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Croatia: When Will Fighting Resume?

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

Warning Page

KEY JUDGMENTS

Controlled Areas in Croatia and in Bosnia and Herzegovina, June 1993

Croatia is intent on recovering the nearly 30 percent of its territory lost to Serbs in 1991. Zagreb is increasingly impatient with stalemated negotiations and the inability of the UN Protective Forces (UNPROFOR) to implement the Vance cease-fire plan, which would have prevented increased Serb control in these areas.

The Croatian military has prepared contingency plans for new offensives, but President Tudjman is staying his hand. A new offensive could jeopardize Croatia's ties to the West. Moreover, negotiations on a Bosnian peace settlement and parallel Serb-Croat talks on Serb-held territory in Croatia will help to delay Croatian military moves, especially if Zagreb anticipates real gains. If Belgrade and Zagreb continue cooperating on an agreement in Bosnia, they may also be able to move toward a negotiated deal in Croatia.

Nevertheless, Zagreb is likely to launch limited attacks over the next six months unless it perceives serious progress in restoring its control over Serb-held areas. We believe that there is a less-than-even chance of a settlement on Serb-held areas in Croatia by the end of the year, particularly given local resistance to implementing such an agreement. Tudjman might take quick military action if:

- Croatian Serbs move rapidly to join disputed territories with the self-proclaimed Bosnian Serb state or provoke an attack by stepping up their shelling.
- Zagreb perceives a weakening of Western resistance to renewed hostilities, such as a withdrawal of UNPROFOR troops.
- Tudjman believes Serb President Milosevic will acquiesce to Croatia regaining control

implementing the Vance Plan and enforce the more recent UN Resolution 815, which identified the Serb-held areas as an integral part of Croatia.

The Vance Plan establishing a cease-fire was hotly disputed in Belgrade, Zagreb, and among the Croatian Serbs and only came into operation after more than a dozen cease-fires broke down. Zagreb and Belgrade ultimately accepted the cease-fire, but the competing territorial claims remain unresolved.

Since then, the breakaway Serb community in Krajina has undermined the Vance Plan by refusing to disarm, continuing with ethnic cleansing, declaring its own "state"--"the Republic of Serb Krajina" ("RSK")--and preparing to join with the self-proclaimed Serb state in Bosnia. Disagreements among "RSK" leaders and between "RSK" Serbs and Belgrade, however, indicate that they remain an unpredictable and destabilizing force in the region. "RSK" authorities, with the collusion of Belgrade, arrested some Croatian Serb municipal leaders from western Slavonia who were negotiating a deal designed to restore Croatian territorial control over their localities in exchange for economic cooperation and limited Serb autonomy.

Zagreb is frustrated that the international community continues to express support for Croatia's territorial integrity but has made no effort to strengthen UNPROFOR's mandate. The Croatian leadership is also bitter over its perception that the international community has offered Croatia more advice than real assistance in coping with the economic and social costs of protracted fighting and territorial losses. President Tudjman was angered in May 1993 when the World Bank delayed consideration of a \$125 million emergency reconstruction loan, largely as a result of Croatian involvement in the Bosnian conflict.

The UN Role in Croatia

Vance Plan

Following the Serb-Croat fighting in 1991, UN special envoy Cyrus Vance negotiated a cease-fire among the parties and a general plan for managing the Croatian territory lost to Serbs. Major provisions were left deliberately vague in order to increase the chances that all sides would accept it. In general, the plan called for:

- *Cease-fire between Croatian, Serbian, and federal Yugoslav military forces.*
- *Withdrawal from Croatia of all Yugoslav military forces.*
- *Creation of UN Protected Areas (UNPAs) in territory held by Serbs and the deployment of UN forces to these areas.*
- *Demilitarization of remaining "Republic of Serb Krajina" ("RSK") and paramilitary forces in the UNPAs with UN supervision over indigenous lightly armed, ethnically mixed police forces.*

over parts of Serb-held territory.

- Milosevic is replaced by ultranationalists intent on quickly annexing Serb-held Croatian territory.

