

~~SECRET~~

~~CONTROLLED DISSEM~~

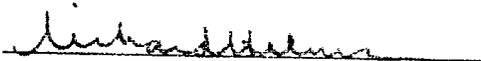
NIE 15-67
13 April 1967

NATIONAL INTELLIGENCE ESTIMATE

NUMBER 15-67

The Yugoslav Experiment

Submitted by



DIRECTOR OF CENTRAL INTELLIGENCE

Concurred in by the

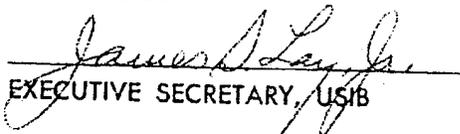
UNITED STATES INTELLIGENCE BOARD

As indicated overleaf

13 April 1967

CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL

Authenticated:


EXECUTIVE SECRETARY, USIB

~~SECRET~~

~~CONTROLLED DISSEM~~

No 433

~~SECRET~~

The following intelligence organizations participated in the preparation of this estimate:

The Central Intelligence Agency and the intelligence organizations of the Departments of State and Defense, and the NSA.

Concurring:

Vice Adm. Rufus L. Taylor, Deputy Director of Central Intelligence

Mr. Thomas L. Hughes, the Director of Intelligence and Research, Department of State

Maj. Gen. Robert R. Glass, for the Director, Defense Intelligence Agency

Lt. Gen. Marshall S. Carter, the Director, National Security Agency

Abstaining:

Dr. Charles H. Reichardt, for the Assistant General Manager, Atomic Energy Commission and Mr. William O. Cregar, for the Assistant Director, Federal Bureau of Investigation, the subject being outside of their jurisdiction.

~~WARNING~~

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited.

~~GROUP 1
Excluded from automatic
downgrading and
declassification~~

~~SECRET~~

~~SECRET~~

CONTENTS

	<i>Page</i>
CONCLUSIONS	1
DISCUSSION	2
I. INTRODUCTION	2
II. THE NATIONALITIES PROBLEM	3
III. THE STRUCTURE OF STATE AND PARTY	5
IV. THE ECONOMIC EXPERIMENT	7
V. FOREIGN AFFAIRS	9
VI. THE SUCCESSION PROBLEM	11

This document has been
approved for release through
the HISTORICAL REVIEW PROGRAM of
the Central Intelligence Agency.

Date 2/24/94

HRP 94-3

~~SECRET~~

~~SECRET~~

THE YUGOSLAV EXPERIMENT

CONCLUSIONS

A. Yugoslavia is a Communist state in name and in theory, but in practice it is a fully independent state which has rejected most of the "socialist" experience of other Communist states, including the USSR. It has deliberately removed a large portion of its economy from direct centralized controls, and despite its retention of a one-party political system, it has largely freed its people from arbitrary authority.

B. The Yugoslav experiment appears to be progressing satisfactorily. Since the break with Stalin nearly 20 years ago, the Yugoslavs have managed to build a viable and independent economy, to go a good distance down the road to decentralization and the democratization of public institutions, and to establish a position in world affairs considerably more significant than their power and resources would seem to warrant. Although the trend toward further decentralization is probably irreversible, progress will not be smooth, and change in Yugoslavia will continue to be accompanied by dissension over the structure and role of party and government, over the nationalities problem, and over the speed with which market forces will be introduced into the economy.

C. The greatest problem the Yugoslav Communist Party is likely to face is arranging an orderly succession to the 74 year-old Tito. Should the succession problem arise during a period of severe internal stress and before current reforms have become institutionalized, a serious struggle might ensue. There is a remote chance that such a struggle could threaten the cohesiveness of the Federation, but we believe it far more likely that the state would survive intact. Otherwise, once Tito's changes in party and state structure have become widely accepted, we believe a relatively united leadership could avoid serious crisis and choose a replacement or, more likely, agree on some form of collective leadership.

