

SERBIAN REFORM STALLS AGAIN

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

The reformist zeal displayed by the Serbian government following the 12 March 2003 assassination of Premier Zoran Djindjic appears to have dissipated. A number of important and positive steps were taken while the shock of that political murder was still fresh. Increasingly, however, their impact is being counterbalanced by actions that bring into question the government's ability to press decisive political and economic reforms home so as to achieve the goal of integration with wider European institutions.

In the immediate aftermath of the shooting, public commitments to cooperate with The Hague Tribunal were made; the army began to be put under civilian control; the highest-profile organised crime gang and parts of the Milosevic-era parallel security structures were dismantled; several dozen prominent murders, many dating back to the old dictator's time, were solved; and the new union of Serbia and Montenegro was admitted to the Council of Europe. All this should have happened quickly after Milosevic's fall in October 2000, but the reform agenda had been blocked by nationalistic forces around former Yugoslav President Vojislav Kostunica until February 2003.

As welcome as that burst of activity was, however, new troubling signs have appeared. Those who openly criticise the government on ties to organised crime risk arrest, and officials have launched legal actions to silence the media and respected human rights organisations. Serious human rights violations, including torture, have occurred in the prisons to which those rounded up in the post-assassination crackdown have been sent. The government has almost completely destroyed the independence of Serbia's already dysfunctional judiciary, is imposing media censorship and has given the police sweeping powers of extra-judicial detention. This all clearly violates Council of

Europe standards. The government has yet to reveal who ordered a number of high profile political assassinations widely considered to have been associated with State Security. The newly appointed chief of military intelligence has been implicated by testimony at The Hague Tribunal in a massacre of 129 civilians during the 1999 Kosovo crisis, and the new-found commitment to cooperate with The Hague appears dependent on continued strong international pressure.

Under the state of emergency declared in response to the Djindjic killing, the Serbian government did strike a blow against part of the Milosevic-era parallel security structures. Yet this appears increasingly to have been a one-off reaction. The government still appears unable to pursue reforms energetically since it remains excessively dependent on a Milosevic-era financial oligarchy and faces strong obstruction from a largely unreformed state security (BIA) and army sector. The BIA remains a bastion of individuals tainted by war crimes and connected to organised crime. Both it and the financial oligarchy are actively, and largely successfully, obstructing military reform, democratisation, the rule of law, institution building, cooperation with The Hague, and the fight against organised crime and corruption. Indeed, it increasingly appears that the Democratic Party (DS), the power in the ruling DOS coalition, may have used the assassination and state of emergency not to set Serbia on a fast course forward but to settle political scores.

The DS and the new premier, Zoran Zivkovic, received a significant post-assassination boost in their popularity, largely because of their attacks against organised crime. Those ratings have since dropped, due in large part to the public perception that the government is covering up its association with criminal elements and Djindjic's assassins.

Public quarrels have erupted between members of the DOS coalition over how far the crackdown on organised and economic crime should go, and some key politicians appear to be blocking investigations out of self-interest. Without a reliable parliamentary majority, the DS is turning increasingly to Milosevic's old allies, his Socialist Party of Serbia (SPS) and its break-away SNS wing, and defectors from other right-wing nationalist parties, a development that bodes poorly for reforms, but it shows reluctance to call elections that might produce a mandate for change before autumn 2004.

Without strong and consistent international pressure, the opportunity that Djindjic's death appeared to offer to mobilise a shocked public behind the reforms Serbia needs will be lost.

RECOMMENDATIONS

To the international community:

1. Condition all financial assistance to Serbia and Montenegro on the meeting of specific annual benchmarks, including but not limited to:
 - (a) compliance with Council of Europe human rights standards, especially freedom of the media and human treatment of prisoners;
 - (b) cooperation with The Hague War Crimes Tribunal;
 - (c) progress in reforming the judiciary and the battle against organised crime and corruption;
 - (d) disbanding the Security-Information Agency (BIA) and replacing it with a new organisation subject to parliamentary control;
 - (e) significant progress on bringing the military under civilian control; and
 - (f) removal from top ranks in the army, police and BIA of individuals who are closely associated with war crimes and human rights abuse in the Milosevic era.
2. Do not permit Serbia and Montenegro to enter NATO's Partnership for Peace until war criminals have been removed from top positions in the army and all Hague indictees have been arrested.
3. Increase technical assistance to the Defence Ministry to assist with reform, subject to progress on the benchmarks listed above.

4. Increase technical assistance to reform and supervision of the judiciary, with particular emphasis on the Commercial Court, subject to progress on the benchmarks listed above.
5. Give the Serbian government technical assistance with disbanding the BIA and forming a new security agency.

To the Serbian government:

6. Restart the fight against organised crime and economic crime.
7. Disband the Security-Information Bureau (BIA) and create a new state security agency that is subject to parliamentary control.
8. Publicly and fully disclose the role the BIA and KOS played in facilitating Djindjic's assassination.
9. Begin serious police reforms by year's end.
10. Place the Zandarmerija and Special Anti-terrorist Unit (SAJ) under parliamentary control.
11. Remove from posts in the security forces individuals who are closely associated with war crimes and human rights abuse in the Milosevic era, including Vladimir Lazarevic, Momir Stojanovic, Sreten Lukic, and Goran Radosavljevic.
12. Permit Human Rights Watch, Humanitarian Law Centre, and the Helsinki Committee free access to Serbia's prisons.
13. Repeal or amend the law on Public Information and immediately draft and pass legislation that guarantees freedom of the media in keeping with Council of Europe and EU standards, including a new law on access to information.
14. Immediately draft and pass legislation to reform the judicial system in keeping with Council of Europe and EU standards, repealing or amending in so doing the Law on the Battle Against Organised Crime and the Law on the Public Prosecutor.
15. Arrest all sixteen Hague indictees believed to be on Serbian soil – including Ratko Mladic.
16. Turn over documents pertaining to the Milosevic trial to the ICTY prosecutors.

17. Disband the Radio Diffusion Council and select new members, this time following legal procedures.
18. Purge the Commercial Court of Milosevic-era hacks.
19. Do not tamper with the independence of the National Bank, whether by passing draft legislation presently before the parliament or by taking other measures to assert political control.
20. Reappoint Aleksandar Radovic as director of the Republic Directorate of Public Revenues and permit him to carry out his duties.

Belgrade/Brussels, 17 July 2003

SERBIAN REFORM STALLS AGAIN

I. INTRODUCTION: OPERATION SABRE

The Serbian government's response to Premier Djindjic's assassination on 12 March 2003 was rapid and strong.¹ Following a same-day emergency meeting and a declaration of a state of emergency by acting President Nataša Mićić, the police began "Operation Sabre", aimed at hunting down those responsible for ordering, planning, and carrying out the murder.

The initial target of the crackdown was the organised crime group known as the Zemun Clan, which has been accused of organising and executing the shooting. It was closely linked to the Red Beret special forces police unit notorious for its brutality in the wars of the 1990's in Croatia, Bosnia and Kosovo and its close ties to ruling and opposition political figures, both past and present. The police quickly arrested or killed most members of the Zemun Clan – with the notable exception of its leader, former Red Beret commander Milorad "Legija" Ulemek-Luković – and disbanded the Red Berets. Large quantities of drugs were uncovered, as were private prisons and a silver Audi getaway car used in numerous unresolved murders.

Operation Sabre seemed to spare no one. The police questioned nearly all the advisers of former Yugoslav President Vojislav Kostunica and eventually arrested and filed criminal charges against two – Rade Bulatović and Aco Tomić² – for

complicity in the assassination plot.³ The dragnet brought in a judge⁴ and a public prosecutor, and the investigation was widened to include a number of previously unsolved crimes that the Red Berets and Zemun gang were believed involved in, including several dozen murders with political overtones. Former Army Chief of Staff Nebojša Pavković, former Secret Police Chief Jovica Stanišić, Red Beret commander Frenko "Frenki" Simatović, and members of Vojislav Seselj's Serbian Radical Party (SRP) were among those arrested, as were two pop stars, Svetlana "Ceca" Raznatović, widow of murdered war criminal and gangster Željko "Arkan" Raznatović, and Aco Lukas.

The government mostly used the first month of crackdown to good effect. Television showed the latest arrests every evening, as police swept the streets of shaven-headed BMW-driving underworld elements. Masked members of the special forces Zandarmerija unit conducted checks everywhere in the capital. Drivers of cars with darkened windows – the tell-tale sign of the underworld – left their vehicles in garages, hoping to evade the sweeps. Police regularly raided popular nightspots. Kalashnikov-armed helmeted officers guarded government buildings and lined pedestrian thoroughfares, as if to emphasise the seriousness of the matter. Nights were no longer split with the wail of car alarms, and the street price skyrocketed for drugs suddenly in short supply. For the vast majority of Serbs, the state of emergency and the attacks on organised crime were very popular.⁵

Each day it seemed the government released yet another shocking revelation regarding the Zemun

¹ For details of the events surrounding the assassination, see ICG Balkans Report N°141, *Serbia After Djindjic*, 18 March 2003.

² Although the head of KOS, Tomić acted in an informal advisory capacity to Kostunica.

³ "Legija trazio podršku Vojske od Ace Tomića", *Blic*, 12 April 2003.

⁴ The charges against the judge have since proven to be unfounded and been dropped.

⁵ See the Strategic Marketing poll results at www.smmri.com.

Clan and the Red Berets, including responsibility for the kidnapping and murder of former Serbian President Ivan Stambolic in August 2000, two assassination attempts against opposition leader Vuk Draskovic, and the close ties between the Red Berets and Milosevic, his wife Mira Markovic, and Hague indictee and Serbian Radical Party (SRS) leader Vojislav Seselj. The fortress-like headquarters of the Clan at #3 Schiller Street in Zemun, was dynamited, and a business associated with it was bulldozed, all to popular acclaim.

Interior Minister Dusan Mihajlovic asserted that the assassination – the fourth attempt against Djindjic in two months – was the first in a planned series of killings of high officials designed to lead to the collapse of the ruling coalition and bring about elections and a change of government. He claimed the plot was far-reaching and included Seselj and two of Kostunica's closest advisors, as well as current and former members of the state security apparatus and the military. Mihajlovic said that the same plotters were behind the November 2001 Red Beret revolt, and that the Zemun Clan exercised de facto control over the Red Berets. The government has yet to prove any of these claims in court.

It became evident in the course of the arrests, however, that Serbia's army, police and state security structures were compromised by involvement in organised crime at the very highest levels.⁶ Among those involved in the direct assassination effort were the most senior members of the elite Red Beret unit and the State Security (BIA). It also became apparent that – in the rush to justice – the Interior Ministry had mistakenly arrested and publicly accused a number of innocent people of association with the Zemun Clan, the most prominent of these being a judge, Zivota Djoincevic.

During Operation Sabre the police brought in more than 10,000 people for questioning.⁷ In its course and subsequent interrogations and investigations, they claim to have solved 28 murders, 23 attempted murders, 45 extortion attempts, fifteen kidnappings, and dozens of other serious crimes, as well as broken up Serbia's largest narcotics ring. The hallmark of most of the murders and kidnappings

was that they had been carried out at the behest of or in cooperation with the BIA and police through a network of past and present members of paramilitary groups and criminal organisations operating in a manner that was difficult to trace back to the government.

Operation Sabre showed that Serbia's police are capable of operating effectively against organised crime when the political will exists. But it also raised disturbing questions. The speed with which the police were able to solve so many high profile crimes indicates that much information – which had been rumoured in the Belgrade press for two years – was already widely known in police and possibly some government circles. Vice President Cedomir Jovanovic confirmed to a joint session of the parliamentary committees for Security and Justice that the police had extensive knowledge of numerous high-profile crimes, including those of the Zemun Clan, yet did nothing.⁸ In 2002 Djindjic himself had complained publicly – while sitting next to Interior Minister Dusan Mihajlovic at a meeting in Jagodina – that there were 50 criminal gangs in Serbia but the police were doing nothing.⁹ The question naturally arises why, and why Mihajlovic apparently permitted criminals to act with impunity.

The answer seems to lie in the nexus of state security, paramilitary organisations, politicians and war criminals that developed under the Milosevic regime. These parallel structures were left intact when DOS ousted Milosevic in October 2000. Operation Sabre made it abundantly clear that the old regime and its state security had frequently used police special forces units, as well as the army and organised criminal groups, to carry out and support politically motivated assassinations and kidnappings, and that both the police and army were deeply compromised by criminal elements. One can only suppose that the police and Mihajlovic did not act previously and their information was kept from judicial organs and the public to protect current members of the police and state security organs – and possibly former and current government members who may have

⁶ "Generali u sluzbi mafie", *Blic*, 11 April 2003.

⁷ See the speech given by Interior Minister Dusan Mihajlovic on 29 April 2003 at <http://www.mup.sr.gov.yu/domino/skzn.nsf/29april03>.

⁸ Jovanovic's 25 June 2003 testimony was rebroadcast in its entirety on most major television stations in Serbia.

⁹ "Djindjic, Mihajlovic i Knezevic u Jagodina", *Beta*, 6 March 2002.

collaborated with or been compromised by their connections to these parallel structures.

It took the shock of Djindjic's assassination to motivate Serbia's leading politicians to begin to deal decisively with these Milosevic era parallel security structures. But even so, they have yet to really go after corruption in state security (BIA) and army intelligence (KOS). Most disturbingly, since the state of emergency was ended on 22 April 2003, the government appears to have given up entirely on the battle against corruption and economic crime.

II. ACHIEVEMENTS

Since Djindjic's assassination, Serbia has made significant progress on a number of fronts that are important to its international standing. The Council of Europe granted Serbia and Montenegro membership, partially out of sympathy over the assassination. In addition, the level of anti-Western rhetoric, which had been largely the product of the nationalist right wing, seems to have diminished.¹⁰

A. HAGUE COOPERATION

Cooperation with The Hague Tribunal (ICTY) has been perhaps the single largest obstacle to Belgrade's efforts to realise a variety of foreign policy goals. Such cooperation is a precondition for U.S. assistance, a Stabilisation and Association Agreement with the EU, and membership of NATO's Partnership for Peace (PfP) alike. It was also an informal condition for Council of Europe membership. Djindjic had always attempted to pursue a policy of Hague cooperation, but met with obstruction from within the army, the office of the federal president (then under Kostunica), the state security apparatus, the paramilitary formations and the police. Serbia (and the Yugoslav federal government) cooperated only grudgingly and under heavy pressure. The assassination demonstrated the danger these structures posed to the development of democracy in Serbia. The common link that binds them together is the issue of war crimes, in which so many individuals were implicated.