The Croatian military is incapable of regaining all territory lost to Croatian Serbs. Zagreb's likely strategy will be to secure the area around the Dalmatian city of Zadar and to retake parts of northern Krajina or western Slavonia--territories that are strategically vital to Croatia and where the Serbs are likely to offer less resistance.

Croatia is likely to avoid riskier attacks against Knin, the Krajina Serb "capital," and in eastern Slavonia, but Zagreb could overestimate its military capabilities, press initial gains, and provoke a general war.

Milosevic will seek to avoid conflict with Croatia. He probably would approve direct military intervention by federal forces only in the case of a Croatian Serb collapse or to repel large-scale attacks, especially against Knin or eastern Slavonia. Federal and "Republic of Serb Krajina" ("RSK") forces almost certainly would prevail in eastern Slavonia.

Renewed Serb-Croat fighting would doom a Bosnian peace plan, create new refugee flows, increase the risks of conflict in Kosovo, and severely strain the international coalition directing mediation and relief efforts in former Yugoslavia:

- Russia and other countries would probably call for international condemnation of Croatia and the imposition of sanctions.

DISCUSSION

The Croatian Dilemma: Land or Peace

Zagreb is on a collision course with Croatian Serbs, who with federal Yugoslav military assistance captured nearly 30 percent of Croatia in the 1991 fighting. While still hoping to regain lost territory through negotiations, Croatia is losing patience with the UN's inability to implement the 1992 Vance cease-fire plan and with the stalemated talks that were to determine the status of the disputed territory. After more than a year of UN Protective Forces (UNPROFOR) presence, large areas in the Krajina, western Slavonia, and the left bank of the Danube in eastern Slavonia are more firmly under Serb control.

Croatia will most likely resume limited attacks during the next six months, in the absence of successful negotiations providing for the return of some Serb-occupied territory. Croatia has drawn up contingency plans for military strikes designed to recapture at least some of the lost territory. Although Zagreb has agreed to extend the United Nations peacekeeping mandate in Serb-held areas of Croatia until 30 September, it has made it clear the UN must begin

- *Voluntary return of displaced persons.*

The UN Security Council passed a resolution endorsing the Vance Plan and subsequent resolutions to establish its presence in the war zones. Zagreb uses these resolutions to insist that the UN is responsible for helping it regain control over its entire territory.

UNSC Resolution 762

During the 1991 fighting, the Yugoslav Army seized territory outside but adjacent to the UN protected areas. These lands were inside Croatia but largely populated by Serbs. UN Resolution 762 authorized UNPROFOR to operate in these "pink zones" to oversee and monitor the process of restoring Croatian government authority.

UNSC Resolution 815

Last March, the Security Council augmented the Vance Plan by formally declaring the UNPAs to be "an integral part of Croatia." It called for an international ally supervised plebiscite after several years to establish the permanent status of the UNPAs.

Tudjman, the government, and the Croatian people are united in their determination to end Serb control over the UN Protected Areas (UNPAs) and the "pink zones" (Serb-held areas on the fringes of northern and southern UNPAs) by whatever means are necessary. Tudjman is under great pressure to regain Croatian territory. Having come to power in 1990 with promises to end what Croatia viewed as Serb domination of federal Yugoslavia, he has staked his political future on restoring the Croatian nation after almost a millenium of "foreign domination." Tudjman's Croatian Democratic Union (HDZ), the dominant but fractious party in parliament, is held together primarily by its opposition to Serb hegemony and its commitment to Croatian nationhood.

Tudjman also faces intense pressure from nationalists to restore control over the UNPAs. Regional party organizations in Osijek and Split, two cities closer to Serb-occupied areas and Croat sections of Herzegovina, respectively, are impatient with the growing refugee burden and lack of UN assertiveness. Moreover, the so-called "Herzegovina lobby," an informal group of Croatian nationalists from western Herzegovina, enjoys growing influence over Tudjman and the HDZ. Croatian Defense Minister Gojko Susak and other Herzegovinians hold key posts in the government and parliament and have direct access to Tudjman. They advocate Croatian territorial expansion in Herzegovina, if necessary through military force. Their support for Croat autonomy in western Herzegovina is designed to ensure eventual union of these areas with Croatia. Moreover, an active Croatian emigre community plays a significant role in the HDZ through financial support and active encouragement of the nationalist agenda.

