

Intelligence Report

DCI Interagency Balkan Task Force

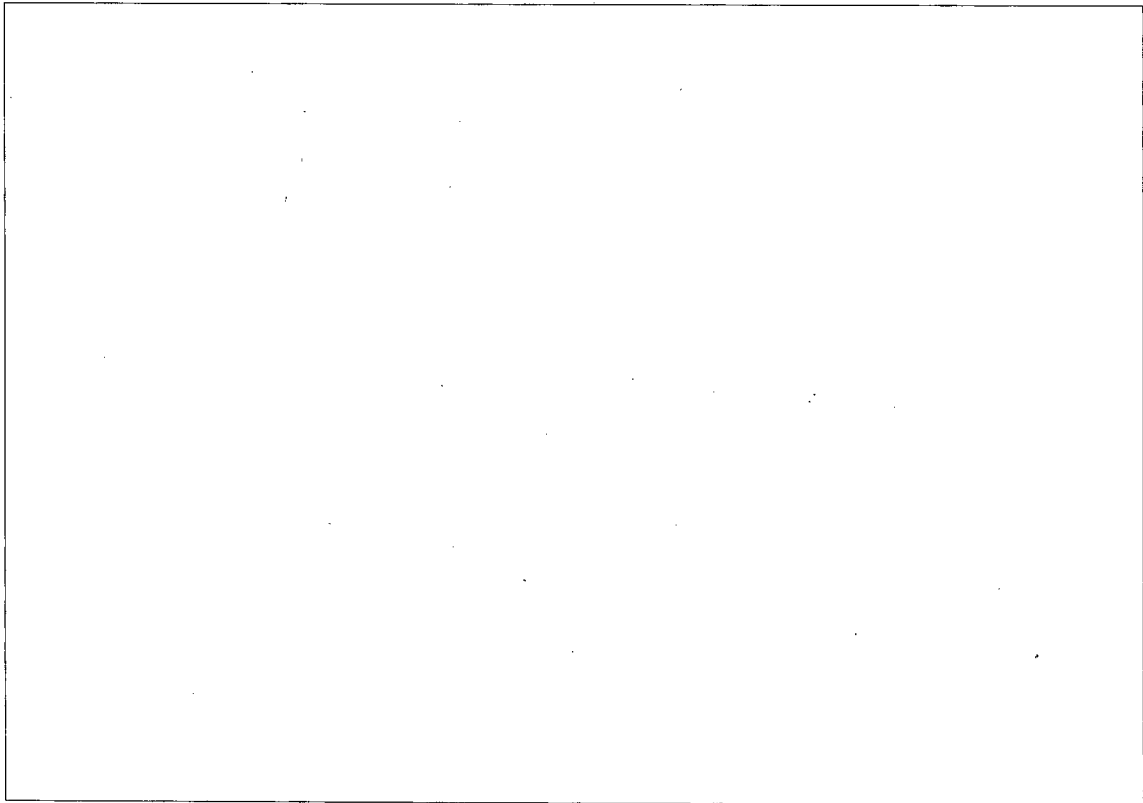
23 June 1995



Inter-Serbian Sanctions: Shortcomings in Serbian Enforcement Persist



Since the United Nations extended Belgrade's limited sanctions relief on 22 April, Serbia and Montenegro have not rectified the deterioration in enforcement observed in February and March.



President Milosevic has little incentive to further restrict support to the BSA or reduce economic ties to Bosnia.