Serbia has recently taken a number of positive steps. First, and perhaps most strikingly, politicians changed their public stance. This was due not to Djindjic's assassination, but rather to the replacement of Kostunica by the far more pro-Western Svetozar Marovic.¹¹ The second positive

¹⁰ "Gal[I]up: Vecina gradjana za saradnju sa Zapadom", B92, 9 June 2003.

¹¹ While Kostunica was president of what remained of federal Yugoslavia, Marovic is president of the new state of Serbia and Montenegro that came into existence in early 2003 through negotiation between those two republics and under heavy EU diplomatic pressure. The new state's institutions and powers are very weak, however, as noted in ICG Balkans Report No. 142, *A Marriage of Inconvenience: Montenegro 2003*, 16 April 2003, and ICG Europe Briefing, *Thessaloniki and After III: The EU, Serbia, Montenegro and Kosovo*, 20

step was the transfer of indictees Miroslav Radic and Veselin Sljivancanin to The Hague. The third is that for the first time the government has begun signing waivers releasing former officers from their obligations to maintain state secrets and permitting to testify. The fourth is that it has turned over unspecified quantities of documents to the ICTY, mostly relating to the Vukovar case.

The government has also undertaken several actions that do not necessarily qualify as cooperation with the ICTY, but certainly go a long way towards removing some of the formal internal barriers to such cooperation that had been put in place under Kostunica. These include repealing Article 39 of the Law on Cooperation, disbanding the Commission on Cooperation with The Hague, and ordering all army officers to report any knowledge regarding the whereabouts of Hague indictees.

For its part, the ICTY has gone out of its way to cooperate with the Serbian government, quickly indicting Frenko "Frenki" Simatovic and Jovica Stanisic at its request, so as to rid it of an unpleasant political problem.

For a time Hague cooperation appeared to be at the forefront of the government's agenda. Serbia and Montenegro President Marovic, Serbian Premier Zoran Zivkovic, Justice Minister Vladan Batic, Foreign Minister Goran Svilanovic and Defence Minister Boris Tadic have all stated publicly and repeatedly that this is a priority. In sharp contrast with the past, Tadic and the Defence Ministry have followed through with concrete actions. These have been reinforced by Batic. The government has announced that it wants to resolve all outstanding Hague cases by the end of the year, but this may prove difficult, due primarily to increasing resistance within the army and State Security (BIA), as well as a possible lack of political will caused by the possibility of early parliamentary elections.¹²

Nonetheless, questions remain whether Serbia has really turned over a new leaf with regard to the ICTY. Initial indications were promising. On 11

April 2003 Tadic ordered the dissolution of the Commission of the Army of Serbia and Montenegro for Cooperation with the Hague Tribunal. This semi-official body of 28 retired generals formed in spring of 2001 by then Chief of General Staff Nebojsa Pavkovic had access to all army classified archives. Its main function was not to cooperate with The Hague, but rather to provide documents to assist Serb defendants, such as Slobodan Milosevic, while obstructing prosecution access. This commission appeared to have worked closely to gather information against prosecution witnesses with the army's Directorate of Security (known as KOS), which was headed by Aco Tomic, now in jail – but not yet indicted – reportedly for participating in the assassination plot.

A key member of the Commission was Milan Gvero, a former officer of the Army of Republika Srpska who is reported to maintain close contact with his former boss, Ratko Mladic, who has been indicted for war crimes. Retired general Geza Farkas, number two in the Commission, was a former close associate of Milosevic's wife, Mira Markovic, and chief of the KOS in Kosovo during the 1999 ethnic cleansing. Dismantling this body has dealt a serious blow to the anti-Hague forces within the military.

On 14 April the parliament of Serbia and Montenegro repealed Article 39 of the Law on Cooperation with The Hague, which had forbidden the processing of any indictments issued after its promulgation. On 18 April Tadic issued the order instructing army officers to report any contacts with persons indicted for war crimes.¹³ This was directed at two indictees, Mladic and Veselin Sljivancanin, both of whom were rumoured at various times to be hiding on army bases. Kostunica – as commander in chief of the army – never gave such an order.

Since the assassination Serbia has transferred Miroslav Radic of the Vukovar Trio to The Hague, as well as Stanisic and Simatovic. In another proof of the effectiveness of the U.S. Congressional policy that conditions financial assistance on ICTY cooperation, Serbian police arrested the remaining member of the Vukovar Trio, Sljivancanin, on 13 June – two days before the deadline for the next

June 2003. Serbia's politics and its republican government and institutions, which are the ones discussed in this report except where otherwise noted, remain essentially autonomous in most areas.

¹² "Z. Zivkovic, 'Nisam niciji talac'", *Vreme*, 29 May 2003.

¹³ See www.vj.yu/aktuelno/vesti/april2003/v1604.htm, for the decision of the Supreme Defence Council.

certification by the Bush administration to Congress was due. Prior to this, Premier Zivkovic had turned eight boxes of evidence regarding the Ovcara massacre over to the ICTY during Prosecutor Carla Del Ponte's most recent visit to Belgrade.¹⁴ It appears that the authorities are attempting to persuade indictees to surrender voluntarily, as Bosnian Serb Zeljko Meakic – wanted for his role in the Omarska concentration camp – did on 30 June.

Del Ponte, in Belgrade on 19 May, expressed satisfaction with the new level of cooperation, even for the first time publicly mentioning the possibility of having some cases tried before Serbian courts.¹⁵ In turn Zivkovic expressed the hope that the Tribunal would assist local courts in trying war crimes cases, and Justice Minister Batic announced formation of a special department for war crimes in the Belgrade district court. The Justice Ministry also worked with specialists from the Organisation for Security and Cooperation in Europe (OSCE), the Council of Europe, the London-based International Bar Association and others to draft a law regulating a domestic war crimes court that was passed in early July.

Yet, the new-found spirit of Hague cooperation is not complete. Some recent cases, such as those of Stanisic and Simatovic, were undertaken out of domestic political necessity. So, too, much of the “progress” was mainly a matter of the Serbian authorities setting their own internal house in order by resolving unnecessary problems they had created for themselves.

By late June 2003, Belgrade's relations with The Hague had deteriorated,¹⁶ and Del Ponte was again expressing disappointment.¹⁷ The Hague claims there are still sixteen fugitives at large in Serbia. The long-sought documents needed to prosecute Milosevic for Bosnia related war crimes are still being withheld. In large part this may be because the government fears that any evidence presented in this case would assist Bosnia and Croatia in their separate suits before the International Court of

Justice, where they have brought charges of genocide and aggression that could lead to a requirement for Belgrade to pay war reparations.¹⁸ But Milosevic again appears to be receiving documents and information from individuals or groups inside the army for use in his defence.¹⁹

In a potential pre-election period, few politicians are willing to stake their political capital on pushing for arrests, especially since the U.S. has deemed conditionality to have been met for now by the prominent arrest of Sljivancanin. Mladic and others appear still to enjoy the unofficial protection of some army officers. Whether they continue to receive military pensions needs to be determined.²⁰ None of the five individuals indicted for the Srebrenica massacre has been arrested.

Recent polls show clearly that most Serbs oppose cooperation with The Hague unless this is compelled by the international community.²¹ Serb politicians, therefore, actually need outside pressure to be able to continue cooperating with the Tribunal. Without it, they risk alienating a substantial portion of the electorate. Should the international community fail to maintain conditionality, pro-reform and pro-cooperation politicians would be left without cover at the polls. The U.S. Congress' position is most critical, but the EU could increase its influence by including explicit benchmarks on Hague cooperation in the proposed new European Partnerships.²²

¹⁴ “Ovcara”, *Danas*, 30 May 2003. They may have taken this high profile approach in an effort to persuade Sljivancanin to surrender.

¹⁵ *Ibid.*

¹⁶ ICG interviews with various sources in The Hague.

¹⁷ “Del Ponte will take no more Belgrade excuses”, *Beta*, 30 June 2003.

¹⁸ “Belgrade NATO Lawsuit ‘irrational’”, Institute of War and Peace Reporting (IWPR), Tribunal Update, 26-30 May 2003.

¹⁹ ICG interview with a member of the Council of Ministers.

²⁰ An ICG interview with a source in The Hague suggests that pensions and other support still are being provided to such individuals. Recent parliamentary testimony by Vice President Cedomir Jovanovic (see below) appears to have confirmed that the army gave at least Sljivancanin protection on its bases.

²¹ ICG interview with Srdjan Bogosavljevic, Director of Agency for Strategic Marketing.

²² See ICG Europe Briefings, *Thessaloniki and After I: The EU's Balkan Agenda*, and *Thessaloniki and After III: The EU and Serbia, Montenegro and Kosovo*, both 20 June 2003.

B. CIVILIAN CONTROL OVER THE ARMED FORCES

Although the Ministry of Defence of Serbia and Montenegro has existed only since February, it has done more to reform the army in its short existence than its predecessor did in the several years since the downfall of Milosevic. While he was the federal president, Kostunica – as commander in chief of the armed forces and president of the Supreme Defence Council (VSO) – effectively blocked all military reforms. With Kostunica out of office, the VSO has been able to undertake important measures and for the first time appears to represent the political will of both Serbia and Montenegro's constituent republic governments.²³

One of the most important changes involves the relationship between the Ministry of Defence and the General Staff. Previously the latter was effectively in control. As of 6 May, however, it has officially been under the ministry, responsible to the minister.

Another key reform has been removal of the military intelligence and security units (KOS) – long associated with war crimes, political meddling and scandals – from General Staff control. These units had informally been the most powerful arm of the state security apparatus under Tito. While Milosevic distrusted them and favoured the DB, they maintained a formidable capacity and presence. They are now directly subservient to the Defence Ministry, which will hopefully lessen their political role. As part of the efforts to bring KOS under control, the VSO removed its chief, General Aco Tomic, who was subsequently arrested under Operation Sabre and charged with complicity in the Djindjic assassination plot and with having turned over official information to the Zemun Clan.²⁴ The "Cobras" special forces unit appears to have been placed under the minister's direct command.²⁵

Nevertheless, there is still no parliamentary oversight mechanism for the army, which is under

the command and control of the VSO – comprised of the President of the Union of Serbia and Montenegro, as well as the presidents of the two republics – but where parallel structures are still strong. As a result, these reforms, though a significant break with the past, should be viewed as only the first step on the road to civilian control.

The effectiveness of the reforms is due in large part to the cooperation of the Montenegrin and Serbian republic governments, as well as to the energy and vigour that the new Defence Minister Boris Tadic (appointed 17 March) has brought to the job. He has taken a prominent public stance regarding the need for cooperation with The Hague Tribunal and has stated that the armed forces must reform and adapt to meet Serbia's true security needs. Under new Defence Ministry plans, the army will be downsized from 78,000 to approximately 50,000 troops. It appears that the ministry also has aggressive plans to retire numerous senior officers by year's end, particularly those compromised by war crimes or close association with the former regime.²⁶ If the Serbian government continues these reforms, extends them to the intelligence services (see below), and removes and as appropriate brings to justice compromised officers, Serbia and Montenegro could qualify for NATO's Partnership for Peace (PfP) this year.²⁷ Nonetheless, tensions are already evident between Tadic and Army Chief

²³ The Supreme Defence Council (VSO) comprises the President of Serbia and Montenegro, the President of Serbia and the President of Montenegro. See the constitution of Serbia and Montenegro, Ustav Srbije i Crne Gore, odeljak VIII, clan 135.

²⁴ "Uhapseni general Acot Tomic i Rade Bulatovic", *Blic*, 9 April 2003.

²⁵ "Tadic kontrolise Kobre", *Blic*, 8 May 2003.

²⁶ ICG interviews with Serbian government officials. A number of top officers, including General Vladimir Lazarevic, appear to have been compromised by war crimes. Most troubling, the newly-appointed head of KOS, Momir Stojanovic, is accused of having ordered the massacre of 129 civilians in the villages of Meje and Korenica on 27 April 1999. This massacre appears to have been carried out with the assistance of troops under the command of General Lazarevic. "Slucaj pukovnika Stojanovica", *Monitor*, 4 April 2003. For a detailed explanation of the chain of command as it functioned in April 1999, see The International Criminal Tribunal for the Former Yugoslavia, oral and written statements of Nike Peraj, Exhibit #143, OTP Reference #K 1136, from case IT-02-54-T, The Prosecutor vs. Slobodan Milosevic: Kosovo., 9 May 2002. Hugh Griffiths, "Humanitarian or War Criminal", *Transitions Online*. "Slucaj pukovnika Stojanovica", *Monitor*, 4 April 2003.

²⁷ Another issue in the way of PfP membership is Serbia's lawsuit before the International Court of Justice against NATO over the 1999 bombing. NATO has made withdrawal of this case a condition for PfP membership. Serbia refuses until Bosnia and Croatia withdraw their cases against Serbia relating to the wars of separation from Yugoslavia from the same court.

of Staff Branko Krga over cooperation with the ICTY.²⁸

Perhaps the greatest obstacle to PFP membership, however, is the attitude within the army itself. Hard line elements do not want that membership as it could force many of them into retirement, cost them lucrative business contracts, and subject their war-time activities to closer scrutiny by the ICTY and domestic courts. They are setting the scene politically for Serbia to be denied membership by rushing the government to submit its application. Normally countries wishing to join apply only once they are sure they meet the criteria and are accepted almost immediately. Serbia is still far from meeting these criteria, and the NATO Secretary General has discouraged a premature application.²⁹ Nonetheless, on 20 June 2003 Serbia and Montenegro submitted a formal request for membership, allegedly over the objections of Tadic.³⁰ Hard-line nationalist elements within the military and the government hope that if this is turned down, it will damage the government and the policy of Euro-Atlantic integration. Already a media climate is being created in Belgrade to prepare the public for failure to achieve membership by year's end, with blame to be put on Croatia and Bosnia for not dropping their lawsuits or on Tadic and the reformers for pushing an unpopular policy.

