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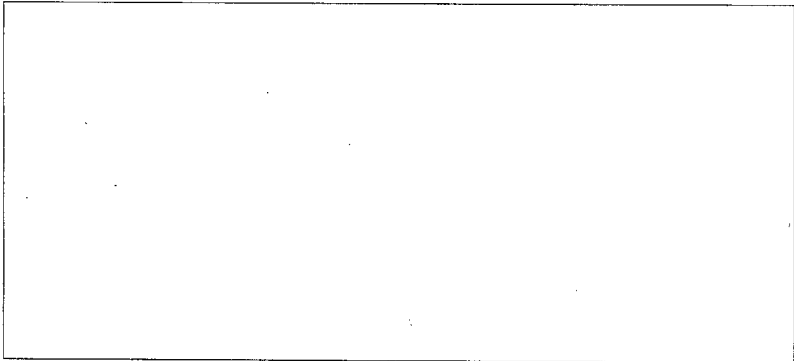
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National Intelligence Estimate

Serbia: A Troubled Year of Consolidation Ahead

[Redacted]



*This National Intelligence Estimate represents
the views of the Director of Central Intelligence
with the advice and assistance of the
US Intelligence Community.*

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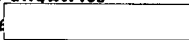


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Serbia: A Troubled Year of Consolidation Ahead



*Prepared under the auspices of Roger Z. George,
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Serb Areas of Control in Former Yugoslavia



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Key Judgments

Serbia: A Troubled Year of Consolidation Ahead

Serbian President Slobodan Milosevic is satisfied with Serbian gains from two years of fighting. His problems now are to end the conflict, get the economic sanctions lifted, and consolidate his gains. Standing in the way of these goals are uncooperative Serb leaders in Bosnia and Croatia and the international community's unwillingness to lift sanctions without a broad peace agreement.

Politics As Usual

Milosevic will continue to dominate Serbia's political process for the next 12 months. During this period, Serbia's economic plight will not break him, and no opposition party or leader is capable of unseating him:

- Milosevic has used sanctions to blame foreigners for Serbia's economic ills and distract the public from his mishandling of the economy.
- Milosevic's party improved its share of seats in Parliament, garnering a near majority during elections in December.
- The victory weakened the ultranationalists, Milosevic's principal challengers, and gave him a stronger hand in dealing with radical Serbs in Bosnia and Krajina.
- Milosevic controls the military, the security services, and the media well enough to repress postelection opposition.

Consolidating Greater Serbia

Sanctions have not weakened the popular consensus for consolidating greater Serbia. All significant Serb political leaders—even those in the democratic opposition—are strongly nationalistic, intolerant of other ethnic groups, and blame the international community for unfairly punishing Serbs. Most Serbs are resigned to economic hardship.

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~~Secret~~**Working Premises**

This Estimate was prepared on the assumption that there would be no major changes in Western positions on the Yugoslav crisis. In particular, we take as working premises the following:

- *The current UNPROFOR will remain, and it will be augmented substantially only if troops are needed to implement a Bosnian settlement.*
- *Economic sanctions will continue in force even though leakage will occur.*

Milosevic probably will begin to unite Serbian portions of Bosnia and Croatia with Serbia, whether or not there is a settlement of the Bosnian conflict in 1994. In doing so, he will face a number of problems, and we expect the process to take place slowly and with considerable disharmony.

In seeking to incorporate new areas into Serbia, Milosevic probably will tolerate substantial regional autonomy initially, partly because he knows he cannot prevent it and partly to earn local favor. Two years of war have created political alignments he will have trouble managing, and historic differences among Serbs scattered around the former Yugoslavia are reemerging:

- Regional leaders will insist on controlling their own budgets, taxes, and patronage networks to a degree that Milosevic will find hard to accept.
- Local leaders may demand creation of a loose Serbian federation with a rotating presidency that would reduce Milosevic to one leader among equals.

Milosevic may counter by proposing a federal constitution to strengthen his authority; for example, by dividing the Bosnian and Croatian Krajinas into several administrative regions. In addition, he will use the security service and the media to undermine wayward Serb leaders or force them into line.

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~~Secret~~**Key Questions**

- *How vulnerable is Slobodan Milosevic to deteriorating economic conditions?*
- *Can Serbia consolidate the "Bosnian Serb Republic" and "Serb Republic of the Krajina" over the next 12 months?*
- *Will Serbia function as a multiethnic state?*
- *What impact are the sanctions having? What strategy is Serbia likely to pursue vis-a-vis Balkan neighbors to lift or weaken them?*
- *What will be Serbia's strategy toward the United States, NATO, and the rest of the international community?*

Controlling Local Serb Armies. Belgrade will have difficulty bringing local Serb armies under its control. The Yugoslav Army might offer these armies more support in return for accepting stronger central control, but the allegiance to Belgrade of Krajina and Bosnian Serb military and paramilitary groups is limited. An attempt by the Yugoslav Army to disarm and demobilize Serb militiamen would be likely to trigger resistance:

- The Bosnian Serb Army under General Mladic—the officer who kept Bosnian Serbs from accepting the Vance-Owen Plan last May—will pose a significant problem. Mladic's army has developed a high degree of independence, and the General is ruthless and aggressively nationalistic.
- In addition, local warlords will resist attempts to establish "law and order." As a result, crime and human rights abuses are likely to remain significant.

