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NATIONAL INTELLIGENCE ESTIMATE

THE CURRENT SITUATION  
IN YUGOSLAVIA



NIE-7

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## NATIONAL INTELLIGENCE ESTIMATE

# THE CURRENT SITUATION IN YUGOSLAVIA

NIE-7

In order to meet an immediate need, this estimate has been published in advance of a more comprehensive estimate of the Yugoslav situation which is in preparation. The intelligence organizations of the Departments of State, the Army, the Navy, and the Air Force participated in the preparation of this estimate and concur in it. This paper is based on information available on 16 November 1950.

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## THE CURRENT SITUATION IN YUGOSLAVIA

### THE PROBLEM

1. To estimate the effect of the current economic crisis in Yugoslavia on the stability and orientation of the Tito regime.

### CONCLUSIONS

2. The Tito regime in Yugoslavia, the only Communist regime not subservient to Moscow, has steadily, although cautiously, improved its relations with Western governments. This trend represents mainly an attempt at self-preservation rather than any basic change in political philosophy, and reflects the appreciation of the principal Yugoslav Communist leaders that they cannot heal the breach with the USSR and be sure of continuing to hold power.
3. In order to widen its support among the Yugoslav people, the overwhelming majority of whom are opposed to Communism, the Tito regime has inaugurated a number of ostensibly liberal changes in the political and economic system. These changes, however, have not changed the basic structure of the Tito regime, which remains an anti-democratic, dictatorial and repressive Communist regime dependent on its police power for continued existence.
4. The USSR's objective in Yugoslavia is the elimination of the Tito government and its replacement by a regime subservient to Moscow. Soviet policy for the time being seems to call for the continuation of economic, political, psychological, and subversive pressures short of open military action either by Soviet Satellites or by the USSR.
5. Without substantial outside logistic support the Yugoslav armed forces would be unable to withstand a combined Satellite attack, and even if given such support their capacity for sustained resistance would be questionable. They could not in any circumstances withstand a serious Soviet attack.
6. The extensive drought of the summer of 1950 materially reduced Yugoslav agricultural production and contributed to an economic crisis that may threaten the stability of the Tito regime. Substantial outside aid is essential to meet the basic requirements of the Yugoslav people until this crisis is past.
7. The USSR will spare no effort to exploit this crisis by increasing the efforts of its agents in the related fields of espionage, subversion, sabotage, fomentation of labor unrest, and possibly attempted assassination of Yugoslav leaders.
8. For several months at least, the Yugoslav security police probably will be able to maintain internal control even if the economic crisis is not alleviated by Western aid.
9. While it is impossible to make a firm estimate of the longer-term effects under these circumstances, the probability is that Tito's police regime can survive the period of crisis, although in weakened condition.
10. In this event a softening of Yugoslav defensive capabilities and will-to-resist might occur and might be a factor in bringing on a direct military attack. This factor alone, however, will not be decisive in Soviet strategy, which will be dictated mainly by the Soviet estimate of the world balance of power and of Western reaction to an attack on Yugoslavia.
11. If Tito should obtain substantial aid from the West, his position both as party and national leader would remain comparatively secure.
12. The current Yugoslav economic crisis has provided an opportunity for the United States

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to seek further gains in exploiting the Yugoslav-Soviet break in behalf of the West. In addition to the opportunity to strengthen Tito's position as a deviationist, the granting of

US aid would create a situation favorable to effecting more active Yugoslav support of the aims of the western world.

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**SECRET****DISCUSSION****I. ORIENTATION OF THE TITO REGIME****International Position.**

13. Since 1949 the Yugoslav Government has steadily, although cautiously, strengthened its economic, cultural, and political ties with Western governments. This trend represents above all the desire of the Tito regime to preserve its rule in Yugoslavia. It does not signify any basic change in the political philosophy of the Tito regime, but reflects the appreciation of the principal Yugoslav Communist leaders that they cannot heal the breach with the USSR and be sure of continuing to hold power. Consequently, since his rule would be definitely jeopardized without foreign support, Tito has been forced to turn to the West. Although many of Tito's recent statements must be read against the background of Yugoslavia's critical need for economic assistance at the present time, the outlook for the future is that the Tito regime will continue to improve its relations with the West.

**Internal Position.**

14. The Yugoslav Government has for some time shown a concern to widen its support

among the people, the overwhelming majority of whom are opposed to Communism. To this end the Government has inaugurated a number of ostensibly liberal changes in the political and economic system. These include amnesty for large numbers of political prisoners, toleration of some popular criticism, relaxation of travel restrictions, easing of some pressure on religious groups, reduction of special privileges of favored groups (primarily Party members), virtual abandonment of the drive for collectivization of agriculture and reduction of some pressures on collectivized peasants, modification of plans for rigid adherence to a forced industrialization program, and a program of economic and governmental decentralization. While these several changes have doubtless been of importance, they have not resulted in a change in the basic structure of the Yugoslav Communist system. Over-all Tito's government remains a dictatorial and repressive Communist regime whose continued existence is based primarily on the effectiveness of its police power.

