

**SUCCESSSES AND UNFINISHED BUSINESS  
IN THE WESTERN BALKANS**

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**HEARING**

BEFORE THE

**SUBCOMMITTEE ON EUROPE AND  
REGIONAL SECURITY COOPERATION**

OF THE

**COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE**

**ONE HUNDRED SIXTEENTH CONGRESS**

FIRST SESSION

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## SUCSESSES AND UNFINISHED BUSINESS IN THE WESTERN BALKANS

WEDNESDAY, OCTOBER 23, 2019

U.S. SENATE,  
SUBCOMMITTEE ON EUROPE AND  
REGIONAL SECURITY COOPERATION,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 2:30 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Ron Johnson, chairman of the subcommittee, presiding.

Present: Senators Johnson [presiding], Barrasso, Risch, Shaheen, and Murphy.

### OPENING STATEMENT OF HON. RON JOHNSON, U.S. SENATOR FROM WISCONSIN

Senator JOHNSON. Good afternoon. This hearing is called to order.

I want to, first of all, thank the witnesses for taking the time for your attendance, for your thoughtful testimony, and look forward to hearing your oral testimony and your answers to our questions.

We do have a vote scheduled for 2:45. I spoke with our floor manager, and she said she wants it wrapped up by 3:30. So, what I will do is, I will just ask that my opening—my written opening statement be entered in the record.

[The prepared statement of Senator Johnson follows:]

#### PREPARED STATEMENT OF SENATOR RON JOHNSON

Good afternoon and welcome.

The Senate Foreign Relations Subcommittee on Europe and Regional Security Cooperation is meeting today to examine recent developments and opportunities for the future in the Western Balkans. We will hear from the Administration and a private panel on U.S. interests and policy options in the region.

Yesterday, for the second time in 2 years, I had the honor of presiding over the Senate as we voted overwhelmingly to welcome a Western Balkans nation into NATO. In 2017, the Senate voted 97-2 to approve Montenegro's accession. Yesterday, North Macedonia was welcomed into the alliance by a vote of 91-2. These near unanimous decisions illustrate the bipartisan consensus on the importance of integrating the Western Balkans into the transatlantic community.

In North Macedonia's case, the path to NATO was paved by courageous political leadership in Greece and North Macedonia in signing the Prespa agreement, significant economic and political reforms, and determined U.S. diplomacy in the region. It was a significant achievement and has created a palpable sense of momentum behind resolving some of the region's remaining issues—in particular, relations between Serbia and Kosovo and political deadlock in Bosnia and Herzegovina.

Over the past several years, I have spent considerable time with Serbian and Kosovar leaders and I am optimistic that both sides will show the leadership and flexibility to make the hard choices necessary to secure a more prosperous future

for their people. Earlier this month, President Trump signaled his desire to push forward on a resolution by naming U.S. Ambassador to Germany Richard Grenell, as his special presidential envoy for peace talks between Serbia and Kosovo and Deputy Assistant Secretary Matthew Palmer as special representative for the Western Balkans. Key pieces are in place, but this opportunity will likely disappear if the parties do not pursue it with sufficient urgency.

I urge Kosovo's next government to remove the tariffs imposed last year and to treat negotiations with Serbia as one of its highest priorities. Both Serbia and Kosovo will need to be flexible if a solution is to be found. It is also critical that the EU redouble its efforts. France's veto against opening EU accession negotiations with North Macedonia and Albania is disappointing and sends the wrong message to the region. Normalization of relations between Serbia and Kosovo would remove a significant agitator in the region and continue its momentum toward transatlantic integration.

Recent history has shown with remarkable clarity the impact of EU and U.S. engagement in the Western Balkans. When countries in the region see the EU and NATO as real possibilities, they have been willing to implement the difficult political and economic reforms required for membership. When the West's attention has faltered, reforms have stalled and corruption has re-entrenched. Much is at stake. Even a cursory glance at the 20th century shows that stability in the Western Balkans should be a high priority. This hearing will explore how we can sustain the current positive momentum in the region.

Senator JOHNSON. But, I do just want to briefly say that the Balkans is an important region. There have been some real turmoil that has sprung out of that. I got involved, as, obviously, a member of the Senate Foreign Relations Committee, but particularly with Assistant Secretary Wes Mitchell asking me to go there and pay attention. And I think, to a certain extent, that is what this hearing is about. And it is incredibly important that we, as the United States of America, expresses the fact that we believe that is an important region, we have to pay attention to it, we want to do everything we can for the people of that region to enjoy safety, security, and prosperity. It is what everybody around the globe wants. That is what we want for them. So, that, from my standpoint, is what America represents. It is that kind of leadership, when we promote those types of values and we help countries achieve what they really are trying to strive to achieve.

With that, I will turn it over to our Ranking Member, Senator Shaheen.

**STATEMENT OF HON. JEANNE SHAHEEN,  
U.S. SENATOR FROM NEW HAMPSHIRE**

Senator SHAHEEN. Well, thank you, Mr. Chairman. And thank you for holding this hearing on, as you point out, a very important region of the world.

And I will echo all of your comments and submit my full statement for the record.

[The prepared statement of Senator Shaheen follows:]

PREPARED STATEMENT OF SENATOR JEANNE SHAHEEN

- Thank you, Mr. Chairman, for calling this important hearing, and thank you to the three experts we have before us today for their work on the Balkans, and for taking the time to discuss a region which I truly believe holds great promise.
- As co-chair of the NATO observer group, it gives me great pleasure to announce that yesterday, the Senate voted overwhelmingly to ratify North Macedonia's entry into NATO as the alliance's 30th member.
- I also want to take the opportunity to express my great disappointment with the European Council's strategic error in blocking the start of accession talks for North Macedonia and Albania.

- With this, the EU has not only failed to recognize significant reform efforts in both countries, it has also dealt a heavy blow to all reform-oriented governments in the Western Balkans.
- I hope the governments of France, the Netherlands and Denmark reconsider their decision—a decision that undermines the credibility of the EU and exposes the Balkans to further encroachment by Russia and other malign influences.
- The United States played a leading role in brokering peace in the Balkans two decades ago, and while it is critical for the EU to take the lead on integration, it is likewise important that we continue to support the region's efforts toward prosperity, rule of law and good governance.
- The most recent evidence of this progress was when the leaders of Greece and North Macedonia entered into the Prespa Agreement.
- I want to thank Ambassadors Jess Baily and Geoff Pyatt for their tremendous diplomatic efforts in helping the two countries reach this agreement.
- It demonstrated that conflicts can be resolved through diplomacy, and that our countries are all stronger when we are in alliance together.
- But, these efforts will only be as successful as Balkan leaders will allow them to be.
- Balkan countries must work to protect themselves from Russian, Chinese and other malign influence by continuing down the path of reform, fighting corruption and creating economic opportunities for their people.
- Balkan leaders and citizens, alike, must redouble their efforts to prioritize the future and not waste time rehashing the past. They must kick-start prosperity and growth by leveraging technology, diversifying energy sources, increasing linkages and pulling the region firmly together; and they must tackle issues threatening the region from within like corruption, criminality and violent religious and nationalist extremism.
- I believe that now is the time for the United States to reassert its leadership role in the region.
- We must seize the opportunity to help create a democratic, secure and prosperous Balkans firmly aligned to the West.
- The issues before us—democracy, rule of law, prosperity, and good governance—are not new. We have been working on them together for more than two decades. But today, with growing challenges to Europe's south and in the East, the Balkans sits in the balance.
- I look forward to the testimony of our distinguished witnesses and to hearing their perspectives on how the United States can best work with the region to meet these challenges.

Senator SHAHEEN. But, I do just want to point out that, yesterday, the Senate overwhelmingly voted to ratify North Macedonia's interest—entry into NATO as the alliance's 30th member, and also express my real concern about the effort, to date, by France and other countries in Europe to block secession—accession into the EU by the Republic of North Macedonia and Albania. I think one of the things that is really important as we think about the future of this—the Western Balkans is that we provide an option for the Balkans to look West, not to look back toward Russia and the East, and that, whenever we fail in that opportunity, as I think the EU did recently, that it sends a very strong message to the Western Balkans that they should not continue with the reforms, they should not continue to look West and to embrace the values of the West.

So, I just wanted to point that out. That is in my opening statement. And I look forward to the hearing.

Thank you, again, Mr. Chairman.

Senator JOHNSON. Thank you, Senator Shaheen. And, by the way, completely agree. It is—it really is—the ability to join NATO, to join the EU, that is what provides the incentive for these countries to enact and pass sometimes very difficult reform for those countries, but necessary if they are—they need the rule of law to attract to attract Western investment. So, I could not agree more.

I was actually pretty honored to be in the presiding chair both for the accession vote of Montenegro and for North Macedonia, so we really welcome them to NATO.

Our first witness is Mr. Matthew Palmer. Mr. Palmer is Deputy Assistant Secretary and Special Representative for the Western Balkans at the State Department. Mr. Palmer is a career member of the U.S. Senior Foreign Service, with over 22 years of experience under six U.S. administrations. His previous postings include Director for South Central European Affairs, Political Counselor at the U.S. Embassy in Belgrade, and Deputy Director for Mainland Southeast Asia. Mr. Palmer also served as Director for Europe at the National Security Council under President George W. Bush. He speaks Serbian, Greek, and Japanese.

Mr. Palmer.

**STATEMENT OF MATTHEW A. PALMER, DEPUTY ASSISTANT SECRETARY, BUREAU OF EUROPEAN AND EURASIAN AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC**

Mr. PALMER. Mr. Chairman, Ranking Member Shaheen, thank you for inviting me to appear before you today to discuss the successes and challenges faced by the countries of the Western Balkans on their path toward Euro-Atlantic integration.

I would especially like to thank the members of the Senate Foreign Relations Committee for their leadership, for your leadership, which paved the way for the Senate's approval of North Macedonia's NATO accession protocol. That step is critical to demonstrating our ongoing support for the Euro-Atlantic integration aspirations of North Macedonia and the wider region.

For the past 30 years, the United States has joined our European allies and partners in working to fulfill our shared vision of a strong and free Europe. Over the last decade, our efforts have started to bear fruit, and we are seeing examples of progress that bring the region closer to the Euro-Atlantic family.

One has to look no further than at North Macedonia to see an example of that progress. Since assuming office in June 2017, the government of Prime Minister Zoran Zaev has not only signed a treaty of friendship, good neighborliness, and cooperation with Bulgaria, but also negotiated the historic Prespa Agreement with Greece, arguably the most significant purely diplomatic achievement in the region since the Dayton Peace Accords.

The Prespa Agreement resolved the longstanding name dispute between the two countries and paved the way for North Macedonia to become the 30th ally in NATO and eventually to join the European Union. It also created a model other leaders in the Western Balkans can follow to break through the nationalistic and cultural barriers that have held the region back for decades.

With its peaceful, multiethnic society and fast-growing economy, Montenegro has emerged as a regional leader. Montenegro has consistently punched above its weight in its commitment to global security, and joining NATO in 2017 was a significant and well-deserved step forward.

Albania has made tremendous strides in its reform path since joining NATO in 2009, implementing unprecedented judicial reforms and indicting high-profile criminal suspects.



Despite these successes, the remaining challenges to Euro-Atlantic integration and regional stability are considerable. We were profoundly disappointed with the failure of EU member states to approve opening accession negotiations with North Macedonia and Albania last week in Brussels. Although we are not members of the European Union, we agree with the European Commission's May 29 assessment that both countries have made significant reform progress, meeting the European Council's conditions and laying a solid foundation to continue reforms during the accession process.

The European Council's inaction undercuts EU credibility in the region, risks the continued implementation of the Prespa Agreement, demotivates leaders ready to make hard reforms, and creates a leadership void that Russia, China, and others would be more than happy to fill.

Secretary Pompeo appointed me to serve as his Special Representative for the Western Balkans to help tackle these challenges, underscore the U.S. commitment to the region, deepen cooperation with our European partners, and make clear that there is a path to Euro-Atlantic integration, one that is achievable, even if it is difficult.

One of my top priorities will be to work with President Trump's Special Presidential Envoy for Serbia and Kosovo Peace Negotiations, Ambassador Richard Grenell, to help the two countries reach a comprehensive agreement on normalization.

We expect that the new government in Kosovo will demonstrate its commitment to this shared goal by suspending the tariffs imposed on Serbian and Bosnian imports that have damaged Kosovo's international standing. Serbia, in turn, must cease its campaign to delegitimize Kosovo in the international community. This has undermined international law enforcement cooperation and soured the atmosphere for compromise.

In Bosnia, we are supporting efforts to reach agreement on a compromise that allows for government formation at all levels, as well as its submission of the Annual National Program to NATO. We will continue to call out parochial, nationalistic, and risk-averse leaders, at both the entity and state levels, who do little to help ordinary citizens, while cultivating the new generation of political leaders, at the cantonal and municipal levels, who have a stake in the future of the country and the will to succeed.

While Montenegro is the frontrunner within the region to join the EU, it must stay focused and accelerate efforts to implement necessary reforms. This includes strengthening the rule of law and media freedom, and tackling organized crime and corruption.

While the United States supports the desire of the people and the governments of the Western Balkans for a more secure, prosperous, and democratic future, the same cannot be said of all the external actors operating in the region. Russia rejects the post-Cold War settlement in Europe and is trying to push back on it with a variety of tools, overt and covert, in order to incite divisions and forestall the region's Euro-Atlantic integration. Chinese authorities have been insinuating themselves in the region through the "17+1" and the Belt and Road Initiatives, as well as through their investment in strategic industries, including information and physical infrastructure, creating new political and economic vulnerabilities. To

support the countries of the Western Balkans, we need to increase our own engagement with the region and reenergize our relationships with these important partners.

But, messaging is not enough. We need to increase our own presence and our investment in the region. It is indisputable that congressional support has been instrumental in our successful partnership with the people and governments of the region. Recent visits from congressional delegations to Croatia, Kosovo, Montenegro, and Serbia have helped to reinforce our shared values and demonstrate our strong support for reforms. We hope to see additional visits from Congress in the future and ask for your help in supporting U.S. businesses as they look for opportunities in the region.

Mr. Chairman, Ranking Member Shaheen, thank you again for the opportunity to meet with you today to discuss our relationship with the Western Balkans and our continued cooperation in the region. And I look forward to your questions.

[The prepared statement of Mr. Palmer follows:]

PREPARED STATEMENT OF MR. MATTHEW PALMER

Mr. Chairman, Ranking Member Shaheen, and members of the Committee, thank you for inviting me to appear before you today to discuss the current situation in the Western Balkans and the successes and challenges faced by the countries there on their path toward Euro-Atlantic integration. I would especially like to thank the members of the Senate Foreign Relations Committee for their leadership, which paved the way for the Senate's ratification of North Macedonia's NATO Accession Protocol. Continued progress on North Macedonia's NATO accession is critical to demonstrating our ongoing support for the country's and the region's Euro-Atlantic integration aspirations.

For the past 30 years, the United States has joined our European Allies and partners in working to fulfill our shared vision of a "strong and free Europe." Over the last decade, many of our efforts have started to bear fruit. We are now seeing examples of extraordinary progress that bring the region closer to the Euro-Atlantic family.

One has to look no farther than at North Macedonia to see an example of that progress. Within 2 months of assuming office in June 2017, the government of Prime Minister Zoran Zaev was able to negotiate and sign a Treaty of Friendship, Good-neighborliness, and Cooperation with Bulgaria that recognizes the already strong ties between the two countries and opens the door to even closer cooperation going forward in areas as diverse as infrastructure and culture. This agreement demonstrated that where there is political will, it is possible for differences between neighbors to be resolved peacefully, and it paved the way for the historic June 2018 Prespa Agreement between North Macedonia and Greece. Arguably the most significant purely diplomatic achievement in South-Eastern Europe since the Dayton Peace Accords, the Prespa Agreement resolved the long-standing name dispute between the two countries and paved the way for North Macedonia to become the 30th Ally in NATO and to eventually join the European Union. Under the courageous and forward leaning leadership of Prime Minister Zaev and former Greek Prime Minister Alexis Tsipras, the Prespa Agreement created a model other leaders in the Western Balkans can follow to break through the nationalistic and cultural barriers that have held the region back for decades.

With its peaceful multi-ethnic coexistence, growing economy, and willingness to work with Kosovo in 2018 to implement the 2015 border demarcation agreement between the two countries, Montenegro has emerged as a leader and a role model for other countries in the region. It has consistently punched above its weight in its commitment to global security, and joining NATO in 2017 was a huge and well-deserved step forward for the country. This new NATO member has proven to be a stalwart ally, putting its troops in harm's way in a number of NATO-led missions and making steady progress in fulfilling the Wales 2 percent/20 percent pledge.

In 2016, Montenegro thwarted a brazen coup attempt aimed at undermining Montenegrin democracy. This coup attempt was only one prong of Russia's efforts to destabilize the country; Russia also unleashed a pervasive anti-NATO disinformation campaign to thwart Montenegro's NATO accession and continues to subject the country to broad-scale hybrid attacks on a daily basis. Thanks to our direct cyberse-

curity cooperation with Montenegro, we have been able to develop patches against the latest Russian malware that now protect billions of devices worldwide. On May 9, a Montenegrin court found two Russian GRU officers guilty of attempted terrorism during the 2016 coup attempt, laying bare Moscow's blatant attempt to destabilize an independent European country. The open and transparent trial represents an important step forward for the rule of law and is an example of Montenegro's resiliency.

There are a number of other notable successes throughout the region worth mentioning. Our NATO Ally Albania has made tremendous strides on its reform path, implementing unprecedented judicial reforms to root out endemic corruption. Reforms required the vetting of all 800 judges and prosecutors for unexplained wealth, organized-crime ties, and competence. Only 43 percent of the 143 jurists vetted so far have passed, confirming the old justice system's deep corruption and links to organized crime. Albania also established two new judicial oversight bodies, the High Judicial Council and High Prosecutorial Council, to appoint, govern and discipline judges and prosecutors; a key benchmark in justice reform implementation. The country is now on the cusp of establishing a new independent special anticorruption prosecution office and court (SPAK) and National Bureau of Investigation (NBI), whose job it will be to investigate corruption, organized crime, and crimes of high officials. And it has taken steps to crack down on previously untouchable organized crime bosses, as evidenced by the convictions of high profile drug kingpin Klement Balili and notorious crime boss Emiljano Shullazi.