The Kosovo Problem. Kosovo, whose population is 90 percent ethnic Albanian, will remain tense until the Albanians and Serbs soften their mutually exclusive goals. Many ethnic Albanians remain focused on independence. Serbs, however, view Kosovo as the heartland of Serbia. They believe they have the region under control and do not need to contemplate partition in the short term.

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[REDACTED]

There is a significant chance of violence over the next 12 months. It could occur if:

- Ultranationalist paramilitaries become more active to further their causes and to maintain their livelihoods.
- Albanian militants grow more influential and challenge Ibrahim Rugova and other moderate Kosovar Albanian leaders [REDACTED]

The Milosevic regime will continue repressive political and administrative measures to suppress Kosovar "shadow" institutions and to encourage ethnic Albanians to leave. (At least 300,000 have emigrated since 1991.) Serbian security services probably are strong enough to contain the paramilitaries and to suppress an Albanian revolt, but radicals on both sides remain wild cards. Ultranationalists operate with impunity as part of Serbia's policy of repression in Kosovo, and anecdotal information indicates Albanian radicals are stockpiling small arms [REDACTED]

The Krajina. We believe leaders of Serbia and Croatia want to avoid another full-fledged Serb-Croat war, but their incompatible goals in Krajina make further conflict likely. Pressure on Croatian President Tudjman to attack Serbs in Krajina will increase during the next 12 months. In this period, Tudjman probably will be content with small Croatian military gains, but any Croatian attack could lead to an escalation [REDACTED]

Milosevic probably will act cautiously in Croatia. He may offer to exchange small sections of Serb-held territory in Croatia for an overall settlement, and he would accept something less than full independence of areas remaining under Serb control. He will gauge the international community's willingness to maintain sanctions after a Bosnian peace settlement before he moves to incorporate formally into Serbia even those areas of Croatia most securely under Serb control [REDACTED]

Territorial and political concessions by either side probably would anger all local protagonists, however. Krajina Serbs will see a sellout in Belgrade's concessions, and Croats will expect Tudjman to exert Croatian sovereignty over all areas of pre-1990 Croatia [REDACTED]

Belgrade's Diplomatic Strategy

Belgrade will remain engaged in negotiations for a Bosnian settlement and profess willingness to sign an agreement. It will continue to try to

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erode support for sanctions among its neighbors by emphasizing that the "unfair" measures also are undermining their economies. It is likely to exploit the growing perception among Serbia's neighbors that the West lacks resolve and is asking them to foot the economic costs of Western policy [redacted]

Belgrade will try to intimidate frontline states supporting the sanctions. It will attempt to exploit a growing sense in the region that the West has not provided meaningful security guarantees. Signs of flagging West European commitment to UNPROFOR deployments will play into this strategy. Acts of Serb intimidation would include interference with traffic along the Danube and harassment of Bulgarian, Hungarian, and Albanian ethnic minorities in eastern Serbia, Vojvodina, and Kosovo [redacted]

The Serbs might do some sabre rattling among their neighbors, but the use of large-scale military forces is very unlikely. The Serbs have not shown interest in acquiring neighboring territory, the presence of UNPROFOR and the fear of international reaction are deterrents, and Serb forces are not armed or organized for cross-border offensives. In addition, they are preoccupied with internal reorganization and the possibility of another war with Croatia [redacted]

Milosevic will try to manipulate divisions in NATO and Russian support in the UN Security Council to prevent an international effort to reverse Serbia's territorial gains. He will view the recent Russian elections and the Greek presidency of the EU as factors that will prevent such action in the short term. [redacted]

Alternative Scenarios

Significant changes in Western policy toward the former Yugoslavia would alter many of the above judgments. In general, we believe maintenance of UNPROFOR and sanctions will slow consolidation of a greater Serbia. These measures also raise the risks to groups wanting to fight in Croatia or Kosovo. [redacted]

A significant drawdown or removal of UNPROFOR forces from Bosnia or Croatia would cause Belgrade to accelerate its incorporation of Serb-held territories in these regions. A Western retreat would raise the chances of renewed fighting in the Krajina, undermine the Bosnian peace process, and probably precipitate serious erosion—if not a complete collapse—of frontline state support for sanctions. [redacted]

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[redacted]

Augmentation of UNPROFOR—as part of implementing a Bosnian settlement—would slow Belgrade's drive to consolidate its gains. The move, however, might increase the militancy of Kosovo's ethnic Albanians, who hope for Western intervention on their behalf [redacted]

A significant defection from the sanctions regime—Bulgaria's or Macedonia's, for example—could have a domino effect and bolster Milosevic's position domestically. More serious erosion than we foresee would also diminish Belgrade's willingness to pressure Bosnian Serbs to settle with the Muslims [redacted]

Lifting of sanctions would give Milosevic a political and economic boost and would strengthen his hand against recalcitrant Serbs in the Krajina and Bosnia. An end to economic isolation, however, would strip Milosevic of excuses for economic mismanagement, create expectations of an improved standard of living, and reduce Serbian tolerance for hardship. In time, Milosevic could no longer blame the West for poor economic conditions, and eventually he would become more valuable.

