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Yugoslavia-USSR: Can Gorbachev Lure Belgrade Back?



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An Intelligence Assessment



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*EUR 87-10031L
SOV 87-100751*

December 1987

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Yugoslavia-USSR: Can Gorbachev Lure Belgrade Back?

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An Intelligence Assessment

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This paper was prepared by analysts of the Southeast European Branch, Office of European Analysis, and the European Branch, Office of Soviet Analysis. It was coordinated with the Directorate of Operations. [Redacted]

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Comments and queries are welcome and may be directed to the Chief, East European Division, EURA, [Redacted] or the Chief, Regional Policy Division, SOVA [Redacted]

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**Yugoslavia—USSR: Can Gorbachev
Lure Belgrade Back?**

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Key Judgments*Information available
as of 30 November 1987
was used in this report.*

We believe the current warming trend in Yugoslav-Soviet relations—the most significant in decades—will continue for the foreseeable future and will adversely affect some important US interests. Nevertheless, we believe the chance is remote that Belgrade will fundamentally realign its independent policy toward Moscow to the detriment of critical Western security interests.

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Belgrade's main goal in improving its relationship with Moscow is to gain economically while avoiding any political strings. It almost certainly will remain deeply distrustful of the USSR and view the Warsaw Pact as the only credible threat to its security. This suspicion, coupled with Moscow's unwillingness to offer significantly increased economic assistance and other inducements, is likely to constrain any major expansion in cooperation. The United States probably can have little direct influence on Yugoslav-Soviet ties, although it could circumscribe them by giving continued political, military, and economic support to Belgrade.

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The Soviets under General Secretary Gorbachev are pursuing a more dynamic and flexible set of political, economic, and security policies toward Yugoslavia aimed at expanding channels of influence and areas of cooperation. Gorbachev's push for reforms within the USSR and his commitment to "new thinking" in foreign affairs probably will lead to an expanded number of agreements between Moscow and Belgrade on a range of issues in the next few years. Over the long run, these broader contacts will probably give Moscow greater opportunities to influence Yugoslav policies by building an atmosphere conducive to even closer cooperation and perhaps some greater degree of Yugoslav accommodation.

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Improved ties during the two years since Gorbachev came to power have been marked by:

- A dramatic increase in high-level visits, including the first party summit since 1980.
- Somewhat broader military relations, including Yugoslav purchase of 16 MIG-29 fighter aircraft and Belgrade's decision this fall to expand servicing for Soviet and other foreign warships in Yugoslav ports.
- More frequent public agreement on foreign policy questions such as nuclear arms control and the role of the Nonaligned Movement (NAM).

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Over the next three years, Belgrade is likely to cooperate with the USSR even more than in the past two, but only in areas where it sees net benefit:

- *International political issues.* So long as Gorbachev convinces the Yugoslavs that he is prepared to seek cooperative solutions, Belgrade is increasingly likely to back him on conventional arms control, more frequently support anti-US stands in the NAM, and play down its concerns about Moscow's policies in the Third World. Such shifts, however, could undercut the pressure on Moscow from more pro-Western NAM states for compromise on Afghanistan, Cambodia, and other regional issues.
- *Bilateral relations.* The Yugoslavs probably will sign a new declaration of principles covering bilateral ties—a symbolic reinforcement of relations—if Moscow continues to demand this as a precondition for a Gorbachev visit late this year or early next year. They also are likely to expand political and cultural exchanges, giving Moscow greater opportunities for intelligence gathering.
- *Security and economic ties.* Yugoslav dependence on the USSR, as both a major market and supplier, has grown significantly over the past decade, providing Moscow with greater potential leverage in trade relations. Belgrade, thus, will probably purchase even more Soviet civilian and military equipment, including another 16 MIG-29s. Several joint ventures are also under discussion, as is purchase of a Soviet nuclear reactor. Broader economic ties to Moscow could convince Belgrade that it has greater leverage in debt relief talks with the West.

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Nonetheless, we believe Moscow has little prospect of turning expanded contacts into broad influence over Belgrade's policies. Belgrade almost certainly will not significantly alter specific domestic or foreign policies to suit Soviet objectives. Nor do we foresee any decision to join the Warsaw Pact or become a full member of CEMA. While avoiding confrontation with Moscow, the Yugoslav leadership will probably continue to exercise its independence by:

- Opposing efforts by Soviet surrogates such as Cuba, Nicaragua, and Angola to dominate the NAM and align it more overtly with the Soviet Bloc.
- Preserving ties to the United States and other Western economic partners, including the seeking out of high-level exchanges to match those with the Soviets.

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- Opposing Soviet moves that could reestablish a Soviet-led world Communist movement, in part by reinforcing its own ties to independent Communist parties.

[Redacted]

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- Pursuing domestic economic and political policies [Redacted]

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Basic US interests, therefore, are unlikely to be significantly affected. As during earlier warming trends with the Soviets, Yugoslavia almost certainly will maintain its strong economic, political, and cultural links to the West. Indeed, it is likely to continue its halting internal political and economic evolution away from the Soviet model to become the first country in the Communist world to adopt significant elements of Western-style pluralism. It also will continue to station its best military forces against the Warsaw Pact and almost certainly would be neutral or hostile to the USSR in wartime. [Redacted]

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Alternatively, Yugoslav-Soviet relations could experience a new downturn, bringing with it a moderate loss of Soviet influence in Belgrade. Although US interests would benefit, this might require greater Western assistance to shore up Belgrade than in past decades when Yugoslavia was more solvent. [Redacted]

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A dramatic improvement in Soviet-Yugoslav ties—in our view less likely than either previous scenario—would probably make Yugoslavia, for the first time, a major channel for the diversion of Western technology to the Soviet Bloc. Moscow probably would win greater Yugoslav backing in both the NAM and international Communist movement and could possibly gain active Yugoslav cooperation against Western intelligence services. [Redacted]