Croatia not only became a NATO Ally in 2009, but also joined the EU in 2013. It will be the next country to hold the Presidency of the Council of the European Union from January through June of 2020, during which time it will host the next major EU summit on the Western Balkans in Zagreb. In Bosnia and Herzegovina, the willingness of the three presidents to discuss linking government formation with the submission of the country's Annual National Program to NATO represents a significant step forward and demonstrates that leaders can make compromises. These are but a handful of achievements the United States has supported over the past decade.

While it is important to articulate the successes of the region, no discussion of the Western Balkans would be complete without addressing the many challenges to the stability of the region and impediments on the path to Euro-Atlantic integration. We are profoundly disappointed with the failure of EU member states to approve opening accession negotiations with North Macedonia and Albania last week in Brussels. Although we are not members of the EU, we agree with the European Commission's May 29 assessment that both countries have made significant reform progress, meeting the European Council's conditions and laying a solid foundation to continue reforms while opening and closing *acquis* chapters.

The European Council's inaction last week risks eroding the EU's credibility not just in the Western Balkans, but throughout Europe and globally. By not explicitly recognizing the achievements made by North Macedonia and Albania and continuing to stall their enlargement progress, the European Council sends a negative signal to other aspirants that the door to Europe is barred. It also weakens arguments asserting the utility of enacting difficult reforms and making courageous compromises necessary to resolve regional disputes and promote peace and democratic development. Finally, it creates a leadership void that Russia, China, and others are more than happy to fill.

We remind the EU and its member states of their statements in Thessaloniki in 2003 and in Sofia in 2018 that there is a clear "European perspective" for all six Western Balkan aspirants to join the EU, based on firm, established criteria. The EU member states should clearly outline real and tangible reforms North Macedonia and Albania can achieve in the short term that will lead to a more positive outcome before the EU-Western Balkans summit in Zagreb in May 2020.

Secretary Pompeo appointed me to serve as his Special Representative for the Western Balkans to underscore the U.S. commitment to the region and deepen cooperation with our European partners to make clear there is a path to Euro-Atlantic integration that is achievable, even if it is difficult. I will focus my efforts on anchoring the region to the West, working with governments to advance reforms and strengthen them against outside malign influences, as well as helping them overcome issues that hold them back from their European and Euro-Atlantic aspirations.

One of our top priorities that has a significant impact on the entire region and trans-Atlantic security, is the normalization of relations between Serbia and Kosovo. With negotiations at a standstill, both countries risk squandering the best chance in a generation to normalize relations and move toward a more secure and prosperous future. Because of the strategic importance of this issue and the historic and limited window of opportunity for Serbia and Kosovo to reach a comprehensive

agreement, President Trump has also appointed U.S. Ambassador to Germany, Richard Grenell as the Special Presidential Envoy for Serbia and Kosovo Peace Negotiations. Together, Ambassador Grenell and I will work toward helping the parties reach a comprehensive agreement on normalization. With enhanced political engagement as well as the pursuit of business and commercial incentives, we will endeavor to help the parties themselves find a locally-owned agreement that is durable, implementable, and increases regional stability. By reaching such an agreement, the parties can unlock the inherent untapped economic potential that comes with peace and integration. It is our hope this more robust approach that highlights the economic benefits of progress will help encourage Belgrade and Pristina to find a political settlement.

Our message to leaders in both Belgrade and Pristina is clear: you have an opportunity to refocus on your strategic interest by removing barriers to negotiations, refraining from engaging in provocative actions, and returning to the negotiating table with a spirit of flexibility and readiness to compromise. We expect that the new government in Kosovo will demonstrate its commitment to these shared goals by suspending the tariffs imposed on Serbian and Bosnian imports that have damaged Kosovo's international standing. The next government should also make a clear and compelling case to the citizens of Kosovo about the importance of returning to the Dialogue negotiations.

Serbia, in turn, must cease its campaign to delegitimize Kosovo in the international community. Through its campaign to incentivize countries to withdraw recognition of Kosovo and block its membership in international organizations such as INTERPOL, Belgrade has undermined international law enforcement cooperation and soured the atmosphere for compromise. This impedes progress toward an agreement that Serbia needs to reach its own strategic goal of integration with Europe. We are convinced that President Vucic is ready to negotiate an agreement. Once Serbia and Kosovo take these steps, we stand ready to work with him to explore options that will help him build support among the Serbian people for normalization of relations with Kosovo.

Turning to Bosnia and Herzegovina, we are supporting efforts to reach agreement or a compromise that allows for government formation at all levels as well as submission of Bosnia's ANP to NATO. We continue to find leadership at both the entity and state levels to be disappointing, parochial, nationalistic, and risk-averse, doing little to help ordinary citizens. As a new generation of political leaders emerge at the cantonal and municipal levels, particularly in the Sarajevo Canton, there is reason to be hopeful. We continue to be optimistic that Bosnia and Herzegovina can succeed, and as a guarantor of the Dayton Peace Accords, we remain committed to the territorial integrity and sovereignty of the country.

While Montenegro is the front runner within the region to join the EU, it must accelerate efforts to implement necessary reforms, such as strengthening the rule of law and tackling organized crime and corruption. We are concerned that Montenegro has backslid on media freedom in light of government interference in the public broadcaster's management and outstanding unsolved cases of attacks on journalists. We encourage the government to do more to demonstrate that Montenegro values and protects journalists, including refraining from incendiary language that encourages hostility toward journalists and imposing meaningful sentences for those who commit attacks on journalist and media property.

The peoples of the Western Balkans and their governments have made clear what they want—a more secure, prosperous, and democratic future for themselves and the entire the region. The United States fully supports these efforts—something we cannot say of all the external actors that increasingly see the region as ripe for engagement and interference. Some of these actors have very different values and very different visions for the future of the region. Russia rejects the post-Cold War settlement in Europe and is trying to push back on it with a variety of tools, overt and covert, in order to forestall the region's Euro-Atlantic integration. It seeks to incite divisions and chaos. Chinese authorities have been insinuating themselves in the region through their "17+1" and "Belt and Road" initiatives, as well as their investment in strategic industries and information and physical infrastructure, creating new political and economic vulnerabilities.

Turkish engagement and influence is present across the Western Balkans—primarily focused in Kosovo, Bosnia and Herzegovina (BiH), Albania and North Macedonia—and appears to be increasing in scale and scope in Montenegro as well. Under President Erdogan, Turkey has invested heavily in the region in an effort to expand its political, cultural and economic foothold. It has provided development aid, invested in major infrastructure projects, and restored mosques. We welcome Turkey's engagement when it serves a constructive role in helping the countries of the Western Balkans achieve their stated goal of Euro-Atlantic integration. Also,

given Turkey's historical role in the region and deepening economic ties, Turkey's support of the Kosovo-Serbia Dialogue and Prespa Agreement is particularly important.

To support the countries of the Western Balkans own stated goals, we need to increase our own engagement and investment in the region and re-energize partnerships with these important partners. The countries of the Western Balkans need to know what they will get—and what they stand to lose—from the “deals” Moscow and Beijing peddle. But messaging is not enough; we need to increase American private sector presence and investment in the region. It is indisputable that congressional support has been instrumental in our successful partnership with the people and the governments of the region. Recent visits from congressional delegations to Croatia, Kosovo, Montenegro, and Serbia have helped to reinforce our shared values and demonstrate our strong support for reforms. We hope to see additional visits from Congress in the future and ask for your help in supporting U.S. businesses as they look for opportunities in the region.

Mr. Chairman, Ranking Member Shaheen, and distinguished members of this Subcommittee, thank you, again, for the opportunity to meet with you today to discuss our relationship with the Western Balkans and I look forward to our continued cooperation in the region.

I look forward to your questions.

Senator JOHNSON. Thank you, Mr. Palmer.

Let me just start out. Let us hone in on Kosovo and Serbia. With the new elections in Kosovo, they will be forming that government. Can you just, first, give me your assessment of, you know, how that has changed the situation? And, again, I—with means—President Thaci and President Vucic, there is—those are certainly two leaders that want to do a deal. It is a difficult situation. There is no doubt about it. There is nothing easy about this. But, what is your assessment of the results of the elections in Kosovo?

Mr. PALMER. Mr. Chairman, these were significant elections for Kosovo, watershed elections in many ways. What you are looking at is going to be the first post-KLA government in Kosovo, the first government that does not include one of the parties headed by one of the major figures from the wars in the 1990s.

Senator JOHNSON. So, do you view that as a good sign?

Mr. PALMER. I view it as an impulse, on the part of the people of Kosovo, for change. And it is understandable. There is a great degree of frustration on the part of the citizens of Kosovo with the situation in which they find themselves, both the degree of international isolation, the economic stagnation, and the failure of Kosovo's governments to make progress on commitments and promises to fight corruption and crime. There is certainly a lot of work to do. The LDK, of course, is no stranger to government, and, at this point, I think most people are assuming that the next government in Kosovo is likely to include both the LDK and Vetevendosje. That is the most likely outcome to this process of government formation. Vetevendosje is an entirely new player in government. They have been around for a long time, but this would be the first time that Vetevendosje takes a share of power. And they are taking a significant share of power. They came in number one in the polls. The presumptive Prime Minister is Albin Kurti. I have known Mr. Kurti for a long time, but how he is going to behave in government, how he is going to deal with the kind of responsibility that comes with that sort of office, is unclear and uncertain at this point.

Senator JOHNSON. According to news reports, he has somewhat de-emphasized the dialogue, looking toward longer-term reforms, putting those in place first. I mean, does that give you a little con-

cern, in terms of his commitment to solving that longstanding dispute with Serbia?

Mr. PALMER. I think that what that reflects is an assessment on the part of those who did well in the October elections, that what the people are demanding of the next government is to focus on domestic issues, on employment, on economic growth, on fighting corruption. And I think there is truth in that. You will certainly see, when you talk to the people in Kosovo, when you look at the poll numbers, when you look at what it is that people are writing in the newspapers or talking about in the cafes, there is a lot of frustration with the domestic scene, and desire for change. And that is all well and good. Kosovo is capable of doing multiple things at the same time, however. Even as the next government moves on a domestic agenda, it is entirely capable of simultaneously re-engaging in the dialogue with Serbia and working to achieve a full normalization agreement with Belgrade that opens up a European and Euro-Atlantic future for Kosovo.

Senator JOHNSON. So, you are the State Department's Special Representative. Ambassador Grenell will be the President's Special Envoy Representative. How are you two going to work together? And what do you view the U.S. role in helping those two sides reach agreement?

Mr. PALMER. I think we are going to work well and closely together, Mr. Chairman. I just spoke with Ambassador Grenell a few hours ago. We regularly speak about these issues and coordinate our message and the strategy for moving things forward. I know that Ambassador Grenell is especially interested in identifying commercial business economic incentives that can be used to help loosen the lid, grease the skids, whatever metaphor you might want to use for progress on the political front. And he is engaged already, actively, with the parties, with the leadership in Belgrade and Pristina, as well as with the business communities, to identify those opportunities and push the parties forward in areas where they can cooperate and compromise on economic and commercial matters that stand to benefit all of their publics. And this is something that I think will be enthusiastically received by the leadership in—on both sides. This does not obviate the need for a political solution, that long-term Kosovo's future as a European country can only be secured through an agreement on normalization with Belgrade. I think that is broadly understood in Kosovo, as well. But, at least at first, I think a focus on business and commercial interests can help reframe the issue in a more positive way.

Senator JOHNSON. My assumption, right or wrong, has always been, the public is going to greet any agreement similarly to the way the public in Greece and now North Macedonia greeted their leaders' agreement: Will not be real popular. So, I have always felt the U.S. role really needs to be to provide the support, post agreement, to make sure that it works out, that, you know, in 6 months, both Serbians and Kosovars are looking at that and kind of shrugging their shoulders, "Why was this ever a big deal? This is really working out well." You know, hopefully, for Kosovo, they get recognized by the U.N. and Western investment begins to flow.

What—one incredibly important economic factor is the power plant in Kosovo. Do you have any updates, in terms of the financing of that?

Mr. PALMER. My understanding, Senator, is that the financing is still coming together and that the companies that are involved remain committed to the project and are looking to move it forward. There are a number of obstacles that will need to be overcome in order to arrange the financing. The United States remains committed to the Kosovo e Re project and to seeing a new power plant constructed in Kosovo. We think it is important, vitally important, that the next government demonstrate that it is committed to ensuring the provision of basic goods and services to the people of Kosovo, and that includes making sure that the lights stay on. This is something that we are going to continue to work with the business community on, as well as with the next Kosovo Government.

Senator JOHNSON. I do not know the exact dollar figures, but the savings are so massive in comparison to the cost. You know, I think the payback would be pretty short. I—it has always puzzled me why that has been difficult to really get the financing. I guess my only solution would be, again, just the uncertainty, lack of agreement with Serbia, and always concern about rule of law.

Mr. PALMER. I think there are also some particular challenges, Mr. Chairman, associated with arranging international financing for a coal plant, which has opponents that are arguing against the plant, not on the specifics, but on the general principles.

Senator JOHNSON. Right.

Thank you.

Senator SHAHEEN.

Senator SHAHEEN. Well, thank you, Mr. Chairman.

And, Mr. Palmer, I want to pick up on the Serbia-Kosovo question, as well. And you talked about the good working relationship that you have with Ambassador Grenell, who has been appointed by the President to be a Special Envoy to Serbia and Kosovo on their negotiations. Can you talk specifically about how you view division of responsibilities with respect to dealing with Kosovo and Serbia?

Mr. PALMER. I would look at it more as a partnership, Ranking Member Shaheen, than necessarily a division of responsibilities. We share the same goal and objective, which is to promote a more cooperative relationship between Belgrade, Pristina, restart the dialogue process, get these countries moving toward an agreement on full normalization. I do think that Ambassador Grenell is going to be pushing the parties to move quickly. Right now, they have the attention of the White House, they have the full focus of not just the administration, but the President and the White House. That is a very useful tool, a very useful instrument. That is not forever. And to take advantage of that, the parties need to demonstrate that they are prepared to move on an expedited basis to actually reach some agreements, implement them, and demonstrate that they are as committed to reconciliation and normalization as we are.

Senator SHAHEEN. And so, are there parameters that you and Ambassador Grenell have discussed with the State Department

and the White House with respect to what we would encourage Serbia and Kosovo to think about in any negotiated settlement?

Mr. PALMER. I—Ambassador Grenell and I certainly talked about this as a path forward. And I think that he has had some initial exploratory conversations in Belgrade and Pristina. We are going to continue the dialogue. Ambassador Grenell and I will maintain regular communications. And what we are going to do is look for opportunities that we can seize and capitalize on and take advantage of. Certainly, right now, we are handicapped some by the fact that Kosovo does not have a government. So, to really engage on some of these difficult issues, Kosovo is going to need to form that government, they are going to need to identify the compromises that are necessary for a working majority to come together in Parliament, identify a Prime Minister, split up the ministries between the coalition partners, all the things that go into that. I think they understand the urgency of this, as well. And I am hopeful that they will move quickly to put a government in place. Kosovo has traditionally taken quite a long time to do this, and we are underscoring for them that time is not on their side, and they should move urgently to put the government together and find a path back to the dialogue process.

Senator SHAHEEN. And so, have we taken a position on land swaps as a potential tool in settling the dispute?

Mr. PALMER. What we would like to see, Senator, is an agreement that is durable, one that is locally owned, one that is salable in both Serbia and Kosovo. I think it is important to underscore that any agreement that is comprehensive, that is really full normalization, is multidimensional. There will be a security component, there will be a political component, there will be an economic and trade component, there will be a cultural component, when you look at issues like the status of orthodox church properties in Kosovo. As to whether the borders may or may not be part of an overall comprehensive settlement, that is really up to the parties to decide if that is a viable path forward.

Senator SHAHEEN. I appreciate that. However, there are experts on the Balkans who think that sets a dangerous precedent, going forward. So, again, do you have a view on that? Is that something that we should encourage or discourage as we are talking to the negotiating parties?

Mr. PALMER. I absolutely understand the Pandora's Box argument that many observers in the Balkans have made about, you know, "If you start changing a border here, what about a border there? Where do you draw the line?" I think that is a legitimate concern. And if the parties move in the direction of discussing these issues, I think that is something that we would have to work through and see if, in fact, that was a risk that could be appropriately managed.

I do also believe that the leadership of the parties, who are the presumptive government in waiting, have also made clear that that is not their preferred path forward. So, rather than get too far ahead of the negotiations, what I am focused on right now, Senator, and where I am working with Ambassador Grenell, is to identify a path back to the dialogue process. There is a lot of hoops to jump through and work that needs to be done before we even get



the parties back into a negotiating process. So, I do not want to get too far ahead of the process in determining what it is that they can and cannot negotiate through this dialogue mechanism.

Senator SHAHEEN. So, if there are two of you working on behalf of the United States to work with Kosovo and Serbia, does that mean that we have a very formal role in that dialogue? Or, again, can you describe a little bit more how that works? And the reason I ask is because, during the last talks, after the war in Kosovo, between Serbia and Kosovo, one of the things that I heard from the EU Ambassador, who was very engaged in working with Kosovo and Serbia, was that, every day, Serbia was being called by Putin or someone on behalf of Russia to discourage them from continuing to participate in any negotiations. Are we seeing that kind of interference now on the part of Russia?