C. MILOSEVIC-ERA PARALLEL STRUCTURES

Perhaps the most spectacular actions – from the media standpoint and public interest – have been the attempts to dismantle Milosevic-era parallel security and organised crime structures, most notably the wholesale attack against the Zemun Clan and the Red Berets, and the arrest of some of their alleged supporters in the judiciary and prosecutors' office.³¹

Most important were the arrests of Jovica Stanisic and Frenki Simatovic. As the head of Milosevic's State Security, Stanisic was responsible for establishing many of the parallel structures, and he was rumoured to have remained active behind the scenes. Simatovic, as a former Red Berets commander, was a vital link between that group and Stanisic and the Zemun Clan. Through their criminal activities – especially drug trafficking – the Zemun Clan/Red Berets alliance was not only financially self-supporting, but was believed able to allocate resources as well to Ratko Mladic's bodyguard.³² Its dismantling should also weaken the support networks available to other war criminals inside Serbia. Most significantly it should reduce the malevolent pressure that Serbia's politicians have too often been brought under. Two top associates in the Zemun Clan, Dusan "Siptar" Spasojevic and Mile "Kum" Lukovic, whose names were repeatedly associated with senior politicians, were killed while "resisting arrest".

Although the clean-up actions were long overdue, the Zemun Clan's leader, Mihailo "Legija" Ulemek-Lukovic, has yet to be apprehended. Moreover, the police have attacked only a small portion of the Surcin Clan, and the government has yet to begin to target the most powerful parallel structure in Serbia today, State Security, now renamed as the Security-Information Agency (BIA).

D. NEW LEGISLATION

Serbia's parliament worked furiously under the state of emergency to pass a series of laws to enable the police and judiciary to cope better with criminals as well as legislation concerning the media, judiciary, prosecution, economy and the budget. The quantity – more than 30 major bills from mid-March to mid-July – was impressive but the quality mixed. Several laws relating to the media, judiciary, and police violate the standards of the Council of Europe, which had just admitted Serbia. Some represent a significant step backwards and will hinder Serbia's ability to push forward

²⁸ ICG interviews with diplomatic sources. See also "Boris Tadic trazi smjenu Brnka Krga," *DAN*, 1 June 2003.

²⁹ ICG interview with NATO diplomat.

³⁰ *Ibid.*

³¹ In the course of Operation Sabre the police also acted against corruption in their own ranks. Since the beginning of 2003, they have filed criminal charges against 139 of their own members. "Ove godine 139 prijave protiv policajaca", B92, 9 July 2003. It is not clear from the

statistics how many were charged with corruption and how many with other offences.

³² ICG interviews with Serbian government and Belgrade diplomatic sources.

with European integration unless they are amended.³³

A long-needed law against football hooliganism was adopted, as was the law on domestic war crimes tribunals. Some positive economic legislation was also passed, including laws on the company income and financial transactions, both of which reduced business taxes. The hope is that lower rates will encourage firms to declare a larger portion of their income. The Law on a Guarantee Fund makes it easier for Serbian companies to get access to foreign currency for trading purposes, while an excise bill makes privatisation of the state-owned petrol station chain BeoPetrol viable. The budget law simply legalised the current state of affairs between Serbia and Montenegro in regard to their agreed contributions. The Law on Concessions provided a legal base for Serbia to undertake a series of long-needed and ambitious public infrastructure projects. The Law on Financing Political Parties was intended to make it easier for parties to finance themselves legally and remove a significant obstacle that forces most to turn to dubious sources. The text was rushed through the parliament in July without most deputies having time to read or consider it. Whether it actually is a step forward remains to be seen from the manner of its implementation.³⁴

As of this writing, one other law is currently in an advanced stage of consideration by the parliament. It is intended to bring the National Bank under control of the government and would have significant negative implications for Serbia's relations with international financial institutions, international creditworthiness, and prospects for economic growth. This is discussed in further detail below.

III. BACKWARDS STEPS

At the same time, the government moved backwards in several key areas in a manner that could block the development of democracy and slow down or halt integration with European structures. Much of this is the result of right wing obstruction, within the government and without. The role the police and other security services play in this should not be underestimated. Nor should the largely negative role of Kostunica's DSS, which provides a public platform for the pro-Milosevic nationalist right wing. The government and the international community will have to prioritise the following: freedom of the media, judicial reform, organised crime, human rights, and reform of the state security service (BIA). Most importantly, institution building must be addressed.

Serbia has weak or non-existent institutions that can easily be circumvented for illegal gain by the financial oligarchy and various kinds of criminals. Since coming to power DOS politicians have done little to ensure that institutions function properly and to reform those that are dysfunctional. It appears that in many respects they have deliberately prevented institution building that would either have limited their personal power or harmed the interests of party financiers.³⁵ Without strong institutions or the political will to build them, Serbia's European integration efforts will never be more than half-hearted.

First and most noticeably, Serbia still operates under the Milosevic constitution of 1990. Its imprecision and vagueness give a ruling party substantial leeway to exercise power arbitrarily. Although efforts are under way to draft a new constitution, the DS seems in no hurry to do so prior to parliamentary elections.

Two elections that failed to attract the required 50 per cent participation mean that Serbia has only an acting president, with the government in no hurry to hold a new presidential vote. The government appears to have dragged its feet deliberately on passing the Law on Public Information and nominating members to the Radio Diffusion Council out of a desire to leave the media in a legal limbo, vulnerable to the threat of arbitrary

³³ The most problematic legislation is discussed in the sections on the judiciary and media below.

³⁴ ICG interviews with parliamentary deputies.

³⁵ ICG interviews with DOS officials.

bureaucratic decisions. It has yet to pass a long-overdue law on civic organisations, thereby keeping the non-governmental sector and civil society in similar limbo.³⁶ The unreformed court system – particularly the Commercial Court – and the unreformed police and state security mean rule of law issues also are subject to the whims of bureaucrats and politicians. So poorly do institutions function that a recent Constitutional Court decision on the constitutionality of parliamentary mandates has simply been ignored by both the government and parliament.³⁷

The Agency for Tobacco is an important dysfunctional institution. Given the prevalence of organised crime and the unusually sensitive role that tobacco smuggling played in the Milosevic era and, it is believed, maintains today in Serbia's political and economic life and political party financing, it needs to be efficient. The government is attempting to privatise tobacco factories by the end of the year but in spite of the critical nature and timing of this measure, the newly appointed director, Vladan Begovic, has been deprived of the resources necessary to function.³⁸ His agency lacks personnel, a budget and computers. Its authority and responsibilities are ill defined, and it will be unable to contribute to the upcoming privatisation.³⁹

Many Serbian politicians seem to think that European integration is simply a matter of having the appropriate political views and saying the right things in public. They have yet to realise that the common European home is built with functioning institutions and respect for the rule of law. Until they take institution building seriously, Serbia will continue to pass only virtual reforms while running in place.

³⁶ How at least some elements of the government seek to take advantage of this legally unclear situation may be seen in the initial effort on 3 July 2003 to expel the head of the International Crisis Group's Belgrade office from the country on unstated national security grounds.

³⁷ "Sud vratio, političari izvrđavaju", *Blic*, 4 June 2003.

³⁸ Begovic had earlier been fired as head of Customs because of his efforts to uncover the sugar scandal discussed below.

³⁹ ICG interview with Agency for Tobacco head Vladan Begovic.

A. THE MEDIA

Since Djindjic's assassination Serbia has taken numerous measures to restrict freedom of the press and provide for greater government control of the media. Under the state of emergency this was perhaps understandable, but for a limited period only. However, most actions taken during that time and since have been aimed not at clamping down on media outlets that supported the Zemun Clan and organised crime, but rather at establishing long-term government control and restricting media freedom. They should cause serious international concern and be corrected before Serbia is brought further into Euro-Atlantic structures.

Serbia's media scene is characterised by four peculiarities. First, media regulation is dysfunctional. DOS was committed when it came to power to allow a free media. A package was prepared of three draft laws that were seen as crucial for this: on public information, on sources of information and on radio diffusion. Originally, they were to be passed quickly and simultaneously. The law on radio diffusion was not passed until July 2002 and was not implemented due to government reluctance to name members to the council that was to be its centrepiece. The law on public information was rushed through during the state of emergency with draconian revisions, and the law on sources of information has yet to be passed. As a result, significant loopholes and grey areas permit the government to interpret the legal situation for its own benefit and at its own discretion.

Secondly, a number of figures linked to or involved in organised crime maintained secret ownership and editorial control over specific newspapers and magazines. These publications deliberately created a media atmosphere that demonised the reformers, promoted right-wing nationalism, and denigrated all who cooperated with The Hague. In addition, there are a number of right wing nationalist publications that do not appear to be associated with organised crime elements but are widely read. They include the weeklies *NIN*, *Blic News*, and *Nedeljni Telegraf*, as well as the dailies *Kurier*, *Balkan*, *Vecernje Novosti* and *Glas Javnosti*. Their editorial tone is anti-European, anti-reform and anti-Hague, and often sensationalist bordering on libel. They are used by obstructionist forces both in and out of the government and inside the security structures to block the reformers.

Thirdly, the government has near complete control over the electronic media. Because of the deliberate failure to name the members of the council under a radio diffusion law that is to award frequencies, the electronic media operates largely at the pleasure of the government. The two most widely-watched TV stations, Pink and BK, essentially transformed themselves into government mouthpieces. Because both were Milosevic crony companies, they may have acted out of fear that the government would call for a close examination of how they obtained their original licenses and permits. There was also the possibility that the council might award national frequencies to the fiercely independent B92 radio and television station, the only major electronic outlet that has continued to act independently. At the time of the Djindjic assassination, the government had still made no nominations to the council.

The fourth peculiarity is the role of Vladimir "Beba" Popovic, a controversial Djindjic friend, who ran the government's Bureau for Communications. Although the Bureau was officially supposed to act as a public relations office, it was linked to an attempt to wiretap Kostunica's office.⁴⁰ It has also become – over time – a sort of unofficial propaganda ministry, with Popovic acting as Minister of Propaganda who policed the media in a heavy-handed fashion.

The first actions against media under the state of emergency appeared justifiable – the shutdown of the Belgrade tabloid daily *Nacional* and the tabloid weekly *Identitet*. *Nacional* was secretly owned by Momo Mandic, whose assets have been frozen by Bosnia's High Representative for allegedly financing the bodyguards of Radovan Karadzic, the notorious former Bosnian Serb leader who is under a Hague indictment.⁴¹ Mandic was arrested under Operation Sabre. It was widely known in Belgrade underworld circles that *Identitet* was secretly owned by Zemun Clan boss Milorad "Legija" Ulemek-Lukovic.⁴² Both papers were notorious for spreading rumours and outright lies, and in many instances portraying Djindjic and the government as traitors for cooperating with the Hague Tribunal

and the West. There can be little doubt that their sensationalist tabloid journalism helped create a lynch mob atmosphere in the months leading up to the assassination. Few tears were shed at their closure. Most recently, the government prevented the Belgrade tabloid *Svedok* from publishing an issue that contained an alleged interview with Legija.⁴³ Two other papers, one from Montenegro, one from Bosnia's Republika Srpska, were also banned. In addition, penalties were imposed on one radio and one television station for violating the terms of the state of emergency.

Ironically, the first serious blow against freedom of speech occurred on the fourth anniversary of the unsolved assassination of journalist Slavko Curuvija by the secret police, when the government at last made its four nominations to the nine-member council that under the radio diffusion law is meant to regulate the electronic media. Several of these had either serious conflicts of interest, a history of criticising the independent media during the Milosevic era, or both. By law, one seat is reserved for a person from Kosovo. The government's candidate for this seat – Goran Radenovic – not only does not live in Kosovo, but also by his own later admission, provided false biographical information.⁴⁴

Radenovic and the other government nominees were rushed through the parliament, ignoring the legally mandated 30-day period for public discussion. So controversial was Radenovic that the government was unable to ensure adequate votes from the ruling coalition and had to rely instead on twenty votes from Milosevic's SPS, as well as deputies from the Party of Serbian Unity (SSJ), founded by the murdered war criminal and gangster Zeljko "Arkan" Raznatovic.⁴⁵ Since then two commission members have resigned in protest at the government's blatant violation of the law in the selection process.

The next significant blow occurred on 22 April 2003, with rapid passage of the public information law. New articles were rushed into the draft that permitted the government to prevent the distribution of newspapers in advance. The law was

⁴⁰ "Dejan Mihajlov: Poziv Anketnog odbora nikoga ne obavezuje", B92, 17 July 2003.

⁴¹ ICG interview with Serbian Minister for Culture and Media Lecic.

⁴² Ibid. The ownership and control of both publications was an open secret in Belgrade for nearly a year.

⁴³ "Zabranjen 358. broj Svedoka", *Politika*, 7 June 2003.

⁴⁴ "Radenović ne stanuje u Gračanici i Lipljanu", *Blic*, 29 Ma y 2003. Radenovic later admitted publicly that he had provided false information.

⁴⁵ "Izabran Radenović", *Beta*, 28 May 2003.

passed without public consultation and in a form that makes it essentially a libel law to protect politicians.⁴⁶ What was supposed to have been a law guaranteeing freedom of the media turned into a law restricting the media. It will have to be substantially amended for Serbia to meet Council of Europe standards.

One way the government has exerted pressure on the media – both before and after the assassination – has been through “Beba” Popovic, a controversial figure who plays a lead role in fund-raising for the DS and allied parties. He has a track record of attacking the independent media, and his presence was so controversial that in mid-2002 Djindjic had him step down as head of the Bureau for Communications and drop from public life.⁴⁷ Under the state of emergency, Popovic reappeared in his old job and used daily press briefings to attack political opponents. During this time, he called several reporters on the telephone and criticised their work with profanity and vulgarity, while also reading to them details from their secret police dossiers.⁴⁸ Popovic even turned his attention to the London-based Institute for War and Peace Reporting, accusing its Balkan editor, Gordana Igric, of planning to publish the text of the banned newspaper *Nacional* on the pages of the conservative journal *Srpska Rec*.⁴⁹

Using a tactic from the Milosevic era, Popovic has filed lawsuits under the new public information law against Natasa Kandic’s Humanitarian Law Centre, B92, *Blic News* editor Zeljko Cvijanovic, the weeklies *NIN* and *Vreme*, the daily *Vecernje*

Novosti, and former Yugoslav President Kostunica. So, too, the government’s Kosovo appointee to the Radio Diffusion Council, Goran Radenovic, has sued Vladimir Vodinelic, who had resigned from that body in protest of his nomination. Both Radenovic and Popovic allege emotional distress. In addition, the Ministry of the Interior has filed a criminal complaint against *Blic News* for publishing false articles.⁵⁰ The formerly pro-Milosevic and now pro-government TV station Pink has announced it is suing *Vreme* for a story discussing the financial and political background of the Pink media organisation. All told, there are approximately 220 lawsuits against the media, many filed by former Milosevic cronies or current government officials.⁵¹ This has had a chilling effect.