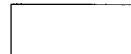
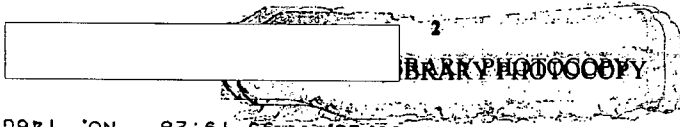
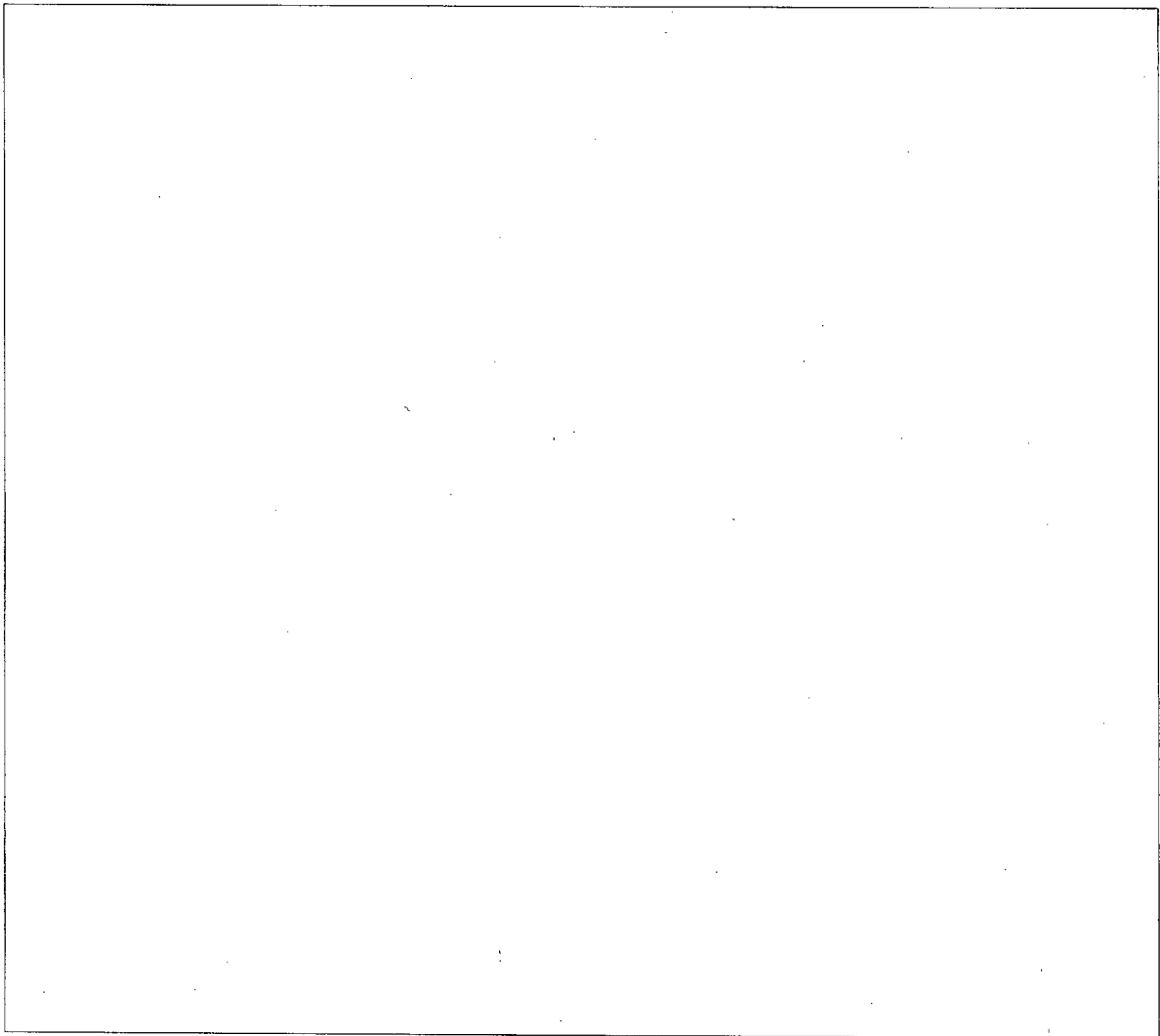
This memorandum was prepared by analysts of the DCI Interagency Balkan Task Force. The report was requested by Leon Fuerth, Assistant to the Vice President for National Security Affairs, to provide information on Serbia's sanctions against the Bosnian Serbs. Comments and queries are welcome and may be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



