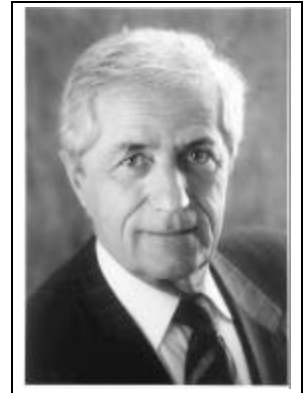


The Honorable Martti Ahtisaari  
Former President of Finland and  
Chairman of the Board of Trustees  
International Crisis Group  
c/o Embassy of Finland  
3301 Massachusetts Avenue, NW  
Washington, D.C. 20008

January 9, 2002



Dear Mr. Ahtisaari

Two reports were recently released on reforms in Yugoslavia. One was rendered by the European Bank for Reconstruction and Development (EBRD), while the other by the International Crisis Group (ICG) under the title of "SERBIA'S TRANSITION: REFORMS UNDER SIEGE," dated 21 September 2001.

These two reports differ dramatically in assessing the developments and situation in Yugoslavia.

According to the EBRD, Yugoslavia topped the list of 27 Eastern European countries in successfully implementing reforms in 2001. Moreover, the report estimated that in 2001 and 2002 the Yugoslav economy will grow at an annual rate of 5%, with the rate of inflation declining rapidly. Also, Yugoslavia is essentially integrated back into the international community.

According to the ICG report, "Many changes are largely cosmetic and have not been followed by corresponding institutional or legal reform .....Serbian society by and large keeps its back turned to reality" (page 11 of English language version).

The wide disparity in the two reports can possibly be explained by apparently the ICG focusing not on real reforms but rather on the Serbian political landscape. An inordinate amount of space in the report was given to President Kostunica and his party, Democratic Party of Serbia (DSS). In fact, it appears that the centerpiece of the report is but a partisan attack on the Yugoslav President and his party.

Granted, the Serbian current political scene is in flux. Barely a year has passed since the traumatic change of power in Serbia. Considering the trials and tribulations in politics of all Eastern European countries in transition, this early harsh assessment of the Serbian political scene by the ICG report is not warranted. Particularly so if one takes into account the most onerous conditions the new Serbian leadership faced upon assuming power. The sordid and devastating legacy of ten years of wars and confrontations by the autocratic Milosevic's regime is too well known.

*Continued on p.7*

# IT IS ALL ABOUT OIL

## (AND OIL PIPELINES)

### 2001

#### Oil and Gas: *Proven and Estimated Reserve*

Country	Oil <i>(in billions of barrels)</i>		Natural gas <i>(in trillions of cubic meters)</i>	
	Proven	Possible	Proven	Possible
Azerbaijan	8	15	1	2
Kazakhstan	15	65	2	3
Turkmenistan	1	3	2	4
Uzbekistan	1	2	1	2
<i>Total</i>	<b>25</b>	<b>85</b>	<b>6</b>	<b>11</b>
Iran (all regions)	90	110	23	33
Russia (all regions)	49	99	48	98
<i>Total</i>	<b>139</b>	<b>209</b>	<b>71</b>	<b>131</b>
North Sea	17	27	4	5
United States	22	174	5	43
Arabian Peninsula	471	531	23	41

Note: Figures are rounded.

Sources: *BP Statistical Review of World Energy* U.S. Geological Survey *World Petroleum Assessment*; U.S. Energy Information Administration, unofficial estimates

Many people say that wars in Kosovo, Macedonia and Afghanistan are to a great degree driven by insatiable need for oil by the West and "oil interests." Above is a table showing who has what in terms of the "black gold." It gives a clear picture about the importance of the Arabian Peninsula (Islam). Out of "proven reserve" the Arabian Peninsula has 70% of world oil. Based on the "proven" and "estimates" the percentage drops to 59% - still an enormous pool of oil, or wealth and power.

Unless the West finds alternative sources of energy, which it can and should, the West will remain a hostage to Islam. -- Editor

### Estimated Conversion of DM to Euros:

<b>Kosovo</b>	<b>3.0 Billion</b>
<b>Macedonia</b>	<b>2.5</b>
<b>Croatia</b>	<b>6.0</b>
<b>Serbia</b>	<b>5.0</b>
<b>Bosnia</b>	<b>4.0</b>

It is further estimated that "these large quantities of cash" were obtained by illegal activities and will be now "laundered." (*Le Monde*, Jan. 5, 2002)

# Why Not a Scarlet Letter for Serbs?

by Stella L. Jatras

3 January 2002

There should be no doubt in the mind of any reasonable thinking person that the Foreign Operations Appropriation Act, Funding for Serbia, is a recipe to further punish and humiliate the Serbian people.