All these developments have combined to produce serious restrictions on media freedom. Some editors fear they will be taken to court, while the electronic media fears it will lose access to national frequencies. The result is that the media is far less open and free than it was before the Djindjic assassination, and there is essentially no uncensored discussion of the difficulties Serbia faces in its transition period, such as the war crimes issue and corruption in government. On 9 June 2003, eighteen leading media figures signed and sent to the government a document entitled “Media in Serbia” that spoke openly of their dissatisfaction.

The attacks on the media and the blatant irregularities and violation of law have provoked criticisms from Jan Blankert, head of the EU Delegation in Belgrade, as well as from Dutch Minister of Foreign Affairs Jaap de Hoop Schefer in his capacity as president-in-office of the OSCE.⁵² Maurizio Massari, the OSCE Ambassador to Belgrade, has taken a high profile stance and both publicly and privately pressed the government to re-examine its behaviour towards the media, particularly the Radio Diffusion Council.⁵³

In response to the criticism about the Radio Diffusion Council, the Serbian parliament on 15

⁴⁶ “Veka zastita politicara”, *Glas javnosti*, 23 April 2003. Some 33 articles protect politicians, while only one protects the rights of the media.

⁴⁷ ICG interviews with diplomatic and media sources. See also “Premijer mi je rekao”, *NIN*, 26 June 2003. “M. Becejic: Povodom pretnji G. Susi” Deutsche Welle, 24 April 2003.

⁴⁸ “Vlada i DS: popriste borbe za Djindjicevo nasledje”, *Blic News*, 14 May 2003. These reporters included Gordana Susa of the independent production company VIN, Milos Vasic (*Vreme*) and Veran Matic (B92): “Anem: Pretnje G. Susi”, *Politika*, 22 April 2003. Other journalists Popovic has called and threatened include Zeljko Cvijanovic and Aleksandar Tijanic. See the Press Release from the Humanitarian Law Centre of 16 June 2003. See also “Susa: Beba mi psovao mater”, *Kurir*, 2 July 2003.

⁴⁹ “Serbia: Popovic Inquiry Calls”, Institute for War and Peace Reporting, Balkans Crisis Report No. 425, 25 April 2003. ICG Interview with editors in Belgrade.

⁵⁰ “Sezona tuzibaba”, *NIN*, 5 June 2003.

⁵¹ “NUNS: tenzije između vlasti i medija štete obema stranama”, B92 web site, 19 June 2003.

⁵² “Zakon se nikada i nigde ne sme krsiti”, Polozaj medija u Srbiji, 5 June 2003, www.freeb92.

⁵³ “Mauricio Masari za transparentan izbor Saveta za radio-difuziju”, *Danas*, 4 July 2003.

July 2003 once again voted to confirm the membership of the three controversial government nominees. The government's reform credentials were damaged as the DS was forced to rely on votes from three of the most right-wing, nationalist parties in Serbia, the SPS, SNS and SSJ. OSCE Ambassador Massari commented publicly that the proceedings still appeared to violate the radio diffusion law.⁵⁴

The government will in all likelihood attempt to keep the media restrictions in place until elections. Serbia must make significant progress in modifying or repealing the current laws and guaranteeing freedom of the media, however, simply to fulfil its obligations to the Council of Europe. The EU should certainly condition closer association and financial aid on this, and the U.S. Congress should consider making freedom of the media a condition for continued assistance.

B. THE JUDICIARY

Perhaps one of the greatest disappointments in post-Milosevic Serbia has been the failure to reform the judiciary. The Ministry of Justice did little to remove corrupt judges and Milosevic appointees or reform the system. A law on judicial reform was passed in summer 2001 but it changed almost nothing. Today, 30 months after Milosevic's ouster, Serbia still operates with Milosevic's judicial system almost intact.

The Ministry of Justice often seems to obstruct reform. The minister, Vladan Batic, rarely attends the Supreme Council of the Judiciary. In an interview with ICG, Deputy Minister of Justice Dusan Protic shrugged off questions about if and when changes will be made in either the ministry or the judiciary.⁵⁵ At the time of the Djindjic assassination, Serbia's judiciary was largely dependent on the whim of politicians, as well as Milosevic-era appointees. It was frequently accused of being corrupt, slow and subject to political control.

Since the assassination, the judiciary has deteriorated further. The government has asserted control over the judicial system. Numerous judges and prosecutors were fired without due process or

forced to resign, including 35 Supreme Court judges removed by the Serbian parliament in violation of existing law⁵⁶ at a time when the Personnel Council of the Supreme Court – the body responsible for appointing and removing judges – had been temporarily disbanded. The new acting president of the Supreme Court was selected by acting Serbian president Natasa Micic.

While there can be no doubt that a house-cleaning of the Milosevic judiciary was long overdue, these actions had the overtones of a witch-hunt. Some judges were forced out because they insisted on maintaining independence from political control. The extent of the government's actions prompted concerns at the USAID subcontractor ABA-CEELI about the political nature of the purges.⁵⁷

The government rushed through several laws that gave the police extraordinary powers, while making the judiciary increasingly dependent on the politicians. The laws are also in violation of Council of Europe and EU standards. The Law on the Battle against Organised Crime and the Law on the Public Prosecutor are but two that will have to be changed. Batic has announced that the more problematic points will be modified by the end of summer, but there is some doubt this will happen.⁵⁸

The organised crime law gives police sweeping powers to detain individuals up to 90 days without charges or a court order, a clear violation of the Constitutional Charter of Serbia and Montenegro, but also of numerous human rights treaties to which Serbia and Montenegro are signatories, as well as Council of Europe statutes. The Serbian Constitutional Court judge charged with reviewing this law – Mirjana Rasic – wrote an opinion stating that it was unconstitutional. Subsequently she was subjected to intense pressure from “informal centres of power” closely associated with the government, to change her opinion, including a detailed examination of her case-work while in private practice that sought errors to use against her.⁵⁹ The law on the public prosecutor gives the government a key role in nominating prosecutors, something previously left to the High Council of Justice, an expert judicial body. The new law

⁵⁶ *Sluzbeni glasnik*, 19 March 2003.

⁵⁷ ICG interviews with members of the legal community in Belgrade.

⁵⁸ ICG interview with Deputy Justice Minister Dusan Protic.

⁵⁹ ICG interview with members of Serbian judiciary.

⁵⁴ “Masari o pismu: promasivanje smisla”, *B92*, 15 July 2003.

⁵⁵ ICG interview with Deputy Justice Minister Dusan Protic.

created a Council for Questions of Judicial Administration, a non-expert body comprised almost entirely of politicians, except for the president of the Supreme Court. This body subjects judges to political review and essentially places them under direct supervision of the executive branch.

During the state of emergency many government members and police officials criticised the judicial system for failing to press charges in a number of high profile criminal cases. The public was left with the clear impression that the court system was covering up for organised crime. These criticisms overlooked the fact that – under the Serbian judicial system – the police, not the judiciary or the prosecution, are primarily responsible for collecting evidence and presenting it to the courts. Only on the basis of this evidence are the courts able to act. During Operation Sabre, the government launched many media attacks against the judiciary, apparently to detract attention from police failures but also to intimidate the judiciary and weaken its authority.

Serbian politicians have announced they wish to institute a system of domestic courts to try war crimes. Working together with the International Bar Association, OSCE and the Council of Europe, the Ministry of Justice drafted a law that was passed by the parliament in July 2003. The intent is laudatory. Yet Batic has indicated that these courts will only go after the triggermen, not those who gave the orders, many of whom are still in authority in the police, BIA and army.⁶⁰ The role the police play in gathering evidence is crucial to the process of war crimes trials. The court must rely on the material forwarded to it by the police but experience to date with such trials in Serbia has shown that indictments are typically accompanied by slight and poorly prepared evidence. The case of Dejan Demirovic, who was indicted for the 28 March 1999 massacre in Podujevo, is indicative. The Canadian government refused to extradite Demirovic because the Serbian government presented insufficient evidence to satisfy Canadian legal standards.⁶¹

Given the catastrophic state of Serbia's judicial system, combined with police complicity in

numerous war crimes and the lead role the police will play in the investigative process, the future of this domestic war crimes tribunal is not promising.

C. HUMAN RIGHTS

Under the state of emergency, more than 10,000 persons were detained or arrested, and numerous human rights violations occurred, from detention without access to attorneys to beatings, torture and suffocation. The government initially refused to permit human rights groups and international organisations from visiting the prisons, and only relented under strong international pressure in mid-April. Even then, the visits were restricted to the UN High Commission on Human Rights, the OSCE and the OSCE's Office of Democratic Institutions and Human Rights (ODIHR), and the conditions were somewhat limited. The government has yet to permit any independent watchdog group, such as the Humanitarian Law Centre, the Helsinki Committee or Human Rights Watch, to enter the prisons.

On the basis of their visits, OSCE, ODIHR and the UN prepared a joint report on conditions in the prisons and treatment of detainees and prisoners, which they presented to the Ministry of the Interior.⁶² The report focused primarily on pre-existing prison conditions, and did little to address the question of treatment of prisoners under the state of emergency and special powers subsequently granted to the police. It claimed to have discovered only two instances of torture and ill treatment of detainees. It did find fault with the large number of detentions, mostly based solely on police authority, without court warrants, and with lengthy imprisonments often without charges. In many instances prisoners were kept without access to legal representation or family members. In some cases police denied that certain prisoners had been arrested. The Justice Ministry has tried to downplay the findings of the report.⁶³

⁶⁰ "War Crimes Bill Less Than It Seems", Institute of War and Peace Reporting, BCR No. 440. 20 June 2003.

⁶¹ ICG interview with attorney Goran Rodic.

⁶² "Confidential Memorandum to the Ministers of Justice and the Interior of the Republic of Serbia. Initial findings and recommendations arising from visits to detainees in Belgrade 14-15 April 2003," OSCE, ODIHR, UNHCHR, 24 April 2003.

⁶³ ICG interview with Deputy Justice Minister Dusan Protic.

The Institute for War and Peace Reporting (IWPR) claims that the OSCE watered down the report. It has documented numerous examples of police torture and ill treatment under the state of emergency and suggests that at least 30 per cent of those arrested were subjected to police abuse.⁶⁴ That police torture occurred and was far more sweeping than indicated in the UN/OSCE/ODIHR report is undeniable. The Humanitarian Law Centre has filed suit on behalf of several torture victims and documented numerous other instances of torture.⁶⁵

During the state of emergency, leading politicians and police officials frequently accused recently arrested individuals of complicity in serious crimes. In many instances, when charges were finally filed, they did not reflect what had been publicly alleged. One of those arrested under Operation Sabre, Kostunica national security advisor Rade Bulatovic, was held for three months and subsequently released. Although criminal charges were filed, Bulatovic has yet to be indicted.⁶⁶ Other prominent political figures associated with Kostunica who were arrested and subsequently released appear to be in a political-legal limbo, as the police have not formally indicted them either.

D. MILOSEVIC'S SECURITY ORGANS

Perhaps the most serious long-term problem facing Serbia is its unreformed Milosevic-era security services, especially the BIA and police. Since Milosevic was ousted, the police have tried to present a newer, friendlier face to the public, including reluctance to use riot police or excessive force against demonstrations. In terms of public relations, this friendlier face seems to be working. But changing the façade does not equate to changing structural flaws.

Operation Sabre uncovered that most perpetrators of the numerous murders and kidnappings were members of police formations or the State Security (DB/BIA), or were closely associated with them via "deniable" criminal operations. It also disclosed that the police and DB/BIA had cooperated closely with

organised crime elements in activities ranging from drug smuggling to auto theft. That so many high profile crimes uncovered under Operation Sabre had been covered up so long by the police and BIA clearly points a finger at these organisations and should call into question the activities of the Interior Minister. It should also raise queries about the role the police and BIA may continue to play in organised crime and cover-ups of further criminal activities. It should serve as a wake-up call to the government on the need for serious reforms inside the police and BIA and a warning to the international community of just how dangerous Serbia's security services are to democratic institutions and efforts to integrate the country more closely with Euro-Atlantic institutions.

Both the BIA and police appear to have significant information regarding political assassinations, war crimes, and other economic crimes carried out under Milosevic that they have not made public, possibly to protect their own members.⁶⁷ Those compromised by such activities have formed powerful parallel structures within the security organs that play a significant role in obstructing cooperation with the ICTY and lend powerful resistance in the battle against organised crime. Most importantly for Serbia's future European integration, these parallel structures actively resist creation of functioning democratic institutions and structures, particularly in the judiciary, and also support efforts to restrict media freedom.

Jovica Stanisic undoubtedly had (and may still have) the most influence inside the BIA. The longest-serving Milosevic-era DB chief and once the second most powerful man in Serbia, he retained a role in Serbia's shadow political world even after his ouster in 1998. Following the fall of Milosevic and the later DOS removal of Rade Markovic from the top of the DB, Stanisic – although officially retired – succeeded in placing individuals loyal to him in key positions within the DB/BIA. Although now behind bars in The Hague, Stanisic's influence and that of his protégées on Serbia's domestic political scene should not be underestimated.

Although the government has taken some initial positive steps to bring the army's security services (KOS) under civilian control, it has done absolutely nothing to dismantle the old state security apparatus

⁶⁴ "Serbia: Detainees Allege Torture", Institute for War and Peace Reporting, Balkans Crisis Report No. 434, 3 June 2003.

⁶⁵ See Humanitarian Law Centre Press Releases of 17 and 18 June, and 2 July 2003.

⁶⁶ ICG interview with Bulatovic's attorney, Gradimir Nalic.

