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Folder Title:

PC/DC [Principals Committee/Deputies Committee] Meetings on Bosnia, January 1995 [4]

Staff Office-Individual:

European Affairs-Drew, Nelson/Bremner, Sue

Original OA/ID Number:

697

Row:	Section:	Shelf:	Position:	Stack:
33	2	6	2	v

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a. paper	Re: Agenda and Checklist of Issues (7 pages)	01/20/1995	P1/b(1)
001b. paper	Re: Likely Sticking Points in Bosnian Peace Talks (4 pages)	01/18/1995	P1/b(1)
001c. talking points	Talking Points for Meeting with President Tudjman (2 pages)	01/19/1995	P1/b(1)
001d. talking points	Talking Points -- Meeting with Bosnian Govt Leadership (2 pages)	01/23/1995	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
European Affairs (Drew, Nelson/Bremner, Sue)
OA/Box Number: 697

FOLDER TITLE:

PC/DC [Principals Committee/Deputies Committee] Meetings on Bosnia, January 1995
[4]

2012-0798-F
kc3033

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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TO: LAKE

DECLASSIFIED E.O. 13526

FROM: BEYRLE
KERRICK
AOKI

White House Guidelines,
September 11, 2006

DOC DATE: 19 JAN 95
SOURCE REF:

By VDE NARA, Date 01/02/15

KEYWORDS: PC

2012-0798-F

RUSSIA

PERSONS:

SUBJECT: PC MTG 20 JAN

ACTION: NOTED BY LAKE

DUE DATE: 23 JAN 95 STATUS: C

STAFF OFFICER: BEYRLE

LOGREF:

FILES: IFG

NSCP:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO

AOKI
BEYRLE
BURNS
DARBY
JOSHI
KERRICK
NSC CHRON
PONEMAN
SODERBERG
SUETTINGER
VERSHBOW

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSDRS

CLOSED BY: NSDRS

DOC 1 OF 1

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RECORD ID: 9520078

ACTION DATA SUMMARY REPORT

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

001 LAKE
001

Z 95012015 FOR INFORMATION
X 95012020 NOTED BY LAKE

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National Security Council
The White House

rec'd 1/20
8:15am

PROOFED BY: _____

LOG # 20078

URGENT NOT PROOFED: _____

SYSTEM PRS NSC INT

BYPASSED WW DESK: _____

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	SEQUENCE TO	HAS SEEN	DISPOSITION
Reed	1	<u>JWR</u>	
Sens			
Itoh			
Soderberg	2	<u>copy</u>	
Berger	3		
Lake	4	<u>Natl Sec Advisor</u> <u>has seen</u>	
Situation Room			
West Wing Desk	5	<u>APR 1/20</u>	<u>NJ</u>
NSC Secretariat	6		

A = Action I = Information D = Dispatch R = Retain N = No Further Action

COMMENTS:

Lake mls package
for Friday PC

Exec Sec Office has diskette WFS

~~SECRET~~

20078

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

January 19, 1994

INFORMATION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: NICK BURNS/^{NB}ALEXANDER VERSHBOW/^{HB for}DAN PONEMAN

FROM: JOHN BEYRLE/^{HB for all}DON KERRICK/STEVE AOKI

SUBJECT: Principals Committee Meeting, January 20, 1995

Attached at Tab I is your agenda and checklist for the Friday PC.

Concurrences by: Bob Suettinger ^{HB for}

Attachments

Tab I Agenda and Checklist

Tab A CIA Paper: Sticking Points in Bosnian Peace Talks
Tab B Slocombe Talking Points
Tab C Memo to President of January 13.
Tab D OSD Draft op-ed
Tab E LWR Terms and Conditions

DECLASSIFIED E.O. 13526
White House Guidelines,
September 11, 2006

By KDE NARA, Date 04/02/15
2012-0248-F

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001b. paper	Re: Likely Sticking Points in Bosnian Peace Talks (4 pages)	01/18/1995	P1/b(1)
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Tab B

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001c. talking points	Talking Points for Meeting with President Tudjman (2 pages)	01/19/1995	P1/b(1)

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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THE PRESIDENT HAS SEEN 718 Kernick

0277

DECLASSIFIED
PER E.O. 13526

THE WHITE HOUSE
WASHINGTON

INFORMATION

January 13, 1995

95 JAN 13 All: 27

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: Update on Bosnia and Croatia

Deputies met on Wednesday to review diplomatic efforts in Bosnia and to formulate an initial response to President Tudjman's decision to terminate the mandate for UNPROFOR in Croatia. Here's the state of play.