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Discussion

Serbia, under the leadership of President Slobodan Milosevic, is satisfied with its gains from two years of fighting. Milosevic's problem now is to end the conflict, get the sanctions lifted, and consolidate greater Serbia. Two major obstacles to his goals are the reluctance of local leaders in Bosnia and Croatia to stop fighting and compromise and the international community's unwillingness to lift sanctions without a broader peace agreement. [redacted]

Barring an end to sanctions, Serbs will suffer greater hardship over the next 12 months. The suffering may prompt additional social and political protests, but is not likely to lead to changes in Serbian policies or leadership during this period. President Milosevic's party won parliamentary elections in December, but he still must lead a minority government that faces a vocal, albeit fragmented, opposition. Over the next year, Belgrade is likely to focus on internal consolidation and ending its international isolation. [redacted]

Sanctions Are Biting . . .

UN sanctions imposed in May 1992 and two years of warfare have severely damaged the Serbian economy. Much of Serbia's economic activity is now occurring on the hard currency black market and is conducted almost entirely in deutsche marks. At high prices and in limited quantities, consumer goods are still available, including food, pharmaceuticals, and fuel. [redacted]

Official statistics are bleak. Industrial production has fallen by over 40 percent since last year, on top of a 30-percent drop in

1992. More than 60 percent of the workforce is unemployed, and inflation is running between 200,000 and 500,000 percent monthly. [redacted]

Sanctions will continue to cripple the economy, and living conditions will keep declining over the next year and beyond, even if significant leakage in the sanctions occurs. Agricultural output will probably decline as fertilizer and fuel supplies contract and farmers plant only as much as they can trade on the black market after they meet personal needs. Industrial production will continue to fall as financial resources are depleted and spare parts and raw materials become harder to get. [redacted]

Neither the legal nor black market is likely to meet Serbia's medical needs. International health organizations expect an increase in previously treatable contagious diseases such as measles, hepatitis, and tuberculosis. [redacted]

Few people are paying bills for transportation, rent, and utilities. The most vulnerable sectors of society—pensioners, the homeless, and refugees—are less able to cope with price increases and fend for themselves. We expect higher mortality rates among these groups. [redacted]

The government's mismanagement is compounding problems. We believe Belgrade has significantly depleted its hard currency reserves. It dropped attempts to control price

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Figure 1. The dinar has depreciated over 674 quadrillion percent against the dollar since 1992.

increases after producers withheld goods from the market and seems to have no plan for dealing with the effects of sanctions or its economic mismanagement.

... But Not Enough

Despite hyperinflation and deepening problems with unemployment and industrial production, Serbs will continue to get by. Many urban dwellers subsist with the help of relatives in the countryside—a traditional relationship that carried people through hard times under the Communists and before. In addition, hard currency from foreign remittances, war booty, and private reserves continues to circulate, providing the basis for transactions not conducted on a barter basis. Much of this activity is conducted by a flourishing local mafia, which will present problems even after the sanctions are lifted.

There will continue to be a discrepancy between bleak official economic statistics and the country's continuing ability to keep

its infrastructure and basic economic functions intact. According to a recent study by Serb economists, the government and the economy benefit from black- and gray-market activities, which may contribute as much as one-half of the country's GDP.

Politics of Nationalism as Usual

Sanctions prompted Milosevic to press the Bosnian Serbs to make additional territorial concessions, but they have not weakened the strong popular consensus for consolidating greater Serbia. The Serb Socialist victory in the December elections weakened the ultra-nationalists and gave Milosevic more flexibility in pressuring Bosnian and Croatian Serbs:

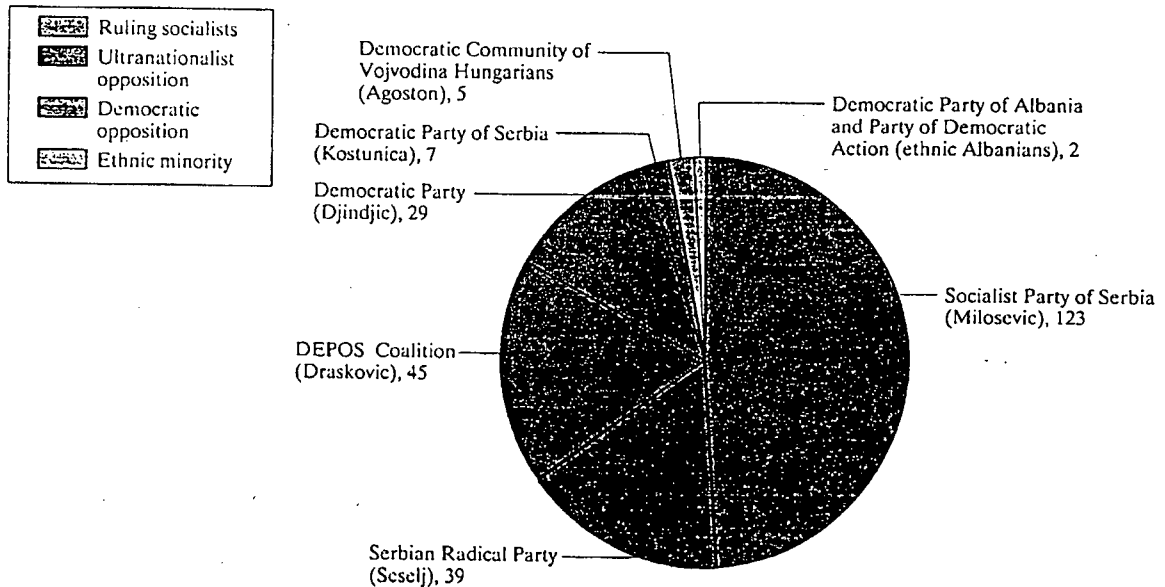
- Milosevic's Socialist Party improved its parliamentary position but fell just short of a majority (123) of the 250 seats in the Serb Assembly.

