

**SERBIA'S TRANSITION:
REFORMS UNDER SIEGE**

21 September 2001



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SERBIA'S TRANSITION: REFORMS UNDER SIEGE

EXECUTIVE SUMMARY

The 3 August 2001 murder of former State Security (DB) official Momir Gavrilovic acted as a catalyst for the emergence of a long-hidden feud within Serbia's ruling DOS (Democratic Opposition of Serbia) coalition. Inflamed by Yugoslav President Vojislav Kostunica's closest advisers, the 'Gavrilovic Affair' has driven a wedge into DOS that could spell the end of the coalition in its present form. In so doing, Kostunica's Democratic Party of Serbia (DSS) has been exposed more clearly than before as a conservative nationalist party intent on preserving certain elements of the Milosevic regime.

The open quarrel may force entirely unnecessary elections that could prove harmful to the reform process. The crisis is also likely to block the already slow work of the Serbian parliament in its current session. At the same time, it has presented the government with a clear opportunity to make its work more transparent and accountable.

Kostunica's DSS led the attacks against a group of reform-oriented, relatively pragmatic politicians centred mostly around Serbian Premier Zoran Djindjic and his Democratic Party (DS). The severity of the DSS attack dealt a heavy blow to the coalition and changed the face of Serbian politics. Although the two sides may soon patch up their differences, the fallout from the events surrounding the 'Gavrilovic Affair' will be widespread and could affect the pace and extent of political and economic reforms, as well as Yugoslavia's cooperation with the international community and its neighbours. So too the lack of civilian control over the Yugoslav Army (VJ) has become more apparent. In regional terms, at stake

in the current struggle within DOS are the continuation of FRY funding for the Army of Bosnia's Republika Srpska, Belgrade's stance towards UNMIK, and the question of further cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTY).

Since the nineteen-member DOS coalition defeated the regime of former Yugoslav President Slobodan Milosevic in the September and December 2000 elections, internal DOS rivalries and disputes have hindered Serbia's reform process. The pro-reform faction centred around Djindjic, while the more conservative and nationalist elements grouped around Kostunica. The differences seemed manageable until Gavrilovic's murder, but since then, political feuding triggered by the murder has shaken the foundations of the governing coalition and exposed Kostunica and the DSS as significant obstacles to continued reform.

Hoping to support the emergence of democracy in Yugoslavia, the international community has rushed to accept Kostunica. But apart from the arrest and transfer of Slobodan Milosevic to The Hague, international leverage on Yugoslavia to comply with international goals for regional stability and peace has been manifestly ineffectual.¹ The DSS has yet to formulate a vision of a modern economy or society, except in terms of state-building and nationalist goals that are unlikely to deliver either internal development or regional stabilisation. Since early August, the DSS has tried to force early (and quite unnecessary)

¹ See ICG Balkans Report No.112, *A Fair Exchange: Aid to Yugoslavia for Regional Stability*, 15 June 2001.

elections; dealt what could have been a terminal blow to the DOS coalition; brought a number of other reform initiatives into question; and emerged as protectors of Milosevic's legacy in several essential respects. Even now, the DSS is – under the guise of legalism – pushing measures that could lead to an increase in regional organised crime, cigarette and petroleum smuggling, and worsened relations with UNMIK.

In sum, the 'Gavrilovic Affair' has thrown the problems involving reform, elections, and the fate of DOS into newly sharp relief. This report describes the affair, puts it in context, and examines its implications in the light of international community priorities for Serbia, FRY and the region.

RECOMMENDATIONS

1. If the international community seriously wishes the Federal Republic of Yugoslavia to continue down the path of democratic reform, it should examine the role that President Kostunica is playing, as well as his party's platform and positions on key issues such as economic reform, judicial reform, social reform, cooperation with the ICTY, support for Republika Srpska and its military, support for Serb-run 'parallel structures' in northern Kosovo, the effective functioning of the federal state, and the role of the Yugoslav military (VJ) in political life.
2. There should be a reappraisal in particular of the options for pressuring President Kostunica to move positively on the following issues:
 - a) removal of General Pavkovic from his post as Chief of General Staff of the VJ;
 - b) re-entry of the DSS to the Serbian government;
 - c) preservation of the DOS coalition until at least the middle of 2002;
 - d) postponement of the Serbian elections until at the very earliest the late autumn of 2002 (to enable reforms to get on track);
 - e) a public declaration of support for cooperation with the ICTY;
- f) use of his prestige within the federal government to get the law on cooperation with the ICTY adopted, and to ensure practical cooperation with the international mission in Kosovo.
3. The international community should pressure President Kostunica and Premier Djindjic to distance themselves from prominent individuals associated with the Milosevic regime and its cronies.
4. The international donor community should urge President Kostunica to take an unequivocal public stance supporting the difficult economic, social and judicial reforms required by donors and desperately needed by Serbia.
5. The international community should support the DSS's call for increased transparency and accountability within the Serbian government.
6. The international community should express concern at the DSS's call to revoke three administrative decisions affecting revenue collection in Kosovo and petroleum imports to Serbia, as their revocation would reduce revenue flows to the Serbian government and UNMIK, and increase organized criminal activity.
7. Given that no political party or coalition can be expected to make Serbian society face up to its own responsibility for the atrocities and suffering of the past decade, the international community should support other groups in civil society that are better able to foster the values of truth and reconciliation. For without these values, the reform process will not take root.

Belgrade/Brussels, 21 September 2001



SERBIA'S TRANSITION: REFORMS UNDER SIEGE

I. INTRODUCTION

A. THE GAVRILOVIC CASE: NOT JUST ANOTHER BELGRADE MURDER

Politically, August 2001 should have been a slow month. Much of the country – President Kostunica included – was holidaying on the beaches of Montenegro or in the mountains, while Serbian Premier³ Zoran Djindjic was visiting the United States in an effort to drum up investment. Instead, it became the hottest month of the political year.

Around 22:15 on 3 August, a warm Friday evening, unknown assailants gunned down Momir Gavrilovic on the asphalt of a parking lot in New Belgrade. He was hit four times in the head and three times in the chest by bullets from a 7.65mm 'scorpion' machine pistol and died on the spot. The murder went largely unreported until Monday, 6 August, and even then warranted only routine coverage. To a city and country hardened by a decade of gangland retaliations, political assassinations and war, it appeared to be just another murky Belgrade killing for which nobody, in all likelihood, would be arrested.

The crime came to national attention only five days later, when the daily *BLIC* published a sensational story claiming that Gavrilovic – a former member of Serbian State Security (DB) – had visited Kostunica's office on the morning of 3 August to meet with some of the president's 'closest

advisers'.⁴ The meeting – reportedly not Gavrilovic's first with members of Kostunica's cabinet – lasted around two hours, and included discussions that allegedly implicated the highest officials in Djindjic's republic government of involvement in organised crime.

President Kostunica's advisers subsequently claimed that Gavrilovic had provided documentary evidence of corruption, even naming names. Gavrilovic is also supposed to have claimed that the republic government was involved with the 'Surcin mafia'.⁵ By implication, the reason for Gavrilovic's death was his visit to Kostunica's cabinet to turn over evidence, and Djindjic and his allegedly 'criminal' allies stood behind the murder.⁶

B. THE DSS BIDS FOR POWER

One of Kostunica's 'closest advisers' had, it emerged, leaked the story to the press, evidently to discredit Djindjic. It was no secret that the Democratic Part of Serbia (DSS) had long been unhappy with its position in the Serbian government. Since January 2001 it has been the most popular party in Serbia, due largely to Kostunica's personal standing and the national penchant for voting for the party in power. Even so, the DSS held only one portfolio in the republic government, the ministry of health, in the hands of Obren Joksimovic, and one deputy premiership (Aleksandar Pravdic). The reason was simple:

³ Serbia does not *de jure* have a premier. Rather, Djindjic is officially president of the government. ICG has followed standard Serbian usage in rendering this title as 'premier'.

⁴ 'Gavrilovic dao dokaz o sprezi vlasti i mafije', *Blic*, 8 August 2001.

⁵ The Surcin mafia is a well-organised criminal gang that is allegedly engaged in organised car thefts in Germany.

⁶ 'Vreme potroseno na razracunavanje u DOS-u', *Danas*, 9 August 2001.

prior to the elections, DOS members had agreed how to divide ministerial seats, and some of the larger parties – including DSS – had made sacrifices to ensure that the smaller parties in DOS were represented. Another complicating factor was that the DSS lacked (and still lacks) qualified and competent individuals capable of assuming government responsibility.

Without control of such key ministries as finance, interior and justice, Kostunica proved unable to control Serbia's State Security (DB), the police, the judiciary, or the revenue flows of the republic government. The DSS had been pushing for a restructuring of the government, hinting that it wished to see Interior Minister Dusan Mihajlovic and Justice Minister Vladan Batic replaced by DSS candidates.

Before June 2001, the DSS appeared content to push for these goals within the framework of DOS, although occasionally remarks would slip into the media, attacking government policies indirectly. For the DSS the final straw was Djindjic's success in thwarting the party's efforts to block Slobodan Milosevic's transfer to The Hague on 28 June. From that point, the DSS has waged a media campaign against Djindjic and those responsible for the transfer, such as Mihajlovic and Batic, often finding an ally in the maverick mayor of Cacak, Velimir Ilic.⁷ The president's camp began to attack on the one issue where the public viewed Djindjic as highly vulnerable: corruption and underworld connections.⁸ Various members of DSS claimed that crime was rampant, the judiciary was not reformed, and that mafia activity was on the increase, aided in part by high-ranking officials in the Serbian government. Yet even at this time, the DSS – although urging reconstruction of the government – did not call publicly for the removal of any ministers. Rather, it stated that it would be satisfied with the creation of additional ministries.⁹

⁷ 'Velja Ilic postaje potpredsednik Vlade', *Glas javnosti*, 5 August 2001.

⁸ Subsequent opinion polls were to reveal that a majority of the Serbian public felt that corruption was a serious problem. 'Korupcija ozbiljan problem', *Danas*, 18 August 2001.

⁹ 'Rekonstrukcija vlade dodavanjem ministraskih mesta', *Radio B92*, 3 August 2001. See also 'Sami: DSS nije licitirala brojem mandata u vladi', *Radio B92*, 6 August 2001.

After the Gavrilovic killing and the subsequent allegations, however, the gloves came off and a heated battle began in the media. Kostunica interrupted his vacation on 9 August to claim on national television that the country was overrun with criminal activity.¹⁰ He then resumed his holiday, where he officially remained throughout much of August and the ensuing political battle.

In response to Kostunica's speech, Batic and Serbian Deputy Premier Zarko Korac openly called on the federal president to state openly whether or not the Serbian government and its 'criminal activities' were suspected of responsibility for the murder. They stated that Kostunica should turn over any information regarding the murder to the public prosecutor. Batic went further, accusing Kostunica's advisers of criminal libel and spreading false information by accusing the government of responsibility.¹¹ Djindjic, who had been in the U.S. with Bill Gates to arrange both a private US\$ 10 million aid package for Serbia's schools and a potential Microsoft investment in Serbia, cut short his trip and flew home.¹²

At this point both sides became embroiled in a full-scale media war, with charges and counter-charges flying fast and thick.¹³ On 10 August the public prosecutor raised the stakes by officially seeking evidence from Kostunica and his cabinet regarding the Gavrilovic murder.¹⁴ At the same time, Federal Minister of Interior Zoran Zivkovic called into question Gavrilovic's actions, asking why he had not taken his information to the public prosecutor.¹⁵

From the outset some inside DOS tried to downplay the charges, calling for unity.¹⁶ These calls were in vain. Some of the sharpest attacks from the DSS camp came from Aleksandar Tijanic, a well known journalist who served Milosevic as

¹⁰ 'Kostunica: Pokojni Gavrilovic je bio u mom kabinetu', *Radio B92*, 9 August 2001.