In order to receive funding, the Foreign Operations Appropriation Act specifies that the Federal Republic of Yugoslavia will (1) cooperate with the International Criminal Tribunal for Yugoslavia including access for investigators, the provision of documents, and the surrender and transfer of indictees or assistance in their apprehension; (2) take steps, that are consistent with the Dayton Accords, to end Serbian financial, political, security and other support which has served to maintain separate Republic Srpska institutions; and (3) take steps to implement policies which reflect a respect for minority rights and the rule of law, including the release of all political prisoners from Serbian jails and prisons.

Although provision (1) has not changed, further restrictions, as was shown in bold, have been added to both provisions (2) and (3). The original Dayton Accord nowhere specifies that the Federal Republic of Yugoslavia may not maintain separate financial, political, security and other support to Republic Srpska institutions. If enacted, this provision would literally cut off the Republic of Srpska from Yugoslavia, a gross miscarriage of justice. Provision (3) states that policies should be implemented which reflect a respect for minority rights and the rule of law, including the release of all political prisoners from Serbian jails and prisons." Nowhere does the appropriations act state what constitutes

"political prisoners," and in such an event, any member of the Kosovo Liberation Army who is in prison or in jail due to murder, rape, drugs, and atrocities committed against the minority population remaining in Kosovo, could be considered a "political prisoner," and therefore, released.

Consider the foreign policy differences:

## U.S. POLICY TOWARDS AFGHANISTAN vs SERBIA

- Although we do not have custody of Osama bin Laden, we are already working closely with the Northern Alliance to help them on their road to "democracy." Does the word, "democracy" even exist in Islamic countries? The first action the U.S. took was to reinstate Afghanistan's king. Although democracy has been returned to Serbia through free elections, there will be no aid to the Serbs until everyone, to the satisfaction of Chief Prosecutor Carla del Ponte, is sent to The International War Crimes Tribunal. While sentences of Croatia's war criminals, as well as Bosnia's Muslim and Kosovo's ethnic Albanians are either being reduced or dropped altogether, Carla del Ponte is obsessed with sending every Serb who ever wore a uniform (and some who have not), to The Hague. Why not just paint the Scarlet Letter "S" for "Serb" on the forehead of every Serb and be done with it?

- For rebuilding of Afghanistan? Billions of U.S. tax dollars. For Yugoslavia? Virtually nothing. Considering NATO's bombing cost the Serbs and neighboring states billions and billions of dollars in destruction, the paltry "up to" \$115

million offered is intended to further humiliate and demean the Serbian people. Keep in mind, where Yugoslavia was once a developed nation, NATO pilots, primarily American, bombed Serbia back to the stone age. However, Afghanistan never left the stone age.

- Afghanistan needs only to be shown the way! It needs our understanding and our compassion; whereas our Yugoslav policy consists of threats, punishment, humiliation and endless demands.

- President Bush asked every American child to send \$1 to help the suffering Afghan children. As we recognize that children are children everywhere, there has been no compassion shown towards the suffering of Serbian children. Even the Greek arm of Doctors Without Borders was expelled for helping Serbian children.

- President Bush has repeatedly stressed to the Afghan people and to the entire Islamic world, that they are not the enemy; that this is a war against Osama bin Laden, the Taliban, and against Muslim terrorism (although the word "Muslim" was immediately removed after intense pressure from the Islamic community.) In contrast, President Clinton wanted to make sure that the Serbian people understood that they were as much an enemy as their president, Slobodan Milosevic. This contempt was never more obvious than when Lieutenant General Michael Short, Allied Commander of U.S. Air Forces in Europe, said, "I think no power to your refrigerator, no gas to your stove, you can't get to work because the bridge is down - the bridge on which you held your rock

concerts -- and you all stood with targets on your heads. That needs to disappear at 3 o'clock in the morning."

- President Bush continually reminds the American people that Islam is a religion of "peace." Christians who are being crucified in the Sudan and the tens of thousands of Christians in Indonesia who are waiting for the slaughter may not agree. However, Serbia's Eastern Orthodox Christianity, a victim of other religions throughout the centuries, has been convincingly portrayed as an evil religion.

- Afghanistan is considered to be a "war torn" country. When have you ever heard the media refer to Yugoslavia as "war torn?" The media and the government work in tandem to gain sympathy for the people of Afghanistan while the people of Serbia are left in rubble due to Clinton administration policies and continued by the present administration.

