

**CHANGE IN THE OFFING:
THE SHIFTING POLITICAL
SCENE IN CROATIA**

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CHANGE IN THE OFFING: THE SHIFTING POLITICAL SCENE IN CROATIA

EXECUTIVE SUMMARY

The Croatian Democratic Union (HDZ) has dominated Croatian political life since multi-party elections in April 1990 brought an end to communist rule. The HDZ has been a broad movement rather than a modern political party, representing a wide range of political views and interests, united behind its leader, President Franjo Tudjman, in the aim of achieving Croatian sovereignty and independence. In 1990-91, large areas of the country were taken over by rebellious Croatian Serbs, with support from Belgrade. Thus for most of the period of HDZ rule in Croatia, large chunks of the country remained outside Zagreb's control, and the overriding priority was to restore Croatia's territorial integrity, a goal which was finally achieved in January 1998. Croatia also became enmeshed in the war in Bosnia and Herzegovina (Bosnia) as, supported by Croatia, the Bosnian Croats fought their erstwhile Bosniac allies in 1993-94. The obsession of Tudjman and the hard-line Herzegovina lobby in the HDZ with the dream of eventually detaching chunks of Bosnian territory and joining them with Croatia has been a persistent cause of international pressure on Croatia, as well as of division within Croatian politics.

Despite his own predilection towards the HDZ right, Tudjman valued the maintenance of balance between different strands in the party, and acknowledged the contribution of relative moderates in broadening the HDZ's domestic support and bringing greater international acceptability. After the end of the wars in Croatia and Bosnia in 1995, many supposed that Croatian policy would shift towards a peacetime agenda of completing the transition to democracy and a market economy, and integrating Croatia into western structures. However, in 1998 the HDZ has shifted firmly to the right, and hard-liners, led by Tudjman's adviser on internal affairs, Ivic Pasalic, have emerged triumphant in the party. This prompted the resignations in October 1998 of leading HDZ moderates Hrvoje Sarinic and Franjo Greguric, amid accusations that Pasalic had manipulated the intelligence services in orchestrating a campaign of political assassination against them. In addition, the defence minister, Andrija Hebrang, failed in his efforts to reform his ministry, which had become a key centre of the shadowy, non-transparent method of rule that has emerged under Tudjman. The defence ministry is also the main conduit of support from Zagreb to the Bosnian Croats. Hebrang too resigned in October.

The triumph of the HDZ right has dispelled any illusions about the nature of the party, as despite efforts by Tudjman to revive the impression of balance within the HDZ, the few remaining moderates are now isolated. The party of Tudjman has been revealed, under the direction of Pasalic, in its true colours, as a party of the nationalist, xenophobic right. Any hope of meaningful change in Croatian policy towards Bosnia while Tudjman remains at the helm will be disappointed. The HDZ has lost credibility due to a succession of scandals, including a crisis at Dubrovacka banka, in which senior HDZ figures were implicated, the allegations regarding the intelligence services, and revelations regarding Tudjman family finances. Deepening social discontent has combined with a widely held perception that a politically-connected elite has enriched itself, while the majority of the population has been impoverished, to bring a sharp decline in popular support for the HDZ.

The opposition may stand to capitalise on HDZ discomfort, and opinion polls suggest that a new six-party opposition grouping has a real chance of defeating the HDZ in elections due in 1999, if it can hold together. As the opposition has gained in confidence, the isolation of remaining relative moderates in the HDZ has increased. Speculation concerning a possible re-alignment in Croatian politics, bringing together HDZ moderates and the opposition, appears now to have been overtaken by events, as opposition leaders are faced with the prospect of winning power without the need of any in the HDZ. As efforts by Tudjman to revamp the HDZ in advance of the elections appear forlorn, whether or not the ruling party can be ousted is largely in the hands of the opposition. An extremely delicate problem for opposition leaders is how to deal with the likelihood that Tudjman, whose mandate as president, his health permitting, lasts until 2002, will try to obstruct the formation of a government excluding the HDZ. Disputes have arisen among the opposition parties on how to approach the HDZ. The leader of the strongest opposition party, Ivica Racan of the Social Democratic Party (SDP) urges that dialogue with Tudjman be maintained, so as to avoid a confrontation between two irreconcilable blocs and contribute to the building of a stable environment for an opposition takeover. Some other opposition leaders are more uncompromising, suspecting that there could be no constructive dialogue with Tudjman.

As the opposition and the HDZ manoeuvre before and after the elections, Croatia is in for a period of instability in the medium term. However, if the HDZ were to be defeated, the outlook for the evolution of a stable democracy in Croatia would be much improved, as would the prospects for an improvement in Croatia's strained international relations. Defeat for Tudjman's HDZ would also have very important consequences for Bosnia, as the current opposition parties would behave much more constructively towards Croatia's neighbour than has been the case under Tudjman.

The trends are encouraging, and there is probably little that the international community could or should do to influence that process. Open international support for a particular political option in Croatia would be likely to be counter-productive. Rather the international community should be consistent in its approach to the Croatian government, irrespective of the party in power. International pressure over such issues as Croatian policy towards Bosnia, the return of Serb refugees, media freedom and electoral reform should be maintained.

CHANGE IN THE OFFING: THE SHIFTING POLITICAL SCENE IN CROATIA

I. INTRODUCTION

The Croatian Democratic Union (HDZ) has dominated Croatian political life since multi-party elections of April 1990 brought an end to communist rule in Croatia. The HDZ has been a broad movement rather than a modern political party, representing a wide range of political views and interests, united behind the authority of its leader, President Franjo Tudjman, in the aim of achieving Croatian sovereignty and independence. Since the end of the wars in Croatia and Bosnia and Herzegovina (Bosnia) in 1995, the HDZ has struggled to adapt to peacetime conditions. While relative moderates in the party have sought to shift the emphasis towards economic reform and integration into western structures, hard-line nationalists have maintained their attachment to the wartime agenda, notably the dream of eventually detaching Croat-dominated regions of western Herzegovina from Bosnia and joining them to Croatia.

Although his personal outlook is largely in accord with the hard-line wing of the party, Tudjman has sought to maintain a balance between different strands in the HDZ. This is in tune with his vision of the HDZ as a national movement representing the broad aspirations of the Croatian people, rather than just one among many political parties. It also represents an acknowledgement of the value of relative moderates in the party in maintaining as broad as possible a base of domestic support for the HDZ, as well as in bringing greater international acceptability.

However, as tensions between hard-liners and relative moderates have become increasingly bitter and open during 1998, Tudjman has found it more and more difficult to maintain that balance. Despairing of ever transforming the HDZ into a modern, democratic party, a number of leading moderates in October 1998 resigned their posts and withdrew from politics. This appeared to signal the final triumph of hard-liners in the HDZ, which looks increasingly like a straightforward party of the nationalist right. At the same time, opposition parties have strengthened their position and have begun to co-operate in the hope of toppling the HDZ from power in parliamentary elections due next year.

This paper analyses the nature of the divisions within the HDZ, and the causes and consequences of the recent turmoil in the party, both for Croatia itself, and for the Croat community in Bosnia. It considers the outlook for political change in Croatia, examining both the risk of still greater turmoil in the medium term, and the prospects of a stable democracy developing, which would also improve the prospects for broader regional stability and for an improvement in Croatia's tense international relations. It concludes with recommendations for the international community in responding to political developments in Croatia.

II. A WARTIME AGENDA

The victory of the HDZ in Croatia's multi-party elections of April 1990, which brought an end to communist rule, unleashed an outpouring of pent-up nationalist euphoria after decades in which any expression of nationalist feeling was taboo. In the months following the election, the new HDZ government rigorously asserted its Croatian nationalism. This included redressing the balance of decades of perceived injustice suffered by Croatia, including reducing the proportion of Serbs in public employment, as well as altering the Croatian constitution to assert that Croatia was the homeland of the Croats, downgrading the republic's Serbs to the status of a minority. This insensitivity to Croatia's Serbs combined with a stream of anti-Croat propaganda from Belgrade to whip up fear and insecurity among them.