¹¹ 'Nastavak hajke na vlast', *Danas*, 10 August 2001.

¹² 'Djindjic: Majkrosoft otvara predstavništvo u Beogradu', *Radio B92*, 9 August 2001.

¹³ 'Vesic: Kampanja protiv demokratskih vlasti', *Danas*, 11 August 2001.

¹⁴ 'Tuzilastvo trazi vise informacija', *Blic*, 11 August 2001.

¹⁵ 'Zoran Zivkovic: Logicnije bi bilo da je Gavrilovic otisao u tuzilastvo', *Danas*, 11 August 2001.

¹⁶ 'Ivan Andric, GSS: Moramo ostati zajedno', *Blic*, 13 August 2001.

Minister of Information in 1996 and now advises Kostunica.¹⁷ For example, Tijanac accused the DS of running death squads.¹⁸ He in turn was accused by Federal Interior Minister Zivkovic of being 'a medical phenomenon, because he is the man who has been in puberty the longest.'¹⁹

On 13 August, the Kostunica cabinet sent the notes of the Gavrilovic meeting to the public prosecutor, who immediately announced what many had suspected: that they contained no mention whatsoever of corruption or Serbian government involvement in criminal activities.²¹ The following day, Tijanac was identified as the source of the original leak to *BLIC*.²² In short, the entire affair was exposed as a hoax.

C. NEW ELECTIONS?

Nevertheless, the DSS proceeded to raise the stakes on 14 August when Tijanac stated publicly that new elections were the only solution to the current crisis.²³ Apparently the DSS strategy was to call for a vote of no confidence in the Serbian government and hold new elections at the earliest opportunity.

The Serbian Parliament has 250 deputies, of which 177 belong to DOS, the remaining 73 being divided among the Socialist Party of Serbia (SPS), the Serbian Radical Party (SRS), and the Party of Serbian Unity (SSJ).²⁴ To raise the 126 votes

needed for a no-confidence vote, the DSS would have to ally with the SPS, SRS and SSJ, and pick up an additional eight votes from among the other members of DOS.²⁵ The most likely candidates appeared to be Velimir Ilic's New Serbia party (NS) or Momcilo Perisic's Movement for a Democratic Serbia (PDS). Also, it appeared as if some of the regional parties from Vojvodina might be tempted to defect.

The DSS's chances of getting Perisic's support were quickly dashed, when he announced that 'the destabilisation of the republic government is an introduction to anarchy'.²⁶ So too it appeared that Djindjic would be able to mollify the Vojvodina parties at an upcoming DOS presidency meeting called by Nenad Canak, speaker of the Vojvodina parliament, and scheduled to be held in Novi Sad, the capital of Vojvodina on 23 August. The only topic on the agenda for this meeting was Vojvodina autonomy. It was expected that Djindjic and the remainder of DOS would offer the Vojvodinians the long-sought restoration of their provincial autonomy. There remained only Velimir Ilic, whose constant attacks on corruption seemed to align him with Kostunica's faction.²⁷

In the mean time, the DOS presidency had not met to discuss the crisis. The press speculated that Kostunica may have attempted to delay a meeting, perhaps in an effort to pull together a parliamentary majority for a no-confidence vote.²⁸ In any event, the coalition was obliged to wait until Kostunica and other DSS officials had returned from vacation before scheduling a meeting.²⁹

D. THE DSS LEAVES THE GOVERNMENT

By 17 August, the DSS had decided to pull out of the Serbian government and other public offices. The party had already formed its own parliamentarians club in protest at the Milosevic transfer. Now the two DSS members of the

¹⁷ Apart from his stint as a minister, Tijanac has been a professor at the Karic Brothers University and editor-in-chief at Karic Brothers Television (BKTV), founded and financed by the notorious Milosevic-era cronies and profiteers, who have come under attack from the reform elements in DOS for the manner in which they amassed their fortune over the past thirteen years. The Karic holdings are currently subject to a court order to pay millions of Dinars in unpaid back taxes.

¹⁸ 'Ko vlada eskadronima smrti?' *Blic*, 13 August 2001.

¹⁹ 'Polemika koja sluti na los kraj', *Danas*, 16 August 2001.

²⁰ 'Ko vlada eskadronima smrti?' *Blic*, 13 August 2001.

²¹ 'Dostavljene beleske, o dokazima ni pomena', *Danas*, 14 August 2001.

²² 'Dostavljene beleske, o dokazima ni pomena', *Danas*, 14 August 2001.

²³ 'Tijanac: Izbori jedino resenje za krizu', *Danas*, 15 August 2001.

²⁴ The SPS is Slobodan Milosevic's ex-communist political party. The SRS is Vojislav Seselj's nationalist fascist party. The SSJ was founded by the late war

criminal and underworld figure, Zeljko Raznjatovic 'Arkan', and maintains an ultra-nationalist orientation.

²⁵ 'Najmanje 126 poslanika potrebno za rusenje kabineta', *Danas*, 21 August 2001.

²⁶ 'Destabilizacija republicke vlade uvod u anarhiju', *Danas*, 16 August 2001.

²⁷ 'Odmah prekinuti s korupcijom', *Blic*, 18 August 2001.

²⁸ 'Kostunica koci sastanak', *Danas*, 18 August 2001.

²⁹ 'Sednica DOS kad se Kostunica vrati sa odmora', *Danas*, 18 August 2001.

government, Health Minister Obren Joksimovic and Deputy Premier Aleksandar Pravdic, would also leave. Nevertheless, the DSS claimed it would stay in DOS.

Djindjic challenged the DSS to withdraw from the coalition, stating that whoever was against the government should 'go into opposition'.³⁰ In effect, Djindjic was daring Kostunica and his party to align themselves with the SPS and SRS. At the same time he called for the issue to be settled through direct talks among members of the DOS presidency, instead of through the media. The head of the DOS parliamentarians club, Cedomir Jovanovic, stated that the DS would stand firmly behind Mihajlovic and Batic.³¹ President Kostunica remained on vacation.

The DSS continued to apply pressure. The speaker of the Serbian parliament, DSS Vice-President Dragan Marsicanin, responded by stating that a vote of no-confidence to bring down the government was theoretically possible, and were this to happen, the DSS would almost certainly decline to join a reconstructed government. He was backed by Dejan Mihajlov, head of the DSS parliamentarians club, who took an even firmer stand, saying 'elections are the only solution'.³²

Throughout the crisis the Civic Alliance of Serbia (GSS) attempted to calm tensions. GSS leader and Yugoslav Foreign Minister Goran Svilanovic suggested that all parties – the DSS in particular – should cease squabbling in public, sit down together and place their arguments regarding corruption on the table. Svilanovic also pointed out the negative effects the government crisis was having on the economy, relations with Montenegro, and the ability to maintain the Yugoslav federal state.³³ The DSS ignored him.

E. STALEMATE

By the third week in August, it was apparent that the Djindjic-led coalition in DOS was winning not only the media battle, but the struggle for public opinion. By and large the populace was far more

worried about looming telephone and electricity tariff increases, a perceived decline in the standard of living, the closure of unprofitable state-owned firms, layoffs due to privatisation, and whether the newly introduced religious instruction was to be mandatory or elective in this school year. The struggle inside DOS seemed far removed from their day-to-day needs, and many citizens felt it was endangering international donor aid. Some, too, felt it was a DSS ploy that signalled the beginning of an election campaign. Kostunica's inability to adduce concrete proof against Djindjic and the Serbian government began to make the DSS look as if it were engaging in a power grab.³⁴ The fact that the DSS began immediately afterwards to place campaign billboards throughout the country supported this impression.

So apparent was this public mood that on 21 August, Batic declared the Serbian government had won the struggle, and as such had no need to reorganise itself.³⁵ Perhaps sensing the shift in atmosphere, the DSS stated that it might possibly re-enter the government, provided extensive restructuring occurred.³⁶ The respected governor of the National Bank, Mladjan Dinkic weighed in that new elections were not the solution, and that the withdrawal of the controversial Joksimovic was positive.³⁷ Meanwhile the DSS continued to attack Mihajlovic and Batic.³⁸

On 21 August, Nenad Canak from Vojvodina claimed that the VJ and the Republika Srpska Army (VRS) had planned a military coup in Serbia for 20 August. The alleged coup was to have been carried out under cover of joint manoeuvres. According to Canak, only prompt action by the international community had prevented the coup. He then challenged Kostunica to explain to the Serbian people what he was attempting to achieve by holding combined VJ and VRS manoeuvres.³⁹ Although international officials in Bosnia denied any knowledge of a purported coup, the rumours raised the temperature and brought new issues to the table: civilian control of the military and policy towards Bosnia.

³⁰ 'Ko je protiv vlade neka ide u opoziciju', *Blic*, 18 August 2001.

³¹ 'DS ne pristaje na smene ministara policije i pravde', *Blic*, 20 August 2001.

³² 'DSS neće ući u vladu', *Blic*, 20 August 2001.

³³ 'Argumente na sto', *Blic*, 20 August 2001.

³⁴ 'Ovo je opsta konfuzija', *Danas*, 21 August 2001.

³⁵ 'Vlada je tim koji dobija', *Danas*, 21 August 2001.

³⁶ 'Ukratko', *Danas*, 21 August 2001.

³⁷ 'Izbori nisu resenje', *Blic*, 21 August 2001.

³⁸ 'Rasprava u DOS ili smena vlade Srbije', *Blic*, 21 August 2001.

³⁹ 'Canak: Sprečen državni udar', *Blic*, 21 August 2001.

A further blow to the DSS came with the long-rumoured recall of Yugoslavia's Ambassador to the U.S., the outspoken Milan St. Protic, on 23 August. Protic's strong royalist and nationalist credentials had always placed him far closer to Kostunica than to Djindjic, and his image as a nationalist was certainly as robust as the president's. His recall caused him to attack Kostunica vociferously in the press, branding him a communist and accusing him of perpetuating Milosevic's strategies.⁴⁰

Apparently realising that its charges against the Serbian government and Djindjic were reflecting negatively on the party itself, some in the DSS backtracked and stated that they would support the government, even if the DSS was not a member. This was floated by DSS parliamentarians club leader Dejan Mihajlov, who also backed away from sacking Batic and Mihajlovic and concentrated instead on how the government functioned.⁴¹ In contrast Kostunica – apparently back from vacation – stated that the DSS required changes in the Serbian government, and that either someone in the government was supporting organised criminals, or its crime fighters were incompetent.⁴²

The government retorted by airing information about the deceased Gavrilovic. The Chief of the Department for the Fight Against Organised Crime, Dragan Karleusa,⁴³ told a press conference that while working for the DB, Gavrilovic had been involved in murders, kidnappings, and debt collection. Karleusa offered proof that Gavrilovic had close ties with associates of Stanko Subotic 'Cane', a prominent figure in Balkan cigarette smuggling, and that these individuals may have enabled his meetings with Kostunica and his cabinet.⁴⁴ By so doing they implied that Kostunica himself might be tainted by corruption and criminal connections. Djindjic also took a firm

stand, saying there would be no compromise with the DSS.⁴⁵

F. THE DSS CHANGES TACK

Since the third week of August, the DSS reiterated its call for an investigation into the Justice Ministry and the Interior Ministry, while widening the circle of allegedly corrupt officials by accusing Finance Minister Bozidar Djelic of cigarette smuggling in Kosovo. The DSS charged that new government regulations regarding cigarettes transiting to Kosovo – agreed with UNMIK – had simply increased black market sales. The implication was clear: that Djelic and the Serbian government were profiting from the black market.

