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14 August 1995

MEMORANDUM FOR: The Director of Central Intelligence**FROM: Acting Director of DCI Interagency Balkan Task Force****SUBJECT: Principals' Committee Meeting, 15 August, 1530,
White House Situation Room**

1. The main purpose of the meeting is mainly to receive a read-out from Tony Lake's mission abroad last week. [By preliminary accounts, the trip went well.] Also, the group will discuss:

- a French proposal to have Tudjman, Izetbegovic, and Milosevic meet in Paris;
- what to do about reports that the Serbs are resettling Krajina Serb refugees in Kosovo and Vojvodina;
- and what role, if any, there should be for international mediator Carl Bildt.

Because you might be asked to report on the situation on the ground, we will provide you an intelligence update tomorrow in advance of the meeting.

Military Situation

2. The main worry we have right now is that Croatia will miscalculate, go too far, and inadvertently provoke Yugoslav intervention and broaden the war. We continue to receive reporting of Yugoslav mobilization, mostly opposite Sector East. Reserves have been used to flesh out active units although low-strength reserve units have not been activated.

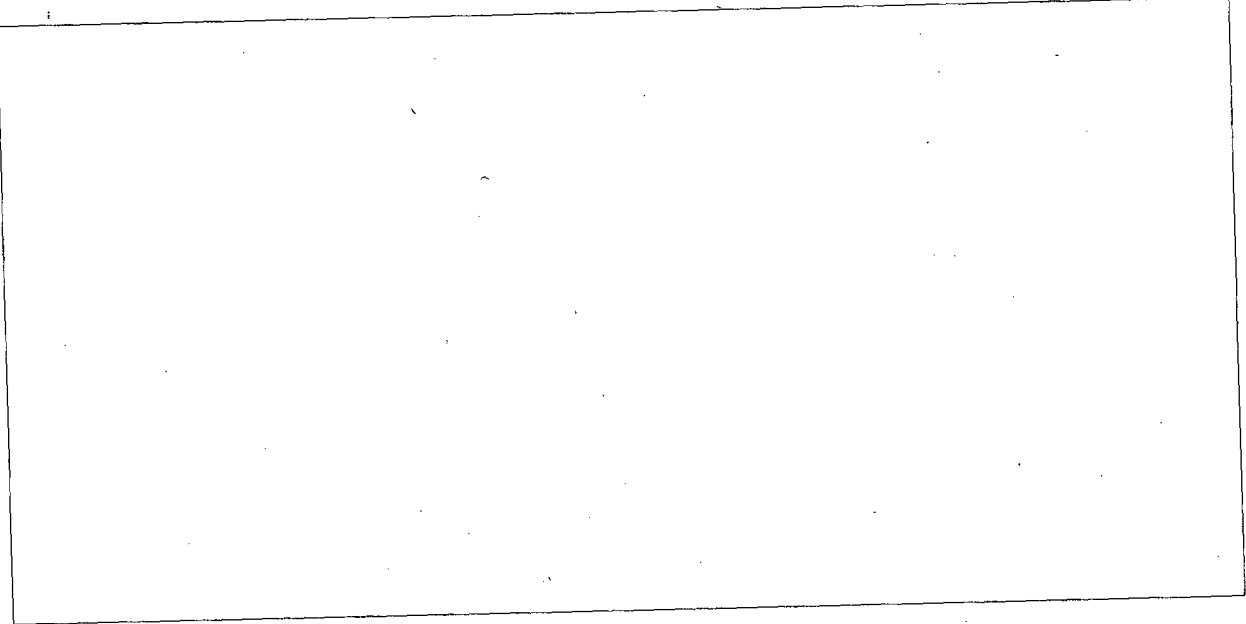
3. Meanwhile, Croatian Defense Minister Susak has indicated plans to demobilize 70,000 troops now that the Krajina operation is over. Reported movements in the Krajina suggest this could be at least partially true. However, we have also received reporting of a Guards brigade being deployed to the south of Croatia, possibly as part of an offensive in southern Bosnia.

4. We have now uncertainty about the threshold that would cause Yugoslav Army intervention, which could lead to Croatian miscalculation. It seems that clearly the Yugoslav's would intervene if Sector East were attacked. It is unclear what level of

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Croatian intervention in Bosnian would be intolerable for the Serbs. For example, the Serbs *might* tolerate a limited Croatian attack in northwest Bosnia in the Livno Valley area, even in conjunction with a Bosnian attack against Donji Vakuf, but *could* feel threatened by an attack in Southern Bosnia around Trebinje.

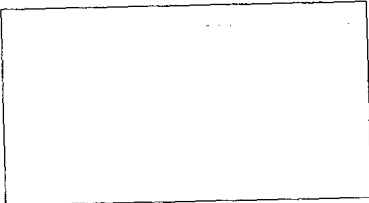


Kosovo

7. In the Deputies' Committee today, there was discussion over what to do about reports that the Serbs are resettling Krajina Serb refugees in Kosovo. To date, 1,500 have gone there and another 2,000 were planned for today--a drop in the bucket but one that increases tension in the region. Of greater concern are the reports that Croatians in part of Vojvodina have been driven out by the refugees. **We have provided in attachment 2 a paper that reviews the prospects for more Serb refugee inflows and the implications.** The Principals may discuss whether to reissue Bush's Christmas demarche on Kosovo in which the US threatened to bomb the Serbs if there was a severe crackdown in Kosovo. Today Strobe Talbott described Kosovo as being of "supreme national interest to the US." (Gulp!)

Role for Carl Bildt

8. The recent US initiatives have shoved Bildt to the sidelines, especially with everyone rejecting his latest proposal. However, based on his contacts with Milosevic, he might be useful at a later date. Our recommendation would be to put him on ice in case the Lake initiative loses momentum.


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