Contact Group Strategy

At Tuesday's Contact Group meeting in Paris, agreement was reached to dispatch Contact Group representatives to Belgrade, Sarajevo, Pale and Zagreb in an effort to get negotiations started. In Pale, the group will be authorized only to discuss "acceptance" of the Contact Group plan as the basis for talks, not to renegotiate the plan. This reflects the Bosnian Government's view that the deal Karadzic struck with President Carter was insufficient. It is not yet clear whether either side is really interested in negotiating, as opposed to using the cessation of hostilities to rest and rearm. Nevertheless, State remains hopeful that a formula can be found in the next few weeks that will permit serious shuttle diplomacy by the Contact Group to begin between Sarajevo and Pale.

We will be reviewing the constitutional and territorial issues in detail in preparation for renewed bargaining, although the U.S. will need to stay close to the Bosnian Government to avoid creating any impression we are twisting their arms.

Tudjman's Decision to Eject UNPROFOR

The shaky peace process in Bosnia is now in danger of being overwhelmed by renewed tensions -- and perhaps a new war -- in Croatia. President Tudjman today informed Boutros-Ghali that Croatia will terminate the mandate for UNPROFOR in Croatia when it expires on March 31. In so doing, he rebuffed a letter sent in your name urging that he reconsider this move, as well as strong pressure from the Germans. (Your letter and his reply are attached.) Tudjman claimed that, in two years, UNPROFOR has failed to produce any progress toward reintegration of the Serb-occupied lands, and that UNPROFOR's withdrawal is the only way to

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Declassify on: OADR

cc: Vice President
Chief of Staff

shock the Serbs into negotiating seriously. His one concession was to allow an additional three months for a "dignified and orderly" withdrawal.

Before publicizing the decision, Tudjman sent two high-level envoys to Washington to explain his rationale. We urged the Croatians to pull back from demanding UNPROFOR's complete pullout, since this was almost certain to trigger a new war. We offered to lead a reinvigorated diplomatic effort and to work with Zagreb on a new UNPROFOR mandate that would retain only those elements that were performing important functions -- policing the ceasefire, keeping the forces separated, and implementing the recent accord opening the Zagreb-Belgrade highway (Tab C).

In a two-hour meeting with Peter Tarnoff last night, however, the Croatian envoys showed little interest in this proposal. It was clear that they had been sent to inform, rather than consult, with us (and Peter strongly criticized them for this). Tudjman's letter to Boutros-Ghali, while ostensibly revised in response to our ideas, contained little new flexibility. Our Ambassador believes Tudjman has consciously opted for retaking the Krajina by force. The intelligence community, however, believes the chances of success are low -- particularly if Milosevic's forces intervene in support of the Krajina Serbs, as they are likely to do.

We will continue to press the Croatians to reverse course, and we will need to consider rolling back aspects of our bilateral relationship to signal our opposition to Tudjman's high-risk gambit. Tudjman needs to know that his brinksmanship will not be cost-free and that his integration into the West is in jeopardy. This said, we need to be careful not to drive Tudjman into an unholy alliance with Milosevic to carve up Bosnia. Thus we will proceed with ongoing plans to accelerate diplomatic efforts aimed at a settlement that reintegrates the Krajina while providing substantial autonomy for the Serbs.

Attachments

Tab A Letter to Tudjman of January 9
Tab B Tudjman's reply of January 10
Tab C U.S. proposal to Croatian envoys of January 11

Op Ed Piece: Suggested Language on Multilateral Lift

Current policy favors the multilateral lifting of the arms embargo because multilateral action can achieve our objectives without many of the drawbacks of unilateral lift. Multilateral lift prevents serious political splits with allies and sustains the unity of NATO and the international community on this issue. In this regard, multilateral lift necessarily involves the Russians, thus denying the Serbs its most significant ally. Unity among the Contact Group and the five permanent nations on the UN Security Council would provide a powerful incentive for the Serbs to negotiate rather than attack in response to a lifting of the arms embargo. In the event the Serbs react to lift by intensifying the fighting, with NATO's cooperation, more effective airstrikes and other operations by international forces could be provided from European bases. Moreover, with Russia's help, Serbia could be kept out of the war in Bosnia. Multilateral lift is not totally without risks and adverse consequences. However, unlike unilateral action, those risks and consequences are not solely the responsibility of the US. Instead, they are shared with the international community.

