be a situation where there is nothing to negotiate; the bedrock or foundation for a negotiated settlement would be removed. All the Bosnian government would be faced with is a demand for capitulation.

So that is how we have viewed it. We are trying to be true to our obligations and do what we said we would do. I think we have done that on this policy. But we have also made it clear that we are not contemplating the use of American troops to go in to try and coerce or create a settlement.

Now we may have a difference of view on that. I think we may. But from that fact that we are not contemplating the introduction of American troops except after a peace settlement, a lot flows from that.

Mr. MCCLOSKEY. Steve, you admit there is military pressure from the Bosnian Serbs and the Serbs on the besieged Bosnians. We know that. An unnamed U.N. official was heard to say in a meeting a day or two ago that the shelling of civilians at Karlovac—where I met with Bosnian refugees, by the way—is a contravention of U.N. principles and a war crime.

The Serbs are shelling civilians now in Karlovac, yet these are the parties that we expect to uphold an agreement. You have said that, if the situation gets worse, the U.N. will move in and Boutros Ghali will, in effect, unleash the trigger.

In my own mind, I can't see anything that the Serbs could do that would actually trigger a definite response from us. Furthermore, Bosnian President Izetbegovic was here last week, talking to State officials and others. In essence, he was asking for, under this partition settlement, which they do not have any choice but to accept if any of Bosnia is to survive, a corridor to the sea. All they want is the means to be somehow functional as a state. They will never be whole, we all know that.

I don't hear a word from the administration, not even a peep, publicly or privately, saying that the Bosnians minimal territorial conditions are not unreasonable and that we will back the Bosnian government in seeking these corridors.

In effect, we are mandating their decimation.

Mr. OXMAN. Well, I would say, I met with President Izetbegovic as well last week. What we have said is we have very strongly urged the Serbs and Croats to show more flexibility in working on the adjustments, territorial adjustments being sought by President Izetbegovic in the specific areas you are talking about: the eastern corridor, the area near Bihac and the issue of access to the sea. We urged—we said to them—

Mr. MCCLOSKEY. You formally urged that?

Mr. OXMAN. We formally and very strongly urged that they show greater flexibility. What we have not done is take a specific position on specific map issues or specific territorial issues.

The reason goes back to what I said: this is not our negotiation. This is a negotiation for these parties. We are doing a lot. We are trying to be helpful. But we are not going to go in and try to take over the negotiation.

I think, though, by making it clear, we feel the Serbs and the Croats must show greater flexibility in working on these territorial adjustments being sought by the Bosnian government in their effort to achieve a more equitable agreement, we have said a lot there. I think we are trying to adhere to that approach.

Mr. MCCLOSKEY. Steve, maybe three quick questions. I appreciate the chairman's generosity.

As you know, since April, I have been trying to get an answer from State as to whether these activities by the Bosnian Serbs and Serbs constitute genocide. Will I get a reply on that today? Are they guilty of genocide, the systematic policy of extermination of members of a particular ethnic group?

Mr. OXMAN. I learned just today that you had not had your response. The first thing I will do when I get back to the Department is find out where that is, get you the response as soon as we possibly can.

[No response was received. The Department will respond directly to Mr. McCloskey.]

To give you my personal view, I think that acts tantamount to genocide have been committed. Whether it meets the technical definition of genocide, I think this is what the letter you are asking for needs to address. I think you are entitled to an answer.

Mr. MCCLOSKEY. The word tantamount floats about. I haven't looked it up in a dictionary. I am derelict on that. I guess I have subjective views on how to define it. I look forward to your reply.

How about Croatia? The Croats are blasting away at civilian structures in Karlovac, and yet we are dealing with these people like they are world leaders? What are we going to do about Croatia?

I understand we have Ambassador Galbraith on the ground. He has been very well received by the Croatian people and has visited sites the Serbs have shelled. We know the Croatian leadership has had their own problems and crimes to account for in the last several months. What were we doing about this situation?

I understand that Scud missiles have rained down on Zagreb and that the Serbs have released a list of 50 potential targets in Croatia. We are negotiating with these people and are pretending there is a peace coming.

Mr. OXMAN. The situation that you refer to is very, very troubling. It has cropped up and gotten much worse in the last few days. It arose in connection with activity whereby the Croatian Army took over several villages, which they claimed, though, they did in response to provocations. I don't know who is to blame there, but as a result of that, the Croatian Serb forces are shelling, as you point out; and it was not, I think, a Scud missile, but a Frog missile. A missile is a missile. It does a lot of damage.

This dispute holds out the potential to dwarf the situation that we have been talking about in Bosnia. We, as well as the U.N. Security Council yesterday afternoon, I believe, have called for a cessation of the hostilities. We are looking at the situation on an hour-to-hour basis. We are very concerned about it.

We also think it—as I mentioned to you earlier before the hearing—points out the importance of not letting this situation derail the effort to achieve an agreement with respect to Bosnia. We think it is important to achieve a settlement there. And there is a risk that this new development could derail that. We want to do what we can to forestall that.

With respect to Karlovac, I want to mention a point of clarification. You asked earlier about the use of air power against that. The decision taken in NATO about the use of air power only pertains to Bosnia. It was not implicated by the situation in Croatia.

Mr. McCLOSKEY. Thank you. I don't think I got an answer.

Mr. OXMAN. I may have misunderstood it.

Mr. McCLOSKEY. What is the truth about enforcement of the no-fly zone? Helicopters have been going up and down Mt. Igman. As I understand it, there has been almost no enforcement.

Mr. OXMAN. There has been enforcement. There have been violations as well. Most of the violations, as I understand it, are from rotary wing aircraft, helicopters, so forth, which are capable of very short span, low altitude flights and, therefore, quite difficult to react against with the use of air power.

The use of fixed wing aircraft, the no-fly zone has been very effective in deterring that. But I would be happy to get you facts.

[The information follows:]

Militarily, NFZ enforcement has been extremely effective. Air-to-ground combat activity has not been observed, and there is no indication that the violator flights are conducting combat logistical operations. They appear instead to be transporting limited numbers of personnel, in numbers too few to be of military significance. Moreover, the Bosnian Government often flies white helicopters marked with a red cross and carrying passengers dressed in civilian clothes.

From a technical point of view, enforcement also has been effective. Although several hundred violations have occurred, most were by rotary-wing aircraft (*i.e.* helicopters), which are difficult to detect because their flights are of short duration and they tend to fly very low, slowly, and in mountainous terrain. Consequently, they can complete their missions after being detected but before being intercepted.

In addition, the violators have learned the limits of our rules of engagement (ROE) and have become adept at playing cat-and-mouse games with the interceptors. When intercepted, the violator heeds the warning to land but waits until the interceptors depart to continue his flight.

Consideration has been given to strengthening the ROE to enforce the No-Fly Zone more aggressively. However, the ongoing violations are basically militarily insignificant and the ROE have not been changed.

Mr. McCLOSKEY. Thank you very much, Mr. Secretary.
Thank you, Mr. Chairman.

UNPROFOR TROOPS

Chairman HAMILTON. Mr. Secretary, to pick up on this UNPROFOR in Croatia, there have been reports from the commanders on the ground, the U.N. peacekeeping force commanders on the ground in Croatia, that they feel they are wasting their time. That is a direct quote. The forces should be withdrawn.

Now the administration's position on the continuation of UNPROFOR in Croatia is what? It should continue?

Mr. OXMAN. Yes.

Chairman HAMILTON. They have another date coming up, expiration date at the end of this month?

Mr. OXMAN. That's correct.

Chairman HAMILTON. We are urging the Croatian government to accept them?

Mr. OXMAN. Yes.

Chairman HAMILTON. OK.

I wanted to pick up on the implementation comment you made in your statement, the United States will be prepared in a manner consistent with their constitutional processes to participate in implementation as part of a NATO operation. Of course that is conditioned on a viable settlement with all three sides participating.

Do you believe at this point that the Bosnian government will sign a—the peace accords if the three territorial demands are met?

Mr. OXMAN. I believe if their requests on those issues were fully met, yes, they would sign. That would be my judgment.

U.S. GROUND FORCES

Chairman HAMILTON. We, under that circumstance, are prepared then to commit American forces on the ground to help implement the plan?

Mr. OXMAN. We will want to see the final deal, first. We have done some contingency looking at this, but until there is a final deal, it is impossible to make a final judgment; but once we review the final plan, assuming we conclude it is viable, has enforcement provisions, that the parties themselves show their good faith by starting to implement it, and provided those criteria are met, we would seek and welcome the support of the Congress for U.S. participation in the implementation as part of a NATO operation.

Chairman HAMILTON. In that contingency planning you mentioned, how many troops on the ground would be necessary, totally, to carryout, to implement the plan?

Mr. OXMAN. I have not been involved in contingency planning. I think Secretary Aspin made comments about this over the weekend. I would like to defer to what he said. That was referring to contingency planning because we still do not have a final agreement.

Chairman HAMILTON. Well, he was talking about a total of 50,000 troops, you will recall.

Mr. OXMAN. Yes.

Chairman HAMILTON. Half of them from the United States, I think he said. What is he doing, anyway? Is he saying that we are going to put 25,000 troops on the ground? He seems to be talking that way in the press.