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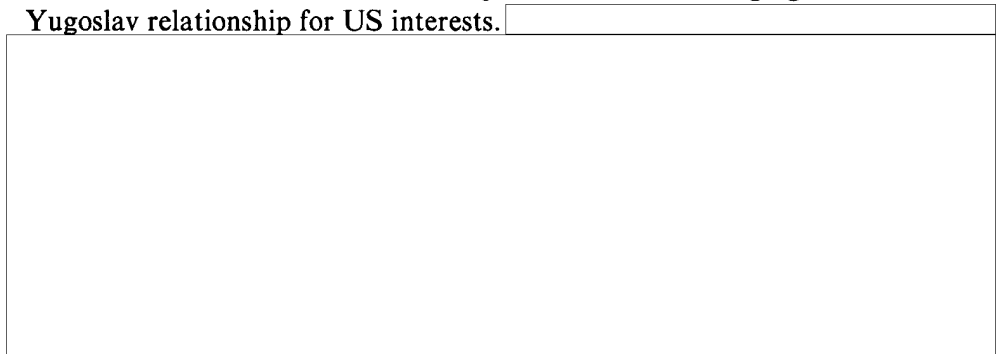


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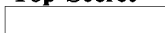
Scope Note

This paper analyzes the prospects for change in Yugoslav-Soviet relations over the next three years. It assesses Gorbachev's tactics, evaluates Belgrade's likely reaction, and examines those types of cooperation most likely to develop. It also highlights Yugoslav policies that are unlikely to change, notwithstanding Soviet enticements or pressures. The paper concludes with an examination of the implications of the emerging Soviet-Yugoslav relationship for US interests.



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**Yugoslavia-USSR: Can Gorbachev
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Ups and Downs in Soviet-Yugoslav Relations

Soviet General Secretary Gorbachev's planned visit to Belgrade in the near future is part of the most significant warming in Yugoslav-Soviet relations since Khrushchev normalized relations in 1955-56 by accepting Tito's demand of respect for Yugoslav independence. Gorbachev's self-proclaimed "new thinking" on domestic and foreign affairs appeals to Yugoslavs because Moscow's current policies on arms control, tolerance of domestic criticism, and economic reform are closer to longstanding Yugoslav positions. His public endorsements of diversity within the Communist world and a greater role for the Nonaligned Movement (NAM) have flattered the Yugoslavs and moderated their longstanding suspicions of Soviet objectives. Moreover, Gorbachev's knowledge of Yugoslav affairs is impressive. [Redacted]

"Cominformist" agents in 1974-75. The 1979 Soviet occupation of Afghanistan again undercut Yugoslav hopes for an improvement of ties. [Redacted]

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Moscow's Goals: More Pro-Soviet Yugoslav Policies

Gorbachev's overall goal, in our view, is largely the same as that of his predecessors: to increase Moscow's influence over Yugoslav policies in order to move them in a pro-Soviet direction. But while Moscow sees Yugoslavia as a member of a broad "socialist commonwealth" beyond the Warsaw Pact, Gorbachev, unlike Brezhnev and others of his generation, probably harbors no illusion that Yugoslavia for the foreseeable future will abandon key foreign and domestic policies such as its support for an independent NAM or its maverick system of workers' self-management. [Redacted]

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For its part, the Yugoslav collective leadership also favors improved bilateral ties. [Redacted]

[Redacted] It is still emerging from Tito's shadow, preoccupied with internal economic problems, and lacks Tito's self-confidence and proclivity for bold shows of independence. In the absence of blatant Soviet provocations, it prefers to emphasize harmony over disagreement so it can focus its energies on domestic priorities. The leadership wants to use a Gorbachev visit to enhance its prestige and reaffirm Soviet recognition of Yugoslavia's independent course. [Redacted]

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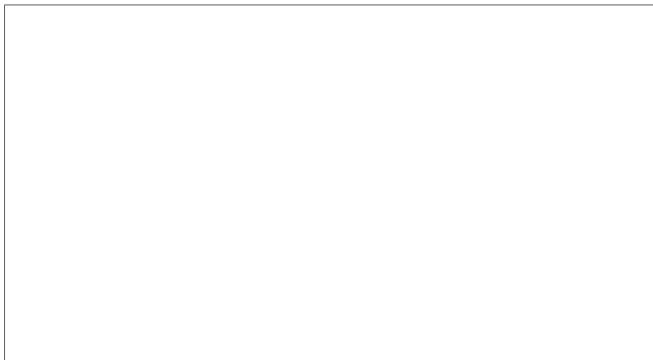
Nevertheless, bilateral relations have historically followed a roller coaster course, and relations could sour again. Khrushchev's efforts to improve relations were soon undercut by the 1956 Soviet invasion of Hungary and Moscow's attempt the following year to gain Yugoslav recognition of Soviet leadership of world Communism. Improvements in ties in the early 1960s and the 1970s came to a halt, respectively, with the Soviet invasion of Czechoslovakia in 1968 and Belgrade's arrest of hundreds of pro-Soviet

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legitimacy and international stature. [redacted] continuation of an independent foreign policy is one of the few issues that unite politicians across the Yugoslav political scene.

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- *Obtain as much as possible from its economic ties to the USSR.* Belgrade, [redacted] consistently tries to assure itself a stable market for exports that it cannot sell elsewhere and to obtain maximum Soviet deliveries of oil and raw materials by bartering goods. At the same time, it resists Moscow's demands for better quality exports, which Yugoslavia prefers to sell in the West for hard currency, and for greater imports of Soviet finished goods.

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Belgrade's Goals: Economic Support, Friendship, but Independence

Belgrade's goals vis-a-vis Moscow allow for improved ties but often are at loggerheads with broad Soviet objectives and many of Moscow's more specific goals. The Yugoslavs clearly hope to gain economically while avoiding any political strings. [redacted]

[redacted] Belgrade wants to keep political relations generally smooth, a policy it believes reduces the threat of Soviet military or covert intervention in Yugoslavia. Moreover, Belgrade continues to view Yugoslavia as part of a broad, international "progressive" movement that shares a common ideological perspective on many issues with Moscow. At the same time, Belgrade's frequent use of its "Soviet card"—implied threats of a turn toward Moscow—in talks with US officials suggests how much it also values good Soviet ties as a source of leverage with the West.