Submitted to USDP for addition. Not yet approved

6 Jan 95: 1200 version--with USDP incorporated NSC/JCS suggested revisions

UNILATERALLY LIFTING THE ARMS EMBARGO ON BOSNIA: THE PATH TO AN AMERICANIZED FOURTH BALKAN WAR

When the history of the tragic conflict in the Former Yugoslavia is written, it will be clear that the arms embargo on Bosnia -- imposed in 1991 -- was a mistake. It deprived the government of Bosnia-Herzegovina of the means of self-defense against the Bosnian Serbs' superiority in tanks and artillery drawn from Tito's old arsenals and from some fresh supplies from outside, notably supporters in Serbia itself. An international agreement to lift the arms embargo multilaterally and deal collectively with the consequences would be both wise and just -- and has been supported by the Administration. But for a variety of reasons, no such multilateral lifting of the arms embargo is in the cards for the near term at least.

Some members of Congress, reacting with understandable frustration, are demanding the U.S. ignore UN resolutions and act unilaterally to lift the arms embargo. They claim unilateral lift would ensure that Bosnian government forces receive the arms and training they need to "level the field" and defend themselves. And they claim such a step would do this without drawing the US into the Balkan fighting.

But a realistic look at the facts on the ground and the likely consequences of unilateral US action demonstrate that taking such a seemingly fair, direct, and simple action would be a grave mistake, for both U.S. interests and the people of Bosnia. Among the consequences -- ignored or denied by proponents of unilateral lift -- would be these:

- Unilateral lift could undermine the most successful diplomatic initiative in many months -- the Cessation of Hostilities agreement, negotiated with the help of former President Carter -- which was just signed by all the warring parties, and is now coming into effect. An American decision now to end the arms embargo could derail that Cessation of Hostilities agreement -- and end the hope of negotiations for a permanent peace.
- The Bosnian Serbs would have every incentive to launch pre-emptive attacks, designed to exploit their advantage before American arms supplies reached Bosnia. While the Serbs probably could not totally defeat government forces, it is virtually certain they would occupy the eastern enclaves and renew military pressure on Sarajevo and elsewhere, especially on relief supply routes.
- Current UNPROFOR operations would end as European and many other contributing countries withdraw from Bosnia, seizing on U.S. action as an excuse to end a commitment that has been costly for them in lives, treasure, and involvement.
- UN and most other outside relief efforts would stop, at the very time humanitarian requirements would increase dramatically, both because of the increased fighting and the withdrawal of Serb cooperation. A high percentage of the food reaching the enclaves comes through Belgrade and Bosnian-Serb controlled territory. All airfields and most land routes are within range of Bosnian Serb artillery. Whatever else they did, the Serbs could easily cut off these relief supplies.

The cumulative effect of these consequences would be strong pressure for greatly increased American involvement. The U.S. would have precipitated the increased fighting

and the end of international relief and peacekeeping efforts. Moral responsibility for the resulting desperate military and humanitarian situation in Bosnia would shift to the U.S.

In short, unilaterally ending the arms embargo is not an alternative to U.S. military intervention. It is a way of accomplishing such intervention.

The implications of taking on this responsibility are many and grave. To begin with, the U.S. would have to take over relief efforts, or accept responsibility for the large-scale starvation and refugee flows that would result from the lack of food.

Similarly, unless we were prepared to watch as pre-emptive Serb attacks further battered Bosnian cities and defensive positions, US air strikes would be required to defend these cities and positions. However, the necessary European bases and other NATO support, on which our current, much smaller, air efforts depend, might not be available in the aftermath of a major break with our allies. In any case, airstrikes alone, even with the added planes needed, would probably not halt Serb ground attacks, given the difficult weather and terrain conditions.

Furthermore, contrary to the claims of unilateral lift backers, the "playing field" in Bosnia is not self-leveling. Simply authorizing U.S. manufacturers to sell arms to Bosnia would not get any arms to Bosnia. For lifting the embargo to have its intended effect of allowing the Bosnians to defend themselves, the US would have to undertake a major military assistance program to provide arms -- without the cooperation of our major allies.

