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**Yugoslavia**  
**Key Points**

- The demise of the Yugoslav federation continued to move inexorably forward as Slovenia and Croatia announced they were seeking "disassociation" from Yugoslavia and ethnic Serbs in Croatia and Bosnia declared their desire to live in one country with their Serbian brothers in other republics.
- The federal Army and Croatian military almost came to blows in late January and again in early March. In both cases, federal civilian authorities crafted a last-minute compromise. Croatian claims that Serbia is deliberately trying to provoke a confrontation suggests that the potential for conflict remains high.
- Prime Minister Markovic's economic reform program has been totally discredited. The federal government cannot persuade the republics to turn over tax receipts. Industrial production continued to fall and inflation hit an annualized rate of 268 percent in February. Foreign exchange reserves have dropped by 30 percent since September and there are rumors of an imminent devaluation of the dinar.
- Slovenian and Croatian leaders lobbied hard for international recognition during visits to key West European states, while the Serbian press stepped up attacks against the West, particularly US diplomats in Belgrade. [REDACTED]

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## Yugoslavia

Yugoslav unity underwent its most severe test yet as federal and Croatian military forces nearly came to blows in late January and again in early March. [REDACTED]

**Political Process.** After a series of tense and inconclusive summit meetings of federal and republic leaders on the future of Yugoslavia, Slovenia on 20 February recast the debate in terms of breakup by issuing a proposal to "disassociate" itself from the federation. Croatia followed suit two days later with its own disassociation proposal. Leaders of the two republics probably opted to seek dissolution rather than secede to deprive the federal Army of a pretext for intervention and enhance their chances for international recognition as independent states. Both have indicated they will secede if an agreement cannot be worked out by summer. Federal and republic leaders are to have another go at working out terms for republic separation on 12 March. [REDACTED]

Serbian strongman Milosevic responded to these proposals by trying to impose his own expansionist terms for the country's dissolution. In late February, almost certainly at his orders, the "Serbian National Council" in Croatia proclaimed the secession of Serb-dominated areas from Croatia and their desire to form a country with their brothers elsewhere in Yugoslavia. In neighboring Bosnia, the major Serb party appealed to federal authorities to use all means to keep Serb-dominated areas of that republic in the federation. The Serbian press, meanwhile, continued its propaganda campaign against the "fascist" Croatian government and against Prime Minister Markovic. [REDACTED]

**Control of Society.** Yugoslavia narrowly avoided armed conflict in late January and again in early March. Tensions remain high and hostilities could break out with little warning. In January, federal civilian authorities drafted a last minute compromise that headed off a shootout between the federal Army and Croatian forces over Croatia's refusal to comply with federal orders to disarm its paramilitary forces. Serbian nationalists and the Army, however, continued to put pressure on Croatia. In late February, the federal prosecutor—probably under orders from President Jovic, a Serb—accused Croatian

President Tudjman of treason and the Army issued an arrest warrant for the Croatian Defense Minister. In March, Jovic ordered the Army to intervene after Croatian special police forces had stopped a rebellion by local Serbs in the Croatian town of Pakrac. The stand-off ended without serious bloodshed after representatives of the federal Presidency helped broker an agreement leaving Croatia in control of the town. [REDACTED]

**Management of the Economy.** Economic problems continue to grow, and the federal government under Prime Minister Markovic is increasingly powerless to effect change or even enforce the current rules of the game. It has had to slash its staff as the republics have continued to refuse to pay most federal taxes, and senior officials say they may have to print money to meet military needs. Industrial production in January fell 18.2 percent compared to a year ago, inflation hit an annualized rate of 268 percent in February, and foreign exchange holdings have fallen by 30 percent since last fall. Wage-driven labor unrest is growing, particularly in Serbia. [REDACTED]

**Foreign Relations.** Relations with Hungary have nosedived since the revelation in January that senior Hungarian officials were involved in the sale of arms to Croatia. Slovenian and Croatian leaders lobbied hard for international recognition during visits to key West European states. Attacks against the West, particularly against US diplomats in Belgrade, have picked up recently in the Serbian press, reflecting the Serbian leadership's growing seige mentality. A Soviet diplomat in Belgrade, meanwhile, claimed in February that Serbia was making efforts to establish a special relationship with the USSR but that Moscow had rebuffed them. [REDACTED]

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