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Figure 2
Serbian Election Results, 19 December 1993
(Seats in 250-Member Parliament)

Number of seats



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- Democratic opposition parties also improved their standing and hold roughly one-third of the parliamentary seats.
- Although the radicals remain a political force, Seselj's Serb Radical Party fell to third place, and Arkan's campaign fell flat. (See chart on Parliamentary distribution.)

Moreover, all significant Serb political leaders—even those in the democratic opposition—are strongly nationalistic, intolerant of other ethnic groups, and blame the international community for unfairly punishing

Serbs. We lack reliable polling data, but anecdotal information—bolstered by the judgments of scholars (see Annex: Summary of a Symposium on Serbia)—suggests that most Serbs are resigned to economic hardship out of apathy or determination

Serbia's economic plight does not immediately threaten the Milosevic regime. In the short run, the sanctions give Milosevic a ready excuse—often used in government-controlled media—to blame foreigners for

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Serbia's economic ills and to distract the public from his handling of the economy. Government mismanagement was a campaign issue in December, but there is little chance in the next 12 months that any opposition leader or party could seriously challenge Milosevic:

- Recent labor unrest, however, suggests that the patience of the Serbian population may not be unlimited. Continued hardship could produce further discontent, strikes, and protests that could force Milosevic to engage in repressive measures, diminish his popularity, and possibly erode his authority and destabilize his rule [redacted]

Tools of Power. Milosevic not only dominates the political process but also retains control of the military, the security services, and the media, instruments he can use to repress postelection opposition:

- Interior Ministry leaders are loyal to Milosevic and control forces (roughly 70,000 active and reserve personnel) equipped and trained to maintain internal security and to contain political rivals.
- Purges have enhanced Milosevic's control of the military. By reducing the size of the officer corps through forced retirements and by protecting the prerogatives of those remaining, Milosevic can limit senior defections. Seselj and other radicals have more influence among junior officers, but further purges and rewards from Milosevic may reduce Seselj's appeal.
- Milosevic controls Serbia's television and radio and most leading print organs, although some newspapers recently have publicized worker complaints about the economy and other mild criticisms [redacted]

Milosevic's Challengers

Vuk Draskovic, the most charismatic and popular of the moderate opposition, has not fully recovered physically from his arrest and beating last summer. Nonetheless, the final stages of the campaign showed Draskovic can still mobilize large crowds of supporters, though his organizational skills are still dubious. [redacted]

Zoran Djindjic, vice chairman of the Democratic Party and head of the party's electoral ticket this year, dramatically improved the party's performance over 1992, when it was led by party chief Dragoljub Micunovic. Djindjic will now probably make a leadership bid, banking on his youth and slick telegenic style. Believing Serbia's hope lies in "reforming" the SPS, he may join a coalition with Milosevic's party; we are uncertain of the depth of Djindjic's democratic credentials [redacted]

Vojislav Seselj, a former sociologist at Sarajevo University, has served prison time for his ultranationalist views and is best known for his alleged war crimes in Croatia and Bosnia. He is quick-thinking, well-spoken, and has great popular appeal when he is able to restrain his more extreme behavior. Despite his party's slippage in the Serbian elections, he retains influence among Serb nationalists in Croatia and Bosnia. [redacted]

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~~Secret~~*Milosevic and the Yugoslav Army (VJ)*

Milosevic is purging the VJ's officer ranks to establish greater loyalty. His position on the Supreme Defense Council—made up of the Federal Republic of Yugoslavia, Serbian and Montenegrin presidents—enables him to make personnel decisions and oversee the military. In August, Milosevic retired 42 generals, including several close to Vojislav Seselj, and the Chief of Staff, Gen. Zivota Panic, who was accused of corruption and had become a political liability. The new Chief of Staff, Gen. Momcilo Perisic is a loyal younger officer, previously a member of Milosevic's military advisory council.

Under Perisic, the Army's officer corps—down to the colonel level—is being further reduced and "professionalized." Older officers whose careers were dedicated to Yugoslavia are being replaced by more nationalistic officers loyal to Serbia and Milosevic.

Milosevic may push new legislation that will expand his authority—through the Supreme Defense Council—and weaken the powers of the federal and republic defense ministers. A new constitution is expected to eliminate republic defense ministers' portfolios. Earlier proposed legislation—which would have centralized defense functions under the Supreme Defense Council—may be reintroduced after the December elections.