The financial costs, though substantial, would be the least of the problems in carrying out such an effort. Upgrading Bosnia's light infantry to confront Bosnian Serb heavy weapons successfully is not a simple task--as earlier US efforts to equip local forces

in other countries from Vietnam to El Salvador have shown. Most important, sophisticated arms -- which the Bosnians would need to overcome Bosnian Serb advantages in heavy weapons -- are ineffective without trained soldiers to use them and a continuing stream of support. U.S. trainers, advisers and logistics support personnel on the ground would be necessary to assist the Bosnian Government in using the arms effectively.

A U.S. decision to lift the arms embargo unilaterally would undermine the most important U.S. national security objective for the region -- to avoid a wider war in the Balkans while seeking a negotiated settlement. Among the most serious potential consequences of unilateral U.S. action would, however, be strong pressures a widening of the conflict beyond Bosnia. There are painfully many scenarios for such wider fighting:

- Escalation of fighting would likely draw in the Serbs from Krajina (as it did in Bihac), thus extending the actual fighting to Croatia.
- The Belgrade Serbs, though very sympathetic to the Bosnian Serbs now are, under strong international pressure, cutting off supplies to the Bosnian Serbs and pressing them to settle on terms the government of Bosnia has accepted. With the U.S. acting unilaterally, over the objections of our allies and the Russians, it would be difficult if not impossible to convince the Belgrade Serbs to hold back in support of their Bosnian Serb compatriots -- unless we were prepared to threaten Belgrade militarily.
- U.S. military confrontation with Serbia could precipitate a sharp crackdown by Belgrade in the Muslim province of Serbia, Kosovo, a development which would have the potential to destabilize the entire southern Balkan region, and which the US has pledged to meet with force.

- Broader fighting could draw Albania, Macedonia, Greece, and Turkey into conflict.

Neither our horror at the destruction brought by this long and brutal war and at the atrocities of Serbian ethnic cleansing nor our frustration with the irrationality of Balkan rivalries and the difficulty of international peacekeeping should be allowed to cause us to forget that much has been accomplished by international action even as the war has continued. The European role, and our cooperation with Europe, has been central to what has been achieved to moderate the suffering in Bosnia and prevent a wider war. The UN, for all its limitations, has saved thousands of lives by its military and civilian efforts. UNPROFOR, for all its problems, has been the necessary element for the large scale delivery of food, and for support of the Sarajevo and Gorazde exclusion zones. NATO cooperation has been essential for enforcement of the "No Fly Zone," the heavy weapons exclusion zones, and the economic sanctions against Serbia. The Contact Group, which includes Russia as well as key European allies, has been the principal instrument for seeking a negotiated solution.

Maintaining that cooperation and avoiding a fundamental break with our NATO allies over the Bosnian issue is, of course, also essential to our broader national interests in European and international security. Virtually every European nation opposes lifting the arms embargo at this time. Thus U.S. unilateral action would be undertaken in the face of vehement opposition of most NATO allies. The resulting rift would undermine the consensus underlying NATO's unified military command and deeply damage the alliance and the US ability to lead it.

Additionally, hopes of a cooperative relationship with Russia on European security would be seriously jeopardized by actions that Russians of all political stripes would see as US intervention not just against the Bosnian Serbs, but against the Belgrade Serbs as well. Russia would likely counter US action by arming the Serbs, thereby raising the ante and reviving U.S.-Russian confrontation.

Finally, while it is fashionable in some circles these days to ridicule the UN and all its works, the US has an important interest in nations not taking unilateral action in contravention of UN resolutions. Such action not only undermines both international law and internationally sanctioned peacekeeping operations, but also it undercuts the US interest in international sanctions being observed. One of the main pressures on the Serbs is the UN embargo on their trade. If the US unilaterally dropped the part of the UN sanctions it finds objectionable, the front line states--Serbia's immediate neighbors--would likely stop enforcing the trade embargo against Serbia and the Bosnian Serbs which they claim has cost them billions of dollars already.

Nor would the effects on sanctions regimes we support be confined to the Balkans. If the US acted alone in this matter, other nations would claim the right to ignore UN embargo resolutions that we strongly favor such as those that pertain to Iraq and other pariah states.