In response, the government released statistics showing that revenues from cigarette taxes had increased dramatically from 26 million Dinars for 2000, to 805 million Dinars during the first two quarters of 2001. They also demonstrated conclusively that black market cigarette sales had dropped from 50 per cent of total market share in 2000, to approximately 17 per cent today, while the amount of cigarettes legally imported jumped from 150 tons to 2,398 tons.⁴⁶ The key to this murky affair may be that the DSS has a very strong branch in Serb-controlled northern Kosovo, which had become a haven for cigarette smuggling. The DSS leader in northern Kosovo, party vice-president Marko Jaksic, was one of the strongest opponents to the new tax regulations, which made cigarette smuggling more difficult.⁴⁷

Djindjic's faction in the Serbian government continued to reject the charges of corruption and demand that the DSS back up its allegations.⁴⁸ Only if an investigation revealed wrongdoing, it said, would the government be reorganised.

On 17 September, the DSS changed tack. Party vice-president Dragan Marsicanin announced three

⁴⁰ 'Protic optuzuje predsednika SRJ i Svilanovica', *Danas*, 24 August 2001.

⁴¹ 'Podrzali bismo vladu i bez ministara DSS', *Danas*, 22 August 2001.

⁴² 'Vojislav Koštunica: Ili postoji podrška organizovanom kriminalu, ili oni koji su najodgovorniji za borbu protiv kriminala nisu sposobni', *Blic*, 22 August 2001.

⁴³ Father of folk singer Jelena Karleusa.

⁴⁴ Subotic is also alleged to have had close ties to Djindjic and Montenegrin President Milo Djukanovic. 'Karleusa: Gavrilovic umesan u likvidacije', *Danas*, 22 August 2001.

⁴⁵ 'Nema kompromisa sa DSS', *Danas*, 22 August 2001.

⁴⁶ 'Sverc cigareta prepolovljen', *Politika*, 5 September 2001. 'Od duvana 805 miliona', *Blic*, 5 September 2001.

⁴⁷ ICG interviews with UNMIK sources. Jaksic's importance in formulating DSS policy on Kosovo was demonstrated on 19 September, when he represented DSS at the DOS presidency meeting to discuss Deputy Premier Covic's new plan for Kosovo.

⁴⁸ 'Nema kompromisa sa DSS oko Mihajlovica i Batica', *Danas*, 15-16 September, 2001.

new conditions under which the party might re-enter the Serbian government. The conditions were *legality, transparency, and efficiency*. The call for legality was more than a reiteration of President Kostunica's familiar insistence that all reforms must be in keeping with the law. This time, the DSS specifically challenged the Serbian government to revoke three decrees of dubious legality. Due to the slow work of the parliament, as well as the legal and regulatory mess that it inherited after the December 2000 elections, the current government has handed down almost 200 decrees. Most of these regulations reduced government interference in the market place by removing Milosevic-era price controls.⁴⁹ As such, they were fully legal.

There are three others, however, that have left the government open to the charge that it rules by fiat, bypassing due parliamentary process.⁵⁰ It is these three 'illegal regulations' that the DSS wants revoked.⁵¹ Yet these decrees – which concern the import and sale of petroleum products,⁵² goods in transit for Kosovo, and the collection of public revenues for goods to be sold in Kosovo – are credited with having cut substantially the levels of cigarette and petroleum smuggling in Serbia, and have increased government revenues on cigarettes more than thirty-fold.⁵³ Correspondingly, they have helped to decrease criminal activity related to smuggling, while improving Serbian cooperation with UNMIK. Given the DSS's position that Serbia is overrun with criminals, the party's insistence at this time on the revocation of these regulations appears paradoxical, as their repeal would likely boost cigarette and petroleum smuggling.

In passing these decrees, the Serbian government had knowingly encroached on the competency of

the federal government.⁵⁴ All three regulations could be considered in conflict with the federal constitution, as they encroach on the mandate of the federal customs institutions. In the government's view, the need to curtail smuggling, increase revenues, and create a functioning regulatory framework took priority over what would undoubtedly have been a very protracted parliamentary process of drafting and adopting the relevant legislation, and likewise over strict adherence to a dysfunctional constitution that was designed by Milosevic's regime to shore up its unaccountable power. In this context, the rigid legalism of the DSS on these issues prior to constitutional reform appears puzzling.

The DSS's call for transparency, on the other hand, can only benefit Serbian politics and society. It represents an attempt to undermine the parallel structures created by Djindjic inside the Serbian government, primarily the 'collegium', an informal advisory body that has gained increasing power. The DSS was also troubled by a series of newly established agencies that function as parallel governing structures in fields where Djindjic does not control the relevant ministries. The DSS insists that as a part of transparency, the work of each member of the government, as well as the government itself, should be examined closely. The DSS's third call, for greater efficiency, was merely intended to push the government to speed up the reform process – something which, ironically, the DSS had itself been hindering.

Djindjic responded that he was 'always ready for compromise', while emphasising that – given the DSS's various contradictory statements and positions since August – his government would not act before receiving these new conditions in writing.⁵⁶ As this report is published, the mood in both camps appeared to be moving in the direction of compromise.

⁴⁹ 'Nema kompromisa sa DSS oko Mihajlovica i Batica', *Danas*, 15-16 September, 2001.

⁵⁰ 'Dogovor posle', *Danas*, 15-16 September, 2001.

⁵¹ 'DSS: Povratak u vladu – Djindjic: cekamo jasan zahtev', *Radio B92*, 16 September 2001.

⁵² The regulation governing the import of petroleum made it illegal to import vehicle fuel by any means other than the pipeline that is controlled by the state-owned Naftna Industrija Srbije (NIS). This effectively shut down the numerous smuggling operations via tanker-truck and substantially increased government tax revenues. It did not result in any fuel shortages.

⁵³ 'Sverc cigareta prepolovljen', *Politika*, 5 September 2001. 'Od duvana 805 miliona', *Blic*, 5 September 2001.

⁵⁴ ICG interview with a DOS legal expert.

⁵⁵ 'Djindjic: spreman sam na kompromis sa DSS', *Danas*, 18 September, 2001.

⁵⁶ 'Djindjic: spreman sam na kompromis sa DSS', *Danas*, 18 September, 2001.

II. BACKGROUND TO THE CRISIS

A. TEN YEARS OF SQUABBLING

Today's open conflict between DSS and the remainder of DOS cannot be understood outside the context of past animosity between the two main antagonists, the DS and the DSS, and their leaders. The nineteen-member DOS coalition, comprising eighteen opposition political parties both large and small, and one trade union, was only formed in early 2000, under heavy pressure from the international community and with strong U.S. and European Union financial and technical assistance. Inevitably, the members brought all their unresolved political, personal and ideological differences with them.

These differences were particularly acute between Kostunica's DSS and Djindjic's DS, and are all the more keenly felt because the parties share a common root. In mid 1992, a fraction of the DS broke away – eventually to form the DSS. In 1994, Djindjic gained the leadership of the DS. Later, during the winter demonstrations of 1996/97 the DSS refused to participate in the 'Zajedno' [Together] coalition that supported the protest movement.

At this period, independent commentators saw Kostunica and the DSS as occupying a dual position: they were in opposition but declined to support opposition activity, arguing instead that legal and constitutional change was a precondition of meaningful reform. The party leadership refused to participate in the massive street demonstrations or to appear on numerous stages throughout Serbia with other opposition politicians.⁵⁷ While they supported the general principle of opposing Milosevic's electoral theft, they refused to participate in any actual acts that would manifest their opposition. At the same time they accused the 'Zajedno' coalition of weakness on national questions and allying with 'separatist' parties.⁵⁸ Many of these 'separatist' parties and former 'Zajedno' coalition partners are now members of the DOS coalition.⁵⁹ In this manner the DSS attempted to position itself to share the

fruits of possible opposition success while avoiding responsibility in the event of failure.⁶⁰

During the 1999 NATO bombardment of FRY and the subsequent arrival of KFOR and UNMIK in Kosovo, the differences between the DSS and its rival parties deepened, both in public and private. The pro-Milosevic media accused Djindjic of treachery for spending most of this period in Montenegro and appealing to Western leaders to support the democratic opposition in Serbia.⁶¹ At the same time the DSS received significant media coverage on Radio Television Serbia (RTS), Milosevic's mouthpiece, due to its vociferous criticism of NATO's intervention and then of UN Security Council Resolution 1244. After the bombing, the DSS refused to support gatherings organised by the 'Alliance for Change' (DS, GSS, SD, DHSS, et al.).⁶² Although this stance disturbed other opposition members, at this point the DSS was a small, numerically insignificant party headed by a professor of law, which had never been a first-rank presence in Serbian politics.

Although Kostunica and Djindjic both generally supported Serbia's involvement in the wars of Yugoslav succession, albeit with reservations, they also criticised Milosevic's tactics and state management, as well as the international sanctions. The operative difference is that the DSS has consistently followed Kostunica's nationalist ideology, and remains associated with a 'greater Serbia' state project.⁶³ It maintains strong connections to the extremist Serb Democratic Party (SDS) leadership in Bosnia's Republika Srpska, and on principle opposes cooperating with the ICTY. In contrast, Djindjic has moderated or at least adapted his position over the years, from initial strong support for Republika Srpska and opposition to the Vance-Owen Peace Plan in 1993,

⁶⁰ *Potencijal za promene*, Helsinki Committee for Human Rights (Belgrade: 2000).

⁶¹ See Beta News Agency and the Institute for War and Peace Reporting, *Out of Time: Draskovic, Djindjic and Serbian Opposition Against Milosevic*, [September] 2000, pp. 86-7, at <http://www.beta-press.com> and <http://www.iwpr.net>

⁶² www.dss.org.yu/arhiva/intervju96.html

⁶³ A good glimpse of Vojislav Kostunica's personal philosophy may be found in his recent book *Between Power and Right: Kosovo Notes (Između sile i pravde: Kosovski zapisi*, Beograd, 2000). See also *Portraits*, by Slobodan Inic (*Portreti*, Beograd, 2001).

⁵⁷ www.dss.org.yu/arhiva/intervju96.html

⁵⁸ www.dss.org.yu/arhiva/intervju96.html

⁵⁹ www.dss.org.yu/arhiva/intervju96.html

to the eventual recognition of Bosnia as a state and cooperation with the ICTY.

B. POST-OCTOBER ARGUMENTS

The Gavrilovic Affair is not the first serious disagreement within DOS. Indeed, splits were latent from the outset. From its creation, the coalition had programmatic differences on a range of issues that were minimised in an effort to defeat Milosevic.

Since DOS took power in October 2000, however, numerous fights have broken out internally.⁶⁴ The fact that coalition partners have difficulty cohabiting should surprise no one. What is remarkable is that the coalition members avoided an open fight until August 2001. For DOS has kept the majority of these disagreements from the public eye, the exceptions being those over Vojvodina regional autonomy and ICTY cooperation, above all the transfer of Slobodan Milosevic to The Hague on 28 June.

In nearly every instance the quarrel became a disagreement between the DSS on one hand, and Djindjic and the remainder of DOS on the other. With each subsequent fight, DSS actions became more radical: first a call for replacements within the Serbian government, then forming its own parliamentarians club outside DOS, and eventually seeking to dissolve the government through a vote of no confidence. The Gavrilovic Affair simply brought the rift abruptly into the open. It also opened a Pandora's Box of further issues that will probably push the two camps farther apart. Some of the more important arguments that have already embittered DSS—DOS relations are discussed below.

