

CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

18 July 1963

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Yugoslavia and the Soviet Bloc

SUMMARY

Yugoslavia is presently in a phase of economic progress and political stability. Moves recently taken to establish Rankovic as heir-apparent make a succession struggle less likely and point to continuity in Yugoslav policy. This is likely to apply also to the rapprochement with the USSR. The latter has come about in part because Tito believes that significant changes in Soviet attitudes are taking place under Khrushchev's leadership, and, to a lesser extent, because Yugoslav concern over potentially troubled economic relations with the West makes broadened economic exchanges with Eastern Europe desirable. Tito remains determined to preserve Yugoslav independence, however, and Khrushchev appears to have accepted this.

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Internal Situation

1. The Yugoslav regime is making real progress towards overcoming its main economic and political problems, and towards stabilizing

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the present administrative system. Having suffered a recession in 1961-1962, the economy is once again on the upsurge. For example, in the first five months of 1963, industrial production was up 14 percent over the same period in 1962, and there has been a continued rise in exports. Some problems remain, notably in foreign trade and agriculture, but this year's crop prospects are good and the general outlook for the economy is favorable.

2. The principal features of Yugoslavia's distinctive internal system have recently been reaffirmed and codified in the new constitution, adopted in April. At the same time, provision has been made for regular infusion of new blood into top governmental offices, and for more orderly transition of the top leadership after Tito's departure. The elevation of Rankovic to the newly created post of Vice President appears to put him in line for the formal succession and to make a struggle for the leadership less likely. Rankovic now is second to Tito in both party and government, and his erstwhile competitor, Kardelj, has slipped, after a prolonged period of political eclipse; many of the governmental functions he previously exercised will now be handled by Rankovic. Thus Tito has been able to do what Khrushchev has not -- to establish a clear heir-apparent.

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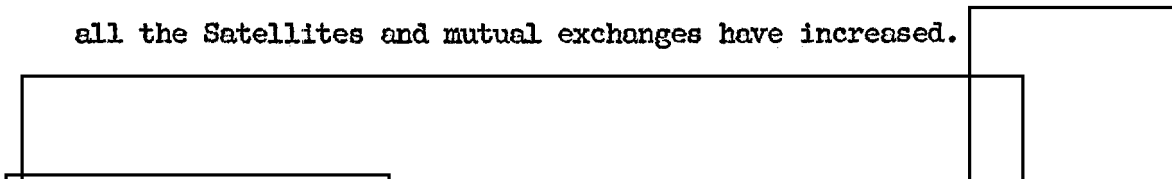
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Relations with the Bloc

3. Yugoslav relations with the Soviet Union and with several of the Satellites have improved considerably over the past year or so, especially since Tito's visit to the USSR last December. With respect to his visit, Tito subsequently said that he had found the Soviet leaders prepared to take a more constructive attitude to relations with Yugoslavia, in which the stress would be placed on areas of agreement, rather than drawing attention to differences, as had often been the case in the past. In this most recent period of rapprochement, party contacts have been established with almost all the Satellites and mutual exchanges have increased.

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The Yugoslavs have indicated an intention to step up economic cooperation with these countries in the future, and even to plan joint projects with some of them. Economic chief Todorovic noted recently that the prospects were particularly favorable for trade with Eastern Europe, compared with the West, because of the better market there for Yugoslav industrial products.

4. In foreign policy, Yugoslav leaders who previously stressed Belgrade's independence of all "blocs," now also stress

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the importance of Yugoslavia's role as part of the "international revolutionary workers' movement." Similarly, in respect to policy toward the underdeveloped areas, the Yugoslavs, who once emphasized the separateness of the non-aligned countries, now stress the community of interest of these states with the Bloc in working toward broadly defined international goals, such as "peaceful coexistence." Yugoslav pronouncements on internal developments in the underdeveloped countries have also become more doctrinaire, expressing support for "progressive" elements and opposition to Western "neo-colonialist" influences -- in general a view similar to that of the Soviet leaders.

5. The basis for the closer alignment with the "socialist" countries is in the first place a favorable assessment by the Yugoslav leaders of the shape of developments in the USSR and the Communist world. As Tito put it in May:

"We welcomed [the decisions of the Twentieth and Twenty-second Congresses of the CPSU] not only because of the condemnation of Stalin's mistakes, but also because a new process was initiated in the development of economic and social relationships in the Soviet Union, directed towards a more comprehensive and speedier development in all spheres of economic and social life. . ."

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In other words, Tito considered that Khrushchev and his associates were altering the internal system in the USSR in the direction favored by the Yugoslavs. More broadly than this, however, the Yugoslavs also felt that the development under Khrushchev of a new system of relationships in the Bloc and the Communist movement -- which made allowance for independent behavior of certain parties -- made feasible a closer alignment of the Yugoslav party with the Bloc. Tito believes that Moscow genuinely accepts his independence and will not attempt to subject Yugoslavia to Bloc discipline. Thus far he has been proved right, but he has also been careful to avoid steps which would give the Soviets an opportunity to make such an attempt.