~~SECRET~~

~~SECRET~~

DISCUSSION

I. INTRODUCTION

1. Yugoslavia under Tito is an unusual laboratory of state craft. It is a Federation of six constituent Republics¹ whose people, after centuries of foreign domination and repeated upheaval, are divided by differences in religion, nationality, language, political experience, and economic development. It is a Communist state in name and in theory, but in practice it is a fully independent country which has rejected most of the "socialist" experience of other states, including the USSR, and which is deliberately removing its economy from centralized controls and freeing its people from arbitrary authority. Moreover, despite pretensions to a grand design, it is a state whose political, economic, and foreign policies have for nearly 20 years reflected mainly improvisation and compromise.

2. So far, despite anomaly and weakness, the Yugoslav experiment has been relatively successful. There have been occasional disruptions, such as the dismissal last summer of Tito's heir apparent, Aleksandar Rankovic, but over the years internal divisive forces have been balanced against each other. The economy, with massive aid from the West, has shed some of the more cumbersome bits of Marxist theory, weathered recurrent crises, and expanded at an impressive rate. And the state, despite the threats and blandishments of opposing power blocs, has retained its sovereignty and achieved an influence in world affairs out of proportion to its power and prosperity.

3. The Yugoslav Federation was established as World War II drew to a close, and the new state was ruled absolutely by Tito as the head of a disciplined Communist Party. In 1948, however, Tito's defiance led to the expulsion of Yugoslavia from the Soviet Bloc. Bereft of the stability provided by Soviet backing and hostile to most forms of Stalinist-Soviet experience, Yugoslavia's Communists began to seek new ways to win popular acceptance and to stimulate economic growth. They announced that Yugoslavia would embark on a "separate road to socialism," one which would relax the harsher aspects of Communist rule and eventually assure the withering away of the state through the gradual diffusion of central power to local and regional governments and the construction of a vaguely-defined "socialist market economy."

4. This separate road to socialism has been a rocky one. Despite Tito's many and clever improvisations, serious internal discords persist, and Yugoslavia's position in the international arena remains equivocal. He gave rein to a broad range of political and economic forces, hoping thus to engage the support of the population and confident that the ultimate power of a pervasive Communist Party could unite disparate interests or, in time of need, reimpose totalitarian direction. But he did not reckon with the erosive effect of decentralization or

¹ Croatia, Slovenia, Serbia, Bosnia-Hercegovina, Montenegro, and Macedonia.

~~SECRET~~

~~SECRET~~

the party itself. Now, nearly 20 years after the Yugoslav experiment began, the party is in disarray, its members display loyalties divided between federal and local interests, and its effectiveness as an instrument of central power and unity is in question.

5. Yugoslav internal dissensions can be grouped into several categories. There is conflict between those who favor greater political liberalism and those who believe that the decentralization of political institutions has already gone too far; there is dispute between exponents of a centrally-controlled economy and those who would foster local industrial initiative and the profit motive; there is controversy over the role the Yugoslav Communist Party (LCY) should play in political and economic decision-making; there is tension between older leaders, nearly all veterans of Yugoslavia's partisan campaign against the Axis, and younger men unburdened by the emotional ties of comradeship and conservative Marxist ideology; and underlying all, there is the clash of national and ethnic identifications and the division of opinion on whether Yugoslavia is better constituted as a centralized federation of interdependent republics or a looser confederation which gives preeminence to the demands of the Republics for autonomy.

II. THE NATIONALITIES PROBLEM

6. It is an immutable fact of Yugoslav political life that most Serbs and Croats and Slovenes and Macedonians think of themselves first as Serbs or Croats or Slovenes or Macedonians and second, if at all, as Yugoslavs. National and ethnic rivalries are endemic; they have long constituted a centrifugal force which no liaisons for the solution of economic or political tasks can long overcome. Fears of a return to "greater Serb" hegemony haunt all Yugoslavs except Serbs; some Croats and Slovenes speak earnestly of a complete secession which no central government could tolerate; and less drastic attacks on the federal concept come from all regions.