⁶⁷ ICG interviews with individuals close to state security and police.

that Milosevic used to employ criminals to carry out its deniable operations, from ethnic cleansing to narcotics trafficking to trafficking of women to the murder of political opponents. Other than a name change (from DB to BIA), and a formal transfer from the Interior Ministry (MUP) to the direct control of the Prime Minister's cabinet, little has changed. Even after Djindjic's assassination, the BIA remains almost completely unreformed and free of public scrutiny or true parliamentary control. There is little indication that the government is able to monitor or regulate the activities of the organisation.

The BIA as a whole is deeply compromised by criminal activities as well as numerous other illegal actions under Milosevic.⁶⁸ It appears to have shadowy connections to at least two banks – Komercijalna Banka and Kapital Banka – and maintains close ties with a third, Zepter Banka.⁶⁹ It has been involved in the weapons trade, through such front companies as Grmec. Its most dangerous component is the so-called military line, composed of former KOS officers who transferred from the army in the early 1990s. Many of these are engaged in economic activities connected to some of the mentioned banks.⁷⁰

Key BIA members maintained close connections to the Red Berets and the Zemun and Surcin Clans, in part because the Red Berets were under the state security chain of command and a crucial part of the interface between state security and the criminal underworld. They also appear to be involved in propagating the "national-patriotic" message of the nationalist right.

The BIA's capacity to block reform and obstruct the crackdown on economic and organised crime may be seen in three specific examples. First, since DOS came to power in October 2000, almost no criminal cases have been brought against former members of the regime, even though their criminal activities were well documented. Secondly, although the Serbian authorities have issued an

arrest warrant for Mira Markovic – wife of Milosevic – for her involvement with at least one notorious murder as well as her possible association with the Djindjic assassination, they have yet to forward it to Moscow where she is believed to be.

The third and most visible sign of BIA power is that the murders of the journalist and publisher Slavko Curuvija and the former DB agent Momir Gavrilovic are still unsolved. Curuvija was killed on 11 April 1999, during the NATO bombings. Transcripts and documents have been published⁷¹ that appear to demonstrate conclusively the DB was following Curuvija until a few minutes before his murder, when the surveillance squad was pulled back. To this day the government has yet to release the names of those who ordered the surveillance and the murder or of the assassin. Most troubling is the implication that the police, BIA and senior government officials know who was responsible but are not releasing this information in order to protect current officers or perhaps even someone in government.

The Gavrilovic murder in August 2001 provoked a massive scandal, as he had just returned from meeting with President Kostunica in the Palace of the Federation, where he gave his cabinet information regarding connections between the Serbian government and organised crime.⁷² Given the lack of investigative action, it appears that highly placed individuals within the BIA – and perhaps within the government – do not wish information to become public for fear of whom it would compromise.

It has been firmly established that BIA members were involved in the Djindjic assassination. However, the extent of BIA involvement is not clear.⁷³ The deputy head, Milorad Bracanovic, was arrested for complicity in the plot. Two days prior to the assassination the external surveillance cameras on the government building were switched off. Several members of the security detail were on the Zemun Clan's payroll and informed it when Djindjic's vehicle left his official residence on its

⁶⁸ ICG interviews with diplomatic sources and Belgrade analysts.

⁶⁹ OHR Anti-Fraud Department document on the Zepter corporations and their activities. ICG interviews with economics experts. The National Bank has now removed Kapital Bank's operating license due to irregularities. "Oduzeta dozvola za rad Kapital Banci", *B92*, 15 July 2003.

⁷⁰ Interview with Members of Parliament of Serbia.

⁷¹ "Document of the responsibility of the Serbian and Belgrade State security chiefs for the murder of Slavko Curuvija", *Beta*, 31 October 2000.

⁷² ICG Balkans Report No.117, *Serbia's Transition: Reforms Under Siege*, 21 September 2001.

⁷³ "Pripadniku BIA za ubistvo Djindjica 1.200 evra", *Blic*, 22 April 2003.

way to that building. BIA involvement, as well as the failure of the government at least to purge the organisation, is troubling.⁷⁴

There is a further problem of highly placed, highly compromised individuals in key positions within the other security services. Nowhere is the interlocking relationship between possible war criminals more clearly seen than in the case of the Meje massacre of 27 April 1999 when 129 civilians were slaughtered. KOS Colonel Momir Stojanovic is alleged to have ordered the massacre,⁷⁵ while Pristina Corps forces under the command of General Vladimir Lazarevic, assisted by special police unit (PJP) forces under the command of Goran "Gurij" Radosavljevic, appear to have carried out the actual killings.⁷⁶ Some bodies were later removed and shipped to a mass grave at a police training facility in Batajnica on the outskirts of Belgrade by MUP forces commanded by Sreten Lukic. Today, Stojanovic is the head of KOS, Lazarevic is still on active duty, Radosavljevic is commander of the Zandarmerija special forces unit, and Lukic is in command of the uniformed police. The latter is also responsible for the as yet unresolved investigation into the Batajnica mass grave. Even though the bodies were buried at a guarded police training facility, after two years this investigation appears to have made no progress.

In addition to the BIA and KOS, there are several other security organs inside Serbia today. The Zandarmerija have an intelligence service. EU diplomats and DOS officials have told ICG that a new intelligence service has been established inside the Serbian Premier's cabinet under the direction of Zoran Janjusevic and "Beba" Popovic. Alongside KOS, the Army also has the Intelligence Service (OS). The Ministry of Foreign Affairs has its own in-

house intelligence branch that is supposedly responsible for intelligence-gathering overseas. However, this network has fallen apart, and Foreign Ministry intelligence operations now seem to occur primarily inside Serbia.⁷⁷ The result is an intelligence war in which agencies and their political associates work overtime to spy on political opponents and discredit them through the media.

Prior to accepting Serbia and Montenegro into PFP, NATO should require these intelligence services to be rationalised and subjected to parliamentary scrutiny. The BIA itself must be disbanded and at least twenty of its key people barred from future intelligence work.

⁷⁴ How little the government seems to have sought to hold the BIA to account for at least the failings that contributed to the death of Djindjic is suggested by the surprising fact that the individual responsible for security at the Serbian government building – Milovan Sekulovic – has since been promoted to become the new head of the so-called Sixth Directorate, which is responsible for protecting the security of all senior government officials. ICG interview with MUP source.

⁷⁵ Hugh Griffiths, "Humanitarian or War Criminal", *Transitions Online*.

⁷⁶ See The International Criminal Tribunal for the Former Yugoslavia, Exhibit #143, OTP Reference #K 1136, written statement, case IT-02-54-T, The Prosecutor vs. Slobodan Milosevic: Kosovo, 9 May 2002.

⁷⁷ ICG interview with former government source.

IV. WHY THE GOVERNMENT CAN'T CONTINUE REFORMS

One of the most disturbing trends since the state of emergency was ended in late April has been the obvious let-up in the fight against organised crime. The shaven-headed BMW-driving underworld crowd – many of whom had been detained under the state of emergency – is already back on the streets. They and their expensive cars are prominent again at Belgrade's trendy nightspots, river restaurants, and the cafés along Strahinjica Bana Street. The price of drugs has dropped to pre-assassination levels.⁷⁸ The government appears content to limit the crackdown to the Zemun Clan and a portion of the Surcin Clan,⁷⁹ leaving the remainder of Serbia's criminals relatively untouched. Even though tremendous popular support exists to continue the crackdown and extend it to the larger "economic" criminals, this is unlikely.

The Serbian government appears unable to further the new reform process and will probably be unable to make any significant progress between now and the next parliamentary elections. While Djindjic was alive, there was someone with a strong personality and desire for reform who was able to balance the competing interests in the coalition. In today's Serbia, no single politician possesses the same authority. The special interests seem to be increasingly able to block reforms and maintain the status quo, or, in some instances, actually revert back towards the old system. The numerous small parties in the ruling coalition, as well as the increasing indebtedness of the DS and DOS to Milosevic's financial oligarchy, have created an environment where change will not occur, absent significant outside pressure and the fresh impetus created by new elections. As a result, it will be difficult for the international community to continue to consider the current government as "reformist", unless concrete progress is made.

⁷⁸ ICG interviews with sources inside the Serbian judiciary. See also "Droge ima na ulici, cena je ista", *Blic*, 27 June 2003.

⁷⁹ The portion of the Surcin Clan associated with Ljubisa "Cume" Buha.

A. THE NEW SERBIAN OLIGARCHY

The unwillingness to continue the crackdown reflects the power of the Milosevic-era financial structures that – with the rigid oversight once provided by the dictator removed – have transformed themselves into a new Serbian oligarchy that finances many of the leading political parties and has tremendous influence over government decisions. Some of the companies were originally formed as fronts by State Security or Army Counterintelligence (KOS), while others operated at the direct pleasure of the ruling couple. Under Milosevic, many of these companies profited from special informal monopolies, as well as the use of privileged exchange rates. In return, many of them financed the regime and its parallel structures.

Some of the individuals and companies are well known to average Serbs: Delta Holding (Milorad Miskovic), Karic (Bogoljub Karic), Pink (Zeljko Mitrovic), Zepter (Milan Jankovic, aka Filip Zepter), Kapital Banka (Djordje Nicovic), Toza Markovic (Dimitar Segrt), Progres (Mirko Marjanovic), Simpo (Dragan Tomic), Komercijalna Banka (Ljubomir Mihajlovic), Novokabel (Djordje Siradovic), Stanko Subotic, Dibek (Milan Beko), ABC (Radisav Rodic), Hemofarm (Miodrag Babic), AIK Banka Nis (Ljubisa Jovanovic) and Dijamant (Savo Knezevic) are but some of the most prominent. Because of the support they gave to Milosevic and the parallel structures that characterised his regime, many of these individuals or companies have at one time or another been on EU visa ban lists, while others have had their assets frozen in Europe or the US.⁸⁰

In the popular mind, they and their companies were associated with the Milosevic regime and benefited from it directly. The DOS campaign platform in September 2000 promised that crony companies and their owners would be forced to answer for past misdeeds. Few of the Milosevic crony companies have been subjected to legal action, however. The enforcement of the "extra-profit" law is often viewed as selective, and there have been only a handful of instances in which back taxes, perhaps 65 million Euros worth, have been collected.⁸¹ Most disturbing is the public's perception that – at a time when the economy is worsening – these companies'

⁸⁰ <http://europa.eu.int/index.eu.htm#>;

<http://www.treas.gov/offices/eotffc/ofac/sdn/index.html>

⁸¹ ICG interview with Finance Minister Djelic.

positions of power, influence and access to public resources seem to have changed very little.

The oligarchs have managed the transition from the old regime to the new with relative ease because of their ability to finance Serbia's political parties. While Milosevic was in power, most of the parties in the DOS coalition received substantial financing from abroad, either from foreign governments, NGOs, or multinational organisations. After 5 October 2000, this money dried up. At a time when DOS needed funding for its political activities, the Milosevic financial oligarchy was seeking new protection. These mutual needs fit together nicely. DOS now protects many of its former enemy's cronies in return for party financing. With Serbia's political parties, both ruling and opposition, enjoying the oligarchy's financial largesse, there is less and less momentum inside the government for reform. As a result, the oligarchs have become a crucial obstruction to reforms. Serbia's system of political party financing was regulated by an entirely inadequate law that made it nearly impossible for political organisations to obtain adequate funds legally. This in turn has meant that any party that attempted to raise funds was potentially subject to political blackmail or scandal, should its sources of money be uncovered. As of this writing, a new law to regulate party financing is before the Serbian parliament. While its reported terms are extensive, details are sketchy, and it is too soon to know how it will be implemented.

Nowhere was the power of the new Serbian oligarchy, its influence over and ties to the government more clearly seen than at Djindjic's funeral. Four of the six pallbearers ("Beba" Popovic, Dragoljub Markovic, Miodrag Kostic, and Cedomir Jovanovic) are either members themselves or have at various times been criticised by the Belgrade press for their association with members of the oligarchy and organised crime figures.⁸² Kostic and Markovic⁸³ are businessmen involved primarily in agricultural products. Kostic is known to have financed DOS political parties, maintained

close relations with the late Premier, and profited handsomely under both Milosevic and the DOS government, while Markovic enjoyed a close personal relationship with the late Premier.⁸⁴ Because he lives in Surcin, the Belgrade press has frequently associated Markovic with the Surcin Clan, while Kostic's name has surfaced repeatedly in the context of the EU sugar scandal discussed below.⁸⁵ The energetic Jovanovic, a vice president in the Serbian government and Djindjic protégé, is a subject of media controversy over alleged frequent contacts with members of both the Surcin and Zemun Clans, including Cume, and Legija.⁸⁶ Popovic – whose role with the media has been described above – is responsible for DS fund raising, which puts him into close contact with the oligarchy.

Two other individuals with close ties to Milosevic era financiers hold key positions of influence within the Premier Zivkovic's cabinet. The chief of staff, Nemanja Kolesar, is a former employee of Delta, while Zoran Janjusevic, an advisor, is a former employee of both State Security and a Zepeter company.

This new Serbian oligarchy is sufficiently powerful that it can subordinate the national interest to its own private, financial interests. In March 2003, the EU blocked Serbia and Montenegro companies from exporting domestically manufactured sugar to it after it caught a number of them repeatedly reselling sugar of non-Serbian origin. The quantities in question totalled approximately 164,000 tons in 2002 and by April 2003 nearly a further 100,000 tons.⁸⁷ The fraud was made possible by the customs preferences the EU gave to Serbia in an effort to stimulate its economy but also by extensive use of false invoices that required Serbian customs and tax officials to look the other way. Although the EU warned the Yugoslav and Serbian governments about this fraud repeatedly for at least one year prior to the suspension,⁸⁸ the

⁸² "Covic: Ko je s mafijom pio viski kraj bazena?", *Blic*, 10 April 2003.

⁸³ Markovic may be an exception to the rule. Unlike the other oligarchs, he appears to have gained his wealth without receiving monopoly or exchange rate privileges. This may be because he was involved in a field that no one else wanted to touch or saw the potential for profit: chickens, eggs, and cattle feed.

⁸⁴ "Ko su bogati biznismeni koji finansiraju srpske stranke. <http://www.srpskadijaspora.ifo/zemlje/srbija>.

⁸⁵ ICG interviews with EU officials, including European Commission (EC) officials, in Brussels and Belgrade. "Profit od secera 60 miliona evra", *Blic*, 8 May 2003.