More specifically, Belgrade wants to:

- *Protect its political and economic independence.* Belgrade views continued Soviet recognition of Yugoslavia's "separate road to socialism," codified in agreements reached between Tito and Khrushchev in 1955 and 1956, as the minimum requirement for good bilateral relations. Belgrade strongly resents even Soviet suggestions of solutions to Yugoslav internal problems. [redacted]
- *Pursue an independent foreign policy.* We believe the Yugoslav leadership continues to regard its nonaligned foreign policy as critical to its domestic

- *Gain Soviet help in dealing with Eastern Europe.* Public statements [redacted] indicate that the Yugoslavs want Moscow to terminate Bulgaria's public claims that the ethnic-Macedonian minority really is ethnically Bulgarian, which are the basis for a potential territorial claim on Yugoslav Macedonia. [redacted]

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Soviet Tactics: Building Bridges

Gorbachev is pursuing more dynamic and sophisticated policies for influencing Belgrade than his predecessors. Moscow appears determined to simultaneously explore a number of potential channels of influence with the Yugoslavs—[redacted] avoiding gratuitous public slaps that marred the relationship in the past. Unlike Brezhnev, Gorbachev is actively promoting an image of flexibility and conciliation in public relations with Belgrade to bur-nish Yugoslavia's national pride. Thus, he has publicly affirmed the legitimacy of Belgrade's policy of nonalignment and doctrine of separate paths to socialism. [redacted]

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Figure 1
Yugoslavia and Eastern Europe



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Political Cooperation

The Soviets are trying to strengthen political links by increasing the number and frequency of bilateral party and governmental contacts. Even more than in earlier warming periods, the stream of visitors between the two countries at all levels has increased markedly in 1986-87. The first meeting between Communist party leaders of the two countries since Tito's death in 1980 took place in December 1986, when then Yugoslav party President Renovica visited Gorbachev in Moscow. Gorbachev is scheduled to return the visit late this year or early next year. Soviet Foreign Minister Shevardnadze went to Belgrade in June 1987—the first visit at that level since 1983—and Soviet KGB chief Chebrikov visited Yugoslavia in December 1986, the first visit by such a security official in almost 10 years. [redacted]

The Soviets probably value these visits as a means to obtain firsthand information on Yugoslav internal conditions and local leaders, aid their search for new pressure points, and privately air their displeasure with some of Belgrade's policies. [redacted]

[redacted]

[redacted] Moscow also pursues a broad range of contacts because, unlike other East European countries, party-to-party ties play a secondary role in Belgrade's foreign relations and offer Moscow only limited opportunities for exerting influence on Yugoslavia. [redacted]

The Soviets under Gorbachev also are pursuing contacts with all of Yugoslavia's eight constituent regions, which since Tito's death have become more powerful vis-a-vis the federal government and party in Belgrade. Moscow probably uses contacts with regional-level leaders to keep a finger on the pulse of ethnic nationalist sentiment and to establish ties to regional power brokers. Such ties, however, can come close to interference in Yugoslavia's sensitive nationality issues. [redacted]

[redacted]

Economic Ties

Yugoslav dependence on the USSR, as both a major market and supplier, has grown significantly over the past decade, providing Moscow with greater potential leverage in trade relations. The USSR is Yugoslavia's largest export market—accounting for 30 percent of total shipments—and absorbs many low-quality products that have no markets in the West. The Soviets also meet a large share of Yugoslavia's needs for oil and other raw materials on a clearing account basis.¹ Benefits flow both ways, however—Moscow obtains many Yugoslav goods and services that its own economy cannot supply and conserves hard currency in the process. [redacted]

The Soviets have become increasingly annoyed with Belgrade's unwillingness to accept Soviet solutions to Yugoslavia's substantial bilateral trade surpluses (see figure 2). Since 1985, as the price for Soviet oil exports has fallen, the Yugoslav surplus has mounted, and in 1986 it totaled \$1.3 billion. Moscow now finds itself roughly \$1.5 billion in debt to Belgrade, undercutting some of the leverage it had in the late 1970s when it was a net creditor as a supplier of an expensive commodity—oil—on soft barter terms. Moscow, [redacted] is now pushing Belgrade to purchase more manufactured goods, including almost \$1 billion in military hardware such as MIG-29s. [redacted] Belgrade is anxious to balance trade, ending its de facto interest-free loans to Moscow, but through increased Soviet deliveries of oil and raw materials rather than manufactures. [redacted]

¹ The clearing account is the bookkeeping mechanism used to value and account for barter trade. Although goods are priced in clearing dollars in Yugoslav-Soviet trade, actual hard currency does not change hands. [redacted]

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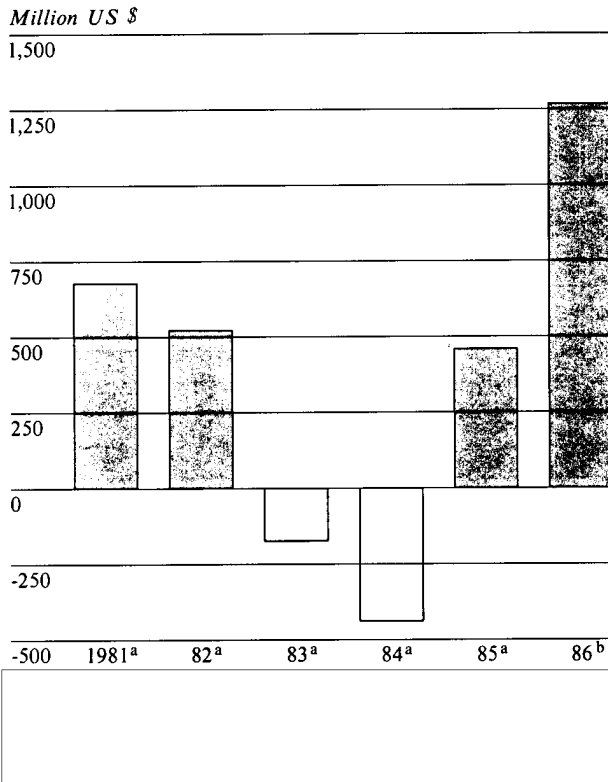
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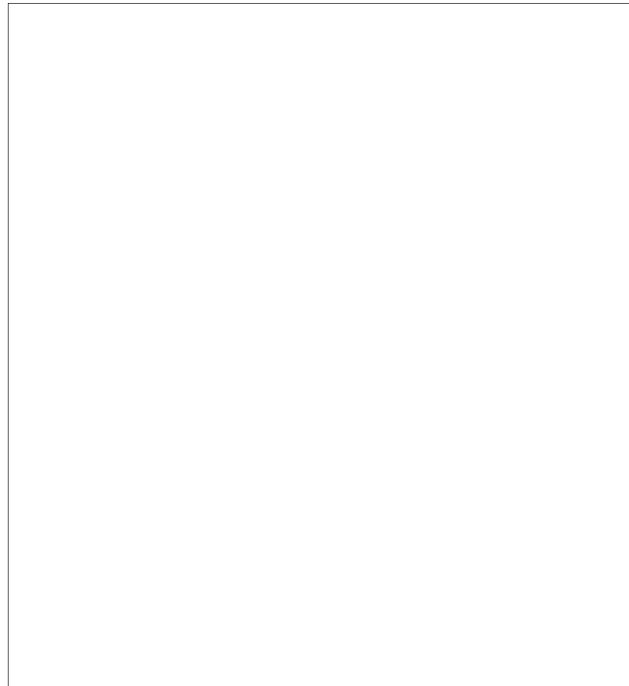
Figure 2
Yugoslavia: Trade Balance With the USSR, 1981-86