Mr. OXMAN. I don't want to speak for him, but I think he was most likely referring to the contingency work that was going on which would contemplate that less than half, less than half of whatever the ultimate force would be would be American.

Chairman HAMILTON. Do I understand correctly that at the present time we, the United States, have not committed to put any troops on the ground in the implementation of the plan?

Mr. OXMAN. That is correct.

Chairman HAMILTON. We have never said that we will put troops on the ground to implement the plan? We have only said we would consider it, I guess? Is that about correct?

Mr. OXMAN. He has said that we would participate subject to the conditions that I mentioned which require that we first see the agreement, make a judgment as to its viability, et cetera.

Chairman HAMILTON. Now if this plan were to be signed in the next few days or whenever, it would be important to get those troops on the ground very quickly, would it not? Time will be of the essence under that circumstance?

Mr. OXMAN. I think time will be very important. There will be, of course, the reporting of any agreement from the negotiators and the negotiations to the U.N. Security Council and the U.N. Security Council will be asked to endorse it; so this will take some days.

Chairman HAMILTON. Will the Russians participate in this?

Mr. OXMAN. The Russians, as a member of the Security Council would have a—

Chairman HAMILTON. Would they put troops on the ground?

Mr. OXMAN. They have indicated they might. We do not have a final word from them on that.

Chairman HAMILTON. How about the Europeans?

Mr. OXMAN. They certainly have indicated they will consider that. Yes.

Chairman HAMILTON. Now at what point in all of this process do you come to the Congress?

Mr. OXMAN. We have already, as you know, Mr. Chairman, been consulting with people in Congress, starting I think in mid-August with talking this through, trying to make clear the directions they might take. This was especially true as it looked like they might come to an agreement 10 days ago or 14 days ago. As you know, the negotiation did not succeed at that time.

We have already started a process of consultation. We want to continue that process continuously as we move into the days ahead and as, hopefully, an agreement comes within sight. Once we have an agreement, and we know exactly what is in it if we have an agreement, then we will be in a better position to consult in even greater detail with the Congress. But we are committed doing that.

Chairman HAMILTON. You are aware, of course, Congress is not going to swallow that proposal very easily. It is going to take a hard push and a lot of persuasion by you and others. I presume you are aware of that?

Mr. OXMAN. We are aware we need to develop support for this on the Hill; yes, sir.

Chairman HAMILTON. Suppose the Congress would not approve it? What would then happen? Or to put the question another way,

is U.S. participation essential to the successful implementation of a peace plan?

Mr. OXMAN. My judgment is that U.S. participation, if there is a peace plan and there is a sizable implementation force needed, to make that work U.S. participation will be essential.

Chairman HAMILTON. On the ground?

Mr. OXMAN. And very probably on the ground.

But the President has made clear the fundamental importance is having support from Congress for this course of action. That is also very essential.

Chairman HAMILTON. Yes.

MACEDONIA

OK. Let me go to the Macedonia situation.

As you know, there are a lot of questions here in this institution, the Congress, about Macedonia. The administration has emphasized, you emphasized in your statement, the necessity of containing the conflict and not letting it spill beyond the present boundaries of Bosnia. I think at some point the Secretary of State may even have described the containment of this conflict as a vital American interest.

Both Presidents Bush and Clinton have advised the Serbian President, Mr. Milosevic, that we would respond to aggressive actions by Serbia if it gets to Macedonia or Kosovo. Now if those actions were to occur, does that mean that we are prepared to take unilateral U.S. military action? Or are we talking about in that circumstance only NATO action or U.N. action?

Mr. OXMAN. With respect to the warnings that we have issued, they were warnings by the United States as to the situation in Kosovo. We talked about this before, that the United States would be prepared to respond in the event of Serb-inspired conflict in Kosovo.

That is not to say or to rule out by any means participation by NATO; but that particular warning was issued by the United States.

Chairman HAMILTON. So that would mean unilateral U.S. action is possible under those circumstances?

Mr. OXMAN. That is correct.

Chairman HAMILTON. Would that unilateral action include, for example, air strikes against Serbia proper?

Mr. OXMAN. Mr. Chairman, I'd rather not speculate in an open hearing as to what the indications of that might be in terms of actual target.

Chairman HAMILTON. What kind of Serb actions could trigger U.S. retaliation?

Mr. OXMAN. With respect to Kosovo? Yes.

Chairman HAMILTON. Or Macedonia? Kosovo?

Mr. OXMAN. Yes.

Chairman HAMILTON. I guess the warning was confined to Kosovo, wasn't it?

Mr. OXMAN. That is correct. That is correct.

Chairman HAMILTON. Yes.

Mr. OXMAN. Although in the Joint Action Program of May 22, we, along with our allies, made it clear we would also regard any aggression against Macedonia as a very grave matter.

Chairman HAMILTON. OK. We have 315 troops in Macedonia, have we not?

Mr. OXMAN. Approximately; yes, sir.

Chairman HAMILTON. What is their mission? Can you state that as accurately as you can for us?

Mr. OXMAN. Their mission is to serve as an augmentation of the UNPROFOR presence, the Nordic UNPROFOR presence in Macedonia; to monitor the border; to give confidence by the sheer presence; and also the fact that the U.S. forces are there, albeit as part of a UNPROFOR operation, we think is of very great symbolic significance.

It says something, when you put the troops there, as to the seriousness with which you take the risk of spillover and the determination to prevent spillover.

Chairman HAMILTON. Do we have any plans to augment that number?

Mr. OXMAN. We have no current plans to augment the U.S. reinforced company that is currently a part of the UNPROFOR in Macedonia.

Chairman HAMILTON. Are they there as a deterrent?

Mr. OXMAN. I suppose you could use that phrase, to the extent I mentioned the symbolic importance. I think you could characterize it that way as well, Mr. Chairman.

Chairman HAMILTON. Now that is a pretty leaky border, isn't it, in terms of the sanctions?

Mr. OXMAN. It has been a very leaky border. I am very pleased to say that in the last 14 days, that situation along that border in terms of sanction violations has changed very dramatically.

The Macedonian government has now provided personnel to man, and very effectively man so far as we can tell, the various border crossings; the flow of goods has been materially reduced; and it is one of the really bright spots in the tightening of the sanctions enforcement over the last 2 weeks.

Chairman HAMILTON. We just had a staff delegation out there. They went out to one particular crossing and saw 85 trucks lined up waiting to go across that border as soon as our staff delegation left. Some of those trucks were oil tankers.

Now you indicate that you are encouraged by some recent developments. Have those developments occurred just in the past few days?

Mr. OXMAN. That is correct, Mr. Chairman.

Chairman HAMILTON. If that staff delegation went out there again, they wouldn't find 85 trucks lined up?

Mr. OXMAN. They would not have found them lined up over the last 10 days. We certainly hope we are not seeing a temporary phenomenon.

But the reports from both UNPROFOR and the sanctions assistance mission monitors that we have received, and that we know to be accurate, show a dramatic drop in traffic across Macedonia's border with Serbia. And the sanctions assistance monitors are now

reporting unprecedented cooperation with Macedonian customs and police officers on sanctions enforcement.

We are very encouraged, I must say. So is the international community. It is not just the United States.

Macedonia, as you know, has an economy which is integrated to some degree, to some significant degree, with the Serbian economy. It is not easy for them to enforce sanctions; but they have taken the decision, it would appear, to fundamentally improve their sanctions enforcement.

This was the single biggest leak up until now. This was the single biggest leak in the sanctions regime. This is a significant development.

Chairman HAMILTON. Do you have reason to think Serbia will come charging across the Macedonian border?

Mr. OXMAN. I have seen no indication of that. I have no reason to believe that; no, sir.

Chairman HAMILTON. Are there any active troop movements or anything of that sort by the Serbs which would suggest that?

Mr. OXMAN. None that I have seen reported.

Chairman HAMILTON. If you look at the threats to Macedonia, are the threats external, that is, invasion by Serbia, or the internal problems that we have heard? Which of the two is the greater threat?

Mr. OXMAN. My judgment is the greatest threat is from an upsurge of violence in Kosovo which would lead to refugee flows affecting Macedonia and affecting Albania. I think that is the biggest risk I have seen, which is one of the reasons we have been so strong on this issue of doing what we can to forestall an upsurge in conflict in Kosovo.

Chairman HAMILTON. The Serbs could prompt that, could they not?

Mr. OXMAN. Yes, they could.

Chairman HAMILTON. And then there have been internal stresses in the Macedonian government in the past few days, I believe, also, have there not?

Mr. OXMAN. I think there is a good deal of political activity in Macedonia as to the members of the coalition.

Chairman HAMILTON. Are we doing anything to try to help Macedonia overcome some of its fragility here? We have the monitors there obviously; but are we doing anything else for Macedonia?

Mr. OXMAN. Yes. We have an AID program for Macedonia. I don't have the details with me, but it is approximately in the range of \$10 million. We have, as you may know, Mr. Chairman, announced we are opening a liaison office in Skopje in the former Yugoslav Republic of Macedonia.

Chairman HAMILTON. Are any of the AID programs on line? That is, are the checks being delivered?

Mr. OXMAN. I think some of them are on line, but not all.