Thus manipulated, some Croatian Serbs, especially in the Knin area in the Dalmatian hinterland, were persuaded that they were threatened with another onslaught by the Croat Fascist Ustasas, who had murdered thousands of Serbs during the Second World War. In the summer of 1990 there began an armed Serb rebellion in areas of Croatia where Serbs formed a significant proportion of the population. Fuelled by increasingly open intervention by the former Yugoslav People's Army (JNA) on the Serb side, the conflict erupted into open warfare after Croatia's declaration of independence in June 1991. An agreement brokered by UN envoy Cyrus Vance brought an end to the fighting in Croatia early in January 1992, and international recognition of Croatia's independence followed later the same month.

However, large chunks of Croatian territory remained outside Zagreb's control until Croatian offensives in 1995 brought them back, while the last piece of Serb-controlled territory, in Eastern Slavonia, was reintegrated only in January 1998, following two years of UN administration in the region. Thus for most of the period of HDZ rule in Croatia, the overriding priority, having asserted Croatian sovereignty and won independence, was to restore the country's territorial integrity.

In addition, Croatia became enmeshed in the war in neighbouring Bosnia, as in 1993-94, supported and sustained by Croatia, Bosnia's Croats fought a war against their erstwhile Bosniac allies in central Bosnia and the city of Mostar. Croatian policy towards Bosnia under Tudjman has been a persistent cause of international pressure on Croatia, as well as of division within Croatian politics. Croatian support for the Bosnian Croat para-state of Herceg-Bosna in areas of Bosnia under Croat control reflected the dream, which Tudjman shared, of detaching chunks of territory from Bosnia and joining them with Croatia. At a meeting in March 1991, in the Serbian town of Karadjordjevo, Tudjman is said to have discussed the division of Bosnia between Croatia and Serbia with the then Serbian president, Slobodan Milosevic. The emphasis of Croatian policy during the Bosniac-Croat war on creating a pure Croat territory, centred on western Herzegovina, reflected the power of the so-called Herzegovina lobby in the

HDZ. This power was based on the fact that hard-line Herzegovinian émigrés, notably Gojko Susak, who became Croatia's defence minister, had provided much of the HDZ's finances and thus acquired considerable influence in the party.

The Bosniac-Croat conflict was brought to an end through US mediation, with the Washington agreement in March 1994. However, Bosniac-Croat relations have remained tense, and Tudjman has perpetuated the impression of a lack of commitment on Croatia's part to Bosnia's sovereignty. In his speech to the HDZ's fourth convention, in February 1998, he appeared to suggest that the establishment of a wider Croatian state, including Bosnian territory, remained a legitimate national aspiration.¹ Thus, despite the end of the fighting in 1995, the obsession of Tudjman, coinciding with the interests of the Herzegovina lobby, with the Croat-controlled areas of Bosnia has prevented Croatia from truly adapting to peacetime conditions.

Even during the war, although the restoration of Croatia's territorial integrity remained an overriding concern across the political spectrum, the policy towards Bosnia was a cause of discord, and was a key reason for a split in the HDZ in the spring of 1994. Two of the party's leading figures, Stipe Mesic (the last president of Yugoslavia) and Josip Manolic, who were at the time the speakers of the two chambers of the Croatian parliament (Sabor), left the HDZ. Promises of support from numerous other HDZ Sabor deputies fell away when it came to the crunch,² but the episode demonstrated a high degree of dissatisfaction within the HDZ, not to mention the opposition, with the direction in which the hard-line Herzegovinian faction, led by Susak, was taking the party.

While the HDZ right emerged victorious from the confrontation with Mesic and Manolic, Tudjman continued to value the presence of relative moderates within the HDZ, and the maintenance of balance between factions within the party remained an important priority. Although the restoration of Croatia's territorial integrity and the pursuit of Croatian interests in Bosnia remained overriding concerns, other important steps were in the meantime taken to consolidate the newly won Croatian state. Notable among these were the implementation of an economic stabilisation programme in October 1993 and the introduction of the new Croatian currency, the kuna, in May 1994.

With the advent of peace in 1995, it was widely supposed that the priorities of Croatian policy would shift towards a peacetime agenda of completing the transition to democracy and a market economy, and

¹ Article by Davor Butkovic in *Globus*, 27 February 1998.

² In an interview in *Globus*, 23 September 1994, Mesic said that they had received firm promises of support from 16 deputies. Those who had been ready to support Mesic and Manolic reportedly included a number of senior HDZ figures; in an article in *Jutarnji list*, 10 October 1998, Davor Butkovic listed the then prime minister, Nikica Valentic, the former prime minister and vice-president of the HDZ, Franjo Greguric, and the then interior minister, Ivan Jarnjak.

pursuing Croatia's integration into western structures.³ Indeed, acceptance of the Washington agreement and then the Dayton Peace Agreement,⁴ which Susak himself sold to his protégés in Herzegovina, appeared to signal a step back from the annexationist project in Bosnia.

Reports in late 1996 that Tudjman was seriously ill with cancer raised expectations of an imminent showdown between the moderate and hard-line wings of the HDZ for the succession. With Susak himself ill with cancer, the hopes of the HDZ right appeared through much of 1997 to be focused on the deputy speaker of the lower house of the Sabor, Vladimir Seks.⁵ However, despite ups and downs, Tudjman's health has held up better than many had expected, and Seks's ambitions came to nothing as the president continued his policy of maintaining a balance between HDZ factions. Key moderates in the party included the head of the presidential office, former prime minister Hrvoje Sarinic, who had long been, together with Susak, one of Tudjman's closest confidants,⁶ and the popular foreign minister, Mate Granic.⁷ By late 1997, some commentators were suggesting, hopefully, that Tudjman, despite his attachment to the nationalist aims of the HDZ right, for reasons of pragmatism would continue to back the so-called "technocratic managerial" wing of the party, with its emphasis on political and economic normalisation and economic reform.⁸ This would have meant abandoning annexationist ambitions towards Bosnia, as Croatia would have sought to improve its international image in the hope of integrating into western economic and political structures

³ Hrvoje Sarinic, who recently resigned as head of the presidential office, expressed this expectation in interviews in *Nacional*, 28 October 1998, and *Globus*, 13 November 1998.

⁴ The Dayton Peace Agreement or General Framework for Peace in Bosnia and Herzegovina was initialled in Dayton, Ohio, on 21 November 1995, and signed in Paris on 14 December 1995.

⁵ See commentaries by Davor Butkovic in *Globus*, 6 December 1996 and 4 April 1997.

⁶ On Tudjman's trust for Sarinic, see commentaries by Davor Butkovic in *Globus*, 22 November 1996 and 4 April 1997.

⁷ Granic was reported to have reached an uneasy truce with Susak early in 1997. See article by Davor Butkovic in *Globus*, 4 April 1997.

⁸ In an article in *Globus*, 19 December 1997, Drazen Rajkovic suggested that it was becoming increasingly irrelevant to characterise internal HDZ politics as being divided between a radical right faction and a liberal, "technocratic" faction. He pointed out that Susak had broadened his political base, while remaining radical hard-liners, such as Seks, had effectively lost their relevance in peacetime conditions. His analysis suggested that rather two broadly centrist groupings, led by Granic and the president's advisor on internal affairs, Ivic Pasalic, both committed to the development of the HDZ as a modern, democratic party, would in future compete. In this scenario, the Granic grouping would have been more inclined towards co-operation with the international community, while Pasalic would have been more determined in defending narrow Croatian interests.

III. SHIFT TO THE RIGHT

A. The Intolerant HDZ

Hopes that the HDZ might develop into a modern, democratic party -- that it might move away from the wartime agenda of winning Croatian statehood and pursuing annexationist aims in Bosnia, towards a peacetime agenda of democratisation and economic reform -- were quickly dashed by the proceedings at the HDZ's fourth convention in February 1998.⁹ Elections to the party's governing bodies strengthened the right wing of the party,¹⁰ while many of the convention speeches underlined HDZ unwillingness to co-operate with the international community over the fulfilment of international demands on issues such as Bosnia and the return of Serb refugees to Croatia.