Mr. PALMER. Well, I—Senator, I do not think Russia needs to do that just yet, because there is no dialogue process, and there has not been a dialogue process that has been moving forward for almost a year now. I think it goes back to last November, was the last time they had a dialogue session. In order to get back to the table, we need our partners—Kosovo—to commit to this process, to suspend the tariffs that have been an obstacle to the dialogue process, and return to the negotiations with Serbia with a dialogue team or a dialogue representative that is empowered and flexible and ready to compromise and negotiate. At which point I fully expect Russia to resume its spoiler role. It is not at all in Russia's interests that Serbia and Kosovo are reconciled. It is not in Russia's interest that Serbia and Kosovo normalize their relationship. The unrecognized status of Kosovo by Serbia is the single-greatest source of leverage that Moscow has over Belgrade and Serbia's behavior, and they use that leverage aggressively.

So, as this process moves forward, we will be very mindful of Russia's role, and particularly Russian efforts to undermine the prospects for success.

Senator SHAHEEN. So, I am out of time, but can I just follow that line of questioning, Mr. Chairman?

So, what are we doing to prepare for that? And how are we urging Kosovo and Serbia to look at any potential negotiations and address Russian interference?

Mr. PALMER. Well, I think what we are doing, among other things, Senator, is to have this conversation with both parties right now, to try and identify what the challenges are to success, and to reinforce, with both Serbia and Kosovo, the value of these negotiations. These are EU-led negotiations. It is the—the United States does not have a formal role in the dialogue process, itself. We are there, we are supportive, we are encouraging the parties to reach this agreement, but we also want them to be well aware of the value, what is on offer for them, why it is important that they secure this agreement on normalization. This, frankly, is one of the reasons why the decision by the European Council not to extend the offer to open accession negotiations with Albania and North Macedonia last week was so disheartening, because it sends—

Senator SHAHEEN. Absolutely.

Mr. PALMER.—exactly the wrong message to both Belgrade and Pristina. That message is, “You can do difficult things, you can

make hard choices, you can compromise, and you can still be denied a path forward to Europe.” And that is a very unfortunate message to send, and we are going to work with our European partners to change that message in advance of the May timeframe that the European Council has identified as the next decision point on accession negotiations.

Senator SHAHEEN. Thank you.

I am out of time.

Senator JOHNSON. Senator Barrasso.

Senator BARRASSO. Well, thank you very much, Mr. Chairman. Appreciate you being here again. It is good to see you.

The—you know, I recently had the honor to visit our Wyoming National Guard troops that are serving in Kosovo. The C Company, 1st Battalion, 297th Infantry is stationed in northern Kosovo, near the Serbian border. There is the camp up there. I had a chance to fly up, helicopter, and visit with them and share a meal and thank them for what they are doing for all of us. The—they are part of the NATO-led peacekeeping mission to promote stability and security in the region. NATO supervised the standup and the training of the multiethnic professional and civilian-controlled Kosovo Security Force, as you well—you are well aware.

You know, in December 2018, Kosovo passed legislation to transition the force into a NATO interoperability military posture to support international peacekeeping and contingency operations. So, what U.S. security assistance do you think is going to be needed as part of this initiative?

Mr. PALMER. Thank you for that question, Senator.

Let me also underscore what a fabulous job the Wyoming National Guard is doing in Kosovo. They are really, just, providing tremendous support for that country in a difficult time, and we are grateful for it.

In terms of what it is that Kosovo is going to need from the United States through this process of transition, it will be considerable support, Senator, in that we are working with the government in Kosovo, we are working with the Kosovo Security Force on a plan to help transition that force. That plan will play out over the course of a decade. So, this is not something that happens over the course of a couple of months or even over a couple of years; it is a long-term transition. We are looking for a force that is the equivalent of a light infantry brigade, one that is equipped largely with defensive capabilities, but that is also capable of participating in international peacekeeping operations. And they will require training and equipment and assistance from the United States for quite some time.

Senator BARRASSO. So, those are all the challenges that Kosovo is going to face in standing up its own operational army. Are there NATO allies that really—that oppose the move to an operational army in Kosovo, do you know?

Mr. PALMER. Yes, Senator. There are a number of NATO allies that have expressed profound concern about the decision of—by the Kosovo Government to make this transition, concern about the transition, itself, and the possibility that the transition could heighten tensions with Serbia, concerns, in particular, on the part of those members of NATO who are not recognizers of Kosovo—

Spain, I think, first and foremost among them, that has expressed some deep reservations about this. And it has complicated Kosovo's relationship with the alliance.

Senator BARRASSO. The—do you know if Kosovo is actively recruiting ethnic minorities into the security force?

Mr. PALMER. Yes, they are, Senator.

Senator BARRASSO. Okay.

I want to just turn to something that I think Senator Johnson briefly mentioned, in terms of energy and power. And when I was in Kosovo, I learned that the key—one of the key barriers to economic growth in the country is energy security. The—Kosovo relies on two aging lignite power plants. I had a chance to see one of them while heading up to the northern part of the country. About 95 percent of its electricity generation is from those two plants. Kosovo has very large lignite resources. I had to—I was able to see that, as well, from the air. Totally, I think 12-and-a-half-billion tons, which is the second largest in Europe, one of the largest in the world. Their energy strategy includes building a new 500-megawatt modern coal-fired power plant. Despite its previous commitments, the World Bank informed Kosovo, in October a year ago, that it would not help finance it. And I had to disagree with the decision by the World Bank. You know, we should be helping, I believe, countries like Kosovo use the abundant energy resources that they have that can provide affordable, reliable, dependable supplies of energy. So, how has this unreliable supply of energy that can be used impacted the economic growth and development that we see in Kosovo?

Mr. PALMER. Well, Senator, it is an excellent question. I would argue that it is almost certainly discouraging investment in Kosovo from business interests who might otherwise be amenable to taking a chance and investing in Kosovo. A couple of things that will discourage that kind of business and commercial investment. One of them would be the uncertainty of the legal environment, the enforceability of contracts, there is too much cronyism. These are all issues that need to be addressed, and can be addressed, by the next Government of Kosovo. But, anything that adds to that uncertainty, including something like the uncertainty of the reliability of the energy supply, is going to be something that companies are going to have to factor into their decision-making on potential investment. So, the administration, the U.S. Government, has strongly supported the Kosova e Re power plant project. There are issues not just with arranging the financing of the plant, itself, but there are issues with the environmental standards associated with the mine that will be feeding that plant that will need to be addressed. And here, there is some responsibility on the part of the Kosovo institutions, Kosovo ministries, Kosovo government authorities, and things that they will need to do in order to pave the way for a successful program and project.

Senator BARRASSO. Are there specific requests that the Government of Kosovo has asked of us, the United States, regarding assistance in their energy sector?

Mr. PALMER. To work to use our influence to help with the IFIs and arranging the financing for the plant. That is something that the Government of Kosovo has asked for our assistance with. There

have been some challenges with this. It is especially difficult to secure multinational international support for financing a power plant that is a coal-based plant. That has been a challenge with the World Bank, as you are familiar with, Senator. It has been a problem with the—or a challenge with European banks. It is one that we are working to overcome, working in partnership with ContourGlobal, an American company that is interested in making this investment, managing this plant. But, we also need to encourage and put a little bit of pressure on the Government of Kosovo to do its part to ensure that there are no shortcomings in the project that would make it harder to secure that kind of international financing.

Senator BARRASSO. Well, thank you very much. And thanks for your service.

Thank you, Mr. Chairman.

Mr. PALMER. Thank you, Senator.

Senator JOHNSON. Thank you, Senator Barrasso.

I am going to ask you the same question on four different countries or regions.

In your testimony, you talked about Russia and China influence into the Western Balkans. I would like you to—I would like you to state what you think the overall objective, the overall goal of these entities interested in the Balkans, and what specifically they are doing.

But, let us start with Europe, because we talked about the Serbia/Kosovo dialogue. You mentioned, correctly, that that is basically being led by the EU. Representatives of both Serbia and Kosovo have really been asking the U.S. to get more—you know, more engaged. So, just in general—and not just with Kosovo and Serbia, but talk about the EU's goals and objective as it relates to the Western Balkans, and what, specifically, they are doing.

Mr. PALMER. In principle, Mr. Chairman, the goals of the European Union collectively, the goals of the individual EU member states individually, are the same as those of the United States, are the same as those of the countries of the region, which is to pursue a reform agenda that will make it possible for the countries of the Western Balkans to qualify for membership in European and Euro-Atlantic institutions. That means, for all the countries of the Western Balkans, membership in the European Union, and for all who aspire to it, which formally at this point is all except Serbia, membership in the North Atlantic Treaty Organization. Progress has been made. Montenegro's accession to NATO, Albania's accession to NATO, the opening of a clear path for North Macedonia to become the 30th member of the alliance, that is all well and good. The EU path is harder, it is steeper, it is rockier, it is more difficult. Montenegro is probably widely considered the frontrunner at this point, but it still has a lot of work to do, including, in particular, on media freedom. And we have been very specific with our Montenegrin friends and partners about what it is that we would like to see on that front.

Europe is challenged on this issue, in that the opening of the European path is—requires consensus. And in the meeting last week of the European Council, that consensus was not there. And here, I think it is important to underscore that the vast majority of mem-

ber states in the European Union supported the opening of accession negotiations with both Skopje and Tirana, and it was really France, with marginal support from the Netherlands, that prevented, that blocked consensus. I think it is also important to underscore that the European Council did not say no, they did not say, "We will not open negotiations." They did not establish new conditions for the opening of negotiations. They simply noted that, "We were unable to secure a consensus." That is largely, Senator, in our view, for reasons that have nothing to do with the countries in question. It was not about North Macedonia, it was not about Albania. It was about concerns and questions that the French, in particular, had about the process of enlargement and how the process needed to be changed, reformed, and adapted.

Senator JOHNSON. And I would say those are probably legitimate concerns, so I am hoping this is a pause, a reevaluation, that—and can look forward to future progress.

Mr. PALMER. We share that hope.

Senator JOHNSON. We have—I have limited time. I want to talk about Russia. I want to talk about China. I do not know that you can do that quickly. But, I also want to talk about Turkey. Again, what are their objectives, what are their goals, you know, what are their current activities in the Western Balkans?

Mr. PALMER. Sure. In a nutshell, Mr. Chairman, I would argue that Russia's primary objective in the Western Balkans is to prevent that region from integrating into the European and Euro-Atlantic family of nations, to keep the region fractious, divided against itself, weak, and dependent on Russian political support and on Russian gas, in particular. So, the Russian system has an interest in preventing exactly the things that we are trying to achieve: the agreement between Serbia and Kosovo on normalization; a deal in Bosnia and Herzegovina that helps Bosnia and Herzegovina become more functional and that opens up a European path for Bosnia and Herzegovina, as well; Montenegro's accession to the European Union; North Macedonia's accession, as the 30th member of NATO. Russia opposes all of this.

Senator JOHNSON. Great player, are they not?

What about China? What about Turkey?

Mr. PALMER. China, I think, is a relative newcomer to the scene. And I am not entirely persuaded, Senator, that China thinks about the Balkans in the same way as we do, as a single coherent space. The point of entry for China into the region is less engagement in the Western Balkans as the Western Balkans and more through the "17+1". So, the Balkans here is a subset of Chinese engagement with Central and Eastern Europe. This is the terminus of the One Belt, One Road Initiative. China is looking to build influence, make inroads. In part, it is commercial interests that China is looking as—to this region as an area where they can win contracts and make money. China is also looking to build-up political influence, although I think there is some uncertainty, maybe even on the part of the Chinese themselves, about how they would intend to use that influence, other than in a very transactional way, to be able to divide Europe against itself and prevent consensus on issues that the Chinese would consider central to their own security. Here, I am thinking of things like Xinjiang or the South China Sea

or what is going on in Hong Kong, where influence with a number of member states may be sufficient to block consensus on a position that China would find at odds with its own interests.

Senator JOHNSON. Okay. Talk about Turkey.

Mr. PALMER. Turkey has significant interest in the Western Balkans. They look at this, in many ways, as being their backyard. They are interested in developing partnerships; in particular, with the Federation in Bosnia-Herzegovina, with Albania, with Kosovo. They have put a lot of priority, in their engagement in the Western Balkans, in identifying individuals that they consider affiliated with Gulenist institutions and putting pressure on the governments in the Balkans to extradite those individuals to Turkey. There is Turkish money that is going into religious institutions, madrassas and jamiyahs, that is developing long-term relationships. I think Turkey sees the Western Balkans as an area where Turkey should be expected to play a significant, or even an outsized, role. So, I expect Turkish interest in the Balkans to only increase over time.

Senator JOHNSON. Chairman Risch.

The CHAIRMAN. I am going to pass, Mr. Chairman.

Senator JOHNSON. Okay.

The CHAIRMAN. I just came by to make sure that Mr. Palmer had gone home overnight, and came back, instead of staying here.

[Laughter.]

Senator JOHNSON. He looks well-rested.

Mr. PALMER. Thank you for that, Senator. It is very considerate.

Senator JOHNSON. Senator Shaheen, do you have any further questions?

Senator SHAHEEN. I do.

I worked to include language, in the State and Foreign Operations appropriations bill, instructing the State Department and USAID to define ways in which the U.S. Government can help empower youth and be used to promote the growth of small- and medium-sized businesses in Bosnia-Herzegovina. One of the things that has distressed me most about the challenges that Bosnia-Herzegovina faces is the disaffection of its young people, and their interest in leaving the country, and not seeing any future there. So, can you talk about any existing programs that might further that goal, and what is being done already with the State Department and USAID to address some of the economic challenges in Bosnia-Herzegovina?

Mr. PALMER. Absolutely, Senator.

There are a number of programs and projects that we have in place looking to promote economic growth, looking to create opportunities for young people. I do believe, though, that, among the more significant things that we can do help accelerate the creation of opportunities is to support, at the political level, privatization of state-owned and parastatal institutions. These are inefficient, bloated bureaucracies that hold Bosnia-Herzegovina back. We would like to see much more effort put into privatizing these—some of these dinosaur institutions, creating a little bit of economic dynamism.

I think it is also important, Senator, to underscore that one of the things that you will see in Bosnia-Herzegovina that is pretty

striking is that you will see young people leaving Bosnia-Herzegovina who actually have good jobs and solid economic prospects. They are leaving because they feel the political climate is not one that lends itself to a positive future for them and their children. And even though they have a good job and they have an apartment and they have a stable economic foundation, they are still looking for opportunities to move to Frankfurt or London or New York in order to pursue a life that is more predictable and that is more secure. And it is this sense of insecurity, as much on the political level as it is on the economic level, that is driving people to look for alternatives.

Senator SHAHEEN. Which I appreciate. I think one analysis that I have, personally, is that what we did with the Dayton Accords was not just stop the fighting, but we put in place a permanent structure that it was going to—was going to make it very difficult to get over the ethnic divisions within Bosnia-Herzegovina, and that that continues to be one of the major stumbling blocks to the ability in the country to put together a government that offers that long-term stability that the people are looking for. So, what are we doing to address the current challenges with the governmental structure that exists there now? And how are we trying to work to encourage the people of the country to take a look at that structure and think about how they might do things differently?

Mr. PALMER. That is an excellent question, Senator.

I think, really, the only answer that I have for you, fundamentally, is incrementally, that we are trying to move things along slowly. There have been a couple of efforts over the years to do the big-bang reforms in Bosnia-Herzegovina. There was the—something called the April Package, another thing called the Butmir Process. And both were unsuccessful. They were unsuccessful for the fundamental reason that the people who are in position, the ones who need to drive the reform efforts, by definition are the ones who benefit from the current structure. They have done “pretty well, thank you very much,” by the existing system, and are not invested in the kind of change that we would like to see. So, we are trying to press for incremental change, incremental progress. Electoral reform is one area where there is opportunity to try and move things forward. We are, right now, working to promote a compromise that would make it possible to form the Council of Ministers, effectively the government at the state level, while also opening up a path for Bosnia to submit the first ANP to NATO. The challenge here, frankly, is Milorad Dodik and Milorad Dodik’s lack of interest in doing anything that would seem to imply a future for Bosnia-Herzegovina within NATO. The ANP decision, of course, is not a decision on NATO membership; it is an opportunity for Bosnia-Herzegovina to engage with the alliance to reform and strengthen the defense and security sector of the country. It is one that would add value for the people of Bosnia and Herzegovina, in terms of what it is that they can get out of their relationship with government. Milorad Dodik is more interested in shoring up and securing his position in Republika Srpska than he is helping Bosnia and Herzegovina. So, we are also looking to identify the next generation of leaders, young up-and-comers, at the cantonal level or the municipal level, who may be having a better and a more

modern understanding of the relationship between political leaders and those who entrust them with power and responsibility. What is happening in Sarajevo Canton is very interesting, something that deserves support, civic parties rather than ethnic parties that are running the cantonal-level government. This is something that is—that merits attention and support and a little bit of energy and investment on the part of the international community.

Senator SHAHEEN. And so, are we doing that?

Mr. PALMER. Yes, ma'am.

Senator SHAHEEN. Just to go back to the issue with Serbia and Kosovo briefly. Again, I would just caution that the potential for there to be mixed signals and miscommunication if there are two people who are working on trying to address the potential future of those two countries, I think, is very high. And so, I hope you will keep that in mind and, as you are working with Ambassador Grenell, that the two of you will look at ways that you can ensure that that does not happen.

Mr. PALMER. Yes, Senator. I agree with that. Absolutely.

Senator SHAHEEN. Thank you, Mr. Chairman.

Senator JOHNSON. Thank you, Senator Shaheen.

I guess I would just add, as well, is—you saw there is a fair amount of interest. A number of us have made multiple trips over there. So, I just spoke with Ambassador Grenell yesterday. I can see you two are on the same page, in terms of the steps forward. I completely agree with those. And I would just make—just ask you to keep us completely informed, and we certainly will when we are making trips over there, so that we are—as, you know, representatives of the United States, we are on the same page. Because I think we do—we do have an opportunity, but the window does not stay open forever.

Mr. PALMER. Absolutely, Senator. And I know you travel to the region frequently, and we are grateful for that.