Violence Likely. Bitterness, heightened by the December electoral campaign, could prompt sporadic random violence and attacks on ethnic minorities. In addition, economic hardships are likely to encourage more scapegoating and violence against non-Serbian minorities.

Consolidating Greater Serbia

Serb leaders in Croatia and Bosnia hope to associate formally with Serbia and Montenegro as soon as possible, although they seek to retain leadership of their territories. We expect the process to take place slowly and with considerable disharmony. Serbian portions of Bosnia and Croatia probably will begin to unite with one another and with Serbia proper, whether or not there is a settlement of the Bosnian conflict in 1994.

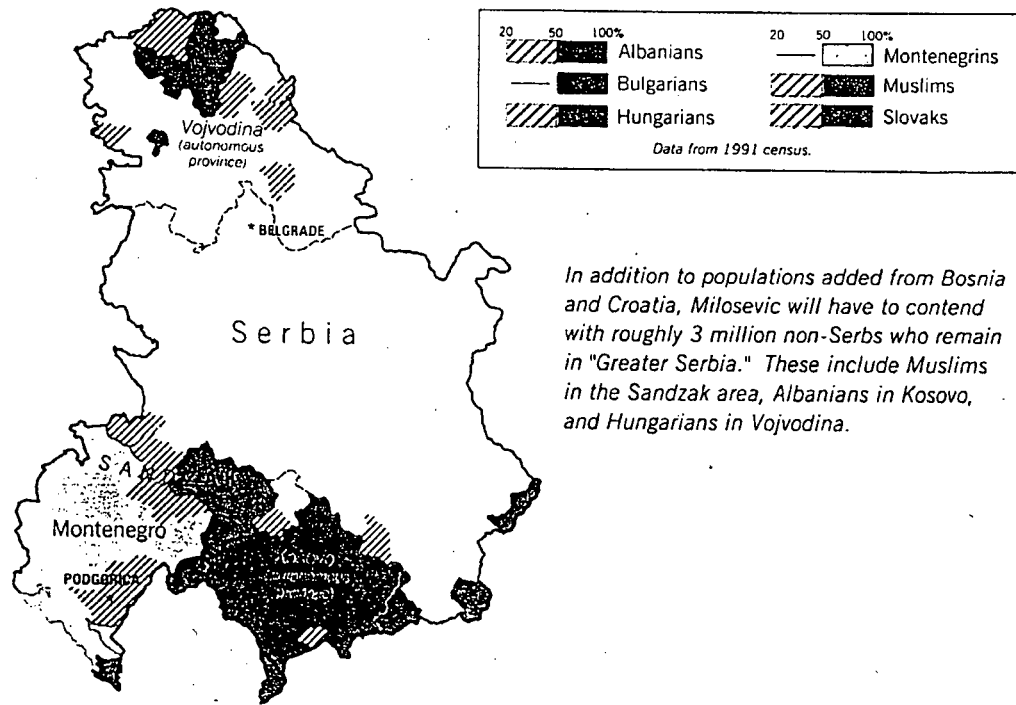
In seeking to incorporate these areas into Serbia, Belgrade probably will have to permit a large measure of autonomy in newly acquired regions. Two years of war have created new political alignments. Belgrade will have trouble managing. Historical differences between Serbs scattered around the former Yugoslavia also are reemerging. Milosevic probably is prepared to tolerate degrees of regional autonomy, partly because he knows he cannot prevent it and partly to earn local favor:

- Regional leaders, such as Bosnian Serb leader Karadzic, will insist on controlling their own budgets, taxes, and patronage networks to a degree that Milosevic will find hard to accept.

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Figure 3
Ethnic Groups in Serbia and Montenegro



In addition to populations added from Bosnia and Croatia, Milosevic will have to contend with roughly 3 million non-Serbs who remain in "Greater Serbia." These include Muslims in the Sandzak area, Albanians in Kosovo, and Hungarians in Vojvodina.

Serbia and Montenegro have asserted the formation of a joint independent state, but this entity has not been formally recognized as a state by the United States. Macedonia has proclaimed independent status, but this entity has not been formally recognized as a state by the United States.

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- The local leaders may, in addition, demand a new constitution that would create a loose Serbian federation with a rotating presidency that would make Milosevic one leader among equals.
- Factions of Bosnian and Croatian Serbs may ally with patrons in Serbia or may challenge Milosevic and his Serbian Socialist Party, which has little influence in these regions

Milosevic may try to assert Belgrade's control in the following ways:

- He may propose a federal constitution to strengthen central authority, for example, by dividing the Bosnian and Croatian Krajinas into several administrative regions.
- He will use the security service and the media to undermine wayward Serb leaders or try to force them into line.