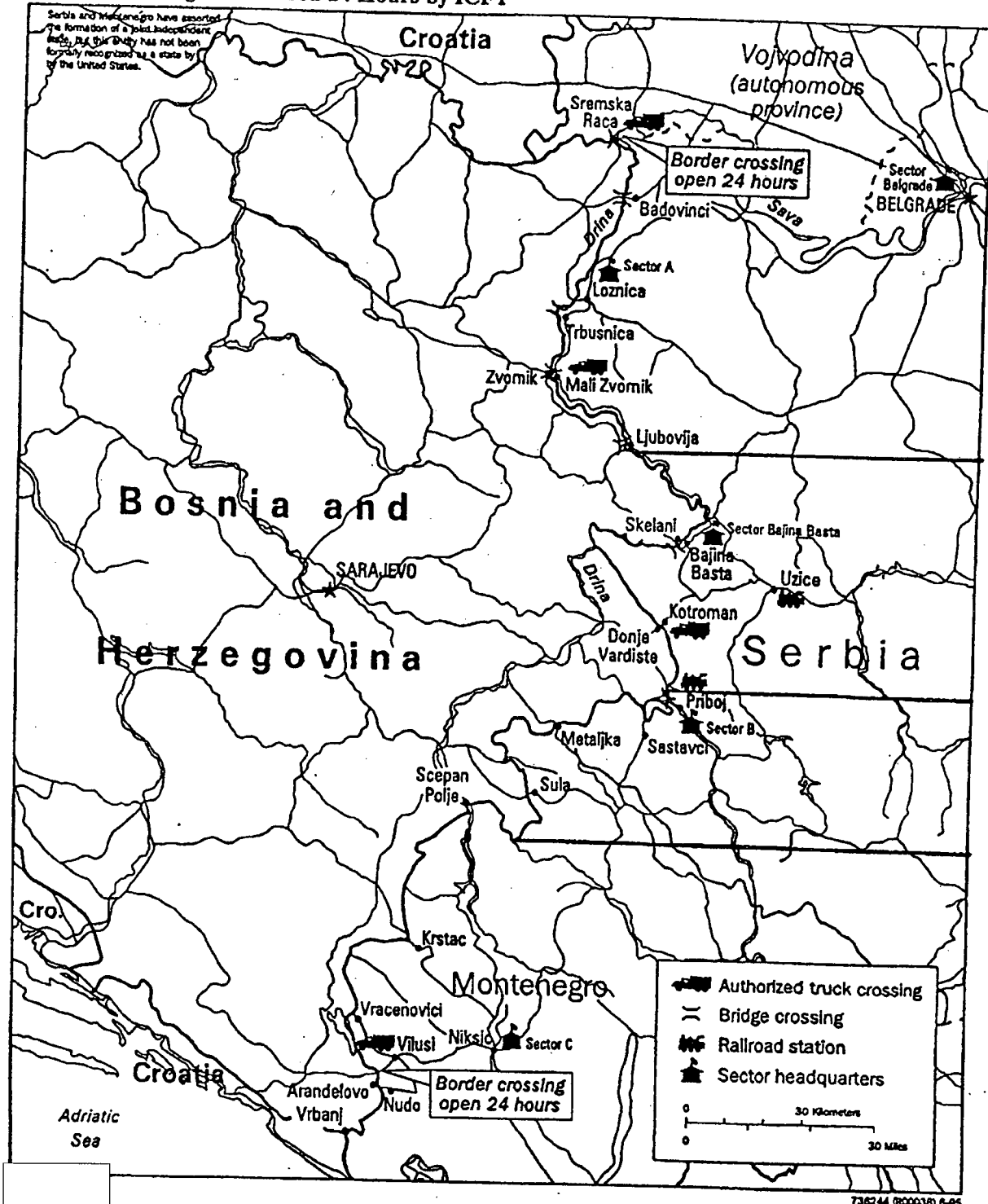


Update on Border Activity

Although overall Serbian and Montenegrin (FRY) trade with the Bosnian Serbs probably is below the level prior to Belgrade's imposition of sanctions in August 1994, persistent [redacted] reporting of prohibited shipments entering Bosnia indicates Belgrade's enforcement has not tightened since 22 April, leaving the deterioration in enforcement observed in February and March unaddressed. The "ant trade" of numerous automobiles, buses, and tractors crossing the 340-mile border daily appears to be a primary source of non-military violations. Although FRY border officials have confiscated some goods and arrested a few violators, ICFY's limited presence enables it to capture only a fraction of actual violations and most vehicles carrying small amounts of prohibited goods enter Bosnia largely unimpeded.

