

Intelligence Report

DCI Interagency Balkan Task Force

1 September 1995



Inter-Serb Sanctions: Holes in Enforcement Weaken Embargo's Impact



Through late August, total shipments--both commercial and military--from Serbia and Montenegro (FRY) to the Bosnian Serbs probably remain lower than before Serbian President Milosevic imposed the embargo on Pale in August 1994 in an effort to isolate Bosnian Serb leader Karadzic and garner sanctions relief. Illicit trade continues, however, as Serbian enforcement remains weak and summer weather has opened up more smuggling routes. Since July, ICFY's activities have been hampered by a flood of refugees forcing them away from their monitoring posts, by their own staffing shortfalls, and by uncooperative FRY border officials, opening the way for goods to slip across the border.



The embargo has affected Pale's economy and military. Belgrade's embargo has hit the Bosnian Serb economy the hardest, but--because not all Bosnian Serb Army (BSA) units apparently benefit equally from VJ resupply--the Bosnian Serb military has felt the pinch as well. Nevertheless, the BSA appears capable--at least before the NATO airstrikes that began on 30 August--of defending its territory from Bosnian and Croat attacks. Even in the face of the airstrikes, Milosevic will stick with the embargo in hopes of forcing Karadzic to the negotiating table and may be persuaded to tighten the embargo.

This memorandum was prepared by [redacted], RTT, for the DCI Interagency Balkan Task Force. The report was requested by Leon Fuerth, Assistant to the Vice President for National Security Affairs, to provide information on Serbia's sanctions against the Bosnian Serbs. Comments and queries are welcome and may be directed to the Chief, DCI Interagency Balkan Task Force [redacted]

NON CONFIDENTIAL COPY

~~Top Secret~~**Trade Still Lower Overall, but Slight Uptick Noted Since July**

Through late August, total shipments--both commercial and military--from Serbia and Montenegro (FRY) to the Bosnian Serbs probably remain lower than before Belgrade imposed its embargo on Pale in August 1994. FRY President Slobodan Milosevic appears to have focused the embargo primarily on curtailing commercial shipments into Bosnia in his campaign to pressure Bosnian Serb leader Radovan Karadzic to accept a western-backed peace plan and obtain relief from UN sanctions. According to the International Conference on the Former Yugoslavia (ICFY) mission, Belgrade has pointed to its confiscations of several tons of embargoed goods each month, imposition of substantial fines against smugglers, and improved inspection procedures as signs of good faith enforcement of the border closure.

Illicit commercial trade continues, however, as the monitors have noted that widespread violations of the embargo occur daily, for the most part via the numerous buses, automobiles, tractors, and pedestrians that cross the border. Because Pale's economy is largely self-sufficient at the subsistence level, the shipments that reach Bosnia probably meet most of its import needs. Analysis of border activity since July indicates that the Bosnian Serb assaults on the enclaves in July apparently had no effect on the "ant" trade, and the flow of refugees into Serbia resulting from the Croatian attack beginning on 4 August in the Krajina may have opened the way for increased smuggling.

Milosevic appears more committed to impeding commercial shipments than putting a stranglehold on the Bosnian Serb Army (BSA). In August 1994, Milosevic's public announcement of the embargo addressed only a cutoff in political and economic ties with Pale.

Milosevic has authorized selective resupply of the BSA, and that Belgrade has been involved in arranging military shipments. Reporting on smuggling activity along the border suggests, on the other hand, that shipments of embargoed consumer and commercial goods have been arranged largely by individuals, possibly including FRY police and customs officers.

Opportunities for Smuggling Up Over the Summer

Inter-Serb trade probably has increased marginally since July as the major enforcement shortfalls that appeared in February have not abated and as summer weather has made alternate routes accessible.