1. The Struggle Over General Pavkovic

General Nebojsa Pavkovic was appointed Chief of the General Staff of the Yugoslav Army (VJ) by Milosevic in 2000, and prior to October 2000, he often acted as an informal spokesman for the Milosevic regime. To the Serbian public he is seen either as the general who defied NATO,⁶⁵ or as a

⁶⁴ 'Losi odnosi u DOS traju jos od 5. oktobra', *Danas*, 20 August 2001.

⁶⁵ During the NATO bombardment in 1999, Pavkovic commanded the Yugoslav Third Army, which covered Kosovo.

corrupt Milosevic crony with several villas in Belgrade's smart Dedinje section.

At its September 2000 session, the DOS presidency agreed that Pavkovic should be replaced as soon as DOS took power. Kostunica was present and gave his consent.⁶⁶ Yet, during the events of 5 and 6 October 2000 that were decisive in Milosevic's downfall, Pavkovic played an unexpected role. He it was who set up the crucial meeting between Kostunica and Milosevic on 6 October. Reportedly, he also refused Milosevic's order to arrest a long list of opposition figures.

Since assuming the federal presidency, Kostunica has refused to sack Pavkovic, causing DOS members and the general public alike to ask why. Pavkovic, in turn, appears to be protecting former Milosevic cronies while acting as a key Kostunica supporter on the ICTY issue. The Kostunica—Pavkovic relationship has led many to question who controls whom, and whether the military is truly under the control of Yugoslavia's civilian leadership. It is a continuing sore point within DOS. At the 28 August DOS presidency meeting, senior DOS officials raised Pavkovic's removal once again directly to Kostunica, but again without result.⁶⁷

2. Firing General Krstic

General Ninoslav Krstic was appointed commander of the Joint Police and VJ Forces in charge of implementing the June 1999 Kumanovo 'military-technical agreement' that regulated KFOR's entrance into and presence in Kosovo, and of managing the ethnic Albanian insurgency in southern Serbia's Presevo valley. Krstic earned a reputation among the DOS leadership and the international community as fair, competent, easy to work with, and able to deliver. The successful management of the southern Serbia crisis thrust General Krstic into the political spotlight. In order to implement Serbian Deputy Premier Covic's peace plan for southern Serbia, Krstic was forced to openly confront General Pavkovic on several occasions. It was thanks to Krstic's efforts that Covic, the VJ, the Ministry of the Interior (MUP), NATO and the international community were able

⁶⁶ ICG interview with high-ranking DOS source.

⁶⁷ 'Kako je protekao dramatican sastanak predsednistva DOS 28 avgusta', *Nedeljni telegraf*, 5 September 2001.

to work together successfully to resolve the ethnic Albanian insurgency in the Presevo valley.⁶⁸

The initiative for Krstic's replacement in early June 2001 caught many by surprise. Covic stated that it came directly from General Pavkovic who, allegedly, felt threatened by Krstic's success.⁶⁹ The Serbian government condemned Krstic's removal, despite both DSS members – Joksimovic and Paravdic – voting against the resolution. Nonetheless, Krstic was replaced. Following public outcry and behind the scenes pressure from other members of DOS and the international community, which was worried that the Presevo peace deal would otherwise collapse, Kostunica awarded Krstic a decoration and gave him a new position that essentially returned him to his old responsibilities overseeing Serbian security forces in the Presevo region.

3. Rade Markovic and the Secret Police

Rade Markovic was Milosevic's top secret-policeman, head of Serbia's dreaded DB (State Security), and implicated in assassinations and attempted assassinations of numerous Milosevic opponents, including journalist Slavko Curuvija and SPO leader Vuk Draskovic. Following Milosevic's October overthrow, Markovic remained as head of the DB despite intense DOS pressure on Kostunica, who argued that Markovic – who held a post in the Republic government – was not under his jurisdiction as federal President. At that point Kostunica did have the *de facto* power to dismiss Markovic. Nonetheless, despite strong public feeling that Markovic should be removed at the earliest opportunity, not least to prevent him from tampering with DB archives, Kostunica permitted him to remain in his post until 26 January 2001, when Djindjic's government dismissed him at its first session. The Interior Ministry subsequently arrested Markovic and began investigating him on suspicion of murder. Prior to his arrest, Markovic – who is reputed to have close ties to Kostunica's influential chief of staff, Ljiljana Nedeljkovic – visited Kostunica's cabinet some twenty times, where he met with both Nedeljkovic and presidential human rights adviser,

Gradimir Nalic.⁷⁰ Kostunica's evident ties to Milosevic's former head of state security and the appearance of close cooperation have caused friction among DOS members.

4. A New Police Chief: Nalic vs. Mihajlovic

The DOS presidency agreed that its choices for the main cabinet posts would be announced in advance of the December 2000 Serbian elections.⁷¹ Kostunica proposed Gradimir Nalic, the former Secretary General of the Yugoslav Committee of Human Rights Lawyers (a reputable non-governmental organisation) for the post of Minister of the Interior. Djindjic rejected this, due to some allegedly unacceptable elements in Nalic's curriculum vitae.⁷² In addition, it emerged that Nalic had worked as a legal adviser to the Karic Corporation in Moscow, a company run by a prominent Milosevic crony. Kostunica backed down and made a joint appointment with Djindjic of Dusan Mihajlovic, president of the New Democracy party.

5. A Sick Ministry of Health: Obren Joksimovic

The selection of a Republic minister of health should have passed without controversy. Within both DSS and the remainder of DOS there appeared to be broad support for the candidacy of Nada Kostic, a DSS member.⁷³ Instead, Kostunica selected the radical and outspoken Obren Joksimovic. This selection took DOS and Serbia's medical profession by surprise, as Joksimovic's previous leadership experience appears to have been limited to his stint as a sergeant in the Republika Srpska Army during the war in Bosnia.

Upon taking office, Joksimovic drew immediate attention by engaging in rude and highly publicised debates with his colleagues. One of the most notable was the high profile clash with Republic Health Fund Director, Dr. Mijat Savic, a Djindjic appointee. The major issue was Joksimovic's refusal to open a public tender for the purchase of pharmaceuticals and other health care items. This raised suspicions that the minister might have

⁶⁸ See ICG Balkans Report No. 116, *Peace in Presevo: Quick Fix or Long Term Solution?*, 10 August 2001.

⁶⁹ ICG interview with high-ranking DOS source.

⁷⁰ 'Gradimiru Nalicu Rade Markovic uveo specijalnu telefonsku liniju zasticenu od prisluskivanja', *Nedeljni telegraf*, 29 August 2001.

⁷¹ ICG interview with high-ranking DOS official.

⁷² ICG interview with high-ranking DOS official.

⁷³ ICG interviews with DOS members.

business ties to pharmaceutical manufacturers or wholesalers. In addition, Joksimovic often attacked other DOS members in public. In the case of the Milosevic transfer to The Hague, he took a leading role in accusing the rest of DOS of having kept the DSS in the dark, even though he himself had been present at the meeting where this was decided.

6. The Milosevic Transfer

In spite of the internal arguments, only some of which emerged in the media, DOS maintained a remarkable display of unity until the transfer of Slobodan Milosevic to The Hague. Recent ICG interviews with high-ranking officials indicate that DOS may have reached a unanimous decision to transfer Milosevic even before the composition of the Republic government was agreed in December 2000.⁷⁴ The only reservation – insisted upon, reportedly, by DSS – was that the government must follow legal procedures to the letter.

The DSS's subsequent behaviour⁷⁵ raises a significant question: was Kostunica's party preparing even at that early stage – before the DOS government had taken office – to obstruct the transfer, and other aspects of cooperation with The Hague, by exploiting the numerous technical and legal hitches that would inevitably arise?

Kostunica told foreign representatives that the FRY must cooperate with the ICTY, but he passively acquiesced when the Socialist People's Party (SNP) of Montenegro blocked passage of the federal law on cooperation with the ICTY in the federal parliament – even though other DSS members publicly stated that the law should be adopted. Indeed, it appears that behind the scenes, Kostunica actively opposed any significant cooperation. Reportedly, his chief of staff, Ljiljana Nedeljkovic, even telephoned members of the Constitutional Court urging them to rule against the federal government decree on cooperation,⁷⁶ which duly succumbed to a challenge by Milosevic's lawyers.⁷⁷

When Djindjic finally transferred Milosevic to The Hague, the DSS erupted. The party falsely accused Djindjic and DOS of having kept President Kostunica in the dark,⁷⁸ and as described above, began to attack the Serbian government and its most prominent members. Recently, Kostunica went so far as to claim on national television that Milosevic was 'kidnapped' from his Belgrade prison.⁷⁹ Relations between DSS and the remainder of DOS have not recovered.

C. THE DJINDJIC—KOSTUNICA DYNAMIC

Djindjic is aware that his high negative ratings in public opinion polls, and the perceived drop in the current living standard, make it difficult to push forward reforms that could cause economic and social turmoil. As a consequence, he has usually been reluctant to challenge nationalist policies that appear to have broad if passive public backing, such as support for Republika Srpska. He has likewise hesitated to educate Serbia about the reform process, which in turn has made it harder for his government to protect such reforms as have been made, and to ensure continued foreign aid and investment. He has attempted to gain Kostunica's approval for the numerous economically difficult, unpopular, but necessary reform and transition measures, knowing that the president's popularity could ensure the necessary public support. This strategy has paid off to the extent that Kostunica has not used his political power to block these efforts. Nor, however, has he clearly supported difficult reforms, especially those required by the IMF.

In order to gain at least Kostunica's tacit support, the DS has largely refrained from criticising either him or the DSS on a number of crucial issues. These include questionable personnel appointments, the special ties between the DSS and the Serb Democratic Party (SDS) of Republika Srpska, formerly led by Radovan Karadzic, and the special arrangements between the VJ and the Army of Republika Srpska (VRS). These last two issues could – and, in the ICG's view, should – affect international donor support.⁸⁰ As a result of this difference in popularity, the DSS is able to attack

⁷⁴ ICG interviews with high-ranking DOS officials.

⁷⁵ See the ICG Balkans Briefing, *Milosevic in The Hague: What it means for Serbia and the region*, 6 July 2001.

⁷⁶ ICG interviews with sources in the DSS.

⁷⁷ For more detail on the circumstances of the transfer, see ICG Balkans Briefing Paper, *Milosevic in The Hague: What it Means for Yugoslavia and the Region*, 6 July 2001.

⁷⁸ See the ICG Balkans Briefing, *Milosevic in The Hague: What it means for Serbia and the region*, 6 July 2001.

⁷⁹ 'Milosevic otet is zatvora', *Blic*, 5 September 2001.

⁸⁰ See ICG Balkans Report No. 112, *A Fair Exchange: Aid to Yugoslavia for Regional Stability*, 15 June 2001.

Djindjic and his camp with relative impunity, and distance themselves from unpopular reforms, while Djindjic is forced to watch his step.

In this context, Serbia's progress in reforming has been limited and remains fragile. Many changes are largely cosmetic and have not been followed by corresponding institutional or legal reform that would make such measures as ICTY cooperation and free-market economic reform self-supporting. Serbian society by and large keeps its back turned to reality. This will all provide grist for the mill of populist politics in the coming winter and in the run-up to spring elections.

III. CONSEQUENCES FOR SERBIA

The Gavrilovic Affair has proven to be a watershed event. It marks a transformation in the DOS coalition that could spell the end of the coalition in its present form and exposed Kostunica's DSS as a conservative nationalist party intent on preserving certain elements of the Milosevic legacy. More positively, it has also presented the Serbian government with a much-needed opportunity to improve its transparency and accountability. A number of previously cloudy issues have been clarified, and Serbia's political direction for the ensuing six months has become somewhat more predictable.