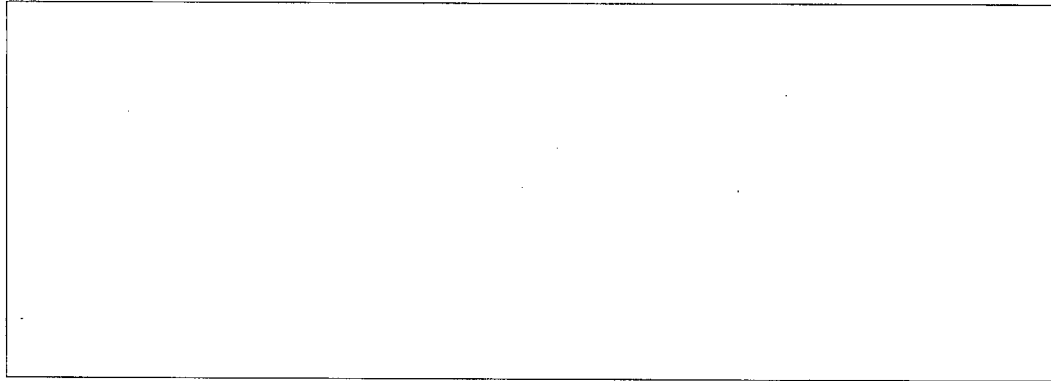
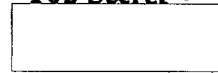


Border Crossings Monitored 24 Hours by ICFY



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The onset of good weather coincident with ICFY funding and staffing problems undercut the mission's already limited ability to monitor the border, increasing the chance that large violations occurred:

- Many back roads that were impassable during the winter opened at a time when the number of crossings monitored around-the-clock and the number of roving patrols decreased.
- Belgrade announced that some crossings will be open for extended hours this summer.
- Security threats forced the mission to withdraw about one-third of its personnel from the border for more than a week in early June and has further restricted monitors' ability to conduct patrols.

After having declined to about 110 members in April, well below ICFY's declared minimum acceptable level of 150 people, mission staffing has risen and is projected to reach 200 monitors by 1 July. *Even with 200 monitors, however, the mission would be unable to verify closure of a 340-mile border with 125 known crossings--most of which the monitors consider minor. ICFY probably needs 300-400 monitors to significantly increase its ability to assess Belgrade's enforcement of sanctions against Pale.*



Shortcomings and inconsistencies in FRY cooperation and enforcement continued to hamper the effectiveness of the ICFY mission. State Department reporting indicates that ICFY judges the level of overall cooperation is good and unchanged since 22 April, although it remains inconsistent. On several occasions, for example, FRY police cited jurisdictional problems when refusing to investigate apparent violations occurring within sight of border crossings.




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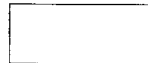
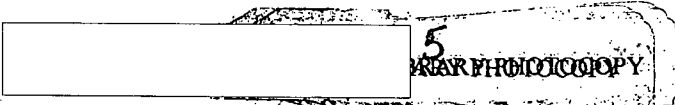
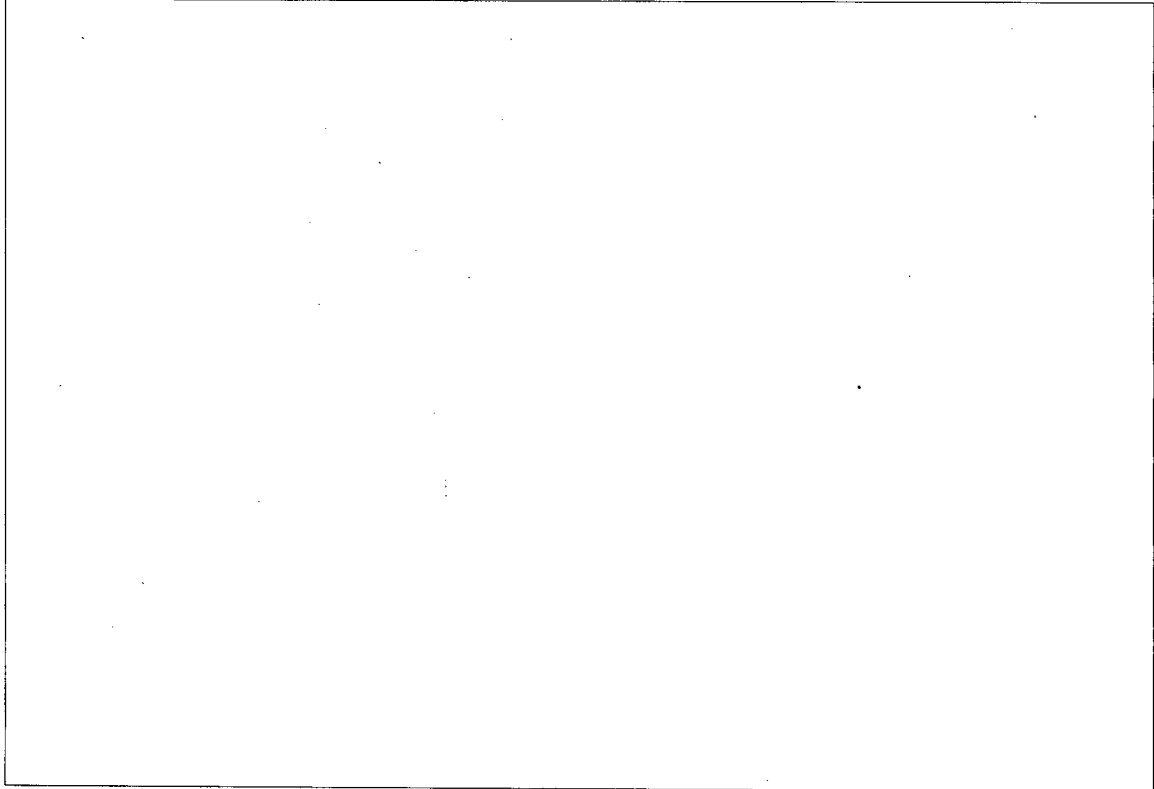


