

~~SECRET~~

The Director of Central Intelligence  
Washington, D.C. 20505

NIC #5949-83  
18 August 1983

National Intelligence Council

MEMORANDUM FOR: Acting Director of Central Intelligence  
FROM : Stanley M. Moskowitz  
National Intelligence Officer for USSR-EE  
SUBJECT : Monthly Warning Assessment - USSR-EE

(b)(1)  
(b)(3)

~~SECRET~~

~~SECRET~~

(b)(1)  
(b)(3)

3. Yugoslavia.

A. Discussion.

We remain uncomfortable about the situation in Yugoslavia. While the economic news is not uniformly bad, there are tough patches ahead and the political leadership still seems at a loss to how to energize the Yugoslav people to pull together.

On the positive side, the federal assembly recently adopted the Kraiger Commission report which calls for the use of more market mechanisms in the economy. Implementation is to come this fall and will meet opposition. The news on the balance of payments is mixed. Austerity measures are beginning to pay off, but in 1983 the Yugoslavs will still have a \$700 million shortfall (vice 1.4

~~SECRET~~

~~SECRET~~

billion in 1982) which means that they will either have to reschedule or somehow obtain another package of emergency aid from Western banks and governments. After 1983, even though they might begin to show either balance or even a surplus in the current account, they will remain under considerable economic pressure. Thus, in 1984, they will have to repay about \$2.56 in principal which is maturing -- for a combined total of \$4.56 principal and interest repayments. The biggest political unknown is how the country at large and the political leadership will react to the bad economic news for 1983. The population has seen a steady decline in its standard of living, while the leadership has had to accept externally-imposed austerity in order to get the Western rescue package. When the news of another deficit in 1983 becomes public, both the leadership and the country may well ask themselves if the sacrifices have been worthwhile.

Against this economic backdrop, Defense Minister Mamala's open attack on the parochialism of the party leadership, and his references to the Army putting itself at the disposal of the working people, is a remarkably open expression of disappointment with the political leadership.

(b)(1)  
(b)(3)



Stanley M. Moskowitz

~~SECRET~~

(b)(3)