Chairman HAMILTON. Let us know about that, would you please?

Mr. OXMAN. I would be happy to.

Chairman HAMILTON. That will be second after the first thing you do when you get back to your office.

[The information follows:]

We have completed or have on line \$13,070,752 in assistance to the former Yugoslav Republic of Macedonia, out of a total of \$13,887,752 in funds obligated in fiscal year 1992 and fiscal year 1993. This includes food aid, medical supplies and other equipment, and technical assistance.

Further detail is provided in the chart that appears in the appendix.

RECOGNITION OF MACEDONIA

Chairman HAMILTON. Are we moving toward recognition of Macedonia?

Mr. OXMAN. We are watching the negotiations between Greece and the former Yugoslav Republic of Macedonia to see if they can resolve their differences, which seem to be coming down to the name issue.

We are prepared to support whatever the parties are able to decide. We have not moved forward on recognition, pending the outcome of those negotiations.

We have, as you know, voted to admit the former Yugoslav Republic into the United Nations. That does not constitute recognition under U.S. law.

We have opened or announced our intention to open a liaison office in Skopje. That does not constitute recognition under U.S. law.

Chairman HAMILTON. Is this name issue likely to be determined prior to the results of the Greek election?

Mr. OXMAN. My personal judgment is no.

Chairman HAMILTON. When is that election?

Mr. OXMAN. I think October 10 is the current date.

Chairman HAMILTON. Now, there is a U.N. report supposed to come out on this name issue on September 20. At least I have been informed of that. Do you know anything about that report?

Mr. OXMAN. I know the planning has been for a report about the 20th; I think I heard the 28th. Mr. Vance is very much involved in that process and acting as the U.N. mediator.

Whether the new factor of the Greek elections which we all learned about last week will affect that timing, I don't know but I would not be surprised if it does.

Chairman HAMILTON. It is likely that that name issue is not going to be resolved at least until after those Greek elections? Is that your impression?

Mr. OXMAN. That is my impression, yes.

Chairman HAMILTON. Let me spend a moment on the Greek election. Then I will go to Mr. McCloskey.

Is the tendency now in Greece to move toward a political climate of greater nationalism and greater volatility?

Mr. OXMAN. I think Greece is entering an election campaign. In election campaigns, a lot of things will be said and done which are probably not the best indicator of where things will ultimately turn out. But I would be very surprised if in this election campaign the issue of Macedonia were not one of the significant issues being discussed and to the extent that that might give rise to nationalistic elements or nationalistic debate, it would not surprise me.

Chairman HAMILTON. Do you think the likely outcome is a socialist victory in Greece?

Mr. OXMAN. I hesitate to speculate. I think the current polls show a rather close race with the Socialists somewhat ahead in the current polls.

Chairman HAMILTON. If the Socialists were to win, what are the implications of that, for the United States?

Mr. OXMAN. Well, we would have to see how they would conduct their policies. When—in their prior term in office, the U.S. relationship with Greece, there were many challenges to the relationship. I would say we were able to deal with them but it was a challenging situation along many dimensions.

If they were to win and come forward with policies, we would assess those policies on their merits and try to continue a good, warm relationship with Greece.

Chairman HAMILTON. Mr. McCloskey.

Mr. MCCLOSKEY. Thank you very much, Mr. Chairman. I will be very brief.

Just in passing, Mr. Secretary, I want to say I appreciate the chairman's raising concerns about Macedonia. I think that, along with Bosnia, the Macedonians have been the least culpable, most innocent parties in all of this. You know the political and economic constraints they are operating under, yet the United States still has not granted them diplomatic recognition. In addition to the difficulties this presents to the Macedonians, it reflects badly on our integrity as a major democratic power.

Back to the young man from Belgrade who came to my office this morning. He put me in mind of Deitrich Bonhoffer. It takes immense courage to oppose someone like Milosevic and, publicly or privately, to do something like call for the bombing of your own country. I am not saying for the record he called for that but he says, since the West is obviously not going to bomb Serbia that leaves only sanctions. He says sanctions are problematic. They are not working.

Milosevic controls the nationwide media in Serbia, so the only information available in the country comes from his media organs in Belgrade. In essence, there has been very little support for the truly heroic democratic opposition, including opposition media groups such as B-92 radio, which appeals primarily to young people aged 18 to 30.

Are we going to have a plan to get going with this? Do we have a plan to support these groups and help Serbians be more informed on a uniform and national basis?

Mr. OXMAN. I am sorry I didn't get to that question before. I missed it. I appreciate your raising it again.

We fully support the objective of getting information to and supporting freedom of information in Serbia. There is no difference at all. We think that that is a very laudable objective.

The USIA has increased its broadcasting into Serbia pretty significantly. It is now to the point I believe of 30 hours per week in Serbian, Croatian and Albanian languages. They have increased the strength of their transmitters. We have tried to assist the media in Serbia. As you may recall, we provided a large transmitter to help the TV station. Unfortunately, when the transmitter got to the country, it was hijacked and stolen. We think we know why.

So while our basic concern there is we want be sure that whatever we provide reaches the intended recipients—and that is not easy to do in Serbia—we have been bringing individual Serb journalists to the West for visits and training. We think this is helpful.

And we share the objective, I think, that lies under your question, Congressman; but it will be challenging to achieve it. We want to try to achieve that objective though.

Mr. MCCLOSKEY. Maybe we can talk about this again, Steve, but I understand Senator Lugar has at least discussed—and I don't know how far along his proposal is—a waiver of the sanctions for aid to such groups. Would State possibly consider such a move?

Mr. OXMAN. I would like to look at that. My understanding—I checked a little after we spoke—is that assistance to the media is allowed under the current sanctions regime. There may be some factual issue here I am not aware of. I would like to understand that better and look at it very sympathetically. As I say, the objective is an important one.

Mr. MCCLOSKEY. It is a very important area to maximize efforts. This young man said people get the truth; they turn anti-Milosevic in a hurry. The question is getting it to them.

Thank you, Mr. Chairman.

Chairman HAMILTON. Let's turn to the eastern Mediterranean for a little bit.

TURKEY

I want to get your general sense of Turkey. I think we have the Prime Minister coming to visit here soon, do we not?

Mr. OXMAN. Yes, sir. I think her visit is now scheduled for October 15.

Chairman HAMILTON. Give me just a sense of how you look at Turkey today, as a result of dramatic changes in the cold war, all the rest of it. Has the importance of Turkey diminished?

Mr. OXMAN. Not at all. I think Turkey is very, very important to U.S. foreign policy. I would not say its importance has diminished.

Turkey is a key actor with respect to a number of things that we have a strong interest in, not just Cyprus, obviously, but also Operation Provide Comfort vis-a-vis Iraq; the whole question of the evolving situation in Central Asia and the Transcaucasus; and the whole question of the Balkans where Turkey has obviously a strong interest. Turkey is a member of NATO, a very important ally.

Turkey is the largest and I would say the most important secular, modern Islamic democracy in the world. That is very important in and of itself. They have a tremendous amount to contribute to stability in their region and in the world because of the factors I mentioned.

Chairman HAMILTON. The Secretary spoke about an expanded partnership with Turkey. What does he mean by that in specific terms?

Mr. OXMAN. What we have in mind is the fact that over time, our relationship with Turkey will have less of a security dimension and more of an economic and political dimension. We provide very significant security assistance to Turkey; but it is less now than it was some time ago. And we think especially in this post-cold war world, it is important that our relationship with Turkey put ever greater emphasis on the economic and political sides of the relationship.

Toward that end, for example, we will be reconvening the U.S.-Turkish Joint Economic Commission.

Chairman HAMILTON. Are you going to expand transfers of excess defense equipment?

Mr. OXMAN. I don't think any judgment has been made on that. I think that that is addressed on a case-by-case basis, Mr. Chairman.

Chairman HAMILTON. Is there a multiyear plan with regard to the transfer of excess defense equipment to Turkey?

Mr. OXMAN. Not that I am aware of. I am aware of the proposal and the plan for this year, but I don't know about multiyear. I would have to look at that.

Chairman HAMILTON. All right. That will be the third item when you get back.

Mr. OXMAN. All right.

[The information follows:]

We do not have a multiyear EDA transfer plan for Turkey. We are able to do some limited advance planning for major items such as aircraft and ships because of the longer lead time provided by the military services releasing them. However, most items come into the EDA system with less than a year of notice, as U.S. forces are reduced. Budgetary reductions have come so rapidly that minor equipment and even some major equipment becomes available at very short notice. Once an item is declared excess and is available for transfer, it must be disposed of quickly to avoid storage and maintenance costs.

The new partnership with Turkey announced by Secretary Christopher covers a wide range of areas. Our principal focus is the enhancement of political, trade, and investment relations rather than defense ties. Security cooperation nonetheless remains an important element of the relationship. The transfer of EDA to Turkey helps bring the mobility and technological sophistication of Turkish forces in line with the standards of other NATO Allies. We therefore plan to continue providing EDA to Turkey in accordance with relevant statutory authorities as it becomes available and meets legitimate Turkish needs.