7. The Communist regime was relatively successful in submerging particularist agitation in the years following World War II. It not only held tight rein on all forms of activity, and could exercise its considerable police powers without restraint, but it could also count on fresh memories of war and the German occupation to help generate a feeling of national unity. After 1948 and the break with the USSR, the regime could rely on common concern over the Soviet threat to perpetuate this unity. In recent years, however, arbitrary police authority has been curbed, the memory of war and wartime atrocity has faded, and the spectre of Soviet intervention has all but disappeared. At the same time, the progressive devolution of economic and political responsibility from federal to local and Republic bodies has encouraged those who would replace the federal system with a loose confederation of more or less autonomous Republics. Even Yugoslavia's growing foreign trade and the great disparities of wealth between various regions have lent weight to the arguments of Croatian and Slovenian particularists; both Republics, for example, have asked authority from Belgrade to establish quasiofficial missions in Western Europe, and both have long de-

~~SECRET~~

~~SECRET~~

cried the notion that they must subsidize the economic uplift of the more backward Republics.

8. Tito has met the problems of reemerging particularization in typical fashion, by limited concession and compromise. Much recent sound and fury on the nationalities problem stemmed from non-Serb fears that Rankovic, given as he was to packing party organs and the police with his fellow Serbs, might someday bring about a return of Serb hegemony. His purge probably did much to allay such fears, and Tito, in his post-Rankovic reorganization of the party, was careful to afford the Republics a more balanced representation in top party organs. In January 1967, the Federal Assembly's Chamber of Nationalities met for the first time in many years—an indication, perhaps, of the growing seriousness of the nationalities problem—and heard proposals for a constitutional amendment which would grant it equal rights with the Federal Council, now the most powerful parliamentary body. Tito may consider that by upgrading the Chamber of Nationalities he can establish a safe and controllable forum for the expression of particularist sentiment.

9. Tito has also introduced large numbers of younger men into the party and governmental organs of the individual Republics; he may thus hope to contribute to a weakening of the particularist idea. Though the sentiments on which they feed are widespread and of longstanding, the extremist segments of the particularist movement remain relatively small and—by their very nature—disunited. Younger men of the establishment, bred in an independent Yugoslavia, are likely to believe that the economic and political values of a unified federation outweigh the emotional appeal of secession. So far, this stratagem appears to be working. Many of the newer men, even some of those who were once outspoken in their advocacy of greater regional autonomy, have developed vested interests in the status quo and have become defenders of the federal concept now that they bear heavier administrative responsibility in the upper councils of party and governmental organizations. Many will continue to exploit the emotional appeal of particularism in dealing with their public supporters, but most are likely to submerge the issue in their approach to the solution of national problems.

10. We do not believe that Tito anticipates any real solution to the problem posed by particularism. On the basis of his past performance, he can be expected to seek measures which will permit these pressures to vent in a controllable manner. He may well allow individual Republics increased autonomy in the conduct of their economic affairs, but he will probably employ his full strength in putting down acts which tend to heighten regional political, cultural, and linguistic disputes. The issue of ethnic animosity, however, will continue to plague Tito, and it could represent a significant hazard to a less certain, less prestigious successor. The emotional content of this question almost certainly means that it will remain a potentially explosive issue for some years to come, one susceptible to exploitation by ambitious politicians. Or the people themselves, if dissatisfied and frustrated, could come to see in the federal structure the cause of their own discontents. On balance, however, we foresee a slow

~~SECRET~~

~~SECRET~~

attenuation of particularist strength and the gradual invigoration of the Yugoslav idea, particularly among those whose livelihoods and sensibilities would suffer from the collapse of the unified state.

III. THE STRUCTURE OF STATE AND PARTY

11. Local governments in Yugoslavia have been granted relatively heavy responsibility for supervising economic and cultural activities within their own territories, and popular participation in local decisions on the implementation of policy has been actively encouraged. Only the broadest policy direction normally comes from the central government, and Tito has clearly relied on widespread application of the principle of interlocking directorates to provide the central government, or at least the party, with pervasive control.