Tudjman also is feeling pressure from the moderate flank of the HDZ--made up of former Communists, liberals, and businessmen--to restore Croatian control over the UNPAs. This group, however, believes that building close ties to the West is crucial to Croatia's future and is fearful of a renewed full-scale war with Serbia. Having witnessed the effects of sanctions on Serbia,

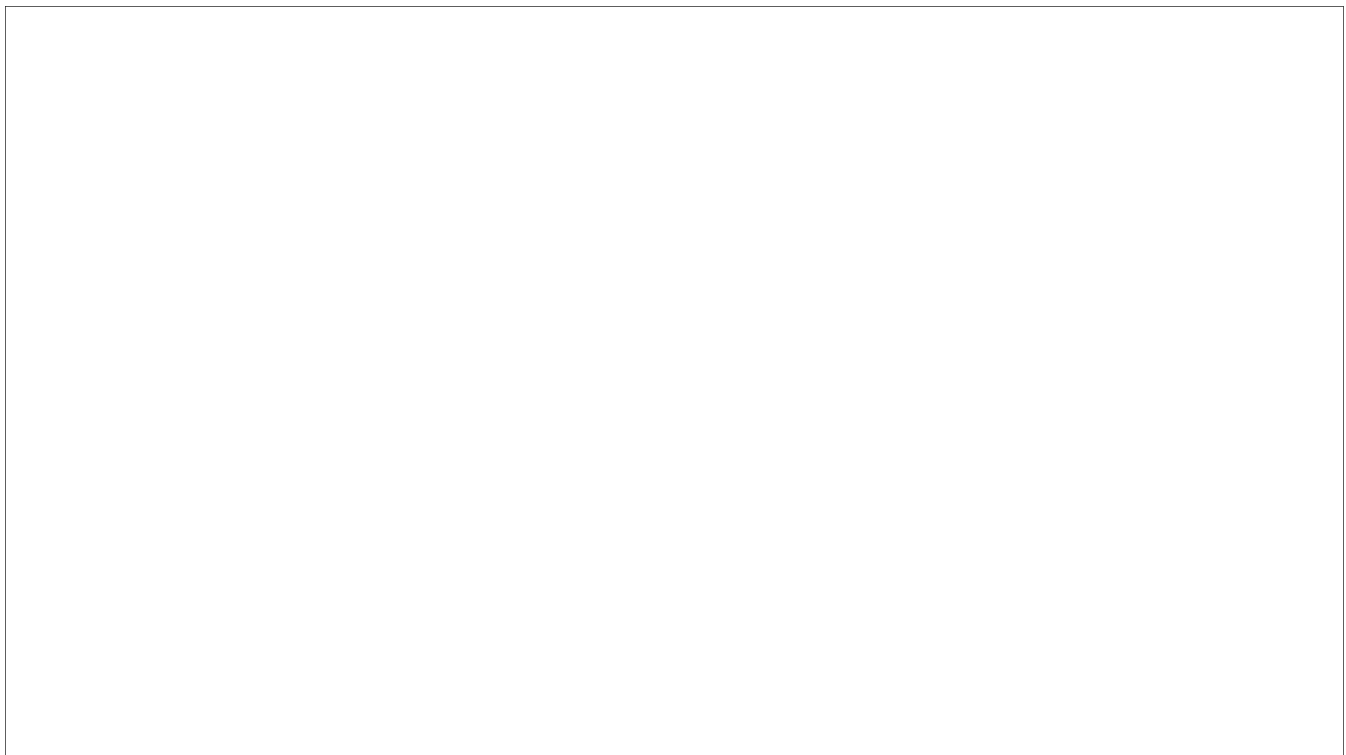
they fear that new fighting will deter Western investment, sever commercial ties, and prevent a revival of tourism.

