

N A T O C O N F I D E N T I A L

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POLADS(71)57

MEMORANDUM

To: The Political Committee
From: The Chairman

THE SITUATION IN YUGOSLAVIA

Members will recall that the Committee, at its meeting on 29th June, 1971, (see AC/119-R(71)53) requested delegations to provide the Secretariat with any available information on the situation in Yugoslavia, to enable it to prepare a report which would serve as a basis for further discussion in the Committee. Attached is the report which has been compiled on the basis of these national contributions.

2. Following further discussion in the Committee, and taking into account such new information as may be received, it is suggested that a revised report by the Chairman, on his own responsibility, might be submitted to the Council for noting.

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N A T O C O N F I D E N T I A L

THE SITUATION IN YUGOSLAVIA

I. Internal Situation

1. There have been a number of developments in Yugoslavia in recent months meriting close attention and analysis. These include:

(a) domestic political problems, stemming from the tensions between Yugoslavia's various nationalities;

(b) economic difficulties, putting in question the strength of the dinar and the viability of Yugoslavia's self-management system; and

(c) uncertainty as to prospects for continued stability after President Tito's ultimate departure from the central leadership role.

In the latter eventuality, the question arises whether either the League of Communists of Yugoslavia (LCY) or the professional Yugoslav military establishment could or would serve as effective unifying forces.

2. The constitutional reorganization to which Tito committed Yugoslavia in September 1969, involved a transfer of economic and other responsibilities from the Federation to the Republics, and has now been largely concluded. Yugoslavia is today a confederation consisting of six sovereign states: Serbia, Croatia, Slovenia, Bosnia-Herzegovina, Montenegro and Macedonia, and two autonomous provinces: Vojvodina and Kosovo. On 29th July, Marshal Tito, age 79, was re-elected President of Yugoslavia for another five-year term, by secret vote of the federal parliament. The parliament also proclaimed a new organ of supreme state authority, the collective presidency or "Presidium", composed of 22 members to be elected by the six states and the two autonomous provinces. A new Yugoslav federal government, headed by Mr. Dzemal Bijedic, was likewise approved by the federal parliament on 29th July.

3. Despite the relatively smooth progress of the reorganization, the prospects for Yugoslavia's future internal development are uncertain. The devaluation of the dinar on 23rd January, 1971, appears so far to have failed to improve the Yugoslav balance of payments. Statistics for the first six months of this year show that imports continued to rise (by 33 per cent) in spite of the government's efforts to reduce them by manipulating import duties and requiring deposits from importers. Exports

fell by 1 per cent, so the period has seen a further increase in the already large trade deficit, which now stands at 850 million dollars, or almost as much as in the whole of last year. At the same time, the burden of foreign debt is increasing; repayments due this year on credits extended before the end of 1970 have been estimated at some 450 million dollars. Meanwhile, measures to check wage inflation and hold down prices show little sign yet of achieving their object.

4. A team from the International Monetary Fund has been visiting Yugoslavia to discuss a new stand-by credit. Agreement presumably will depend upon evidence that the authorities have the means and the will to stabilise the economy. Experience under the new constitutional arrangements may show that the will is there but that the reduction in the powers of the central authorities, inherent in the reforms, could make it difficult to enforce the economic constraints which are now essential.

5. No one really knows what will be the effect of the changes in the central ruling authority and the extension of the responsibilities of the component states and autonomous provinces. The present discussion, in the Yugoslav press, about the significance of the constitutional reforms and the distribution of political weight between the various supreme bodies ultimately raises the question whether a body of representatives of regional interests will be able to ensure the unity of Yugoslavia. It remains to be seen therefore whether Yugoslavia will emerge from the present difficult transitional period in shape to stand the strains which are bound to accompany Tito's eventual departure.

II. Foreign Relations

6. In his speech on 30th March to the 24th Congress of the CPSU, General Secretary Brezhnev expressed readiness to improve relations with Yugoslavia, including the development of contacts between the two parties. However, Brezhnev himself continues to postpone acceptance of a long-standing invitation from Tito to visit Yugoslavia. The Yugoslav Party was represented at the CPSU Congress by Mijalko Todorovic, a member of the Executive Bureau of the LCY.

7. On the state-to-state level, Yugoslav-Soviet relations may be characterised as normal, though subject to recurring strains. The June 1970 trip to Moscow of Mitja Ribicic, then President of the Yugoslav Federal Executive Council, involved a number of difficult discussions on economic and other matters. The Soviet-Yugoslav statement of 1st July, at the close of the visit, reportedly papered over a number of serious disagreements. However, Soviet Foreign Trade Minister Patolichev eventually came to Belgrade early in February 1971, to sign a new five-year trade agreement.

8. Yugoslav Foreign Minister Tepavac's visit to Moscow, 23rd-27th February, did little beyond improving the climate, reducing mutual suspicions somewhat, and demonstrating a mutual desire to keep up the dialogue. Foreign Minister Gromyko, who last visited Belgrade in September 1969, was again invited to come to Yugoslavia. The communiqué contained no mention of the long-delayed cultural agreement, which was supposed to be signed sometime after Ribicic's visit, but was stalled due to Yugoslav insistence on having their text of the draft put in the Macedonian language⁽¹⁾. Neither did the communiqué refer to a visit to Yugoslavia by Premier Kosygin, even though Ribicic's renewed invitation to him was announced by the Yugoslavs on the same day as Tepavac's visit to Moscow. Brezhnev received Tepavac on this occasion, although he had not received Ribicic the previous June.