HUMAN RIGHTS IN TURKEY

Chairman HAMILTON. Human rights. We have had problems on human rights with Turkey. That has been a major point of concern of President Clinton, of course, and his articulation of foreign policy.

Are we now engaged with the Turks in some kind of a joint effort to improve the human rights situation in that country?

Mr. OXMAN. Yes, we are. We have been in discussions with the Turkish Government concerning the human rights situation and I don't mean to say just—want to say we have been, we have been, but over time this has been an issue that has been discussed.

What I think is particularly significant, Mr. Chairman, is that the Turkish Government is very willing and open about discussing the human rights situation.

Chairman HAMILTON. Have they bought into this joint strategy idea?

Mr. OXMAN. They have received it—I would say they received it positively. I don't think they have agreed to each and every aspect of it. The new government in Turkey has only been in office a couple of months, 2 or 3 months now, but I have been encouraged by the receptiveness that they have shown, the openness they have shown, the willingness to engage and discuss the specific concerns we have.

Chairman HAMILTON. This strategy has yardsticks, doesn't it, for measuring improvements and even timetables for action to be taken?

Mr. OXMAN. Some parts of it do, yes, Mr. Chairman.

Chairman HAMILTON. Have they bought on to that yet?

Mr. OXMAN. I don't think they have specifically bought on to that. I think that is something we are still discussing.

Chairman HAMILTON. Give me some timeframe on those discussions, would you, as to when they will come to conclusion?

Mr. OXMAN. I think we will—I think the first—I want to stress there has been a positive attitude toward this and that is important.

Secondly, it is a process that we have—I hate to say that there is an end to this road. There is a process that has been begun of discussion of particular human rights issues and ways to gauge progress and developments.

I think we will know pretty well by the end of this year whether this, taking a first kind of assessment look at whether the strategy we have been discussing with them, the ideas we have had have been positive and have led to improvements.

Then I think we need to not just stop there. I think it is an ongoing process.

Chairman HAMILTON. We are very interested in that. I hope you will keep us fully informed.

Mr. OXMAN. I will be happy to.

SOUTHEASTERN TURKEY

Chairman HAMILTON. In the situation in the southeastern part of the country, they have had an acceleration of fighting there recently. What I want to do is get a sense of do you think that that situation is getting out of control in Turkey? Is the Prime Minister and the political leadership of Turkey in control of the situation in the Southeast? Or is it getting out of control?

Mr. OXMAN. I don't think it is getting out of control, but I don't think it is getting better. Indeed, I think it has gotten worse. It is one of the most serious issues facing Turkey and it raises some of the most serious human rights dilemmas at the same time.

Shortly before she took office, Prime Minister Ciller proposed an initiative to enhance Kurdish political and human rights, but the status of that initiative remains unclear in part due to this increase in terrorist activity.

Chairman HAMILTON. Is she giving a free hand to the Turkish military to do whatever they want to do in the Southeast?

Mr. OXMAN. I know she is putting emphasis on addressing the problem militarily. I don't think I would characterize it necessarily as giving a free hand. I don't know the details of her instructions to the military but there is a great emphasis on addressing this issue militarily.

Chairman HAMILTON. They had at the end of last year a very extensive military effort in southeast Turkey; and then you have had since that time an upsurge in the PKK activities following that extensive military campaign; and my sense is that in the last few weeks, violence has risen sharply there.

I just am not clear exactly what is happening, but perhaps you could look into that and give us your evaluation of it. Would you do that, please?

Mr. OXMAN. I would be happy to.

[The information was submitted in a classified letter from Assistant Secretary of State Wendy Sherman to Chairman Hamilton dated October 12, 1993 and is retained in the subcommittee file.]

KURDS

Chairman HAMILTON. We have seen reports about the Kurdish problem there being so serious that it is a threat to Turkish stability and to Turkish democracy. I gather from what you have said I do not think it is that serious?

Mr. OXMAN. I think it is a very serious problem. It is a problem that has to be addressed. They have a serious terrorist insurgency and a lot of innocent people are dying and have died.

Chairman HAMILTON. Does it threaten the stability of the country?

Mr. OXMAN. My judgment is that it is not threatening the stability of the country. Turkey is a very large country, a very strong—has a very strong military, a strong economy. My judgment would be that it is not threatening the—

Chairman HAMILTON. Is U.S. military equipment, including those excess defense items, being used by Turkey to attack the Kurds in the Southeast?

Mr. OXMAN. I don't know the facts on that, but I think U.S. equipment, which is made available to the Turkish military, is not under restriction as to where they can use it. I would have to look at the facts.

Chairman HAMILTON. We supply that equipment for defensive purposes. It is not to be applied, I think, for emergencies against civilian populations within a country; is that correct? Isn't that the law?

Mr. OXMAN. I believe that is correct.

Chairman HAMILTON. Is that being enforced?

Mr. OXMAN. I believe it is being enforced, but I am not sure—I cannot tell you that the—whether the excess defense articles that you are referring to are not stationed in that part of the country. I would have to look at that and whether they were utilized in some fashion. I would have to look at that, Mr. Chairman.

Chairman HAMILTON. When we get the reports from the Defense Department about the excess transfer of equipment to Turkey, one of the reasons they provide for supplying the excess defense equipment is to put—to be used in the southeastern part of the country. Now they have been quite open about that. And this is a matter of some concern to me and I think to other Members of the committee.

I would like for you to give us a fairly careful, detailed report on your judgment as to what is happening in the Southeast and how Turkey is dealing with it; but we are directly concerned about the use of U.S. defense equipment to put down a civilian population uprising. It is my understanding that that equipment can only be used for defensive purposes, that it does not apply to situations where you are dealing with a civilian population.

If I am incorrect in that assumption, I would like to know that.
OK?

Mr. OXMAN. I would be happy to look at that.
[The information follows:]

The primary goal of EDA transfers is to strengthen Turkey's external defenses. Some of the EDA (e.g. Cobra helicopters) can be used to combat the terrorist PKK separatist campaign in southeastern Turkey. We have told the Turks that there must be a political solution to the Kurdish problem, but we should remember that they face a real need to combat PKK terrorism. They should not, of course, abuse human rights in their self-defense against terrorists.

As far as we can ascertain, the only lethal EDA equipment currently in use in the Southeast is the Cobra helicopter. Some of the Cobras transferred in 1992 may have been used in operations against the mountain camps of PKK terrorists. We are not aware of any use of Cobra helicopters against unarmed civilians. Helsinki Watch has reported allegations that helicopters have been used to attack civilians. However, these allegations have not been substantiated, and do not in any event specifically refer to Cobras.

We are in the process of transferring another 22 Cobras and have proposed the transfer of 27 more. We also propose the transfer of 50 A-10 aircraft. A-10's are primarily intended to attack mechanized formations. The Turkish General Staff might use the aircraft to attack PKK guerrilla camps, although they are not optimal for that purpose.

The Government of Turkey has agreed to all restrictions on EDA transfers. Under these restrictions, Turkey will use the equipment only for defense modernization; the USG will approve disposition of the materiel when Turkey no longer needs it; and net proceeds from any sale will be paid to the USG.

The USG monitors the use of EDA equipment through reports from our military and diplomatic representatives in Turkey, as well as from the press and nongovernmental organizations. We also monitor use through Turkish requests for maintenance and spare parts through supply channels.

Chairman HAMILTON. Maybe Mr. Gilman will get us to Cyprus.

CYPRUS

Mr. GILMAN. Thank you, Mr. Chairman. I would like to get to Cyprus, having just returned from Cyprus recently.

Mr. Secretary, can you tell us what the latest is on the negotiations on Cyprus? We understand that U.N. Secretary Boutros-Ghali and President Clinton in his last report to the Congress asked the Turkish Government to use its influence to convince the Turkish Cypriot leadership to accept the confidence-building measure, the image offered by the U.N. in direct talks earlier this year.

What has been the response of the Turkish Government to all of that?

Mr. OXMAN. The Turkish Government has assured us of its support for the confidence-building measures, and prior to June, they made a public statement to that effect. We have urged the Turks to reiterate their public expression of support because we are very interested and positive about these confidence-building measures ourselves. In particular, the proposal or the part of those measures which would involve the city of Varosha and Nicosia airport.

The Turks, as I say, before June made a public statement they support this. Now, in June, unfortunately, Mr. Denktash did not come back to New York as he said he would to continue the discussions with President Clerides on this issue. It looked as though progress was being made and suddenly there was a stoppage.

Mr. GILMAN. That has been the history of these negotiations?

Mr. OXMAN. Absolutely.

Mr. GILMAN. Any time anything happens, Mr. Denktash backs away.

Mr. OXMAN. When I was in the State Department in the 1970's, we had this situation. Here it is, 1993. We think the parties involved have to show the political will to solve this.

Mr. GILMAN. Is there really a determination by the Turkish Cypriots to resolve this issue? Do they prefer to let this linger on and on?

Mr. OXMAN. I think it is unclear what their determination is. They, incidentally, will be having elections in the Turkish Cypriot portion of the island. Maybe these elections will clarify what the real position of their representatives is. But it is, I would say, very frustrating to deal with a situation where you think you have an undertaking, and you are making progress toward what could be a very substantial breakthrough; and at the last minute, there is a change of heart, a change of instructions, a change which leads to the whole thing being put on ice.