A military victory--quick and at minimal cost even if limited--could boost Tadjman's popularity and silence his opposition. However, military initiatives that did not quickly restore Croatian control in the UNPAs could widen HDZ divisions and erase the party's parliamentary majority if enough moderate deputies split off or joined opposition groups in a new government coalition:

- Faced with a successful no-confidence vote, HDZ nationalists might suspend the constitution rather than relinquish power.
- The imposition of Western sanctions following Croatian military action would bolster Tadjman's rivals, but at the risk of polarizing domestic politics and strengthening anti-Western sentiment.

Economic Problems Cut Both Ways

Croatia's serious economic problems, hopes for Western assistance, and fears of economic isolation so far have encouraged Tadjman to procrastinate on implementing military contingency plans to seize control of the UNPAs. Unlike its Serbian counterpart, the Croatian leadership is determined to link its country to Western economic and security institutions. Furthermore, Zagreb knows that economic recovery depends on terminating hostilities and attracting Western assistance and tourists.



However, war damage and the burden of 850,000 refugees already have severely strained the Croatian economy:

- Roughly \$2 billion a year in lost tourist revenues on the Dalmatian coast amounts to more than 10 percent of Croatia's GNP.
 - Postwar reconstruction--estimated by Croatians to cost roughly \$30 billion--has not begun, and major international aid has not been pledged.
 - The loss of domestic oil production and other economic assets has severely weakened the economy and increased its dependence on foreign assistance.
 - Rising defense costs, now amounting to one-third of the national budget, have forced a restructuring and downsizing of the Croatian military.
 - The large refugee population is taxing health and social services-- to the tune of \$1.5-3.0 million per day, adding to domestic tensions over care and resettlement.
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The Croatian Economic Slide

In 1992, Croatia's GNP fell to \$15 billion, down roughly 50 percent from 1990. Refugee support and social services amounted to roughly one-quarter of GNP. Croatia's \$1 billion budget deficit in 1992 (roughly one-third of its total government spending) is likely to be matched in 1993, led by military expenditures and refugee costs. In addition, dependence on expensive foreign energy sources has grown dramatically, since Zagreb lost access to imports from Serbia and Bosnia. In particular, oil production dropped by 50 percent due to the loss of the Sisak refinery and fields in western Slavonia.

Inflation, already averaging 20 to 30 percent monthly, is expected to hit 50 percent per month by the end of the year. This slide toward hyperinflation will hamper efforts to gain access to international financial assistance. Debt negotiations with the London Club have gone nowhere because of Zagreb's demand for a debt forgiveness agreement.

International assistance could help address some of Croatia's economic and social ills, but even large aid commitments could not convince Tudjman and other Croatian officials to put off indefinitely their plans to recover Serb-held Croatian territory. Barring a diplomatic settlement, Croatian officials sooner or later will conclude that military action to seize control of at least some of the UNPAs and resettle refugees is necessary to reverse the country's economic slide.

Western pressure has helped persuade Tudjman to put off military strikes, and Western warnings could still deter Zagreb from a major offensive. The threat of economic isolation is credible as long as the West presents a united front. In particular, clear warnings from Germany--a key economic partner-- already have helped dissuade Tudjman from pursuing military options:

- Croatia remains heavily dependent on energy imports for roughly half its oil and electricity needs and is still facing shortages.
- Foreign assistance and investment will be needed to launch a privatization program, stabilize the monetary system, and repay \$2.6 billion in foreign debt.

Odds of Renewed Conflict Rising

Tudjman's dilemma over the costs and benefits of initiating military action will sharpen over the next several months. Continuing negotiations in Geneva on a Bosnian peace settlement and parallel talks between Zagreb and Belgrade on Serb-held territory in Croatia will most likely help to delay Croatian military moves against the UNPAs, especially if the talks appear near to producing results. To the extent Belgrade and Zagreb work together to reach an agreement in Bosnia, they may also be able to move toward a negotiated deal on the Serb-held areas in Croatia.

We believe, however, that there is a less-than-even chance of a settlement on Serb-held areas in Croatia by the end of the year, particularly given the difficulties of implementing such an agreement over local opposition. Pressed by political and economic factors, Tudjman is, therefore, likely to approve limited military attacks to regain some territory.