Senator JOHNSON. But, again, I want to thank you for, first of all, your service, your future service, your time and testimony here today.

And we do have a vote called. So, what I will do right now is, we will recess, go take a vote, and then we will reconvene with our second panel.

Mr. PALMER. Thank you, Senator.

Senator JOHNSON. Senator Murphy, did you want to ask Mr. Palmer some questions before I actually recess?

Senator MURPHY. Yes, if I—

Senator JOHNSON. Okay. We are not recessing quite yet, then.

Senator MURPHY.—if I could.

Good to see you. Thank you very much for sticking around for another moment.

I do not know if this has—I am sorry that I am just coming in—I do not know if this has been discussed, but one of the questions that I had for you was, there has been some question as to the personnel authority right now over the region. I do not know if this is something that has been discussed as of yet. So, you were appointed as Special Representative for the Balkans on August 30th while you were still serving as the DAS for Southeast Europe. And then, on October 4th, the White House appointed Ambassador Rick



Grenell as the Special Envoy for Serbia and Kosovo. This came as a surprise to the State Department and the leaders in the region. Prime Minister Vucic gave some fairly candid remarks about his lack of awareness regarding Mr. Grenell's appointment. What can you tell us about how the responsibilities are going to be divided in the region, moving forward? And how does Ambassador Grenell do both jobs at once? Being Ambassador to Germany is a pretty significant responsibility in and of itself. And I do not know that this committee would find it really attractive to have Ambassadors to major NATO nations spending half of their time out of country working on really complex problems in other regions.

Mr. PALMER. Sure. No, I appreciate that question, Senator.

It is not an unfamiliar model. I lived, for a number of years, in Cyprus, working at our Embassy there, at which point there was a Special Representative for Cyprus, Tom Weston, and a Special Presidential Envoy for Cyprus, Al Moses. It was a model that worked pretty well.

What I think you see right now in the Western Balkans, with both my appointment by Secretary Pompeo and Ambassador Grenell's appointment by the President, is a commitment on the part of the administration, a commitment on the part of the United States, to raise our profile in the region, to demonstrate to the region that we are there and we are partnering with them and we are ready to put political capital, effort, and energy into helping the countries of the Western Balkans move forward.

I think it is terrific, frankly, that Ambassador Grenell is there to work as the President's Special Envoy specific to the Serbia-Kosovo dialogue. I think only good things can come of that. My mandate is a little bit broader, covers the whole region. My focus may be a little bit longer-term. I know that Ambassador Grenell is interested in trying to push the parties forward, on an urgent basis, to address challenges immediately and to identify areas of cooperation that can be put in place urgently. And so, I think that his role and my role will actually be quite complementary. I look forward to working with him. He certainly is someone that can bring the full weight and heft of the White House to this problem set. I think that is welcome. It is our responsibility to work well and closely together, and to coordinate carefully to ensure that we are staying on message.

Senator MURPHY. One of the things that Senator Johnson and I heard when we were in the region, about a month ago, was—and maybe I will speak for myself, here—but, the concern that, for the first time, both Pristina and Belgrade were hearing different messages from the United States and from Europe. They felt that we were simply not coordinated in the way that we used to be. And I know some questions were asked earlier about land swaps. This is amongst the concerns that they had. Have you heard this concern, as well? And what are the steps that can be taken to try to make sure that we are delivering a similar, if not very well coordinated, message with the Europeans on our expectations of the two parties?

Mr. PALMER. Thank you for that question, Senator.

I would actually, maybe, frame it in a slightly different way. I think that what the region was picking up was not so much dif-

ferences between the United States and Europe, as such, but differences amongst member states of the European Union and between the organizing institutions of the European Union and certain member states. So, I think there was, maybe, different messages that were coming from different European capitals to Belgrade and Pristina. Some of those messages were more closely aligned with the position of the United States than others. The relationship between the United States and the European Union's External Action Service, Mogherini and her team, who were leading the negotiating process, was always very much in lockstep. I do know that there were some different messages coming out of different capitals in Europe that I think may have been fuzzing the message some. And yes, I agree entirely that we need to work to ensure coherent messaging from the United States, from European institutions headquartered in Brussels, and from EU member state capitals.

Senator MURPHY. Yes, I think it is harder to coordinate with the European Union on these questions when we have sent an Ambassador there who reportedly told the Europeans, upon his arrival, that he is there to destroy the European Union. But, I appreciate your recognition that this is a challenge we have to overcome.

I think the region gets mixed messages from our administration, as well, because, while you have been appointed, and somebody who was appointed to layer on top of you, the budget that the President has submitted to us is a massive disinvestment in the region. It cuts in half the funding that we send to Kosovo. It cuts by two-thirds the numbers for North Macedonia, similar very big decreases. I mean, we have seen the incredible impact that relatively small amounts of U.S. aid has on the region. Every time I go, Ambassadors tell us the enormous reward and payback we get for relatively small sums. But, they also sort of see this withdrawal of American interest in the region. We have personnel that are committed to the region. I do not doubt you are. But, it is really hard for you to carry that message effectively when you have Presidential budget after Presidential budget that tells the Balkan region they do not matter, at least from a funding standpoint.

Do you believe that U.S. foreign assistance can make a difference in the Balkans? And what do you say to the representatives there, who, no doubt, complain to you that these numbers seem to be perpetually decreasing, at least from the President's proposed budget?

Mr. PALMER. You know, Senator, it is interesting, but no Balkan leader has ever complained to me about that. I have never gotten a complaint that was based on the trajectory of U.S. budget numbers. The complaints I get are about access. What they want is people. What they want is time and attention. What they want are meetings. What they want are visitors. What they want is the appointment of a Special Representative or Special Envoy. What they want is to know that they have our attention. And I would argue that my appointment by Secretary Pompeo, Ambassador Grenell's appointment by the President, is part of delivering that message.

Yes, foreign assistance is a vital tool. We can put it to good use. We have put it to good use in the Balkans. And we will continue to do so. But, I have never had a Balkan leader complain to me about budgets.

Senator MURPHY. You may do different meetings that I do. But, I hear, maybe more frequently, from our Embassy staff there. I mean, I remember my first visit to Belgrade in which then-Ambassador Kirby talked about the incredible impact that exchange programs had had. You know, he could point to, you know, a cross-section of leadership in Serbia that was sympathetic to U.S. asks and concerns, in part because they had spent part of their life studying or doing business in the United States, thanks to programs that facilitated exchanges. And yet, those programs were being largely shut down or dramatically pared back. And so, I have heard it from Balkan leaders, but I have also, maybe, heard it more often from our personnel, who are in charge of representing U.S. interests, who see their ability to get our case heard, often connected to our ability to run smart programming.

But, I appreciate your work in the region. Thanks for sticking around for my questions.

Senator JOHNSON. Thank you, Senator Murphy.

So, the committee will stay in recess until we reconvene after the vote, probably about 15 minutes.

Mr. PALMER. Thank you, Mr. Chairman. Thank you, Senators.

[Recess.]

Senator JOHNSON. Good afternoon again. Reconvene our hearing. And welcome and thank our two witnesses.

I guess we will start out with Mr. Janusz Bugajski. Mr. Bugajski is a Senior Fellow at the Center for European Policy Analysis and host of the New Bugajski Hour—I am terrible at names, sorry—television show broadcast in the Balkans. Previously, he was Director of the New European Democracy Program at the Center for Strategic International Studies. He has authored 20 books on Europe, Russia, and transatlantic relations, and is a columnist for several media outlets.

Mr. Bugajski.

**STATEMENT OF JANUSZ BUGAJSKI, SENIOR FELLOW, CENTER FOR EUROPEAN POLICY ANALYSIS (CEPA), WASHINGTON, DC**

Mr. BUGAJSKI: Thank you very much, Senator. Chairman Johnson, Ranking Member Shaheen, and members of the subcommittee, thank you for the opportunity to speak with you today about both the successes, but also, more importantly, I would say, the unfinished business in the Western Balkans.

And let me begin by underscoring that the United States commands enormous respect throughout the region, not only for saving lives during the NATO intervention, but for expanding the umbrella of security. We may not fully understand Balkan history, but we certainly understand Balkan geography. And, without a final resolution of the outstanding regional disputes, we give ground to radicals, criminals, and menacing foreign influences that can pull the United States into another war. It is in America's national and security interests to help resolve the remaining Balkan feuds and develop stable and cooperative states in the region similar to the Baltics and Central Europe.

My written testimony provides a list of regional successes, so I am not going to repeat all of them, except to highlight a few: Dayton Accords for Bosnia-Herzegovina, NATO membership for Slo-

venia, Croatia, Albania, Montenegro, and, very soon, for North Macedonia; European Union membership for Slovenia and Croatia; independence for Kosovo; the Prespa Accords between Greece and North Macedonia; and the Brussels Agreement between Serbia and Kosovo.

But, despite significant progress in the past 25 years, the region cannot be considered fully secured until at least four obstacles are handled. The two main disputes involve Bosnia-Herzegovina and Serbia-Kosovo. Majda is focusing more on Bosnia, so I would only add two words about Bosnia. I would say Bosnia is less a multi-ethnic country than an association of three ethnic fiefdoms in which nationalist parties maintain the status quo to protect their spoils. It has no effective central government. The Serbian entity persistently threatens to secede. Croatian nationalists increasingly demand a third entity. And Bosniaks are trapped, frustrated, in the middle. This precarious status quo cannot be maintained indefinitely, especially if economic conditions further deteriorate.

In the Kosovo-Serbia dispute, I would say that failure to reach a bilateral agreement heightens prospects for radicalism and regional instability. Hence, I fully agree with the appointment of two Special Envoys. I would add, actually, it would be good to have another Envoy for Bosnia, but that is a side question, for now.

The revived talks have to be based on two clear principles. First, Kosovo's final status was settled over a decade ago, when it declared independence, and cannot be revisited without sparking chaos and conflict. Second, Serbia and Kosovo need cooperative relations to promote their own self-interests in moving into key multinational organizations.

In an ideal scenario, Serbia recognizes Kosovo as an independent State, but this seems highly unlikely in the near future. One viable strategy, which I outlined in my written testimony, is for both sides to undertake a number of important steps within a normalization package. I will not go into this here, but if you ask me, I can lay out a few of these points.

The two region-wide problems are EU blockages and Russian and Chinese subversion. The EU blockage, has already been discussed, as Matt was talking about this earlier. I would say that the decision last week at the EU Summit not to allow accession talks to begin for North Macedonia and Albania not only damages EU credibility, but it can undermine the reform programs in these countries, encourage nationalists and irredentists, weaken efforts at conflict resolution, and provide openings for hostile foreign interference.

And my last word is on Russia. The Kremlin views the Balkans as Europe's weakest flank, where it can undermine Western cohesion. Russia promotes local nationalisms to weaken support for NATO, the United States, and the EU. It corrupts national politicians and businessmen to favor Russian economic and geopolitical interests. It fosters energy dependence to gain political leverage. It engages in propaganda offensives through local media and social networks to undermine Western values and institutions. And it pursues numerous inter-societal connections that increase Moscow's influence, whether through orthodox churches, political parties, or cultural organizations.

The Kremlin benefits from frozen conflicts and frozen states. In Bosnia, it encourages the Serbian entity to keep the country divided and question its future as a single state. In Kosovo, it undermines statehood and raises the specter of partition or reabsorption by Serbia. And I believe Moscow will seek to derail any new American initiative that generates regional stability. It is worth remembering that the only successful accords in the region are those where Moscow played no role.

Thank you very much.

[The prepared statement of Mr. Bugajski follows:]

PREPARED STATEMENT OF MR. JANUSZ BUGAJSKI

Chairman Johnson, Ranking Member Shaheen, and members of the U.S. Senate Foreign Relations Subcommittee on Europe and Regional Security Cooperation, thank you for the opportunity to speak with you today about the successes as well as the unfinished business in the Western Balkans.

I will begin with the recent successes and then outline the remaining problems. But first a few words why the Western Balkans are important for the United States. The United States expended substantial diplomatic, political, economic, and military capital in ending the wars of Yugoslav succession in the 1990's. Halting these anti-civilian wars was not simply a humanitarian mission it was a trans-Atlantic security operation. Without American leadership at that critical time, NATO would have become redundant through inaction, armed conflicts could have spread outside the former Yugoslavia and embroiled several neighboring States, and potential hotbeds of political and religious radicalism, nurtured by outside powers, would have indefinitely undermined European security.

America commands enormous respect throughout South East Europe not only for saving lives but for expanding the umbrella of security. We may not fully understand Balkan history, but we certainly understand Balkan geography. Without a final resolution of the outstanding regional disputes we unwittingly give ground to radicals, criminals, and menacing foreign influences, whether Russia's *Chekist* and military intelligence operatives, *jihadist* terrorists, Chinese economic state actors, or international smugglers. An unstable South East Europe will reverberate negatively through nearby countries and regions and in the worst-case scenario may pull the United States into another future war to douse the flames. It is in America's national and security interests to help resolve the outstanding feuds in the Western Balkans and thereby help develop stable states in a cooperative region similar to the Baltics or Central Europe.

REGIONAL SUCCESSES

NATO intervention in the West Balkans in the late 1990's, an enduring although reduced Allied military presence until the present day, and lasting U.S. and EU diplomatic engagement has led to a long list of regional successes.

1. The Dayton accords (1995) for Bosnia-Herzegovina helped to end the war, forged a political agreement between the three major ethno-national groups, and ensured the recognition of a single state.

2. NATO membership for Slovenia (2004), Croatia (2009), Albania (2009), Montenegro (2017), and North Macedonia (accession due in 2020) strengthened the security of each state and deepened bilateral relations with other members.

3. European Union membership for Slovenia (2004) and Croatia (2013) ensured substantial economic and structural benefits. EU entry underscored that these States had constructed stable democratic systems and market economies. Serbia and Montenegro have begun EU accession talks, Albania and North Macedonia have EU candidacy status, while Bosnia-Herzegovina and Kosova have EU Stabilization and Association Agreements.

4. State independence for Kosova (2008) removed uncertainties over its final status, reassured its majority population that had been subject to mass murders and expulsions, and led to recognition by all but four NATO States as well as 115 countries worldwide. Kosova began to make progress toward entry into several international institutions.

5. The Ohrid Framework Agreement (2001) helped to stabilize the country by ensuring greater integration of the Albanian population into Macedonia's political system and governing structures at both national and local levels.

6. The Prespa Accords (2018) resolved the name dispute between Athens and Skopje, whereby Macedonia agreed to rename itself as North Macedonia and Greece no longer blocked its progress toward NATO and EU membership.

7. Regional cooperation has been enhanced through trade agreements, greater energy diversification, improved cross-border transportation networks, and the settling of several border questions, including Slovenia-Croatia, Croatia-Montenegro, Kosova-Montenegro, and North-Macedonia-Kosova.

8. The Brussels Agreement (2013) initiated constructive talks between Serbia and Kosova and ensured progress in resolving several outstanding disputes over property, energy, telecom, and other practical issues. Its intent was to more closely integrate the Serbian community into Kosova's State institutions and to develop cooperative relations between Serbia and Kosova.

Much of this regional progress has been driven by a consistent U.S. policy to bring the entire peninsula under the umbrella of a secure Western alliance. It was accomplished through close policy coordination with European Union representatives seeking to bring the entire region into the EU.

#### UNFINISHED WEST BALKAN BUSINESS

Despite significant progress in the past 25 years, much of the West Balkan region cannot be considered comprehensively secured until several obstacles are removed. The lack of resolution compounds the region's problems, visible in economic stagnation, official corruption, social instability, ethnic tensions, and population outflows. International attention needs to focus on the following disputes and problem areas:

1. *Dysfunctional Bosnia-Herzegovina*: Bosnia-Herzegovina is a politically frozen state veering toward renewed ethnic conflict. Dayton created a complex administrative structure in which ethnic balancing predominates and layers of governmental bureaucracy contributes to inefficiency and budgetary burdens. This system has obstructed effective decision-making, where ethno-national interests predominate over civil-state interests. Bosnia is not a multi-ethnic country but an association of ethnic fiefdoms, in which nationalist parties maintain the status quo to protect their spoils and patronage networks.

Bosnia-Herzegovina has no effective central government, the Serbian entity persistently threatens to secede, Croatian nationalists increasingly demand a third entity, and Bosniaks are trapped frustrated in the middle. Bosnian Serb leader Milorad Dodik has threatened to torpedo a number of state-wide reforms, including the formation of joint armed forces, a state court, and police agency, while questioning other competencies transferred from the two entities to state level. In this climate of state paralysis, the Serbian entity has steadily moved from autonomy toward sovereignty and its leaders, with Moscow's financial and political support, has raised the prospect of separation and unification with Serbia. This has tempted some Bosnian Croat politicians to call for a third entity and the partition of the Bosnian Federation. Meanwhile, Bosniak Muslim leaders have warned about a new war as they are committed to defending Bosnia's territorial and constitutional integrity.

The precarious status quo cannot be maintained indefinitely especially if economic conditions further deteriorate. Economic decline, state bankruptcy, and social desperation will further exacerbate nationalist radicalization, while ethno-nationalist leaders will have fewer resources to offer citizens. This can exacerbate turf battles in which a unified government will prove even more difficult to forge and the separatist option will become more appealing.

A durable solution requires more intense involvement by international actors, especially by the United States which has substantial credibility as an honest broker. The results of such mediation would necessitate an overhaul of the constitution to limit or eliminate entity vetoes and ethnic voting. Bosnia's ethno-politics has stymied the development of state citizenship, programmatic pluralism, individual rights, and a competitive democracy. International actors who continue to dispense funds to Bosnia must also more effectively tackle endemic official corruption, inadequate rule of law, and authoritarian tendencies among leaders of all three national groups. Politicians seeking a more cohesive state that guarantees equal citizenship regardless of ethnicity should no longer be sidelined.