6. An equally important reason for the rapprochement is Tito's conclusion that the current struggle in the international Communist movement is of vital importance for Yugoslavia. Long in complete sympathy with Khrushchev's positions in this struggle, Tito openly tied Yugoslavia's position in the movement to the fortunes of Khrushchev at the party plenum in May, when he supported Khrushchev and the "progressives" in the Communist movement against the Chinese and the "dogmatists." He also went to some length to impress Yugoslav party members with the seriousness of the intra-Bloc dispute, and with the importance of unified support for Khrushchev in this struggle.

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7. Indeed, Yugoslavia and its doctrines have become one of the central issues in the Sino-Soviet struggle. The Chinese have made it a major issue of principle whether Yugoslavia should be termed a "socialist" country, as the Soviets desire, and whether the Yugoslav party should be considered a Marxist-Leninist party. If the Chinese view were to prevail, Yugoslavia would be considered a capitalist country and the Yugoslav party a renegade "revisionist" party outside the Communist pale. Khrushchev's recently reaffirmed plans to visit Yugoslavia shortly is an earnest of his intention not to make concessions to the Chinese on this aspect of the quarrel.

The Outlook

8. Will Yugoslavia rejoin the Soviet Bloc? Certainly the present leadership in Belgrade is determined not to pass once again under the discipline and control of Moscow. Perhaps just as important, Khrushchev apparently takes account of this determination and is not working toward this end. Instead, he wants Tito to support him in intra-Communist disputes and wishes to use Yugoslavia's associations with the non-aligned states to further Soviet aims in these areas. Further, he wants Yugoslavia to illustrate the proposition that a nation can become a member of the "socialist world" and can voluntarily enter into an intimate association with the USSR

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without becoming a Soviet puppet. For there appears to be a growing realization in Moscow that if the socialist camp is to expand it will have to be on a looser basis than formerly envisaged, with considerable allowance made for local variation.

9. Since these Soviet ambitions comport fairly well with Tito's objectives, we expect Yugoslav cooperation with the USSR and Eastern Europe to continue and to grow. The Soviets almost certainly will not propose, nor Yugoslavia accept, membership in the Warsaw Pact. But in other ways, and so long as it does not compromise their independence, the Yugoslavs can be expected to promote a closer relationship with other Communist parties and states. In the present context this means greater stress on economic and other forms of collaboration -- e.g., more long-range economic planning in concert with friendly "socialist" countries, and even plans for specialization along certain lines. The Yugoslavs would like to have a closer relationship with CEMA, perhaps through participation in some of its subcommittees, though they do not want to be full members.

10. Concern over potentially troubled economic relations with the West has also had the effect of moving Yugoslavia into a closer association with the Bloc. The Yugoslav leaders have not

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been optimistic as to the likely consequences for Yugoslav trade of Common Market developments and the chances of retaining MFN status in their trade with the US. Slackening trade with the West would almost certainly lead to increased trade with the Bloc.

11. We anticipate more and closer Yugoslav cooperation with the Communist countries in relations with the underdeveloped world. This will not be at the expense of Yugoslavia's already extensive relations with the underdeveloped countries -- in fact the Bloc states probably hope to take advantage of Yugoslav influence in these areas. We believe the Yugoslavs (and their Bloc friends) will work to promote the "economic independence" of these countries, and to obstruct Western economic influence. The Yugoslavs admit that they have long-range economic, as well as political, motives in this, for they hope eventually to establish sound markets in the underdeveloped countries for the products of Yugoslav industry.

12. Soviet-Yugoslav trust is of course not whole-hearted, and the friendship may be subject to upsets of various kinds in the future. The Soviets have a penchant to be demanding at critical times, for example, and occasions may well arise again in which they attempt to coerce the Yugoslavs or use pressure tactlessly. Again, the USSR might come to feel that its endorsement of Yugoslavia as

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"socialist" was encouraging nationalist-minded Communists in Eastern Europe, as in fact happened in 1955-1956, and harden its attitude to nullify this effect. In Moscow, few Soviet leaders seem to be as enthusiastic as their chief about the value of Tito's friendship, and the rapprochement therefore depends to some extent upon Khrushchev's political fortunes and life span. On the Yugoslav side, Tito's calculations rest heavily upon his appraisal of Khrushchev as a progressive who needs his help against a Stalinist faction in the Kremlin, and should the Soviet leader die first, Tito would be chary of continuing the same relations with his successor.

13. The present rapprochement is in very great part the personal work of Tito. His passing (his age is 71) will therefore bring a new uncertainty into Soviet-Yugoslav relations. It is possible, though unlikely, that a new set of party leaders would wish to draw so close to the USSR as to jeopardize national integrity. This would come about, we believe, only if some faction among Tito's heirs believed that the regime's position was gravely threatened and could only be preserved by drastic measures, including vigorous measures of repression and centralization. We think that Tito's death, while it may weaken the regime's internal authority for a time, is not likely to have internal repercussions so critical as

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to drive his heirs to this extreme. We therefore expect that Tito's successors will continue to attach first priority to the maintenance of an independence which has brought Yugoslavia post-war successes far exceeding those of her Balkan neighbors.

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SHERMAN KENT
Chairman

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