In sum, Congressional action mandating unilateral U.S. action to lift the arms embargo on Bosnia would be a tragic and short-sighted mistake. Unilaterally ending the arms embargo is not an alternative to US intervention; it is a way of accomplishing such intervention. It would mean the Americanization of responsibility for the war, for unilateral action entails unilateral responsibility for the consequences of that action. We should be under no illusion that the US could responsibly simply lift the arms embargo and

walk away. Nor should we do the only thing that would really produce the Bosnian victory many lift proponents desire -- commit US ground forces to solve the problems of Bosnia.

What we must do instead, therefore, is continue to work within the international community to limit the scale of fighting, provide humanitarian relief, prevent a wider war, and seek to achieve an early agreed settlement to this tragic conflict. We recognize that any settlement will not be ideal; it will likely on some scale be unjust. But it will be far better than the consequences of expanded war, division from our allies, and likely U.S. combat involvement that a unilateral lifting of the arms embargo would bring.

**TERMS AND CONDITIONS FOR AGREEMENT ON
SUPPLY OF A LIGHT-WATER REACTOR PROJECT BETWEEN
THE KOREAN ENERGY DEVELOPMENT ORGANIZATION AND
THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA**

This supply agreement shall constitute an international agreement between KEDO and the DPRK and shall be binding on both parties under international law. It shall include articles addressing the following matters.

1. Scope of Supply

A. The Korean Energy Development Organization (KEDO) shall provide two Korean standard light-water reactor (LWR) units with a capacity of approximately 1000 MW(e) each to the DPRK on a turnkey basis. The reference plants will be Ulchin 3 and 4.

B. The scope of supply for the LWR project shall include the tasks and projects specified in annex 1 to this agreement.

C. The LWR project shall conform to a set of codes and standards for the **design, manufacture, construction, maintenance, and operation** of nuclear power plants, including those relating to safety, physical protection, environmental protection, and waste disposal and storage, such as those applied to the Korean standard LWRs, which are comparable to those of the IAEA and the U.S.

2. Purchase Price and Terms of Payment

A. Consideration for the provision of the LWR project shall consist of:

(1) the satisfaction by the DPRK of the assurances described in article 12; and

(2) payment by the DPRK to KEDO of the purchase price for the LWR project established pursuant to article 2(B).

B. The purchase price will be determined by KEDO and the DPRK based on the contract price payable by KEDO to the authorized prime contractor under the commercial supply contracts to be entered into between KEDO and the prime contractor for the scope of supply specified in annex 1 and the cost of other KEDO activities undertaken in order to provide the work specified in annex 1. With respect to the items specified in annex 1, the DPRK shall not be responsible for any additional costs above the purchase price, other than such costs as result from actions by the DPRK or from its failure to take actions for which it is responsible, in which case the purchase price shall be increased by the amount of such additional costs.

reactor unit is by the end of 2002. For purposes of this agreement, "completion" refers to the successful conclusion of cold hydrotesting prior to the loading of nuclear fuel.

C. When the first reactor unit is completed, the DPRK will begin dismantling its frozen graphite-moderated reactors and related facilities, as specified in the U.S.-DPRK Agreed Framework. Dismantlement, including disassembly or destruction of relevant components and equipment, will be completed when the second reactor unit is completed. Target date for the completion of the second reactor unit is by the end of 2003.

D. Plans and schedules for LWR deployment, shipment of spent fuel from the DPRK, and dismantlement of the DPRK's graphite-moderated reactors and related facilities shall be agreed between KEDO and the DPRK, with appropriate reference to the provisions of the U.S.-DPRK Agreed Framework.

4. Site Selection

A. KEDO shall conduct a site study to ensure that appropriate site selection criteria have been satisfied. For this purpose, KEDO will apply the criteria established by the IAEA and the United States. The site study shall also identify any infrastructure improvements that may be needed in order to complete the LWR project (e.g., port improvements, roads, power supply, water, and other amenities).

B. The site selection process will focus initially on the DPRK-preferred site at Kumho-ri, Sinpo city, South Hamgyong Province, as a candidate site. The DPRK shall provide KEDO with relevant information, including the results of the studies that were performed previously at this site in connection with the DPRK-USSR agreement on Economic and Technical Cooperation in Constructing the Nuclear Power Plant.

C. In the event that the DPRK-preferred site is determined not to be suitable for construction of the LWR project, KEDO and the DPRK shall consider alternative sites and adjust the target dates for the LWR project accordingly.