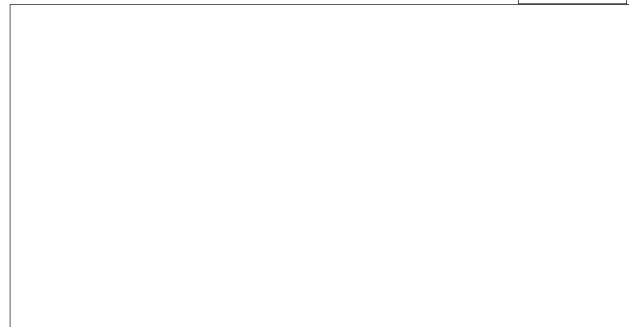
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Overall, Moscow has had little success in changing Yugoslavia's negotiating position, despite a threat to cut imports of Yugoslav goods significantly if no agreement on reducing the surplus is reached. The 1987 trade protocol signed last March apparently called for a compromise closer to Belgrade's terms—large increases in Yugoslav imports of Soviet raw materials and energy (including an additional 20,000 barrels per day of oil), increased Yugoslav purchases of certain categories of Soviet machinery and equipment, and a slight decrease in Yugoslav exports to the USSR. Yugoslavia nevertheless may run a surplus again this year, probably because Soviet oil deliveries will not reach promised levels while oil prices remain depressed.

The Soviets will likely keep up—and may even increase—the pressure to narrow the trade imbalance on their terms. During his Belgrade visit in June this year, Foreign Minister Shevardnadze termed the Yugoslav surplus a “political” as well as an economic problem, indicating that Moscow views Belgrade's willingness to take appropriate remedial steps as a sign of its commitment to better relations.



The Soviets meanwhile are urging the Yugoslavs to expand other areas of economic cooperation.



Top Secret**Yugoslavia: Inventory of Soviet Weaponry**

	Currently Dependent on Soviet Parts or Maintenance	Self-Sufficient for Parts or Maintenance ^a	Built by Yugosla- via Under License
AFVs			
Older model tanks (T-54/55, T-34, PT-76)		X	
Modern main battle tanks (T-72)			X
Other armored vehicles ^b (BRDM-1/2, BTR-50/60)		X	
Aircraft			
Fighter aircraft ^b (MIG-21)		X	
MIG-29	X		
Transport aircraft (YAK-40, AN-12, AN-26)		X	
Helicopters ^b (KA-27, KA-25, Mi-8, Mi-4, Mi-14)		X	
Small arms ^b			X
Artillery ^b			
122-mm D-30, 152-mm D-20			X
ZSU-57-2 SPAA, 152-mm ML-20, 122-mm M-1974		X	
Guided munitions			
Surface-to-air missiles			
SA-2		X	
SA-3			X
SA-7			X
SA-6		X	
SA-9		X	
Antitank guided missiles			
AT-2		X	
AT-3			X
Air-to-air missiles			
AA-2			X
Surface-to-surface missiles			
FROG-7		X	
SS-N-2A (Styx)		X	
SS-N-2B (Styx)		X	
Naval vessels			
Torpedo boats ^b			
OSA-I		X	
Shershen			X
Surface combatants ^b (modified Koni-class FFG)		X	

^a Assessment based on capabilities of Yugoslavia's defense industry, stocks of weapons and parts, and the availability of spare parts on the international arms market.

^b Yugoslavia also builds similar weapons of its own or Western design.

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Military Cooperation

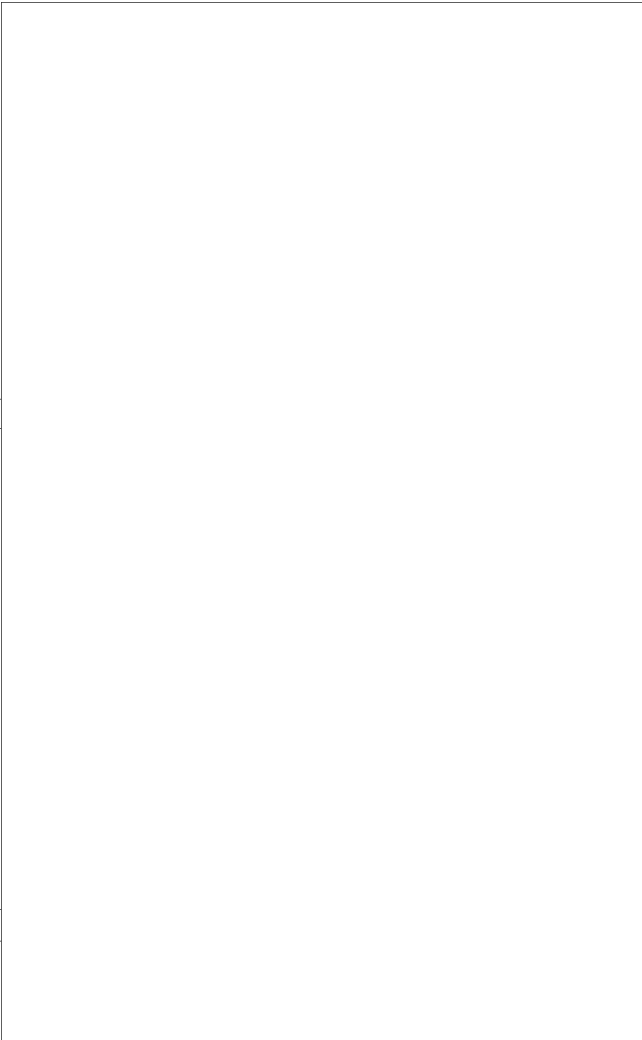
[redacted] that increased military cooperation represents another avenue of influence the Soviets are seeking to exploit more actively. The USSR currently supplies Yugoslavia's armed forces with sophisticated equipment, including most of Belgrade's advanced aircraft and guided weapon systems. It also licenses Yugoslav production of Soviet weapons, such as the T-72 tank. Belgrade's likely acquisition of more Soviet-manufactured weaponry, particularly the MIG-29, would increase dependence on the USSR for training and spare parts, at least for the near term. [redacted]

a small number of Yugoslav officers receive staff and technical training in the USSR. In addition, since 1974, Yugoslavia has allowed limited servicing of Soviet warships in one of its Adriatic ports. [redacted]