⁸⁶ "EU sumnja na uvoz MK Komerca", *Blic*, 3 May 2003.

⁸⁷ ICG interviews with EU and EC officials in Brussels. ICG interview with official from OLAF, the EU anti-fraud office.

⁸⁸ ICG interviews with EU and EC officials in Brussels.

oligarchs were permitted to continue to export sugar illegally, though it was apparent that the result could well be substantial harm to relations with the EU. The reason Belgrade took no action appears to be that some of the companies involved finance the leading political parties. A small handful profited at the expense of the national interest.

As with all other scandals in which officials or their financiers were involved, the government has swept the sugar affair under the rug. With the exception of a small company from Uzice – Interfrigo – that exported less than one per cent of the sugar in question, no one has been punished.⁸⁹ Although never accused publicly by any government official of taking part in the scheme, Miodrag Kostic, owner of MK Komerc and several sugar mills that had been privatised over the past two years for the sum of three Euros, felt compelled to launch a high-profile public defence that eventually included a press conference. Both EU and Serbian Customs sources have claimed to ICG that Kostic was a prominent sugar exporter.⁹⁰ If so, however, Kostic is unlikely to have been alone. Another company widely reported to have sent sugar into the EU was the state-owned Petroleum company NIS.⁹¹ When the scandal was reported in the press, Customs chief Vladan Begovic gave a press conference at which he indicated he had knowledge of the companies involved and would act against them and release the information to the public.⁹² Finance Minister Bozidar Djelic – under pressure from the government – immediately removed him from office.⁹³ This is but one example of how private interests are permitted to overshadow and in some cases harm state interests.

Some of Milosevic's old financial oligarchs who are now on good terms with the government appear to have attempted to bring their operations into harmony with the law. Many of these have been content to stay in the background in the hopes of attracting as little attention as possible, while transforming their operations into legitimate private enterprises. Yet, they continue to play an important

role in politics and the economy. One of the largest and most successful, Delta Holding, appears to fit this pattern.

Others are far more active in politics. One of the most powerful Milosevic-era oligarchs is Bogoljub Karic, owner of a bank, television station, private university, mobile telephone network, and numerous other businesses in Serbia, Cyprus, Canada and Russia. National Bank governor Mladan Dinkic has publicly accused him of controlling portions of Milosevic's private wealth.⁹⁴ Karic has fought government efforts to force him to pay taxes on his Milosevic-era gains. Dinkic claims that, in order to curry favour inside the government, Karic contributes or has contributed to Nenad Canak's League of Social Democrats of Vojvodina (LSDV), Slobodan Orlic's Social Democrats (SD), Vladan Batic's Demo-Christian Party of Serbia (DHSS), Branislav Ivkovic's Socialist People's Party of Serbia (SNS), and Borislav Pelevic's Party of Serbian Unity (SSJ) that together hold 55 seats in the Serbian parliament.⁹⁵ Karic has exercised his influence to avoid the liquidation of Astra Bank, which has consistently run afoul of the National Bank and Serbian and Yugoslav banking regulations.⁹⁶ Each time the National Bank ordered its liquidation, Karic turned to the corrupt and now disbanded Federal Court to block implementation.⁹⁷ With the formation of the new state union of Serbia and Montenegro, he has now turned to the notorious Commercial Court – with whose president, Goran Kljajevic, he maintains ties – to continue to thwart liquidation.⁹⁸ Dinkic claims that Karic unlawfully influenced the court system.⁹⁹

Mirko Marjanovic and Dragan Tomic are both high on the list of Milosevic-era profiteers. As a result of international pressure, including from the ICTY, the National Bank and the Serbian Finance Ministry exerted significant energies tracking their accounts and having them frozen by the Swiss. Yet, the Serbian government has not pressed criminal

⁸⁹ Interfrigo exported 290 tons of sugar. ICG interview with customs official.

⁹⁰ ICG interviews with EU officials and customs officials.

⁹¹ "Secer u Srbiji, a papiri na Cetinje", *Blic*, 6 May 2003.

⁹² "Vladan Begovic: Nisam ucutkan". *Blic*, 17 May 2003.

ICG interview with Vladan Begovic.

⁹³ ICG interview with former Customs official.

⁹⁴ Statement by Mladan Dinkic on B92 television, 13 July 2003.

⁹⁵ ICG interview with National Bank of Serbia Governor Mladan Dinkic

⁹⁶ "Saopstenje Narodne banke Jugoslavije", *Beta*, 16 November 2001.

⁹⁷ ICG interview with National Bank of Serbia Governor Mladan Dinkic.

⁹⁸ *Ibid.*

⁹⁹ *Ibid.*

charges against either man. If this does not happen soon, the Swiss government will be forced to unblock the accounts. Why Belgrade has yet to press charges after two and a half years may be connected to oligarch influence on politicians.¹⁰⁰

The oligarchs have also strengthened their position with the new national government of Serbia and Montenegro. President Svetozar Marovic recently appointed an economic council, in an attempt to convince the EU that Serbia and Montenegro are serious about the Action Plan required by the EU. However, all its members represent companies from the Milosevic financial oligarchy, including Karic, Ljubomir Mihajlovic, Djordje Nicovic, Slobodan Radulovic, Dragan Brkovic, and Ivo Armenko.¹⁰¹ Given the role of the oligarchs in preventing reform, their appointment to a national level council on economic reform seems more likely to slow the process than to facilitate it.

B. CRIME AND GOVERNMENT

Since the assassination, the Serbian government has appeared increasingly compromised by its ties to organised and economic crime. At the end of 2002 two prominent members of its Anti-Corruption Council, Cedomir Cupic and Slobodan Beljanski, resigned, stating they were dissatisfied with progress.¹⁰² Rather than examine the validity of their arguments, the government responded with a smear campaign against them on Pink television and via the daily, *Politika*, alleging that Cupic was a member of an organised crime group with hidden assets in Greece, and Beljanski held a phoney Ph.D.¹⁰³ Then on 18 April the Law Project Centre – a Milosevic-era NGO that fronts for nationalist right wing forces¹⁰⁴ – filed a criminal complaint

accusing Cupic of being complicit in Djindjic's murder by preparing, through his public remarks, – a conducive atmosphere. It also charged that Cupic was trying to destroy Pink television. The prosecutor quickly forwarded the case – although it was entirely without merit – to an investigative judge.¹⁰⁵ Though the Law Project Centre eventually withdrew the complaint on 20 May, the hand of the government's Bureau for Communication and "Beba" Popovic was evident in the campaign against both men.¹⁰⁶

Another example of government obstruction of efforts against economic crime and corruption is the case of Aleksandar Radovic, whom it appointed to head both the Republic Directorate of Public Revenues and the Commission for Investigating Abuse in the Economy. One of his main tasks was to put together a list of companies that profited illegally under the Milosevic regime and owed back taxes under the law on extra profit. Radovic came under repeated government pressure to remove companies from the list that had obviously profited illegally under Milosevic. Disagreements with the government over how to handle such companies led to his resignation in September 2002.¹⁰⁷ Radovic has stated publicly that he was pressured by powerful individuals close to the government, whose official functions were unclear.¹⁰⁸ The oligarch Bogoljub Karic pressed Radovic hard via "Beba" Popovic¹⁰⁹ but the straw that seems to have broken the camel's back and caused Radovic to resign his post and leave the country was hidden government support for Mirko Marjanovic's Progres company.¹¹⁰ Marjanovic, a close Milosevic supporter and friend, had served as Premier of

of the student political association OTPOR. See also "Mi nismo fantomi", *Vecernje Novosti*, 3 July 2003.

¹⁰⁵ ICG interview with Cedomir Cupic. See also the B92 news analysis program "Utisak Nedelje" on 22 June 2003.

¹⁰⁶ ICG interview with senior DOS official.

¹⁰⁷ See "Aleksandar Radovic podneo ostavku?", B92, 26 September 2002. ICG interviews with individuals close to the Directorate of Public Revenues and interviews with leading economists.

¹⁰⁸ "Radovic: bilo zahteva za skidanje sa lista ekstraprofitera", B92, 15 July 2003.

¹⁰⁹ ICG interview with senior DOS member.

¹¹⁰ Following the media outcry in early July 2003 over ties between the Milosevic financial oligarchy and leading political parties, G17+ has announced that Radovic would return to Serbia to lead a commission to investigate economic crime that has been formed by G17+. "Radovic na celu odbora G17+ za ispitivanje zloupotreba", B92, 16 July 2003.

¹⁰⁰ ICG interview with Serbian financial specialists.

¹⁰¹ "Krupni kapital stupa na scenu", *Blic*, 14 June 2003.

¹⁰² The Anti-Corruption Council itself is indicative of part of the problem. Established in 2002 to assist the government in the fight against organised crime, it has never become functional.

¹⁰³ See the evening news content of Pink and *Politika* and *Apolo*, April and May 2003.

¹⁰⁴ The Project Law Centre web site questions whether the Srebrenica massacre actually occurred, and attempts to defend two Hague indictees who were killed while resisting arrest. See <http://lpc.50g.com/>. The president of the executive board is Darko Trifunovic, who has been closely associated with state security. ICG interview with members

Serbia. Progres was involved in numerous privileged deals under both the old and new governments, particularly with natural gas imports from Russia.¹¹¹

Since ousting Milosevic, the government has yet to arrest or file charges against a number of former senior government officials whose alleged involvement in high profile economic crime and diversion of public revenues is well documented. These include a former chief financial adviser to Milosevic and director of BeoBanka, a former head of Customs, a former Minister of Finance, a former Beogradska Bank director, and a former vice president. All were directly associated with financing Milosevic's parallel structures, are believed to have committed numerous violations of Serbian and Yugoslav law and are suspected of having enriched themselves in the process.¹¹²

Given the 30-month track record, including the lack of action on this front during Operation Sabre, it is unlikely that the current government will take serious steps against economic crime. Should it decide to do so, however, it would encounter a serious obstacle in the Commercial Court. Under the leadership of its president, Goran Kljajevic, the court is notorious for numerous irregularities. Its former president has publicly accused Kljajevic of packing the bench with individuals loyal to the Surcin Clan and of facilitating the illegal transfer of hard currency out of the country.¹¹³ The most egregious example of its obstructionist activity is perhaps the overturning of National Bank efforts to liquidate a Milosevic crony bank, Astra, in a manner widely considered to have been legally irregular. The court is also suspect for the regularity with which it performs "plastic surgery" on company registration documents.¹¹⁴ After the Djindjic assassination, many companies that listed Zemun Clan associates as co-owners or board members had their registration documents rapidly altered.¹¹⁵ Similar "surgery" occurred with the

registration documents of a number of companies associated with the arms to Iraq scandal in 2002.¹¹⁶

Two draft laws that could affect the Commercial Court are before the Serbian Parliament, the Law on Companies and the Law on Bankruptcy. If they are passed without significant modification, they could in part help reduce its potential for mischief.¹¹⁷ Until this court is reformed, it is doubtful that real progress in economic reform and investment can occur.

The seeming unwillingness to continue the crackdown on economic and organised crime has already led to significant public differences between members of the government. In the days following the lifting of the state of emergency, several politicians in the ruling coalition began to express their dissatisfaction over its limited scope, including Vice Presidents Nebojsa Covic and Miodrag Isakov, Justice Minister Vladan Batic, and President of the Parliament of Serbia and Montenegro Dragoljub Micunovic.

Covic gave the first hint of internal divisions, stating in a television interview that at least one member of the government had maintained close ties to the Zemun and Surcin Clans and had frequently visited the former's headquarters.¹¹⁸ He expressed concern that the government would not openly and quickly resolve the matter and would not prosecute all those connected with the two clans. The obvious target of Covic's attack was newly appointed Vice President Cedomir Jovanovic, who is widely known to have maintained close contacts with both Zemun and Surcin.¹¹⁹ Even though Covic had never mentioned him by name, Jovanovic reacted quickly and angrily, denying any connection with the gangs. Obviously dissatisfied with the government's unwillingness to face the issue squarely, Covic continued to press, eventually provoking a response from Pink Television.

In mid-May Justice Minister Batic also expressed his disapproval over the limited scope of the crackdown by threatening on television to

¹¹¹ "Marjanovic: Radovic iznosi neistine", B92, 2 September 2002.

¹¹² ICG interviews with judicial sources.

¹¹³ "Arezina: smenili su me Kljajevic i Kum", *Blic* 3 June 2003.

¹¹⁴ ICG interview with senior DOS official.

¹¹⁵ ICG interview with Serbian businessmen.

¹¹⁶ ICG interview with senior MUP official.

¹¹⁷ ICG interview with Finance Minister Djelic.

¹¹⁸ "Covic: Ko je pio viski kraj bazena", *Blic*, 10 May 2003.

¹¹⁹ ICG interviews with senior DOS officials, political opposition figures, and Serbian businessmen.

withdraw from the governing coalition unless more extensive action was taken against organised crime.¹²⁰ In a more diplomatic but equally clear tone, Micunovic added his criticism of the extent of the crackdown.¹²¹ When Vice President Isakov, who is also the president of the Reformists of Vojvodina--Social Democratic Party (RV-SDP) joined in, the DS quickly announced a merger with a break-off wing of his party.

By the time that Batic, Isakov, Covic, Jovanovic and Pink television had finished, it sounded as though everybody in the government had compromising material about everybody else and that any restraint was due only to concern for what the other side would respond with. Allegations were made that current members of the government had visited #3 Schiller Street, the Zemun Clan's stronghold, gone swimming in the pool there, and consorted with "Cume" in Surcin. Covic stated that a current vice president had personally visited the late Zemun Clan leader Dusan "Siptar" Spasojevic in prison and freed him. So, too, the dissenting politicians hinted that two Milosevic-crony banks known to be the favourites of politicians had yet to pay over 100 million Euros in extra profit taxes and were being protected by government members.¹²² In the meantime, the parliament went for over one month without passing any legislation, in part due to holidays, but also in part due to the fear that the split within the ruling coalition over the economic crime and corruption issue would make it difficult to ensure a voting majority. The government reached a truce with itself that still holds as of this writing only under strong international pressure.