Tudjman's speech brought severe international condemnation for appearing to cast doubt on Bosnia's sovereignty. It was also notable for its extreme intolerance towards opponents of the HDZ as well as towards the independent media, which he accused of being "anti-Croat lackeys". The speech contained nothing that was new, and was consistent with the president's long-standing intolerance of opposition as well as his well-known views on Bosnian sovereignty. It was, however, a surprising show of defiance of the international community at such a public forum, given the intensity of international pressure that Croatia had been under, especially over policy towards Bosnia.

Appearing to underline HDZ intolerance of opposition, the authorities banned a demonstration from taking place in Zagreb's central Ban Jelacic Square against poor social conditions, which had been called by the trade unions on the eve of the convention.¹¹ The protest went ahead, but a massive police presence, including thousands bussed in from outside Zagreb, forced the protesters away from Jelacic Square. The demonstration went off largely peacefully, but opponents were shocked at the display of force used by the authorities to stifle protest. Tudjman, in his speech to the convention, describing the protesters as "the mob", attempted to use the demonstration to slur the strongest opposition party, the former communist Social Democratic Party (SDP), drawing a parallel

⁹ HINA covered the proceedings of the convention, including Tudjman's address, excerpts of which were published on 24 February 1998.

¹⁰ Davor Butkovic analysed the elections to HDZ party bodies in *Globus*, 27 February 1998. In voting for the HDZ central board, Susak gained the most votes, followed by Seks. Granic came third, but that was an exception, as after him came the nationalist writer, Ivan Aralica, Pasalic and the party spokesman, Drago Krpina, all of them prominent hard-liners. Butkovic also reported, in *Jutarnji list*, 31 October 1998, that Pasalic, who had extended his control over much of the party infrastructure, tried to prevent Granic from being elected as a party vice-president, which reportedly elicited a very strong, and successful, protest from Granic to Tudjman.

¹¹ The HDZ convention issued a statement on the protest (HINA, 22 February 1998), which took place on 20 February 1998, accusing the organisers and certain political parties of seeking to destabilise the country.

between the demonstrators and the former communist party, which succeeded in seizing power despite having little popular support.¹² The heavy-handed approach to the demonstration reflected Tudjman's determination to avoid a repeat of a demonstration in Jelacic Square in November 1996 against an attempt to close the independent radio station, Radio 101. Tudjman's displeasure on that occasion resulted in the removal of the interior minister, Ivan Jarnjak, for having allowed the protest to go ahead.¹³

B. Intra-HDZ Divisions

Following the HDZ convention, conflict in the ruling party intensified, as the HDZ right, led now by the president's adviser on internal affairs, Ivic Pasalic -- the ailing Susak died at the beginning of May 1998 -- sought to consolidate its control over party and state bodies. The key figure to take up the cudgels on behalf of the relative moderates in the party was Sarinic. Divisions were opened up by a crisis in Croatia's fifth-largest bank, Dubrovacka banka. The crisis came to a head in April 1998 with the arrest of the bank's former chief executive, Neven Barac, who was accused of reckless and illegal lending which had caused the bank to become insolvent, prompting the Croatian National Bank to intervene with a rescue package. An investigation into the affair was ordered, and much about it remains murky. However, the crisis drew attention to flaws in Croatia's economic transition, as early privatisations, largely carried out through management and employee buyouts, had enabled politically-connected business figures to gain control over many enterprises. These take-overs often involved no injection of new capital, but were rather financed by loans, in a triangular network of politicians, business figures and pliant banks. Thus while a new class of politically-connected wealthy business figures was created, economic restructuring was stunted.

Amid allegations of high-level political involvement in the Dubrovacka banka affair, the president's son, Miroslav Tudjman, resigned as head of the Croatian Intelligence Service (HIS) in February, reportedly over his dissatisfaction with the failure by the authorities seriously to address the allegations. At the beginning of May, Sarinic tendered his resignation over the affair. Sarinic later said that it made no difference whether allegations of Pasalic's direct involvement in the affair were true or not, as those who had abused Dubrovacka banka had had his support.¹⁴

There were reports that Tudjman had been ready to let both Pasalic and Sarinic go following the Dubrovacka banka affair, thus removing the taint of scandal from his inner circle and maintaining the balance between right

¹² SDP leaders, according to one cited in Davor Butkovic's article in *Globus*, 27 February 1998, feared that the HDZ would use any trouble at the demonstration to brand them as former communists trying again to seize power by revolutionary means; the SDP distanced itself from the organisers.

¹³ Ivo Pukanic in *Nacional*, 28 October 1998.

¹⁴ Interview with Sarinic, *Globus*, 13 November 1998.

and left in the HDZ. Another former prime minister, Nikica Valentic, was appointed a HDZ vice-president at that time, amid rumours that Tudjman intended politically to re-activate him as his number two, rising above both Pasalic and Sarinic. However, nothing came of it, with some reports having Susak appealing to Tudjman on behalf of Pasalic, his protégé and a fellow Herzegovinian, from his deathbed.¹⁵ Whatever went on behind the scenes, on this occasion Tudjman managed to smooth over the differences, and Sarinic withdrew his resignation.

Nevertheless, despite the appearance that balance in the HDZ had been restored, tensions remained not far beneath the surface. The resignation of Ivica Mudrinic at the end of June 1998 as head of the state radio and television service, HRT, was also linked to the struggle between Pasalic and Sarinic. Mudrinic was already under pressure due to international demands that the HDZ give up control over HRT and allow it to be transformed into a public service corporation. Sarinic had reportedly made the removal of Mudrinic a key condition for the withdrawal of his resignation, and despite Tudjman's reported reluctance further to disturb the balance in the party so soon after the Dubrovacka banka affair, he got his way. Mudrinic's departure was seen as a blow to Pasalic's control over the electronic media. Sarinic tried to have his deputy in the presidential office, Vesna Skare-Ozbolt, appointed as Mudrinic's replacement; although he did not succeed in that, the appointment of Ivica Vrkic, who is close to Skare-Ozbolt, was nevertheless seen as a victory for Sarinic.¹⁶

C. The Battle for the Defence Ministry

A key battleground in the internal strife in the HDZ in 1998 has been the defence ministry (MORH).¹⁷ Under Susak, the defence ministry had evolved into something resembling a state within the state. Largely unaccountable, its budget, which, according to the finance ministry, is the biggest out of all the government departments, accounting for 26.3 per cent of central government expenditure in 1997, is shrouded in secrecy. During the war, when Croatia, like the rest of former Yugoslavia, was subject to an international arms embargo, the MORH necessarily operated in a non-transparent manner, as it sought to meet Croatia's armament requirements. It did so through the company "Alan", which was formed to

¹⁵ See analyses by Ivo Pukanic and Mladen Plese in *Nacional*, 16 September 1998 and 18 November 1998 respectively.

¹⁶ On the replacement of Mudrinic see articles by Nino Djula and Davor Butkovic in *Jutarnji list*, 30 June 1998. Sarinic, in an interview with *Globus*, 13 November 1998, described Vrkic as the HDZ moderates' "joker" following resistance from the HDZ right to the appointment of Skare-Ozbolt. Despite the change at the top, international dissatisfaction with HRT remains strong; following his resignation from the HDZ, Sarinic was himself barred from appearing on the HRT's chat show, rather ironically called "Otvoreno" ("Open"). In his *Globus* interview, Sarinic suggested that Vrkic was coming under pressure, and that Pasalic would still like to have his own person in that key position.

¹⁷ On the political struggles in the MORH see articles by Djurdjica Klancir in *Globus*, 31 July 1998, 25 September 1998 and 9 October 1998, by Ivo Pukanic in *Nacional*, 29 July 1998, 26 August 1998 and 16 September 1998, by Jasna Babic in *Nacional*, 14 October 1998, and by Edita Vlahovic in *Jutarnji list*, 30 July 1998.

carry out commercial activities on behalf of the Croatian army, including arms procurement, as well as assisting Croatian arms manufacturers in selling overseas. It has also been alleged that "Alan" has been involved in an array of other shady business activities on behalf of the authorities and of the HDZ.¹⁸ And it is through the MORH that significant sums have flowed to the Bosnian Croats, with the assistant minister for economic affairs in the MORH, General Ljubo Cestic-Rojs, as the key link figure between the MORH and the Bosnian Croat armed forces, the Croat Defence Council (HVO).