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- The Serbian Socialist Party may attempt to foster its own organizations in the Krajinas.
- The Yugoslav Army might try to incorporate the Bosnian and Croatian Serb armies and offer them more support in return for accepting stronger central control. [redacted]

Controlling Serb Armies. The allegiance to Belgrade of Krajina and Bosnian Serb military and paramilitary groups is limited. A Yugoslav Army attempt to disarm and demobilize Serbian militiamen would be likely to trigger local resistance:

- The Bosnian Serb Army under General Mladic—the officer who thwarted Milosevic's effort to get the Bosnian Serbs to sign on to the Vance-Owen Plan last May—could pose an especially significant problem. Mladic's army has developed a high degree of independence, and the General is ruthless and aggressively nationalistic.
- In addition, local warlords will resist attempts to establish "law and order." Crime and human rights abuses are likely to remain significant problems as a result. [redacted]

Montenegro and Serbia. The likely tug-of-war between Milosevic and local Serb leaders will create an opening for leaders of Montenegro to try to preserve their limited autonomy. Traditional divisions between those favoring independence (the "Greens") and those who support a greater Serbia (the "Whites") are sharpened by economic privation and isolation of the sanctions regime.

Milosevic's efforts to tighten his political grip will fuel separatist sentiments. Milosevic already has attempted to limit Montenegro's autonomy by proposing to disband the republics' foreign and defense ministries. (Podgorica has merged its Defense Ministry with Belgrade's but is refusing to do the same with its Foreign Ministry.) Under a new constitution, Montenegro could lose its status as a republic and be reduced to one Serb region among many. [redacted]

Incorporating the Krajina Serbs. We believe leaders of Serbia and Croatia want to avoid another full-fledged Serb-Croat war, but their mutually incompatible goals in Krajina make further conflict likely.¹ Croatian President Tudjman will come under increasing pressure to attack Serbs there. In the near term he probably will settle for small Croatian military gains rather than escalate limited fighting into another war, although any Croatian attack could lead to an escalation. [redacted]

Milosevic may eventually offer to exchange small sections of Serb-held territory in Croatia for an overall settlement, and he would accept something less than full independence of areas remaining under Serb control. Serbs in Belgrade and in Croatia are confident they will prevail if fighting does occur—they probably can limit Croatian gains to portions of Dalmatia, northern Krajina, and western Slavonia. [redacted]

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Milosevic probably will act cautiously in Croatia. He will gauge the international community's willingness to maintain sanctions after a Bosnian peace settlement before he moves to incorporate formally into Serbia even those areas of Croatia most securely under Serb control [redacted]

Territorial and political concessions by either side probably would anger all local protagonists, however. Krajina Serbs will see a sellout in any concession Belgrade makes; the likely return of hardline Knin Mayor Milan Babic as "President" of the "Republic of Serb Krajina" despite Milosevic's opposition will reduce Belgrade's ability to keep Croatian Serbs in line. For their part, Croats expect President Tudjman to exert Croatian sovereignty over all areas of pre-1990 Croatia [redacted]

The Kosovo Problem. Kosovo, with its 90 percent ethnic Albanian population, will remain tense, and there is a significant chance of spontaneous violence over the next 12 months. Unrest would follow if:

- Ultrationalist paramilitaries become more active to further their causes and to maintain their livelihoods.
- Albanian militants grow more influential and challenge Ibrahim Rugova and other moderate Kosovar Albanian leaders. [redacted]

The Milosevic regime will continue repressive political and administrative measures to suppress Kosovar "shadow" institutions and encourage further ethnic Albanian emigration from the province. At least 300,000 Albanians have migrated since 1991 to

Albania, Macedonia, Croatia, and Western Europe. Additional steps Milosevic may consider include:

- The division of Kosovo into several districts in order to further impede ethnic Albanian political organization.
- A citizenship law that could be used to expel ethnic Albanians who are allegedly illegal immigrants and to withdraw citizenship from ethnic Albanian Kosovars who are "guest workers" in Western Europe. [redacted]

Even if no violence occurs, the Kosovo problem will remain until there is give in the Albanians' and Serbs' mutually exclusive goals. Leaders on both sides of the dispute recognize the grave danger of ethnic conflict and will continue to work to cool passions. However, the departure of CSCE observers in July 1993 ended any serious effort at political dialogue. Reestablishment of an international presence could reopen lines of communication and help dampen tempers. [redacted]

For now, however, many ethnic Albanians remain wedded to the long-term goal of independence. Serbs, however, view Kosovo as the heartland of Serbia and believe they have the region well in hand. While some admit they have been losing the demographic battle to a rapidly expanding Albanian population, Serbs do not believe they need to contemplate partition in the short term. [redacted]

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Milosevic and the security services probably are strong enough to contain paramilitaries and to suppress an Albanian revolt. Radicals on both sides will remain wild cards, however. Ultrationalists operate with impunity as part of Serbia's policy of repression in Kosovo, and anecdotal information indicates Albanian radicals are stockpiling small arms.

Belgrade's "Carrot and Stick" Strategy

On the diplomatic front, Belgrade will remain engaged in negotiations for a Bosnian settlement and profess willingness to sign an agreement, while accusing the Bosnian Government of intransigence. It will continue to try to erode support for sanctions among its neighbors by emphasizing that the "unfair" sanctions also are undermining their economies. It is likely to exploit the growing perception in the region that the West lacks resolve and is asking Serbia's neighbors to foot the economic costs of Western policy.