The degree to which much of the government is still in denial about the issue, however, can be seen in Premier Zivkovic's press conference of 27 May, in which he announced that the feuding factions would bury the hatchet, and asserted – in the teeth of the evidence – that:

not one member of the government, not earlier or today, was connected through business or any other interest, with any criminal or criminal group. Not one member of the government is a protector of any criminal or criminal group, nor is covering up

criminal activities and does not influence the work of the police. Also, state organs did not engage criminals or criminal groups in a single instance to carry out their tasks.¹²³

Nevertheless, two wardens at the Belgrade central jail have since publicly stated that they saw Vice President Jovanovic visit on several occasions when "Siptar" Spasojevic was in custody and indicated that he helped the Zemun Clan figure obtain his freedom. Rather than investigate these allegations, the government arrested the first whistleblower and evicted him from his apartment, claiming he was a member of the Zemun Clan. The President of the Serbian parliament, Natasa Micic, then announced that there would be punishment for the members of the DSS (former President Kostunica's party), who had facilitated the press conference at which the pair went public with the allegations. Eventually, under public pressure, the government held a joint session of the Serbian parliamentary committees for security and justice, at which Jovanovic testified regarding his contacts with underworld figures and pointed fingers at the Kostunica camp. The day left many observers with an impression that both the DS and DSS had maintained close contacts with criminal organisations and are engaged in mutual blackmail, each holding back what it knows about the other for fear of the response.¹²⁴

There are also serious questions as to whether the Interior Ministry can deal with the current level of criminality. It has yet to announce the results of its investigation into the illegal arms sales to Iraq.¹²⁵ It targeted one small company in the sugar scandal, which jeopardised Serbia's trading relationship with the EU, while the big fish have remained uncharged. The one official who began to uncover details regarding the irregularities was removed from his post. In essence, both the sugar affair and the arms to Iraq affair have been moved out of

¹²⁰ RTS, 15 May 2003.

¹²¹ Studio B TV, 16 May 2003.

¹²² "Vlada nema veze s kriminalom", *Blic*, 28 May 2003.

¹²³ "Vlada nema veze s kriminalom", *Blic*, 28 May 2003.

¹²⁴ In his testimony Vice President Jovanovic claimed to have visited someone other than Spasojevic in the prison and to have met with some members of the Zemun Clan at the instructions of Premier Djindjic. He attempted to shift the focus of the inquiry by showing a photograph of the ICTY indictee Sljivancanin on an army base and hinting that former President Kostunica's ex-chief of Staff, Ljiljana Nedeljkovic, had possession of information regarding the 1999 murder of the journalist, Slavko Curuvija.

¹²⁵ ICG Balkans Report No.136, *Arming Saddam: The Yugoslav Connection*, 3 December 2002.

sight. Nor has the ministry been able to identify who buried more than 400 bodies in the mass grave at the police training compound in Batajnica.

C. DS. VERSUS G17+

The most recent – and perhaps serious – indication of an increasing reluctance to carry out significant reforms is the ongoing struggle between the highly respected National Bank of Serbia Governor Mladjan Dinkic and the Serbian government. Since Milosevic's ouster, the National Bank has often appeared to be the only institution in Serbia that has functioned properly. Dinkic has maintained a stable monetary policy, operated independently of the government, and worked very hard to ensure the stability of the banking and monetary system. He has also taken an active role in the fight organised crime, particularly money laundering.

On 9 June 2003 – under strong pressure from the DS – the DOS coalition decided to fire Dinkic. The reason given was that the bank had operated outside of government control,¹²⁶ though, of course, this is what an independent National Bank should do. The real reasons the government wishes to remove Dinkic are: his firm opposition to money laundering; his refusal to print money and create hyperinflation; his refusal to release U.S.\$1.3 billion from the Bank's hard currency reserves as soft loans to Milosevic crony firms; his commitment to operate the bank free from political control or influence; and the political struggle between the DS party and the new, aggressively reformist G17+ party of which he is a prominent member.

Dinkic's firm stand against money laundering has brought him into direct conflict with the Milosevic-era financial tycoons, about whom he has not hesitated to talk publicly, Bogoljub Karic in particular. He claims that over the past year alone at least U.S.\$964 million was illegally sent out of Serbia and laundered through offshore banks.¹²⁷ As an example, Dinkic named Defence Roads, a company owned by Ljubisa "Cume" Buha of the Surcin Clan, who is known to have been on close

terms with both the late Premier and current members of the government.¹²⁸

The Serbian economy suffers from a host of illnesses, including paucity of strategic foreign investment, a fall in industrial production and the social problems associated with many large un-restructured state-owned companies and high unemployment. Lacking adequate sources of revenue, the government hopes to raid the National Bank and its U.S.\$3.3 billion in foreign currency reserves, which cover 125 per cent of all Dinars in circulation.¹²⁹ In particular, the amount of US\$ 1.3 billion is often mentioned, and it appears that this money would be given as soft loans to a number of Milosevic-crony banks and companies, as happened earlier with soft loans from the Ministry of Finance to Komercijalna and Vojvodjanska Banks. This would result in renewed inflation, possibly even hyperinflation, and Dinkic has refused to cooperate.¹³⁰ His consistent opposition to all government attempts at interference in the work of the National Bank often angered Djindjic as well as those around him and still in government. He also appears to have incurred the wrath of "Beba" Popovic over the Astra Bank matter.

Another significant source of friction is over Dinkic's political affiliation. Since G17+, originally a group of likeminded reformers and technocrats, is now a political party, it is seen as a significant threat to the DS voting block. In theory, both parties should be natural allies, given their ideologies. Yet, the DS appears unwilling to tolerate any serious competition inside or outside DOS. Dinkic and G17+ have spoken out loudly against the Belgrade Agreement and the subsequent Constitutional Charter, brokered by the EU, that created the new state of Serbia and Montenegro. They argue that Serbia will lose U.S.\$320 million over the next three years because of this arrangement and have called for it to declare independence. This has brought Dinkic into conflict with Vice President Jovanovic, who is in charge of European integration.

¹²⁶ "Bez diskriminacije", *Blic*, 15 June 2003.

¹²⁷ "Lazni uvoz milijarda dolara", *Blic*, 18 April 2003.
¹²⁸ "Novac iznet preko egzoticnih ostrva", *Blic*, 19 April 2003.

¹²⁸ ICG interviews with DOS officials. See also "Novac iznet preko egzoticnih ostrva", *Blic*, 19 April 2003.

¹²⁹ "Serbia: Dinkic survives bid to oust him", Institute for War and Peace Reporting, Balkans Report No. 439, 20 June 2003.

¹³⁰ ICG interviews with G17+ economists and with National Bank Governor Mladan Dinkic.

As of this writing, the Serbian government has presented a draft law to the parliament that would place the National Bank entirely under its control and remove all pretence of independence. The draft, which is expected to pass rapidly, appears to have taken into account only some of the comments provided by the IMF and World Bank. A primary purpose would seem to be to remove Dinkic. One name mentioned as a possible replacement is Ljubisa Jovanovic, director of AIK Bank and a member of the Milosevic financial oligarchy.¹³¹

Should Dinkic be removed, serious results could be expected for Serbia on several levels. The new National Bank governor would likely be a political appointee with little commitment to maintaining an independent central bank. In that case, the government would probably begin printing money, thereby risking renewed hyperinflation. There would be a strong implication that the government was not serious about combating organised or economic crime, that Serbia was not a reliable partner in these efforts, and that it would remain a hub of money laundering. Most importantly, the international financial institutions (including the IMF and World Bank) would no longer have a reliable interlocutor. Serbia's creditworthiness and ability to repay its debts could be greatly affected. The European Commission has begun to express concerns regarding the draft law, and it appears that EU macro-economic aid to Serbia may depend on the continued independence of the bank.¹³²

D. POWERLESS REFORMERS

When the DOS coalition came to power in October 2000, it had already achieved its principle aim: the overthrow of Milosevic. Although the elections were an anti-Milosevic referendum, they did not give the government a clear pro-reform mandate. And not all coalition members were in favour of reforms. Many wanted to preserve the old system – some out of ideological conviction (Kostunica), others out of fear that reforms would reveal how deeply they had been compromised under Milosevic (Interior Minister Dusan Mihajlovic). The true reformers inside DOS were relatively few, centred primarily on the Democratic Party (DS),

G17+ and the Civic Alliance of Serbia (GSS). Yet, due to the need to maintain a coalition government, the reformers were unable to jettison the obstructionists.

The reformers faced stiff and well-organised resistance from within government ranks. Allegations are now emerging that former President Kostunica even advised Hague indictees – whose whereabouts he publicly said he had no knowledge of – not to surrender to the Tribunal.¹³³ Even now the commitment to reform of such important figures as Speaker of the Parliament of Serbia and Montenegro Micunovic (Democratic Centre) and Serbian Vice Presidents Isakov (Reformists of Vojvodina) and Covic (Democratic Alternative) is suspect, as they have frequently allied with Kostunica and the nationalist and obstructionist forces. As discussed above, a number of parties are reliant on Milosevic cronies for party financing and may be compromised by murky business deals.

In some instances, overworked individual ministers with a handful of loyal aides have attempted reforms against powerful entrenched bureaucracies. Goran Svilanovic at the Federal Ministry of Foreign Affairs and Bozidar Djelic at the Serbian Republic Ministry of Finance were forced to devote most of their energies simply to pushing new policies and were unable to do much about actually changing the ministries in which they worked. The Ministry of Finance has only recently begun to restructure the tax directorate and attempt to coordinate its work with other revenue collection and enforcement agencies; the Foreign Ministry has been unable to restructure at all.¹³⁴

Neither Vladan Batic nor Dusan Mihajlovic at the crucial Ministries of Justice and Interior respectively have shown any desire to engage in anything beyond cosmetic reforms. In both ministries, the old structures still prevail. Deep involvement with organised crime, war criminals and paramilitary groups prevented reform at the Interior Ministry and meant that the few serious reformers in power faced the threat of assassination by the very police who were supposed to be protecting them. That threat still looms large for those who attempt to push change.

¹³¹ ICG interviews with financial and DOS sources.

¹³² "EK: nezavisnost NBS mora biti utemeljena u zakonu", B92, 16 July 2003. "The end is nigh for Dinkic following parliament decision", B92 English service, 16 July 2003.

¹³³ Vice President Cedomir Jovanovic's testimony before a joint session of the Serbian parliamentary committees for Security and Justice, 23 June 2003.

¹³⁴ "Trecina novca ilegalna", *Blic*, 14 June 2003.

The Defence Ministry of Serbia and Montenegro gives a clear example of the Sisyphian task the reformers face. In its entire history, dating back to the nineteenth century kingdom, the armed forces of Serbia have never been under civilian control. Since March 2003, Defence Minister Tadic has attempted to begin that task. With a staff of four trusted advisors, he faces an officer corps and bureaucracy that have been criminalised and in many instances are strongly opposed to the stated foreign policy goals of the government, particularly integration with Euro-Atlantic structures, such as Partnership for Peace, the Council of Europe and European Union. Tadic faces greatest resistance on Hague cooperation and efforts to retire officers compromised by ties to organised crime and war crimes. Efforts to reform and control KOS are also meeting resistance. The odds that five individuals can succeed against the entire army bureaucracy and its supporting parallel structures are slim, perhaps even if the international community offers significant technical assistance.

The small group of true reformers is increasingly isolated in the present coalition and must fight simply to maintain power. The only way Serbia's government will be able to conduct reforms that move it along the path of European integration is if elections provide the clear pro-reform mandate that the 2000 elections did not.

V. ELECTION POLITICS

The biggest question looming over Serbian politics is whether there will be early parliamentary elections in 2003 or whether the government will wait until the scheduled time, autumn 2004. Prior to the Djindjic assassination, public opinion favoured early elections.¹³⁵ Indeed, it is a general assumption that one objective of the assassination was to destabilise Djindjic's reform-tending government so as to force those new elections. To the surprise of many in the nationalist right wing, however, public opinion moved in the opposite direction,¹³⁶ while the government was able to reorganise and remain in power.

Nonetheless, many in the government – DS members in particular – seemed initially to favour early elections. This was due in large part to polls that, immediately after the assassination, saw a significant jump in the party's popularity, largely on the basis of its perceived success against organised crime under Operation Sabre and out of sympathy for the late premier. At one point it appeared that DS could have come close to winning 50 per cent of parliamentary seats. The possibility of achieving a near majority and so freeing themselves of the need to work with numerous smaller parties appealed to many DS leaders.¹³⁷ However, at least one influential Western embassy – fearing that an election campaign would halt all momentum for further reform and that Serbia would lose another four to six months – applied strong pressure on the DS to abandon early elections and concentrate on a reform agenda.¹³⁸

The DS itself has split into two wings, one pro-reform, and the other under the influence of the Milosevic oligarchy. The oligarchy wing – which is strongly represented within the government – appears to be headed by “Beba” Popovic, Vice President Jovanovic, and the shadowy security advisor, Zoran Janjusevic. Popovic's role should not be underestimated, as his main function within the party seems to be that of fund-raiser. His close ties to the oligarchy appear to go back to when he

¹³⁵ “Bogosavljevic: Gradjani nisu za privremene izbore”, *Beta*, 14 April 2003.

¹³⁶ *Ibid.*

¹³⁷ ICG interviews with senior DOS officials.

¹³⁸ ICG interview with diplomatic sources. ICG interviews with senior DOS officials.

ran the Milosevic crony firm Spektra, which was responsible for running the election campaigns of Milosevic's party, the SPS.¹³⁹ As party fund raiser, he maintains frequent contact with members of the financial oligarchy and serves as a conduit not only for money, but also for political pressure.¹⁴⁰ Although Popovic officially resigned as Director of the Bureau of Communications effective 15 July 2003, his influence within the government and party is not expected to diminish in any way.

The reform wing of DS appears to be centred on Defence Minister Tadic and the Belgrade City Council and is particularly strong on the local party level. The role of Premier Zivkovic is still ambiguous. It appears – at least in public – that he is attempting to reconcile the two wings of the party. Thus far serious internal disagreements have yet to erupt in public, although tensions appear to be increasing, particularly as the influence of big money becomes increasingly apparent.