2. *Kosova-Serbia Dispute*: The frozen talks between Serbia and Kosova need to be revived if both countries are to make any progress into international institutions. The persistent failures to reach an agreement on bilateral normalization are heightening fears of political radicalism and regional instability. And without a more prominent American role, the EU looks incapable of making any significant progress. Hence, the appointment of two U.S. envoys is an important step forward. The revived talks have to be based on two clear principles. First, Kosova's final sta-

tus was settled over a decade ago when it declared independence and cannot be revisited without sparking chaos and conflict. Second, Serbia and Kosova need cooperative bilateral relations to promote their own self-interests in moving into key multinational organizations.

In an ideal scenario, “normalization” would mean Serbia formally recognizing Kosova as an independent State and establishing full diplomatic relations. This is unlikely to occur any time soon even if Serbia would benefit from extensive international support for such a constructive initiative. The easier bilateral deals within the 2013 Brussels Agreement have already been achieved and without tackling the more difficult problems Serbia-Kosova relations will come to a standstill. The new American envoys may be open to land swaps or the exchange of Kosova’s northern municipalities containing Serbian majorities for Belgrade’s recognition of Kosova’s statehood. However, they are likely to face significant political obstacles, as the new government in Prishtina could lose much of its public support if it surrenders territory to Belgrade. Similarly, the Serbian government is unlikely to yield or exchange any territory in the Presevo valley, which contains Albanian majorities, especially with parliamentary elections looming in April 2020.

The one viable strategy is for both sides to undertake a number of important steps toward each other that would be part of a “normalization package.” This would entail ending the current bilateral negatives and implementing several positives.

For Prishtina, ending negatives would mean lifting the burdensome tariffs on Serbian goods and agreeing not to block visits by Serbian officials to northern Kosova if Prishtina is notified in advance. The positives can include reaffirming the importance of Serbian Orthodox religious sites and even providing them with a special status as internationally protected shrines. It can also mean implementing the agreement on the Association of Serbian Municipalities, while making sure this structure has no centralized executive functions that would promote territorial autonomy and paralyze the State. Bosnia-Herzegovina must not be replicated.

For Serbia, ending negatives would entail unblocking opposition to Kosova’s entry into international institutions such as Interpol, UNESCO, or the Council of Europe. It can also cease pursuing Kosova’s de-recognition by foreign governments susceptible to bribery. The most important positive, short of outright recognition, would be for Serbia to drop its objections to Kosova gaining a seat in the United Nations General Assembly. This step could help convince the five remaining EU states to recognize Kosova. It would also demonstrate Serbia’s independence from Russia, which uses its blocking tactics in the U.N. as leverage over Belgrade. Simultaneously, Prishtina can play a positive role by declaring that the progress made in the “normalization package” should certify Serbia’s compliance with Chapter 35 in its EU accession agenda. This display of bilateral goodwill grounded in self-interest would hasten Belgrade’s progress toward meeting the criteria for EU entry.

Washington must be closely involved throughout the normalization process and the appointment of two special envoys, Ambassador Richard Grenell for the Kosovo-Serbia dialogue, and Matt Palmer, Deputy Assistant Secretary of State, for the broader region, indicates that Washington seeks new momentum to normalize relations between the two states. Given the standstill over the past year, it is doubtful that Belgrade and Prishtina would hammer out an agreement without renewed American involvement.

3. *EU Blockage*: EU accession remains an ambition in much of the region because of the benefits that this provides new members, including accession funds and investments. Although several countries are candidates for the Union, progress has been stalled because the EU is preoccupied with internal problems. The EU summit in Brussels on October 18, 2019 failed to announce the start of accession talks for North Macedonia and Albania. This is despite the fact that the European Commission declared in May 2019 that both countries had made sufficient progress in their reforms as EU “candidate states.” Such decisions have several negative repercussions. They damage EU credibility; disillusion citizens; nurture the notion that the EU is complicit in upholding corrupt governments in exchange for a measure of stability; contribute to domestic political polarization; undermine state reform programs; encourage nationalists, populists, separatists, and irredentists; and provide more openings to hostile foreign interference. Paradoxically, a negative decision on accession talks and further enlargement will ultimately rebound negatively on the security of the European Union itself.

4. *Russia’s and China’s Subversion*: The Balkan peninsula remains NATO’s internal frontier where Moscow can challenge U.S. and European interests and project its Eurasian agenda. The Kremlin views the Western Balkans as Europe’s weakest flank and a subversion zone where competition with NATO and the U.S. can be in-

creased, latent conflicts manipulated, potential new allies found, and economic opportunities exploited. Russia pursues five main inroads in the region:

First, it promotes local nationalisms to undermine support for NATO, the U.S., and the EU and stir conflicts between rival nationalist projects. Second, it corrupts national politicians and local businessmen to favor Russian economic interests, support Moscow's foreign agenda, and oppose Western policies such as sanctions against Russia for its invasion of Ukraine. Third, it fosters energy dependence by tying Balkan countries into Russian supplies and pipelines in order to gain political leverage. Fourth, it engages in propaganda offensives through local media, internet, and social networks to enhance Russia's stature and undermine Western values and institutions. And fifth, it pursues numerous inter-societal connections that increase Moscow's influences, including Orthodox Churches, political parties, cultural organizations, historical societies, and sports clubs.

The Kremlin benefits from frozen conflicts and frozen states. In Bosnia-Herzegovina it encourages the Serbian entity to keep the country divided and question its future as a single State. In Kosova, Russian officials claim the Serbian population is repressed in order to undermine Kosova's independence and raise the specter of partition or re-absorption by Serbia. Kosova is blocked from entering the U.N. primarily by Russia's opposition. Unresolved conflicts and disputed states also enable the Kremlin to claim that NATO has failed to stabilize the region and to slow down West Balkan progress toward EU integration.

Moscow will calculate how it can derail any new American initiative if this is intended to culminate in Kosova's U.N. membership and recognition by Serbia. Putin's Kremlin does not welcome agreements that generate stability in the region and enhance prospects for NATO and EU integration. Moscow may even appoint its own Balkan envoy or demand an equal voice in the upcoming negotiations. However, it is worth remembering that the only successful agreements implemented in the region are those where Moscow played no role, including Dayton, Ohrid, and Prespa. Any durable accord between Kosova and Serbia must remain free from Kremlin interference.

The Chinese regime has no design to capture territory or impose its system of government on States outside its immediate sphere of influence. Instead, it has three main goals toward southeast Europe. First, it seeks to expand China's economic reach through trade and investment. Beijing's Belt and Road Initiative linking China with Europe envisages the Balkan Peninsula as a focal point for maritime and overland routes into Europe. Chinese companies purchase cargo terminals and finance roads and railways throughout southeast Europe and its loans and export credits become debt traps. Although Balkan governments welcome investments that rescue declining industries, they are vulnerable to predatory lending and the surrender of national infrastructure.

Second, Beijing leverages economic penetration into political influence. In exchange for financial investments, Beijing seeks Balkan and European diplomatic support for its policies or to mute criticism of China in international institutions. And third, China aims to diminish U.S. political influences. It has developed significant convergence with Moscow in such areas as anti-democracy promotion, diplomatic offensives, and anti-American disinformation campaigns.

While seeking to resolve the outstanding disputes in the Western Balkans, U.S. policymakers cannot lose sight of the growing dangers to regional security and Western integration from both Russia and China. Russia's subversion in particular can only be reversed through an extensive strategic offensive. Moscow's presence is not simply malign; it is destabilizing and dangerous and could unravel much of what has been accomplished in the region during the last 20 years. I am submitting to the Committee a recent report I published with the Baltic Defense University on conducting a multi-pronged offensive against Moscow rather than simply playing a static defense. Entitled "Winning the Shadow War with Russia" it details six major arenas for action: Exposing Influence Operations; Countering Informational Offensives; Cyber Defense and Counter-Attack; Economic and Financial Penalties; Military and Security Instruments; and Managing Russia's Dissolution.

Senator JOHNSON. Thank you, Mr. Bugajski.

Our next witness is Dr. Majda Ruge. Dr. Ruge is a Fellow at the Foreign Policy Institute at Johns Hopkins University, School of Advanced International Studies. Previously, she was a research fellow at the Gulf Research Center, and worked as an Advisor for the Delegation of the European Commission and the OSCE Mission to Bosnia-Herzegovina.



Dr. Ruge.

**STATEMENT OF MAJDA RUGE, FELLOW, FOREIGN POLICY  
INSTITUTE, JOHNS HOPKINS UNIVERSITY, WASHINGTON, DC**

Dr. RUGE. Thank you, Mr. Chairman and Ranking Member Jeanne Shaheen. It is a great honor to be back to testify before this committee.

Along with many others, I am deeply grateful to this subcommittee for their ongoing attention and commitment to the region. This hearing comes at a critical point of time.

First, the French veto and the start of EU accession negotiations with North Macedonia and Albania has produced profound uncertainty and disillusionment of citizens across the region regarding the future of their countries. It has taken away key incentive and shattered a narrative that has undermined democratic reforms in the region. It has undermined reformists, like the Prime Minister of North Macedonia, Zoran Zaev, while emboldening obstructionists, and endangering ongoing reforms such as the reform of the judiciary in Albania.

There is no doubt that, as you mentioned previously, Russia, China, and Turkey will capitalize it—on this major European mistake. What is more, in addition, that it will likely reinforce the exodus of the population from the region. In the last 5 years alone, Bosnia has lost 5 percent of its population. It is, therefore, a great relief the Senate approved North Macedonia's NATO accession protocol yesterday. The signal you are sending is crucial importance for the people of the region, who feel abandoned by the West.

Second point. In Bosnia, we will soon mark the 25th anniversary of the Dayton Peace Agreement. That is a quarter of a century of peace brokered under American leadership. And incidentally, I was in Bosnia when the invitation to testify for this committee arrived. The mood there is one of optimism in small pockets of the country where reformist actors are trying to shake up things at the local level, such as Jarevo Canton. But, there is also a great deal of anxiety that American disengagement from North Syria and the recent talk of border swaps will be interpreted by nationalists as a signal that the peace in Bosnia is up for grabs.

So, I flew in from Europe last night to remind this committee to pay greater attention to Bosnia. American engagement on security, as well as political and economic engagement, is needed not just to protect, but also to improve one of its most important and, I underline, bipartisan legacies in the region.

Third, with regard to Serbia and Kosovo, there is need to move forward and resolve the outstanding issues, especially those affecting the lives of ordinary citizens. However, I would urge caution with the proposition that they can be quick fixes on offer. Moving ahead too quickly and without full coordination with key European allies puts at risk fundamental policies and principles that were upheld by successive U.S. administrations from both parties. Maintaining territorial integrity and inviolability of borders remains crucial for the stability of the region. Any approach involving border changes risks producing unintended consequences and emboldening those promoting secessionist agendas, such as Milorad Dodik and Republika Srpska.

And in this context, I would like to remind this committee that across the region, the single most important cause of political instability is not ethnic tensions. Instability in the region is largely top-down phenomenon. A recent opinion poll conducted by International Republican Institute showed that over 50 percent of citizens in Bosnia from all ethnic groups identify organized crime and corruption as the number-one security threat, rather than the members of other ethnic groups.

And here are the measures that U.S. Government, including Congress, could take to secure peace and stability and to protect past U.S. investments in the region:

Urge the administration to move ahead with NATO accession protocol of the North Macedonia as a matter of urgency. Work with European allies to press forward with regard to Bosnia, finally adopting NATO's Annual National Program. Bosnia is the strategic center of the region, but progress has been blocked by Milorad Dodik, who is acting as Russia's proxy.

Engage France and Netherlands robustly to urge them to honor the EU's promise to allow the accession process to begin.

Remind the administration that the policy of successive bipartisan U.S. administrations of more than two decades is founded on territorial integrity and inviolability of borders in the Balkans.

Given that the corruption is one of the primary obstacles, encourage the administration to hold corrupt Balkan politicians accountable, including through sanctions, and to continue State Department and Department of Justice programs fighting corruption and organized crimes.

And finally, congressional views on Western Balkans should be communicated strongly and directly by bipartisan CO-delegations visiting capitals in the Balkans, as well as Brussels, Berlin, and Paris. Congressional voices do matter. But, when you visit the Balkan capitals, publicly support and regularly meet with constructive actors, including civil society, independent thinkers, and elected officials at subnational level, where a lot of good work is being done.

In closing, let me underline that citizens in the region continue to have overwhelmingly positive views of the U.S. and the EU. People are not lining up in front of Russian and Chinese consulates. And the reason for this is that they are not leaving just for economic reasons, but because they want to live in democratic societies. The West remains attractive model, and it is the membership to Western institutions that citizens aspire. And they want you to stay engaged.

Thank you.

[The prepared statement of Dr. Ruge follows:]

PREPARED STATEMENT OF DR. MAJDA RUGE

- Thank you Mr. Chairman and Ranking Member Senator Shaheen.
- My name is Majda Ruge, I'm a fellow at the Foreign Policy Institute of the School of Advanced International Studies, Johns Hopkins University. It's a great honor to be back to testify before this committee.
- Along with many others, I'm deeply grateful to the members of this subcommittee for their ongoing attention and commitment to the region.
- Maintaining peace and stability in the Western Balkans remains a key strategic interest of the United States. That is because instability in the Balkans carries grave risks to member states of NATO and the EU.
- This hearing comes at a critical point in time:

- First, the French veto on the start of EU accession talks with North Macedonia & Albania has produced profound uncertainty in the region and skepticism about honesty and commitment of the EU and France.
- It has taken away a key incentive and shattered the narrative that underpinned democratic reforms in the region. It has undermined reformists like PM of North Macedonia Zoran Zaev whose government showed great courage and leadership by signing the Prespa Agreement. In doing so it has endangered the survival of one truly reformist government in the region which in less than 2 years turned a previously captured state on the brink of conflict into a regional frontrunner.
- Meanwhile, the French veto has emboldened obstructionists across the region and endangered ongoing reforms such as those in the judicial sector in Albania. No doubt Russia and China will capitalize on this major European mistake.
- I was glad to see that the Senate approved North Macedonia's NATO accession protocol yesterday. The signal you are sending is of crucial importance since the vacuum created by the French veto is one that other external actors will seek to use to their advantage.
- Secondly, in Bosnia, we'll soon mark the 25th anniversary of the Dayton Peace Agreement. A quarter of a century of peace in Bosnia brokered under American leadership. A peace that ended genocide and the most brutal conflict on European soil since the world war two. Twenty-five years with practically no episodes of interethnic violence or retributions.
- Incidentally, I was in Bosnia when the invitation to testify for this committee arrived. The mood there is one of optimism in small pockets of the country where reformist actors are shaking up things at the local level. But there is also a great deal of anxiety that American disengagement from northern Syria will be interpreted by nationalist opportunists, some backed by Kremlin, that the peace in Bosnia is up for grabs.
- So I flew in from Europe last night to remind this committee to pay greater attention to Bosnia. American engagement on security, as well as political and economic engagement is needed there to protect—and improve—one of its most important *bipartisan* legacies in the region.
- Thirdly, with regard to Serbia and Kosovo there is a need to move forward and resolve outstanding issues especially those affecting the lives of ordinary citizens. However one should be cautious not to create unrealistic expectations that quick fixes are on offer.
- Moving ahead too quickly and without full coordination with European allies puts at risk fundamental policies and principles upheld by successive U.S. administrations from *both parties*:
- Maintaining territorial integrity and the inviolability of borders remains crucial for the stability of the region. Any approach involving border changes risks producing unintended consequences. Even mere talk about such possibility by the U.S. officials is dangerous because it encourages those promoting secessionist agendas such as Milorad Dodik and the Republika Srpska.
- In that context I'd like to remind this committee that across the region the single most important cause of political instability is NOT ethnic tensions. A recent opinion poll conducted the International Republican Institute showed that over 50 percent of citizens in Bosnia from all ethnic groups identify organized crime as the number one security threat rather than the members of other ethnic groups.
- Indeed, instability in the region is largely a top-down phenomenon. And it is directly correlated to poor governance and nepotism of actors whose political survival depends on increasing ethnic tensions as means of staying popular without being accountable.
- Here are a number of measures the U.S. government, including Congress, could take to secure peace and stability in the Western Balkans and to protect past U.S. investments in the region:

1. Now that the Senate ratification of NATO accession protocol of North Macedonia is completed, urge the administration to move ahead as a matter of urgency. The U.S. should also work with European allies to press forward with regard to Bosnia finally adopting NATO's Annual National Programme. Bosnia is the strategic center of the region, much of the legal architecture is already in place, but progress is being blocked by Milorad Dodik, who is acting as Russia's proxy.

2. Engage France robustly and urge them to honor the EU's promise to begin the accession process.

3. Remind the administration of the policy of successive U.S. bipartisan U.S. administrations of more than two decades with regard to territorial integrity and the inviolability of borders in the Balkans.

4. Given the nature of corruption related challenges in the region, encourage the administration to build stronger cooperation between State Department and the Department of Justice, which has been doing excellent work on corruption and organized crime across the region.

5. Support and regularly meet with constructive actors including civil society, independent thinkers, and elected officials at sub-national level where a lot of good work is being done.

6. Finally, congressional views on Western Balkans should be communicated strongly and directly by bipartisan CODEL's visiting capitals in the Balkans as well as Brussels, and Paris.

In closing, let me underline that citizens in the region continue to have overwhelmingly positive views of the U.S. and EU. People are not lining up in front of Russian and Chinese consulates. For citizens of the Western Balkans, the West remains the attractive model and it is to membership in Western institutions that they aspire.

However, if the West leaves a vacuum, others will enter, not least China. Actors such as Russia and China may not have the ability to set the agenda and reshape the entire region. But they do have the potential to reinforce negative trends and undermine Western interests.

As noted at the outset, strategic U.S. interests are at stake in the Western Balkans. The U.S. remains "the indispensable nation" in that region, not least because the EU is failing to live up to its role. Congressional voices matter.