It is not our policy to help the Afghan people nor is it the fight against terrorism to which I object. Rather, it is our refusal to admit in the hindsight of 911 that we made a terrible mistake. It was Clinton's

wag-the-dog policy objective and willing media skills to demonize the Serbian people to which I objected. Unfortunately, it was also one of the few things that the Clinton administration succeeded in doing right. Even now, hatred against Serbs continues at an all time high as films such as "Behind Enemy Lines" guarantees that hatred to continue. Sympathy for them as a people is non-existent. The common wisdom is that they "deserve what they get." However, the enemy that the Serbs are fighting is the same enemy allied with the Islamic terrorist network and Osama bin Laden. The same network that attacked America are kith and kin to the terrorist groups we currently support in Kosovo, yet our guns point only in the direction of the Serbs who are fighting in their own land to preserve their culture, religion and heritage.

In this precarious age of the fight against a global Islamic terrorist network, we can no longer afford the luxury of ignorance as we determine who are our real enemies. In Kosovo, we myopically sided with one part of the terrorist network. As a result, Serbian culture, society, religion and language have all but been eradicated with

the help of the Christian West. The hypocrisy is how we are treating the Serbs and how we are treating the Afghans. It solidifies the depth to which we show our hatred of the Serbs, even going so far as to destroy their Christian nation.

On a personal note, I sometimes wonder, what in God's name have the Serbs done that they should be hated so much when you consider that they did not harm one hair on the head of a single American? One would think by our animosity towards them that we are still at war with them.

It is vital for the conscience of the nation to recognize the disparity between how we conduct ourselves in Afghanistan versus what we are doing to the people of Serbia. What is more important, however, is the need to review our current policies in that area of the world in light of 911 much as we are currently reevaluating Islamic terrorism in Chechnya against the Russians. If not, we will continue to support a part of the very terrorist network that has sworn our destruction.

■

## BOARD MEETING

The Board of Directors of Serbian Unity Congress will hold a very important board meeting in Washington, D.C. on February 2-3, 2002

S.U.C. members & friends will be invited to a dinner followed by a panel discussion on "The Importance of Democratic Yugoslavia for United States' Strategic Interests in Southeast Europe". Panel participants will include Ambassador Miodrag Perisic, Dr. John Hulsman, Research Fellow and European Affairs, The Heritage Foundation, and Dan Serwer of USIP. The meeting will be held at the Hyatt Regency Bethesda Hotel (7400 Wisconsin Avenue, One Bethesda Metro Center, Bethesda, Maryland, Tel: 301-657-1234).

# Lawyer helping rebuild republic

Republika Srpska in Bosnia needs legal, financial overhaul

By KATHLEEN GALLAGHER

Corporate bankruptcy lawyer David A. Erne has been traveling since June to Republika Srpska, one of the two republics in Bosnia, to advise the government about how to rebuild its legal and financial infrastructure after years of civil war and ethnic cleanings.

Erne, a Harvard Law School graduate and practicing lawyer at Reinhart Boerner Van Deuren Norris & Rieselbach in Milwaukee, has spent about 10 weeks of 2001 in an office down the hall from Prime Minister Mladen Ivanic in Republika Srpska's capital city of Banja Luka. He works 70 hours a week and gets paid \$400 a month, the same salary as Ivanic, to help sell government-owned companies, get loans from international organizations and write new laws.

Erne's qualifications: He had legal experience, wrote a history of the former Yugoslavia for the United Nations War Crimes Commission in 1994, and knew Serbian issues well through his involvement throughout the 1990s with the Serbian-American group, the Serbian Unity Congress.

Erne talked with Journal Sentinel reporter Kathleen Gallagher about the challenges involved in rebuilding a nation:

**Q.** Your resume includes a long list of achievements, from serving as an expert witness in attorney malpractice and corporate litigation, to heading the Milwaukee Bar Association, to acting as Honorary Consul of France for Milwaukee. But this sounds like a really tough job.

**A.** Oh, I couldn't begin to tell you. Their laws are all the old socialist-communist laws from the days when Yugoslavia was a country, and we're in the process of changing them all.

We're enacting a new banking law, a new corporate law, a new bankruptcy law. They don't have FDIC insurance, so we're establishing a new law that will provide insurance for deposits so people won't be afraid to deposit money in banks.

They have no laws to give security interests in personal property, so banks can't make secured loans for people to buy cars. They don't have any mortgage laws, so a bank can't make a loan for somebody to buy a house. If you're going to buy a house over there, you've got to pay cash for it.