Elections in the fall of 2003 appear to be a possibility,¹⁴¹ though DS poll numbers have dropped significantly to 15 per cent¹⁴² since the state of emergency ended, due in large part to the public perception that the government is covering up its association with criminal elements. The quarrels between members of the ruling DOS coalition over how far the crackdown on organised and economic crime should go have also caused the DS rating to slide, as has the perception that some members of the government may have associated with Djindjic's assassins.¹⁴³ Nonetheless, DS, together with smaller parties that joined it at the beginning of 2003 to form the DOS Reform of Serbia coalition, polls nearly 30 per cent, by far the highest of any party.¹⁴⁴ DS is also slowly picking up a few defecting deputies from right wing nationalist parties. This process of consolidation will probably continue, as DS wishes to rid itself of the numerous smaller coalition partners and so reduce the

potential for legislative and programmatic blackmail.

The recent decline in its polling numbers will make the party cautious about early elections, however. It does not wish to repeat Milosevic's mistake of 2000 and call elections that it is uncertain it can win.¹⁴⁵ However, there are factors could potentially induce the DS to take this step. The most important may be its inability to ensure a stable parliamentary majority on key votes. Because it cannot always rely on the other DOS parties, DS has had increasingly to rely on the very right wing, pro-Milosevic parties it came to power vowing to destroy, such as Bane Ivkovic's break away wing of Milosevic's SPS, which has renamed itself the Socialist National Party (SNS), Borislav Pelevic's Party of Serbian Unity (SSJ), and even the SPS itself. A clear example was the vote on the Radio Diffusion Council discussed above.¹⁴⁶ All these parties carry considerable ballast from the Milosevic era, and it is questionable whether they could pass the 5 per cent threshold in any new election. Their utility as coalition partners is extremely limited, even potentially compromising.

Concerns about whether and how the heavy expenses of a major election campaign can be met also affect calculations. Several leading political parties hope that they can benefit from the upcoming privatisation deals in the tobacco industry to obtain funds with which to finance their campaigns.¹⁴⁷

The only parties that unquestionably want early elections are Kostunica's DSS and G17+. The former has seen its popularity fall, primarily due to Kostunica's perceived ineffectiveness as a leader, as well as the allegation that some of his advisors were involved in the assassination plot. Although currently marginalised, the party will be a serious contender in any new ballot. Its polling numbers are relatively strong – approximately 13.4 per cent for a parliamentary election – while Kostunica would be a formidable candidate in any presidential election.¹⁴⁸ The DSS should also be able to benefit from growing dissatisfaction with the economy. It

¹³⁹ "Becejic: povodom pretnji Gordani Susi, urednici vina", B92, 17 June 2003.

¹⁴⁰ ICG interviews with diplomatic sources and senior DOS officials.

¹⁴¹ ICG interviews with DOS officials.

¹⁴² "Pad popularnosti vodećih političkih stranaka I političara", B92, 9 July 2003.

¹⁴³ "Covic: Ko je pio viski kraj bazena", Blic, 10 May 2003.

¹⁴⁴ Those that joined DS because they stood no chance alone of passing the 5 per cent barrier to win separate representation in a new parliament include a splinter wing of Vice President Isakov's Reformists of Vojvodina party.

¹⁴⁵ ICG interviews with DOS officials.

¹⁴⁶ ICG interviews with Serbian parliamentarians.

¹⁴⁷ ICG interviews with party officials.

¹⁴⁸ "Pad popularnosti vodećih političkih stranaka I političara", B92, 9 July 2003. "Vlast mogu da dele DOS, DSS I G 17 Plus", Blic, 30 May 2003.

quite possibly could win a sufficiently large parliamentary block to enable it to form a coalition government without the DS. Whether or not this would include Seselj's SRS or Milosevic's SPS is uncertain. It is possible that the DSS might make overtures to Ivkovic's SNP, Pelevic's SSJ, and G17+. Should the DS continue to antagonise G17+, a post-election coalition between these two parties would be possible, provided DSS committed to G17+'s reform program.

G17+ is eager for new elections. Because it did not register as a party until early 2003, it has no seats in parliament but polls suggest it would win at least 12 per cent of the vote.¹⁴⁹ This would make it the third largest party in parliament and enable it to play the kingmaker in any potential post-election coalition. G17+ feels that it could use this leverage to push a reform program. It would also hope to capitalise on the high popularity of the National Bank's Dinkic and Miroljub Labus, the former federal deputy prime minister, whose positive ratings are presently higher than those of Kostunica.¹⁵⁰ Ideologically, it would appear that G17+ and DS would make ideal coalition partners. However, the bad blood over the National Bank issue as well as the consistent irritation caused by "Beba" Popovic and DS unhappiness with the new party's calls for an independent Serbia, mean that such a coalition is not certain.¹⁵¹

Splits continue to occur within the ruling coalition, most notably when the old alliance of Covic, Micunovic and Isakov – all of whom had previously sided with Kostunica on key issues – began to break publicly with the rest of the coalition over the corruption and organised crime issue. This fissure appears temporarily closed, and all three men are well aware that their parties would not pass the 5 per cent threshold in any new parliamentary elections. In a new election, all three would probably lean toward the DSS position.

The list of those opposed to new elections further includes not only Milosevic's SPS and Seselj's SRS, but also nearly every other political party in

Serbia. The reason is simple. Most of the parties in the DOS coalition would not pass the 5 per cent threshold if elections were held today. So, too, according to the most recent polling, the SPS and SRS would see their share of the vote drastically reduced to 4.4 and 7 per cent respectively, while the SSJ would probably not pass the threshold.¹⁵² As a result, Serbia's opposition parties are in the somewhat ironic position of opposing new election out of fear they will lose what influence they have.

The biggest unknown in Serbian politics is the large number of undecided voters, approximately 36 per cent of the electorate and growing as stories of scandals and irresponsible political behaviour continue to dominate the media. Mounting public discontent with a failing economy, low living standards, and visible corruption and criminal activity suggests that the party which is least tainted by corruption and ties to organised crime and best able to position itself as having a clear pro-reform, pro-Europe agenda could well pick up the majority of the undecided in any new elections.

¹⁴⁹ Ibid.

¹⁵⁰ "Pad popularnosti vodećih političkih stranaka I političara", *B92*, 9 July 2003. "DS u vodstvu, Kostunica u blagom padu", *Danas*, 17 April 2003.

¹⁵¹ G17+ has said that it will enter only into post-election coalitions. ICG interviews with G17+ officials.

¹⁵² "Pad popularnosti vodećih političkih stranaka I političara", *B92*, 9 July 2003. "Vlast mogu da dele DOS, DSS i G 17 Plus", *Blic*, 30 May 2003.

VI. CONCLUSION

Serbia presents no clear and easy choices for the international community. In the current political environment there is little hope of continuing real reform. The genuine reformers are hampered by strong nationalist forces within the army, police and BIA. Should they challenge these forces too openly, they risk meeting the same fate as Zoran Djindjic. Many of their political allies are reluctant to lend support to the effort for fear of compromising their financial interests or exposing their ties to various aspects of the old regime, whether criminal or economic. As a result, it is doubtful that reform can be carried any further unless new elections give the ruling coalition a clear mandate to carry out far reaching changes.

In the meantime, Serbia is backsliding on key issues that are necessary for further European integration, most troublingly the media, judiciary, human rights, and the security services. The government has yet to grasp the importance of the roles institutions, rule of law and transparency play in the common European home. In many respects, Serbia increasingly resembles the Russia of 1992 socially, politically and economically, with the key difference being the legacy of Milosevic's wars, which continues to affect the entire region.

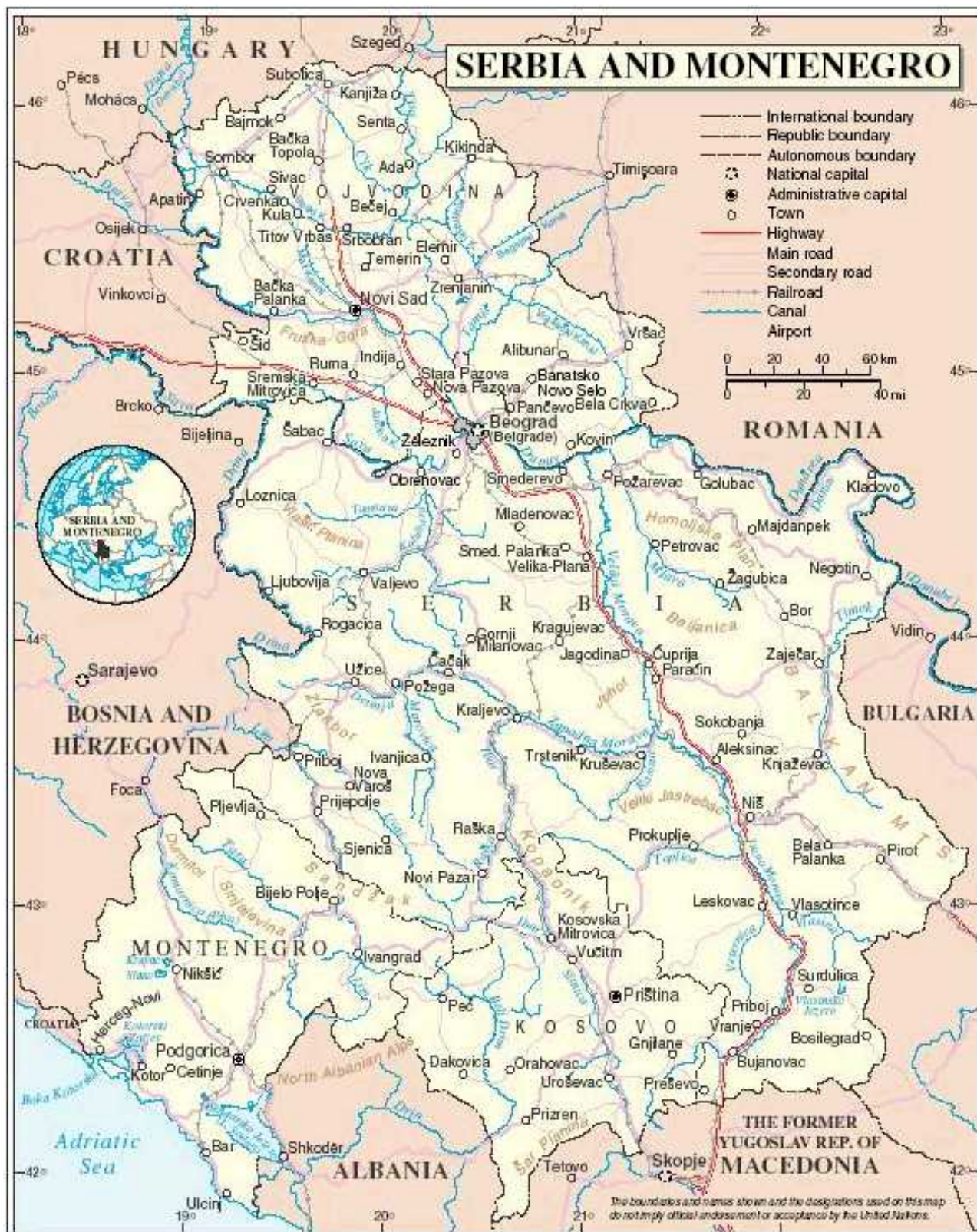
That legacy means that the Western Balkans remain at serious risk of further instability unless serious reforms are implemented inside Serbia. Without reforms, current tensions will be difficult to resolve, especially within the context of Serbia's domestic politics, where autonomy and local self-government are becoming increasingly popular. Without reforms, Kosovo's final status will be difficult to resolve, as will other matters such as the relationship to Belgrade of Vojvodina, southern Serbia and the Sandzak. So too, the lack of reforms means that the economy will not be an attractive target for foreign or domestic investment and will continue to worsen, with predictable social results and a probable return to power of the nationalist right.

The only real way for the international community to assist Serbia's reformers is to provide them with political cover to carry out the hard choices needed to clear the rubble of the Milosevic era. This means conditioning all assistance on the meeting of benchmarks and standards in the context of an annual review. Without this, Serbia's reformers will continue to expend valuable time, energy and political capital while running in place.

Belgrade/Brussels, 17 July 2003

APPENDIX A

MAP OF SERBIA AND MONTENEGRO



APPENDIX B

ABOUT THE INTERNATIONAL CRISIS GROUP

The International Crisis Group (ICG) is an independent, non-profit, multinational organisation, with over 90 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

ICG's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, ICG produces regular analytical reports containing practical recommendations targeted at key international decision-takers.

ICG's reports and briefing papers are distributed widely by email and printed copy 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 analyses 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; and its President and Chief Executive since January 2000 has been former Australian Foreign Minister Gareth Evans.

ICG's international headquarters are in Brussels, with advocacy offices in Washington DC, New York, Moscow and Paris and a media liaison office in London. The organisation currently operates

twelve field offices (in Amman, Belgrade, Bogota, Islamabad, Jakarta, Nairobi, Osh, Pristina, Sarajevo, Sierra Leone, Skopje and Tbilisi) with analysts working in over 30 crisis-affected countries and territories across four continents.

In *Africa*, those countries include Burundi, Rwanda, the Democratic Republic of Congo, Sierra Leone-Liberia-Guinea, Somalia, Sudan and Zimbabwe; in *Asia*, Indonesia, Myanmar, Kyrgyzstan, Tajikistan, Uzbekistan, Pakistan, Afghanistan and Kashmir; in *Europe*, Albania, Bosnia, Georgia, Kosovo, Macedonia, Montenegro and Serbia; in the *Middle East*, the whole region from North Africa to Iran; and in *Latin America*, Colombia.

ICG raises funds from governments, charitable foundations, companies and individual donors. The following governments currently provide funding: Australia, Austria, Canada, Denmark, Finland, France, Germany, Ireland, Japan, Luxembourg, The Netherlands, Norway, Sweden, Switzerland, the Republic of China (Taiwan), Turkey, the United Kingdom and the United States.

Foundation and private sector donors include Atlantic Philanthropies, Carnegie Corporation of New York, Ford Foundation, Bill & Melinda Gates Foundation, William & Flora Hewlett Foundation, Henry Luce Foundation Inc., John D. & Catherine T. MacArthur Foundation, John Merck Fund, Charles Stewart Mott Foundation, Open Society Institute, Ploughshares Fund, Ruben & Elisabeth Rausing Trust, Sasakawa Peace Foundation, Sarlo Foundation of the Jewish Community Endowment Fund and the United States Institute of Peace.

July 2003

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* The Algeria project was transferred from the Africa Program to the Middle East & North Africa Program in January 2002.

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