## OVERVIEW OF KEY OUTSTANDING ISSUES IN THE REGION

	BIH-KOSOVO	SERBIA-KOSOVO
Unresolved bilateral Issues	<ul style="list-style-type: none"> <li>• No diplomatic relations</li> <li>• Visa regime</li> <li>• No diplomatic representations</li> <li>• No mutual recognition of documents</li> <li>• No extradition agreements or legal cooperation in criminal matters</li> <li>• Significant barriers to trade although both countries are members of CEFTA</li> </ul>	<ul style="list-style-type: none"> <li>• No diplomatic recognition</li> <li>• No extradition agreement</li> <li>• No mutual legal assistance/cooperation</li> <li>• Difficulties with diploma recognition</li> <li>• Many citizens in North Kosovo don't have Kosovo documents</li> </ul>
Complex/Muddled Jurisdictions	BOSNIA & HERZEGOVINA	NORTH KOSOVO
	<ul style="list-style-type: none"> <li>• 3.5 million people (approx. the population of Berlin)</li> <li>• 13 Constitutions, 13 governments, 5 presidents, 149 Ministers</li> <li>• Extensive ethnic veto points blocking the decision-making system. BIH (state) Parliament passed only 14 new laws from 2014-2018. In 2017, it did not pass a single new piece of legislation.<sup>1</sup></li> <li>• 2018 Government expenditures 40.6% of GDP</li> <li>• 25% of the public spending used on wages and salaries in public administration</li> <li>• Less than 9% used for investment</li> <li>• Every 4th person employed in the public sector</li> </ul>	<ul style="list-style-type: none"> <li>• Unclear legal jurisdictions producing legal loopholes</li> <li>• Parallel institutions under Serbian jurisdiction in the North, in addition to Kosovo institutions</li> <li>• No law enforcement on the border payment of electricity, water, other bills</li> <li>• Large-scale customs and tax evasion due to legal loopholes</li> <li>• Financial embezzlements from Serbian budget under pretext of financing Serbian kin</li> </ul>
Irredentism/Flirtation with Border Changes	<p>Republika Srpska leadership eroding BIH state while building sub-state capacities &amp; public mood for secession. Whether secession is actual goal or not, result is complete blockage of the BIH state institutions. HDZ leadership seeks to further ethnicize the decision-making system, undermine BIH institutions by creating legal loopholes at state level &amp; blocking new legislation.</p>	<p>Negotiations on border revisions between Presidents of Serbia and Kosovo that would involve exchange of territories.</p>

<sup>1</sup> The only legislative activity of the BIH Parliament in 2017 has consisted of amending the previously adopted laws.

Senator JOHNSON. Thank you, Dr. Ruge.

Let me, first, start with both of you and ask a very general question. Dr. Ruge, I think you used the word “optimism.” How optimistic are you today versus, let us say, 10, 15, 20 years ago, for the region in general?

Dr. RUGE. Much less—

Senator JOHNSON. Much less optimistic?

Dr. RUGE. Much less optimistic. Ten-fifteen years ago, I was actually working on programs on the ground in Bosnia, on—basically, not just implementing Dayton, but consolidating key institutions that were divided following the end of the conflict, merging customs and tax services, merging police, merging defense forces, intelligence services, creating state border service. And it was a time when the U.S. was heavily engaged, but also when the U.S. and its key European allies pulled together in the same direction, and results were very visible. There is not much of that dynamic that we see on the ground today, unfortunately.

Senator JOHNSON. So, is that the primary reason your shift—is just lack of U.S.-European cooperation, coordination, and engagement, and involvement?

Dr. RUGE. Lack of—I would say, first of all, lack of high-level political interest, lack of engagement, relatively speaking, compared to, say, 2002 to 2006, increasing disengagement toward other foreign policy and security issues, and yes, much less cooperation than we saw in that time.

Senator JOHNSON. Mr. Bugajski, what is your evaluation?

Mr. BUGAJSKI: I would agree, up to a point. It is always a question of ups and downs in the Balkans. You have to look at the bigger picture and this is why I have outlined some of the positive things that have been achieved.

For instance, the Prespa Accords between Athens and Skopje, last year, which was—if you looked at it 5 years ago—completely unexpected, and it looked as though they would be stuck over the name question for generations.

I do agree, though, that there are increasingly pessimistic indicators in the region. And I would add a couple more, which were not there 10–15 years ago, which is the degree of Russian subversion and increasing Chinese involvement in the region, and sometimes negative Turkish influence. Turkey has, of course, its own agenda, but it is not a neo-imperial revisionist agenda like Russia’s in terms of trying to regain greater influence in the region, greater control in the region. However, all three countries do contribute to the instability, they contribute to polarization, they contribute, in some respects, to religious radicalism. I have seen this, in particular, in North Macedonia. And they subvert politicians. In other words, particularly, I would say, Russia and China, the kind of policies they apply goes directly against the kind of systems, politics, market economies that we would like to see in these countries.

Senator JOHNSON. Okay. So, let me kind of ask you the same question I asked Mr. Palmer, then. Country by country—Russia, China, Turkey—what is their overall goal and objective? And specifically, what are they doing?

Mr. BUGAJSKI: Russia, I would say, is the more immediate danger and the bigger danger. China is a longer-term threat. Turkey is a less of a danger, but it is involved right now.

Russia has never given up on undermining stability in the Balkans, to keep the Balkans out of Western institutions, and to reduce the American role. They play on nationalism, they play on religion, they play on ethnicity, and on pan-Slavic question, in order to further their goals. They are also looking for new allies, not necessarily like in Soviet times, but allies that will support them on the international arena, countries that will not go along with the sanctions regime for their invasion of Ukraine. They also have economic interests. The oligarchs and the government are closely intertwined in Russia. If oligarchs benefit, the state benefits. Oligarchs, in a way, express Russian imperialism through the economic arena. Disinformation, contacts with orthodox churches, cultural organizations. Russia is penetrating the region and trying to push out the United States. What they say about us is that we are the imperial power, that we are trying to diminish Balkan independence, we are creating the problems for them. The exact opposite of what is actually happening.

Senator JOHNSON. So, Russia's just playing the big geopolitical game—anti-American, pro-Russian. Okay. So, that is—but, what about China?

Mr. BUGAJSKI: China does not have territorial or imperial ambitions toward the region. The Balkans, with China, is more a question of access into Europe, along the Belt and Road Initiative. It is part of their way to invest through southern Europe into the European mainstream. Of course, their economic practices do not follow the lines of genuine competition. They corrupt governments, they in-debt governments heavily, governments that are often crying out for investments, even EU governments, including the Greek government. The amount of Chinese investment, for instance, in Piraeus was a result of Greece's inability to raise alternative investment for the port. So, China plays on economic weaknesses in order to inject its influences. In the future, though, the question is whether that economic clout translates into political influence? Will Beijing increasingly use that as leverage to capture more political influence in Europe?

Senator JOHNSON. Then Turkey.

Mr. BUGAJSKI: Turkey, I would say, does not have the clout either of Russia or China. It does not have the same ambition. Obviously, Turkey is a NATO member and is not—has generally been a good ally, despite of what is happening at the moment in Syria. However, I would say that it is more the political and religious influences emanating from the ruling party which have treated some of the Balkan States as former colonies in which Turkey insists on extraditing opposition figures or people that they think, or the government thinks, is linked with the opposition, particularly Fethullah Gulen. And we have had cases, for instance, in Kosovo, the kidnapping and not proper formal extradition, but capture and evacuation of Turkish nationals to Turkey, which led to the resignation of Kosova's Interior Minister and a mini-crisis in the government. So, it is that sort of political pressure rather than any kind of revisionist or economic agenda.

Senator JOHNSON. So, Dr. Ruge, while we are on this kind of train of thought, do you have anything you want to add or disagree with?

Dr. RUGE. So, I can say I agree with all of the points, but I would like to add couple of them.

On Russia, first of all, it is Moscow's key policy in the region to prevent NATO accession of Bosnia and Serbia. I think, with Macedonia, they have probably given up, but there are two more countries. And Bosnia, especially, has, until 2006, signed on almost every step in the NATO accession process, but it is since the Americans and Europeans have started to disengage that Russian-backed Milorad Dodik has started obstructing every single step on the NATO implementation, on, basically, obligations toward NATO in Bosnia.

Secondly, all of the ties which Mr. Bugajski has mentioned are very important. What is also important is to say that Russia's main basis for political influence in Bosnia is the Peace Implementation Council, and then U.N. Security Council. And Russia backs both Republika Srpska leadership and—in its increasingly antagonistic relationship with the West on building the State and maintaining Bosnian State.

However, there is something that we really need to be cautious about when talking about the role in Russia, and that is to avoid confusing and—confusing Russian influence with what is actually the responsibility of local political elites for nepotism and corruption. So, what case of North Macedonia has shown under Zaev's government is that impact of Moscow's influence is directly proportional to the level of corruption of the ruling political elite. Once you have reformist government power that is actually committed to transparency and rule of law, Russian influence subsides.

On China, what is really interesting on China is whether it does have a strategy, or not, in the region. It—to borrow a term from a colleague at the Belgrade Security Conference, China acts like performance-enhancing drug, which brings out given government's natural tendencies. And most states in the region suffer from poor governance, low transparency and accountability, and poor regulatory framework. China tends to reinforce these weaknesses.

Loans are provided without mechanism of transparency or oversight over procurement procedures or implementation of the project. So, just to give you one interesting example, Montenegro's highway construction by Chinese Road and Bridge Corporation, where the government has borrowed about 1.3 billion to construct the highway that EU did not want finance because it was judged not to have any sort of potential to compensate for cost of investment. It has increased country's debt from 63 percent of GDP in 2012 to 80 percent in 2019. What also happens is that in—because of the weakness of the government, the contract that was signed with the Chinese Road and Bridge Corporation, basically, really, very—in a very untransparent matter, stated that if Montenegro could not repay its debt within specific timeframe, the EXIM Bank would have the right to some of its territory.

And so, what is happening is that these countries are really getting into debt traps. And the problems that the Western countries are trying to address, which is governance and rule of law, are just



being reinforced and strengthened. So, I would say that this is one of the key dangers of China's influence.

Serbia has become the poster child of Chinese involvement. It signed agreements with China worth more than 3 billion last year, including Chinese investment in Serbian infrastructure, steel production, and Serbia's purchase of Chinese military equipment. Worryingly, Serbia has also purchased more than 1,000 facial-recognition cameras to implement a project that is first of its kind across Europe.

I could carry on with Chinese constructing the Peljesac bridge in Croatia to facilitate traffic between the two parts of Croatia across the sea for about 420 million euros, 85 of which is financed by the EU. And that is another interesting phenomena of EU procurement procedures not really containing that element to monitor how the companies that receive state aid can win the contracts.

Final mention on Turkey, its role is more complicated. Traditionally, Turkey has kind of been part of the institutional infrastructure of the West. It is also part of the Peace Implementation Council. It is the second- or third-largest contributor of troops to EUFOR in Bosnia, which is now tasked with securing safe environment. And generally, it has, traditionally in the past, supported the integration of the region in EU and NATO. Its role has been changing over the last, say, decade, where, as has been pointed out, the AKP fight against Gulen networks has brought in that element of foreign policy, and really the question with what happens to Turkey and NATO, kind of in a global context, is going to also determine how Turkey acts in Western Balkans, whether it goes closer to Russia or stays supportive of Western objectives.

Thank you.

Senator JOHNSON. Senator Shaheen.

Senator SHAHEEN. So, I pretty much agree with everything both of you have said. And I guess the question, for me and, I think, this subcommittee—Senator Johnson and I and other members of the subcommittee, are very committed to trying to encourage continued engagement at all levels in the Western Balkans. So, the question really is, what are the priorities and the most important things we can do to help address the current situation?

Based on the discussion to date, I guess I would think moving as swiftly as possible to get the Republic of North Macedonia into NATO is one of those things, so that that sends a clear message that that is still an option for countries like Bosnia, and trying to engage with France and the Netherlands and the EU to ensure that accession for entrance into the EU is still a possibility for North Macedonia and Albania.

What else do you think is important that we think about, recognizing that we probably cannot do everything we would like to do, but what else is on that—if you were going to name one or two other priorities that we need to think about, what are they?

Mr. BUGAJSKI: Well, those would be the priorities. And the two major questions, which I talk about in my testimony, Bosnia-Herzegovina, which Majda has talked about and Kosovo-Serbia.

Senator SHAHEEN. Right.

Mr. BUGAJSKI:—In the Kosovo-Serbia case, I do think the appointment of a new Special Envoy is extremely vital for restarting

the talks. Remember, the talks have been stalled for the past year. Both sides, of course, face elections. Kosovo just had them, Serbia is about to have them, in April. But, I think it is a good time—with a new government in Prishtina, and Serbia will have a new coalition government after April—to try and get the sides together. Where is the common ground? What common ground can be found? What is it that Kosovo can do? It needs to remove some of the negatives that are in place, like the tariffs on Serbian imports, greater protection for Orthodox shrines, allowing Serbian officials to visit, maybe revisiting the Serbian municipality association, the Zajednica question, that was within the Brussels Agreement.

For the Serbian side, it is also very important to press them to undo things that are negative for Kosovo's interests. In other words, blocking of membership of international organizations such as INTERPOL or UNESCO. The campaign of derecognition that Belgrade engages in, it also needs to desist from that as it creates a lot of damage. It undermines not only relations between the two countries, but other countries look at them and say, "Well, this is not a very stable region if there is a major dispute, here."

Senator SHAHEEN. Well, can—I am sorry to interrupt, but it has been suggested to me that part of the issue with Serbia is that Vucic—the Vucic government is not really interested, ultimately, in negotiating with Kosovo and reaching a settlement. Do you agree with that?

Mr. BUGAJSKI: I would put it this way, that Vucic was surprised when the new U.S. Special Envoy was appointed. And I think the reason for that is that Belgrade has become very comfortable with the European Union, which seemed to muddle along, no decisions were made, Serbia was not pushed to do anything, they could sit on their hands, basically, on the Kosovo question, they were proceeding with these chapters in the Acquis Communautaire progress in the accession process. That has all changed suddenly. A Special Envoy has been appointed by the White House specifically on this question. The EU itself looks as though it is not just blocking North Macedonia and Albania into accession talks, it looks as though the French and others are obstructing the whole idea of enlargement until there is a major reform of the process. What does that mean for Serbia? They can close all the chapters and still not get in.

So, it is a sort of desperate times, I would say. It is in a way, a very good time to get both sides together. I do not necessarily think that Vucic wants to make any major compromises, but if he has no other choices, if this is what America and the European Union, hopefully working together, push him, and also push Kosovo on certain questions, that there has to be agreement if you are to make any progress into any institutions.

Senator SHAHEEN. Dr. Ruge, do you agree with that?

Dr. RUGE. On which point? Because there were two—kind of two separate issues. One was what other priorities should be, and then the other is this whole question on Kosovo-Serbia, which is, I think, separate.

Senator SHAHEEN. Well, I guess I was asking if you agreed with the premise that the Vucic government does not want to, ultimately, negotiate away anything to reaching agreement with

Kosovo. But, also, are there other priorities that you think we should consider in the region?

Dr. RUGE. So, just starting on—because——

Senator SHAHEEN. Beyond those that——

Dr. RUGE. Beyond——

Senator SHAHEEN.—you have both clearly stated.

Dr. RUGE. Stated.

Just maybe to start on the question of Vucic's government in Serbia and Kosovo. There is a sense of urgency that has been imposed, in the last year or two, to come up with some new deal. And there are at least 23 existing agreements which have not yet been—four of them may—have been fully implemented, the rest has not—which focus on different topics, such as energy, telecom, diploma recognition, freedom of movement, law enforcement, regulations of commerce. All of these affect lives of ordinary citizens in enormous manner, and also affect economy.

From the point of view of Serbia, it—you just wonder where did the sense of urgency suddenly come from. One says because of the European Union. In the best-case scenario, Serbia cannot—and now it is even questionable whether that would be the date, but would not accede to the European Union before 2025. And the part with resolving relations with Kosovo, and recognition is basically a part of the chapter 35, which is the last chapter.

And so, in terms of prioritization, you wonder why sudden focus to get some sort of a new deal that reportedly also involves border change, when so many of the existing agreements have not been implemented? Will the citizens of Kosovo and North Kosovo wait until—and for another 6 years to even start thinking about the implementation of the agreements, which——

Senator SHAHEEN. So, do you have a theory?

Dr. RUGE. Sorry?

Senator SHAHEEN. So, do you have a theory about why?

Dr. RUGE. I think that it is very untransparent, and I can only speculate. The whole process has been kind of, I would say, driven by influences from the region. I think that probably President Vucic and Thaci have found some sort of a common interest as to why to push in this direction, but neglecting, really, the implementation of all of the existing agreements that have impact on the lives of their citizens. And—I mean, going back to the first question of Senator Johnson is, What is the—kind of, how is the situation changing on the ground, and how is the new Government of Kosovo going to address the dialogue? Well, the likely new Prime Minister, Albin Kurti, has, in fact, said precisely that, that he is going to focus on substance over speed, and that he is going to focus on really implementing the existing agreements to—you know, to improve governance, improve economy, to remove the hurdles that citizens of especially North Kosovo, but also elsewhere, face.

We talked about energy earlier. Serbia still controls Kosovo energy transmission lines. And it blocks it from importing energy from Albania, which is abundant on hydropower energy.

So, you know, these are things that I think should talking—we should be talking about.

Senator SHAHEEN. I would like to change the subject, because there are two other areas that I am very concerned about. When

I first visited the Balkans in 2010, one of the things that impressed me was the vibrant press and media that existed in all of the countries that we visited—Serbia, Bosnia-Herzegovina—Kosovo, even. And we are certainly seeing a change in Serbia, at least, with respect to the availability of a real free press in that country. And we have seen Russia come in and by—really take over media outlets in Serbia and become the dominant media outlet in the country. So, are there things that you all think we should be thinking about with respect to maintaining a free press that would help? Because, I think, as in the United States, ensuring democratic government definitely involves a free and open media.