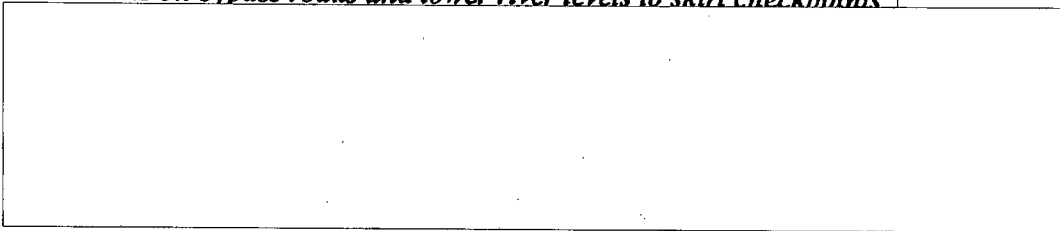
2
BRIAR HILL COPY~~Top Secret~~

~~Top Secret~~

- Officials did not stop several persons from carrying goods in plain view around a border post after taking the items from their car, avoiding customs inspection. At Badovinci, customs officials have watched large numbers of bicycles carrying bags of cement, fertilizer, and other goods into Bosnia.
- Inspection rates for buses at Sremska Raca--the busiest border crossing--consistently has remained below the mandated 20 percent and have occasionally fallen short at others.
- FRY police, who control bypasses around the ICFY-monitored Nudo Valley crossing in Montenegro, regularly have been absent from their posts.

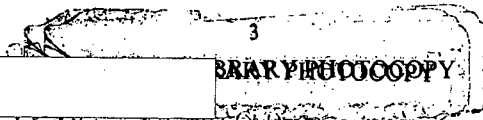
Some police and customs officers also may be directly involved in smuggling. According to diplomatic reporting, Serbian police in Mali Zvornik are involved in large-scale smuggling of fuel and other goods. [REDACTED]

In addition to taking advantage of enforcement gaps, *smugglers have used improved conditions on bypass roads and lower river levels to skirt checkpoints*. [REDACTED]



- A barrier on a bridge near the FAP armored vehicle plant had been tampered and that there were vehicles tracks from the bridge into Bosnia.
- A truck was seen crossing the border at night near Vracenovici and there were signs of increased truck traffic near Velimlje and Crkvice in Montenegro.
- Near Badovinci, smugglers had set up a new boat ramp and there was evidence of fuel transfers. Increased nighttime river smuggling was noted near the Zvornik dam.

Beyond these persistent problems, a bypass--apparently usable by trucks--of the Sremska Raca crossing was discovered in July and reported to the ICFY mission, according to diplomatic reporting. A survey of the circuitous route by US officials indicates that it would not replicate the loophole that the Belgrade-Zagreb Highway provided earlier this year, but it could provide a potentially significant conduit for large-scale shipments. [REDACTED]

