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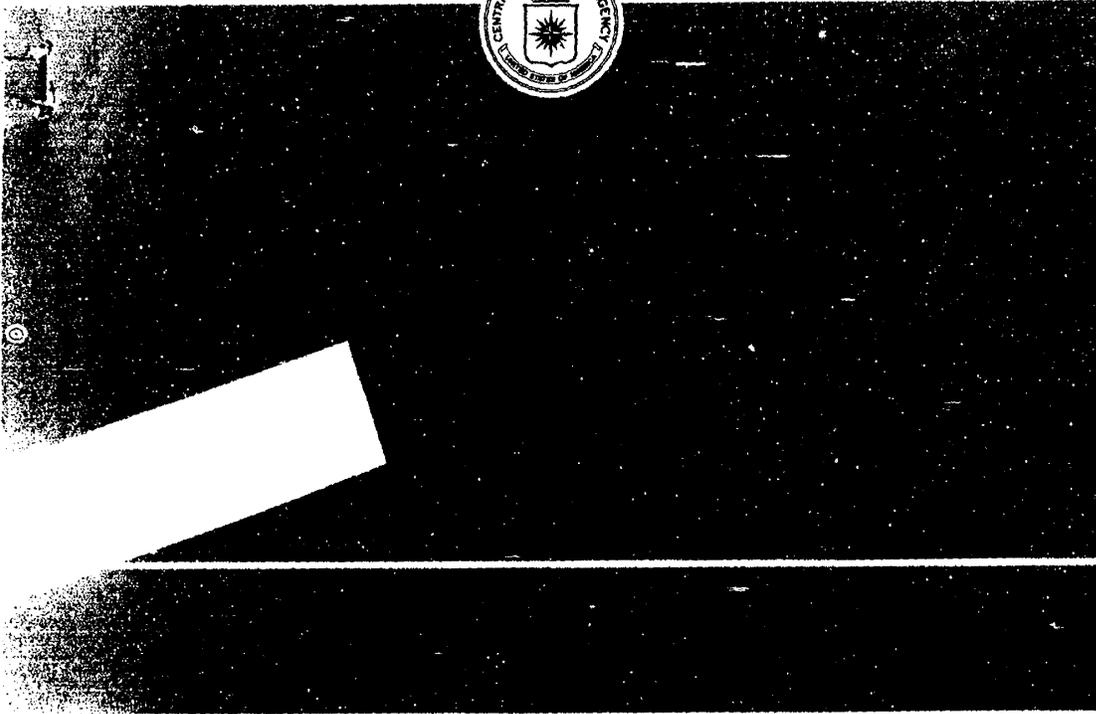
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APPROVED FOR RELEASE DATE:  
06-23-2010

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~~Top Secret~~**BALKAN CRISIS: Situation Report**

*Romania and Serbia are at loggerheads over Bucharest's enforcement of UN sanctions on the Danube River, while federal Prime Minister Panic may challenge Serbian President Milosevic in Serbia's presidential election.* [redacted]

**Serbian-Romanian Dispute**

Last Friday Romania detained a Serbian tug with 16 barges that were transporting petroleum products to Serbia [redacted]. Serbia retaliated the next day, detaining at least one Romanian tug and threatening to close its portion of the river to Romanian shipping. Nonetheless, Romania's sanctions enforcement is still inconsistent; last Thursday, Romanian customs officers turned back a Ukrainian river convoy but allowed a Serbian ship that ignored instructions and entered the locks several hours later to continue on to Serbia. [redacted]

**Comment:** Romania probably still lacks the political will to stop Serbian or Ukrainian river craft systematically. The Serbian boat that Bucharest did stop may have entered port of its own volition and been impounded there; Romania has prevented suspect ships from leaving port in the past. Bucharest, however, is under considerable pressure to tighten its sanctions enforcement and probably will not allow the detained oil barges to continue on to Serbia. If Serbia closes the locks on its side of the river or impounds Romanian ships, Romania probably will ask the international community for financial compensation and might request assistance in reopening its locks, which now are closed for maintenance or repairs. [redacted]

**Panic Candidacy May Challenge Milosevic**

Belgrade students on Sunday nominated federal Prime Minister Panic to oppose President Milosevic in the Serbian presidential election, which will occur along with federal elections on 20 December. Panic has not yet accepted the nomination but did sign their petition. Meanwhile, three members of Panic's cabinet, who are members of Milosevic's Socialist Party, resigned to protest the nomination, [redacted]. Electoral authorities said they will challenge Panic's qualifications on the grounds that he has not fulfilled the one-year residency requirement. [redacted]

**Comment:** Panic probably could not win; a recent poll shows a marked decline in his support, which is probably at least partly the result of the negative portrayal of him in the Milosevic-controlled media. According to the poll, Milosevic's standing has improved and he is now second only to federal President Cosic, who has decided not to run. [redacted]

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