Mr. BUGAJSKI: Absolutely, Senator. This is something that we should focus in on regionwide, not just in Serbia, because, in many countries—it is not just Russian influence, which is—

Senator SHAHEEN. Right.

Mr. BUGAJSKI:—bad enough, but it is also political influences, it is businesses influences that control media, self-censorship that journalists engage in not to offend a politician or a judge or a prosecutor or some businessman who owns a paper and wants certain things said. So, this needs to be covered across the region. I think we need a more vigorous, NGO-funded campaign for media freedoms. Because I think actually we assume that each generation acquires the knowledge from a previous generation. Oftentimes, you have to be taught from scratch, what is a free media? What is free speech? What is disinformation? What is propaganda that is not really checked? Russia, unfortunately, is playing the exact opposite role. It likes to have the media in control of specific political parties, because then they inject themselves through that media to control those parties or control politicians. So, a lot needs to be done, I think, on media education, on free media, on discerning—public discerning between real journalism and fake journalism.

Senator SHAHEEN. Finally, one of the things that we have heard some concerns about is terrorism and terrorists in the Balkans. It is destabilizing, not just for the Balkan countries, but also poses a threat to Europe and to the United States. How concerned do you think we should be about terrorists—either ISIS terrorists coming back into the Balkans or other terrorists coming from other parts of Russia, Europe, wherever?

Dr. RUGE. I think I could almost have two answers to this question. We should be concerned, of course, in terms of—but, there is kind of different—I would say, two different parts of the answer. One is, how much should we be concerned about terrorism within—in the region, in these countries? And, you know, comparatively speaking, especially when compared to France and Belgium and other States of the EU, with the Muslim population—Muslim population in Western Balkans has produced smaller percentage of foreign fighters than, for example, France. There have been no major terrorist attacks in the region. That is not to say that we should not be concerned, but we should be concerned about two different types of extremism.

There is about—both in, kind of—in—on the Islamist side, but also on the side of Christian orthodox radicalization. And so, there is—the estimates are very unreliable, because the intelligence is not readily available, but, from open sources, there is about 70 to

200 estimated Serbian volunteers who have departed to fight in Donbass area of Eastern Ukraine on the side of pro-Russian forces. So, that is one cause of concern.

The other one is, of course, returning foreign fighters from—  
Senator SHAHEEN. Right.

Dr. RUGE.—Syria, and especially also now in the Kurdish territories in northern Syria.

And I have some data on Kosovo and Bosnia. In Kosovo, about 110 of the—of its citizens from the Syrian conflict zone have returned. Others were left behind in the camps. And in Bosnia, we have also not such reliable information, but about 100 men still remain in the camps in Syria, all—about 200 have left altogether. And so far, Bosnian courts have sentenced 25 persons who have returned, to a total of 47 years, but—47 years. Now, that is just some statistics.

But, when it comes to returns and danger, not just in—not just in the region, but especially to the EU and the NATO allies, of transition of foreign fighters to Europe, I would say what we should be concerned with is, again, institutional weaknesses in the region and the existence of smuggling corridors that facilitate unchecked travel from—through the Western Balkan region. And here again, we come back to the issue of governance structures, institutional capacities, and accountability. So, yes, that should be a concern.

Senator SHAHEEN. Thank you.

Thank you, Mr. Chairman.

Senator JOHNSON. So, I really have, just, basically, two remaining areas.

Dr. Ruge, I think you talked about—we need to engage in Bosnia. My assumption, right or wrong, has always been, Okay, we got the agreement between Montenegro and Kosovo on their border dispute, then we got the Prespa Agreement, we are looking at—probably the next possible dispute resolution would be between Kosovo and Serbia. And the really snarly one is in Bosnia. So, in what way should we be engaging with Bosnia at this point in time? And it is a question for both of you.

Mr. BUGAJSKI: Do you want to start, Majda? Or shall I start?

You are right, Bosnia, I think, is the tougher nut to crack. Let us put it this way. Between Kosovo and Serbia, I do not think there is any possibility or prospect, at this point, of armed conflict. In other words, the conflict is being contained by NATO, by the U.S., by the American military presence, by the NATO presence, by the borders, and by the recognition of two states. Bosnia continues to be a contested state. And, as has been pointed out—I think Majda pointed out, it is not only the Serbian side, the Serbian entity, Dodik and his people, that are pushing, let us say, toying with this idea of secession to see what our reaction is, but it is now the Croats—Croat nationalists are becoming increasingly involved in pushing for a third entity.

I think maybe we do need another Envoy, or at least one of the Envoys that has already been appointed, to focus more on Bosnia. Looking at where we have tried and failed—I think Matt mentioned Butmir and the April Agreements and so forth, constitutional changes that we wanted—there has to be some sort of break-

through, at some point, in which a civic party enters government and starts to push, not just at local level, but at national level, and starts to push away some of the ethnic quotas, the entity blocking, all the accouterments within Dayton that are no longer successful and promote state failure.

Senator JOHNSON. So, let me, quick, ask. Are you amazed that Dayton is still, basically, in place after so many years? And is it—I mean, it is well overdue to be replaced by a permanent deal, but—

Mr. BUGAJSKI: Yes, absolutely.

Senator JOHNSON.—I mean, is it really fraying around the edges, and is it going—you know, can we expect it to go on much longer?

Mr. BUGAJSKI: No, I have been calling for the end of Dayton since soon after it was applied, because I saw Dayton as, basically, stabilizing an internal partition into ethnic fiefdoms. And that is exactly what happened. I can send you an article I did about 25 years ago. Not much has moved, unfortunately. We need either a new Dayton or a complete reformulation of the principles of this State.

Senator JOHNSON. So, again, a Special Envoy to really concentrate on it would an initial first step.

Mr. BUGAJSKI: Getting the three national sides together with some of the civic party organization, civic parties, NGO's, and others to learn, "What is it that you want in Bosnia? What will work? What is it that can keep citizens here? What is it that you need from the international community? What role can the U.S. play?" I think such a solution has been pushed to the edges, and we now need to concentrate on it.

Senator JOHNSON. Because it is hard.

Dr. RUGE, do you have anything to add to that?

Dr. RUGE. I would say, really, it all depends on how much political capital we are willing to invest. I think this question cannot be answered, apart, separately, because if we commit fully, not neglecting other areas, because not that much is needed in the Balkans, but what is needed is focus, time, close monitoring, and commitment, then America has enough clout to do Kosovo, Serbia, and Bosnia simultaneously. And I would like to remind the committee that these countries and the issues are very much interconnected. I have been arguing, for the past year, that the idea that we need to focus on Kosovo and Serbia, and leave Bosnia for after this issue is solved, is really a misguided policy, because (a) there is no fix—quick fix in Kosovo and Serbia, but (b) we cannot wait with Bosnia while we deal with Serbia and Kosovo. So, again, if there is political commitment, time, focus, cooperation with key EU allies on the ground—because we are not doing this alone, and we are not doing this for the first time. We have been on the ground for the past 25 years. There is plenty of ideas, policy proposals, people that can be included. But, basically, what is really needed is political commitment. And, in that regard, you know, first of all, I think, while dealing with Kosovo and Serbia, there needs to be a clear red line that Bosnia and territorial integrity is not going to be touched. And that is really key American interest, and it is also key interest of the region.

Secondly—and I have here a little document, which is the EU enlargement package and Commission opinion on Bosnia’s readiness for membership, which is full of policy recommendations and priorities on what needs to be done to improve functionality of Bosnian State. Unfortunately, this has now kind of been undermined with the events in Brussels last week. But, still, all of the actors are still on the ground. No one has left. The key European Embassies are still the major actors, because Europe is the major trading partner of these countries. European Commission and EUSR, they are still there. American Embassy and capable diplomats and Ambassador, they all know how to pull in the same direction, work on this agenda. And I think what is really needed from Washington and from the capitals in the EU is to empower these actors, to give them political backing, to say, “We are all pulling in the same direction.” But, these voices and support from Washington need to be heard more loudly.

Senator JOHNSON. So, you are saying you need an overall solution, you cannot just pick and choose, in terms of Serbia-Kosovo, and then turn your attention. You really need to do the whole thing.

Dr. RUGE. You—

Senator JOHNSON.—would you agree with that?

Mr. BUGAJSKI: Yes, I would agree with that. I mean, it is not one package, let us say, all in one piece, but they are interlinked.

Senator JOHNSON. Do you—

Mr. BUGAJSKI: If we made a bad decision over Kosovo, this will affect Bosnia. If for instance, we allow for a partition of Kosovo, unilateral, in return for Serbia allowing Kosovo to enter international institutions, Serbia would then use this as a precedent, as a pretext for Republika Srpska. And I think that is what some in the Serbian government are aiming for.

Senator JOHNSON. So, the last thing I want to talk about is organized crime. In my chairmanship of Homeland Security, you go down to Central America, for example, and your eyes are opened. You know, our insatiable demand for drugs has given rise to the drug cartels, their untouchables. That creates a level of impunity. But, you find out it is very difficult for law enforcement, because you are a new sheriff in town, and you get a DVD from the drug cartels showing your family going into church, going into schools.

Went with Senator Murphy, and we visited Ukraine, met with the new prosecutor general, who, I think, had to have both arms twisted off to accept that position, which I actually found very encouraging, but you got a very good primer, in terms of the overall corruption within that prosecution—within those prosecutors then—in Ukraine.

So, can you describe, with that kind of granularity, the type of organized crime we are talking about in the Western Balkans? And again, I am not assuming it is common between all the nations there, but can you describe what we are—what you are talking about?

Mr. BUGAJSKI: Yes, I would say, Senator, that the Balkans are both a generator of organized crime, but also a transit route for organized crime, between the Middle East and Europe, even between

South America and Europe, for some of the cocaine that comes in to ports on the Adriatic Sea.

In terms of internal generation, there is, unfortunately, because of the lack of rule of law, lack of judicial reform, connections between politicians and criminals, which exists throughout the region—I would not single out any particular country—this not only corrupts the political system, it also generates revenue for criminals, it means that borders are porous for criminals, and then into Europe—a lot of the drugs, people-smuggling, weapon-smuggling go through the region.

Senator JOHNSON. So, it needs to be all of the above. It is—  
Mr. BUGAJSKI: All of the above.

Senator JOHNSON.—drugs, human and sex trafficking, it is—

Mr. BUGAJSKI: Exactly. Exactly.

Senator JOHNSON. Okay.

Mr. BUGAJSKI: One thing I would say, though, and I would not give up on this. Some moves have been made to try and tackle this problem. And this is precisely where we should be supporting any new government that pledges itself to really tackling corruption, because corruption and crime are often interlinked. And this is why it is worth watching—we mentioned Kosovo—the new government, the new “Prime Minister in waiting,” Albin Kurti, has actually said—and he is not implicated in any criminal behavior; he has never been in government, so he has not been involved or been tempted by corruption, even, at this point—he has said that we need an Elliott Ness in Kosovo, we need somebody that actually deals with these criminals within our institutions, or linked with our institutions, and try them, convict them, and imprison them. That has not happened in the region.

Senator JOHNSON. Is it as brutal as you see in Central America?

Mr. BUGAJSKI: I do not know Central America well, I do not know South America that well. I was in Central America many years ago. There were Communist insurgencies going on at the time. Organized crime is not as brutal, in the sense of what I see going on in places like Mexico and Colombia. I do not think it is as intrinsic to those societies as it has become in certain Latin American countries.

Senator JOHNSON. Thank you.

Senator Shaheen, do you have anything further?

Senator SHAHEEN. No.

Senator JOHNSON. Dr. Ruge, did you want to add anything to that?

Dr. RUGE. On organized crime?

Senator JOHNSON. Sure. Or anything else. Because I think we are about ready to close out the hearing, then.

Dr. RUGE. On organized crime, I would just remind how tightly related organized crime is to ethnic politicians and existing structures, which are either Dayton peace agreements constitution in Bosnia, which produces an enormous amount of overlapping competencies, fragmented institutions, et cetera, that reduce possibilities for oversight and accountability.

It is an inheritance of a conflict, where, in fact, criminal combatants, smuggling groups, and ethnic leaders were connected in one network, and it survived in the aftermath of the conflict. And I



think it is important, both in—from the point of view of security and economy, but it is also important to keep this in mind when negotiating any solutions for fixing either Dayton Peace Agreement, electoral law, structures in Bosnia, or coming to a solution in northern Kosovo, where we have an enormous amount of legal loopholes that facilitate smuggling, tax—obviously, tax evasion that facilitate all sorts of organized crime. And so, you know, if I would have one recommendation to Special—to Special Representatives that we have is to really understand to what extent criminality is interlinked with the issues that we are discussing under the pretext of protection of ethnic interests.

Senator JOHNSON. Okay.

Dr. RUGE. If there is one point I would like you to leave with it is that on.

My final thank you—and this is—basically, ties to my final point, is—I cannot overemphasize how important it is to give political support to your career professionals on the ground who are—who have, you know, institutional memory, who know what is happening, and who are really trying to push back against everything that we have identified in this testimony.

And, just as an anecdote, to quote a name of a person who has actually helped me come here, is your Consular Officer, Anthony Bronson, in Berlin, who has gone beyond the call of duty and turned up in the Consulate at 5:30 a.m. in Berlin to issue me a visa so that I could actually make my plane and come to Washington.

So, I will leave you with that.

Thank you.

Senator JOHNSON. Again, I appreciate you giving him a shout-out.

Senator Shaheen?

Senator SHAHEEN. Well, yes, I was going to say that. I think we very much appreciate the expertise, the experience, and the commitment of our dedicated Foreign Service professionals, and I appreciate your pointing that out and recognizing just what a difference they make.

Thank you both very much for your testimony.

Senator JOHNSON. So, you guys—you seem like you want to say something.

Mr. BUGAJSKI: No, just thank you, at this point.

Senator JOHNSON. Okay.

Well, again, I want to thank both you witnesses. I have, personally, found this hearing to be very informative, which is the point of—

Senator SHAHEEN. Not always the case.

Senator JOHNSON. Well, it is the point of hearings. So, again, thank you very much.

The hearing record will remain open, for the submission of statements or question, until the close of business on Friday, October 25th.

This hearing is adjourned.

[Whereupon, at 4:40 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF DEPUTY ASSISTANT SECRETARY MATTHEW A. PALMER TO QUESTIONS  
SUBMITTED BY RANKING MEMBER ROBERT MENENDEZ

*Question.* The appointment of U.S. Ambassador to Germany Richard Grenell as Special Presidential Envoy for Serbia and Kosovo Peace Negotiations only a month after you were appointed as Special Representative for the Western Balkans raises many questions about the decision-making process around this appointment:

Ahead of Ambassador Grenell's appointment, did the State Department request or recommend the appointment of a Special Presidential Envoy for Serbia and Kosovo Peace Negotiations in addition to the already-created Special Representative for the Western Balkans?

*Answer.* The State Department and White House consulted on the appointment, and the Department welcomed Ambassador Grenell's appointment as Special Presidential Envoy for Serbia and Kosovo Peace Negotiations. Along with my appointment by Secretary Pompeo as Special Representative for the Western Balkans, Ambassador Grenell's role underscores the sustained commitment of the United States to the region and the importance we place on the normalization of relations between Kosovo and Serbia.

*Question.* Did the White house ask for the State Department's input before appointing Ambassador Grenell to this additional role? Did the White House notify you or the State Department before publicly announcing Ambassador Grenell's appointment on October 3rd?

*Answer.* The White House consulted directly with the State Department on Ambassador Grenell's appointment.

*Question.* How much of his time is Ambassador Grenell dedicating to this envoy position? What impact has the time Ambassador Grenell spends on his additional role had on Embassy Berlin's ability to conduct diplomatic engagements with the German government? In your response, please do not refer us to Ambassador Grenell or Embassy Berlin.

*Answer.* Ambassador Grenell has energetically engaged on Kosovo and Serbia, in addition to his duties in Berlin. Like the late Ambassador Richard Holbrooke, who worked to advance peace in Bosnia and Herzegovina during his tenure as U.S. Ambassador to Germany, Ambassador Grenell is encouraging a durable peace in Kosovo and Serbia while simultaneously engaging his German counterparts and advancing U.S. interests in Germany. The Germans, too, are very interested in peace talks between Kosovo and Serbia.

*Question.* The process of creating multiple overlapping positions within such a short timeframe seems to have taken Serbia's government aback, with President Vucic commenting that "This was surprising news to us. You know we have talks and negotiations under the auspices of the European Union, and we already had in mind the special envoy, Palmer; we have a fair relationship with him. Now, apparently, President Trump has appointed a new man as a special envoy."

Were the governments of Serbia and Kosovo notified of Ambassador Grenell's appointment ahead of the public announcement on October 3d, and who notified them? How has the confusion around Ambassador Grenell's appointment impacted his ability to work with the Serbian government? How has it impacted your work?

*Answer.* The State Department had no communication with the governments of Kosovo or Serbia on the announcement before October 3. Leaders in both Belgrade and Pristina welcomed Ambassador Grenell's appointment, which underscores the attention the United States is devoting to supporting efforts to reach a locally-owned agreement on the normalization of relations. On October 4, Serbian President Vucic publicly stated that Grenell is, "A serious and responsible person, a person with the trust of the American President." Ambassador Grenell spoke by phone with Kosovo President Thaci and Serbian President Vucic shortly after his appointment and met with leaders and business officials in both countries during October 8-9 visits to Pristina and Belgrade. Ambassador Grenell and I closely coordinate our activities, which are mutually reinforcing. I will continue to be a regular visitor to both Pristina and Belgrade where I will meet with a wide range of public officials and civil society actors to advance U.S. interests.

*Question.* During the hearing you described your relationship with Ambassador Grenell as more of a partnership than a division of responsibilities, but going for-

ward I am concerned that having multiple officials with overlapping responsibilities will create unclear lines of communication for our international partners:

If you do not have divided responsibilities and are simply coordinating on the portfolios, what is the point of having two positions that basically do the same thing? How do you and Ambassador Grenell divide up serving as the main contact for the governments of Serbia and Kosovo as well as other international partners and by whom was it communicated? On what issues do foreign governments reach out to you as the primary point of contact and on what issues do they reach out to Ambassador Grenell?