**II. IMPORTANCE OF YUGOSLAVIA TO THE WEST****Strategic Importance.**

15. The strategic importance of Yugoslavia to the Western Powers lies in the following: its position as a vital link in the defense of the Eastern Mediterranean, and the Near and Middle East; its inclusion in the bloc that forms a potential threat to the southern flank of a Soviet attack on Western Europe; and its importance as a key member of a potential Balkan - Near and Middle East bastion of Western-oriented States from which the Communist Satellites and the USSR can be attacked directly. Yugoslavia is of strategic importance to the Soviet bloc as an approach

for attacks into Greece and Italy, and as an important integral part of the area that the USSR would have to bring under its domination to control the Eastern Mediterranean, the Black Sea and the Adriatic.

**Economic Importance.**

16. Yugoslavia is of only secondary economic importance to the West. It provides a convenient outlet for German, Italian, and British manufactures and is capable of supplying limited quantities of strategic non-ferrous metals. The volume of the transactions involved, however, is and will continue to be

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small and will have little effect on the economic situation of the Western countries.

#### Salient in the Soviet Ideological Front.

17. The continued survival of the Tito government as the only Communist regime not subservient to Moscow is a source of concern to the Kremlin. The Soviet leaders have always insisted that the USSR alone is the leader of the world Communist movement, and despite their efforts to deny that Tito is a Communist, their claim is contradicted so long as Tito remains independent of the Soviet Union. Although Moscow's control over the world Communist movement has not yet been endangered, the fact alone that it has been successfully challenged occupies Soviet leaders with an additional problem whose importance perhaps only Communists can accurately estimate. Both the Kremlin and Tito appear to estimate that the potential effects of the split may be especially significant in Asia. Cominform propaganda has warned against the efforts of the Yugoslavs in Asiatic countries. The Yugoslavs apparently hope that nationalist tendencies within the Chinese and other Asian Communist Parties will conflict with Soviet attempts at domination and are trying

to encourage splits which would end Yugoslavia's isolation in the Communist world. The Soviet campaign against Tito has already brought Moscow into conflict with fellow-travelers in various parts of the world. The Yugoslav defection has also disrupted the Soviet efforts to use Pan-Slav sentiments in Western countries to gain support for Soviet policies. These movements have been torn by internal divisions along Moscow-Belgrade lines, and their effectiveness as Soviet instruments has been reduced.

#### Base for Political Warfare in the Balkans.

18. The US diplomatic mission in Belgrade represents the one US post in southeastern Europe where few restrictions are now imposed and travel is relatively unhampered. Consequently, Belgrade is a potential center for US intelligence reporting for the whole area. The presence in Yugoslavia of large numbers of Albanians, Macedonians, Hungarians, and Rumanians affords the Yugoslavs a large potential for the waging of political warfare in the Balkans. Subversion, sabotage, guerrilla warfare, and propaganda are all within the range of accomplishment of these groups.

### III. SOVIET INTENTIONS TOWARD YUGOSLAVIA

19. The USSR's objective in Yugoslavia is the elimination of the Tito government and its replacement by a regime subservient to Moscow. Apparently unwilling to launch a military attack against Yugoslavia either by its Satellites or by itself, Moscow has applied strong economic, political, and psychological pressures short of war in an effort to weaken

the Yugoslav regime and isolate it from the Soviet orbit. Although the possibility of a Soviet and/or a Satellite attack against Yugoslavia cannot be dismissed, Soviet policy for the time being seems to call for the continuation of all previously used pressures against Yugoslavia, either separately or in concert.

### IV. MILITARY SITUATION

20. Yugoslavia cannot logistically support its armed forces in sustained operations for any extended period of time.

21. Any Satellite attack upon Yugoslavia will be directed and logistically supported by the USSR.

22. The effective defensive capabilities of the Yugoslav armed forces would vary with the scale and nature of possible attack, as follows:

a. The Yugoslav armed forces are capable of containing and defeating any one of the Satellite armed forces.

b. Without substantial outside logistic support the Yugoslav armed forces would be unable to withstand a combined Satellite attack, and even if given such support their capacity for sustained resistance would be questionable. If Yugoslavia were to be overrun, how-

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5

ever, Yugoslav forces would be committed to guerrilla warfare, which could be extremely effective if given outside support.

c. The Yugoslav armed forces could not in any circumstances withstand a serious Soviet

attack. They would be forced to withdraw into the mountains. Continued organized resistance in this mountain area would require major and prompt materiel assistance from the outside.

## V. IMPACT OF THE CURRENT ECONOMIC CRISIS ON THE STABILITY OF THE TITO REGIME

23. Prior to the current economic crisis in Yugoslavia, the Tito regime had attained a degree of political and economic stability that appeared adequate to insure its survival so long as it was not subject to outside military attack. Although a large majority of the population remained fundamentally opposed to Communism, the effectiveness of Tito's state apparatus was adequate to keep dissidents under control. Moreover, by 1950 opposition to the Communist regime had become somewhat tempered by feelings of nationalism aroused by Soviet-Satellite pressures and by Tito's firm stand against them. The Yugoslav economy as of mid-1950 had made a strong recovery from the effects of World War II and had made the essential readjustments required by the break with the USSR.

24. The extensive drought of the summer of 1950 materially reduced agricultural production and contributed to an economic crisis that may threaten the stability of the Tito regime. Substantial outside aid is essential to meet the basic requirements of the Yugoslav people until this crisis is past.