5. DPRK Obligations

A. The DPRK shall be responsible for performing the work described in annex 2 in accordance with the plans, specifications, and schedules for the LWR project.

B. All DPRK approvals necessary for completion of the LWR project shall be provided expeditiously and free of charge, including but not limited to visas, licenses, permits, import and export licenses, access rights, and site take-over agreements. The DPRK shall facilitate prompt unloading, customs clearance, and internal transportation of material, equipment, and components for the LWR project.

C. KEDO contractors and their personnel shall be exempt from DPRK taxes, customs duties, expropriation, and other charges in connection with the LWR project.

D. All personnel sent to the DPRK by KEDO or KEDO contractors shall be allowed full, secure, unimpeded access to the project site, to international communications, and to designated land, sea, and air transportation routes to and from the project site.

E. Currency exchange and other financial services for KEDO and its contractors shall be provided at the project site and in Pyongyang.

F. KEDO and its contractors shall be permitted to operate offices at the project site and in Pyongyang and other related locations and to communicate with KEDO and other contractor offices by means of their own choosing.

G. The DPRK shall make available at a fair price high-quality water, food, lodging, communications, and other amenities necessary for living and working by personnel sent to the DPRK by KEDO or KEDO contractors.

H. The DPRK shall accord KEDO independent juridical status sufficient to permit KEDO to carry out its functions. Such juridical status shall be defined in a separate agreement between the DPRK and KEDO.

I. The DPRK shall accord KEDO and its staff such privileges and immunities in the territory of the DPRK as necessary to carry out the functions entrusted in KEDO. These privileges and immunities shall be defined in a separate agreement between KEDO and the DPRK.

J. The DPRK shall protect the safety of other personnel sent to the DPRK by KEDO or KEDO's contractors and their property. Consular access to all such personnel shall be guaranteed.

K. The DPRK shall cooperate fully with KEDO representatives and contractors in matters related to the project, including the conduct of the site study and any other necessary analytical studies.

L. The DPRK shall not interfere with the repatriation by KEDO and KEDO's contractors of construction equipment and remaining materials from the LWR project.

M. The obligations described in this article with respect to KEDO staff, KEDO contractors, and KEDO contractors' personnel shall apply regardless of the nationality of the individual or contractor.

6. KEDO Obligations

A. KEDO shall perform its obligations under this supply agreement in a manner consistent with the agreement on the establishment of KEDO, signed in [city] on _____, 1995.

B. KEDO shall provide the DPRK access to project plans and drawings as necessary for safe operation and maintenance.

C. KEDO shall do its utmost to ensure that design preparation, equipment delivery, project construction, and LWR completion occur within the periods agreed upon in this agreement.

D. KEDO shall ensure that guarantees with respect to LWR design and construction are issued to the DPRK by the designer and vendor, as appropriate, in accordance with nuclear industry practice (e.g., guarantees for workmanship and materials for one year from the date of project completion).

E. After providing the initial load of fuel for the reactors, KEDO shall facilitate the availability of additional fuel on commercial terms as long as the DPRK is in compliance with this agreement.

F. KEDO shall facilitate the availability of spare parts, in addition to those provided pursuant to annex 1, on commercial terms as long as the DPRK is in compliance with this agreement.

G. Personnel sent to the DPRK by KEDO and KEDO's contractors shall respect the relevant laws of the DPRK, as shall be agreed between KEDO and the DPRK, and shall conduct themselves at all times in a professional manner.

7. Contractual Arrangements

A. KEDO shall be designated as the formal point of contact with the DPRK on matters relating to the design, manufacture, construction, maintenance, and operation of the LWR project.

B. As soon as possible after conclusion of this agreement, KEDO shall designate a Prime Contractor and conclude a commercial contract with this Prime Contractor for the design, manufacturing, and construction of the LWR project.

C. The DPRK shall enter into arrangements with KEDO with respect to specific requirements for performance by the DPRK side of the work described in annex 2.

D. KEDO and the DPRK shall facilitate direct communication between the DPRK and private companies involved in the LWR project, including the prime contractor, when such communications are required to facilitate implementation of the LWR project.

8. Nuclear Safety and Regulation

A. The DPRK shall assure that nuclear regulatory standards and procedures comparable to those applied to the Korean standard LWRs and to those of the IAEA and the U.S. Nuclear Regulatory Commission are in place to promote the safe operation of the nuclear plant.