So we really do look to the Turkish Cypriots to clarify and come forward much more positively on this. We look to the Governments of Turkey and Greece to do all they can to exercise the political will necessary for solution.

Mr. GILMAN. We were pleased to see that Joe Clark was appointed the U.N. envoy for all of this. We are hoping he will put teeth into these efforts.

What happened following the August 26 meeting between Joe Clark and administration officials? What was the result of that meeting and what are the next steps the U.N. is considering to energe the negotiations?

Mr. OXMAN. That was a very good meeting. I was away myself but I had a report of it from my colleagues. We certainly welcome his participation. I agree with your assessment as to Mr. Clark.

The upshot is that the next step in this is really back at the U.N. later this month; and there will be activity in the Security Council, as I understand it, looking at what kind of resolution the Security Council should pass, in view of the fact that there has not been progress on these confidence-building measures.

I think an important factor in the mix affecting what the timing will be these elections I mentioned in—

Mr. GILMAN. Do we have any recommendations to the Security Council to try to break the deadlock?

Mr. OXMAN. We do not have any specific recommendations beyond what I have said, which is that we think these measures ought to be agreed to. We think that the Turkish Cypriots need to show greater flexibility and be more forthcoming and not change their position when it looks as though we made a lot of progress and a lot of people relied on the positions they were taking in the course of the discussion, and we also think the other parties involved need to really show the political will necessary to get a settlement.

Mr. GILMAN. Who is our negotiator now?

Mr. OXMAN. For the United States, the Special Cyprus Coordinator is Ambassador Jack Maresca. He is not a negotiator as such. He is a special coordinator. He is very close to and follows very closely the U.N. negotiating efforts.

Mr. GILMAN. Is he full-time on the Cyprus issue? Does he have other responsibilities?

Mr. OXMAN. He also follows the Nagorno-Karabakh issue. He is not full-time. I have had discussions with Chairman Hamilton and others, perhaps you, Congressman, as well, as to our plan of having a full-time Cyprus coordinator in the future.

Mr. GILMAN. I think that would be helpful. I hope it would be done with a lot of clout. That would be helpful.

I was at a conference in Cyprus a few weeks ago and I was told that American Greek Cypriots are not permitted to cross the demarcation line. I hope you take a look at that aspect. A lot of them have emotional ties, would like to go, visit their former home, see some of the relations still on the other side, but they are denied access. I hope you will take a look at all of that.

Mr. OXMAN. I was not aware of that. I will look at that and get back to you on it.

[The information follows:]

Greek Cypriots are not routinely permitted to cross the "border" into northern Cyprus, nor are Turkish Cypriots permitted to enter the South. The Turkish Cypriot authorities allow all U.S. citizens free access to the North. In the past, U.S. citizens with Greek surnames were not permitted by Turkish Cypriots to enter the North. Our Ambassador raised this issue directly with the Turkish Cypriot "Prime Minister" in January, and since that time our Embassy has not had any complaints. We would be pleased to investigate if there are any specific complaints since that time.

In addition, the Greek Cypriot side will not allow Americans who go to the North and remain overnight to return to the South.

HUNGARY

Mr. GILMAN. I want to ask you a bit about Hungary, if I could. The ruling party, the Hungarian Democratic Forum, has been split by the nationalist, anti-Semitic rhetoric of one of its leading members, Istvan Csurka, who has been forced out of the party and now has formed a new one on his own.

How strong is that nationalist faction group around Mr. Csurka and is anti-Semitism a real danger in Hungary today and does it represent a threat to the centrist prime minister Antall?

Mr. OXMAN. I think this gentleman has shown a very anti-Semitic approach, and it is a very serious issue. Whether he and his followers represent a serious threat to the stability of the government or the current government, I don't think they do, but opinions can differ on that. But the recrudescence of that kind of approach is obviously of deep concern and completely objectionable as far as we are concerned.

Mr. GILMAN. Does he have much strength at all in the country?

Mr. OXMAN. I think he has a following. It is hard to judge exactly how strong it is, but I think he has a following.

Mr. GILMAN. What is your assessment of Hungary's relation with its neighbors Slovakia and Romania since both are complicated by the existence of large Hungarian minorities? Do they have stable relations with these countries? Do you think it is possible any time soon? What steps have been taken to guarantee the educational linguistic rights of the large Hungarian minority in the Transylvanian region?

Mr. OXMAN. We are very aware Hungarians fear what they perceive as the desire of Romania and Slovakia to be unitary states and that that threatens the survival of the ethnic Hungarian communities. For their part, these states, we pick up, fear that Hungary will insist on autonomy for the ethnic Hungarians and that this insistence somehow hides a hidden territorial claim on Hungary's part.

We obviously have a strong interest in seeing these kinds of differences dealt with peacefully. We are very encouraged by efforts like that by the U.S.-based Project on Ethnic Relations to help Romanian and Hungarian leaders identify workable solutions to practical problems of use of minority languages and access to education.

At the end of August, as you may know, Congressman, after moderate Hungarian leaders were accused of treason by more radical colleagues, the ethnic Hungarian party walked out of Romania's new Council on National Minorities protesting the slow pace of government concessions. A recent memorandum by the ethnic Hungarian political party opposing Romanian membership in the Council of Europe until their demands were granted has outraged ethnic Romanians.

We very much support dialogue between the Romanian Government and the Hungarian minority in any format acceptable to both sides; very much so.

ALBANIA

Mr. GILMAN. If I could shift us geographically over to Albania. Upheaval in the former Yugoslavia has naturally a profound impact on Albania which shares a common border with three former entities in Yugoslavia. Albania is particularly sensitive to the plight of the 90 percent Albanian majority in the Serbian province of Kosovo.

If violence were to break out in Kosovo between the Serbs and Albanians, do you believe there is a realistic chance Albania would be drawn into that conflict? What kind of military resources does Albania have that could affect that kind of situation?

Mr. OXMAN. I think there is a realistic chance they could be brought in. I think it would be very, very disastrous if a conflict in Kosovo were to occur and to spread in this way because the large Albanian minority in Kosovo, perhaps as great as 80 or greater percent, significant Albanian minority in Macedonia, adjacent to Albania itself, I think there is a very good chance that there could be involvement there if this thing ever spilled over, which is all the more reason we are determined to prevent spillover.

As to the Albanian military capability, I don't have the facts in front of me but it is not huge, let's put it that way. There is a real issue here of real importance keeping that situation from getting out of control.

Mr. GILMAN. What are we doing to deter this kind of situation?

Mr. OXMAN. The main thing we are doing is making it very, very clear to Serbia, which would be, we think, at the root of any upsurge in this kind of conflict, making it very clear to them through the kind of measures I mentioned to Chairman Hamilton that we are absolutely determined to prevent spillover of this conflict, that we consider it in the United States' interest to avoid spillover in

this conflict. It is bad enough what is going on in Bosnia inside the former Yugoslavia, but we want to prevent the spillover to the South which would have these negative implications.

GREEK MINORITY IN ALBANIA

Mr. GILMAN. I have one more question, Mr. Chairman. Albania-Greek relations have deteriorated due to the tensions over the rights of the Greek minority in Albania. The recent expulsion of the Greek bishop from the town of Gjirokastor near the Greek border, do you see a potential for that tension getting out of hand?

Do you view these recent ethnic tensions as linked in any way to the situation in Kosovo? What are we trying to do to alleviate those kind of tensions?

Mr. OXMAN. We are very concerned about the very issue you are raising. We do not think that it is related directly to the violence in Bosnia or to the situation in Kosovo; but we are very concerned about the dangers that are posed when nationalist feelings run as high as we have seen in this particular situation.

And that the relations between the—these two countries, both of whom are friendly to the United States, Albania and Greece, we have close relations, obviously, but the relations between the two of them have deteriorated. We have urged both sides to engage in direct discussions with an eye to reestablishing their good relations, and we believe based on what we have learned that they do intend to do that and to work toward an improvement in relations.

Hopefully, this recent set of incidents will be a aberration in what was otherwise a good relationship.

Mr. GILMAN. I hope we keep a close watch over that problem.

Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. OXMAN. You are welcome.

Chairman HAMILTON. Mr. Secretary, I know you have to leave for a meeting shortly. Let me try to cover a few matters with you.

ENTERPRISE FUNDS

Are you satisfied the changes have been made in the European Bank for International Development, that we will get that straightened out? You know there was a lot of criticism of that.

Mr. OXMAN. Yes, sir, I know you were very concerned about that in the spring as well. They have had a major management change, obviously. They have a very distinguished gentleman as the head of the bank. We are watching the situation closely and have every confidence it will be a lot better, going forward.

Chairman HAMILTON. You think the changes made have been positive?

Mr. OXMAN. Yes, we do.

Chairman HAMILTON. We put a lot of emphasis on the enterprise funds in Eastern Europe. Is your overall assessment of those enterprise funds that they are going pretty well?

Mr. OXMAN. Yes, it is. I didn't know a lot about them before I was appointed to this job. I learned a fair amount. I am very encouraged by them. There are problems here and there. You are aware of some of those.

Chairman HAMILTON. You're talking about the Hungarian-American Enterprise Fund?