Issues clarified include the open emergence of the DSS in opposition to DOS, concrete progress towards constitutional reform, approximate projected dates for new Serbian elections, and the possible emergence of the so-called 'G-17' group of eminent economists and so-called technocrats as a new political force. What remains unclear is whether DOS will hold together long enough to contest the upcoming elections intact. All that is certain is that the political infighting has caused Serbia's economy to suffer as DSS, SRS, NS and SPS politicians jockey for electoral advantage while ignoring the dire need for urgent economic, judicial, political and social reforms. This will have serious consequences during the fall and winter, as rising expectations couple with rising prices and falling living standards, electricity and heating shortages and high unemployment to create a social time bomb that would open the door to renewed populism. Already the DSS and NS are attempting to manipulate social unrest for political purposes.

A. THE END OF DOS?

The growing intensity of disputes within DOS has probably owed as much to vanity, incompetence, greed, and petty personal squabbles, as to genuine political differences.⁸¹ By early September, for all intents and purposes, DOS on the Serbian level

⁸¹ This evaluation has been reached after extensive interviews with members of both the pro-Kostunica and pro-Djindjic camps. See also 'Losi odnosi u DOS traju jos od 5. oktobra', *Danas*, 20 August 2001.

appeared to be dead,⁸² with the chief responsibility lying at the door of Kostunica and the DSS. While the current softening of the DSS's position may have opened the way to a revival of DOS, its prospects for longer term survival remain very poor. And all this in spite of opinion polls that show 50 to 60 per cent of the electorate wishing DOS to stay together.⁸³

Given the DSS's stance of internal opposition, DS and other DOS members would probably have thrown DSS out of the coalition long ago, were it not for Kostunica's personal popularity. Although DOS could possibly preserve a formal existence for some while longer, perhaps until the beginning of the next election campaign, the DSS's continued public challenges to Djindjic's government have forced the issue. The party apparently still wants to see ministers Batic and Mihajlovic replaced by individuals who would – among other things – block cooperation with the ICTY.⁸⁴ The DSS also seems to want Finance Minister Djelic removed, owing – in the opinion of many observers – to his effectiveness in reducing cigarette smuggling, as well as his levying of a one-time special tax on all those who had profited illegally during the Milosevic era, such as Bogoljub Karic.

The DSS appears to have reconsidered its earlier position that it would refuse to accept even a reconstructed government and would only join a new government.⁸⁵ The influx of new DSS members at the local level, many of whom control significant state-owned economic resources, appears to be a driving force in pushing the DSS back into the government and DOS.⁸⁶ The DSS appears to be playing an election game, gambling that it can win outright control of the government at the ballot box. In the mean time, this strategy

⁸² 'DOS se polako raspada', *Blic*, 7 September 2001. The latest indication of DOS's collapse is the formation of a new parliamentarians club by Perisic's Movement for a Democratic Serbia (PDS), and the announcements by Ilic's New Serbia (NS) and Micunovic's Democratic Centre (DC) that they too might form their own parliamentarians clubs. This comes in addition to the earlier formation of a separate DSS parliamentarians club.

⁸³ 'Polovina birackog tela za DOS', *Blic*, 7 September 2001. 'Tri prema jedan za DOS', *Danas*, 6 September 2001.

⁸⁴ 'Neki iz DOS ne zele novu Vladu', *Blic*, 4 September 2001.

⁸⁵ 'Hocemo novu vladu a ne rekonstruisane', *Danas*, 4 September 2001.

⁸⁶ ICG interview with DOS members.

dictates that the DSS distance itself from the heavy lifting needed to reform Serbia's economy and society, and thereby avoid responsibility for the looming economic and social crisis. As a result DSS will continue to attempt to have its cake and to eat it too. Nevertheless, for the time being it may claim formally to remain inside DOS, even though it has become a far more significant and effective source of opposition than Milosevic's SPS or Seselj's SRS.

Withdrawal from DOS would sharpen the DSS's image as protecting Milosevic-era cronies, blocking economic reforms and slowing Serbia's progress towards Europe. It would also cause the DSS to lose credibility with international donors as well as the public. Given the high level of public support for DOS, whichever party or parties are seen as the first to break the coalition apart, would likely suffer in the next elections.

The DSS may have been dissuaded from pressing the matter of a no-confidence vote in the Serbian parliament by the spectre of having to ally openly with the SPS and the SRS in order to win such a vote.⁸⁷ Although the prospect of allying openly with former Milosevic-regime forces is a strong disincentive to Kostunica, the DSS has already shown that it is willing to take this step. In the recent attempt to reinstate Slobodan Vucetic – a Constitutional Court judge illegally dismissed by Milosevic in 1999 – the DSS abstained from voting, thereby permitting the SPS and SRS to block the measure.⁸⁸ It appears that the DSS may have already worked behind the scenes with anti-ICTY forces, including the SPS and SNP, in an effort to block Milosevic's extradition.⁸⁹ Further opportunist alliances with the SPS and SRS on single issues, particularly related to Kosovo, should not be ruled out. Yet any formal alliance remains out of the question for the time being, due to deep-seated animosity towards the Milosevic regime.

Another reason why the DSS might remain – at least nominally – inside DOS for the moment is that it does not wish to be out of power entirely in the period leading up to an election, particularly on the republic level. The ability of a ruling party or

⁸⁷ ICG interview with DOS member.

⁸⁸ 'Nova nepravda za Vucetica', *Blic*, 4 September 2001.

⁸⁹ 'Kostunica nas nagovarao da opstruiramo izglasavanje zakona, pa se povukao', *Nedeljni telegraf*, 13 June 2001.

coalition to provide patronage to its supporters is always an important factor in elections, and should the DSS withdraw from DOS, this resource would quickly be cut off. So too, by withdrawing entirely the DSS could weaken its scope for blocking cooperation with the ICTY.

Even when the next election campaign begins, the DSS may choose to remain within DOS, depending on its ability to obtain more ministerial positions and a greater voice in government – something the smaller members of DOS may be expected to oppose. The DSS's decision will also depend on whether it expects to obtain enough votes to let it control parliament. Should the DSS's approval rating remain at current levels – approximately 30 per cent -- it will probably choose to contest the elections alone.⁹⁰ Should these ratings continue to fall, it may choose to remain within DOS.

Many of the smaller parties within DOS are also working frantically to keep the coalition together. They realise that on their own they stand little chance of gaining the 5 per cent of votes needed to cross the parliamentary threshold. Without DOS they would not exist and their leaders would lose ministerial posts, memberships on boards of directors, and ambassadorships. Although relatively insignificant in electoral terms, these parties do represent a politically important force. Many may be forced to choose between a pre-election coalition with DSS or DS in order to remain alive next March. While most are attempting to keep the coalition together, a few such as Velimir Ilic's New Serbia (NS) are currying favour with the DSS in the hope of gaining power in any new post-election coalition led by DSS.

During the Gavrilovic Affair the DOS Presidency appeared to be serving more as a peace conference than as an operational decision-making body. Following the 3 September 2001 meeting, it appeared that the DOS parties had agreed to resolve all future differences in private. They also agreed that Interior Minister Mihajlovic was to retain his post, subject to review of his performance. In addition, the DOS presidency agreed that in the future, whenever it took a decision, all members would abide by it and that all sessions would be taped. They – including DSS vice-president Dragan Marsicanin – also agreed

that DOS members would halt public criticism of one another.⁹¹

These steps were obviously intended to counter such DSS moves as the establishment of an independent parliamentarians club and constant DSS about-faces on previously agreed issues. Yet within less than 48 hours, Marsicanin had stated that the DSS would not abide by the agreement to withhold public criticism of the government.⁹² Whether other members of DOS prove able or willing to live up to these agreements remains doubtful, as witnessed by Ilic's continued attacks on Mihajlovic.⁹³

Nonetheless, should the DSS continue to denounce Djindjic, the Serbian government, and other members of DOS while continuing to protect elements of the Milosevic legacy, DOS may not prove able to withstand the tensions. Several other smaller parties could break ranks and join the DSS in a new coalition.

B. AN EMERGING 'DEMOCRATIC' OPPOSITION?

Some optimists in the international community consider the Gavrilovic crisis as marking the beginning of the emergence of a genuine democratic opposition within Serbia. On this reading, the split between DSS and DOS could be interpreted as the start of 'normal' politics, where the parties in power and in opposition are equally committed to democratic values. Until now the only real opposition to DOS has come from parties that could be regarded either as extreme nationalist, even fascist, such as the SRS and SSJ, or unreformed communist, such as the SPS or JUL. Current polling data demonstrates that these parties are now effectively marginalized, and combined would probably not receive more than 15 per cent in an election.⁹⁴ Nonetheless, it will take some time for mature, multiparty democratic politics to emerge. Before that happens, Serbia may face the danger of exploding populism as nationalist demagogues attempt to take advantage of

⁹⁰ ICG interviews with DSS sources.

⁹¹ 'Casa se, ipak, preliwa', *Danas*, 5 September 2001.

⁹² 'DSS nece postovati dogovor s DOS-om', *Glas*, 5 September 2001. 'Pokusaj da se zacepi usta kriticarima', *Politika*, 5 September 2001.

⁹³ 'Odlucio sam, necu u vladu', *Blic*, 5 September 2001.

⁹⁴ 'I u padu neprikosloveni', *NIN*, 30 August 2001.

widespread discontent with economic hardships exacerbated by reforms.⁹⁵

The DSS's recent overtures to the Djindjic camp should be applauded, in large part due to the emphasis on increased transparency of the government and its operations. The effort to curb Djindjic's parallel structures and the call for government members to give full account of their work should provide a welcome series of checks and balances within the governing coalition.

However, whether or not the DSS split from DOS proves to mark the beginning of a genuine democratic opposition outside DOS, or an in-house opposition within a revived DOS, the international community should view the DSS with caution. Although democratic, the party's platform is nationalist, Serbo-centric, anti-Western, anti-ICTY, and continues to nourish fantasies of a 'greater Serbia'.

Kostunica's DSS, which effectively forms the new core of 'opposition' to Serbia's government, was until December 2000 one of the smaller parties in Serbia. Its subsequent dramatic growth is partly due to defections from Milosevic's SPS, Seselj's SRS, and Draskovic's SPO. Many original DSS members have been marginalized while the party's ranks have been swollen, especially at the local level, by former SPS and JUL directors of state-owned enterprises who hoped to keep their jobs by switching loyalties. It is these new members who – on the local level at least – may have pushed the DSS to attempt a rapprochement with the Serbian government.

Nowhere is this influx seen more clearly than among Kostunica's close advisers, many of whom defected from other nationalist or communist oriented parties following October 2000, or have troubling ties with Milosevic cronies who profited handsomely from the old regime. The case of Aleksandar Tijanic, Kostunica's media adviser – and the individual partly to blame for the Gavrilovic Affair – has been discussed above. Another hangover is foreign policy adviser Predrag Simic, a former Draskovic (SPO) adviser. Kostunica's human rights adviser, Gradimir Nalic, represented the Karic family as their attorney in Moscow during the Milosevic era. Of Kostunica's

closest circle of advisers, all have joined him since October 2000; none – with the exception of Ljiljana Nedeljkovic – was associated with him prior to that time. With the exception of Nalic, these newcomers all have nationalist credentials and appear committed to protecting the Milosevic order and its vested financial interests, typically under the guise of go-slow legalism. All appear to oppose cooperation with the ICTY.

