Fighting between Serbs and Croats in the Yugoslav republic of Croatia is entering a new phase, in which neither moderate Yugoslav officials nor EC observers may be able to prevent full-scale civil war, according to Balkan diplomats.

The war now unfolding is a one of revenge underpinned by two very different cultures pursuing conflicting goals: an independent Croatia and a Greater Serbia. The end of communist rule has given free rein to the articulation of these pursuits.

Serbs first migrated to the plains of Slavonia in eastern Croatia to escape Turkish rule in Kosovo in the 17th century, and the two sides co-existed peacefully until 1918.

The collapse of the Habsburg and Ottoman empires left a political void which the South Slavs - Slovenes, Croats and Serbs - tried to fill by creating a parliamentary democracy under the Kingdom of Croats, Serbs and Slovenes, which had no internal boundaries.

But the Serbs, inhibited by a weak political and legal culture, believed they should have their own national Serbian state. The Croats, inspired by Mr Ante Starcevic and other 19th century Croatian nationalist ideologists, argued that they too should have a state for Croats in the new kingdom.

These ambitions were exploited by Mr Ante Pavelic, a Croat and founder of the Nazi-backed Ustasha government in Croatia during World War II.

Recruited from among impoverished Croats in western Bosnia-Hercegovina, the Ustasha set out in the early 1940s to create an independent Croatia. In doing so, they murdered tens of thousands of Jews, Serbs and Moslems.

The Serbs in Croatia sought refuge among Tito's communist partisans or Draza Mikalajovic's right-wing royalists.

Fifty years later, both ethnic groups in Croatia are seeking redress for their failure to attain their separate goals and revenge for World War II.

Tito kept revenge in check, except for a brief and violent suppression of the Croatian nationalist movement in 1971. Armed with a massive internal security network, he repressed all ethnic aspirations.

But he made two fundamental errors.

First, in his determination to rally all forces behind him in the new Yugoslavia, he failed to de-Nazify Croatia.

Second, as a reward to the partisans, Tito moved thousands of Serbs from the backward regions, particularly from the Dinaric mountains in Montenegro, up to Croatia where they took over property owned by long-established German settlers who were forced to flee.

Judy Dempsey takes a long view of how the current ethnic strife in Yugoslavia came about.

There was an instant clash of cultures. These Serbs, who had little in common with earlier Serb migrations to Croatia, did not assimilate. Furthermore, since many of them were communists, Tito promoted them at the expense of Croats.

Meanwhile, former Ustasha supporters emigrated, or kept a low profile. Poor Croats brought in from Montenegro and Bosnia by the Ustasha went to work abroad, later returning with money to reap the tourism benefits of Croatia's lucrative and beautiful Dalmatian coast.

Many settled in Split, one of the largest ports, which was soon transformed into a region controlled by Croat nationalists.

Until lately, they had stayed out of politics. But today, they are among those forcing the pace of events. The activists belong to the generation called dosljaci (newcomers), who were settled in Croatia and other parts of Yugoslavia after the war.

The Croatian government, for example, is dominated by Serbs from the Dinaric region of Montenegro, including Mr Sime Dijodan, the nationalist minister of defence, and by nationalist emigres from Canada, including Mr Ante Beljo, general secretary of the ruling Croatian Democratic Union (HDZ).

Yugoslavia's troubled history has decreed that the leaders in Serbia, Vojvodina, and Kosovo - all controlled by Slobodan Milosevic, president of Serbia - are dominated by Serbs from the Dinaric region. Apart from Mr Milosevic himself, these include Mr Veljko Kadijevic, the federal defence minister, and Mr Drago Zelevnovic, the prime minister of Serbia.

"No-one should underestimate the people from the Dinaric region, whether they are Serbs or Croats," explained Mr Omer Nakicevic, the former director of the Islamic faculty in Sarajevo.

"They are tough, determined, and uncompromising. Like the mountains in which they once lived, they are as hard as stone," he added.

Indeed, voices of moderation and compromise are stifled. Vjesnik, the Croatian daily newspaper, suggested last month that Mr Josip Kir-Reihl, a Croat and police chief in the Croatian town of Osijek, may have been murdered by HDZ extremists because he wanted a dialogue with local Serbs.

"Reason is not allowed. Serbs and Croats who for centuries lived side by side in peace will soon be asked to choose," one Yugoslav journalist commented.