Mr. OXMAN. Particularly with respect to that.

Chairman HAMILTON. What is your assessment of that? The charge has been made that Congress is micromanaging, meddling in it. I think there has been a real dispute over how the funds should be liquidated. What is your assessment on all of this?

Mr. OXMAN. My assessment is they had two significant issues which were very, very worrisome. One involved an investment they made called EurAmerica. Another involving the gentleman named Mr. Teleki, a very distinguished gentleman, a very competent man; but the arrangements whereby the fund was involved in his becoming an officer of the privatization agency in Hungary became very controversial.

Those two situations have been addressed and the board of the Hungarian fund has been very forthcoming in addressing them and putting them—resolving them, trying to put those behind.

I think it is important that these types of situations be avoided. On the other hand, Mr. Chairman, I feel very strongly that if the enterprise funds are to achieve their objective, it is important that they not have come to Congress for project-by-project approval. My personal judgment is that that would vitiate the effectiveness of these funds and make them a lot less interesting as vehicles for helping to promote privatization and free markets in the East, with the relatively novel approach.

When all is said and done, the enterprise funds involved a new, innovative approach. I would like to see that, and I would hope it can be preserved.

Chairman HAMILTON. Do you have a feeling on who should make the determination of how and when the enterprise funds should be liquidated?

Mr. OXMAN. We do have a provision on that. I would be happy to send it to you in writing.

[The information follows:]

The administration and the Chairmen of the Boards of the Enterprise Funds have agreed on the need to give the administration, after consultation with Congress, sole authority to set the date on which the funds will stop making new commitments and investments and commence the orderly sale of assets for each fund. We have set the following parameters:

- The termination date will be between 10 and 15 years from incorporation, unless there is mutual agreement between the fund and the administration (after consultation with Congress).
- The administration will notify each fund of the termination date at least 1 year in advance, after having consulted with the fund on the date. This will allow time for the fund to proceed with new commitments and investments already in progress. No new commitments or investments shall be made after the termination date, and the orderly sale of assets will begin by that date. After notification by the administration of the termination date, the fund will not transfer assets to subsidiaries or other organizations to avoid liquidation.
- In extraordinary circumstances, the administration reserves the right to terminate a fund for cause (i.e., a substantial violation of the grant agreement) or foreign policy reasons, but this would be invoked only under extreme conditions (e.g., in connection with a decision to terminate all assistance to a country).
- By the termination date, the fund will present for administration approval a termination plan and target date by which the orderly sale of assets should be completed. The timetable is subject to extension by the administration.
- Funds derived from sales of a Fund's assets will be distributed either to (a) a nonprofit entity or entities that assist the beneficiary country; (b) the U.S. Govern-

ment; or (c) some combination of (a) and (b). A fund may propose a formula for distribution, but the ultimate decision will be made by the administration. Assets will be distributed as they become available, rather than on a lump-sum basis when dissolution is complete.

• These parameters will be included in the organization documents of any new Enterprise Funds, and the existing funds will amend their articles of incorporation accordingly. We believe that this approach will ensure adequate U.S. Government control of the liquidation process.

But in essence, the liquidation decision has to involve the U.S. Government. The way the statutes and bylaws were originally drafted, there was no oversight, no specific provision addressing what happens upon liquidation and what role does the United States have in the liquidation decision. That has been addressed. The management—as I understand it—the managements of the various funds have agreed to a new formulation which addresses that issue and provides a role for the U.S. Government.

POLISH MEMBERSHIP IN NATO

Chairman HAMILTON. Let me ask a couple of other questions and then we will conclude. Yeltsin was in Warsaw and made this statement about Polish membership in NATO. Give me your assessment of that situation. Is he pushing Poland's incorporation into NATO?

Mr. OXMAN. My assessment is that that was an important statement. I do not infer from it that he is pushing it, but he did say that—I don't want to characterize his words—but the essence of it was that Russia did not take a negative view of this possibility.

Chairman HAMILTON. Would Yeltsin's at the same time—does he speak for Russia at that point? Would there be wide support for Yeltsin's statement? A lot of opposition to it?

Mr. OXMAN. We are getting various indications, varying indications as to whether there is widespread support or what the true meaning of the statement is; but it clearly was a statement within its four corners indicating what I said.

Whether the Russian Government will have a final point of view on that that is different from this is unclear to us. We are getting differing indications at this time.

Chairman HAMILTON. What have we said about Polish membership in NATO?

Mr. OXMAN. We have not said anything specific other than what I said earlier, which is we are taking a very good, hard new look at this whole question of NATO expansion in part in light of President Yeltsin's statement but also because of the very worthwhile and helpful commentary that has been focusing on this issue in this country. We think it is an issue that needs to be looked at.

GREEK-SERBIAN RELATIONS

Chairman HAMILTON. I wanted to finally raise a question about Greek-Serbian relations. I was going to bring that up a moment ago. What is your assessment of the relations between Greece and Serbia? Are they becoming ever closer because of the recent developments in the Balkans?

Mr. OXMAN. Greece has a better relationship with Serbia than I would say any other country in that region.

Chairman HAMILTON. Have they been complying with the U.N. sanctions against Serbia?

Mr. OXMAN. We believe they have been complying with the sanctions.

Chairman HAMILTON. We have had their cooperation?

Mr. OXMAN. We have had good cooperation from the Greek Government. But the issue I raised earlier of sanctions leakage through Macedonia, so far as we could tell, so far has involved Greek companies. We have needed all the cooperation we can get and have gotten some new cooperation from the Greek Government in respect of a preverification regime for the oil shipments going from Greece into Macedonia to help assure they do not then make their way on into Serbia.

Chairman HAMILTON. So your impression is that you have good cooperation from the Greek Government; the Greek Government is having trouble enforcing it with some of the Greek companies?

Mr. OXMAN. That is my impression.

Chairman HAMILTON. Are they getting better at it?

Mr. OXMAN. I see progress; yes, sir.

Chairman HAMILTON. You had a long session. We appreciate very much your cooperation with the subcommittee.

We stand adjourned.

Mr. OXMAN. Thank you very much for having me.

[Whereupon, at 12:10 p.m., the committee was adjourned.]

APPENDIX

Statement of
Stephen A. Oxman
Assistant Secretary of State for European
and Canadian Affairs
Before the House of Representatives
Committee on Foreign Affairs
Subcommittee on Europe and the Middle East

September 15, 1993

Mr. Chairman, it is a pleasure to be back before you and this Subcommittee to discuss developments in Europe. In this opening statement I will comment on some of the most important of these developments:

- the conflict in the former Yugoslavia;
- the upcoming NATO Summit;
- the political and economic situation in Western Europe;
- trade negotiations;
- progress toward democracy and free market economies in Central and Eastern Europe;
- developments in Turkey, Greece and Cyprus; and
- withdrawals of Russian troops from the Baltic states.

Yugoslav Conflict

Europe today is being shaped by the effects of the collapse of communism. On the bright side, the rebirth of Central and Eastern Europe has tremendous momentum. To give just one example: Who could have imagined ten years ago that this weekend Poland would have a free, multi-party election campaign brought about by a parliamentary no-confidence vote? The commitment of the people of Central and Eastern Europe to the principles of democracy and free markets is inspiring, although their path to ultimate success is not yet clear.

But the end of the Cold War has also led to instability, uncertainty, and unease in Europe. The most extreme example of this, of course, is the terrible conflict in the former Yugoslavia. American interests are at stake there, even beyond our humanitarian interest in ending the bloodshed and ethnic cleansing. Continued fighting in Bosnia and Croatia threatens to widen and draw other nations into a regional conflict that could involve NATO Allies.

American policy has been to try to stop the killing through a negotiated settlement and to prevent the conflict from spreading, while making a major contribution to humanitarian efforts to ease the suffering. This spring, we sought support for lifting the United Nations arms embargo against Bosnia. There was no consensus that redressing the imbalance in military strength in this manner was the best way to bring an end to the fighting in Bosnia. In August, the United States took the lead in NATO's decision on using airpower if the strangulation of Sarajevo and other areas in Bosnia continued. That decision was instrumental in reducing the level of fighting and improving the flow of humanitarian aid since then -- although the situation in Sarajevo is still precarious, many areas of Bosnia still lack sufficient food, water, power and shelter, and more supplies are needed for the upcoming winter.

To try to forestall a wider conflict, we have sent approximately 330 U.S. soldiers to the Former Yugoslav Republic of Macedonia as part of the UN monitoring force there. We have also urged a settlement of the dispute between the Croatian Government and Croatian Serbs, and have warned Milosevic that in the event of Serb-inspired violence in Kosovo, the United States will respond. Finally, we have pressed for stringent enforcement of the sanctions against Serbia and Montenegro by the neighboring states. This pressure has produced positive results, particularly in the case of Macedonia, which has recently tightened its enforcement of sanctions.