Croatia is increasingly skeptical of UN performance in implementing the Vance Plan and concerned that long-term UNPROFOR presence will entrench Serb control and result in de facto Serb annexation of occupied Croatian territories. In addition, the constant Serb shelling of coastal areas will eventually force the government to respond.

Certain developments, however, are likely to precipitate a quick decision in Zagreb to initiate military operations:

- Actions by Bosnian Serbs and the ``RSK" to unify their self-proclaimed states and create common institutions or stepped-up shelling that inflicted large Croatian casualties.
- A quick failure of negotiations between Belgrade and Zagreb and no signs of a strengthened UNPROFOR mandate.

- A perception that Western opposition to renewed hostilities is weakening, such as the withdrawal of UNPROFOR forces.
- Tudjman's perception that Serb President Milosevic acquiesced to Croatian actions to regain control of Serb-held territory.
- Replacement of Milosevic by hardline Serb nationalists dedicated to quick annexation of captured Croatian territory. [redacted]

We cannot rule out the possibility that Zagreb would miscalculate Belgrade's tolerance of Croatian military actions. There is conflicting reporting regarding Zagreb's assessment of Serbia's intentions and of its own military capabilities in the region. [redacted]

Croatia Still No Match for Serbia

Zagreb's military is incapable of regaining all of Croatia's former territory under present circumstances. The Croatian military command is less optimistic than earlier this year about its ability to reverse Serb gains on the battlefield. It is cautious about engaging the Serbs in the Krajina, for fear of heavy casualties and of unleashing a major Serb counteroffensive that would draw in Bosnian Serb and federal Yugoslav forces. The military leadership also calculates that it can no longer count on Western military intervention against the Serbs in Bosnia--including airstrikes. [redacted]

The Croatian Army would not attempt to liberate all the lost territory at once. Zagreb's most likely military strategy will be to secure key areas around Zadar, the northern Krajina, or western Slavonia and avoid eastern Slavonia. These actions would require Croatian forces to breach UNPA boundaries, creating a risk of confrontation between Croatian and UN forces. Croatia probably would not be constrained by the presence of UN forces, although Zagreb will avoid direct attacks on peacekeepers and might even give UN commanders some advance tactical warning of military movements in the UNPAs. However, the Serbs will likely try to restrict UNPROFOR's movements--as they did in the January attacks--and use UN troops as hostages in order to deter Croatian attacks. [redacted]

Croatian Military Preparations

Intelligence reporting [redacted] actual Croatian troop and ammunition movements, reinforces our judgment that some limited attacks are likely over the next three to six months. Elements of at least three Croatian Guards Mobile Brigades--Zagreb's primary assault force--have been deployed from northern and central Croatia to areas where offensive actions might be expected. [redacted]

None of the reporting on troop movements can be directly linked to offensive preparations. Moreover, [redacted] lacks definitive evidence of the timing and scale of a planned offensive. Small-scale attacks--like the January operations in which 5,000 to 6,000 Croatian troops attempted to secure the Maslenica bridge with the support of some artillery and tanks--

could be launched with little warning. We also cannot rule out local field commanders taking the initiative to silence Serb guns and causing an escalation of Serb-Croat fighting that was not intended in Zagreb.

There is some reporting of Croatian contingency plans for a multipronged advance in UN Sector South, although we do not believe the Croatian military is capable of successfully orchestrating a large-scale attack. This could involve as many as 32,000 troops, including up to six Guards Mobile Brigades. Such operations would require additional mobilization and probably would be detected before launching an attack.

Resecuring the Zadar Area. The most likely area of renewed conflict between Croatia and the "RSK" is the UNPA Sector South, particularly near the site of the January fighting for control of the Maslenica bridgehead, a critical road link between most of Dalmatia and the rest of the country. Serb-shelling of the newly constructed pontoon bridge could resume if Croatian forces do not withdraw as agreed. Croatia would respond forcefully in that case. By concentrating their attacks on the hills and high ground east and southeast of Zadar, Croatian forces could successfully secure much of this region with a force composed of at least five or six Army brigades, including at least two Guards Mobile Brigades.