Following the death of Susak in May 1998, the health minister, Andrija Hebrang, was appointed as the new defence minister. He quickly made it known that he intended to reform the MORH, to rationalise it, and to make its operations transparent and more in line with peacetime requirements.¹⁹ Such reforms would have amounted to the dismantling of the edifice built by Susak. As such, they would have dealt a powerful blow to the Herzegovina lobby in Croatia, as well as to the HDZ in Bosnia and to the still operating para-state institutions of the Bosnian Croats. They would have signalled a fundamental change in the method of governing which evolved under Tudjman and Susak, based on informal, non-transparent power structures.

Hebrang's plans met with stiff resistance. Hebrang was not on the moderate wing of the HDZ, but as well as being a staunch nationalist, devoted to Tudjman, he had also acquired a reputation at the health ministry for thrift and correctness, and he appears to have quickly concluded that things could not continue as they had been in the MORH. However, his plans for the MORH represented a serious threat to the Herzegovina lobby, and to Pasalic personally, who sought to take over the power structures built by Susak. He thus found himself aligned with the moderate wing of the party.

Hebrang came up against resistance in particular from three generals in the MORH, the assistant minister for procurement and director of "Alan", Vladimir Zagorec, the head of the military counter-intelligence service, the SIS, Markica Rebic, and Rojs. He concluded that he needed to be rid of the three generals. However, when the new team at the MORH was announced, not only were the three still in place, but Rebic was promoted. Stung by this humiliation, Hebrang offered his resignation in July 1998. The resignation was rejected by Tudjman at the beginning of September 1998, and attempts were made to find a satisfactory resolution of the dispute. Firstly, Hebrang was persuaded to make his peace with Rojs, reportedly so as to avoid further disturbing the situation among the Bosnian Croats, whose political affairs had been thrown into flux by a split in the Bosnian HDZ in June 1998,²⁰ and who were facing elections in

¹⁸ Ivo Pukanic in *Nacional*, 16 September 1998.

¹⁹ Edita Vlahovic in *Jutarnji list*, 30 July 1998.

²⁰ For an analysis of Bosnian Croat political affairs, see the ICG report *Changing Course?: Implications of the Divide in Bosnian Croat Politics*, Sarajevo, 13 August 1998.

Bosnia in September 1998. However, he stuck by his insistence that the other two generals should go.

According to Hebrang, Tudjman in September 1998 accepted that Zagorec and Rebic would be replaced. That it did not come to that appears in large part to have reflected Tudjman's alarm, encouraged by Zagorec, that Hebrang's reforms would lead to highly sensitive and compromising information about the activities of the MORH and of "Alan" getting into unreliable hands. Hebrang misjudged the priorities and the essential nature of the system which Susak had built, and seems not to have understood initially that Tudjman stood full square behind the methods of the MORH. Hebrang had sought full information on the MORH's work, but Tudjman had no intention of letting such material fall into the hands of Hebrang. It was Hebrang's very correctness and honesty which made him unpredictable in the eyes of his colleagues in the MORH and of the president, and it was those qualities which were his undoing.

Tudjman was reportedly infuriated by Hebrang's stubbornness and his lack of feel for political tactics.²¹ Probably the intention was not that Hebrang should resign, but just that he should desist from his dangerous plans for reform in the MORH. However, Tudjman's decision, in September 1998, to order two investigations of Hebrang, one in the MORH and one in the party, made the proud Hebrang feel that his position had become untenable. In his resignation letter of 12 October 1998,²² he cited his reason as being the president's loss of confidence in him. Indeed, suspicion of him had reportedly been raised among hard-liners, and with the president, due to his allegedly close relations with US officials, including the US ambassador, William Montgomery. During a visit to Croatia at the end of August 1998, the US secretary of state, Madeleine Albright, while attacking Croatian policy on a range of issues, praised Hebrang's efforts to reform the MORH.²³ At a time of intense international pressure on Croatia, US support for Hebrang counted against him among HDZ hard-liners.

D. Manipulation of the Intelligence Services

The simmering conflict between Sarinic and Pasalic came to a head at about the same time as Hebrang's resignation. The MORH also had a key role in the dénouement of this battle, as first the former prime minister and presidential advisor on Bosnia, Franjo Greguric, and then Sarinic, in press interviews in late September 1998, accused the SIS of orchestrating campaigns of political assassination against them.²⁴ Sarinic named Rebic and Pasalic, accusing them of direct involvement. Greguric and Sarinic referred particularly to the weekly paper *Imperijal*, which, it has been

²¹ Djurdjica Klancir in *Globus*, 25 September 1998.

²² *Jutarnji list*, 13 October 1998.

²³ Jasna Babic in *Nacional*, 14 October 1998.

²⁴ Interviews with Greguric in *Globus*, 18 September 1998, and with Sarinic in *Jutarnji list*, 25-26 September 1998.

alleged, has been an instrument of the SIS. There have also been allegations of links between *Imperijal* and the Globus group of controversial business figure Miroslav Kutle, who was heavily involved in the Dubrovacka banka crisis, and who is a close associate of Pasalic.²⁵

The accusations by Sarinic and Greguric appeared to confirm the extent to which the institutions of a law-governed state had been undermined by an informal power structure built by Tudjman and Susak, and which had been extended even further by Pasalic. Having built a web of patronage throughout the HDZ infrastructure, Pasalic's network extended through many key state institutions, including important ministries, much of the media and the intelligence services. Following the press interviews by Greguric and Sarinic, Tudjman ordered an investigation of their allegations concerning the abuse of the SIS, to be carried out by another of the organisations in the Croatian intelligence community, the Supervisory Service of the National Security Board (UNS).

The call for the investigation through the spotlight on the multiplication of security and intelligence organisations that has occurred in Croatia since independence. The MORH and the interior ministry both have their intelligence services. As well as the military counter intelligence service(SIS), which is active in the country, the MORH also contains the Military Intelligence Service (VOS), which is active abroad. The Service for the Protection of the Constitutional Order (SZUP) comes under the interior ministry. The Croatian Intelligence Service (HIS) was formed in 1993, and in 1995 the UNS was created. The HIS's role is defined as co-ordinating the intelligence community as a whole, maintaining relations with foreign intelligence agencies and collecting information from abroad. Unlike the SZUP, it does not have police powers. The HIS is one of four divisions (the Supervisory Service is a second, together with the Security Staff and the Intelligence Academy) of the UNS, which is envisaged as an umbrella organisation for all of the security services. The UNS is supposed to collect and analyse intelligence information for the president and for the government. Strategy on security issues is supposed to be defined by the Main Committee for National Security (SONS), which is made up of high state officials; Sarinic and Pasalic were both members of the SONS.²⁶

However, the Croatian intelligence community is highly politicised, and rival intelligence services tend to be heavily influenced by rival political leaders. Rebic, the head of the SIS, is close to Pasalic, as is Ivica Brzovic, who was brought in to head the SZUP after Jarnjak was replaced at the interior ministry by Ivan Penic, who is reportedly under Pasalic's thumb.²⁷

²⁵ Regarding the allegations of links between the intelligence services and *Imperijal*, see articles by Jasna Babic in *Nacional*, 28 October 1998 and 4 November 1998. Sarinic took a bundle of copies of *Imperijal* to a meeting of the Sabor Committee on Internal Affairs and National Security called to investigate his and Greguric's allegations in mid-October 1998, as well as a report by the interior ministry's intelligence service, SZUP, on contacts between SIS operatives and *Imperijal* journalists. He also tried to show a connection between *Imperijal* and Kutle. See article by Slavica Lukic on the Sabor committee session, *Globus*, 16 October 1998.

²⁶ The Croatian intelligence community was analysed in *Hrvatski obzor*, 3 October 1998.

²⁷ Ivo Pukanic in *Nacional*, 28 October 1998.

The UNS and the HIS, by contrast, have tended to be closer to the moderate wing of the HDZ. After his removal from the interior ministry, Jarnjak was made head of the UNS. As head of the HIS, Miroslav Tudjman opposed Pasalic, while his successor, Miroslav Separovic, produced a report which appeared to establish a link between the SIS and *Imperijal*.²⁸ The fact that the SIS has grown and extended its activities since the war has fuelled suspicions that, as Sarinic and Greguric alleged, it has been used as a political instrument of the HDZ right.