25. The USSR will spare no effort to exploit this crisis by increasing the efforts of its agents in the related fields of espionage, subversion, sabotage, fomentation of labor unrest, and possibly attempted assassinations of Yugoslav leaders. For several months at least, the Yugoslav security police probably will be able to keep these activities in hand, even if the economic crisis is not alleviated by

Western aid. However, in the absence of Western aid, a prolonged crisis would increase the difficulty of maintaining control in the face of internal discontent and Cominform-directed subversive pressure. While it is impossible to make a firm estimate of the longer-term effects under these circumstances, the probability is that Tito's police regime can survive the period of crisis, although in a weakened condition.

26. A softening of Yugoslav defensive capabilities and will-to-resist might occur and might in the course of the next year be a factor in bringing on a direct military attack by the USSR or, more likely, by the Satellite states bordering on Yugoslavia. This factor alone, however, will not be decisive in Soviet strategy, which will be dictated more by the Soviet estimate of the world balance of power and of Western reaction to an attack on Yugoslavia than by the internal Yugoslav situation.

27. If Tito obtains substantial aid from the West, his position both as party and national leader will remain comparatively secure.

28. The current Yugoslav economic crisis has provided an opportunity for the US to seek further gains in exploiting the Yugoslav-Soviet break in behalf of the West. In addition to the opportunity to strengthen Tito's position as a deviationist, the granting of US aid would create a situation favorable to effecting more active Yugoslav support of the aims of the western world.

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**SECRET****ENCLOSURE****SUPPORTING DATA****I. IMPORTANCE OF YUGOSLAVIA TO THE WEST****Yugoslav Orientation.**

1. *International.* The Yugoslav Government has steadily, although cautiously, strengthened its economic, cultural, and political ties with Western governments. This trend represents above all the desire of the Tito regime to preserve its rule in Yugoslavia. Since it is axiomatic with Communist, no less than other dictatorial rulers that ideological considerations must bow to the supreme objective of maintaining their monopoly of power, Yugoslavia's turning to the anti-Communist West does not signify any basic change in political philosophy of the Tito group. Instead it reflects their appreciation of the realities of the present situation. They cannot heal the breach with the Soviet Union and remain assured that they would continue to hold power. Consequently, since their rule would be definitely jeopardized without foreign support, they have been forced to turn to the West.

Although many of Tito's recent statements, with their over-tone of assurance, must be read against the background of Yugoslavia's critical need for economic assistance at the present time, the outlook for the future is that the Tito regime will continue to improve its relations with the West.

Whether Tito will ultimately modify his position as a "sincere Communist" either to impress his Western benefactors or to extend his base of power within Yugoslavia, is still a question for speculation. Current developments do not provide sufficient evidence to reach even a tentative conclusion, although they do show a willingness to break with some phases of the Soviet version of Communism.

*a. Economic.* In contradistinction to the situation before June 1948, when Belgrade had become a party to a series of interlocking agreements with the USSR and the Cominform countries and about half of total Yugoslav trade was with the East, trade with the Soviet orbit, as a result of the Soviet and Satellite boycotts, has been discontinued. On 11 October 1950 it was announced that Belgrade would supply a major share of its strategically important non-ferrous metals (copper, lead, and zinc) to the US through the end of 1951. This is expected to total between \$15 and \$20 million. Trade pacts have been concluded with the UK, France, Belgium, Western Germany, and many Scandinavian, Near Eastern, and South American countries. On the other hand, the Cominform countries have maintained a rigid boycott against Yugoslavia, and Yugoslav trade with them has been discontinued.

**TABLE 1****YUGOSLAV TRADE TURNOVER, 1947-49**

	1947		1948		1949	
	Million of dollars	Per- cent	Million of dollars	Per- cent	Million of dollars	Per- cent
Soviet Sphere	171	51	287	46	60	12
Non-Soviet World	167	49	331	54	424	88

SECRET

7

*b. Cultural.* The Yugoslav Government has been revising the trend toward Russification that was so strongly pressed during the period 1945-47. The Central Committee of the Communist Party of Yugoslavia (CPY) in January 1950 adopted a resolution on education in which the Russian-language study priority in Party and other schools was terminated. Russian now becomes one of the languages which might be studied along with English, French, and German. The resolution also presaged the replacement of Russian textbooks, particularly in the social sciences. The bi-monthly Yugoslav publication *Kommunist* said in August 1950 that one of the main courses at the Party school, the "History of the Communist Party in the Soviet Union," would be removed from the curriculum. The course will be replaced by the "History of the International Workers' Movement" which is organized so as to dispute the right of the USSR to claim total credit for the progress of world Communism. A public showing of the works of Mica Popovic opening in Belgrade 23 September marked the first time that a non-Communist artist has been permitted to exhibit since the Tito regime came to power. Moreover, the Popovic-authored brochure for the exhibit contained a six-page comment on "Yugoslav Art Since the Liberation" that presented a strong attack on totalitarian control of artistic expression. Moreover, the organ of the Belgrade Peoples Front, *20 Oktober*, made the comment (unusual for a totalitarian country) that "some of Popovic's statements are not correct, but no one will deny his right to express them." The anti-Soviet trend in cultural relations is further reflected in the Yugoslav decision to except the US from the January decree curtailing the activities of representatives of other countries, especially those of the Soviet orbit, and in scathing propaganda attacks on the "Stalin cult" which debunk the efforts of Soviet leaders to instill a "feeling of religious love, fear and respect of Stalin" in all Communists.