UNPAs North and West Next. Croatian military action might also involve western Slavonia in UNPA Sector West and two areas in UNPA Sector North: the Banija region south of Sisak and the region southeast of Karlovac. Croatian concerns about these areas, however, are not as immediate as the Zadar-Maslenica lifeline to Dalmatia:

- In western Slavonia, Croatia's objective would be to reopen the Belgrade-Zagreb highway and railway and to secure the high ground north of this route. This would free an important line of communication permitting future military operations in eastern Slavonia.
 - Croatian operations in northern Krajina would seek to secure the Adria oil pipeline and push Serbian artillery out of range of Karlovac.
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The Croat-Serb Military Balance

In the Zadar region, Croatia maintains a military headquarters, which commands a force of approximately 11,000 to 13,000 troops that are capable of pushing the Serbs off selected high ground if they concentrate their attacks. Croatian forces are primarily lightly armed infantry equipped with artillery pieces, armored vehicles, and antitank weapons. They face several thousand "RSK" troops with some artillery and armored equipment. Small numbers of

``volunteers'' from Bosnia or Serbia probably would augment ``RSK'' forces--as they did following the Maslenica offensive in January.

In western Slavonia, Croatian forces include seven infantry brigades and one Home Guards regiment totaling approximately 15,000 troops when fully mobilized. They are opposed by roughly 2,400 to 3,600 ``RSK'' soldiers, who could be reinforced from either Sector North or from the Bosnian Serb army. In Sector North, Croatia could mobilize up to 34,000 troops from Home Guard regiments and infantry brigades against 13,000 ``RSK'' troops. a

a NIE 93-23, Combatant Forces in the Former Yugoslavia, provides a more comprehensive assessment of all post-Yugoslav forces.

In separate attacks the Croatian Army probably can secure either the Belgrade-Zagreb highway in Sector West or the Adria pipeline in Sector North--but not both simultaneously. Zagreb could focus its few well-trained units and limited artillery to seize these objectives one at a time.

Knin and Eastern Slavonia More Risky. The Croats run greater risks of military defeat and intervention by Belgrade if they seek more ambitious territorial objectives. Tudjman and his military commanders probably will not attempt to capture Knin, the ``RSK'' capital, for fear of provoking Belgrade's intervention. Croatia would face even greater risks of intervention if it initiated military operations in eastern Slavonia. Facing Croatian forces across the Danube are some of the Yugoslav Army's best trained and equipped forces that have conducted exercises for intervening in eastern Slavonia. They would be prepared to protect gains for which they have already paid dearly--particularly the city of Vukovar. Moreover, Croatian forces would have difficulty supporting large-scale operations in eastern Slavonia as long as the Serbs control western Slavonia. ``RSK'' forces in Sector East are numerous and well armed.

Serbs Likely To Prevail

Belgrade would tailor its military response to the targets, scale, and success of the Croatian attacks. It probably would assist ``RSK'' forces indirectly through the dispatch of ``volunteers'' to Croatia and facilitate the transfer of Bosnian Serb troops and equipment to Krajina or Slavonia. ``RSK'' forces are likely to prevail in eastern Slavonia and Knin with the help of Bosnian Serb and federal Yugoslav forces. Absent Belgrade's support, ``RSK'' forces probably cannot repel Croatian attacks elsewhere in the Krajina or in western Slavonia.

Unlike hardline Serbian ultranationalists, Milosevic has little interest in renewing the war with Croatia at this time. As long as Milosevic retains the upper hand in Belgrade, federal forces probably would intervene directly only to repel large-scale attacks, especially against Knin or eastern Slavonia. Belgrade would use Croatian military attacks to justify suspending its proclaimed embargo on aid to Bosnian Serbs.