I believe that NATO's decision to authorize the use of air power was also a significant reason behind the parties' return to the negotiating table in Geneva and the progress made towards a settlement. We were disappointed that the negotiations broke off recently. As you are aware we have urged the parties to return to the negotiating table and in particular have urged the Bosnian Serbs and Croats to show more flexibility in working on the territorial adjustments sought by the Bosnian Government in its effort to achieve a more equitable settlement. President Clinton has also stated that, if a viable settlement with enforcement provisions is reached in good faith and all three sides demonstrate their seriousness in implementing it, the United States would be prepared, in a manner consistent with our Constitutional processes, to participate in implementation as part of a NATO operation. The people of the former Yugoslavia must recognize that only a negotiated settlement will end the tragic cycle of slaughter that engulfs them.

Finally, I want to address the events of the last two days. We are greatly disturbed by the increase in fighting between Serbs and Croats in the Krajina. This is an extremely dangerous situation which risks expanding into an all-out war, and we have urged both sides to avoid a wider conflict. At the same time, we are encouraged by yesterday's meeting between Presidents Tudjman and Izetbegovic and their joint statement

declaring a ceasefire, closing detention camps, ending all blockades of humanitarian aid, and establishing working groups for further negotiations. If these agreements are carried out they would represent positive steps towards a negotiated settlement.

NATO Summit

One of the significant developments of the last few months was the President's proposal, announced by Secretary Christopher at the NATO ministerial meeting in June, for a NATO Summit, which will be held on January 10. This Summit will provide an opportunity to accelerate the critical transformation NATO began in 1990.

With the end of the Cold War, the nature of the security threats to Europe has changed. The core of the NATO Alliance remains the Allies' collective defense commitment. But NATO today does not face a monolithic military threat from the East. The threats are multi-faceted and multi-directional. They include ethnic and regional conflict, proliferation of weapons of mass destruction, disruption of the flow of vital resources, and terrorism.

The Administration believes that U.S. engagement in European security remains critical to our interests, and that NATO must continue as the bedrock of that engagement. Other institutions, including the CSCE, the EC, the WEU and the UN, all have roles to play in ensuring European security. But NATO's contribution is unique and irreplaceable. Only NATO has the military forces, the multilateral staff, and the habits of political and military cooperation to enable us to respond flexibly and forcefully to the security challenges of the new Europe. NATO's vigor must be preserved.

We and our Allies have made great strides in adapting NATO to the new Europe. In the space of three years:

- NATO has adopted a new military strategy and reorganized its forces and command structure to deal with post-Cold War risks. The new strategy focusses more on crisis management and peacekeeping than on defending NATO territory from outright military attack.
- We have extended the hand of friendship eastward, engaging old adversaries as new partners through the mechanism of the North Atlantic Cooperation Council (the NACC), and embarking on an unprecedented program of East-West military cooperation for peacekeeping.
- We have transcended the old debate over "out-of-area" activity and have offered to support the UN and the CSCE in bringing peace and stability to a Europe which faces new and varied security threats. For example,

NATO is prominently engaged in several military operations in support of UN efforts in the former Yugoslavia.

In June, Secretary Christopher laid out a five-point agenda for continuing this transformation to enable NATO to meet the realities of the new Europe:

- First, preserve the unique qualities of NATO cooperation, even at a time when the United States and European countries are forced by budgetary problems to cut back on their military spending. We must maintain our ability to act, politically and militarily, when Alliance interests are challenged.
- Second, develop more effective means to make and keep the peace in Central and Eastern Europe.
- Third, improve NATO's links with other multilateral institutions with similar goals. We welcome the EC's move toward establishing a European security and defense identity ("ESDI") to serve as the European pillar of NATO.
- Fourth, focus Alliance attention on cooperation against the threats to Allied security from beyond Europe, particularly weapons proliferation.
- Fifth and finally, strengthen the basis for continent-wide security. President Yeltsin's recent statements in Warsaw and Prague indicating that Polish and Czech membership in NATO would not necessarily run counter to Russian interests have, along with recent commentary, raised the profile of the question of NATO expansion. We and our Allies will be giving close attention to this issue. Any expansion of NATO must contribute to -- and be seen to contribute to -- the overall security and stability of the new democracies to NATO's East, while preserving the security and stability of NATO's current members. Whatever the outcome of Alliance discussions on this issue as we prepare for the NATO Summit, we will develop an ambitious agenda for the NACC -- particularly in the area of peacekeeping cooperation -- aimed at accelerating the process of integrating the Eastern states into NATO's political and military activities while working with them to address their near-term security concerns.

We will be addressing these issues at the NATO Summit. Our goals will be to strengthen NATO and to advance security and stability in the East. We will ultimately forge a new European collective security system, with NATO as its central pillar,

that will ensure the peace and security of all of Europe well into the 21st century. Nothing we can accomplish in our foreign policy is more important to our vital interests in this region.

Western European Political and Economic Developments

Let me now discuss some of the significant developments in Western Europe, which is dominated today by a mood of political and economic uncertainty. The trend towards European integration continues, but not without difficulty. The Maastricht Treaty has now been approved by all of the countries of the European Community, although it still faces a court challenge in Germany. At the same time, negotiations are under way for expansion of the Community to include some of the nations of the European Free Trade Area, and some of the nations of Central and Eastern Europe have expressed interest in joining as well. As President Clinton said after meeting with the leadership of the EC in May, "We fully support Europe's efforts toward further integration."

However, the governments of Western Europe are to a great extent preoccupied with their own domestic economic difficulties. Their economic growth is hobbled by stubbornly increasing unemployment, inflation, and budget deficits. Currency speculation recently forced a revision of the EC's Exchange Rate Mechanism, and most of the countries of the Community are falling farther away from the economic convergence criteria necessary for implementation of monetary union.

There is political unease as well. Elections have been held since the beginning of the year in Spain, France, and Italy, leading to new governments in the last two. The upheaval in Italian politics has been particularly dramatic: voter dissatisfaction with the political system and with widespread corruption produced massive support for fundamental structural change. In the UK, Prime Minister Major's government survived a vote of confidence this summer, and Germany faces an unprecedented number of state, local, and Bundestag elections in 1994. Governments in many countries fare poorly in public opinion polls.

These economic and political uncertainties have forced the governments of Western Europe to look inward to their domestic problems. Continued American leadership thus remains important to the goal of a secure and prosperous Europe. We are committed to providing that leadership.

Trade Developments

The best tonic for Europe would be stronger economic growth. One important way to achieve growth, in Europe as in the United States, is to increase international trade. Since the beginning of the year the Administration has negotiated

vigorously in the cause of opening world markets, while not hesitating to take tough actions when necessary to aid American business against unfair market restrictions:

- In March we reached an agreement with the EC which opened European public procurement of heavy electrical equipment to U.S. manufacturers. At the same time we imposed sanctions for the EC's failure to remove barriers that discriminate against U.S. telecommunications firms.
- At the July G-7 Summit in Tokyo, we were able to achieve a significant breakthrough with respect to market access for manufactured goods. This breakthrough could set the stage for an agreement in the Uruguay Round of trade negotiations, which would be a major accomplishment and stimulus to growth. However, we are still far from a comprehensive agreement, and much hard negotiating lies ahead.
- The G-7 Summit also addressed the problem of growth in other ways, by adopting President Clinton's proposal of a "Jobs Summit" to discuss the causes of, and the possible solutions for, the structural unemployment that is burdening the West.

We are bending every effort to successfully conclude the Uruguay Round this year. In particular, we will continue to resist demands to reopen the Blair House Accord. This agreement did not fully satisfy the desires of any single nation, including the United States, but was a carefully crafted compromise for the greater benefit of all. To reopen it now would risk the success of the entire Uruguay Round and threaten the continued viability of the GATT system.

Ratification of the North American Free Trade Agreement ("NAFTA") is, as you know, a top priority for the Administration. While the NAFTA principally concerns our neighbors in Canada and Mexico, it will also have benefits for our relations with the nations of Europe. Approval of the NAFTA will demonstrate in a concrete and visible way our commitment to free trade. It will also send a clear signal to the new democracies of Central and Eastern Europe that trade, not aid, is the best way to achieve the growth they need. And, of course, the growth that NAFTA will stimulate in the United States will strengthen our economy and enhance our position as a trading partner for the other nations of the world.

Trade disputes will remain inevitable, as individual nations seek to advance their own interests. We must continue to work together with our friends in Europe to make sure that these inevitable disputes do not set back the cooperation needed to meet our common challenges as full partners. To do so we must develop early warning systems to identify sensitive trade

issues, and mechanisms to provide for their early and speedy resolution. In the long run, we will all benefit from the economic growth stimulated by open markets.

Central and Eastern Europe

In Central and Eastern Europe, democracy is beginning to take root in a region that had known only the dead hand of totalitarianism for two generations. I mentioned before that Poland is coming to the end of an election campaign. A remarkable fact is that within the last year, seven of the countries of Central and Eastern Europe -- Estonia, Latvia, Lithuania, Poland, Romania, Bulgaria and the Former Yugoslav Republic of Macedonia -- have had peaceful changes of government through constitutional means. In addition, the Czech Republic and Slovakia peacefully accomplished their separation. Free and independent media throughout the region are providing a voice for opposition groups. Our assistance under the SEED Act continues to provide vital nourishment for the growth of democracy.

There are also some promising hints that some countries of Central and Eastern Europe may be beginning to recognize the need to address their most critical security problem, the question of national minorities. The former Yugoslavia, of course, is a horrible exception, with its record of ethnic cleansing and slaughter. But other countries in the region are seeking democratic means of dealing with the problems of a heterogeneous population.