9. In early June 1971, the Soviet-sponsored activities of old Cominformist exiles from Yugoslavia provoked a Yugoslav government protest. The protest, coupled with the ensuing polemical exchange between Politika (Belgrade) and Izvestiya (Moscow) did nothing to improve relations between the two countries. Neither did the Soviet reply, which was delivered recently by Ambassador Stepakov to President Tito. According to one report, the reply took the form of a personal letter from Brezhnev in which he complained about the anti-Soviet attitude of the Yugoslav press. Referring to his speech at the 24th CPSU Congress, Brezhnev indicated puzzlement as to why Yugoslavia was so suspicious of the USSR, when the latter had only the friendliest of intentions toward Yugoslavia. Tito reportedly remarked to the Soviet Ambassador that, as usual, there was a vast chasm between Soviet words and deeds. He said Yugoslavia had no criteria by which to judge the USSR's intentions toward Yugoslavia other than by its actions. This applied equally to Soviet activities inside as well as outside Yugoslavia.

(1) See POLADS(71)43, dated 9th July, 1971

10. In order to strengthen its independent position, Yugoslavia continues to work to improve its relations with Communist China as well as with the West. Thus, Yugoslav Foreign Minister Tepavac headed a government delegation on a "friendly official" visit to Communist China, 8th-15th June, and on 23rd July President Tito, according to press reports⁽¹⁾ virtually confirmed his intention to visit the United States in October of this year.

11. According to the communiqué issued at the conclusion of the Tepavac visit to Peking, the Chinese have accepted a Yugoslav invitation to send a government delegation to Belgrade at a future date. While unspecified, this could be the long-rumoured visit to Belgrade by Chou En-Lai in conjunction with the Chinese Premier's visit to Bucharest and Tirana. Moreover, an official of the Yugoslav Embassy in Moscow suggested the possibility of a meeting between Tito and Mao Tse-Tung.

12. A highlight of the Tepavac visit to Peking was Vice Premier Li Hsien-Nien's offer of "firm support" from the Chinese people to "our Yugoslav friends" in their "struggle to oppose foreign aggression and defend national independence and sovereignty" - a statement with unmistakable anti-Soviet overtones. The Yugoslav response throughout the visit was notably circumspect, in an apparent effort to avoid being manoeuvred into an anti-Soviet or anti-US manifestation. The final communiqué did, however, stress a view long held by both sides - that ties between countries, whether big or small, should be based on the principles of mutual respect for independence, sovereignty, and territorial integrity, non-aggression, non-interference, and equality. The document also cited mutual readiness to promote friendship, contacts and economic, scientific, technical and cultural co-operation.

13. In a revealing conversation on 15th July, with a NATO diplomat in Belgrade, a high-ranking official of the Yugoslav Foreign Ministry contrasted Yugoslavia's balanced policy towards China with Romanian policy, which he frankly criticised. Whereas Yugoslavia had "refrained from improving relations with China at the expense of the relationship with third countries", Romanian President Ceausescu, in the view of this Yugoslav official, had moved too far toward associating himself with the anti-Soviet attitude of Peking.

(1) Cf. AP report from Belgrade, International Herald Tribune, 24th-25th July, 1971

14. According to the same Yugoslav source, the Romanian government had informed Yugoslavia that Warsaw Pact manoeuvres which were under way or would shortly be held in Hungary and Bulgaria⁽¹⁾ have caused the greatest alarm on the Romanian side. The source said that the Yugoslavs, for their part, regard these military exercises as a means used by the Soviet Union and Bulgaria to exert pressure on Romania and Yugoslavia. The violation of Yugoslav air space by Bulgarian aircraft on two occasions, against which the Yugoslav authorities had sharply protested, is regarded as a systematic attempt to intimidate Yugoslavia and to alarm the local population.

15. The high-ranking Yugoslav official ruled out the likelihood that the Soviets are at present preparing any steps against Yugoslavia which would go beyond the exertion of pressure. He made no mention of reports⁽²⁾ which have been heard from other sources, to the effect that the Soviet Union had made requests to the Yugoslavs for overflight rights and airfield and port facilities.

16. In contrast to the relatively relaxed attitude of the high-ranking Yugoslav official in Belgrade, the Yugoslav Ambassador in a NATO capital recently sought out officials of the host government to express his concern over Exercise "ISTOK" and the likelihood of further Soviet pressure on Yugoslavia. The Yugoslav Ambassador spoke of the need to persuade the Soviets that intervention in Yugoslavia would provoke a "NATO reaction", the nature of which he did not specify.

III. Conclusions

17. Yugoslavia has successfully carried through a far-reaching constitutional reform. However, the country is faced with serious economic and other problems, and the prospects for its future internal development are uncertain.

18. Yugoslavia's relations with the USSR are "normal", which is to say that they are characterised by a more or less permanent state of low-level tension. The Yugoslavs remain suspicious of Soviet intentions, and are quick to react to Soviet interference in Yugoslav internal affairs or to what are regarded as Soviet inspired "provocations" by Yugoslavia's neighbours (e.g., Bulgaria).

(1) A Warsaw Pact manoeuvre "OPAM-7" opened in Hungary on 3rd August. A Warsaw Pact exercise, "ISTOK", is expected to be held in Bulgaria during the last half of August.

(2) See AC/119-R(71)58, Item I.

19. It does not appear that the Yugoslavs expect to be attacked by the USSR in the near future, or that they regard the Warsaw Pact Exercise "ISTOK" as a cover under which an intervention is being prepared. Nevertheless, "ISTOK" as it unfolds (and as it is reported in the press of the Soviet Union and other Warsaw Pact countries) may yield some useful clues concerning probable future Soviet behaviour with respect to the Balkans.

20. In order to strengthen further its independent position, Yugoslavia continues to work to improve its relations with Communist China, being careful at the same time not to antagonise the USSR unnecessarily. Yugoslavia likewise continues its efforts to establish closer political and economic ties with the West, and it is clearly in the interests of the Alliance to encourage such endeavours.