*c. Political.* The break with Stalin, together with the intensity of Soviet efforts to supplant the Tito regime with one more favorable to Moscow at a time when the Soviet Union was talking of peace in international

forums, appears to have convinced the majority of even the more doctrinaire Yugoslav Communists that association with the West was virtually necessary if not only Tito but the bulk of the Party hierarchy were to survive. Yugoslav leaders, however, proceeded slowly, always showing the gravest concern that neither their national independence nor their purity as true Marxists was compromised. Nevertheless their alignment with the West has steadily grown in scope and depth. This is reflected by:

- (1) The improvement in relations with Italy, Greece, and Austria.
- (2) The virtual cessation of recrimination on the Trieste and Carinthia issues.
- (3) The cessation of propaganda attacks against the US and other Western governments and the fair and impartial treatment given major developments featuring the US struggle against Soviet expansionism.
- (4) Tito's 10 July 1949 decision to close the Greek border, bringing about the virtual cessation of the Greek civil war and providing increased opportunity for the economic and political stabilization of the Athens government.
- (5) Publicity given by the Yugoslav Government to the aid that the US is giving Yugoslavia to combat the present crisis.
- (6) Withdrawal of Yugoslav 4th Army troops threatening the security of Trieste and the Italian border areas. The Yugoslavs have shown themselves increasingly friendly towards US military attachés and have permitted close-hand observance of Yugoslav troop maneuvers and training exercises.
- (7) Marshal Tito's decision to permit the basing of the US Embassy plane in Belgrade and the Marshal's concurrence in American Ambassador Allen's suggestion to settle difficulties arising out of individuals' possessing dual citizenship by joint concurrence on an individual basis.
- (8) Evidence of a decision to buy arms in the West, a development that would automatically lead to a large measure

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of military dependence on the West. Tito's conversations with US Congressmen included the subject of the purchase of jet planes. Tito has conferred with a French official on the problem of obtaining arms through France, and Yugoslavia has attempted to purchase a cartridge plant in Belgium.

More impressive than these several changes in Yugoslavia's relations with particular Western nations has been the shift in the Yugoslav position in the UN. Yugoslavia has successively moved from active support of the USSR to neutrality between the USSR and the West, and, most recently, to increasing support for the West.

Until June 1948 Yugoslavia was a faithful mouthpiece of the Soviet Union in all UN proceedings. Even after the break with Moscow in June 1948 Yugoslavia was slow to abandon its automatic support of Soviet UN proposals. Yugoslav delegates acted independently of the Soviet bloc for the first time at the General Assembly in September 1949, when Foreign Minister Kardelj announced that Yugoslavia would adopt an "independent" attitude on all issues.

The Korean crisis, particularly since Communist China's intervention, has forced the Yugoslav Government to abandon its position of neutrality and proclaim its support of UN action against aggressor nations. Thitherto Yugoslavia had refrained from supporting UN action against the North Koreans, had urged mediation of the dispute, and had urged that the UN grant North Korea and Communist China a hearing on the Korean dispute. However, in September 1950 Kardelj compared the North Korean action to the Cominform campaign against Yugoslavia and by November had moved even closer to the US position on the Korean crisis. Yugoslavia's representative on the Security Council participated in the 10 to 0 decision to place the US complaint against Chinese intervention on the agenda as the first item of business, and Marshal Tito told *New York Times* correspondent Sulzberger on November 6 that his country would abide by any decision taken by the UN on Chinese Communist aggression in Korea. But he added his belief that the dangers

which face Yugoslavia make it unlikely that Yugoslav troops would be called upon to fight against any aggressor outside of Southeastern Europe.

Yugoslavia's shift on the Korean issue is of course not the result of altruism but is a simple reflection of a policy of supporting measures which the regime feels will enhance Yugoslavia's own security and interests. Chinese Communist intervention in Korea has apparently made the Yugoslavs more fearful that the Soviet bloc might be willing to risk the consequences of aggression against Yugoslavia. Accordingly, Belgrade wants to have its record clear on opposing aggression so that there would be no impediment to its asking UN support in case of attack on Yugoslavia. Thus Yugoslavia supported the seven-nation "uniting for peace" resolution in the General Assembly and submitted proposals of its own along the same line.

In UN questions having to do with traditional Communist "causes" not related to aggression, Tito's delegates still maintain the old line. This, however, is clearly for the purpose of maintaining an "ideologically correct" record and not to give aid and comfort to the Kremlin. Thus Yugoslavia opposed the lifting of the diplomatic blockade against Franco. In the Trusteeship Council, Yugoslavia has opposed the Western Powers on various issues that constitute "colonial imperialism" in the orthodox Communist view.

2. *Internal.* On 22 January 1950 when US Ambassador Allen presented his credentials to Yugoslavia, Foreign Minister Kardelj told him that although every revolutionary movement must be ruthless at the beginning, it would have to move towards genuine democracy or lose its popular support. The Foreign Minister's statement appeared to reflect Belgrade's growing concern to widen its strength among the people, the overwhelming majority of whom are opposed to Communism, but support the government in its stand for the maintenance of national independence. Now that it is apparent that the present drought presents a pressing problem, the Yugoslavs appear to have increased their efforts to make the regime appear more "liberal." Developments in this connection are as follows:

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9

- (1) The Ministry of Interior announced 1 January 1950 amnesty for 7,304 political prisoners, to be effective immediately. According to usually reliable sources those affected were mainly anti-Communist elements who had been imprisoned for "re-education." Tito in his 7 November interview with the correspondent of the *New York Times* said another "extensive" amnesty would soon take place.
- (2) Increasing evidence of the ability of the common people to speak out against the regime without fear of reprisal. This has been reported by a variety of foreign visitors to Yugoslavia during the past year and is dramatically illustrated by the Popovic brochure referred to above and by *20 Oktober's* comments on it.
- (3) Relaxation on travel restrictions in the case of both native and foreign elements. In striking contrast to the Satellites, Yugoslav students, writers, engineers, scientists, and sports teams have been increasingly allowed to travel to Western countries since the end of Soviet domination.
- (4) Easing of some pressure against the Roman Catholic, Orthodox and Protestant Churches. The Roman Catholic Bishop of Mostar, and Father Janez Janko, vicar-general of Belgrade, have been released from prison and permitted to return to their native villages. Four Lutheran churches in Slovenia and Bosnia have been returned to church authorities, and allowed to reopen. The oldest theological seminary in Serbia, formerly used as a barracks for troops, has been returned. The first consecration of a Roman Catholic bishop since the war recently was allowed in the diocese of Pazin and more consecrations are expected to be permitted in Dalmatia and Croatia. The Orthodox Patriarch Vikontije has won from Tito a promise that social insurance will be extended to cover priests and their families, and Tito has also promised to consider returning some of the frozen funds of the Orthodox Church. In primary schools there is evidence that the government is relaxing its efforts to prevent religious instruction, and the regime no longer makes a conscious effort to schedule political and military events on Sunday in order to keep the faithful out of the churches. That there are definite limits to the new "soft" policy on religion is evidenced in a number of ways, however. The Catholic Archbishop of Zagreb, Aloysius Stepinac, has not been released, nor has the outspoken Orthodox Bishop Varnava Nastic. Some 350 Roman Catholic priests and a lesser number of Orthodox are still believed imprisoned. The government is making efforts to attract elements of the Catholic clergy in Slovenia, Croatia, and Bosnia-Hercegovina by forming a St. Cyril and Methodius Society which is directly under the influence of the regime. Recently three Catholic priests were excommunicated for joining this organization and lending themselves to the cause of Tito. In short, although concrete progress has been made recently, there remains great room for improvement in church-state relations. In Cominform countries, on the other hand, the position of the churches has steadily deteriorated.
- (5) On 15 October 1950 the government published a decree wiping out the special privileges, particularly in food and housing, enjoyed by high state and party officials, army officers, and other members of the hierarchy. The act, which broke the pattern followed in all Communist countries, was aimed at placing all citizens, regardless of rank, in the same category in the face of the difficulties created by the drought. The order does, however, list a number of exceptions. The main purpose appeared to be to allay internal dissatisfaction with the openly privileged positions of the Army, CP members, UDBa, and government officials, and to create propaganda ammunition in the

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ideological battle with the Cominform. Under the provisions of the law no one could receive more food than miners and forestry and railroad workers.

- (6) The drive for collectivization of agriculture has been virtually abandoned, and the lot of peasants already included in collectives has been somewhat eased. In most collective farms in the Vojvodina, instead of the collective's being obliged to deliver a fixed quantity of produce, quotas are on a percentage basis. Equally important is the provision that Yugoslav collective farmers may do as they please with the produce from their own private plots and privately-owned domestic animals.
- (7) Yugoslav visitors to the US Information Center in Belgrade have continually increased in the course of the past few months, suggesting that the pressure and threat of pressure formerly used against any Yugoslav attending a US-sponsored event is no longer in force.
- (8) In an interview 12 November with a West German news agency Tito stated that "there will be no second five year plan similar to the first five year plan." He said that Yugoslav economy will emphasize increased consumer goods production, for "above all we must raise living standards in the next few years." Tito added that the nationalization of small craft industries adopted in imitation of the Soviets was a mistake, and that some will be returned to private ownership.
- (9) In June 1950 a "program of decentralization" was inaugurated with the establishment of workers' councils in each factory to share management with government-appointed managers. Workers' councils, according to the formula laid down in the law of 26 June, will assist in the formulation of policy, in production, and in all matters affecting the operation of the plants. Yugoslav leaders have claimed that through this change the factories have been handed over to the workers in the full

sense of the word. These claims are obviously extreme, however. Yugoslavia is a peasant country and industrial workers have little or no training, many of them being illiterate. Under such backward conditions it is clear that workers could not actually be entrusted to "manage" a factory, even if the government desired it. Moreover, since the essence of socialism is planning, workers' councils could not be left to do as they please in the matter of production, working conditions, pricing, wages, etc. Apparently the Yugoslav leaders understand this, for the text of law provides that the power remains in the hands of the manager, not the workers. The real objective of the workers' council appears to be to serve as a propaganda device for the promotion of labor and production efficiency.

While these several changes have doubtless been of importance, they have not resulted in a change in the basic structure of the Yugoslav system. Over-all Tito's government remains a dictatorial and repressive regime whose continued existence is based primarily on the effectiveness of its police power.

#### Strategic Importance of Yugoslavia.

A Western-oriented Yugoslavia could be extremely useful in protecting the southern flank of Western Europe, in preserving Allied control over the Mediterranean lines of communication and in securing the Near and Middle East. The entrance to the Black Sea from the West is controlled by the combined military potential of Yugoslavia, Greece, Turkey, and Albania. Furthermore, Yugoslavia guards the eastern shores of the Adriatic and thus denies short-range air attacks and trans-Adriatic amphibious attacks on Italy from the east. Under certain conditions, Yugoslavia might become the key strategic country in these areas.