B. At the earliest opportunity, but before beginning operation of the first LWR unit, the DPRK shall adhere to the the Convention on Nuclear Safety, the Convention on Early Notification of a Nuclear Accident, the Convention on Assistance in the Case of a Nuclear Accident or Radiological Emergency, and the Convention on the Physical Protection of Nuclear Material.

C. KEDO shall be responsible for assuring that design, manufacture, and construction of the LWRs to be provided by KEDO are in compliance with nuclear regulatory standards comparable to those applied to the Korean standard LWRs and to those of the IAEA and the U.S. Nuclear Regulatory Commission.

D. The DPRK shall be responsible for the safe operation and maintenance of the reactors, appropriate physical protection, and safe storage and disposal of radioactive waste, including spent fuel, in conformity with IAEA standards or other appropriate international standards and practices. KEDO shall cooperate in the effort to ensure safe operation and maintenance of the LWRs by the DPRK. The DPRK shall accept safety reviews if requested and arranged by KEDO and shall respect the results of such reviews in taking measures to ensure safe operation and maintenance.

E. In the event of a nuclear emergency or accident, the DPRK shall permit immediate and unconditional access to the site and information by personnel sent by KEDO or KEDO's contractors to determine the extent of safety concerns and to provide safety assistance.

9. Nuclear Liability

A. The DPRK shall assure that a legal and financial mechanism is available for meeting claims brought within the DPRK for damages in the event of a nuclear incident at one of the LWR units. The legal mechanism shall include the channelling of liability in the event of a nuclear incident to the reactor operator on the basis of absolute liability. The DPRK shall assure that the reactor operator is able to satisfy such liabilities.

B. The DPRK shall bring no claims arising from activities undertaken pursuant to this agreement against KEDO, KEDO contractors, or their personnel for damage to DPRK property or citizens as a result of a nuclear incident at one of the LWR units.

C. The DPRK shall provide for the adequate defense of and indemnify KEDO, KEDO contractors, KEDO member governments, and their personnel in connection with third-party claims in any court or forum arising from activities undertaken pursuant to this agreement in the event of injury or damage occurring inside or outside the territory of the DPRK as a result of a nuclear incident at one of the LWR units. This provision shall not be construed as acknowledging the jurisdiction of any court or forum or as waiving any immunity of either party.

10. Intellectual Property

To the extent that the DPRK has access to intellectual property owned by the firms supplying the reactors, it shall provide for the protection of such intellectual property in accordance with international norms, including practices established by the Paris Convention on the protection of industrial property rights. Intellectual property will include, without limitation, plans and specifications, operational information, and maintenance information.

11. Dispute Resolution

A. Disputes shall be settled through consultations between the DPRK and KEDO, in conformity with the principles of international law.

B. Disputes that cannot be resolved in this manner shall be settled by referral to arbitration in accordance with the procedures contained in an annex to this agreement.

C. The decision of the arbitral tribunal shall be final.

12. Assurances in Connection with LWR Delivery

The following assurances must be satisfied by the DPRK as condition of KEDO's obligations under this agreement:

A. The DPRK shall remain a party to the Treaty on the Nonproliferation of Nuclear Weapons and shall allow implementation of its safeguards agreement under this Treaty.

B. The DPRK shall continue the freeze on its graphite-moderated reactors and related facilities and shall provide full cooperation to the IAEA in its monitoring of the freeze.

C. The DPRK shall refrain from the construction of new graphite-moderated reactors and related facilities.

D. The DPRK shall conclude a bilateral agreement for peaceful nuclear cooperation with the U.S., and bilateral agreements for peaceful nuclear cooperation between the DPRK and other countries shall be concluded as necessary and appropriate.

E. The DPRK shall continue cooperation on safe storage and ultimate disposition of spent fuel from the 5MW(e) experimental reactor.

F. Upon conclusion of the supply agreement, the DPRK shall permit resumption of ad hoc and routine inspections under the DPRK's safeguards agreement with the IAEA with respect to facilities not subject to the freeze.

G. When a significant portion of the LWR project is completed, but before delivery of key nuclear components, the DPRK shall come into full compliance with its IAEA safeguards agreement, including taking all steps that may be deemed necessary by the IAEA.

H. When the first LWR unit is completed, the DPRK shall begin dismantlement of its frozen graphite-moderated reactors and related facilities, and such dismantlement shall be completed when the second LWR unit is completed.