Knin Difficult To Defend. Belgrade's ability to intervene directly in the fighting around Knin or

in western Slavonia would be limited by geography and logistic problems. Because deploying and supporting any heavy forces in the Krajina region would be difficult, Belgrade probably would rely initially on airstrikes and small units of specialized forces. While Belgrade certainly would rely to a large extent on Bosnian Serb forces and logistic infrastructure, it could use federal troops to backfill Bosnian Serb positions in the northern corridor of Bosnia.

Counteroffensive in Eastern Slavonia. Belgrade could respond to large-scale Croatian attacks against the "RSK" by launching a counteroffensive designed to expand control in eastern Slavonia. Serbia's strong position in the region and the proximity of its forces to the Croatian city of Osijek make that area a likely scene of fighting in the event that a major Croatian offensive compels the Serbs to punish the Croats for their gains elsewhere.

Federal forces, bolstered by well-armed "RSK" troops, almost certainly would prevail in a direct confrontation with Croatian troops in eastern Slavonia. Belgrade's advantages in heavy weapons and airpower would quickly overwhelm outgunned Croatian troops. The region's relatively flat terrain and well-developed road network would allow Serbian and federal forces to move in quickly and employ their armored and motorized units to their best advantage. The dimensions and pace of a federal advance into eastern Slavonia, however, would be uncertain because of the army's relative inexperience in offensive operations.

Impact of New Fighting

A Croatian attack on Serbs in the UNPAs or adjacent areas would have a broader impact in the region, especially if the fighting escalates into a general Serb-Croat war. In particular, increased Serb-Croat fighting around the borders of Bosnia-Herzegovina would probably spread inside that country and undermine or destroy any prospects for a negotiated settlement that may have been reached in that conflict.

Renewed Serb-Croat fighting would place much of the international presence in former Yugoslavia at risk. UNPROFOR, UN Human Rights Commission (UNHCR), International Committee of the Red Cross (ICRC), and the myriad private organizations active in Croatia would be exposed to the fighting and might require evacuation. Croatia could be lost as a staging ground and transshipment point for the international relief effort to Bosnia, leaving only Serbia as an access route. UNPROFOR operations in the entire Yugoslav region would be severely disrupted. UNPROFOR's overall headquarters are in Zagreb, and its bases in central and southern Bosnia are supported out of Dalmatia.

A new outbreak of fighting, particularly if it becomes widespread, would produce an upsurge in refugee flows to other parts of Croatia and to neighboring countries. Not only would new refugees flee their homes but Serbs, Croats, and Bosnians already displaced by the war--200,000 of them in Dalmatia--might be forced to move again.

A new round of fighting in Croatia, particularly in eastern Slavonia, would seriously unsettle the Hungarian Government, which has repeatedly expressed its concern for the safety of the large (roughly 350,000) Hungarian community in Vojvodina. Budapest would escalate its calls for Western security guarantees if not for a closer Hungarian association with NATO. The Hungarians might also ask Washington to issue a demarche to Belgrade regarding Vojvodina Hungarians similar to the earlier warning to Serbia regarding treatment of ethnic Albanians in

Kosovo. In the absence of stronger Western assurances to Hungary, Budapest might relax its enforcement of sanctions against Serbia and reconsider its permission for NATO airborne early warning overflights.

New fighting between Serbs and Croats would not threaten Serb control over Kosovo. Serbia would not have to reduce its security forces in the province to support a military campaign in Croatia. Nevertheless, if Croatia seemed to be tying up large Serb military resources, some ethnic Albanian radicals might be emboldened to challenge Serb authority, thereby increasing the risks of conflict in Kosovo.

Renewed Serb-Croat fighting and its fallout in neighboring countries would severely strain, if not sunder, the international coalition that has directed and managed the mediation and relief efforts in former Yugoslavia. Russia, which sought international sanctions against Croatia in response to the Croatian attack in the Zadar area in January, would most likely push--along with other countries--for UN condemnation of Zagreb and the imposition of sanctions.

Renewed Serb-Croat warfare could be seen as a direct failure of UNPROFOR and UN involvement in the peace process in former Yugoslavia, resulting in a severely negative impact on the willingness of states to support the UN--already strapped for funds and contributors--in future peacekeeping efforts.