Djindjic, too, has promoted or protected several individuals with dubious biographies. The starkest example is Sreten Lukic, the current head of Serbia's uniformed police. Lukic commanded the Interior Ministry forces in Kosovo during 1998 and part of 1999, and his forces may have been responsible for some of the worst atrocities that occurred in the province. Given the command responsibility arguments currently favoured by the ICTY, Lukic could find himself indicted by the Tribunal. Djindjic's association with and protection of Milorad Ulemek 'Legija', head of the notorious Interior Ministry Special Operations Unit (JSO), known as the 'Red Berets' and 'Frankie's Boys', has likewise raised concern.

Djindjic's wish to see Serbia break with the Milosevic era is, however, not seriously in question. The same cannot be said of Kostunica and the DSS. Given their recent record and the nature of their newfound allies, their commitment to genuine reform must remain under question. Most glaringly, the DSS lacks a program of economic or social reforms and has yet to formulate its vision of a modern economy or society for Serbia. What it offers are state-building and nationalist goals that are unlikely to deliver either internal or regional development and stabilisation. More importantly, the DSS's official platform in many respects remains incompatible with the conditions for aid placed by the international donor community.⁹⁶

C. POLITICAL STOCKS RISE AND FALL

The Gavrilovic Affair appears to have weakened Kostunica. Although the president himself remains far and away Serbia's most popular politician, his ratings have slipped from 88 per cent in the early spring to approximately 65 per cent in

⁹⁵ 'Djindjic: Srbija ponovo na raskrscu', *Glas javnosti*, 1 September 2001.

⁹⁶ See ICG Balkans Report No. 112, *A Fair Exchange: Aid to Yugoslavia for Regional Stability*, 15 June 2001.

the most recent polls.⁹⁷ In Vojvodina, his popularity has fallen to 31 per cent.⁹⁸ Given the increasing perception that he is weak and indecisive, his popularity is likely to continue to fall as the autumn and winter wear on, particularly as electricity and heating shortages appear and price rises continue. Although Kostunica has attempted to position himself above the fray and set up Djindjic to take the blame, it is uncertain whether this stratagem will succeed.

The Gavrilovic Affair also appears to have hurt the DSS as a party. Recent polling suggests that the DSS enjoys approximately 29 per cent approval, which demonstrates that the party has proven unable to capitalise on Kostunica's high popularity on a nationwide basis.⁹⁹ Some within the party are convinced that they could yet win the next parliamentary elections with nearly 40 per cent of the vote.¹⁰⁰ Yet, given the party's strong ideological bent and lack of qualified personnel, it may find that it needs other partners, such as Djindjic, Svilanovic or Covic, or the G-17, to maintain good relations with the international community.

There can be no doubt that the DSS will continue to push to expand its influence in the government until the next elections, hoping to gain power in correlation to Kostunica's popularity. Among the proposals currently floating around inside DOS is one whereby four ministries that currently do not operate effectively could be reorganised, and an additional three ministries could be split. This proposal could increase the number of government posts available to DSS.

The Gavrilovic Affair has, as it played out, strengthened the public perception that Kostunica may be protecting Milosevic cronies and hangers-on from the old regime. It has also reinforced the perception that many members of Milosevic's SPS, Vuk Draskovic's SPO, and Vojislav Seselj's SRS were gravitating towards the DSS. Both Kostunica and the DSS will have to work hard to shake these perceptions. The DSS will also have to overcome the impression that it manufactured the Gavrilovic

Affair, not to combat corruption, as it claimed, but as a selfish political gambit. The public seems to have blamed the entire incident on the DSS, and to view this squabbling as similar to the numerous petty disagreements that prevented the opposition from cooperating effectively during the Milosevic era.

The Gavrilovic Affair seems to have strengthened for now the position of Serbian Premier Djindjic, his DS, and the pro-reform faction within DOS. This faction won – albeit temporarily – not only the media battle, but also the struggle within DOS, where Djindjic outmanoeuvred Kostunica by co-opting two out of his three most vocal potential supporters in an eventual no-confidence vote: Velimir Ilic of Cacak, the Vojvodina autonomists, and Momcilo Perisic's PDS.¹⁰¹

While there can be little question that Djindjic has won this round, his approval rating (34.3 per cent) remains well below his negative rating (45.4 per cent), and neither appears to have shifted substantially since October 2000.¹⁰² The DSS's mishandling of the Gavrilovic Affair did not strengthen Djindjic's approval ratings noticeably. Nor did it appear to increase stability within DOS' reform faction. Djindjic will continue to have to work hard for every political victory. His continued high levels of unpopularity may dissuade him from trying to retain the premiership following the next elections. He might prefer a role behind the scenes in the party leadership, or in a key ministerial post, that permits him to continue running the DS and influence and direct the government.

Djindjic has lately busied himself with issues that appeal to Kostunica's core constituencies, such as religious education in schools. Not only has Djindjic pushed the introduction of optional religious education, but has also recently been seen

⁹⁷ 'I u padu neprikosloveni', *NIN*, 30 August 2001.

⁹⁸ 'Prema najnovijem istraživanju novosadske Agencije SCAN, trecina veruje u Kostunicu', *Danas*, 19 September 2001.

⁹⁹ 'I u padu neprikosloveni', *NIN*, 30 August 2001.

¹⁰⁰ ICG interview with DSS sources.

¹⁰¹ The DOS presidency meeting in Novi Sad at the height of the crisis had bolstered Djindjic's support among the Vojvodinians by promising them their long-sought restoration of autonomy. Despite facing anti-Djindjic opposition within his own party, Perisic had already taken offence at Kostunica's behaviour and statements, possibly in regard to military issues and the continued presence of Pavkovic at the helm of the VJ. Ilic, however, has refused Djindjic's offer of a deputy premiership in the Serbian government the post and at this time of writing appears to have sided with Kostunica.

¹⁰² 'I u padu neprikosloveni', *NIN*, 30 August 2001.

in the company of the Serbian Orthodox Patriarch, most recently at a ceremony where the government promised to provide sufficient funds to assist the Church to finish its grandiose Temple of St. Sava in Belgrade's Vracar district.¹⁰³ Attempting to improve his popularity, Djindjic maintains a high public profile. This has included attending the high profile rock concert of Serbian pop megastar Zdravko Colic, the annual trumpeters' contest at Guca, meeting with Microsoft's Bill Gates, and attending the European Basketball championship final match where Yugoslavia triumphed. This is in contrast to Kostunica, who prefers low key contacts with members of such nationalist pillars as the Orthodox Church, the Serbian Academy of Arts and Sciences (SANU), army officers and members of the Matica Srpska cultural society.

In spite of the DSS's recently moderated tone, its actions may have permanently damaged relations with Djindjic and the DS. Even though Djindjic stated that he was 'ready for compromise',¹⁰⁴ he has accused the DSS of institutionalising its attacks against him, claiming that the entire Gavrilovic Affair was not simply 'an incident, but rather a system' of well-planned attacks.¹⁰⁵ As a result, although relations between Kostunica and Djindjic may be patched up in the short term, bad blood will remain.

D. NEW ELECTIONS AND THE PARLIAMENT

Given Kostunica's continued and largely unwarranted attacks on the Serbian government and its justice and interior ministers, the government will remain under internal threat for the foreseeable future. Given, too, that both sides have in effect begun campaigning for the March 2002 elections, economic reform may be expected to take a back seat in the coming months.

At its emergency session on 28 August, the DOS presidency agreed that new elections should be held as soon as practicable, in March 2002. However, these were made contingent on constitutional reform for both Serbia and the FRY.

¹⁰³ 'Potpisan Ugovor o nastavku izgradnje Hrama svetog Save', *Danas*, 4 September 2001. 'Za hram na Vracaru 60 miliona', *Blic*, 4 September 2001.

¹⁰⁴ 'Djindjic: spreman sam na kompromis sa DSS', *Danas*, 18 September, 2001.

¹⁰⁵ 'Ne volim dvostruke igre', *Glas javnosti*, 18 September 2001.

New elections are seen as most crucial for the Serbian Republic level. Should Montenegro's President Milo Djukanovic continue the drive towards independence – which he appears committed to doing – it may prove impossible to hold federal elections simultaneously or even later.

Given the extreme frailty of DOS and the formation of a separate parliamentarians club by DSS, NS and Perisic's PDS, the work of the Serbian parliament may be effectively blocked.¹⁰⁶ At the most recent session, the lack of discipline among coalition members and frequent absence of a voting quorum slowed the reform effort substantially.¹⁰⁷ This behaviour will likely continue and perhaps worsen. Should this occur, a number of significant and urgently needed reforms may never be voted on. In order to enter the process of real reforms, Serbia must pass immediately several laws that would restructure existing institutions, in particular the judicial system. Even the much-needed constitutional reforms may not pass. At the same time, the poor state of DOS's relations with its federal-level partner, the SNP from Montenegro, looks likely to obstruct the passage of reform measures by the federal parliament. As a result, it is possible, albeit not likely, that the elections may be pushed back even further, due to a lack of agreement on constitutional reform for both Serbia and FRY.

E. CONSTITUTIONAL REFORM

Since the DOS presidency has agreed that constitutional reform is – at least for now – a precondition for elections, it can be expected that constitutional reform will proceed apace. Given the blatant inadequacy of the FRY's 1992 constitution in the light of today's federal state and the actual relationship between Serbia and Montenegro,¹⁰⁹ a commission consisting of DOS and the SNP from Montenegro, has prepared a draft platform for revising the federal relationship. However, Montenegro's government is not part of DOS and continues to take no part in the drafting process.

¹⁰⁶ ICG interview with DOS leaders.

¹⁰⁷ ICG interview with DOS sources.

¹⁰⁸ ICG interview with DOS sources.

¹⁰⁹ See ICG Balkans Reports No. 107, *Montenegro: Settling for Independence?*, 28 March 2001, and No. 114, *Montenegro: Resolving the Independence Deadlock*, 1 August 2001.

Serbia's 1990 constitution was written with the purpose of cementing Milosevic's control. It is not conducive to multiparty democracy, and tends to favour the ruling political party's control over the state-controlled economy. It also removed substantial autonomy from the previously Autonomous Provinces of Kosovo and Vojvodina, as well as municipalities. A joint commission consisting of the DSS and GSS prepared a draft republic constitution. Although the DSS assisted in this process, and subsequently approved the draft, a faction within DSS has expressed opposition to the draft.¹¹⁰ The reasons for this reversal are not yet clear, and may reflect disagreement with broader DOS policies as distinct from disagreement with the draft *per se*.

It appears that the new proposed draft constitution would enshrine a system in which Vojvodina regained most – if not all – of the autonomy it enjoyed under the 1974 constitution, with the remainder of Serbia divided into six administrative districts, each with relatively broad autonomy. This change reflects several important realities in today's Serbia. First, the regions have begun to spin out of control of the centre. Second, the centre was never particularly deft at regulating and resolving day-to-day issues of governance outside Belgrade. Third, Serbia's geographic areas have specific needs and requirements, whether it be Sandzak with its large Muslim population, southern Serbia with its ethnic Albanian population, or Vojvodina with its Serb-Hungarian-Croat-Romanian population,¹¹¹ or the densely forested Sumadija heartland.