It takes a long time to do the nation-building that is necessary, and each part is dependent on every other part.

**Q.** You're 58 and you've had a very successful career. Why do this?

**A.** What do you do when you get up into your

50s, and you think you've achieved at least some significant portion of your business and professional and financial goals? How do you use a lifetime of experience? Do you just start playing golf and commuting back and forth to Florida? Do you put an addition on your house? I don't think so. Do you buy still another new car? I don't think so.

What people ought to do when they get to that position is think about how they could use what they've learned to help other people. I come from a family of teachers and professors and Protestant ministers, and it's very important to me to be able to do that.

**Q.** You were asked to help Republika Srpska in May and went there in June. Why so fast?

**A.** I decided it wasn't something that could wait until I retire, or even until fall.

We're selling companies over there, and the negotiations were going on. There were Lithuanian and Slovakian companies and even a couple from the U.S. that were starting to bid on and buy big businesses over there like aluminum foundries, telecommunications companies, breweries and cigarette factories. So I couldn't say, "Well, it would be convenient for me to come in a few months." I had to go over there right away.

**Q.** Who contacted you about the job?

**A.** Prime Minister Ivanic studied and taught at the University of California. He had made some friends in California, and it was one of these friends who called me. He said, "You know, David, you could do this. You're about the only guy who could. Would you be interested?"

I decided I didn't have any choice but to do this. I decided it would almost be morally wrong not for me to try to help.

**Q.** What kinds of projects are you working on?

**A.** We're in the process of getting a \$250 million loan from the World Bank to build hydro-electric power dams up in the mountains that will generate electricity, not just for Republika Srpska, but there'll be an excess that can be sold to Greece and Hungary. That will generate foreign exchange that can be used to pay pensions.

**Q.** How did you know what to start on? It sounds like everything needs to change.

**A.** Yes, that's right. There were several different areas: One is privatization, one is these loans and another is changing the laws.

The privatization part is where I gave the first priority partly because, to the extent we could raise

money by selling off companies, we could pay past-due pension payments and make payments to government people, even the prime minister himself, who only gets the equivalent of about \$400 a month.

They weren't even making payments to the government workers because they didn't have enough money. The international community has helped some with the shortfall in the budget, which was about \$200 million this year, but we needed to pay pensions and to pay some of these other past-due obligations.

Ivanic will be up for election in about a year, and if he hasn't accomplished a few things that are pretty conspicuous, such as catching up on past-due pension payments and improving the economy in other ways, he'll be voted out of office.

Q. What are some of the challenges to privatizing government-owned companies?

A. First of all, there are a lot of prospective buyers who are trying to do what I would call bottom fishing. They make ridiculously low proposals to buy businesses, and they don't have the ability over there to assess or judge value.

Of course, I'm not the ultimate expert either, but I have some sense of that from my experience as an American business lawyer. On a few occasions I'd say, "Let's try to get an appraisal. Let's get the European Bank for Reconstruction and Development or the U.S. AID (Agency for International Development) people to do an assessment."

When you try to sell an oil refinery, how do you know how much it's worth? It's not that I can tell them, but I'd say, "Here's where we can go to get help."

Q. The new buyers often get rid of existing management and workers, right?

A. We usually try to reach an agreement that nobody will be laid off for a period of maybe two years and that when they are laid off, they get a substantial severance payment. That's fine, but then what happens is the price (the buyer will pay for the company) goes down, and we have to deal with that issue.

Then, under a socialist economy, often the transportation and energy like electricity and gas was provided at low cost. Now these buyers say, "If those companies are privatized, their prices may go way up." Then they want guarantees that railroad and electric costs won't go up. So we have to negotiate those agreements with the still government-owned utilities. But that means the prices will go down for them when we sell them. So it's very complex.

It's not being done in a way that's as perfectly flawless as an American business lawyer would like to see it done. It's like painting your garage. You know you don't have to really get in every crevice.

Q. Your wife, Ann, was born in Serbia and came to the U.S. when she was 10. But you're not

Serbian, and we bombed the Serbs in Bosnia in 1994 and in Belgrade in 1999. Why would they trust you to give them help and advice?