12. The devolution of power to local authorities has led to widespread and vociferous debate on such significant public issues as the proper structure of the Federal Government, Federal-Republic relations, and the role and structure of the party. Over the years, Tito has responded to this debate with revisions and reforms designed to satisfy at least some of the people some of the time. Since its adoption in 1946, for example, the Yugoslav constitution has twice been revised. The most recent version (1963) instituted changes designed to check executive power: it established a court to review the constitutionality of Federal and Republic legislation; it granted Republic and local governments enhanced powers and broadened responsibilities; and it established the primacy of Federal and Republic assemblies over their respective executives. Legislators have been slow to exercise their new powers, but in Slovenia, the Assembly's unwillingness to go along with a government-sponsored bill brought about the temporary resignation of the Cabinet in 1966, and the Federal Assembly demonstrated its independence the same year by sending the federal economic plan back to the executive for revision 11 times.

13. Another consequence of the diffusion of governmental power from Belgrade to the Republics and to local governmental units has been a parallel diffusion of power within the Communist Party, from central organs to regional ones. Local party leaders have not always followed central party directives; they have frequently found themselves torn between the demands of party discipline and the imperatives of local policy decisions. The result has more often than not been detrimental to the party: factionalism has grown and has often reflected particularist divisions; unions, workers' councils, local party groups, enterprise managers' associations, and the like have become new loci of power, and contention and debate have become chronic. All this has been particularly troublesome in a system which was designed to depend so heavily on a unified and disciplined party—with personnel and organizational lines into all other groups and institutions—to provide the centralized authority afforded by no other means.

14. Tito recognizes that the glue has been melting out of Yugoslav society, and it is clearly his hope that the party can be revitalized and remade into the

~~SECRET~~

~~SECRET~~

pervasive tool of national policy it was intended to be. But Tito has long felt that the party should not function simply as a coercive instrument which blindly obeys orders from Belgrade and crudely enforces the central will. He wishes the party somehow to become a model social force, inspiring and guiding a national consensus, and the confusions and uncertainties attending the party's statements and actions can probably in large measure be attributed to Tito's dream.

15. The reform of the party in 1966 is a case in point. Long overdue, according to Tito himself, the new measures represent compromise, go only part way toward a real restructuring and restaffing of the party, and do not seem to have any certain and tangible objective. Nevertheless, they do represent a real effort to cope with major problems and reflect a determined response to the situation precipitated by the fall of Rankovic. As the most influential conservative spokesman, Rankovic had marshalled forces to obstruct Yugoslavia's movement toward decentralization and political liberalism, and in doing so had played upon Serbian nationalism and had accumulated state power (including control of the secret police) to a dangerous degree.

16. Tito's subsequent reaction was not so much against conservatism per se as against particularism, factionalism, and extremism of any variety. In order to restore political balance and restrain the conservatives without giving undue power to their liberal opponents, Tito instituted a series of measures designed to dilute conservative power with newer, younger men; to lessen the powers of individuals in leading party organs by expanding membership; to minimize factionalism by separating executive and policy functions in the party leadership; and to broaden the number of party members participating in the government by requiring that elected officials be limited to a single term. As yet, these changes have been only partially implemented; the completion of the party and government reforms awaits new elections in April 1967 and the convocation of a Party Congress sometime in 1968.

17. In the meantime, however, Tito has successfully altered a number of party organs to achieve his aims. He has reduced the influence of a number of the most powerful conservatives by assigning them to a 35-man Presidium which is limited to policy guidance. He has specified that the revived Central Committee must deliberate in public view, eliminating the secrecy which had aided Rankovic in his accumulation of power. He has reconstituted the formerly all-powerful Executive Committee with younger, less prominent men charged with implementing the Presidium's decisions. Finally, he has packed party leadership organs on both Federal and Republic levels with new faces: new men in the party leadership now outnumber the old by 2 to 1, and the average age has dropped by some six years.