~~Top Secret~~

5



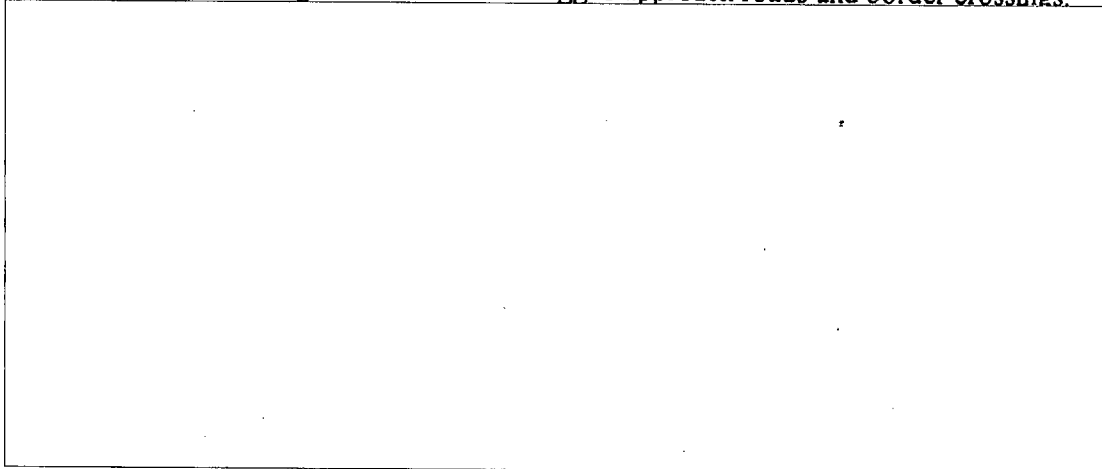
Roadblocks to Effective Monitoring

A flood of refugees, its own staffing problems, and uncooperative FRY officials have further hampered ICFY's monitoring efforts. As a result, there are substantial areas of the border that are unmonitored by ICFY, opening the way for commercial goods, munitions, and some weapons to slip through undetected. The limitations on ICFY's activities on the border are compounded by its inability to monitor other aspects of Belgrade's support for Pale, including financial ties, high-level meetings, intelligence sharing, communications links, and airborne resupply. ICFY can report on some border activity, but, combined, these shortcomings thwart its ability to attest that the border is closed.



Refugees Force Monitors Away from the Border

The two-week flow of refugees into the FRY following Croatia's 4 August attack on Krajina Serb-held territory may have aided smugglers as ICFY monitors withdrew from major crossings and curtailed patrols along the border. The movement of as many as 170,000 refugees into the FRY clogged approach roads and border crossings.

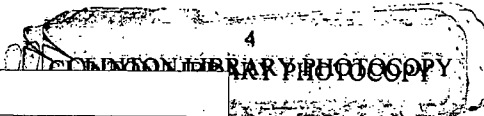
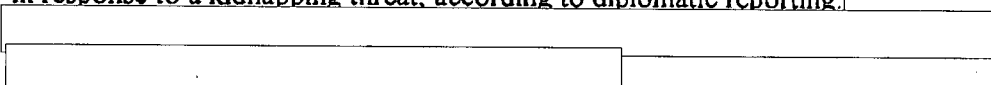


Staffing Problems Limit Coverage

ICFY's persistent staffing shortfall has been a roadblock in coping with the apparent summer uptick in activity at minor crossings, bypasses, and across the Drina River. According to US officials, mission staffing in late August stands at about 190, just short of its goal of 200. Even at 200, however, ICFY is well short of estimates that as many as 500 personnel would be required to increase the number of checkpoints monitored full-time from the present 19 to 35 and improve coverage of the roughly 100 other minor road and river crossings.



Threats to its monitors since late May prevented ICFY from fully utilizing its staff. Even before the crush of refugees in August, US and French monitors were withdrawn from border crossings--leaving at least three unwatched--from early June until 19 July in response to a kidnapping threat, according to diplomatic reporting.






Uncooperative Border Officials


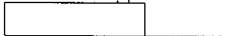

Gaps created by short staffing have been exacerbated by some recalcitrant Yugoslav authorities who have been uncooperative or have interfered with ICFY's activities.

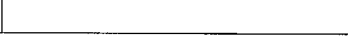



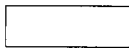
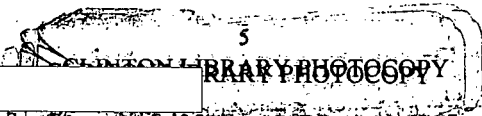
- VJ soldiers at a minor crossing near Scepan Polje were uncooperative in providing information on local traffic, and monitors noted indications of trucks crossing. A VJ patrol denied an ICFY patrol access to the Drina River south of Badovinci.
- Police officers have told monitors to move away from cars that were being inspected and refused to escort monitors to investigate a suspicious car that was attempting to cross the border.
- VJ officers assigned to escort ICFY patrols have failed to appear on numerous occasions, forcing cancellation of some patrols. 

Reports of Military Ties Undiminished

Indications that the VJ is resupplying the BSA continue to accumulate, and reporting since July has begun to provide limited insights into supply routes and types of goods shipped.

  have not confirmed any specific VJ military supplies or weapons entering Bosnia. *The VJ could have been taking advantage, however, of the extensive gaps in ICFY's coverage of the border to covertly move supplies--except for large numbers of its heaviest weapons, which probably would be detected--to the BSA.* 

- Cooperation between the VJ and BSA has increased substantially since Milosevic and Mladic worked out a deal to release UN hostages. Mladic may have consulted with Milosevic and VJ Chief of Staff Momcilo Perisic in Belgrade after receiving word that Karadzic had ordered his removal as BSA commander.
- VJ personnel have been integrated into the BSA, including officers, VJ special forces, and FRY police special forces. 

