

RELEASED IN FULL

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INFO LOG-00 AMAD-01 CCO-00 OASY-00 TEDE-00 ADS-00 /001R

DRAFTED BY: S/S-O: EJOHNS

APPROVED BY: S/S-O: CHOH

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FM SECSTATE WASHDC

INFO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 166968 TOSEC 180016

FOLLOWING STATE 166968, DATED 122013Z AUG 96, SENT ACTION SARAJEVO, IS BEING REPEATED FOR YOUR INFO.

QUOTE:

E.O. 12958: DECL: 8/12/06

TAGS: PREL, PGOV, PARM, BK

SUBJECT: TRAIN AND EQUIP- - APPROACHING IZETBERGOVIC ON REQUIREMENT FOR MPRI SUPPORT

1. CLASSIFIED BY EUR AMB JAMES PARDEW FOR REASONS 1.5 (B) AND (D).

2. THIS IS AN ACTION REQUEST -- SEE PARAGRAPH 6.

3. BACKGROUND: THIRTY-ONE MPRI CONTRACTORS ARE NOW IN BOSNIA STANDING BY READY TO GO TO WORK, BUT DELAYS AND BY THE FEDERATION AND GOBH BUREAUCRACY HAS KEPT THEM ESSENTIALLY IDLE BECAUSE OF THE GOVERNMENT'S INABILITY TO COMPLETE CONTRACTOR SUPPORT ARRANGEMENTS. MEANWHILE MPRI

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IS EXPENDING FEDERATION T AND E FUNDS JUST TO MAINTAIN THEIR PRESENCE, AND TIME IS GROWING EVER SHORTER FOR PUTTING ESSENTIAL ELEMENTS OF THE T AND E PROGRAM IN PLACE BEFORE IFOR DEPARTS.

4. THE MOST PRESSING PROBLEM WHICH NEEDS TO BE RESOLVED IMMEDIATELY IS PROVISION OF ADMINISTRATIVE SUPPORT TO MPRI (E.G., TRANSLATORS, TRANSPORTATION, OFFICE SPACE,

COMMUNICATIONS, ETC.). THE FEDERATION ORIGINALLY AGREED TO PROVIDE SUCH SUPPORT, THEN RENEGED ON THE EVE OF THE JULY 16 CONTRACT SIGNING. THE ALTERNATIVE AGREED TO BY THE GOBH WAS TO SET UP AN INDEPENDENT, NON-GOVERNMENTAL ORGANIZATION TO PROVIDE/MANAGE THE ADMINISTRATIVE SUPPORT TO MPRI. NOW DEP. MINISTER OF DEFENSE CENGIC CONTENDS IT WILL TAKE THE GOVERNMENT 60-90 DAYS TO SET UP SUCH AN INDEPENDENT ORGANIZATION - - OBVIOUSLY A NON-STARTER - - AND SUGGESTS INSTEAD THAT MPRI PAY THE SALARIES OF MOD PERSONNEL TO PERFORM SUCH SERVICES. HE ALSO MAINTAINS IT WILL BE NECESSARY TO ADD A 95 PERCENT TAX TO ALL SERVICES PROVIDED TO MPRI.

5. WE WILL NOT PERMIT MPRI TO BE PUT IN THE POSITION OF PAYING SALARIES TO FEDERATION GOVERNMENT EMPLOYEES, NOR WILL T AND E FUNDS BE EXPENDED TO PAY TAXES (OR FEES, ETC.) TO THE GOBH OR FEDERATION. THE FEDERATION'S CONTRACT WITH MPRI STIPULATES NO TAXES OF ANY KIND WILL BE APPLIED TO MPRI ACTIVITIES. WE HAVE REPEATEDLY MADE THESE CONDITIONS CLEAR TO THE GOBH, NOTABLY INCLUDING DEP. MIN. OF DEFENSE CENGIC. IN ESSENCE, WE CAN'T HAVE A CONDITION IN WHICH THE CONTRACTOR (MPRI) SUBCONTRACTS TO THE OWNER

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OF THE ORIGINAL CONTRACT (FEDERATION). WE NOW NEED TO MAKE THESE POINTS AGAIN TO THE GOBH, BUT WE MUST GO OVER CENGIC AND REQUEST PRESIDENT IZETBEOVIC TO INTERCEDE PERSONALLY TO SECURE IMMEDIATE ADMINISTRATIVE SUPPORT FOR MPRI IN A MANNER THAT ENSURES OUR TWO CONDITIONS ARE MET: NO SALARIES TO FEDERATION/GOBH EMPLOYEES, AND NO TAXES.

6. ACTION REQUESTED: AS SOON AS PRACTICABLE AFTER

SECRETARY CHRISTOPHER HAS COMPLETED HIS VISIT TO SARAJEVO, AMBASSADOR NENZIES IS REQUESTED TO ASK FOR AN APPOINTMENT WITH PRESIDENT IZETBEGOVIC TO EXPLAIN THE SITUATION AND MAKE THE FOLLOWING POINTS:

- - THE DEFENSE LAW MUST BE PUBLISHED IMMEDIATELY SO THAT THERE IS NO QUESTION BY ANY PARTY OR PERSONS AS TO THEIR OBLIGATIONS UNDER THE LAW.