18. While a number of these changes appear to be aimed primarily at curbing conservative power, Tito has been careful not to destroy it. Almost all the old partisans have been retained in important party positions. Very few of Rankovic's followers were purged, and Rankovic himself was not subjected to criminal prosecution, although the evidence against him—his misuse of the secret

~~SECRET~~

police to eavesdrop in the offices of prominent leaders, allegedly including Tito himself—was certainly sufficiently damning. At about the same time, liberal leader Milovan Djilas was released from prison, perhaps as a counter to Rankovic's escape from prosecution.

19. Tito's admittedly provisional overhaul of the party has encouraged continuing debate on the proper role of the party within Yugoslav government and society. Is the party to exercise command and control or merely ideological guidance? Tito's position is ambivalent. He exhorts the party to lead by persuasion rather than command, but makes it unmistakably clear that the party's role "is growing and will increase for a long time." He has reduced the power of the secret police by greatly restricting its activities and cutting back its manpower, and he has expanded the rosters of leadership organs so that it will be a "little more difficult for an individual to stand out much." At the same time, he has insisted that the "party will not wither away," that it is "still a revolutionary party" and that it has "the right to apply all means necessary to protect the society, to protect the correct line of . . . socialist development."

20. If Tito has achieved no settlement of the several controversies his party reform addresses, he nonetheless seems to be on the way to constructing an uneasy consensus on the side of continuing the movement toward "democratization" and decentralization. The regime will seek to nominate and elect only supporters of the present course and leadership during the forthcoming elections to Republic and Federal Assemblies, and from these it will try to select reliable and moderate men for Republic and Federal Cabinet positions. Executive decisions will probably more and more fall to men capable of focusing on issues rather than personalities. Over the next year or so, barring a major upheaval and given a modicum of policy success, these newer men will probably take hold, and neither an ultraliberal Djilas nor an archconservative Rankovic will then be likely to become a rallying point for dissident forces.

IV. THE ECONOMIC EXPERIMENT

21. Yugoslavia began its lonely journey down the path of economic revisionism some 15 years ago. Since then, government economic policy has been to allow some considerable play of market forces, though government controls have never been fully relinquished and have been tightened in time of stress. The net result has been a respectable growth rate of about seven percent annually in gross national product, excessive and frequently unwise investment in industrial expansion, some growth in consumption, and a chronic deficit in the nation's balance of payments.² Over the years, Western lenders have been forthcoming, and Yugoslav indebtedness to the West now amounts to about \$1.2 billion. The recent devaluation of the dinar and moves to facilitate the influx of foreign capital are likely to impress potential foreign investors favorably. At the same time, Yugoslavia has managed to keep her economy

²In 1964, for example, Yugoslavia's balance of payments deficit was \$206 million. In 1965 and 1966, new controls cut the annual deficit to about \$21 million.

~~SECRET~~

SECRET

free from reliance on the Bloc, and although the USSR is Yugoslavia's single largest trade partner, two-thirds of her foreign trade is with Western or non-aligned nations.

22. The most recent swing of Yugoslav economic policy began in 1965, and like its predecessors, it has not been implemented without opposition. Political conservatives are undoubtedly concerned at any further decentralization, any lessening of the party's role in the decision-making process. Managers of less efficient enterprises are unhappy at the prospect of forgoing state protectionism and facing the harsh winds of foreign competition. Trade unions and workers in such enterprises have similar fears, and cannot relish the prospect of unemployment should their inefficient organizations fail and go out of business, as a number already have. Consumers, who may some day benefit the most from movement toward a market economy, in the meantime suffer from shortages of goods and rising prices. In point of fact, the Yugoslav economy is unstable and probably will remain so unless the market forces now being brought into play come to constitute a regulatory mechanism reliable enough to replace the centralized direction which in the past characterized Yugoslav economic control.