I. When initial delivery of key nuclear components begins, the DPRK shall begin to transfer spent fuel from the 5 MW(e) experimental reactor from its territory for ultimate disposition, and such transfer shall be completed when the first LWR unit is completed.

J. The DPRK shall assure ~~the~~ ^{of KEDO or any of the} ~~KEDO's~~ ^{original members} right to require the transfer of the LWR spent fuel out of the DPRK as soon as technically possible after the fuel is discharged. ~~When~~ ^{When} ~~the DPRK exercises this option, the DPRK shall~~ ^{exerc} relinquish ownership rights over the spent fuel and shall transfer the spent fuel from its territory

~~to a location designated by the requesting party~~

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- J. The DPRK shall assure that KEDO or any of the original members can require the transfer of the LWR spent fuel out of the DPRK as soon as technically possible after the fuel is discharged. When they do so, the DPRK Shall relinquish ownership rights over the spent fuel and shall transfer the spent fuel from its territory to a country designated, subject to the consent of the country, by the requiring party. Necessary arrangements for such transfer, including those to ensure safety and non-proliferation, will be made separately.

K. The DPRK shall use the reactors and nuclear material transferred pursuant to this supply agreement, as well as any nuclear material used therein or produced through the use of such items, exclusively for peaceful, non-explosive purposes.

L. The DPRK shall ensure that the reactors and nuclear material transferred pursuant to this supply agreement, as well as any nuclear material used therein or produced through the use of such items, are used properly and exclusively for the purposes of the LWR project.

M. The DPRK shall provide effective physical protection in accordance with international standards with respect to the reactors and nuclear material transferred pursuant to this supply agreement, as well as any nuclear material used therein or produced through the use of such items for the useful life of such reactors and nuclear material.

N. The DPRK shall assure the application of IAEA safeguards to the reactors and nuclear material transferred pursuant to this supply agreement, as well as any nuclear material used therein or produced through the use of such items, for the useful life of such reactors and nuclear material.

O. The DPRK shall at no time reprocess or increase the enrichment level of any nuclear material transferred pursuant to this supply agreement, or any nuclear material used in or produced through the use of any reactor or nuclear material transferred in the LWR project.

P. The DPRK shall not transfer any nuclear equipment or technology or nuclear material transferred pursuant to this supply agreement, or any nuclear material used therein or produced through the use of such items, outside the territory of the DPRK unless otherwise agreed between the DPRK and KEDO.

Q. The DPRK shall not reprocess or enrich any nuclear material or construct or operate any facility or installation for such purposes.

13. Actions in the Event of Noncompliance

In the event that the DPRK abrogates or violates any of the above assurances, KEDO shall have the right to suspend or terminate this supply agreement and to require the return of any nuclear materials and equipment transferred pursuant to this agreement and any special nuclear material produced through the use thereof, and to require the immediate payment of all amounts due under article 2 of this agreement and any additional losses incurred by KEDO or its contractors arising from the consequences of such abrogation or violation. In that event, KEDO shall also have the right to suspend the provision of interim energy supplies and to require the return of such supplies.

ANNEX 1: SCOPE OF SUPPLY

The reference plant will provide the basis for KEDO in defining the scope of the items set forth below to be provided by KEDO, except to the extent that the DPRK is responsible as set forth in annex 2:

1. Site-specific designs, plans, and schedules.
2. LWR equipment and directly related auxiliary equipment.
3. Construction materials and services for the nuclear plant.
4. Overall project management, including quality control and quality assurance.
5. Studies and assessments.
6. The customary inventory of spare parts for a two-year period of plant operation, as determined by the Prime Contractor.
7. Nuclear fuel for the initial loading of the nuclear plant.
8. Testing services for initial plant operation.
9. Training for operation and maintenance of the nuclear plant.
10. Technical support services for the early stage of operation and maintenance.

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ANNEX 2: SCOPE OF DPRK WORK ON THE LWR PROJECT

1. Site preparation for the LWR project, including securing land and clearing the site.
2. Provision of a stable supply of electricity and water and other incidental facilities necessary for the construction of the LWR project.
3. Port and road improvement to facilitate transport of equipment and materials.
4. Provision of electrical transmission lines, off-site substations, and off-site network connected to the nuclear plant necessary for a stable electrical grid.