One key innovation of the new draft constitution would be to weaken the powers of the Serbian President, a post currently held by indicted war crimes suspect Milan Milutinovic. The current constitution gives most of the powers to the president. Given the obvious inability of Milutinovic – an SPS member and Milosevic crony – to function effectively in the post-Milosevic era, the presidential post has lost its formal powers to the premier's cabinet. Discussions underway

within DOS would formally transform this post into a figurehead position, while strengthening the office of Premier.¹¹²

Within both the DSS and the remainder of DOS it is widely assumed that when new presidential elections occur (as by statute they must by the end of 2002) that Kostunica would run for – and win – this post. The DSS feels this would give Kostunica a position to hold the moral high ground on issues and remain above the political fray, while exercising real power by controlling the Serbian government via the parliamentary majority that the DSS hopes to win. Other DOS members also wish for a Kostunica presidential victory, reckoning that the anti-DSS parliamentary bloc would be strong enough to govern without the DSS, or to marginalize it. In this way, no one takes the blame for shunting Serbia's most popular leader into what would be a largely ceremonial post. The only open challenger to Kostunica's presidential aspirations has been Velimir Ilic, the unpredictable mayor of Cacak. Although Ilic might run, there can be no doubt that Kostunica would win such a contest by a landslide. Moreover, Ilic has increasingly sided with Kostunica in his public statements. In actuality, the only serious electoral challenger to Kostunica would be Nebojsa Covic, who has not declared an intention to run for office.¹¹³

F. A BLOW TO YUGOSLAVIA?

Yugoslavia's federal institutions have been weakened by profound disagreement between Serbia and Montenegro over the identity and purpose of their common state. In this context, the fallout from the Gavrilovic Affair has further weakened the federal government, and as such may reduce the scope for a negotiated resolution of Yugoslavia's future.

Ironically, by attacking DOS on the Serbian level, Kostunica has weakened DOS and his own government on the federal level. The inability of DOS to form a common platform has hindered relations with its federal level coalition partner, the Montenegrin SNP. The most recent sessions of both house of the federal parliament were halted in order to give DOS members time to decide on their

¹¹⁰ 'Preuredjenje od tavana do podruma', *Politika*, 4 September 2001.

¹¹¹ Vojvodina's other ethnic groups include Ruthenians, Slovaks, Czechs, Germans, Roma, and assorted other minor groups, most of whom settled there under the Hapsburg Empire.

¹¹² ICG interviews with DOS members.

¹¹³ ICG interviews with DOS members.

further strategy.¹¹⁴ As of this writing, the federal parliament is paralysed and seems likely to remain so until the DOS partners have patched up their major internal differences. Should DOS prove unable to agree internally on its platform, the federal-level ruling coalition with the Montenegrin SNP will fall apart. This could well force new federal elections.¹¹⁵ Given the current situation in Montenegro and Serbia, the dissolution of the federal government might well lead to the end of the federal Yugoslav state.

There seems at present little doubt that Kostunica will eventually run for – and win – the post of President of Serbia. Even though no date has been announced for new elections, Kostunica has launched an energetic pre-election campaign since the Gavrilovic Affair, touring numerous cities inside Serbia and erecting billboards throughout the country. Should Kostunica win the office of Serbian President, his interest in maintaining the Yugoslav state may wane at the expense of strengthening the Serbian state. The final break up of Tito's Yugoslavia may therefore occur, not as usually foreseen through a Montenegrin independence referendum but rather through a Serbian decision to quit the FRY, or through a breakdown of constitutional talks.

Should Yugoslavia survive until constitutional reforms are completed, it may then only be a matter of time before its final dissolution. For now, however, FRY will continue to linger in political agony as a country without a valid constitution or functional government.

G. THE G-17 AS A POSSIBLE WINNER

Perhaps the biggest winner to emerge from the Gavrilovic Affair is G-17, a small yet influential collection of prominent economists and technocrats that is well respected and popular with the public.¹¹⁶ Its members include the Harvard-trained Serbian Finance Minister Bozidar Djelic (40.8 per cent approval rating), the Governor of the National Bank Mladjan Dinkic (52 per cent approval rating), and Federal Deputy Prime

Minister Mirosljub Labus (54.7 per cent approval rating). In addition, G-17 is highly popular among Belgrade's leading circles, both reformist and nationalist, as well as the foreign diplomatic community and international financial institutions.

Throughout the Gavrilovic Affair, G-17 members complained publicly that the infighting was weakening the country's economy, driving away potential foreign donors, and delaying long-awaited reforms by dissipating the country's political energy on inconsequential matters. They also warned that certain elements – DSS, SPS and SRS – wished to misuse the social and economic difficulties for political purposes.¹¹⁷ Labus, Dinkic and Djelic maintained a high profile, meeting with the media to explain economic reforms and difficult economic decisions, such as the electricity and telephone rate increases. They also arranged for a US\$ 30 million grant from the World Bank.¹¹⁸ These actions resonated with the Serbian public.¹¹⁹ Both DSS and DS insiders have confirmed to ICG that they expect G-17 to capitalise on this popularity and emerge as the king-maker at the next elections.

G-17's leading trio have focused on signing bilateral agreements with international financial and donor institutions. Many of these agreements oblige FRY and Serbia to undertake specific reform measures to qualify for donor aid. In a sense these act as an insurance policy to ensure that Serbia and FRY remain on a reform-oriented course. The success of these measures could depend on FRY or Serbia fielding a qualified team that has the trust of international donors. This makes G-17 necessary to both the DS and DSS, for in large part the economists of G-17 represent the only real economic program available to Serbia. The other members of DOS have a much smaller number of qualified personnel, and even DSS has fielded only one competent economist. Hence the moderation of the DSS's position may be in part due to G-17's emphasis on economic reform

¹¹⁷ 'Mogucnost politicke zloupotrebe stanja u zemlji', *Politika*, 5 September 2001. 'Vlast da se uozbilji', *Blic*, 5 September 2001.

¹¹⁸ 'O'Saliven: jedan od najboljih premera reformi', *Radio B92*, 7 September 2001.

¹¹⁹ The latest public opinion survey in Vojvodina gave G-17 an approval rating over 50 per cent. (The DSS and DS scored only 23 per cent and 13 per cent respectively.) 'Novosadjanima najblizi G17', *Rzdio B92*, 19 September 2001.

¹¹⁴ 'Predrag Bulatovic: Necemo da popunjavamo rupe nesloge u DOS', *Danas*, 8 September 2001. 'Sukob DOS i SNP', *Blic*, 8 September 2001.

¹¹⁵ 'Krizna koalicije DOS-SNP', *Radio B92*, 9 September 2001.

¹¹⁶ 'I u padu neprikosnoveni', *NIN*, 30 August 2001.

throughout the Gavrilovic Affair, which put both the DSS and DS to shame.

The G-17 has not registered as a political party, although Predrag Markovic, the president of its political council, recently announced that it would register as a group of citizens and participate in the next elections.¹²⁰ Following the next elections, any political party that expects to hold a ministerial post will likely be forced to do so in coalition with G-17. And G-17 – given its image – should be able to demand an expert government from its coalition partners. The Gavrilovic Affair aside, no matter who wins the next elections, Labus, Djelic and Dinkic will probably remain in government, with additional new faces from G-17.

The main weaknesses facing G-17 are the lack of a good political support network and the perception of them as elitist. Although it attempted to remedy this by creating a non-governmental organisation, G-17+, this has had little effect. On the other hand, Djindjic's DS, for all its weaknesses and unpopularity, probably has the most effective political network in the country. Given the weakness of G-17's organisation, and the seeming coincidence of interests in political and economic reforms, it is not unlikely that G-17 might form an alliance with the DS, GSS and SDU in upcoming elections.

H. THE ECONOMY AS A CERTAIN LOSER

The protracted political squabbling inside DOS has overshadowed the fact that – Djindjic's reformist tendencies aside – very little actual economic or other reform has taken place. The constant infighting has distracted Serbia's politicians from undertaking the real task at hand. In spite of the best efforts of G-17 and other respected economists, such as Goran Pitic and Aleksandar Vlahovic, parliament has consistently been distracted by debates over inconsequential issues at the expense of larger, more pressing reforms. Bickering ministers are forced to spend so much time, resolving disputes and protecting themselves politically, that they are left with little time for the day-to-day business of governance. Nowhere is this more telling than in judicial and economic reform. Several foreign businessmen told ICG that

the Gavrilovic Affair has soured them to the idea of investing in Serbia until the political situation had stabilised.

Already prices for electricity, telephone, food, and fuel have risen dramatically, in some cases by over 100 per cent since the beginning of the year. This has been accompanied by only a nominal rise in the average wage. At one point the Dinar's stability was threatened.¹²¹ The appearance of instability produced by the Gavrilovic Affair may have weakened Yugoslavia's case for renegotiating its debt with Paris Club and London Club creditors.¹²² Foreign investment is scarce, donor aid is flowing more slowly than expected, and the number of strikes is increasing. The winter will bring electricity and heating shortages, as well as continued price increases. As conditions worsen, populist or popular politicians – such as Ilic and Kostunica – are likely to position themselves to exploit rising social tensions before the next elections.

I. WHO CONTROLS THE ARMY?

Almost overshadowed by the entire crisis is the lack of civilian control over the VJ. ICG conversations with sources within the VJ indicate that it is still under the control of hard-liners, headed by Milosevic crony General Pavkovic. This faction represents a significant impediment to FRY entering NATO's 'Partnership For Peace'. That the Yugoslav military is operating at least partly under informal, personal command structures and not under constitutional institutional control was strongly indicated when a Yugoslav Defence Ministry delegation visited Banja Luka on 16 August. The head of the mission was Kostunica's Chief of Staff, Ljiljana Nedeljkovic, who has no legal authority over the military.¹²³

Inside the military, Pavkovic has replaced numerous officers considered disloyal to Kostunica and his policies. Following the transfer of Milosevic to The Hague, Pavkovic sacked the entire upper echelons of both the Air Force and the Air Defence allegedly for permitting the helicopter carrying Milosevic to leave the country. Several

¹²⁰ ICG interview with Predrag Markovic. 'Vlast da se uozbilji', *Blic*, 5 September 2001.

¹²¹ 'Potresi u vladi ugrozavaju dinar', *Blic*, 20 August 2001.

¹²² 'Djelic, Sukob u DOS ugrozava pregovore s svetom', *Danas*, 8 September 2001.

¹²³ 'Svi predsednikovi ljudi', *Vreme*, 25 August 2001.

military experts inside Yugoslavia commented that this move was not only unprofessional, but dangerous for the country's defence.¹²⁴ That it was politically motivated is beyond doubt. Yugoslav politicians and officers, from both Serbia and Montenegro, have noted that the military appears to be under the president's personal control rather than that of the constitutionally authorised organs, such as the Ministry of Defence or the Supreme Defence Council.¹²⁵

IV. CONSEQUENCES FOR THE REGION

In regional terms, the current struggle in DOS means little for Croatia or troubled Macedonia. Its implications for federal Yugoslavia – including Serbia's relations with Montenegro – have been mentioned above. The struggle also has the potential to influence events in Bosnia and Herzegovina, as well as Kosovo. Depending on its further consequences, the Gavrilovic Affair could also have ominous implications for continued cooperation with the ICTY.

A. BOSNIA AND HERZEGOVINA

At the 21 August DOS presidency meeting held behind closed doors in Novi Sad, one of the topics of discussion was VJ support to the Bosnian Serb Army (VRS). This followed in the wake of recent claims, launched mainly by the speaker of the Vojvodina parliament, Nenad Canak, that the VJ was planning a military coup in Serbia, with the Republika Srpska army (VRS). Although no coup materialised, the topic of military ties between the two countries became a concern to many in DOS. During the meeting Canak questioned Kostunica about these relations.¹²⁷ Although the FRY has stated repeatedly and officially to Western interlocutors that it has stopped giving financial aid to the VRS, it emerged at the meeting – much to the surprise of many in the DOS presidency – that assistance was continuing on a considerable scale. According to some present, Kostunica eventually claimed that certain information was classified and not for discussion.¹²⁸

After the meeting Canak claimed that at least 1,400 VRS officers remain on Belgrade's payroll, and the VRS still remains within the VJ command structure. This would place FRY in direct violation of the Dayton Peace Accords.

