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2. [ ] the National Bank of Yugoslavia [Narodna Banka] has any power or influence on financial policy of the country, but serves merely as a technical organization for currency exchange. The Ministry of Finance actually controls the National Bank. With reference to the dinar, it is nothing more than a means of expressing the local value of commodities in a monetary sense. This is so because it has no worth or solid backing, such as the US dollar, the UK pound, or the Swiss franc. Consequently, Yugoslavia must sell its commodities on the dollar market in order that it can deal financially with other nations. The major portion of current trade between Yugoslavia and European nations is done on paper with the dinar rarely being sent outside the country.
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3. The first five-year plan devised by the Yugoslavian Government after WWII called for an outlandish budget. [ ] the budget set up under this plan was 10 times the national income. The new government intended to invest 60 billion dinars per year for five years. This was ironic because the normal budget of Yugoslavia was never over 11-13 billion dinars per year and the total national income never exceeded 90 billion dinars per year. Once the Yugoslavs had realized that their five-year plan was not feasible under the new arrangement, they resigned themselves to the thought that if 20 per cent of their projects were realized, 25X1 they would be happy.
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4. [ ] trade with the USSR until 1948 was not unduly large. [ ] with imports from the USSR were confined to receiving small electrical motors up to 20 horse power, receiving standard size movie projectors and some laboratory equipment. In general, the commodities which we received from the USSR were of exceptionally poor quality and were exorbitantly priced. The difficulty with the electric motors lay in the fact that they were poorly insulated and consumed far more power than was feasible economically. [ ] also received 300 Zis trucks. These trucks were used to transport lead and zinc from the Yugoslavian mines to the Danube for reshipment to the USSR. With reference to the Zis trucks, [ ] 25X1 from various sources that they were durable and serviceable. About the only 25X1 assistance which the USSR gave us during those years [ ] was to help us repair the Pancevo Bridge. The USSR also mined antimony from Zajaeca. An interesting factor which again points up the stupidity in Yugoslavian planning, is the fact that it cost the Yugoslavian Government 96 thousand dinars per ton to mine antimony at a date when the world price was approximately 33 thousand dinars. In order to compete, the Yugoslavian Government sold the antimony for 33 thousand dinars which was, of course, a large loss. Ironically before WWII one of the few industries which showed a nice profit in Yugoslavia was the antimony mine at Zajaeca. Another ironic situation is the fact that the chief engineer at Zajaeca today [1953], a fellow by the name of Zika Stojanovic, was the owner of this mine prior to its being taken over by the government.
5. Prior to WWII trade between Czechoslovakia and Yugoslavia was intricately interwoven; in fact, this situation endured until 1948 [Yugoslavia left the Cominform]. To be more specific, Yugoslavia sent copper, iron, pyrite and canvas, flax, corn and coal to Czechoslovakia. These minerals were critical to Czechoslovakian heavy industry and since she did not possess them herself, Yugoslavia was her chief source of supply. In return, Czechoslovakia shipped machinery and other material goods to Yugoslavia.
6. Since Italy has very little coal, her chief source of supply has been Yugoslavia. In fact, many of the furnaces used in the mills of Northern Italy are so constructed that Istrian coal from the Siverich Mills is the only type which will burn adequately. Prior to WWII, Italy used to purchase a similar coal from Trboje, Slovenia, so you can see that a great portion of Northern Italy industrially is dependent on coal imported from Yugoslavia. As a consequence, the Trieste question lies far deeper than mere possession of the Port of Trieste itself. For Istria not only yields coal for the Italian heavy industry, but also possesses the Idria mine which yields mercury for Italian industry. In my estimation, the real significance of the Trieste question lies in the minerals entombed in the surrounding territory, for the Port of Trieste has no practical value to Italy. Immediately after WWII, one of the chief sources of commodities for Yugoslavia was Italian industry. Purchases were made on a barter basis through which Yugoslavia exchanged her coal to Italy for finished products.

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25X1 7. Although [ ] Yugoslavians did not care for Tito, [ ] his debut on the 25X1 Yugoslavian political scene in 1941-42 served a greater purpose than one would deem possible. As an example, Yugoslavia in her religious, political and ethnic cleavages would, in all probability, have posed no threat to any of the Axis forces, but would have continued her internecine struggle. Although Tito is a Communist, he was able to draw large numbers from each of the above groups into the People's Army of Liberation, thus temporarily causing them to forget their 25X1 own differences. [ ] should Tito lose his position in Yugoslavia, that nation would again revert to warfare, which would make the struggles of the past infantile by comparison. [ ]

25X1 [ ] believe in the theory of religious differences which has been prevalent throughout Yugoslavia for centuries. However, it was generally accepted among more intellectual people of Eastern Yugoslavia that to a great extent Croatian unwillingness to fight either the Germans or the Italians was fostered by a Croatian nationalism which was based on a philosephy sponsored by the Catholic Church.

8. With reference to a possible attack against Yugoslavia by any combination of Satellites or Soviet Satellite groups, the same situation which prevailed in 1941-45 would in all probability reoccur for the following reasons:

- a. The Croats today feel that the Communist system had been imposed upon Yugoslavia by the Serbs and that this same system is being directed by the Serbs. This thinking is conditioned on the premise that Tito's capital and his administration are located in Belgrade, the old capital and emblem of Serbia and Pan Serb Chauvinism.
- b. The Serbs, however, knowing that Tito is a Croatian, claim that the Communist system existent in Yugoslavia was imposed by the Croats.
- c. One must always bear in mind that the new generation which is being schooled and indoctrinated by the Communists (although now a minority) is on the increase.
- d. There are hundreds of thousands of Serbs who fled from Croatia to Serbia during the German occupation. If these people were permitted to return to Croatia, [ ] they would massacre large numbers of Croats whom they held responsible for their plight.

25X1 9. Should the Tito Government and the Communist administration of Yugoslavia fall, certain political steps would be necessary to secure a permanent peace in the Balkans. In the formation of a new government, certain precautionary measures should prevail. Neither dynastic nor pre-WWII officials would be acceptable to the majority of Yugoslavians. For that matter, very few of the current officials would be welcome either.

- 25X1 a. [ ] a solution to the ever troublesome Southeastern European question should include the creation of a large democratic federation of southern Slavs. This federation, which, of necessity, would include Yugoslavia and Bulgaria, must also include a non-Slavic neighbor, Albania. The inclusion of Albania in such a federation would afford a solution to the major problems which have beset Albania for many centuries.
- (1.) There are now Nov 1953 nearly 400 thousand Albanians in present day Yugoslavia. They reside in Metohija, Kosovo, Tetevo and other parts of Southern Serbia. Although they live among preponderantly Serbian populations, they have been to a large degree assimilated. The friction which ensues between Yugoslavia and Albania over the so-called Macedonian territory which Albania claims plus the Albanian population resident in Yugoslavia is a constant bone of contention, always argued by Albania. Border incidents between the two countries are common occurrences because the Albanians drive Yugoslavian livestock back over the border, and numbers of Albanians try to move into Yugoslavia clandestinely, a matter which causes concern to the administration.

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