A. Even though I am not Serbian, I have a well-documented record of being supportive of the Serbs.

(Erne and his wife have been active in the Serbian Unity Congress since 1991. Erne was a witness for the Serbs in a mock arbitration sponsored by the American Bar Association in 1993 to explore whether arbitration might solve Bosnia's problems. He wrote a history of Yugoslavia and tried to hire a public relations firm for the Serbs in 1994. He met Radovan Karadzic, the leader of the Bosnian Serbs, in the mountains outside Sarajevo in 1997 to try to negotiate a surrender, and he participated in anti-Milosovic demonstrations in Belgrade in 1998.)

Q. Tell us about these midnight meetings you had with Karadzic in 1997. The U.S. Embassy was so skeptical about your ability to get him to meet with you, you had to bring them pictures of the two of you holding a dated newspaper.

A. Karadzic was an indicted war criminal, but he knew me, and I contacted him because I thought he doesn't want to hide in the mountains forever. He agreed to meet with me at night in the mountains. I stayed in a hotel up where the '84 Olympics were held, where I was really the only guest.

Soldiers would come after midnight and pick me up and take me to another place, where I'd wait and he would appear and we'd talk. Then - and he knew I was doing this - I would go down to the U.S. Embassy in Sarejevo, which was 50 miles away, talk to them and try to work out an arrangement for Karadzic to surrender.

I went back and forth three or four nights, and it wouldn't work. He wanted the trial to be in Sarejevo and he wanted a Serbian jury. He was totally unrealistic, so nothing worked out.

Q. Has this experience made you look at our country and our economy differently?

A. It's reinforced my belief that the system we have here, while far from perfect, is certainly better than anything you're going to see anywhere else.

One of the interesting things is the extent to which people in Republika Srpska and elsewhere in the world really recognize that. Despite our having bombed them in '94 and '99, they really admire our system of government and our economic system. They admire it so much, in fact, that one of the big problems over there is the brain drain because so many of their brightest and youngest people have left.

*Milwaukee Journal Sentinel*, Dec. 31, 2001.

*Continued from p. 1*

While working hard in the course of the past decade to bring democracy to Serbia, our organization has never favored any political party or individual politician in the country. With this record of impartiality which is continuing today, we feel comfortable in stating that the ICG's broadside attack on President Kostunica and his party is ill tempered and tendentious. For example, attempts to brand President Kostunica by quoting partisan attacks on him by his opponents as being a "communist" and/or a "resurrected" Milosevic are simply absurd. Moreover, the characterization of the DSS is fraught with Serbophobic implications: "Although democratic, the party's platform is nationalists, Serbo-centric, anti-Western, anti ICTY, and continues to nourish fantasies of a 'greater Serbia" (page 14).

Apparently, the ICG has also fallen into the public relations/propaganda trap called "the greater Serbia." Implying that the current leaders in Yugoslavia endorse a "greater Serbia" is a serious charge. In the course of the past decade of civil wars in Yugoslavia, this phrase has become one of the key mantras in anti-Serbian propaganda and defamation endeavors. Serious research of the Serbian political and intellectual thought in the 19th and 20th centuries would reveal no valid record that a Serbian ruler or a major political leader used those words or made this concept as his political program; however, it seems that in 1906, during a trial of certain Bosnian Serbs in Banja Luka, the occupying Austro-Hungarian authorities originated the term in their proceedings. Thus, this apparently propagandistic labeling should have no place in a serious analysis and report.

While valid criticism of the policies and actions of the current governments of Yugoslavia and Serbia are proper and should be welcomed, this ICG report is basically flawed and often biased. Furthermore, it is detrimental to both further progress of reforms in Yugoslavia and to current policies of the U.S.A and Europe. Consequently, we respectfully recommend that you and your prestigious Board of Trustees reassess the report and seriously consider our comments and concerns. Of course, we would be pleased to meet with you and your representatives to further articulate our views on the report.

Hoping to learn of your views on these grave issues, we remain,

Respectfully yours,  
Michael Djordjevich  
President  
Serbian Unity Congress

cc: Messers. Stephen Solarz, Vice Chairman  
Gareth Evans, President  
International Crisis Group Board

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**Belgrade**  
**June 20-22, 2002**



Serbian Unity Congress is the organization of Serbs and their friends in the Diaspora.

It was established in 1990. Its main goals are:

1. To sustain and nurture the Serbian heritage, culture and identity of Serbs in the Diaspora;
2. To garner the talents, experiences and abilities of all Serbs and their friends abroad in order to help economic, social, cultural and other positive changes towards a free political system and a moral society in Serbian lands;
3. To inform public opinion and key policymakers in the world about the true goals and aspirations of the Serbian people, as well as to endeavor to re-establish the Serbian good name and image damaged by the events of the past decade of relentless defamation.

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