- FRY factories, including the Krusik munitions plant, are producing weapons and ammunition for the BSA.



~~Top Secret~~

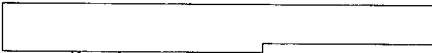


- Belgrade has been shipping an increasing volume of goods, responding with the equipment and supplies requested by the BSA. Shipments have included arms, ammunition, and food.

Unsubstantiated press reports from the Bosnian Government claim that the VJ has delivered tanks, armored personnel carriers, artillery, aircraft, and fuel to the BSA.

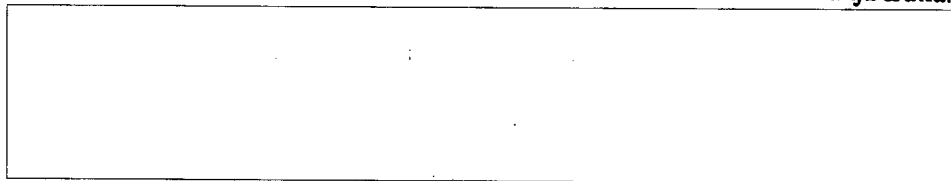


[redacted] four avenues that Belgrade has used to move supplies into Bosnia. [redacted] that Belgrade relies heavily on routes around Sremska Raca, despite the presence of ICFY monitors, who have not observed any of the activity.



- [redacted] 50-60 trucks carrying arms, ammunition, petroleum products, and other goods are marshaled daily along the Bosnia-Serbia border, including at Sremska Raca, to cross at night into Bosnia. The trucks cross at night to evade ICFY and UNPROFOR on the Sector East border.

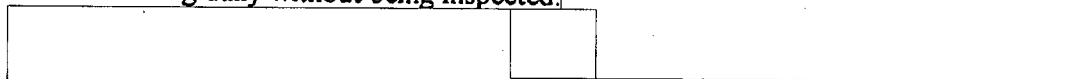
- [redacted] a primary military supply route extends approximately 210 kilometers from Sremska Raca to Banja Luka.



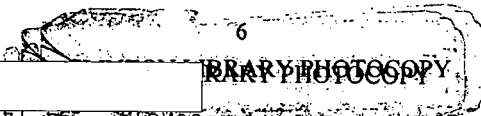
- [redacted] FRY Customs chief Mihail Kertes organized smuggling teams that moved supplies across the Drina River between Sremska Raca and Badovinci from fall 1994 to spring 1995.



Additionally, VJ military vehicles may routinely be crossing the border in Montenegro. The most active crossing is Vrbanj, where the vehicles pass the ICFY-monitored border crossing daily without being inspected.



[redacted] as many as four VJ battalions were deployed along the border near Vrbanj and the vehicles may have been supporting those units. Other VJ trucks have crossed into Bosnia near Vracenovici.



~~Top Secret~~

8



Pale Feeling the Embargo's Pinch

The Bosnian Serb economy has taken the brunt of the embargo. Since August 1994, Pale's economy has fallen virtually to the subsistence level, partly from the effects of Belgrade's embargo, and the industrial sector has been hardest hit.