For example, in Romania senior government officials have met with members of the Hungarian minority, under the auspices of a private American group, seeking pragmatic solutions to practical problems. Bulgaria -- which ruthlessly oppressed its Turkish minority under the Communist regime -- has restored their civil rights and enabled them to participate in the political process, which has led to warmer Bulgarian relations with Turkey.

But much more progress needs to be made in this area. Old fears and rivalries lie close to the surface, and many in the region still seek to exploit ethnic nationalism. The United States, with our history of tolerance and democracy as an example, will continue to encourage governments to follow the path of defusing ethnic tensions that could otherwise lead to conflict, and to provide support for their efforts to do so.

The economic picture in Central and Eastern Europe is less encouraging. The entire region is still suffering the suffocating effects of four decades of communism. Some countries have shown a strong commitment to free market and privatization of state enterprises. Others have taken more tentative steps. Throughout the region, however, economies are fragile.

The Visegrad countries -- Poland, Hungary, the Czech Republic and Slovakia -- have progressed the farthest. In particular, thanks to an aggressive and stringent reform program, the Polish economy appears to have turned around. Industrial production for the first six months of the year is almost 10% higher than last year and inflation is down (although it is still over 30% a year). As a result Poland's gross domestic product may grow for the second straight year. At the other end of Europe, Albania -- burdened not only with a seriously underdeveloped economy but with the effects of enforcing sanctions -- is strongly committed to democracy and free markets under the leadership of President Berisha and may show an increase in its GDP this year.

But the process of transition to market economies is painful. Central and Eastern Europe on the whole remains in a deep recession. Replacing a command economy with one based on market forces, closing inefficient enterprises, and tightening fiscal and monetary policies are bound to lead in the short run to contraction of output, increased unemployment, and a decline in living standards. Banking and financial sectors are inadequate and progress in privatization has been frustratingly slow. Governments throughout the region face increasing popular discontent with the burdens of economic reform.

As I said in May, at the hearing on our assistance request, the countries of Central and Eastern Europe continue to need our assistance to complete their transition to stable and prosperous democracies. And more than assistance, they need trade and investment with us and with the nations of Western Europe. I repeat that in the long term trade, not aid, will provide the greatest stimulus to their growth.

The EC countries recently took some initial steps to open their markets to goods from Central and Eastern Europe. They must go further. We will also continue to seek closer trade and investment ties with this region. For economic failure in the East would likely lead to political turmoil and perhaps even a rejection of democracy, while prosperity will help ensure stability and security throughout the region.

Southern Europe

Let me now turn to Southern Europe, an area that I know is of particular interest to this Committee -- and with good reason. The cooperation of Greece is important to successful implementation of sanctions against Serbia and Montenegro, and to a resolution of the Macedonia question. Turkey is critical to our efforts to contain Iraq and Iran and can help provide stability in Central Asia and the Caucasus. Both of these NATO allies are thus of increasing strategic importance in the post-Cold War era.

In this region, as well, the political situation is unsettled. In Greece, the government of Prime Minister Mitsotakis faces

elections on October 10. In Turkey, the sudden death of President Ozal led to a shake-up in political leadership, in which Tansu Ciller became Turkey's first woman Prime Minister. Her government faces a party conference in November and likely elections next spring. And the Turkish Cypriots in Northern Cyprus have elections in November. We will watch these political developments with interest.

Our hopes of progress in Cyprus have not yet been fulfilled. We were initially encouraged by the direct face-to-face negotiations on confidence-building measures between President Clerides and Rauf Denktash. Unfortunately, Mr. Denktash, after promising to seek approval of the confidence-building measures by the Turkish Cypriots, did not do so and failed to return to the negotiations as he promised.

Along with others, we are still working for approval of these confidence-building measures, which would, under UN auspices, return the city of Varosha and reopen Nicosia Airport. We believe that they are fair and balanced. The Greek Cypriot community would gain access to territory closed to them since 1974. The Turkish Cypriot community would get -- also for the first time since 1974 -- a flow of tourists and a reduction of its international isolation. These confidence-building measures could also give the impetus to a broader settlement that meets the needs of both sides.

The Secretary-General's special representative, Mr. Joe Clark, was in the region last month, along with our Special Cyprus Coordinator Ambassador Jack Maresca, promoting acceptance of this proposal. We strongly support these efforts and particularly urge the Turkish Government to use all of its influence on the Turkish Cypriots. The Turkish Cypriot community must recognize that if they reject this proposal, which is viewed by the rest of the world as fair and constructive, they risk even greater isolation than they now face.

Another significant development in the region has been the escalation of terrorism in Turkey. In recent months the Marxist Kurdistan Workers' Party has carried out a series of terrorist attacks, including ambush and massacre of hundreds of Turkish soldiers and civilians, and bombings of tourist facilities in Central Asia. We support the Turkish Government in its struggle against terrorism and in defense of a unified Turkish state. At the same time, we continue to urge them to recognize that the solution to the problem of terrorism cannot be entirely military and cannot come at the expense of fundamental human rights. We have pointed out that political and social accommodation of the Kurds within Turkish democracy is ultimately necessary to counter separatism. And we have presented a human rights strategy containing concrete proposals to help the Turkish government attain its human rights goals.

Baltics

I know that the Congress and this Committee are very interested in the withdrawal of Russian troops from the Baltic states. We are encouraged by the apparent commitment of the parties to resolve this issue. In Lithuania, as you know, the Russians have withdrawn their troops, as they had agreed to do. Although there are no agreements yet with Latvia and Estonia, the Russians have been withdrawing troops from both countries and negotiations are continuing. There are fewer than 20,000 Russian troops in the Baltics today -- less than one-sixth the number at the beginning of 1992. We have urged the Russians, Latvians, and Estonians to reach agreements putting this vestige of the Soviet Empire behind them.

At the same time, the passage of laws governing citizenship and resident aliens in Latvia and Estonia has provoked protests from the substantial Russian minorities in those countries, as well as from the Russian Government. Our Embassy and the CSCE long-duration mission in Estonia have played a constructive role in decreasing tensions resulting from passage of Estonia's Alien Law. President Meri submitted the law to the CSCE and the Council of Europe for review, and the Estonian Parliament accepted the bulk of their proposals. In part at the urging of our Ambassador, the Estonian Government also agreed to set up a roundtable to promote dialogue with the ethnic Russian community; and the U.S. has provided funding from our assistance programs to support it. All parties view the roundtable as constructive. We endorse the establishment of a CSCE long-term mission in Latvia as well.

Conclusion

Mr. Chairman, these are some of the significant developments in Europe since the beginning of the year. They present us with opportunities and with dangers. Strong American leadership can help devise a new structure for European security that will ensure peace and stability. It can secure free trade agreements that will spur economic growth throughout the world. And it can help ensure the triumph of democracy, free markets, and human rights.

I'd be pleased now to answer any questions that you have. I would like as well to hear your views on these developments.

The following projects have been obligated in FY 92 & FY 93 with activities in the country currently in progress and/or completed.

SEED-funded Programs

Economic Policy Reform	\$ 719,000	(FY'93)
Project Hope -medical supplies	1,200,000	(FY'92)
Amer. Bar Ass. Grant -staffing	76,420	(FY'93)
Books For Democ.- books ordered	19,500	(FY'93)
Political Organizations (IRI) election reform	200,154	(FY'93)
Yugoslav. New Republics (USIA)- educ. & pol. leaders exchange	200,000	(FY'93)
Int'l Media Fund (USIA) -TV & radio station equip./desk top publish.equip for wkly news mag	101,342	(FY'92)
Volunteers in Overseas Coop.Ass. (VOCA) 40 agric/farmers working over 18 months	1,600,000	(FY'93)
Manag. Trng. & Market Econ. Educ. (Univ. of Nebraska)	70,000	(FY'93)
Participant Training (bank training)	61,000	(FY'93)
USIA	258,000	(FY'93)
U.S. Customs Service	350,000	(FY'93)
SEED SUB TOTAL	\$4,855,416	

AID/FOOD FOR PEACE

UNHCR program (10,000 MT of Wheat)	\$2,700,000	(FY'92)
CRS program (10,000 MT wheat/2124 MT food)	3,466,000	(FY'93)
ADM. Costs Grant to CRS for food distribution	377,548	(FY'93)
American Red Cross program(3,430 MT food)	1,671,788	(FY'93)
-- All of above food has been delivered		

AID FFP SUB-TOTAL \$8,215,336

**TOTAL USG FUNDS For FY'92 & FY'93 With
Projects Completed And/Or in Progress \$13,070,752**

The following projects have been obligated, but not yet begun:

SEED Programs

English Teaching (USIA)	\$37,000	Oblig.(FY'93)
Educational Reform (USIA)	80,000	Oblig.(FY'93)
Project Hope (medical)	200,000	Oblig.(FY'92)
TA Financial Serv.(Treas)	500,000	Oblig.(FY'93)

	\$817,000	Oblig. Only



BOSTON PUBLIC LIBRARY



3 9999 05982 035 5

ISBN 0-16-043268-5



9 780160 432682