E. The Right Triumphant

The conflicts within the HDZ leadership and the accusations made by Sarinic and Greguric were discussed at a meeting of the HDZ National Council on 10 and 14 October 1998, and the Sabor Committee on Internal Policy and National Security considered the allegations against the SIS on 12 October 1998. The first session of the HDZ National Council was stormy, and Sarinic walked out, having concluded that he was not going to be enabled to put his case, and that Tudjman had already decided in favour of Pasalic in the dispute between the two men. Sarinic had already delivered his resignation as head of the presidential office on 1 October 1998, and on 7 October 1998 he made his resignation public. Greguric resigned as presidential advisor on Bosnia and from his party functions on 15 October 1998.²⁹ The main error of both men in the eyes of Tudjman was that they had brought intra-party disputes into the public domain. Both rebutted the criticism, pointing out that they had already warned the president of the activities of the SIS, but had been ignored.³⁰

At the meeting of the Sabor committee on 12 October 1998, the HDZ majority found that the allegations of Sarinic and Greguric were groundless, as opposition members of the committee walked out in disgust, later resigning their membership of it.³¹ The committee, which heard testimony from Sarinic, Greguric, Pasalic and Rebic, sought concrete proof from Sarinic and Greguric of their allegations. As Sarinic was unable to satisfy them, Rebic could calmly deny everything. Particularly objectionable to the opposition members of the committee was the fact that a report on the affair by the HIS was read at the HDZ National

²⁸ On the investigation into the allegations against the SIS, see article by Djurdjica Klancir, *Globus*, 2 October 1998; on divisions among the intelligence services, see article by Jasna Babic, *Nacional*, 7 October 1998. Jarnjak, as reported by Mladen Plese, *Nacional*, 21 October 1998, said at a session of the HDZ National Council on 10 and 14 October 1998 that they should not pass over the link established by the HIS report between the SIS and *Imperijal*.

²⁹ *Jutarnji list*, 9 October 1998 and 16 October 1998.

³⁰ Greguric, as reported by Mladen Plese, *Nacional*, 23 September 1998, had made his allegations to Tudjman in a letter three months previously, but had received no response. Sarinic described in an interview with *Nacional*, 21 October 1998, how he had responded to Tudjman's upbraiding over his interview in *Jutarnji list* by saying that he had been imploring that action be taken over the previous two years, without achieving anything. Tudjman had urged him to keep his nerve, and that the unity of the party was paramount.

³¹ *Jutarnji list*, 14 October 1998.

Council meeting, but was kept from the Sabor committee.³² This appeared to confirm that real power in Croatia rests with an informal structure in HDZ bodies, the presidency and the intelligence community, undermining and subverting the constitutional order and usurping the role of the Sabor.

Although, given the paramount importance that Tudjman attaches to party unity, the actions of Sarinic and Greguric amounted to political suicide, one calculation may have been that the revelations would so damage Pasalic as to halt his meteoric rise. Indeed, at the second session of the HDZ National Council, on 14 October 1998, Tudjman again raised the possibility that Pasalic might be moved from the presidency, suggesting that he might replace Greguric as special advisor on Bosnia. However, Tudjman's idea was opposed by the majority of those present, and he accepted the argument that they should avoid any appearance that Pasalic was being punished for something.³³

The outcome of the struggle between Sarinic and Pasalic, as well as Tudjman's failure to support Hebrang's efforts to reform the MORH, represented a crushing defeat for the relatively moderate wing of the HDZ. Tudjman's failure to take the warnings of Sarinic and Greguric seriously, and the fact that Pasalic has survived the scandals surrounding the Dubrovacka banka affair and the allegations regarding the SIS thus far without censure, appeared as a final triumph for the nationalistic right in the party. The unwillingness to tamper with the edifice which Susak had built in the MORH and the SIS seemed to confirm that any hope of change in the authoritarian and non-transparent methods of rule exercised under Tudjman were misplaced as long as Tudjman remained at the helm. The policy of maintaining a balance between different wings of the party, long little more than window dressing, appeared finally to have been abandoned. The party of Tudjman and Susak was revealed now, under the direction of Pasalic, in its true colours, as a party of the nationalist, xenophobic right. Remaining relative moderates, such as Granic, Valentic and Jarnjak, appeared isolated.

IV. CHANGE IN THE OFFING

A. The Opposition Resurgent

The triumph of the right in the HDZ has sharpened the contours of the political scene in Croatia. With the moderates in the HDZ defeated, the key political battleground will now be between the ruling party and the opposition. With neither wing of the HDZ emerging from the recent turmoil

³² On the Sabor committee, see Mladen Plese in *Nacional*, 14 October 1998, Slavica Lukic in *Globus*, 16 October 1998, and interview with Davor Kajin, a member of the committee from the opposition Istrian Democratic Assembly (IDS), in *Jutarnji list*, 15 October 1998.

³³ Mladen Plese in *Nacional*, 28 October 1998, and interview with Sarinic in *Globus*, 13 November 1998.

with credit, it may be the opposition that will be the main beneficiary. Opposition parties have in 1998 undertaken to present a united front against the HDZ in elections to the lower house of the Sabor, due by late 1999. In August 1998, the leaders of two of the largest opposition parties, Ivica Racan of the SDP and Drazen Budisa of the Croatian Social Liberal Party (HSL) reached a co-operation agreement.³⁴ Later the same month, these two parties joined with four others in a six-party grouping. This grouping also includes the third large opposition party, the Croat Peasant Party (HSS), together with the Liberal Party (LS), which was founded following a split in the HSL late in 1997, the Istrian Democratic Assembly (IDS), which is very strong in Istria, and the Croatian People's Party (HNS).³⁵

Opinion polls suggest that the opposition's chances of defeating the HDZ in the forthcoming elections are the best yet. In particular, a recent poll by the US International Republican Institute found that the HDZ and the SDP are running neck and neck on 21 per cent each.³⁶ The poll put the HSS on 9 per cent and the HSL on 8 per cent, with the LS on 3 per cent and the HNS on 2 per cent. The far right Croatian Party of Right (HSP) scored 4 per cent, while 19 per cent were undecided. A demonstration of the increased strength of the opposition was provided in elections to the Dubrovnik-Neretva county assembly on 11 October 1998, which, although the HDZ remained the single biggest party, brought significant gains to the opposition.³⁷ Past elections have shown that the electorate tends to look kindly on a show of opposition unity, and the latest efforts to present a common opposition front hold out the real possibility that the HDZ could face defeat in the forthcoming elections. Faced with this prospect, both the HDZ and the opposition parties have manoeuvred, as the former has sought to retrieve the situation, while the latter has tried to press home its advantage.

The HDZ has continued its much tried practice of seeking to undermine opposition unity, trying to tempt opposition parties or individuals away, offering them co-operation with the HDZ. Following the election in Dubrovnik, Granic offered co-operation in the county assembly to the HSS and the HSL, adding that the HDZ was also open to co-operation in advance of the coming Sabor elections. Budisa and the HSS leader, Zlatko Tomcic, rejected such advances out of hand.³⁸ The HDZ has based its appeals on the claim that these two centre-right parties are politically closer to the HDZ than to the centre-left SDP.

The HDZ appears to have identified the HSS as the weakest link in the opposition grouping, and the most likely to be prised away into the

³⁴ *Jutarnji list*, 4 August 1998. Racan was the last communist leader of Croatia, and shepherded the country towards multi-party elections in 1990.

³⁵ HINA, 28 August 1998.

³⁶ Analysis of the poll in *Jutarnji list*, 18 November 1998.

³⁷ Reuters, 12 October 1998.

