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SUBJECT: Sanctions Relief Issues for Deputies Discussion

Deputies agreed that sanctions against Belgrade (except for frozen assets) will be suspended once there is a signed agreement and lifted upon implementation. This paper lists remaining sanctions relief issues and indicates how the OVP proposal addresses each. OVP discussed the proposed sanctions relief package with Assistant Secretary Holbrooke and his negotiating team on 8/24. Where appropriate, the team's views on these issues are also listed.

1. *Duration of offer: Open-ended or finite?*

OVP plan says finite -- offer is withdrawn if there is no peace agreement by a date specified (tbd), but Contact Group has option of returning to a "neo-Bildt" approach. The negotiating team likes the idea of a limited-time offer but does not want to specify a termination date prior to getting the FRY's initial reaction to the overall relief plan.

2. *When are sanctions and the border closure on Pale suspended?*

The OVP plan suspends sanctions against Pale and allows opening the border once initial implementation steps are accomplished. These might include initial withdrawal of forces to territorial limits, safe deployment of the NATO implementation force, achievement of specified milestones in the PIF's peace enforcement mission, and/or other clearly identifiable performance criterion.

The negotiating team proposed keeping the border closed between the FRY and the Bosnian Serbs until the settlement is fully implemented. In any event, the team recommends reserving decision on timing of Pale sanctions suspension and opening the border until we have a better idea of how the power struggle between Belgrade and Pale will play out.

3. *When are Pale sanctions lifted?*

The OVP plan lifts Pale sanctions after FRY sanctions are lifted to help guarantee continued Bosnian Serb good behavior.

4. *How long should Belgrade be held responsible for Pale's actions?*

The OVP plan reduces the extent to which Belgrade is held accountable for Pale's behavior at the point when Pale sanctions and the border closure are suspended. Prior to this time, full sanctions against Belgrade are reimposed if the Bosnian Serbs impede operation of the PIF, violate the cease-fire, block humanitarian supplies, or otherwise violate provisions of the settlement. Once Pale sanctions are suspended, Bosnian Serb misbehavior will lead to reimposition of sanctions and the border closure against Pale. Sanctions against Belgrade would be reimposed only if Belgrade failed to close the border or otherwise support Pale sanctions.

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5. *What are our minimum reimposition requirements?*

a. The OVP plan calls for automatic reimposition of sanctions (as outlined in item 4.) if the PIF commander declares that his force cannot accomplish its peace enforcement mission because of action by the Pale Serbs. The negotiating team recommends that there also be provisions for automatic reimposition if Pale blocks implementation of political aspects of the agreement, as reported by whatever international body is charged with implementing political commitments.

b. The OVP plan also allows reimposition of sanctions by a vote in the UN Security Council so that members of the Security Council can credibly threaten reimposition to punish behavior that does not trigger the automatic reimposition of sanctions. There are two options:

1. Sanctions are suspended for a finite period (60-120 days). The UNSC must vote to extend sanctions relief at the end of each period. A veto by any permanent member would prevent the extension of sanctions relief and force reimposition.

2. Sanctions are suspended for an indefinite period, but any permanent member of the Security Council can call for their reimposition at any time based on evidence that the Serbs are renegeing on the settlement. Three out of the five permanent members must agree for reimposition to take place.

6. *Should there be a Croatia linkage?*

OVP plan makes recognition of Croatia a condition for final lift of FRY sanctions. The negotiating team agrees that the U.S. plan must contain a Croatia linkage. At issue is whether progress in Eastern Slavonia should be linked to lift of UN economic sanctions, or to easing the "outer wall" of sanctions (access to IFIs, membership in international organizations, etc.).

