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## Intelligence Memorandum

DCI Interagency Balkan Task Force

26 October 1995



### Serbia's Milosevic: In the Driver's Seat



*Slobodan Milosevic continues to dominate the political scene in Belgrade, largely through his skill at exploiting weaknesses in the political opposition and his close oversight of the Serbian media. In addition, he has gradually weeded out nationalists from state institutions--especially the Yugoslav Army--who could have put pressure on him to intervene militarily in Bosnia. As a result, he faces little domestic opposition to his goal of reaching a negotiated settlement to the conflict.*



- *Milosevic has positioned himself well to retain and possibly even increase his power if a settlement is reached, especially as long as his political opponents remain divided and ineffective.*
- *While Milosevic will benefit from a temporary economic boost after sanctions are lifted, he will face more serious challenges over the long run as he tries to keep the economy on track and permanently absorb large numbers of refugees.*

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### Still the Dominant Force in Serbian Politics

Serbian President Slobodan Milosevic is carefully controlling the tone and direction of domestic political debate as he continues steering towards a negotiated settlement of the Bosnian conflict and away from the strident nationalist rhetoric that marked his policy in the early 1990s. Indeed, so skillful has Milosevic been at reversing the public's former consensus for "Greater Serbia" that the recent military setbacks in the Krajina and western Bosnia have sparked neither an outpouring of ultranationalism nor even a serious public questioning of his peace policy.

- To a certain extent, Milosevic has benefited from the growing war-weariness of the Serbian public, who feel victimized by economic sanctions and unjustly accused of aggression by the international community, according to diplomatic reporting.
- More importantly, Milosevic has effectively undercut the influence of nationalist hardliners--especially among the political opposition--who have been unable to thwart his policies either in parliament or in the streets. [redacted]

Milosevic's ability to outmaneuver and intimidate his political adversaries has kept the opposition off-balance as various parties accuse one another of undermining attempts to coordinate the opposition's efforts and of working with--rather than against--Milosevic. Despite periodic appeals from political leaders for unity, Serbian opposition parties remain far apart on political strategy and show no sign of being able to agree on a common policy agenda in the near term.

- The US Embassy in Belgrade reports that most opposition parties--such as the government's former coalition partner, the ultranationalist Serbian Radical Party (SRS)--are unable to formulate policies that resonate with the public and remain hamstrung by ineffective organization and inadequate funding.
- As a result, Serbian voters tend to view the political opposition as disorganized and chaotic and prefer Milosevic to his closest political rival--ultranationalist SRS leader Vojislav Seselj--by a significant margin, even though many remain privately dismayed over recent Bosnian Serb military setbacks, according to diplomatic reporting and anecdotal evidence. [redacted]

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Milosevic also is moving to solidify his hold on the ruling Socialist Party (SPS) and sideline party officials with more nationalist views, according to embassy reporting. Many of the SPS nationalists also have objected to Milosevic's ongoing attempts to move the SPS closer to the Yugoslav United Left (JUL), a neo-Marxist political umbrella organization dominated by his wife, Mira Markovic.

- A long-simmering feud between Milosevic loyalists and SPS nationalists broke into the media in August when long-time SPS official Mihailo Markovic--a bitter political opponent of Mira Markovic--openly attacked the Serbian President at an executive board meeting for pushing for deeper SPS-JUL cooperation and failing to publicly comment on the loss of the Krajina.
- According to embassy reporting, Milosevic has papered over the dispute and is working to ease tensions within the SPS in order to defuse any ruling party conflicts that could make it more difficult to win ratification of a negotiated settlement. Nevertheless, Milosevic probably has only postponed--not cancelled--his plans to purge the SPS of his political opponents, US diplomats believe:

#### **Keeping a Lid on Dissenting Views...**

In large measure, Milosevic is able to tout his own policies and muzzle his political opponents through tight control of the state-run media, which focuses on the activities of the ruling Socialist Party (SPS) to the near exclusion of other political parties. For example, state-controlled Belgrade television--the only domestic station that broadcasts to the entire country--begins most newscasts with Milosevic's latest pronouncements on the peace talks, often followed by sound bites of high-ranking European and US officials praising the Serbian president for his "key assistance" in negotiations.