³⁸ Granic's advances to the HSL and the HSS reported in *Jutarnji list*, 16 October 1998. Budisa described the advances as political fantasy, *Jutarnji list*, 17 October 1998.

embrace of the HDZ. Indeed, as recently as the campaign for the presidential elections of June 1997, the HSS fiercely attacked the former communists. After several recent approaches to the HSS, the HDZ reportedly offered them the agriculture ministry.³⁹ An alternative tactic has been to try to undermine Tomcic personally, upon whom the HDZ appears to place a large part of the blame for the HSS's unco-operativeness. Thus the HDZ-controlled media sought to accentuate divisions in the HSS in advance of elections for the party presidency, at which Tomcic has faced a challenge from the mayor of Dubrovnik, Vido Bogdanovic. However, it has been reported that Bogdanovic too opposes co-operation with the HDZ.⁴⁰

However, putting political differences aside, none of the six-party grouping seems willing to consider a deal with an HDZ which now appears unpopular and thoroughly compromised by the series of scandals that have overtaken it this year. Indeed, the SDP's consistency in avoiding any suspicion that it might be tempted into doing a deal with the HDZ has probably been one reason for its resurgence over the past couple of years; both the HSLs and the HSS have lost ground, while the SDP has become the strongest opposition party. The extent to which the opposition parties are determined to avoid being tainted by association with the HDZ can be seen in rejections by Racan and Tomcic even of the idea that some former leading HDZ figures might be welcomed into their parties; Tomcic said that they might harm the HSS's electoral prospects.⁴¹

B. Social Discontent

In addition to the scandals over Dubrovacka banka and the allegations of manipulation of the SIS, the HDZ has been further embarrassed by revelations concerning the Tudjman family finances. It is probable that most voters are not much interested in such seemingly abstract values as the development of democracy or media freedom, or in Croatia's strained international relations. They are, however, interested in social conditions.⁴² Social discontent has risen markedly, amid widespread disappointment at the perception that the end of the war has not brought a rapid rise in living standards. The introduction of a value-added tax (VAT) in January 1998, replacing the previous sales tax, has been terribly unpopular, and was one of the major causes of a liquidity squeeze in the economy during 1998, as a mounting non-payments crisis has fuelled the widespread feeling that economic conditions, despite continued GDP growth, are actually worsening. Many pensioners have been incensed by the government's rejection of a constitutional court ruling that pensioners have been unjustly deprived of nearly \$5 billion since 1993.⁴³

³⁹ On HDZ approaches to the HSS, see articles by Mladen Plese in *Nacional*, 28 October 1998 and Davor Butkovic in *Jutarnji list*, 14 November 1998.

⁴⁰ Mladen Plese in *Nacional*, 25 November 1998.

⁴¹ *ibid.*

⁴² As was indicated by the poll carried out by the International Republican Institute.

⁴³ On social discontent, see the Economist Intelligence Unit's Country Report on Croatia, 3rd quarter, 1998.

Resentment at poor social conditions has been fuelled by the popular perception that a politically-connected elite has enriched itself while the majority has remained impoverished, which appeared to be confirmed by the fallout of the Dubrovacka banka crisis. There was further anger when, in July 1998, it was revealed that the government had approved substantial increases in salaries for public officials, including a monthly salary of 50,000 kunas (over \$8,000 dollars) for Tudjman. The public outcry that followed led to a rethink, and revised legislation was passed in October 1998, reducing the president's salary to a monthly 35,000 kunas.⁴⁴ Further controversy erupted in October 1998, when an employee of Zagrebacka banka revealed that the president's wife, Ankica Tudjman, had made substantial deposits, although her husband had, in the declaration of assets he is obliged to make to the Sabor, only declared her ownership of a car. Mrs Tudjman denied any wrong-doing, and HDZ lawyers, among them Seks, asserted that money is not included in the disclosure requirements.⁴⁵ The episode fuelled popular resentment at the flamboyantly wealthy life-style of certain Tudjman family members, and the two bank employees, who faced prosecution for their action, won huge public sympathy.

The opposition will hope to benefit from the rising social discontent. Another important reason for the resurgence of the SDP since the end of the war is that it has been well-placed to capitalise on the changing priorities of an electorate away from wartime concerns, and towards normal peacetime issues, such as living standards. Racan has adopted a shrewd approach, avoiding as far as possible taking on the HDZ on the national issues that were paramount during the war, on which the SDP, with its communist, former Yugoslav roots, was always bound to be at a disadvantage. Instead he has sought to join battle on ground that suits the SDP much better, namely social discontent. Much more successfully than other opposition leaders, he has avoided being trapped into the agenda set by the HDZ, and has established a clear profile for the SDP as a modern party of the centre-left, eclipsing the various other left-of-centre parties which proliferated earlier in the 1990s. Having apparently established an effective working relationship with Budisa, he can hope that the HSLs will supply the nationalist credibility which the SDP still lacks.

C. Worn-out HDZ Moderates

With the increasing confidence of the opposition, the position of remaining relative moderates in the HDZ has appeared even more isolated. Granic is in an especially delicate position. He is popular in the country, and is the only senior HDZ figure who has enjoyed a high regard from the international community. He has long been an opponent of the hard-line wing of the HDZ, but the recent shift of the party has probably made the option which he represented in the HDZ irrecoverable. Given his usefulness, particularly in presenting an acceptable face abroad, a

⁴⁴ Reuters, 23 October 1998.

⁴⁵ Tomislav Cadez, *Globus*, 23 October 1998.

reckoning between him and the HDZ right has thus far been avoided. Pasalic reportedly tried to prevent his being made a party vice-president at the HDZ convention in February 1998,⁴⁶ but Granic has maintained a non-confrontational approach, and avoided being drawn into the struggle between Pasalic and Sarinic; he reportedly considered that Sarinic and Greguric made a tactical error in joining open battle with Pasalic unprepared.⁴⁷

There had been speculation that Granic might act as a bridge between the moderate wing of the HDZ and the opposition, in a realignment of Croatian politics that would result in a new coalition government, perhaps led by Granic himself, leaving a rump HDZ right isolated and out of power. Racan and Budisa reportedly encouraged Granic to leave the HDZ in September, but were rebuffed.⁴⁸ Following this rejection, Racan denied that he had made such a concrete offer to Granic, and asserted confidently that the opposition had no need of him. He criticised Granic for doing little more than putting a moderate gloss on bad HDZ policies, adding that as Granic had chosen to remain in the HDZ, let him share its fate.⁴⁹ With the moderate wing of the HDZ defeated and humiliated, and the resurgent opposition confident, opposition leaders appear to have concluded that they can win without Granic and the so-called HDZ moderates, and do not need them.

A possible alternative, key role for Granic, it has been speculated, might be to smooth the transfer of power from the HDZ to the opposition during what, if the opposition were to emerge victorious from the elections, would be a very testing period. The behaviour of Tudjman in the event of the HDZ losing its absolute majority in the Sabor is difficult to predict. His mandate as president runs until 2002, and a very difficult period of co-habitation would be in store. In the first place, he would be likely to be extremely reluctant to see a government taking office which did not include the HDZ.⁵⁰ In that event he might delay confirming a government, in an effort to buy time in the hope that cracks would appear in the opposition, perhaps over what tactics to adopt in response to the president's actions. Some close to Granic reportedly see a potentially key role for him in providing a bridge between Tudjman and the victorious opposition.⁵¹

However, there is little reason why the opposition should count on Granic in the event of an opposition victory. While Tudjman and the HDZ right have valued him for the greater breadth of popular support he brings to the HDZ and for the positive image he presents to the international community, it could not be expected that the wilful Tudjman, whose natural predilections lie firmly with the HDZ right, would listen to him over such an important matter as the HDZ's yielding power. In any case, given Granic's

⁴⁶ See footnote 10.

⁴⁷ Ivo Pukanic, *Nacional*, 11 November 1998.

⁴⁸ On Granic's contacts with Racan and Budisa, see articles by Dubravko Grakalic in *Globus*, 6 November 1998 and by Davor Butkovic in *Jutarnji list*, 31 October 1998.

⁴⁹ Interview with Racan in *Jutarnji list*, 4 November 1998.

⁵⁰ His record in refusing to confirm a mayor appointed by the opposition parties in the Zagreb city assembly after the HDZ lost its majority in the capital in 1995 is instructive in this regard.