In considering possible land campaigns in Eastern Europe, Yugoslavia is strategically important. The best land approach into Greece from the Iron Curtain countries, and the approach successfully used by the Nazis, is through Yugoslavia via the Vardar Valley.

SECRET

11

This approach flanks and penetrates the rear of the Metaxas Defense Line. The Julian Alps in northwestern Yugoslavia guard the approach to Northern Italy from the east. A defensive line through the rugged Julian Alps would extend the defenses of northern Italy some 100 miles eastward beyond the Piave River line.

One of the greatest potential threats against Soviet security actually exists in the Balkan-Near and Middle East area. Yugoslavia has 33 divisions; Greece, 8; Turkey, 19; Iran, 10; making a total of 70 divisions. Perhaps these are not excellent divisions by US standards, but they are divisions, nevertheless. These are the forces which are estimated to resist *if attacked* or if *seriously threatened* by the USSR. If in the eyes of the USSR they were so strong that they could not be attacked with profit, the Soviets probably would avoid attacking this area, and if these countries were actively allied with the West a Soviet attack against Western Europe might be forestalled.

Therefore, by making the Balkan-Near and Middle East area, with its 70 divisions in being, a defensive bastion, there will be created a threat against the Soviet flank of ultimate aerial and of later land and sea penetration of the USSR in the event of Soviet military aggression. It is here that military actions would hurt the USSR immediately and most, and hence, however unlikely such offensive action by the Allies may be, the threat would require the continued diversion of major Soviet forces.

In the mountainous areas of the Balkans and the Near and Middle East, the greatest security can be obtained with minimum forces. If the Balkan-Near and Middle East bastion should be made sufficiently strong, it would eliminate the necessity for a close-in defense of the Cairo-Suez area. The line of defense for the Eastern Mediterranean and the Near and Middle East is through Yugoslavia, Turkey, and Iran. Furthermore, the backbone of this defense possibly could be composed of indigenous troops.

If the Balkan situation should deteriorate and the Soviets regain control over Yugoslavia, it must be expected that the Soviets will not

stop with the elimination of Tito, but will establish a regime in Yugoslavia which will not again defect. Therefore, should the Yugoslav question be resolved in favor of the Soviets, it must be expected that the Soviet Armed Forces will push on to the Adriatic, thereby effectively piercing the Western line of defense and posing an immediate threat to Italy and Greece and to Western security in the Central Mediterranean.

#### Economic Importance.

Yugoslavia is of only secondary economic importance to the West. It provides a convenient outlet for German, Italian and British manufactures and is capable of supplying limited quantities of strategic non-ferrous metals. The volume of the transactions involved, however, is and will continue to be small and have little effect on the economic situation of the Western countries.

#### Salient in Soviet Ideological Front.

There is no question that the continued survival of the Tito government as the world's only Communist regime not subservient to Moscow is a source of grave concern to the Kremlin. The Soviet leaders have always insisted that the USSR alone is the leader of the world Communist movement, and, despite their efforts to deny that Tito is a Communist, their claim is contradicted so long as Tito remains independent of the Soviet Union.

Although Tito has made no concerted effort to develop an international following among foreign Communists and fellow-travelers, his ability to preserve a national Communist regime clearly raises the prospect that in time other Communists may reconsider their relationship to the Kremlin. Thus far, there is no evidence of any significant Communist group's dropping its pledge of unquestioning loyalty to the USSR, yet there are indications that both in the Satellite states and in foreign Communist parties the requirement of obedience to the Kremlin is a source of friction. If the Soviet Union, as it has since Tito's defection, increasingly insists on even more rigid obedience from its foreign supporters, and at the same time Tito achieves greater success both internally and internationally, this friction is likely to increase. Thus, although Mos-

SECRET

cow's control over the world Communist movement has not yet been endangered, the fact alone that it has been successfully challenged occupies Soviet leaders with an additional problem whose importance perhaps only Communists can accurately estimate.

The extent to which this is true is testified by the fact that the Rajk trial in Hungary, the Kostov trial in Bulgaria, the Koci Xoxe trial in Albania, the removal of Gomulka in Poland, all came as a result of Moscow's mistrust of possible nationalist-minded leaders in the ranks of Eastern European Communists. Although the ensuing party shake-ups have increased Moscow's control, they have not reduced the Kremlin's suspicion of the continued existence of nationalist elements.

The concerted Soviet propaganda effort to brand Tito as a "fascist" represents an effort by Moscow to take the rift out of the context of an intra-party quarrel and cast it in terms which do not so pointedly call Moscow's supremacy into question.

Both the Kremlin and Tito appear to estimate that the potential effects of the split may be especially significant in Asia. Cominform propaganda has warned against the efforts of the Yugoslavs in Asiatic countries. Marshal Tito's August interview with an Indian Socialist journalist portrayed the USSR as acting contrary to the interests of the peoples involved in both Korea and China. The Yugoslavs apparently hope that nationalist tendencies within the Chinese and other Asian Communist Parties will conflict with Soviet attempts at domination and are trying to encourage splits which would end Yugoslavia's isolation in the Communist world. So far Belgrade's efforts in the Far East have not met with any success. Tito has been unsuccessful in obtaining any responses to his overtures to Mao and Ho Chi Minh in Indochina. His only diplomatic representation is in New Delhi.