- After Krajina Serb forces were defeated in August, Milosevic successfully deflected nationalist criticism of his refusal to intervene militarily by using the state-run media to underscore that the Krajina was lost because its leaders refused to negotiate. The Belgrade press, for example, extensively quoted Krajina refugees who emotionally blamed Krajina and Bosnian Serb officials for having failed to heed Milosevic's advice and seek a political settlement.

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[redacted]**The Ministry of Internal Affairs: Milosevic's Enforcers**

According to a variety of reporting, President Milosevic has tasked the Ministry of Internal Affairs (MUP) and its various security forces with enforcing conformity with his policy and intimidating political opponents. Indeed, the MUP's security services are said to be particularly successful at infiltrating dissident groups by using a wide network of collaborators.

- [redacted] in 1994 Milosevic ordered the MUP to investigate banks and private and state-run businesses, as well as the activities of private citizens, in order to identify and stop any business ventures that could disrupt Serbia's economic stabilization program.
- The MUP's second priority is to monitor the activities of opposition parties and of ethnic minorities in Vojvodina and Kosovo. US diplomats have reported that the MUP is believed to be behind the numerous death threats against journalists and intellectuals who criticized the regime or were not ethnic Serbs.
- The MUP also runs counter-intelligence operations within Serbia. State security police [redacted] arrested several Army officers last March and accused them of spying for Croatian intelligence--although this may have been done partly for intimidation purposes. [redacted]

Milosevic has increased the MUP's budget and salaries over the past three years--often at the expense of the VJ--in an effort to ensure its loyalty [redacted]

[redacted] The Serbian President also has turned a blind eye to the MUP's reported involvement in black marketeering and its close ties to organized crime. US diplomats report, for example, that MUP customs officials deliberately overlook the contraband and drug-smuggling activities of gangs in exchange for organized crime assistance in making back-channel hard currency transactions for the Serbian Government. [redacted]

- Opposition politicians enjoy only limited access to television or discover that their hard-won broadcast time is beset by "technical difficulties." Earlier this year, televised coverage of a parliamentary debate on a no-confidence vote in the SPS government mysteriously blacked out when the ultra-nationalist Seselj began to speak, according to embassy reporting.
- A variety of reporting also indicates that the government keeps a close eye on the media's coverage of dissenting political views either by direct intervention--naming a Milosevic loyalist as director of state-run television, for example--or through more subtle pressure. An

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independent news magazine in Belgrade recently found itself faced with prohibitively high printing fees after it published several satirical articles lampooning the SPS, US diplomats report. [redacted]

### **...And Sideline Nationalists in State Institutions**

Over the past three years Milosevic has orchestrated a gradual and systematic "cleansing" of state institutions and local administrations, removing key officials who sympathize with the nationalist opposition and replacing them with SPS loyalists. The government also has passed legislation that reduces the autonomy of some state structures and brings them under more direct control of the Serbian assembly.

- According to diplomatic reporting, the Milosevic government's efforts to tighten political debate has extended to a wide range of scientific and cultural institutions in Serbia. The government's efforts to bring the university system in line is a case in point. In order to curb the nationalist tendencies of student voters and professors, Milosevic reportedly stacked university governing boards with pro-government officials who ensure that university policies and student activities conform with SPS views.
- Although opposition groups and intellectuals have openly criticized Milosevic for clamping down, their protests have failed either to spark public interest or force the government to retreat. [redacted]

In the military as on the political front, Milosevic has moved to stifle his opposition. He has tightened defense spending as a way of keeping the once vocally ultranationalist Yugoslav Army (VJ) on a short leash and bringing VJ commanders in line--at least publicly--in support of negotiations.

- The VJ must rely on government funding to provide pensions, benefits, and strategic defense imports, US officials report, since international sanctions have dried up revenue from the lucrative arms exports that once provided the VJ an independent source of income. Milosevic reportedly has given occasional raises to the VJ officer corps in an attempt to boost morale, but has allowed the overall level of defense funding to lag behind the inflation rate. [redacted]
- At the same time, [redacted] over the past year Milosevic has purged the VJ of senior officers with nationalist views or who have failed to show adequate public support for forcing the Bosnian Serb political leadership to the negotiating table. [redacted]

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### Economic Challenges On the Horizon

Milosevic has been able to weather three years of international sanctions through a combination of political maneuvering, intermittent sanctions busting, and an economic stabilization program that has brought hyperinflation under control and managed to slow, but not halt, the country's economic decline. According to US diplomatic reporting, most Serbians have resigned themselves to enduring sanctions and tend to blame the international community for Serbia's poor economic conditions, rather than Milosevic himself. [ ]

As a result, Milosevic faces surprisingly little domestic pressure to achieve an immediate end to sanctions. However, he probably remains worried that his political opponents may try to exploit the country's poor economic prospects and turn his failure to achieve sanctions relief into a more critical domestic issue.