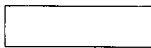
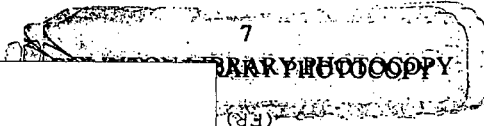
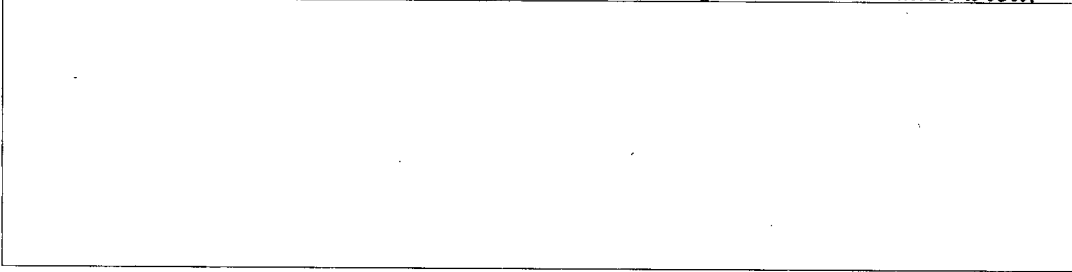
According to press reporting, many factories are working at only 10-15 percent of capacity, and others have shut down. Moreover, other press reporting indicates that Pale continues to suffer the inflation and cash-flow problems brought on by UN sanctions and Belgrade's embargo. *The goods smuggled across the Bosnia-Serb border probably are adequate to meet the population's basic import needs. The presence of at least 10,000 Krajina Serb refugees since early August in Bosnian Serb areas probably has added more stress to the economy, however.*

[Redacted] Krajina Serb troops who fled with their families are demanding housing and security in return for being willing to fight. [Redacted]

Even with these restrictions, Pale has financial resources to continue some foreign procurement efforts, particularly for the military



There has been some cost to the BSA, but intelligence reporting has been insufficient to accurately judge the overall impact because the embargo on military shipments apparently has been selectively managed to aid elements supportive of Mladic and Milosevic. As reported throughout 1995, the BSA suffers from spot shortages of fuel, munitions, and manpower, which the embargo probably has exacerbated for some units. Serbian setbacks in the Krajina also have taken a toll.



~~Top Secret~~

Milosevic Holding the Line on Inter-Serb Sanctions For Now

Even in the face of the NATO airstrikes on the Bosnian Serbs, President Milosevic is unlikely to publicly abandon his year-long embargo on Pale, absent a major Croatian-Bosnian Government offensive against the Bosnian Serbs. Instead, the Serbian government will continue to selectively enforce border restrictions, as leverage for pushing Pale towards a negotiated settlement and as part of Milosevic's long-standing campaign to rehabilitate Serbia with the international community. Diplomatic reporting indicates that Milosevic is focused now on getting UN sanctions against his regime lifted. *Sanctions relief is integral to his maintaining power*, especially in view of the nearly 170,000 Krajina Serb refugees that are burdening Serbia's already depressed economy. [REDACTED]

Milosevic may be persuaded to tighten his embargo on the Bosnian Serbs by the carrot of broad sanctions relief. Various reports indicate Milosevic is demanding an immediate end to sanctions as part of a negotiated settlement. *However, the Croatian military build-up near Sector East and around Dubrovnik is likely to erode any UN efforts to push Milosevic toward a stricter embargo because of Belgrade's concern over a possible Croatian incursion into those areas.* [REDACTED]

[REDACTED] VJ forces have mobilized along the Serbian-Croatian border near Sector East, *in what is probably a defensive maneuver aimed at deterring a Croatian offensive in the sector. Some of the sanctions violations that have been reported near Sremska Raca and at Vrbanj may reflect Belgrade's efforts to bolster its troop deployments near those areas.* [REDACTED]

The Serbian president faces little political pressure on the home front to drop the embargo and resume full-scale military assistance to the Bosnian Serbs. US diplomats in Belgrade report that Milosevic's domestic power base remains strong, despite initial public anger over the Krajina defeat.

- Nationalist opposition parties in the FRY are weaker than they have been in years and are unlikely to pose a significant challenge to Milosevic's policies for the time being, according to diplomatic reporting.
- Milosevic has moved to bank nationalist fires by significantly reducing government-controlled media coverage of fighting in Bosnia and the Krajina. He has also manipulated the state-run press in an apparently successful attempt to shift blame for the Krajina debacle from his government to Krajina Serb and Bosnian Serb leaders, according to diplomatic and other reporting. [REDACTED]

8
[REDACTED] XRAY PHOTOCOPY~~Top Secret~~

10