The "Back Door" via Croatia: Still Open

Despite the Croatian Sanctions Assistance Mission's (SAM) reports that Zagreb's renewed control over the Zagreb-Belgrade highway has ended Bosnian Serb use of the highway, Bosnian Serb imports continue via Croatia's Dalmatian Coast. SAM Croatia suspects that trucks entering Bosnia from the Dalmatian Coast support considerable trade between the Bosnian Croats and the Bosnian Serbs, according to US Embassy reporting. Moreover, many Croatian customs officers, unaware of the areas of Bosnia that are Serb controlled, allow trucks with commercial and humanitarian shipments to enter Bosnia that may be destined for Serb areas. Once inside Bosnia, these trucks are not effectively controlled. On several occasions, non-humanitarian goods, including military clothing, have been discovered on trucks entering Bosnia. SAM headquarters in Brussels estimates that SAM Croatia needs a staff of 250 people to achieve results comparable to the ICFY mission in Serbia. 

Ongoing Serbian Support for the Bosnian Serb Army

 reporting since late April provides mounting evidence that Belgrade continues to supply the BSA, *bolstering previous reports that indicated Serbian President Milosevic and VJ Chief of Staff Perisic, in particular, had agreed to provide support:*



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- The VJ continues to provide military intelligence to the BSA [redacted]

Serbian-Bosnian Serb Air Defense Systems: Linked But Autonomous

Although the Serbian and Bosnian Serb integrated air defense systems (IADS) are tied together, the relationship probably extends only to the exchange of early warning information and not to the authorization to fire weapons. Both countries have dedicated early warning facilities capable of monitoring their airspace, however, and authorization to engage aircraft with anti-aircraft weapon systems, such as surface-to-air missiles or anti-aircraft artillery, probably rests with each party's senior political and military leaders. Belgrade does not appear to have the authority to order an engagement in Bosnia or stop an engagement ordered by the Bosnian Serbs. [redacted]

There is also evidence that the Serbian Ministry of Internal Affairs (MUP) helps the VJ and Serbian military suppliers make shipments to the Bosnian Serbs:

- [redacted] the MUP continues to facilitate weekly shipments of 60-100 tons of munitions to the BSA.
- Supplies regularly are transported to Bosnia in autos or light trucks, according to military reporting.
- Since late fall 1994, the MUP has been assisting the FRY munitions firm Krusik--located in Valjevo and has Bosnian Serb personnel working at its plant--in supplying weapons and ammunition to the BSA. [redacted] A special program at Krusik produces weapons and ammunition that are shipped by truck to the BSA. The MUP prevents the ICFY monitors from detecting the truck shipments.

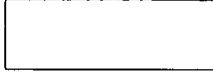
Beyond the supply of military goods, ongoing VJ-BSA meetings and contacts indicate that cooperation continues.

