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OFFICE OF THE VICE PRESIDENT
WASHINGTON

April 25, 1995

MEMORANDUM FOR MEMBERS OF THE DEPUTIES COMMITTEE

SUBJECT: Sanctions Enforcement Issues

The Principals agreed on March 28th to increase efforts to control the flow of goods to the Bosnian Serbs via Croatian territory ("closing the back door") and to limit fuel being smuggled to Serbia and Montenegro through Albania. The attached papers outline implementation steps. Sandy Berger has asked that the Sanctions Task Force, in coordination with NSC staff and appropriate departments and agencies, begin to carry out these steps no later than April 27, 1995, unless we hear objections from Deputies.

A handwritten signature in black ink, appearing to read 'L. Fuerth', written over a horizontal line.

Leon Fuerth
Assistant to the Vice President
for National Security Affairs

Attachments:

1. Closing the back door.
2. Controlling Albanian oil shipments.

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Declassify on: OADR

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SUBJECT: Isolating the Bosnian Serbs by Closing the "Back Door"

Proposed Action: To stem the flow of fuel and other illegal goods now reaching the Bosnian Serbs via Croatian territory (through the "Back Door") by re-deploying U.S. SAMs to Croatia, encouraging other SAM donors to assign personnel to Croatia, and improving enforcement of existing sanctions measures against trade with the Bosnian Serbs.

Background: Milosevic's embargo on Bosnian Serb-held territory covers only part of the Bosnian Serb's external borders. The Bosnian Serbs obtain fuel and other important commodities across two other boundaries:

- Goods now flow freely across the borders between UNPAS Sectors West, North, and South (the Krajina) and Bosnian Serb-held territory. CBMs further complicate matters by encouraging trade between Zagreb and the Krajina. Sector West is a special problem because trucks leave the Zagreb-Belgrade highway in Sector West and travel south into Bosnian Serb-held territory.
- Goods also enter Dalmatian ports and filter through Bosnian Muslim and Croat territory to the Bosnian Serbs.

(The other major segment of the Bosnian Serb's external borders, the boundary between Zagreb-controlled portions of Croatia and Bosnian Serb-held territory in the north from Jamena to Sector West, is controlled by Croatian military and police and, apparently, not much of a problem.)

Discussion: Improving sanctions enforcement in Croatia involves four related activities:

- (1) Establish a 24-hour a day SAM presence at Lipovac (where the Zagreb-Belgrade highway crosses from Sector East into Zagreb-controlled Croatian territory) to monitor shipments between Sectors East and West. These monitors would help Croatian authorities limit passage to goods intended for legitimate users in Sectors East and West as allowed under the economic CBMs. This will close a major sanctions loophole. Since there are no controls between Sector East and the FRY, there is currently nothing to prevent use of the Zagreb-Belgrade highway for illegal imports to Serbia or FRY support to the Bosnian Serbs.
- (2) Assist Zagreb in controlling trade over other routes into the UNPAS -- particularly where the Z-B highway enters Sector West (now a major site of diversions south into Bosnia).

(3) Assist Zagreb in monitoring shipments from the Dalmatian ports to Bosnia. Presently, some of this traffic ends up going to the Bosnian Serbs. With technical and monitoring assistance, Croatian customs could identify legitimate trade patterns and begin to crack down on smuggling.

(4) Improve coordination among Zagreb-Krajina economic CBMs, peacekeeping operations, and sanctions enforcement efforts. In particular, ICFY should include SAMCOMM in CBM development, and UNCRO should cooperate with SAMs and report traffic at border crossings.

SAMs are the key: The government in Zagreb is willing to do more to enforce the embargo against the Bosnian Serbs and against the FRY itself. However, Zagreb has been unwilling to take an aggressive stand for fear of being accused of undermining economic CBMs with the Krajina Serbs. SAMCOMM and SAM Croatia also have good relations with Zagreb and GOBH. The most critical problem is that there are only seven SAMs in Croatia -- too few to cover even Lipovac on an around-the-clock basis. An immediate re-deployment of 10-12 U.S. SAMs from elsewhere in the region would permit full-time coverage at Lipovac and give the USG standing to press other countries to deploy additional SAMs to Croatia as well. Around 35 SAMs will be sufficient to ensure coverage at Lipovac, re-establish monitoring and advisory activities in Zagreb, and initiate cooperation with Zagreb and GOBH to cope with smuggling through the Dalmatian ports. Also, a strong SAM presence in Croatia will help SAMCOMM take part in implementation of economic CBMs and facilitate coordination of other sanctions matters.

The Deputies are asked to support re-deployment of 10-12 U.S. SAMs to Croatia. This will not increase the total U.S. commitment, which will remain at 63. The Department of the Treasury has resisted sending U.S. personnel to Croatia on security grounds. However, Zagreb's acceptance of UNCRO has reduced the key reason for concern: that withdrawal of UNPROFOR would lead to renewed fighting.