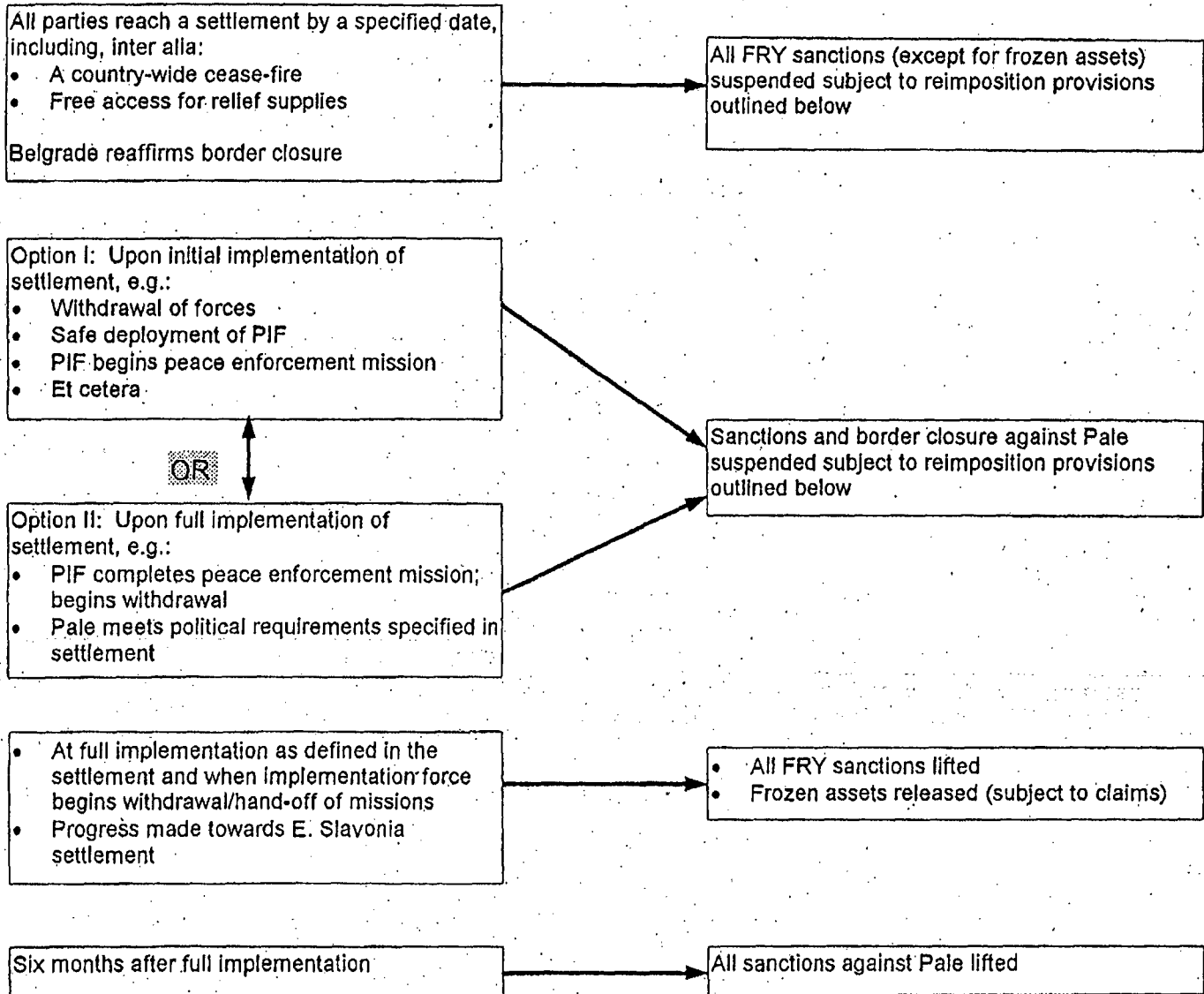
7. *Should there be a linkage to the War Crimes Tribunal?*

OVP plan has no such linkage, although it may possible to tie cooperation with the Tribunal and progress on other issues (such as Kosovo) to the pace at which Serbia is allowed to re-enter the international political and financial community.

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Sanctions Relief Strategy - 8/25/95



Reimposition mechanisms:

- Automatic reimposition upon report by implementation force commander or other international body charged with responsibility for supervising political aspects of implementation that Pale and/or Belgrade is impeding implementation or otherwise failing to fulfill obligations.
- By direction of UNSC:
 - Option I: Sanctions suspended for finite period (60-120 days); UNSC must vote to extend sanctions relief at end of each period.
 - Option II: Sanctions suspended for indefinite period; any of Perm-5 can call for reimposition vote; sanctions reimposed if 3 of Perm-5 vote for reimposition.

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This time-line illustrates reimposition arrangements and how primary accountability could be shifted from Belgrade to Pale during the implementation process.