Belgrade will try to intimidate states supporting the sanctions. It will attempt to manipulate a growing sense in the region that the West has not provided meaningful security guarantees. Signs of flagging West European commitment to UNPROFOR deployments will play into this strategy. Acts of Serb intimidation would include interference with traffic along the Danube; harassment of Bulgarian, Hungarian, and Albanian ethnic minorities in eastern Serbia, Vojvodina, and Kosovo; and—less likely—military provocations, such as warplane overflights or saber rattling.

We believe, however, that the use of large-scale military forces outside the former Yugoslavia is very unlikely. Serbia has never

Balkan Reactions to Serb Strategy

Balkan states outside the former Yugoslavia will accommodate greater Serbia as long as Serb expansion is limited to Croatia and Bosnia. An alliance of Balkan states against Serbia is unlikely in the absence of Serbian military action that provokes a credible Western coalition against Belgrade.

Romania and Bulgaria will continue to allow leakage in the sanctions regime in the absence of economic compensation and tangible political support. Greece probably will lead efforts to erode or lift sanctions.

Turkey and Hungary are more resolute supporters of sanctions, but neither has great leverage in the Balkan crisis:

- *Hungary has maintained correct relations with Belgrade in order to avert military incidents; moreover, it worries about Belgrade's veiled threats against its brethren in Vojvodina.*
- *Ankara has pledged support to any international intervention force and would increase its support to Albania or Macedonia if either were threatened by Serbia.*

The prospect of a protracted war in Bosnia likely would lead many of these countries to press the West to build a "Balkan Beltway" or some other permanent means of reducing transportation costs and shipping their goods to western markets around Serbia.

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shown interest in acquiring its neighbors' territory, and, if they were interested, the presence of UNPROFOR and the fear of international reaction would be deterrents. In addition, Serb forces have been armed and organized for defensive and counter-guerrilla operations, not cross-border offensives, and they are preoccupied with internal reorganization and the potential of another war with Croatia [redacted]

Relations With Macedonia. Belgrade has no interest in threatening the fragile stability of Macedonia and will work mainly to forestall emergence of an anti-Serb regime or an eruption between Macedonians and Macedonian Albanians that would spill over into Kosovo.² Milosevic will avoid actions—such as territorial demands or a military buildup on Macedonia's borders—that would provoke Sofia, Ankara, Tirana, or the West. He almost certainly will pressure or threaten Skopje to weaken sanctions enforcement, however [redacted]

Any change in the status of Albanians in Kosovo would have an immediate impact on the Albanians in Western Macedonia. (Albanians are believed to make up between a fourth and a third of the Macedonian population.) The recent arrest of ethnic Albanian party leaders for arms smuggling underscored continuing distrust between the segregated Macedonian and Albanian communities [redacted]

Dividing the International Community

Belgrade will avoid steps it believes could spark military conflict with the United States and NATO. Milosevic almost certainly has been encouraged by the limited scope [redacted]

of Western intervention in Bosnia, and he probably believes US or NATO military attacks are no longer likely [redacted]

He will try to manipulate divisions in NATO and the UN to prevent an international effort to reverse Serbia's territorial gains. Milosevic will view the recent Russian elections and Greek presidency of the EU as factors that will discourage such action in the short term. He also will try to exploit Russian support for ending sanctions against Serbia. He probably also sees the EU's offer to lift sanctions in exchange for a Bosnian settlement as a sign that Western Europe is ready to support an end to fighting largely on Belgrade's terms [redacted]

Alternative Scenarios

Significant changes in Western policy toward the former Yugoslavia would alter many of the above judgments. In general, we believe maintenance of UNPROFOR and sanctions will slow consolidation of a greater Serbia. These measures also raise the risks to groups that might want to spark fighting in Croatia or Kosovo [redacted]

A significant drawdown or removal of UNPROFOR forces from Bosnia or Croatia would cause Belgrade to accelerate its incorporation of Serb-held territories in these regions. A Western retreat would raise the chances of renewed fighting in the Krajina, undermine the Bosnian peace process, and probably precipitate serious erosion—if not a complete collapse—of frontline state support for sanctions [redacted]

Augmentation of UNPROFOR—as part of implementing a Bosnian settlement—would have the opposite effect. It would slow Belgrade's drive to consolidate its gains. The

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move, however, might increase the militancy of Kosovo's ethnic Albanians, who may hope for Western intervention on their behalf.

[REDACTED]

A significant defection from the sanctions regime—for example, if an economic crisis led to a new Bulgarian Government that rejected sanctions enforcement—could have a domino effect and bolster Milosevic's position domestically. More serious erosion in sanctions than we presently foresee would also diminish Belgrade's willingness to exert pressure on the Bosnian Serbs to settle with the Muslims [REDACTED]

Lifting of sanctions—perhaps as part of a Bosnian settlement—would give Milosevic a political and economic boost, and it would strengthen his hand against recalcitrant Serbs in the Krajina and Bosnia. An end to economic isolation, however, would reduce the Serbian public's tolerance of economic mismanagement and create expectations of an improved standard of living. In time, Milosevic could no longer blame the West for poor economic conditions, and eventually he would become more vulnerable [REDACTED]

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Annex

Summary of Views Expressed by Five Scholars at an Intelligence Community Symposium on Serbia's Outlook

The Sanctions. Participants agreed that the UN-imposed sanctions have been wrecking Serbia's official economy. Their political effect, however, has been to stiffen hardline attitudes [redacted]

