

BC-YUGOSLAVIA-FREEZE 1STLD

EC FEARS SERBIA MAY HAVE ELUDED SECRET ASSETS FREEZE

(Eds: incorporates detail of former Yugoslav funds and fresh comment)

By Andres Wolberg-Stok

BRUSSELS, May 14, Reuter - A secret European Community freeze of Yugoslav funds, designed to force Serbia to pull out troops from Bosnia-Herzegovina, was at risk on Thursday after news of the move leaked to the press, EC officials said.

''I imagine that what we feared has happened. The assets must have fled already,'' one official told Reuters.

Nobody was immediately reachable for comment at the National Bank of Serbia in Belgrade.

The former Yugoslavia's assets abroad amount to \$2.7 billion, of which two billion dollars belong to the National Bank and the remainder to commercial banks.

The EC officials said the 12 EC states had agreed on Monday at a meeting of foreign ministers to freeze the defunct Yugoslav federation's funds to put them out of reach of Serbia and its ally Montenegro, who have proclaimed a smaller Yugoslavia and demand to be recognised as the heir to the old one.

''The decision to freeze the assets was in the original draft of the ministers' communique on Monday,'' one official with knowledge of the move said. ''It was taken out when we realised that if we publicised it, the assets would flee right away.''

The British daily The Guardian broke the news on Thursday in a report from Strasbourg, where the European Parliament was holding a plenary meeting this week involving also officials of the executive European Commission and of the EC's Portuguese presidency.

After months of failed EC efforts to broker a permanent peace in the Balkans, the leak appeared likely to be an acute embarrassment to the bloc, which pledged last December to build a common foreign and security policy.

''The Americans must be thinking 'thank God we're not up front on this one','' said one diplomat.

''There is a school of thought that says the Community hasn't handled Yugoslavia very well. Some people are going to describe this as a great (mess).''

Officials said EC central bankers were due to meet in Paris on Thursday to discuss the freeze and the implications of its disclosure in the press.

The EC, increasingly irritated by what it sees as Serbia's determination to carve out more territory from its neighbours as they break away, withdrew its ambassadors from Belgrade this week and demanded that the Serb-run rump Yugoslav federal army pull out of Bosnia.

The ministers' final communique on Monday said economic sanctions would be studied but did not refer to a freeze on assets.

In Lisbon, a Portuguese foreign ministry spokesman said the freeze was one of the options discussed by EC ministers on Monday but neither confirmed nor denied whether they had decided to go ahead.

No breakdown of the funds deposited abroad was immediately available to show how much would belong to each of Serbia and Montenegro's former fellow states -- Slovenia, Croatia,

Macedonia and Bosnia-Herzegovina.

The share-out of the defunct federation's seats at world bodies, embassies, military equipment and funds has been one of the most intractable problems at EC-brokered peace talks chaired by Britain's Lord Carrington.

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