- The outlook is somber for the Serbian economy, which has been weakened by decades of economic mismanagement, in addition to UN restrictions.<sup>1</sup> Statistics from independent Serbian economists indicate that GDP has plunged 55 percent since 1989, with some 40 percentage points of the decline taking place after the UN imposed a trade embargo and asset freeze in 1992.
- In addition, persistently high inflation--at least 100 percent annually--and widespread unemployment continue to plague the economy. The Serbian Trade Minister estimated this summer that UN sanctions have thrown half the labor force out of work, according to Belgrade press accounts. While many of the unemployed probably augment their jobless benefits by working in the black and grey markets, living standards for most Serbians have plummeted. [ ]

At the same time, Milosevic must look for ways to absorb nearly half a million displaced ethnic Serbs--now some 4 percent of the country's population--who have fled to Serbia since 1992. Serbian officials have told US diplomats that the influx in August of some 165,000 Krajina Serb refugees has strained the country's resources, even with foreign humanitarian assistance. Moreover, most refugees are unlikely to return to their homes unless the international community guarantees their safety in Croatia or Bosnia, according to embassy reporting.

- The Serbian Institute for Development claimed in August that \$200 million--about two percent of the country's GNP, according to CIA

<sup>1</sup> Please see Intelligence Report [ ] "Serbia: UN Sanctions Hobble the Economy", 21 July 1995, for a more detailed assessment of the impact of sanctions on the Serbian economy. [ ]

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estimates--will be needed to provide minimum sustenance for the Krajina refugees alone. In addition, construction costs for providing new housing could reach \$287 million, if the UN is accurate in assessing that only 30 percent of refugees have found lodging with relatives or friends.

- While Milosevic has taken steps to reduce the number of displaced Serbs--most recently by sealing the Serbian border during the Croatian-Bosnian offensive--he probably will be faced with a new influx of refugees if Sector East reverts to Croatian control.

### **Milosevic: Likely to Remain at the Helm**

Milosevic has thus far successfully restricted the maneuvering room for Serbian expansionists and muffled the nationalist voices that could have thrown roadblocks in his path toward negotiations. Milosevic's efforts to contain the opposition should assist him in any post-settlement period, when the country probably will begin to focus on domestic economic and political issues to a greater extent.

- Milosevic is in a good position to remain the strongest politician in Serbia, even though his negative ratings have risen over the past year. While only one-third of Serbian voters tell pollsters they trust the president, most probably will remain convinced that there is no credible alternative to his regime as long as the opposition remains splintered and its leadership ineffective.
- Moreover, Milosevic probably can count on the support of the Socialist Party hierarchy, despite some opposition from nationalist quarters. Judging from their past actions, most SPS officials are likely to put career interests ahead of ideological principle and will back Milosevic, regardless of any private misgivings they may have over his abandonment of nationalism.

In the short term, Milosevic almost certainly will try to tout the economic advantages of a settlement to help overcome latent public resentment--particularly from refugees--over Serb defeats in Bosnia and the Krajina. Milosevic probably is banking that an end to the UN sanctions will temporarily boost the economy and enhance his standing with voters.

- Indeed, if the country's economic prospects improve, he may well be tempted to call early elections in the hopes of winning an SPS majority in the Serbian assembly. While the legislature's term does not expire until 1997, Milosevic can call for a snap election by engineering a

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parliamentary impasse--a stratagem he last used in December 1993.

Nevertheless, over the long run Belgrade's main challenge will be to rebuild an economic infrastructure that has been significantly weakened by the UN embargo.

- Milosevic probably will maintain state control over the economy at least initially--a policy that is likely to make Serbia less appealing as a location for investment than other former East Bloc countries that are moving toward market economies. However, Milosevic could change course and allow some market reforms if he believes that such a policy is necessary to get economic assistance.
- In addition, the Serbian President almost certainly will ask for international assistance to help defray the high capital costs of absorbing ethnic Serb refugees. Belgrade already receives substantial assistance for food and sustenance, but will need additional funds to provide housing and additional infrastructure.

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