The Postsanctions World. Some participants argued that Milosevic would be more likely to get into political trouble if sanctions were lifted than if they were retained. Others suggested that lifting sanctions would benefit Milosevic if it were part of a comprehensive settlement [redacted]

The Political Dynamics. From the West's perspective, for now there probably is no good and politically viable alternative to Milosevic. He probably is the only Serb leader the West can deal with and the only one capable of delivering a comprehensive solution. His democratic opponents are weak and divided. On the other hand, his influence over Serbian factions in Bosnia and Krajina is limited [redacted]

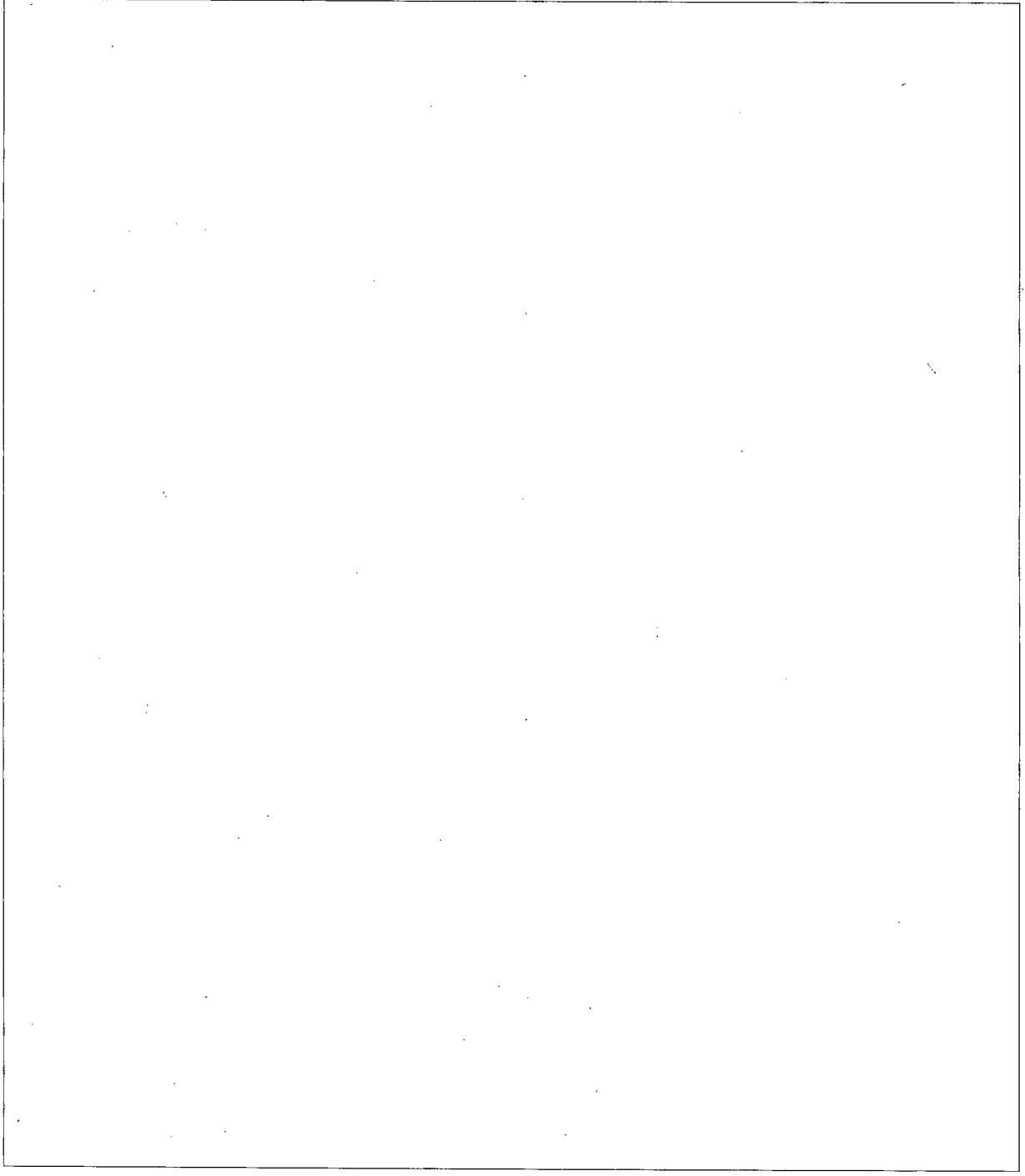
The Search for a Solution. The war has led to major population shifts and de facto border changes that will be difficult or impossible to undo. The West must catch up to these ground truths and manage—rather than resist—developments leading to the creation of

enlarged Serbia, Croatia, and Albania. In the scholars' view, the latter will result, in part, from a partition of Kosovo, an outcome increasingly acceptable to all sides [redacted]

Serbia After a Solution. Regarding the prognosis for the Serbian society, economy, and political system, some experts are hopeful, but the majority are not. The criminalization of society and the politics of division will remain long after Balkan conflicts have ended [redacted]

The outside scholars are among the leading and active experts on the history, politics, and societal trends in the former Yugoslavia.

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