Moscow probably hopes to expand its influence among the Yugoslav military through high-level exchanges. The Soviets most likely calculate that the Yugoslav military leadership would play an increased political role in the event of serious domestic instability and might even seize power sometime in the future. Although the Yugoslav military remains a staunch advocate of Belgrade's independence, Moscow may believe that the military's relatively orthodox views on domestic issues would work to the Soviets' advantage during a domestic crisis. [redacted]

The Soviets probably also will try to exploit Belgrade's recent decision to increase Soviet and other foreign naval access to Yugoslav Adriatic ports. Although Belgrade stoutly maintains that its policy of nonalignment does not permit foreign military bases, in September 1987 it raised the limit on foreign warships that may be serviced in a Yugoslav port at any one time from two to three per country. Also, it may have opened a second port for such business, [redacted]

[redacted] Moscow for years has pressed for greater access, but Belgrade's move will not significantly improve Soviet naval capabilities. As a result, the issue for Moscow is as much political as it is military and economic. [redacted]



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Belgrade's Likely Reaction: Improved Cooperation

We believe that over the next three years Belgrade will cooperate with Moscow more than it has in recent decades in a number of areas. Belgrade, however, almost certainly will reject any fundamental changes in its economic, political, or foreign policies, even when these policies conflict with Moscow's. [redacted]

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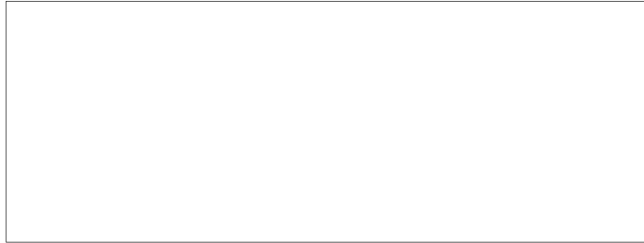
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Areas of Greater Cooperation

Belgrade is likely to take a number of steps pleasing to Moscow, particularly in areas where it believes the Soviets have shifted closer to Yugoslav views:

- *International political issues.* So long as Belgrade remains convinced that Gorbachev is more prepared than his predecessors to seek cooperative solutions, it is likely to voice fairly unqualified support for his initiatives. For example, Belgrade probably will more frequently back new anti-US stands in the NAM and may try to convince other members that Moscow is serious about resolving major international problems, such as Afghanistan. Moreover, Belgrade is more likely to support current Soviet positions on arms control and East-West relations.
- *Bilateral political issues.* Belgrade probably will sign a new declaration covering bilateral ties—provided it unambiguously reaffirms Yugoslav independence—despite concerns that this might be misconstrued in the West as a significant shift toward Moscow. The Yugoslavs also may agree to more frequent exchanges of working-level party officials, such as study teams on political and economic reform and cultural cooperation groups.
- *Economic and security relations.* Some Soviet demands for “higher forms of economic cooperation” and the purchase of more Soviet weaponry and other finished products will probably be met. [redacted] [redacted] A joint venture arrangement to produce TU-204 civilian airliners is also under discussion, [redacted] Such purchases would provide serviceable manufactures—albeit not equivalent to Western goods—and help assure the continued flow of Soviet raw materials. At the same time, it would protect critical access to the Soviet market. Purchase of a nuclear reactor, for which Moscow has bid, is less likely to occur, largely because of growing antinuclear sentiment in Yugoslavia and doubts about the safety of Soviet equipment. [redacted]

A New Belgrade Declaration?



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The new document would supplement the Belgrade and Moscow Declarations of 1955 and 1956, respectively, which formally repaired the breach in government and party ties that followed Yugoslavia's break from the Soviet Bloc in 1948. These documents have served as the foundation for Yugoslav-Soviet relations. In the Belgrade Declaration, Moscow officially accepted Yugoslavia's independence, pledging “mutual respect and noninterference in internal affairs for any reason—whether of an economic, political, or ideological nature—because questions of internal structure, differences of social systems and differences of concrete forms of developing socialism are exclusively a matter of the peoples of different countries.” Yugoslavia is the only Communist country with which Moscow has such an agreement. [redacted]

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The Soviets, who have criticized [redacted] the Yugoslav party's loss of strict control over domestic affairs, probably hope to use a new agreement to reaffirm the leading role of the party in Communist systems, as well as to highlight areas of consensus on foreign policy. Notwithstanding its suspicions of Soviet motives, Belgrade probably would sign a new agreement provided it explicitly endorses Yugoslav independence and contains no language that could be interpreted as a sign that Yugoslavia is moving closer to the Soviet Bloc. [redacted]

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Belgrade's recent decision to grant Moscow expanded peacetime access for servicing warships reflects the trend toward closer ties. [redacted]

[redacted] rationalized that this entails no violation of its sovereignty and would mean extra business for its financially troubled shipyards.² Moreover, Belgrade may have believed that expanded access would neutralize any Soviet complaints about what Moscow reportedly claims is special treatment for US naval forces—for example, Yugoslavia permitted a scheduled port visit in 1985 by the USS Saratoga despite its key role only days before in capturing Abu Abbas, who planned the Achille Lauro hijacking. [redacted]

Factors Inhibiting Closer Ties

A range of factors, however, will keep Yugoslavia from responding favorably to Soviet pressure and inducements in ways that would imply its rejoining the Bloc. These factors, for the most part, have changed little in decades and probably will remain more important to Belgrade than Gorbachev's "new thinking." [redacted]

Above all, Belgrade will remain *suspicious of Moscow's long-term goals*. It will most likely remain convinced, as it has been since 1948, that Moscow is ultimately committed to drawing Yugoslavia back into the Soviet camp. [redacted]