23. In the face of such problems, Tito has made a typical series of policy compromises. He has strengthened the financial resources of a number of enterprises by cutting their taxes, by permitting them to retain a major portion of their profits for investment, and by largely localizing the control of credit. At the same time, he has threatened the lash of foreign competition by eliminating import controls on fully half the goods Yugoslavia imports and by bringing Yugoslavia into full membership in GATT. He has not obstructed freer movements of capital investment and labor to needy sectors of the economy, but he is maintaining Federal control of a major portion of the price structure and 30 to 40 percent of investment capital. He has permitted labor to organize outside the direct control of the party, to play a significant role in enterprise management, and to gain inflationary wage increases. (There were a surprising 230 strikes, mostly on wage issues, in 1965 alone.) He has tried to meet the challenge of growing unemployment by encouraging the exportation of Yugoslav labor, and he has maintained extensive although indirect control on consumer consumption.

24. Despite the ambiguities of Yugoslav economic policy, the trend is currently toward increased decentralization and industrial "self-management." The process is now probably irreversible. Major control of investment capital, until 1964-1965 in the hands of the Federal Government, is now vested in local and regional banks; individual enterprise managers now have a degree of discretion in the disposal of profits (up to 70 percent); and local governments, down to the level of the *Opstina* (township), have demonstrated great skill in ignoring economic directives from on high in order to pursue local goals.

25. Nevertheless, continuing danger of inflation and fear of instability will probably persuade Tito to retain remaining central economic levers for some

~~SECRET~~

time after their purely economic justification disappears.³ In addition, injudicious and inconsistent employment of these levers, the inertia and resistance of bureaucrats charged with implementing the reform, and continuing obstructionism on the local level will probably delay achievement of the "socialist market economy" which appears to be the long-range goal of the Yugoslav economic experiment.

V. FOREIGN AFFAIRS

26. Simply stated, Tito's main foreign policy goals have been to retain Yugoslav independence at any cost, to stand as a model of nonaligned socialist enterprise in the eyes of the world, and to achieve access to economic opportunity in both East and West. His methods for achieving these goals, marked by clever improvisation and shrewd compromise, have been largely successful. He has rejected alliance with either East or West and gotten substantial aid from both. He has denied Soviet hegemony in the Socialist movement and lived to see that denial become something of a touchstone of Socialist policy. He has accepted financial aid from the West in wholesale quantities, but has politely bid the West goodnight on the doorstep. He has failed in his efforts to establish the "third world" grouping he once sought, but he has redirected Yugoslav diplomatic energies to Europe, and this has brought him new opportunities without destroying his close relationships with the UAR and India.

27. Tito made his peace with the Soviet Union soon after Stalin's death. Trade is large, the Soviets have extended a fair amount of aid (including sales of military equipment), and attitudes toward many international problems are similar, though usually not identical. Nevertheless, party relations are often strained and marked by ideological bickering. Tito has never ceased to see himself as a Communist, a protestant perhaps, but still defender of the faith. In his view, it was Soviet recusancy, not Yugoslav, which split the Socialist movement, and Tito must feel some considerable sense of vindication in the fact that other Eastern European nations are now applying lessons learned from the Yugoslav economic experiment and are choosing national roads to socialism. So long as the Yugoslav experiment continues to stimulate emulation within the socialist camp, the Soviet Union will carp and nag; so long as Soviet attacks continue to arouse Yugoslav fears for their independence from foreign meddling, Soviet-Yugoslav relations will be much more a matter of mutual convenience than affection.

28. Yugoslav relations with the US, while generally friendly, have been marked with a measure of restraint and wariness on both sides. The pragmatism which led Tito to seek US aid after the break with the USSR in 1948

³ In addition to price controls and control over a declining share of Yugoslavia's investment capital, the Federal Government can maneuver the economy through limitations on enterprise wage bills and command of foreign trade, as well as through more indirect fiscal and monetary policies.