⁵¹ Ivo Pukanic on Granic in *Nacional*, 11 November 1998.

record of avoiding confrontation with the HDZ right, there is no reason to count on him to play such an important role in a post-election period either. And his position, given the recent emasculation of the HDZ moderates, may already be too weak for him to be able to play such a decisive role. Racan was probably right to write off Granic; in the period before and after the elections he will have to deal with Tudjman himself, as he did when he smoothed the transfer from communist rule in 1990.⁵²

D. Opposition Approach

The question of how to press home its advantage in the pre-election period, and what approach to adopt towards Tudjman, has vexed the six-party opposition grouping. An issue which the opposition has pushed strongly is electoral reform, in which it has been in accord with a key demand of the international community.⁵³ Opposition and international demands relate in particular to the abolition of the so-called “diaspora” vote. Twelve seats in the lower house of the Sabor are reserved for representatives of the “diaspora”, which in practice means mainly representatives of the Bosnian Croats. This is objectionable for two main reasons: firstly, as it works to the advantage of the HDZ, as most Bosnian Croat voters support that party; secondly, the inclusion of Bosnian Croat voters in Croatian elections reinforces the impression of Croatian ambiguity towards Bosnia’s sovereignty.

Another key opposition demand has been for the formation of an investigatory committee into the allegations against the SIS. The opposition Sabor deputies walked out of the assembly on 5 November 1998, when their insistence that the debate on their demand be held at a time when there would be live television coverage was rejected.⁵⁴ Following the Sabor’s rejection, in the absence of the opposition deputies, of the proposal to form a committee on the SIS, there was a debate within the opposition as to whether to boycott the Sabor altogether. In the event, on 12 November 1998, representatives of the six parties withdrew from all Sabor functions, such as the positions of Sabor vice-presidents (one of whom was Budisa, and a second Stjepan Radic of the HSS) and from all the Sabor committees, but chose not to boycott the Sabor altogether.⁵⁵

The importance to the opposition of media coverage, as indicated in their earlier withdrawal from the Sabor, was probably a key reason for not opting for an all-out boycott this time. The lesson of an earlier boycott, at the time of Mesic’s and Manolic’s departures from the HDZ in 1994, seemed to suggest that the HDZ actually benefited. With the HDZ controlling the main electronic media, coverage of Sabor proceedings is one of the main ways in which the opposition is able to gain publicity. If

⁵² See commentary by Davor in *Jutarnji list*, 7 November 1998.

⁵³ On opposition demands for electoral reform, see report on discussion of the issue in the Sabor, *Jutarnji list*, 5 November 1998.

⁵⁴ *Jutarnji list*, 6 November 1998.

⁵⁵ *Jutarnji list*, 12 November 1998.

they did withdraw, the HDZ would surely present their action as a sign of irresponsibility, and that they were unfit to govern, while the opposition would lack the means of responding effectively.⁵⁶ In addition, Racan in particular appears to have wanted to avoid radicalising the positions of the two sides too much, to leave room for manoeuvre and to keep a door open for dialogue.

The opposition action provoked a parliamentary crisis, and also a crisis in relations between the opposition and the HDZ, and the first signs of differences among the six parties of the opposition grouping. The initial reactions of the HDZ were extremely sharp: Seks accused the opposition parties of trying to dictate terms, and suggested that the Sabor could function very well without them; the president of the Sabor, Vlatko Pavletic, said that the opposition deputies were breaking assembly rules, and could be punished, either financially or by being excluded from the Sabor; and the HDZ spokesman, Drago Krpina, rejected any possibility of meeting opposition demands.⁵⁷ Krpina had earlier scandalised the opposition and the independent media by accusing Racan of being a drug dealer.⁵⁸ A session of the HDZ presidency on 14 November 1998 issued a statement accusing the opposition of seeking to stir up disorder, and connecting them with those who had never been reconciled to the formation of the Croatian state.⁵⁹

However, even as these sharp exchanges were continuing, the HDZ began to adopt a more conciliatory tack. Tudjman, perhaps fearing that this further radicalisation of the HDZ's position was bringing yet more discredit to the ruling party, began to put out feelers to the opposition, through Seks. On 19-20 November 1998, Seks met Racan to discuss conditions for dialogue. Agreement was reached in principle that there would be a meeting between the six opposition leaders and Tudjman.⁶⁰ There were, however, differences: the opposition maintained its insistence on a full investigation into the SIS, and that they would only discuss the removal of "diaspora" representatives from the lower house (they would consider moving them to the upper house), and not a reduction in the number of "diaspora" representatives in the lower house, as the HDZ had proposed; the opposition said that Tudjman must meet them in his capacity as head of the HDZ, and not as head of state; the opposition would not countenance Seks's suggestion that the leaders of three small right wing parties also be present.

In the event, the talks with Tudjman, which were initially scheduled for 3 December 1998, were called off by the opposition leaders, after Seks confirmed that Tudjman would meet them as head of state.⁶¹ The postponement of the talks revealed differences among the six opposition

⁵⁶ Davor Butkovic in *Jutarnji list*, 14 November 1998.

⁵⁷ Articles in *Jutarnji list*, 13, 14 and 22 November 1998.

⁵⁸ *Jutarnji list*, 10 November 1998.

⁵⁹ *Jutarnji list*, 15 November 1998.

⁶⁰ Mladen Pleše in *Nacional*, 25 November 1998.

⁶¹ *Jutarnji list*, 3 December 1998.

parties which do not bode well for the future of the grouping.⁶² Racan was strongly of the view that the talks should in any case have gone ahead,⁶³ and that the dialogue that he had begun should continue. Two main considerations underpin Racan's view. He believes that the larger opposition parties, including his own, cannot afford to adopt positions based on an indignant refusal to engage the HDZ. If they are to win power, they need to appeal to as broad as possible an audience, including many who are dissatisfied with the present government, but nervous and still wavering, and who are unlikely to be impressed by displays of frustration that amount to little more than futile expressions of political impotence.

Racan also believes that the opposition should seek to avoid a radicalisation of positions between two irreconcilable blocs in advance of the forthcoming elections. Faced with the real possibility of taking over power, but fearing that Tudjman and the HDZ will do all that they can to obstruct them, the SDP takes the view that they should aim to promote a climate of tolerance and dialogue before the elections, avoiding any radicalisation that would only strengthen the radicals in the HDZ, and trying to build a stable environment for an eventual takeover.

Racan expressed the belief that Budisa would have followed him in this view, but the other four leaders saw things differently. The leader of the LS, Vlado Gotovac, said that he was sceptical as to whether they should meet Tudjman at all, given that there was nothing to suggest that Tudjman would deal any more constructively or sincerely with the opposition than he had in the past.⁶⁴ Behind this view is the feeling that the HDZ is floundering, and that the opposition should be pressing its advantage, and not seeking a compromise that would offer the HDZ a chance to pick itself up.

Another problem within the opposition that was revealed by the divisions over whether to go ahead with the meeting with Tudjman was a difference of view as to how to reach decisions within the grouping. The leaders of the smaller parties insist that the practice of reaching decisions by consensus must be continued, while Racan has said that the recent dispute has demonstrated that that cannot go on, and that the relative strengths of the various parties must be taken into consideration. The resolution of this question is important as the grouping attempts to adopt a common approach in advance of the elections; it would be even more important following an election victory, if the current opposition is to succeed in forming a stable government. Unfortunately for the opposition, the HDZ has, in proposing talks, found the most effective way yet of sowing discord among them. Thus what might have been seen as a sign of HDZ acknowledgement of opposition strength, in that it showed readiness to discuss matters upon which it had previously refused

⁶² Regarding the differences of perspective among the opposition parties, see Mladen Pleše in *Nacional*, 2 December 1998.

⁶³ Interview with Racan in *Jutarnji list*, 5 December 1998.

⁶⁴ Interview with Gotovac, *Globus*, 11 December 1998.

discussion, has in fact exposed the first weaknesses in the opposition grouping.

Interestingly, the recent poll conducted by the International Republican Institute found that if anything a coalition made up of just the SDP and the HSLs might score slightly better than the bigger six-party grouping in an election, gaining 47 per cent in the poll. Holding the larger grouping together will clearly be more difficult than maintaining agreement between just two parties, particularly as Racan and Budisa seem to have achieved a reasonably good working relationship. However, given that the six-party bloc has been formed, it would probably be highly damaging for the opposition if it were to fail before the elections. If it holds together, the prospect of defeating the HDZ in the elections is very real; and if it can hold firm after the elections, despite the pressure that is likely to come from Tudjman, then the HDZ will lose power.