The DOS presidency did not press the issue at the meeting or – with the exception of Canak – subsequently in public, presumably because the Djindjic camp was unwilling to confront Kostunica. The continuing VJ—VRS ties will,

¹²⁴ 'Svi predsednikovi ljudi', *Vreme*, 25 August 2001.

¹²⁵ 'Grahovac: unisten ugled VJ', *Fonet*, 11 September 2001. 'Vuksic: Kostunica uzeo vojsku pod svoje', *Fonet*, 11 September 2001.

¹²⁶ ICG interviews with Montenegrin government officials.

¹²⁷ ICG interviews with DOS members.

¹²⁸ ICG interviews with DOS members.

¹²⁹ ICG interviews with DOS members.

however, help to maintain Bosnia's tense ethnic standoff while encouraging the criminal elements that dominate so much of Republika Srpska's political life.¹³⁰

B. ICTY COOPERATION

One reason for the DSS—DS conflict appears to have been DSS desire to retaliate against Justice Minister Batic and Interior Minister Mihajlovic for their part in transferring Milosevic to The Hague. Although Kostunica has publicly emphasised his concern that crime and lawlessness were rampant throughout the country,¹³¹ his claim that Milosevic was 'kidnapped' from jail in Serbia for transfer to The Hague indicates that the real source of his hostility to the two ministers was their cooperation with the ICTY.¹³² Apart from the Milosevic transfer, most disturbing to the DSS were Mihajlovic's efforts to uncover mass graves in the Belgrade area and elsewhere.¹³³

Kostunica and several of his allies on this issue, including Velimir Ilic, continue to press for Mihajlovic's and Batic's removal.¹³⁴ Should the DSS control the Serbian Ministries of the Interior and of Justice, it could use technical issues to block effective cooperation with the ICTY, while avoiding a showdown with the international community. The DSS will very probably continue to push for the removal of both Batic and Mihajlovic, particularly following ICTY Chief Prosecutor Carla Del Ponte's recent successful visit to Belgrade during which they announced their intention to continue uncovering mass graves.¹³⁵

The Milosevic transfer resulted from international obligations and financial pressure. Yet neither this bold step, nor the prior exposure of several mass graves, provoked significant public condemnation. This makes it all the more unfortunate that, as of this writing, no leading political figure or party

appears ready to steer Serbian society towards a reckoning with its portion of responsibility for the atrocities of the past decade. Kostunica's understanding with former Milosevic supporters such as Pavkovic, as well as his conservative nationalist ideology, limit his ability to carry out such a role.

This will certainly have repercussions for Serbia's reforms as well as for ability to reconcile with its regional neighbours. Given that no political party or coalition can be expected to make Serbian society face up to its own responsibility for the atrocities and suffering of the past decade, the international community should support other groups in civil society that are better able to foster the values of truth and reconciliation. For without these values, the reform process will not take root.

C. KOSOVO

The struggle within DOS exposed by the Gavrilovic Affair and its aftermath could well affect Serbian politics in Kosovo. The DSS is – along with the SPS – the strongest political party in Serb-dominated northern Kosovo. Its leaders are among the most determined opponents to UNMIK's tax collection efforts and they have organized numerous roadblocks and demonstrations. They also oppose UNMIK's exercise of its authority, as well as Serbian republic authorities' transactions with UNMIK. Local Serb leaders have conditioned their participation in the upcoming November elections for a Kosovo assembly by demanding that UNMIK meet a number of conditions that, as is well known to all concerned, cannot be fulfilled in present conditions.¹³⁶ If the DSS succeeds in wresting control of key Serbian government ministries away from Djindjic, it can be expected to foster 'parallel structures' within Kosovo. These structures are a major obstacle to the UNMIK mission's efforts to bring the rule of law to Kosovo.

Many within UNMIK share the opinion that the recent introduction of new tax and customs regulations – both within Serbia and UNMIK – prevent some northern Kosovo Serbs and others

¹³⁰ Examples of this interrelationship are discussed in 'Demokratija podzemlje', *BHDani*, Archive #221.

¹³¹ 'DSS nece rusiti vladu', *Politika*, 5 September 2001.

¹³² 'Milosevic otet is zatvora', *Blic*, 5 September 2001.

¹³³ ICG interview with foreign diplomat.

¹³⁴ 'Ilic optuzivao, minister policije mu odgovarao', *Blic*, 5 September 2001.

¹³⁵ 'Objaviti optuznice', *Blic*, 4 September 2001. 'Vlasti obecale saradnju u izrucenju Ratka Mladica', *Blic*, 5 September 2001.

¹³⁶ The three main conditions are currently as follows: the solution of all cases of missing Serbs, the provision of freedom of movement and full security, and an extensive revision of the Constitutional Framework for Provisional Self Government for Kosovo.

from carrying on a lucrative smuggling business that involves various goods, including cigarettes.¹³⁷ At the same time the DSS opposes attempts by either UNMIK or the Serbian government to impose tax, customs or other regulations that might differentiate Kosovo from Serbia. This may help to explain the unwarranted DSS accusations against the Serbian government and Finance Minister Djelic, regarding cigarette smuggling.

For Djindjic, the future of Kosovo is currently a non-issue. He realises it is a question that will involve lengthy diplomacy and great power wrangling. He has chosen instead to address the fate of some 1,300 Kosovo Serbs missing since July 1999, presumed kidnapped or murdered by ethnic Albanians. While Djindjic has instructed his ministries to recognize the UNMIK administration and make arrangements that would improve the day-to-day life of Serbs in Kosovo, he wishes to have nothing to do with UNMIK himself and prefers to present himself as engaging directly with ethnic Albanian leaders to resolve the missing persons issue. The decision to prioritise this issue – one that resonates with the average Serb – is intended to increase electoral support for the DS, which is widely seen as suspect on national issues.

The impact on Kosovo of the current struggle within DOS may depend in large part on which side Nebojsa Covic takes. The federal and republic governments have given him key responsibility for Kosovo, and he has established a new joint federal/republic organ called the Yugoslav Coordination Center for Kosovo and Metohija. Its membership is comprised largely of Kostunica supporters and the current SPS and DSS leadership from Kosovo, such as Zoran Andjelkovic and Momcilo Trajkovic. Additional members include supporters of the writer Dobrica Cosic, revered in traditionalist circles as 'the father of the nation'. Also of note is Branimir Krstic, nationalist author of a book advocating the partition of Kosovo on the basis of alleged ethnic and historical principles.¹³⁸

Should Covic side with Kostunica, the Coordination Center would probably take an increased role in policy-making and coordinating northern Kosovo's parallel structures. Yet Covic's

draft plan to settle the Kosovo problem, as presented to the UN Security Council on 17 September, appears to have upset the DSS rather than the Djindjic camp. The short lesson, perhaps, is that for the foreseeable future no government in Belgrade will be able to adopt a sensible policy on Kosovo without incurring the highly manipulable anger of Serbian nationalists.

¹³⁷ ICG interviews with UNMIK officials.

¹³⁸ 'Pomirivanje prava Srba i Albanaca', *Vreme*, 24 May 2001.

¹³⁹ 'Ne sporimo autoritet UNMIKa', *Danas*, 13 September 2001.

V. CONCLUSION

During the course of the Gavrilovic Affair, President Kostunica revealed more clearly than before that he is a conservative nationalist who is protecting core elements of Milosevic's legacy against the pro-reform camp within DOS. By exploiting the murder of Momir Gavrilovic as they did, Kostunica and DSS have weakened Serbia's fragile reform process. Should they continue along their current path, this process will stall and a hastily improvised dissolution of Yugoslavia will be encouraged, so increasing regional instability. Many of the international community's hard-earned gains in Bosnia and Kosovo, and perhaps in Croatia too, could be threatened. Enmity between ethnic Albanians and Serbs would be entrenched even more deeply.

Although Vojislav Kostunica and his party are far from being the sole problem within Serbian politics, they currently pose the most significant threat to further reform. In its efforts to support the emergence of genuine democracy in Yugoslavia, the international community has rushed to accept Slobodan Milosevic's successor. Except as regards the arrest and transfer of Milosevic himself, however, leverage on Yugoslavia to comply with international goals for regional stability and peace has been largely neglected.¹⁴⁰ If the international community seriously wishes Yugoslavia to continue down the path of democratic reform, it should examine the role that President Kostunica is playing, as well as his party's platform and positions on key issues such as economic reform, judicial reform, cooperation with the ICTY, support for Republika Srpska and its military, support for Serb-run 'parallel structures' in northern Kosovo, the effective functioning of the federal state, and the role of the VJ in political life.

It should then reappraise its options for pressuring President Kostunica to move in a positive direction, above all on the following issues: to remove General Pavkovic from his post as VJ Chief of General Staff; to urge the DSS to re-enter the Serbian government; to help preserve the DOS coalition until at least the middle of next year; to delay the Serbian elections until at the very earliest

the late autumn of 2002 (it being likely to take at least this long to get reforms on track); to make a public declaration of support for cooperation with the ICTY; to use his prestige within the Federal government to get the law on cooperation with the ICTY adopted; to take an unequivocal public stance supporting the difficult economic, social and judicial reforms required by international donors and desperately needed by Serbia (failing which, international donors should make all aid payments directly to the republic governments of Serbia and Montenegro, bypassing the Federal structures). The international community should also urge both Premier Djindjic and President Kostunica to distance themselves from individuals who are associated with the Milosevic regime.

The international community should also support the DSS's calls for increased transparency and accountability within the Serbian government, while opposing that party's efforts to undo the significant gains in cracking down on cigarette and petroleum smuggling in the region.

Finally, the international community should not suppose that any political party or coalition will be able to provide effective antidotes to the toxins of nationalist extremism that still course so damagingly through Serbian political and social life. While the DSS is popular enough to attempt public re-education but sees no need to do so, other parties lack the strength or nerve to risk losing public support by frankly embracing the difficult values of truth and reconciliation. Accordingly, the international community should identify and strongly support those groups in civil society that can lead the way in enlightening public consciousness.

Belgrade/Brussels, 21 September 2001

¹⁴⁰ See ICG Balkans Report No.112, *A Fair Exchange: Aid to Yugoslavia for Regional Stability*, 15 June 2001.

APPENDIX A

ABOUT THE INTERNATIONAL CRISIS GROUP

The International Crisis Group (ICG) is a private, multinational organisation committed to strengthening the capacity of the international community to anticipate, understand and act to prevent and contain conflict.

ICG's approach is grounded in field research. Teams of political analysts, based on the ground in countries at risk of conflict, gather information from a wide range of sources, assess local conditions and produce regular analytical reports containing practical recommendations targeted at key international decision-takers.

ICG's reports are distributed widely to officials in foreign ministries and international organisations and made generally available at the same time via the organisation's internet site, www.crisisweb.org. ICG works closely with governments and those who influence them, including the media, to highlight its crisis analysis and to generate support for its policy prescriptions. The ICG Board - which includes prominent figures from the fields of politics, diplomacy, business and the media - is directly involved in helping to bring ICG reports and recommendations to the attention of senior policy-makers around the world. ICG is chaired by former Finnish President Martti Ahtisaari; former Australian Foreign Minister Gareth Evans has been President and Chief Executive since January 2000.

ICG's international headquarters are at Brussels, with advocacy offices in Washington DC, New York and Paris. The organisation currently operates field projects in eighteen crisis-affected countries and regions across three continents: Albania, Bosnia, Kosovo, Macedonia, Montenegro and Serbia in Europe; Algeria, Burundi, Rwanda, the Democratic Republic of Congo, Sierra Leone and Zimbabwe in Africa; and Burma/Myanmar, Cambodia, Indonesia, Kyrgyzstan, Tajikistan, and Uzbekistan in Asia.

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July 2001

APPENDIX B

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