VJ-BSA contacts apparently extend down through the ranks. Many VJ officers maintain close ties to the BSA and believe that they have a duty to aid their former colleagues now fighting in Bosnia, according to military reporting. Although Mladic is often in Belgrade, mid-and low-level VJ and BSA officers are most frequently in

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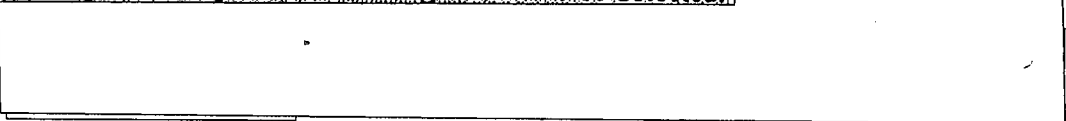


contact, according to US Defense Attache reporting. [redacted]
hundreds of soldiers in uniform transiting the FRY-Bosnia border since 22 April



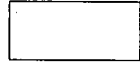
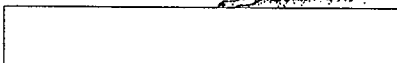
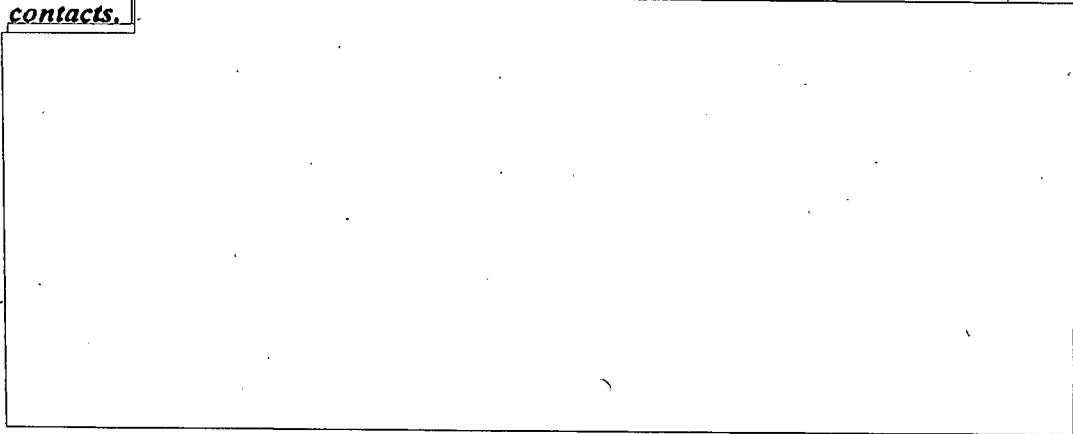
The Helicopter Investigation: Inconclusive

The ICFY investigation into the pre-April radar tracks suspected to be helicopter flights from Bosnia into Serbia proved to be inconclusive. Experts from Britain, France, Russia and the United States could not agree on whether the tracks were helicopters involved in cross-border violations or aberrations of the radar's signal. The problem was compounded because only one of the tracks was corroborated by either NATO AWACS aircraft or visual observers. Several of the tracks were highly suspect, but could not be confirmed. The confirmed trackings of helicopter flights were determined to have been authorized medical evacuation flights. The radar's orientation, however, was determined better suited for monitoring high-flying airliner traffic than slow-moving, low-flying aircraft. The mountainous terrain also limits monitoring operations. The investigation concluded that ICFY is neither equipped nor organized to monitor the airspace over the border. A lack of helicopter detections since the investigators arrived indicates either Belgrade has halted cross-border helicopter activity or it is occurring too low to be detected.



Pale's Military Procurement Efforts

The Bosnian Serbs also appear to make direct procurements from Serbian munitions suppliers--with Belgrade almost certainly aware of their business contacts.