SUBJECT: Reducing Oil Smuggling Through Albania

Proposed Action: To take the following steps to reduce the amount of oil being smuggled to the FRY through Albania:

- Support SAMCOMM efforts to strengthen the oil pre-verification system,
- Press the Albanian government to improve enforcement,
- Press the Greek and Italian governments to impose greater control on local companies exporting oil to Albania, and
- Seek an expansion of the mission of the Adriatic NATO/WEU Multinational Interception Force (MIF) to include keeping unauthorized vessels out of Albanian ports.

Background: Closure of the port of Bar ended the FRY's direct access to Adriatic oil shipments. However, significant volumes of oil is now imported through Albania's Adriatic ports and shipped overland to Montenegro.

Albania lacks the political will and enforcement capabilities to stem this traffic. SAMCOMM and the Albanian government have developed an oil pre-verification system intended to prohibit imports except those destined for legitimate end users. The system has had limited success, however. In addition to problems with the licensing process in Albania, the Greek and Italian governments, whose firms are the source of most shipments, have given the system only lukewarm support and have done little or nothing to ensure that their firms are abiding by sanctions regulations.

Discussion: Coordinated diplomatic and operational steps are needed to reduce the amount of oil transiting Albania to Montenegro:

1. The USG should provide diplomatic support (see 2 and 3 below) and technical assistance to enhance SAMCOMM efforts to revitalize the oil pre-verification system.
2. The USG (with EU support if it can be obtained) should press Albania to improve enforcement measures, including closing gas stations near the border, blocking certain border crossings, improving enforcement of the pre-verification system, and increasing military and police presence at critical points -- especially on Lake Skhoder. In addition, the U.S. Serbia Sanctions Task Force is prepared to allocate existing sanctions

support funds to Albania to provide technical assistance and training to Albanian customs officials.

3. The USG should demarche the Italian and Greek governments to cooperate more fully with the oil pre-verification system, ensure that firms under their jurisdiction abide by relevant sanctions regulations, and take legal action against firms found to be in violation.

4. The MIF should expand its operations to include prohibiting vessels carrying fuel from reaching Albanian ports without proper prior clearance through the oil pre-verification system. The USG should seek a change in the MIF mission through NATO authorities. At the same time, the USG must work with the EU/OSCE International Sanctions Coordinator (Napolitano) and SAMCOMM to gain European and WEU support for the change.

To implement these steps, the Serbian Sanctions Task Force, in cooperation with the European Bureau, will draft a series of demarches to appropriate Embassies as well as work directly with the Sanctions Coordinator and SAMCOMM. In addition, the Sanctions Task Force will work with JCS to seek modification of MIF operations.

The Deputies are asked to support the efforts outlined above.

Sanctions Relief in Return for Tighter Border Closure and Bosnian Recognition

Desired FRY Actions
Continued support for Contact Group plan
<p>Support complete isolation of Pale:</p> <ul style="list-style-type: none"> • Tighten closure of "Inter-Serb" border • Cut military links (including C&C, training and personnel) • Sever telecommunications links • Full enforcement of all UN resolutions with respect to Pale (targeted sanctions, end financial support, end FRY-sponsored "humanitarian" shipments, etc.) • Close border with Sector East • Discontinue support for Knin so long as Knin and Pale are cooperating politically and militarily
FRY recognition of Bosnia-Herzegovina in manner acceptable to GOBH and CG
Continued support for the principles of the Z-4 plan
Recognition of the Republic of Croatia
FRY recognition of Slovenia and FYROM
Full implementation of a Bosnia settlement
Full implementation of a Krajina settlement
Progress towards settlement of other regional security issues, including Kosovo, cooperation with War Crimes Tribunal, regional arms control, etc.

Sanctions Levers
Extend Phase 1 sanctions suspension
Suspend ¹ sanctions against scientific and technical cooperation
Suspend sanctions against trade and transshipment of non-strategic goods and commodities ²
Release FRY vessels and conveyances
Suspend sanctions against financial transactions and services
Release all blocked financial and real assets
Suspend sanctions against trade and transshipment of strategic goods
Lift all UNSCR sanctions; disband enforcement structures
Lift objections to IFI loans, full participation in international organizations, trade preferences, etc.

Alternatives

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¹ All suspensions are for successive, limited periods. UNSC action required to extend suspensions. Continuation of suspensions to depend on continued progress toward negotiated settlement of the conflicts.
² Strategic goods include crude oil, petroleum products, coal, energy-related equipment, iron, steel, other metals, chemicals, rubber, tires, vehicles, aircraft, and motors of all types.