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MEMORANDUM FOR: Director of Central Intelligence

FROM: Chief, DCI Interagency Balkan Task Force

SUBJECT: Principals' Committee Meeting on Bosnia and Croatia, 23 May 1995, 1430-1600 EDT

1. Tomorrow's Principals-only meeting has been called to address issues related UNPROFOR withdrawal and implementation of OPLAN 40104--issues that were deferred from last week's meeting.

- You will not be required to take the lead on any issue.
- The situation in Bosnia and Croatia has been remarkably calm for the last few days. Low-level fighting continues in Bosnia, but the shelling of Sarajevo has abated and no one seems to care anymore that the Croats and Krajina Serbs have not withdrawn completely from the zones of separation.
- We will advise you at the pre-brief of any significant new developments.

2. The big story, of course, is Ambassador Frasure's continuing effort to get Milosevic to recognize Bosnia in exchange for sanctions relief. It is not difficult to imagine that the agenda for tomorrow's meeting could again be changed in order to reach decisions on outstanding issues related to these talks. Most of the information available on the talks has been in a series of NODIS messages; there is some frustration around town that things are moving too fast, without proper coordination, and with decisions on technical issues being made without the input of experts. Latest word is that the talks have hit an impasse and that Frasure will come home tomorrow. As of this afternoon, there were several outstanding issues:

- Renewal Provisions: This has been the most difficult problem, with Milosevic refusing any temporary suspension of sanctions. New State Department guidance would require an affirmative UN Security Council vote to extend suspension of sanctions after six months, with no required renewal period after that. Individual Security Council members, however, could raise concerns about Serbian compliance with the deal at any time.

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- Petroleum Provisions: Milosevic maintains that his request for 500,000 metric tons of petroleum per month is a realistic, and that the US offer of 125,000 metric tons would not be sufficient to accomplish some key objectives, including fertilizer production and energizing Belgrade's electricity grid. Frasure has now been instructed to negotiate some level between 125,000 and 500,000 metric tons. (See the PETROLEUM OPTIONS TAB for additional background.)
- Recognition of Croatia: Milosevic is reluctant to agree to recognition of Croatia, Slovenia, and Macedonia as a condition for lifting of sanctions. The latest State position is that assets would remain frozen until recognition of all former Yugoslav republics had been achieved, even though all trade restrictions--including on strategic goods--would already have been lifted. Ambassador Galbraith, meanwhile, has been warning in NODIS messages that the risk of war in Croatia will go up if Tudjman does not get anything out of the Frasure-Milosevic talks. [REDACTED]

3. Unfortunately, we have not received any good intelligence (that is, intelligence that would allow us to speak with confidence) on the two key political issues-- whether Milosevic will agree to "recognize" Bosnia and whether the Bosnian Government will approve of the package.

- [REDACTED] Milosevic was less able politically to recognize Bosnia in the aftermath of Croatia's move against Sector West. This strikes us as an excellent deal for Milosevic, however, since it does not involve actual recognition of the Bosnian Government and effectively grants an end to the worst aspects of international sanctions. As a result, we would not rule out that he will accept.
- State Department officials, meanwhile, continue to assert that the Bosnian Government supports the proposed deal. Izetbegovic, however, stated publicly yesterday that the price of mutual recognition may be too high and even unacceptable to the Bosnian side. [REDACTED]

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4. Principals will also consider a number of unanswered policy questions related to implementation of OPLAN 40104. These relate to how the NATO force would respond to various contingencies once it is deployed (for example, would it help evacuate citizens from the eastern enclaves or prevent the enclaves from being overrun by the Serbs), and what type of post-UNPROFOR Bosnia we would like to see? The OSD paper contained in TAB B under MEETING PAPERS suggests a very limited mandate for the NATO force in which its sole purpose would be to evacuate UNPROFOR. The force would not evacuate civilians, would not defend the enclaves against Serb attack, and would take all necessary means to defend itself if attacked.

-- The NSC representative to the Bosnia IWG has expressed concern that this limited mandate would not be politically do-able. He has painted a scenario in which Administration officials would need to, in effect, ask Congress to expend significant funds for a NATO operation in which 20,000-plus US ground troops would be deployed to Bosnia to assist the Serbs in overrunning the eastern enclaves.

-- These concerns have led some in the Administration to wonder whether we should continue to support OPLAN 40104. In their view, if we do support it, we need to get serious about planning for implementation. If we do not support it, we need to develop alternatives, including one in which no NATO forces are used. (OSD is supposed to prepare a paper for the meeting on non-NATO alternatives, but we have not yet received it.) [REDACTED]

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A. Norman Schindler

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