

strengthen its provision for this category of returnee. It also needs to be ensured that all returnees, as well as those who remain, will not face discrimination in the provision of social welfare, as has often been the case until now.

D. "Carrot and Stick"

As noted, given the past record and lingering scepticism as to whether the real political will exists fully to implement the programme, continuous international monitoring must be maintained, and there must be continued readiness to apply credible pressure. Any tendency towards a "stop-go" strategy in applying pressure must be avoided -- the replacement of one EU presidency with another should not bring a slackening of commitment to seeing minority returns advanced. It must be clear to the Croatian authorities that there is a cost to Croatia in not implementing the plan, and that benefits will accrue when the programme is implemented satisfactorily. ICG therefore recommends the following:

- The re-instatement of the European Union's PHARE programme should be clearly linked to the implementation of the refugee returns programme, and it should not be re-instated until there is clear evidence of substantial progress -- probably not for several more months.
- While the principle of international participation in a reconstruction conference (scheduled for December 1998) has been accepted, it should continue to be made clear that any aid is contingent upon the satisfactory implementation of the returns programme, and especially on the non-discriminatory disbursement of reconstruction assistance to all returnees, Serbs as well as to Croats. The December 1998 date for the reconstruction conference is too early for a clear judgement to be made as to whether the authorities are meeting their responsibilities in this regard, and no significant aid should be promised at that stage. International reconstruction aid should be delayed pending Croatian compliance with international demands. Any attempt by the Croatian authorities to present disappointment with low levels of aid made available as an excuse for slower implementation of the returns programme should be firmly rejected.
- The possibility of more severe measures, including the suspension of Croatia's EU trade privileges, should be kept open and should be re-visited over the coming months.

Zagreb-Sarajevo, 09 November 1998