E. Instability In Store

The softening of the HDZ's stance towards the opposition coincided with an apparent effort by Tudjman to re-establish some of the lost balance in the HDZ, and thus improve its image in advance of the elections. A key part of this strategy may after all be the political re-activation of Valentic. Valentic resigned his seat in the Sabor on 5 November 1998, as according to a recently passed law on the duties and rights of state officials his membership of the Sabor was incompatible with his business activities.⁶⁵ Following the departures of Sarinic, Hebrang and Greguric, Valentic had reportedly withdrawn from active participation in the party, amid reports that he was considering withdrawing from politics altogether. However, following a meeting with Tudjman, in a short statement in the pro-HDZ daily paper, *Vjesnik*, on 20 November 1998, Valentic denied that he would give up his HDZ functions, adding that he would remain to fight for the central, Tudjman line, which he was sure would win through.⁶⁶ This rather tantalising statement suggested that factional struggles might not be over, that further scores are yet to be settled, and that Tudjman, alarmed at the loss of balance that he so valued within the party, may intend to rebuild some kind of "moderate" wing around Valentic.

However, if Tudjman had it in mind to restore the impression of balance in the HDZ, and to show that the party has not fallen completely under the control of hard-liners, a rash of new party appointments early in December⁶⁷ suggests that there was little substance to this. There had been much speculation that Krpina had become too great an embarrassment to the HDZ, and that he would be removed. In the event, he was promoted to the position of the party's chief secretary, replacing Ivan Valent. Under Valent, who apparently had few political ambitions, that post had not been especially significant. However, the ambitious and attention-seeking Krpina is likely to continue to make his presence known

⁶⁵ *Jutarnji list*, 5 November 1998.

⁶⁶ Mladen Pleše on Valentic, *Nacional*, 25 November 1998.

⁶⁷ *Jutarnji list*, 5 December 1998.

in his new position. While definitely a hard-liner, Krpina is not an ally of Pasalic. He is perhaps more likely to prove a staunch ally of Tudjman. If, as has been speculated, Tudjman has become concerned at the power which Pasalic has concentrated in his hands,⁶⁸ Krpina might be an instrument with which to curtail him, if not directly, then perhaps through some of his close associates.⁶⁹ Pasalic got his way in the appointment of Ivica Ropus as the new party spokesman.

Krpina was also appointed to the party presidency. Among other appointees to the presidency was the deputy foreign minister, Ivo Sanader, who is regarded as a relative moderate, and Pavao Miljavac, Hebrang's replacement at the MORH, who may press ahead with reform of that troublesome ministry, although without upsetting the powerful HDZ interests which Hebrang threatened so severely. The appointment of Skare-Ozbolt, a close associate of Sarinic's, as a party vice-president, was probably intended as another indication that balance in the party was being maintained; the president of the Zagreb city assembly, Zlatko Canjuga, was also made a party vice-president.

While Tudjman probably wants to restore a semblance of balance in the party by these changes, in reality they have little content. Krpina's immoderate outbursts might prove uncomfortable for Pasalic, but his promotion can hardly be seen as balancing the appointment of Ropus. And any hope that Valentincic might be a new focus for a moderate HDZ wing is likely to be disappointed. Valentincic has always avoided involvement in factional strife, and is hardly the man to face up to an accomplished intriguer such as Pasalic. And even if Tudjman does decide to clip Pasalic's wings, any attempt to brighten up the HDZ's image is at this stage likely to be forlorn. The HDZ has in 1998 dispelled any illusions as to its true nature, and no slick public relations from Granic, Valentincic or any other so-called moderate can any longer hide that. With most of its more liberal senior members now departed, it remains a party of the right, authoritarian, determined to hold on to power, and prepared to subvert and undermine democratic institutions, the media and the intelligence services in order to do so.

In the medium term, Croatia faces a period of political uncertainty and instability. With the HDZ's position weaker than it has ever been, whether or not it can be ousted in the forthcoming elections is largely in the hands of the opposition. If the opposition grouping can hold together, and continue to present a credible, reliable alternative to the much discredited HDZ, then the HDZ's electoral chances appear bleak. Having fulfilled their mission of winning Croatian independence, Tudjman and the HDZ have performed a unique role in Croatian history that cannot be repeated. Following the transfer of power to a new government, although that may very well mean a difficult and highly unsettling period, the prospects for Croatia's political transition into a normal, peacetime democracy will be very much improved.

⁶⁸ Mladen Pleše in *Nacional*, 25 November 1998.

⁶⁹ Ivo Pukanic, *Nacional*, 9 December 1998, speculates that Krpina might attack the controversial business figure, Miroslav Kutle, a close associate of Pasalic's.

F. Implications for Bosnia

The end of HDZ rule in Croatia would also have enormous implications for Bosnia. The obsession of Tudjman and the Herzegovina lobby in the HDZ with Bosnia is not shared by the majority of the Croatian population, and Zagreb can be expected to behave much more constructively towards Bosnia following an HDZ defeat. No longer would the hard-line Bosnian HDZ be able to count on support from Croatia, and the Bosnian Croat leadership would have increasingly to gravitate towards Sarajevo rather than Zagreb.

The recently-signed agreement on special relations between Croatia and the Bosnian Federation⁷⁰ is largely a hollow shell. As an agreement in principle, the Croatian government had no difficulty in signing it, and thus removing one cause of international pressure. But it does not resolve any of the key issues between Croatia and Bosnia, which have been left to be negotiated in yet to be defined annexes. In principle the agreement could be a positive step, reinforcing the Federation, as Zagreb should in future deal with Federation institutions rather than with Herceg-Bosna para-institutions. But in practice, the Croatian government will continue financing the Bosnian Croat military, undermining the Federation.

The opposition parties have indicated that, unlike Tudjman, who has repeatedly expressed his scepticism about the long-term prospects for Bosnia's survival, they regard a strong, stable Bosnia as vital to Croatian interests. The areas of western Bosnia, bordering on Dalmatia, under Croat control have become a haven for organised crime. Following the end of the war, as the opportunities for pillage and plunder from expelled or murdered Bosniacs or Serbs have diminished, these criminal gangs have found in smuggling a lucrative source of income. Avoiding taxes and customs duties, they have undermined the Bosnian authorities, by depriving the government of revenue and by the lawlessness upon which their Mafia activities depend. They have also brought huge economic disadvantage to neighbouring, economically-depressed Dalmatia, as producers and businesses there find it impossible to compete with tax-free products from Croat-controlled Bosnia. This has caused enormous resentment in Dalmatia,⁷¹ which reflects also on the HDZ in Croatia, which is widely perceived as being dominated by Herzegovinians (who include both Pasalic and Kutle).

The HDZ in Bosnia is intimately linked with the financial and criminal interests that perpetuate this situation. Given the highly damaging economic and social consequences of this criminalisation of the Croat-controlled areas of Bosnia, a new government in Croatia would be unlikely to allow the situation there to continue for long. The consequences of a change of policy in Zagreb towards the Bosnian Croats would thus be hugely beneficial for Bosnia as well as for Croatia.

⁷⁰ Reuters, 22 November 1998.

⁷¹ See article by Antun Masle in *Jutarnji list*, 10 December 1998, on the pain that competition from nearby Neum, in Bosnia, is causing retailers in Dubrovnik.

V. RECOMMENDATIONS

The dynamic of political developments in Croatia is following a logic which is likely, after a period of uncertainty and instability, to bring positive results for the future evolution of democracy. Such developments will, in the medium term, also greatly improve Croatia's strained international relations, and allow the country to make progress in integrating into western structures. The trends are encouraging, and there is probably little that the international community could or should do directly to influence that process. Open international support for a particular political option in Croatia would be likely to be counter-productive

Rather, the international community should be consistent in its approach to the Croatian government, irrespective of the party in power. Key international demands of Croatia include: a constructive policy towards Bosnia; promotion of the return of Serb refugees to Croatia and respect of the rights of Serbs in Croatia; freeing the media from control by the ruling party; and electoral reform. Pressure should be maintained for the fulfilment of these and other demands.

Zagreb-Sarajevo, 14 December 1998