

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.<sup>18</sup> 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 Cesic-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.<sup>19</sup> 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,<sup>20</sup> and who were facing elections in

<sup>18</sup> Ivo Pukanic in *Nacional*, 16 September 1998.

<sup>19</sup> Edita Vlahovic in *Jutarnji list*, 30 July 1998.

<sup>20</sup> 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.