Similarly, Yugoslav leaders almost certainly will continue to believe the *Warsaw Pact is the country's only credible external military threat*. [redacted]

[redacted] the Yugoslav Army has focused its efforts during the past four years on units—already its best equipped and trained—that face Warsaw Pact

² Because expanded access applies to other countries as well, Belgrade probably hopes to generate more foreign exchange from hard currency customers such as Libya. [redacted]

borders. Belgrade in 1969 and 1974-76 reviewed the Army's officer corps to eliminate possible Soviet sympathizers, removing several senior generals, [redacted]

[redacted] Moreover, Belgrade continues to try to avoid dependence on Moscow for key weapons systems, even when it purchases Soviet designs. It manufactures most of its own equipment; has established indigenous support facilities for most of its Soviet-origin weapons, for example, MIG-21s and surface-to-air missiles; and prefers to build Soviet weapons under license, as it does the T-72 tank, rather than purchase them. Belgrade almost certainly will try to build an independent support infrastructure for its MIG-29s, particularly if these aircraft become the mainstay fighter. [redacted]

Belgrade probably calculates that *Soviet tough talk is empty*. Belgrade, in our view, believes it can ignore Moscow's private criticism in light of Soviet failures to follow up past attacks with meaningful sanctions.

[redacted] since the last years of Tito's reign [redacted] previous Soviet leaders repeatedly voiced many of the same criticisms of Yugoslavia that Gorbachev recently drove home to Belgrade. [redacted]

[redacted]

Yugoslav leaders also probably believe that, while potential gains from expanded economic cooperation with Moscow are significant, *the Soviet Bloc in the long run has only limited potential as an economic alternative to the West*. [redacted]

[redacted]

[redacted] Belgrade probably realizes, furthermore, that too close a relationship with the Soviet Bloc would endanger Yugoslavia's access to the sophisticated Western industrial technology it desperately needs. [redacted]

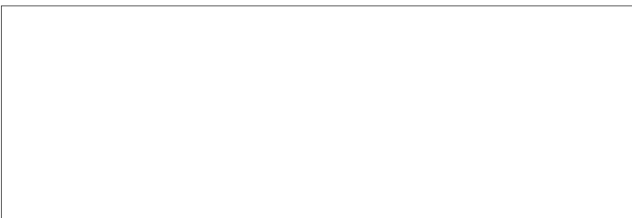
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We believe *Gorbachev will fail to generate wide-spread public enthusiasm in Yugoslavia* that has been evident in some other East European countries because Yugoslav society decades ago experienced reforms that Gorbachev is only beginning to test. Rather, the populace is likely to press harder still for access to the West as a relatively Westernized younger generation comes of age. US diplomats and other Western travelers already find both pro-American feeling and suspicion of Moscow widespread among Yugoslavs, even if Gorbachev has scored high on public opinion polls. [redacted]



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Regional resistance also will undercut any shift toward Moscow. The economically powerful and historically Western-oriented republics of Slovenia and Croatia would probably try to block any significant policy shift toward the Soviet Bloc. They already have shown signs of concern during the past year as relations with Moscow have improved, according to US diplomatic reporting. [redacted]

Belgrade also will try to *maintain good ties to the United States and other Western economic partners.*

[redacted] Yugoslav leaders remain committed to upgrading further their ties to the United States and Western Europe. Belgrade already is increasing its efforts to establish a regular schedule of high-level exchanges with Washington, according to US diplomatic reporting, probably to balance its more vigorous interaction with Moscow and to maximize its prospects of gaining greater US economic support. Belgrade recently urged Washington to schedule a visit later this year by a member of the collective State Presidency, pointedly saying that Belgrade wants such a trip to balance Gorbachev's planned visit to Yugoslavia. [redacted]

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Finally, we believe *Yugoslav leaders will hedge their bets* on Gorbachev's chances of political survival, which they now assess as only better than even. Belgrade probably will be concerned that concessions made to a "reasonable" Gorbachev could come back to haunt them. [redacted]

Yugoslavia almost certainly will continue to *block Soviet moves to reestablish a world Communist movement guided by the USSR.* Yugoslavia is determined to continue cultivating ties to other independent Communists, such as the Italian and Chinese Communist Parties, [redacted]

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Reaffirming Independence

While the current Yugoslav leadership wants to avoid open confrontation with Moscow, we believe it will continue to pursue Tito's policy of independence in most key areas. [redacted]

Long opposed to any Soviet-sponsored world conference of Communist parties, Belgrade decided to attend the November 1987 70th anniversary celebrations of the Bolshevik Revolution only after Moscow agreed to a broad gathering of leftist-oriented parties. Moscow had hoped for a summit of Communist party chiefs that would imply Soviet leadership of the international Communist movement. Yugoslavia's announcement of attendance, moreover, coincided with China's, suggesting Belgrade acted jointly, although probably informally, with Beijing. [redacted]

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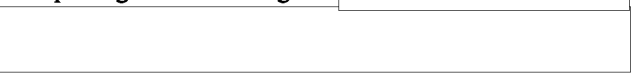
Most visibly, Belgrade probably will continue to *oppose efforts by Soviet surrogates to dominate the NAM.* Belgrade almost certainly will seek to underpin its standing as one of several moderate leaders of the NAM while at the same time supporting some pro-Soviet positions. It will oppose the radicals' efforts to declare the movement a "natural ally" of the Soviet Bloc or to use the movement as a more effective weapon against Washington. [redacted]



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Belgrade's Chinese Counterweight

Since the normalization of Sino-Yugoslav ties in 1977, Belgrade has used relations with Beijing—along with its longstanding leading position in the Nonaligned Movement and ties to major Western countries—to balance extensive and lately growing contacts with the USSR. Within the Communist world, Yugoslavia has long cultivated special ties to other nonconformist states, such as Romania, to legitimize and encourage divergence from the Soviet model. It has focused increasingly on China, however, as the latter has adopted more pragmatic policies and asserted a higher profile internationally. [redacted]

In our view, Belgrade will continue to foster warm ties to China because it perceives several tactical advantages to be gained from this vis-a-vis the Soviets:

- *As another ruling party, the Chinese Communist Party could provide key support to Belgrade in opposing Moscow's efforts to host any future world conference of Communists or in at least ensuring that the attendance, agenda, and final documents of such a conference are more on Belgrade's terms.*
- *Belgrade will use extensive subnational region-to-region contacts with China as a unique balance to those that Moscow is pursuing. Since 1980, when Moscow began pushing for more regional ties, five of Yugoslavia's eight regions have established relationships with Chinese regions. With the exception of limited cross-border agreements with Hungary, Bulgaria, Austria, and Italy, the Yugoslav regions have no similar contacts with any other state.*
- *China's opposition to the Soviet occupation of Afghanistan and to the Soviet-backed occupation of Cambodia assists Yugoslavia by helping protect Belgrade from charges by leftist regimes of its being a "stooge" for the West.* [redacted]

Finally, the Yugoslav regime probably will *continue to tolerate internal political and economic reforms* that Gorbachev has criticized [redacted]. These include the Communist world's most open media, a national party almost devoid of centrally imposed discipline, and increased room for many semiofficial pressure groups [redacted].