Answer. This is not the first time there have been multiple U.S. Government representatives to the Western Balkans. During the Clinton Administration, both Ambassador Holbrooke and Ambassador Gelbard were involved in seeking to mediate peace between the Milosevic regime and Kosovo officials, including the Kosovo Liberation Army.

Today, in addition to our Chiefs of Mission in the region, having a Presidential Special Envoy for Serbia and Kosovo Peace Negotiations and a Special Representative of the Secretary of State for the Western Balkans underscores the importance we place on this region. Ambassador Grenell, our Embassies in Belgrade and Pristina, and I work closely together toward a common objective—normalization of Kosovo-Serbia relations. Our interlocutors in the region and throughout Europe understand that the United States is focused on facilitating a positive outcome and they can engage any appropriate U.S. Government official and receive a coordinated response on U.S. policy.

*Question.* How frequently does Ambassador Grenell talk to personnel at the White House about Serbia-Kosovo negotiations? With whom at the White House does he discuss the negotiations? Do you or other State Department officials participate in conversations that Ambassador Grenell has with the White House? If not, does he provide you and the State Department with readouts of the conversations afterwards? Do you or other State Department officials help Ambassador Grenell prepare for those conversations? In your response, please do not refer us to Ambassador Grenell, Embassy Berlin, or the White House.

Answer. Ambassador Grenell, the staff of the National Security Council, our Ambassadors in the field, and I are in regular communication to advance U.S. interests in the Western Balkans, which includes reinvigorating Kosovo-Serbia negotiations. The State Department has provided Ambassador Grenell with regular briefings, and he has participated in briefings held in Berlin by European leaders. There is frequent coordination on these issues at both senior and working levels to support the governments in Pristina and Belgrade as they work toward a locally owned agreement that is durable, implementable, and advances regional stability and prosperity.

*Question.* In your testimony, you stated that Ambassador Grenell is someone who can bring “the full weight and heft of the White House to this problem set.” You also work for the U.S. government. Do you not feel that you can bring “the full weight and heft of the White House to this problem set”? If not, why not?

Answer. Ambassador Grenell’s direct access to the President and ability to act on his behalf ensures we can play a pivotal role and underscores the political capital we are investing into U.S. engagement in support of progress on Serbia-Kosovo. Ambassador Grenell has had regular discussions with President Trump on these issues. His work is complemented and reinforced by the Secretary of State’s attention to this vital region, as evidenced by my appointment as his Special Representative. The United States is committed to helping the region succeed and, as part of this, places tremendous importance on the normalization of relations between Kosovo and Serbia, a crucial element of the Western Balkans’ integration into the West.

*Question.* I share your disappointment with the EU’s failure to open accession talks with North Macedonia and Albania and am concerned about how that will impact the Balkans’ trajectory. Please provide a detailed list of engagements the State Department has had with the French government and any other governments State believes were involved in blocking the opening of talks regarding this issue, including who was involved in the engagements and when they occurred. Please provide copies of cable traffic describing U.S. diplomatic efforts on this problem. Your answer can be provided in classified format if necessary.

Answer. The State Department engaged extensively in support of North Macedonia and Albania’s EU accession with all EU member states and EU institutions and will continue to do so.

The State Department demarched all 28 EU member states in support of North Macedonia and Albania's EU accession three times from March to October, 2019. In advance of the October European Council decision, U.S. Ambassadors to France and Germany spoke with senior foreign government officials to encourage consensus decisions at the European Council in support of North Macedonia and Albania. I personally traveled in early October to Paris, The Hague, and Berlin, to reiterate and underscore this message to senior government officials in those capitals. Senior State Department officials, including Secretary Pompeo, Deputy Secretary Sullivan, Under Secretary Hale, and Acting Assistant Secretary Recker regularly pressed the issue in bilateral meetings and multilateral fora involving European leaders.

*Question.* I am deeply concerned that USAID is moving to reduce its presence in Albania, especially as China ramps up its own presence. As you stated in response to Senator Murphy, what your counterparts in the Balkans want "is people, what they want is time and attention, what they want are meetings ... what they want is to know they have our attention." This USAID reduction in presence move is precisely the opposite of what you said our Balkan partners want.

What have Albanian officials said to you regarding the planned reduction of USAID personnel? How does State assess this drawdown will impact U.S. influence in Albania and the Albanian government's and people's perceptions of the U.S.? What message do you believe this reduction sends to Albania and to the Balkans as a whole regarding U.S. commitment to the region?

*Answer.* Reaction from the Government of Albania to USAID's transition plan has been mixed. USAID reports that their Albanian counterparts understand that USAID intends its transition as an indication of the United States' confidence in the GOA's commitment and capacity to become a more self-reliant country, able and willing to lead in solving its own development challenges. Albanian officials have sought assurances from the U.S. Embassy in Tirana that we will continue supporting programs aimed at bolstering democratic institutions, strengthening good governance, and improving transparency and accountability.

Over the next 2 years, USAID will narrow the focus of its programs to target the priority sectors of countering corruption and economic growth. By 2021, USAID anticipates the launch of a new legacy initiative to continue important work in these sectors. USAID's transition plan calls for a gradual reduction of its presence in Albania. By the end of CY2021 USAID will be led by a Senior Development Advisor (SDA) and supported by two Foreign Service National (FSN) staff. The SDA will consult with key GOA officials, other donors, civil society, and the U.S. interagency on priority development issues, and engage with the private sector and relevant business associations to develop new investments. USAID currently has a staff of one U.S. Direct Hire and eight FSNs.

Albania is a strategic NATO ally and partner. The State Department will continue to support Albania's Euro-Atlantic integration with other foreign assistance programs, including programs funded through the Bureau of International Narcotics and Law Enforcement (INL) and U.S. Embassy Tirana's Public Affairs Section (PAS), to strengthen the justice sector, promote freedom of expression, combat organized crime and violent extremism, and improve border security. This continued, strong commitment to helping Albania achieve its desired Western integration reflects the United States' broader, enduring commitment to the region overall.

*Question.* How will the presence of S-400's in Serbia impact any U.S. or NATO exercises running concurrently or any U.S. or NATO troops who would be there at the same time? How will Serbia's decision to conduct an exercise with Russia and S-400's impact future U.S. and NATO exercises and other interactions with Serbia? Is Serbia looking to purchase S-400's in the future? Your answer can be provided in classified format if necessary. In your response, please do not refer us to the Department of Defense.

*Answer.* Serbia hosted a joint military exercise with Russia, known as "Slavic Shield 2019," October 23-29, 2019. According to the Russian and Serbian Ministries of Defense, Russia deployed S-400 and Pantsir-S systems for use during the exercise. During the time these systems were there, there were no U.S. or NATO exercises in Serbia. While we respect Serbia's right to host exercises on its own territory with military partners, we have urged the Government to make decisions that reflect the value it places on its partnership with both NATO and the United States. The State Department is not aware of plans by Serbia to purchase S-400's.

*Question.* In response to a question for the record on Russian military equipment deliveries to Serbia, Ambassador Godfrey (then a nominee) stated that "Press reports indicate that Russia has agreed to supply Serbia with additional military equipment, but reports differ on the numbers and types. Equipment recently re-

ported in the press includes 20 additional BRDM-2Ms armored wheeled vehicles, 30 used T-72 main battle tanks, and Pantsir-S1 air defense systems.”

Has any of this equipment been delivered? Please provide an updated list of deliveries of Russian military equipment to Serbia since July 2019 and an updated list of reported future deliveries of Russian military equipment to Serbia, including whether Serbia has signed a contract for those deliveries and delivery dates are planned. Answer can be provided in classified format if necessary.

Answer. President Vucic told the press that on July 19, 2019, Serbia received 10 BRDM-2MS armored scout cars from Russia—an upgraded variant of a vehicle long in Serbia’s inventory. The Serbian government has not released any information on costs or payments for transport or upgrades. These vehicle donations reportedly were part of a larger deal with Russia announced in 2016 that included six MiG-29s delivered in 2017; 20 additional BRDM-2MS vehicles still pending delivery; and 30 T-72 main battle tanks also still pending delivery. On October 16, the Serbian government received three new Mi-17V5 military transport helicopters that it purchased from Russia. Press reported that the helicopters were delivered to Serbia by Russian military aircraft. According to press and the Serbian Ambassador to Russia, four Mi-35M attack helicopters, also purchased from Russia, will arrive soon. On October 22, components of a Russian military-operated S-400 (SA-21 GROWLER) arrived in Serbia via Russian military aircraft to participate in a joint Russian-Serbian air defense exercise. On October 23, two Pantsir S (SA-22 GREYHOUND) arrived in Serbia to participate in the same exercise. President Vucic publicly stated on October 25 that Serbia had “ordered” and “paid for” the Pantsir system. It is unclear if the systems delivered by Russia to Serbia on October 23 would then transfer to the Serbian armed forces. On October 26, the Serbian minister of defense said that “Pantsir is now becoming a part of the armed forces of Serbia.”

*Question.* You testified that the difficulties in arranging international finance for the Kosova e Re plant were due more to a general disinclination to fund new coal plants more than any particular objections to this specific plant. However, when announcing that they would not fund the project the World Bank said “We are required by our by-laws to go with the lowest cost option and renewables have now come below the cost of coal.” Several independent assessments have reached similar conclusions:

In light of the fact that the economics of Kosovo’s energy options have changed considerably with the plummeting costs of renewables, when did the State Department last update its economic assessment of this project? Can you please share with the committee the State Department’s most recent economic analysis that demonstrates that the World Bank is wrong, and that coal remains the least cost solution?

Answer. USAID funded a June 2019 study of electricity supply options, based on the Government of Kosovo’s energy strategy. The study found the costs of implementing a generation mix that included coal and renewables—as established by the Kosovo energy strategy—were on par with the costs of other power supply scenarios. Further, a number of shortcomings in the World Bank’s study were identified: among the most critical was its analysis of Kosovo’s electricity sector as an isolated, single system, disregarding the regional electricity market’s value in providing potential electricity trading and import/export opportunities. The World Bank report also made no allowance for the importance of energy security in a region beset with grievances from past conflicts.

In addition to cost considerations, Kosovo’s long-term national security depends on securing a robust and reliable supply of energy. At present, Kosovo relies on two of the region’s oldest and most polluting power plants—Kosovo A and B—for 97 percent of domestic electricity generation. In addition, Kosovo’s ability to secure regional market access to imports on commercial terms is severely hampered by the fact that Serbia currently controls its energy connections to the European Grid. Kosova e Re will rely on proven domestic resources and incorporate the latest environmental technology that will reduce dust, sulfur, and emissions of dangerous gases including sulphur oxides, nitrogen dioxide, and carbon dioxide from their current levels.

If this project fails, Kosovo may be forced to consider alternatives that include Russian-sourced energy. Many Balkan nations and much of southeast Europe are either directly or indirectly affected by Russian energy policies and supply; those that are gasified rely almost exclusively on Russia as a supplier. In order to maintain its energy independence, Kosovo needs new generation, and Kosova e Re is the most practical, most efficient, and most feasible option. Supporting this project is squarely in the U.S. national interest.

*Question.* The European Bank for Reconstruction and Development (EBRD) is already funding renewable projects in Kosovo, EBRD is helping the government organize a renewable energy procurement tender, and both EBRD and the International Finance Corporation (IFC) are considering funding additional solar and wind projects:

Does the State Department support these efforts by IFC and EBRD? Why or why not? How will the reduced capacity factor of the coal plant caused by these projects coming on line affect (1) the economics of the proposed coal plant and (2) the electricity rates for Kosovo's households and businesses? Please provide State's most recent analysis of that effect.

*Answer.* The State Department enthusiastically supports renewable projects in Kosovo and around the world. Kosova e Re, as currently planned, would add a negligible amount of net capacity to Kosovo's overall generation capacity, because it would replace approximately 600MW of current coal-fired generation capacity. For this reason, Kosova e Re and renewables are complementary and equally necessary. The renewable projects will not reduce the capacity factor of the coal plant, and will not be the only factor impacting electricity rates for Kosovo's consumers. Given that current electricity generation comes from fully-depreciated assets, any new generation is likely to result in changes to energy costs that will be reflected in energy tariffs that have yet to be determined by the energy regulatory authority.

*Question.* Will the State Department commit to refraining from exerting any political influence over the Development Finance Corporation's deliberations and decision-making processes regarding consideration of providing support for the Kosova e Re project proposal—a process that, as outlined in the BUILD Act, must be made on basis of a project's merit and delivery of wide-ranging and inclusive development outcomes?

*Answer.* The State Department commits to following all appropriate requirements pertaining to the Development Finance Corporation.

*Question.* Independent analysis has shown that the Kosova e Re project would create an enormous financial burden for the Government of Kosovo. ContourGlobal expects the project to cost €1.3 billion, seventy percent of which will be financed with debt, and 30 percent with equity. Under the PPA, all of the fixed costs—including the equity return and the debt payments—must be covered by Kosovo, and Kosovo will also absorb significant additional operational costs. This is a huge burden to bear for a country with a GDP of U.S. \$7.25 billion:

Please provide State's most recent assessment of the financial and economic risks this agreement poses to the Government of Kosovo. How do these risks compare to those of the renewable alternatives that the World Bank preferred and are currently being pursued by EBRD and IFC? Is the State Department concerned that such a large single investment will crowd out the Government's ability to finance projects and programs to achieve other important public priorities? If not, why not?

*Answer.* The State Department acknowledges the inherent risks in large-scale infrastructure projects. However, IMF statistics show Kosovo's debt load to be consistently under 20 percent of GDP. This is considerably lower than in other countries in the region where debt burdens range from 38 percent in Bosnia and Herzegovina to 74 percent in Montenegro.

Today, Kosovo's economy loses \$350-\$400 million annually due to its persistent power outages. The Kosova e Re project is the largest and most economically important investment ever attempted by Kosovo, and it is vital to the country's economic future. Certainly these were some of the judgments that led the government of Kosovo to make the Kosova e Re project the cornerstone of its energy policy. The State Department supports the Kosovo government's pursuit of its energy objectives.

*Question.* At the time the contract to build the plant was awarded, Kosovo law required that a minimum of two bidders must tender bids for a bid to be legally accepted. However, only ContourGlobal submitted a bid for the project:

Given the concerns you raised in your testimony about how cronyism and rule of law concerns adversely affect the business environment for foreign investors, how should the incoming government address the fact that the procurement process violated Kosovo law?

*Answer.* The initial planning and procurement for this project began approximately 13 years ago. In the first round of bidding, in 2006, four out of six interested firms prequalified. There were four more bidding rounds between 2010 and 2015, each generating less interest. In 2015, only ContourGlobal (which had bid in every preceding round) remained interested.

The procurement process in 2015 was led by the Government of Kosovo Ministry of Economic Development (MED) Project Implementation Unit with assistance from IFC transaction advisors, and conducted according to World Bank standards. At its conclusion, no objections or appeals were filed—including from international financial institutions.

*Question.* The European Energy Community is now considering whether the provisions of the contract between ContourGlobal and Kosovo are compliant with the Energy Community State Aid requirements. The Secretariat of the European Energy Community made a preliminary determination that the Agreement may violate state-aid prohibitions by allocating project risks “entirely in favor of ContourGlobal,” and by shielding ContourGlobal from virtually all of the risks associated with operating a power plant:

Is this the kind of cronyism that you testified the State Department is working to end? If Kosovo is found to be in violation of its treaty obligations, how will it affect the goals of creating closer ties between Kosovo and the EU, EU ascension, and regional economic integration? Does this arrangement affect U.S. interests in promoting an open and competitive business environment in Kosovo, and our interest in being seen to do so consistently and credibly?

*Answer.* The Energy Community’s prohibition on state aid includes an exception for new generation necessary to achieve security of supply. To our knowledge, no case on state aid to date has been opened against Kosovo. In the event one is filed, we understand the Government of Kosovo believes it has well-founded legal arguments.

Given the investment climate in Kosovo, a fixed power purchase agreement was considered necessary to provide guarantees to potential investors. If Kosovo were to be found in violation of its treaty obligations, the U.S. would expect the affected parties to negotiate a solution in good faith.

*Question.* You testified that it was not only financing that was holding up this project; that there were things that Government ministries and officials needed to do if this project is to be implemented:

Please elaborate on what, specifically, you believe the Government of Kosovo must accomplish or do differently to get this project started. Is part of this related to environmental assessment and public consultation? Please explain any steps that you believe the Government must take to address these issues.

*Answer.* While ground breaking is many months away and project commissioning is not expected until mid-2024, substantial progress has been made on technical, environmental, and financial tasks since the contract was signed in December 2017. There are several outstanding tasks necessary to reach financial closure and move forward with construction. Some will be challenging for the Government of Kosovo to complete. The most critical tasks at the moment are obtaining legislative approval of the state guaranty, securing authorization for tax incentives incorporated into the contract, completing the power purchase agreements (PPA), finalizing and beginning implementation of the mine development plan, and eventually acquiring any necessary approvals on State Aid issues from the Energy Community.

*Question.* Completion of a new 500 MW coal plant will also make it extremely difficult—if not impossible for Kosovo to meet its commitment under the Energy Community Treaty to reach 25 percent of its total final energy consumption from renewable energy sources by 2020, let alone the more stringent targets the Energy Community is expected to adopt for 2030:

How do you believe that Kosovo should factor these treaty commitments into its energy sector planning?

*Answer.* Kosovo is committed to achieving its renewable energy target of 25 percent by 2020. These commitments are written into law, and Kosovo is poised to meet them, most likely in 2021. According to Eurostat, 24.6 percent of Kosovo’s total energy consumption comes from renewables. This data has also been validated by the Energy Community Secretariat. Support for the KRPP project does not adversely affect this commitment. In fact, renewable energy continues to benefit from priority dispatch and thus is arguably better positioned in the market than other generation.