- - AS FOR THE U.S. AND THE MPRI CONTRACTOR, HOWEVER, THE DELAY IN PUBLICATION THE DEFENSE LAW IN NO WAY IMPEDES THEIR ACTIVITIES, NOR DOES THE DELAY RELIEVE THE FEDERATION/GOBH OFFICIALS OF THE OBLIGATION TO COOPERATE IN SECURING NECESSARY ADMINISTRATIVE SUPPORT. THAT IS WHY MPRI HAS ALREADY PLACED 31 CONTRACTORS IN BOSNIA.

- - THEY ARE STANDING BY READY TO BEGIN THEIR WORK, AND MPRI IS RECEIVING PAYMENT AS SPECIFIED UNDER THEIR

CONTACT, BUT MPRI EXPERTS HAVE BEEN UNABLE TO PROCEED BECAUSE THE FEDERATION HAS NOT PROVIDED THEM WITH THE MOST BASIC AND ESSENTIAL ADMINISTRATIVE SUPPORT, SUCH AS OFFICE SPACE, TRANSLATORS, DRIVERS, VEHICLES, AND SO FORTH.

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- - NOR IS THE FEDERATION PERMITTING MPRI TO OBTAIN SUCH SERVICES DIRECTLY FROM NON-GOVERNMENTAL SOURCES. MEANWHILE, MPRI PLANS TO HAVE A TOTAL OF 170 CONTRACTORS IN BOSNIA WITHIN THE NEXT 30 DAYS.

- - ORIGINALLY, THE FEDERATION HAD AGREED TO PROVIDE SUCH ADMINISTRATIVE SUPPORT DIRECTLY, THEREBY REMOVING THE NEED TO DIVERT SOME OF THE LIMITED TRAIN AND EQUIP FUNDS FOR THAT PURPOSE.

- - THEN, JUST BEFORE THE CONTRACT WAS SIGNED, MPRI WAS TOLD THAT A NON-GOVERNMENTAL GROUP WILL BE FORMED TO ARRANGE ADMINISTRATIVE SUPPORT FOR MPRI, TO BE PAID FOR OUT OF T AND H: DONOR FUNDS.

- - LAST WEEK, HOWEVER, DEPUTY MINISTER OF DEFENSE CENGIC

DEPARTED FURTHER FROM THE ORIGINAL UNDERSTANDING AND INFORMED MPRI THAT THE FEDERATION WILL NOT BE ABLE TO SET UP AN INDEPENDENT ORGANIZATION FOR ANOTHER 60-90 DAYS. I AM SURE YOU WILL AGREE THAT SUCH A DELAY IS UNACCEPTABLE TO ALL OF US.

- - MR. CENGIC HAS SUGGESTED THAT MPRI PAY THE SALARIES OF PERSONNEL FROM YOUR MINISTRY OF DEFENSE TO PROVIDE ESSENTIAL ADMINISTRATIVE SUPPORT. WE HAD ALREADY INFORMED HIM REPEATEDLY THAT T AND H: FUNDS CANNOT BE USED TO PAY THE SALARIES OF GOVERNMENTAL EMPLOYEES. MR. CHENGIC HAS ALSO INSISTED THAT THE LOCAL LABOR COSTS OF PROVIDING SUCH ADMINISTRATIVE SERVICES WILL BE SUBJECT TO A 95 PERCENT TAX.

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- - IN LIGHT OF THIS UNNECESSARY IMPASSE, I REQUEST THAT YOU DIRECT YOUR OFFICIALS TO ESTABLISH AN INDEPENDENT, NON-GOVERNMENTAL GROUP WITHIN FIVE DAYS TO BEGIN PROVIDING ADMINISTRATIVE SERVICES NEEDED BY MPRI PERSONNEL TO BEGIN THEIR WORK HERE IN BOSNIA. IF THAT IS NOT POSSIBLE, I ASK THAT YOU DIRECT THE APPROPRIATE OFFICIALS TO PERMIT MPRI TO ENTER DIRECTLY INTO SEPARATE CONTRACTS WITH PRIVATE VENDORS TO PROVIDE THE VARIOUS SERVICES MPRI NEEDS, AND ON A COMPLETELY TAX FREE BASIS.

7. SARAJEVO MINIMIZE CONSIDERED.
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	OMB-01	PA-00	PM-00	PRS-00	P-00	SP-00	SS-00
	TRSE-00	USIE-00	SSD-01	PMB-00	DRL-09	G-00	/025R

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SOURCE: KODAKC.120070
DRAFTED BY: EUR/TMS : JKLEKAS : MCB
APPROVED BY: EUR: GLASSMAN
EUR/SCE: JPRICE EUR/RPM: DWATERS
P : BSTEPHENSON EUR/TMS : LAMB
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