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Implications for the United States

We believe the likely improvement in Soviet-Yugoslav ties—especially Yugoslav moves to accommodate Moscow—will adversely affect some important US interests:

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- More frequent Soviet-Yugoslav cooperation on some international issues would complicate US foreign policy by undercutting more pro-US NAM states, reinforcing hardline Soviet positions on issues such as Afghanistan, and helping Moscow portray Washington as responsible for failures to reach arms control agreements in the future.
- Belgrade, believing its improved ties to Moscow give it greater leverage with the West, might become even more demanding in debt relief talks with Western creditors.
- More frequent contacts and exchanges with the USSR in military, political, and economic areas—while unlikely to significantly influence Yugoslav policy during the next three years—probably would give Moscow greater opportunities to expand its influence over the longer term by creating an atmosphere conducive to closer cooperation. Moscow also would gain marginally greater opportunities to collect intelligence in Yugoslavia. [redacted]

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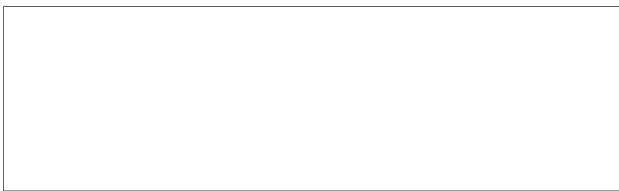
[redacted]

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Top Secret***The Phantom of Soviet "Leverage"***

The current expansion of Yugoslav-Soviet relations almost certainly will create an atmosphere that encourages both sides to consider more frequently the wishes and sensitivities of the other. Yet history suggests that Moscow will have only limited success in turning broader ties into a lever that can be applied to gain specific policy objectives:

- *Yugoslavia has relied almost solely on Soviet armored fighting vehicles, surface-to-air missiles, and military aircraft of all types since the Second World War, yet its Army has long been stationed to face the Warsaw Pact, which Yugoslav commanders view as the only credible military threat.*
- *Yugoslavia has broadened its technological, financial, and cultural ties to the West, despite Soviet criticism and concurrently with an increase in the Soviet share of Yugoslav foreign trade from 10 percent to 28 percent over the last 15 years.*
- *Extensive contacts between Yugoslav and Soviet officials and businessmen as trade has risen also have not helped Moscow persuade the Yugoslavs to buy more Soviet manufactures, despite energetic Soviet efforts.*
- *High-level political exchanges in themselves have not been either an accurate indicator of improved ties or of increased Soviet leverage. Tito and Brezhnev met several times during periods of increased tension in the late 1970s with few apparent gains for Moscow.*



The expected warming in relations, even if it is greater than those in the past, will nevertheless pose little threat to fundamental US concerns:

- Periodic increases in Soviet-Yugoslav economic, political, and military contacts in the past have not fundamentally affected Belgrade's independent orientation and are unlikely to do so in the future.
- Yugoslavia will maintain its strong economic, political, and cultural links to the West.
- A domestic evolution toward significant elements of Western-style pluralism is likely to continue, moving the country still further from even Gorbachev's looser version of Soviet Communism.
- Belgrade probably will continue to restrict access of Soviet personnel to Yugoslav military facilities, to station its best forces and equipment to handle Warsaw Pact aggression, and, at worst, to remain neutral in any Western conflict with the USSR. US and Soviet naval access will probably remain equal in peacetime.

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Alternative Scenarios

Two other scenarios affecting US interests are possible but less likely over the next three years. First, Yugoslav-Soviet relations could experience a sharp downturn. Alternatively, Moscow could gain significantly greater influence in Belgrade than we expect. The first of these two alternatives is moderately more likely than the second in light of historical trends and Belgrade's sensitivity to Soviet actions in other parts of the world.

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Moscow Loses Influence

We believe relations could worsen, and Moscow could lose some of the influence it now has in Yugoslavia, in the event of some combination of the following developments:

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- Internal Soviet economic difficulties or increased commitments to Soviet allies elsewhere could lead to reduced economic incentives to Belgrade for a closer relationship.

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- Soviet miscalculation in applying economic pressure, even to solve trade problems, easily could antagonize Belgrade and rekindle the spirit of obstinate independence from Moscow.
- Gorbachev could lose power to more conservative leaders within the USSR or veer toward greater orthodoxy himself, leading Moscow again to attack more openly Yugoslav "deviations."
- The Soviets might meddle aggressively in Yugoslav internal affairs or expand intelligence gathering at the regional level, prompting a sharp reaction by Belgrade.
- An improvement in Soviet-Albanian relations, although unlikely, would increase Yugoslav fears of encirclement.
- Moscow might reawaken Belgrade's fears for its independence if the Soviets intervened militarily to quell instability in one of their East European allies. Soviet armed aggression against another nonaligned country would have a similar, but probably lesser, effect.

US interests could make some gains under this scenario:

- Yugoslavia would be more likely to side with the United States against Moscow on a few foreign policy issues, such as verification questions in conventional arms control talks, although Belgrade's adherence to a NAM consensus on most issues would limit any change toward a more pro-US foreign policy.
- Belgrade, seeking to avoid a two-front confrontation, probably would be more responsive to specific Western concerns, such as international terrorism, human rights, and other issues.
- A deterioration in the Soviet-Yugoslav economic relationship—marked by declining trade, fewer bilateral contacts, and more public disputes about the value of increased economic cooperation—would undercut the potential leverage Moscow has gained through the bilateral trade expansion of the past decade.

- Yugoslavia might be more inclined to deny Moscow rights to periodic overflights to client states in the Third World.
- Belgrade almost certainly would reject any further growth of Soviet naval access, might even rescind the recent expansion, and probably would try harder to purchase major weapon systems from the West.