The Soviet campaign against Tito has brought Moscow into conflict with fellow-travelers such as Zilliacus, O. John Rogge, Jean Cassou and others who have hitherto supported Soviet front organizations. The Cominform communique of 29 November 1949 railed against the efforts of the Yugoslav "im-

perialist agents and splitters of the ranks of the international working class movements." Belgrade has made great efforts to court the so-called "progressive elements" in the West, particularly in France and Italy. Moshka Pijade, veteran Politburo member and one of the leading Yugoslav theoreticians, made a trip to France and Western Europe last summer presumably to discuss the Yugoslav position with leading persons of left-wing orientation. In Italy the Yugoslavs have endeavored to split the Italian Communist Party and to curry favor among the Nenni Socialists and other leftist parties.

Marshal Tito recently spoke in Belgrade to a delegation of former Italian Partisans and members of the wartime Norwegian resistance movement. After stating that the situation of Communist parties which are not in power is different from those which are in power because their functions are so disparate, Tito said that the former "fights for the improvement of social conditions of work and life of the working classes; it is in opposition to the ruling class in this or that country and fights for authority. Directives which a party receives from some center are more or less of a general character. Even this type of party must consider the needs and specific conditions of the working class which it represents." "But", said Tito, "a Communist Party which already has authority in its hands has much larger tasks and must pay more attention to the general needs of the peoples of the land. It must carefully approach the solution of certain problems and it is absolutely impossible for it to receive directives from the side where the concrete situation of the country in question is not at all known."

Veljko Vlahovic, a member of the Central Committee of the CPY on 28 November 1949 recognized the limited results and immediate prospects when he explicitly denied the existence of, or Tito's intention to create, a "Titoist international" as charged by the Cominform. This was not the first such denial, but it was the most explicit. This does not mean, however, that the Yugoslavs will not continue to seek support abroad, but rather that they are not ready or able to organize a formal anti-Cominform movement. In this connection



SECRET

13

the disproportion between Moscow and Belgrade in resources, prestige, and techniques obviously acts to the detriment of Belgrade.

Finally, the Yugoslav defection has disrupted the Soviet efforts to use Pan-Slav sentiments in Western countries to gain support for Soviet policies. These movements have been torn by internal divisions along Moscow-Belgrade lines, and their effectiveness as Soviet instruments has been reduced.

#### Base for Political Warfare in the Balkans.

The US diplomatic mission in Belgrade represents the one US post in southeastern Europe where few restrictions are now imposed and travel is relatively unhampered. Consequently, Belgrade is a potential center for

US intelligence reporting for the whole area. In addition, Yugoslavia's defection from the Soviet bloc has heightened the geographical isolation of Albania and increased the pressure on the Hoxha government. If Albania is eventually forced out of the Soviet bloc, the way would obviously be opened for the formation of an anti-Soviet bloc composed of Turkey, Greece, Albania, Yugoslavia, and possibly Austria or Italy. The presence in Yugoslavia of large numbers of Albanians, Macedonians, Hungarians, and Rumanians affords the Yugoslavs a large potential for the waging of political warfare in the Balkans. Subversion, sabotage, guerrilla warfare, and propaganda are all within the range of accomplishment of these groups.

## II. SOVIET INTENTIONS TOWARDS YUGOSLAVIA

The Soviet Union's objective in Yugoslavia is the elimination of the Tito government and its replacement by a regime subservient to Moscow.

Moscow has shown that the elimination of Tito remains a constant goal. The Soviet radio at present devotes more time to broadcasts to Yugoslavia than to any other country. The only Cominform meeting held since the expulsion of Tito in June 1948 was convoked in November 1949 to announce the tactics to be used against Tito and against any Titoism in the world Communist movement.

Apparently unwilling thus far to launch a military attack against Yugoslavia either by its Satellites or by itself, Moscow has applied strong economic, political, and psychological pressure short of war in an effort to weaken the Yugoslav regime and isolate it from the Soviet orbit. The USSR and its Satellites have established an economic boycott against Yugoslavia, and have inspired and encouraged sabotage and subversive activity against the Tito regime. The Soviet bloc countries have renounced their mutual assistance treaties with Yugoslavia, virtually suspended diplomatic relations, and harassed and intimidated

Yugoslav diplomats abroad. The Yugoslavs also complain that their national minorities in Rumania, Bulgaria, Hungary, Czechoslovakia, and Eastern Germany have suffered intimidation and discrimination. Moscow has maintained a constant threat of military operations by means of border incidents and a military buildup in neighboring countries, and through repeated charges of Yugoslav aggressive intentions against the Soviet bloc countries. The USSR has secured the expulsion of Yugoslavs from international Communist front organizations and has maintained an intense propaganda campaign to prove that the Tito regime is "fascist" and subservient to the West.

Although the possibility of a Soviet and/or a Satellite attack against Yugoslavia cannot be dismissed, Soviet policy for the time being seems to call for the continued application of all previously used pressures against Yugoslavia, either separately or in concert. Moscow undoubtedly is trying to exploit a situation, such as the present serious drought, which gives it the opportunity for increased political leverage both among the masses of the people and the hierarchy of the Party.