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Separately, Pale is using a network of individuals in at least Greece and Cyprus to procure strategic imports, [redacted]

[redacted] The procurement ring appears to route shipments via Serbia and is establishing offices in Thessaloniki and Belgrade. [redacted]

Impact on the BSA

Despite the military aid Belgrade reportedly is supplying, the embargo appears to be exacerbating the supply, distribution, and financial difficulties the BSA faced prior to August. The BSA is overstretched and suffering from manpower, ammunition, fuel, and money shortages—which are eroding BSA morale. These problems have not, however, severely hindered the BSA's ability to defend its areas of control:

- **Manpower.** The number of new BSA conscripts continues to fall, and an estimated 170,000 young men have already fled to Serbia [redacted]. During a Mladic visit to Belgrade seeking assistance in early June, Milosevic agreed to deport Bosnian Serb males from Serbia to Bosnia [redacted].
- **Ammunition.** Mladic told the officer corps in late April to conserve ammunition [redacted] in mid-April that BSA artillery ammunition reserves, particularly for howitzers, were depleted [redacted]. An advisor to Mladic stated in May that the BSA also lacks raw materials to produce ammunition [redacted].
- **Fuel.** A Mladic advisor stated in May that BSA fuel supplies were adequate for defensive actions [redacted]. Mladic told the officer corps in late April that the BSA needed "more than a lot" of fuel, [redacted] Bosnian Serb forces on the front lines in western Bosnia are suffering extreme shortages of fuel and food [redacted].
- **Money.** [redacted] the BSA above all lacks money [redacted]. BSA troops have gone unpaid for 10 months.
- **Morale.** [redacted] as of April and May, morale in the BSA was at its lowest ever [redacted]. Salary problems are a primary reason for morale problems [redacted].

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Impact on the Bosnian Serb Economy

The Bosnian Serb economy has deteriorated significantly since August 1994, and Belgrade's embargo appears to have also accelerated a decline in the populace's standard of living. The populace has become increasingly dependent on the black market for consumer goods:

- [redacted] press indicate that Pale's economy is operating at or near subsistence. In late May, Bosnian Serb "President" Karadzic declared the economy cannot be strangled because the Bosnian Serbs are "peasants who can make their own food, weapons, and munitions" [redacted]
- [redacted] foodstuffs were readily available in Bosnian Serb territory in April, but inter-Serb sanctions had created cash shortages. [redacted] food prices in Bosnian Serb-occupied areas fell in 1994 from 1993 levels because of a shift of resources to farming and higher yields. [redacted]

Belgrade's blockade has hit Pale's industrial sector the hardest. Bosnian Serb imports of bulk raw materials and exports to and via Serbia appear to have been sharply curtailed. Shortages of petroleum products, and the money to pay for them, also have limited Bosnian Serb industry. Moreover, Belgrade's apparent ending of banking ties, limits on financial subsidies, and the drying up of domestic and foreign capital available to Pale has essentially ended domestic investment [redacted]

- The embargo has reduced many factories to operations at only 10-15 percent of capacity, caused the recent shutdown of several industries, and cut operations by the textile and wood processing firms in half to about 17 percent of capacity, according to press reporting. As priority sectors, however, the arms and the medical industries reportedly have maintained output near pre-embargo levels.
- [redacted] inter-Serb sanctions cut off Bosnian Serb banks from correspondent banks in Serbia. Because the Pale regime used the Serbian new dinar as currency, the regime now relies on hard currency-- mostly German marks--to conduct trade and pay smugglers. [redacted]

Pale has had only minor success in restructuring its economy in response to Belgrade's embargo and UN sanctions. Pale's efforts to centralize control over taxes and spending were rebuffed by local authorities and the leading taxpayers--businesses and profiteers [redacted] Many industries have oriented their limited production toward domestic, often wartime, needs. [redacted]

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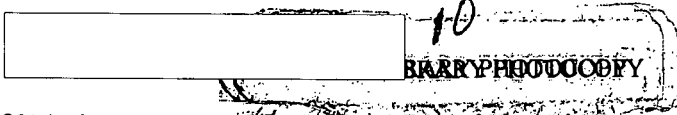
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Outlook

Serbian President Milosevic has little incentive to further restrict support to the BSA or reduce economic ties to Bosnia. Milosevic wants to use the embargo to pressure Pale but not seriously undermine the BSA's capabilities, particularly given rising tensions and fighting in Bosnia. Moreover, Belgrade's current enforcement posture has been sufficient to induce the ICFY mission to verify to Milosevic's compliance to the United Nations while still allowing him to aid the BSA using methods that ICFY has not detected. Milosevic probably also wants to use ongoing assistance to maintain influence with military and political leaders in Bosnia, facilitate any future assistance to the Krajina Serbs, and to ensure that the BSA does not sustain a major defeat.



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