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Washington's gains would be limited by several factors, however:

- A reduction in Soviet-Yugoslav trade probably would increase the cost to the West of economic support for Belgrade. Yugoslavia would need an outlet for stocks of uncompetitive export goods having no market at home. It also would have to pay scarce hard currency for raw materials and oil that Moscow has been supplying on a clearing account basis, reducing its ability to service its foreign debt.
- A downturn would not necessarily result in improved US-Yugoslav ties, particularly if the two sides were involved in acrimonious debate about debt, terrorism, or other issues. Belgrade could turn increasingly inward or look first to Western Europe, or to China and the NAM for at least moral support.

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Moscow Gains Greater Influence

Although we believe it unlikely, Soviet-Yugoslav relations possibly could improve beyond our most likely scenario. Moscow could gain much greater influence in Belgrade in the event of some combination of the following developments:

- A prolonged impasse between Belgrade and Western creditors could impel Belgrade to pursue closer economic ties to the USSR.
- Although unlikely, the Soviets could dramatically step up efforts to woo Belgrade through new offerings of credits or hard currency purchases, or larger deliveries on a barter basis of raw materials and oil.

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- Ironically, Moscow also could make some gains if it followed up for the first time a hard bargaining position by selectively cutting exports of raw materials or imports of Yugoslav goods.
- Western protectionism, a slump in world economic growth, or a substantial loss of Yugoslav markets in the West to newly industrializing Asian competitors also could make Soviet economic ties seem more attractive.
- The Soviets might encourage client states such as Cuba, Nicaragua, and Angola to provide increased support for Yugoslav positions in the NAM, thereby playing to Belgrade's role as a leader of the movement.
- Widespread domestic instability in Yugoslavia, while unlikely, probably would strengthen the hand of Yugoslav conservatives who want increased party control over society and reduced Western influence.

[Redacted]

Greater Soviet influence could show itself in a variety of ways, including more frequent Yugoslav support for Soviet policies and a rise in ties between Soviet and Yugoslav institutions such as the military, the security services, economic enterprises, and various educational and cultural bodies. [Redacted]

Nonetheless, we do not foresee in the next three years any improvement in ties that would lead Yugoslavia to join the Warsaw Pact or become a full member of CEMA. Even in the event of successful US-Soviet arms control agreements, including Atlantic-to-the-Urals force reductions, Yugoslav perceptions of the Soviet threat probably would not change sharply. Yugoslavia still would perceive the Warsaw Pact as its only real threat and be at least a neutral buffer in wartime. Uneasiness in neighboring NATO countries about a perceived sea change in Yugoslav security policy nonetheless could grow. [Redacted]

Should Moscow gain significantly greater influence, US interests probably would suffer as follows:

- The greater the development in ties between Soviet and Yugoslav firms, especially through joint production arrangements, the higher the risk would be

Selected Indicators of Increased Soviet Influence

The following developments would be indicators of substantially closer Soviet-Yugoslav relations and increased Soviet influence—a scenario we consider less than likely. While no single development would indicate a significant improvement in ties, several taken together would strongly suggest that relations were warming beyond our expectations:

- *Belgrade decides to replace its fighter fleet largely with MIG-29s, probably signaled by purchases of more than 32 aircraft (sufficient to equip two of the country's total of nine fighter squadrons).*
- *Party-to-party ties begin to supersede governmental contacts as the most important channel for bilateral political relations.*
- *The Yugoslavs openly support—through prominent participation in and media coverage of—Soviet international front organizations such as the World Peace Council.*
- *The Yugoslavs in NAM forums and the United Nations end opposition to, or begin supporting, Soviet positions on Afghanistan, Nicaragua, or Cambodia.*
- *Yugoslavia balances trade largely on Moscow's terms, namely by purchasing more Soviet-manufactured goods while the Soviets purchase no more or even fewer Yugoslav exports.*
- *Both sides take concrete steps to establish several major joint production ventures on Yugoslav territory.*
- *The USSR and Yugoslavia sign a long-term S&T cooperation agreement modeled on the CEMA 2000 S&T agreements.* [Redacted]

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that Yugoslavia would become a major channel for the transfer of Western technology to the Soviet Bloc.

[Redacted]

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- Moscow could parlay increased Yugoslav support for some of its international policies into greater Soviet influence in both the NAM and international Communist movement.

Opportunities for the West

The West will have opportunities to protect its interests in Yugoslavia regardless of the course of Soviet-Yugoslav relations. Belgrade almost certainly will calibrate its response to Moscow's statements and actions in part based on its assessment of Western policies. It will continue to want support from the West to maintain its independence from Moscow:

- *Economic assistance.* The West can work to undermine potential Soviet influence through its own extensive economic ties to Yugoslavia. Even if Soviet-Yugoslav relations improve significantly, Yugoslavia will want the West to help it avoid excessive economic dependence on the Soviet Bloc. Belgrade will look for continued debt relief, new credits, and measures to expand trade, such as continued most-favored-nation status and increased quotas for Yugoslav exports.
- *Security guarantees.* Belgrade discreetly will seek continued informal Western assurances of its sovereignty and support against the threat of Warsaw Pact aggression even if its fear of the Pact threat declines. It also will want Western military technology, such as a jet engine and avionics for its planned

domestic fighter, to ease dependence on Soviet sources. In addition, Belgrade might respond to Western demands for equivalent treatment in areas of relations now exploited by Moscow but not by the West. Belgrade, for example, probably would respond to demands for greater port access for Western navies, such as for limited warship servicing and for military overflight rights, by becoming more resistant to Soviet requests for more privileges.

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- *Political and cultural ties.* Belgrade almost certainly will welcome new contacts—such as academic and cultural exchanges, ties to West European Communist and Socialist parties, and visits by parliamentary delegations—that balance Soviet influence. As a byproduct unintended by Belgrade, these contacts can expose the Yugoslavs increasingly to Western thought and in the long run accentuate and reinforce differences between Yugoslav Communism and the Soviet system.

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In sum, Washington is unlikely to face any significant policy crisis in Yugoslavia arising from Belgrade's ties to Moscow in any scenario we envisage over the next three years. The expected improvement in Soviet-Yugoslav relations nevertheless will likely present challenges and occasionally adverse developments frustrating to US policy goals.

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