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### III. THE ECONOMIC CRISIS

The Yugoslav economy as of mid-1950 had made a strong recovery from the effects of World War II and had demonstrated its ability to make the essential readjustments required by the break with the USSR. Production in the three principal segments of the economy—agriculture, forestry, and non-ferrous metals—was above prewar levels. Output of ferrous metals, ferro-alloying elements, coal, electric power, petroleum, chemicals, textiles, and machine tools had reached, and in many instances surpassed, prewar levels. Production in most lines was continuing to expand, and the transportation system was supporting more than twice the prewar volume of traffic.

Still, as of mid-1950, the margin of safety in the political and economic stability of the Tito regime was not great, deriving for the most part from the efficiency of the internal security system and popular inertia rather than from solid support by the population.

#### Magnitude of the Current Economic Crisis.

During the summer of 1950 an extensive drought materially reduced agricultural production in Yugoslavia and brought an economic crisis that may threaten the stability of the Tito regime unless outside aid can be obtained, primarily in the form of foodstuffs. Over-all grain production in 1950 will amount to 5.2 million tons, or approximately one-third less than the 1949 production of 7.6 million tons. In addition, there are substantial shortages of potatoes and other vegetables. Grain shortages and burnt-out pasturage are forcing the excessive slaughter of livestock, destroying the long-term prospects for meat supply. During the course of the winter, deficiencies in agricultural products will cause extreme hardship and some outright starvation in the absence of substantial imports of foodstuffs.

The effects of the current economic crisis will be felt primarily by the urban population, but belt-tightening will be necessary throughout the country. Existing government stocks of grain and other foodstuffs probably will have to be reserved for the armed forces. Consequently, the Yugoslav people can expect a crit-

ical deterioration in their standard of living. Food prices on the free market will continue to rise, and stringent food-rationing will be essential. Loss of agricultural exports will cause a reduction of total 1950 exports by approximately one-fourth (\$50 million) and in turn will require a substantial cutback in the importation of consumer goods and raw materials for light industry. As a result, there will be a serious inflationary threat.

With or without inflation, Yugoslavia is incapable of financing emergency food purchases from the West because its foreign exchange reserves, including the increments from US and other Western financial aid, are nearly depleted by purchases and commitments for import. A cutback in the basic Five Year Plan of economic development would provide only limited funds for the purchase of foods. Nothing short of substantial Western assistance can alleviate the strain on the Yugoslav economy.

The following imports are estimated to be essential to meet domestic requirements until a near normal harvest becomes available: grain for food and feed 1.1 million tons, beans 30,000 tons, fats 20,000 tons, sugar 20,000 tons, and potatoes and vegetables 300,000 tons. The official Yugoslav Government request for foodstuffs in amounts roughly comparable to these is estimated to cost about \$70 million. In addition, to alleviate an acute shortage of consumers' goods which has seriously reduced the incentive to work, particularly on the part of the peasants, cotton and wool purchases from abroad for use in clothing will be needed in the following amounts: 24,000 metric tons of cotton (\$20 million) and 3,000,000 pounds of wool (\$2,300,000).

#### Internal Effects of the Crisis.

As a result of the effects of the drought on the Yugoslav economy, the stability of the Tito regime has encountered serious pressure. Peasant hostility toward the regime has already resulted in a number of violent local disorders. If the level of rural living conditions declines further under the impact of the drought, and if local authorities exert increasing pressure to extract food quotas, as seems

**SECRET**

15

inevitable in the absence of considerable outside aid, it is possible that local disorders will spread and become more difficult to control. A sharp decline of the already low living standards will also undermine the morale of the labor force, diminishing its efficiency and output. The high level of absenteeism and labor turn-over evident during the past year already has slowed down Yugoslavia's economic reconstruction and development. Western observers have reported during the past few weeks that criticism of the regime's failings is general and outspoken. While there are indications that some of this criticism stems from the ranks of the Yugoslav Communist Party, particularly in Slovenia and Croatia, and charges of Cominformism were recently leveled at three members of the Croatian Republic Government, there is little evidence that Cominformist sentiment is widespread within the Party or that discontent with the regime springs from this source. The cause of current criticism is simply the apparent failure of the Tito Government to deal with the present economic crisis.

Nevertheless, despite the economic crisis, the Yugoslav security forces probably are strong enough and efficient enough to maintain internal order during the next few

months. Still, if the hardships brought on by the economic crisis are not alleviated by outside aid, the maintenance of internal security will place an increasingly heavy material and psychological burden on the Yugoslav government.

The Cominform will attempt to take advantage of the crisis to increase the efforts of its agents in the fields of espionage, subversion, sabotage, the fomenting of labor unrest, and possible attempts to assassinate Yugoslav leaders. Although underground penetration of Yugoslavia by Cominform agents presents exceptional difficulties, there is some evidence that a limited clandestine traffic across the Yugoslav frontiers has existed for some time, and there are in neighboring countries a number of camps engaged in training Cominform partisans for operations in Yugoslavia. There is the possibility that some of the recent ostensibly spontaneous peasant uprisings may have been directed by Cominform agents. Although anti-Soviet feeling among the Yugoslav peoples is so strong as to make unfeasible the conduct of Soviet-sponsored guerrilla activities, the USSR can increase its efforts to exploit Yugoslav popular discontent, national antagonisms, and separatist tendencies.

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# = ESTIMATES - VIEW/OBTAIN FROM NARA

+ = PG. COUNT CONFIRMED

(SAN) = SANITIZED