~~SECRET~~

~~SECRET~~

remains the touchstone of the Yugoslav attitude. The hostility which Yugoslav exiles in the US bear toward the Belgrade government is always a potential source of friction, especially when it is periodically reflected in US legislation. But the Yugoslavs recognize the usefulness of a continuing measure of US political and economic support, and they do not allow themselves to be easily provoked. Nevertheless, on most of those issues which clearly polarize the world, the Yugoslavs will not forget their Communist antecedents and will pay at least lip-service to Communist positions.

29. Yugoslavia has been more actively seeking improvements in relations with its immediate neighbors in both East and West Europe. Partly this is because of the opportunity presented by relaxed tensions in Europe; partly it is designed as a defensive hedge against any future Soviet attempts at domination. Relations with Hungary and Bulgaria (despite friction with the latter over Macedonia) have significantly improved as Budapest and Sofia have begun to display signs of independence within the Bloc. Even more improvement has occurred in relations with Rumania; Belgrade and Bucharest have found common ground in their resistance to Soviet pressures and are now in a de facto alliance intended to strengthen and preserve their independence. Not surprisingly, Albania—allied with China, partly out of fear of Belgrade—continues its hostility toward Tito, but is taking steps toward some economic cooperation. Yugoslav relations with Greece, though complicated by longstanding minorities problems, are not likely to be troublesome.

30. Yugoslavia enjoys good relations with all major Western Powers except West Germany, and even here, action by the Kiesinger government to restrain Yugoslav expatriates could bring about a rapid improvement. Belgrade has already expressed interest in resuming normal diplomatic relations. Yugoslavia acceded last year to full membership in GATT, a move which will permit Tito to commit an even greater share of Yugoslav foreign trade to the lucrative Western market. Yugoslavia will continue to depend heavily on Western machinery and equipment in her drive toward fuller industrialization, and as Western economies move toward greater interdependence, the Yugoslav economy will probably become enmeshed in the same process.

31. Over the long run, the nonaligned and less developed nations will probably afford the Yugoslavs a lucrative and growing market.⁴ Though itself underdeveloped by Western European standards, Yugoslavia is an advanced nation in "third world" terms, and its competitive position has been enhanced by its success in navigating between blocs and in establishing a socialist semi-market economy. It is probable that Tito will expend the diplomatic energy and extend the financial credits necessary to solidify his relations as broadly as possible with the nonaligned.

⁴During the first 10 months of 1966, 33 percent of Yugoslavia's foreign trade was with Communist countries, 38 percent was with Western Europe, 10 percent was with the US, and 19 percent was with nonaligned nations.

~~SECRET~~

VI. THE SUCCESSION PROBLEM

32. As national patriarch, savior, and political entrepreneur, Tito is truly irreplaceable. For nearly a quarter of a century, he has stood as a symbol of national unity and as Yugoslavia's supreme arbiter. Arranging an orderly succession to his office is the greatest problem the Yugoslav Party—and Tito himself—face. Though Tito is not blind to the problem his departure will create, this is one area of potential dissension in which his genius for compromise and improvisation cannot be brought fully to bear. It is possible for a man to arrange for his own funeral, but it is difficult for him to play a very active role in it.

33. A number of factors favor an orderly succession: though still evolving, the Yugoslav system as a whole has withstood the attacks of party factions, the stresses of economic crisis, and the importunities of separatists. The army continues to provide support for national unity, and fear of Soviet piracy will work to inhibit the adventuresome who might be tempted to steer a new course following the dropping of the pilot. While Tito cannot lay out a fixed path for a successor regime to follow, he may have established a pattern and style, a reliance on the empiric and the experimental, which a successor would probably want to imitate and which, in any case, he would find difficult to abandon. Much will depend, however, on when the succession takes place. Should it occur before Tito has accomplished the pending reorganization of the state and party structures, at a time of severe economic regression, or at a time when dissension among the Republics is high, serious struggle might ensue. The outcome of such a struggle is difficult to foresee. It is remotely possible that a concatenation of such unfavorable events could endanger the cohesion of the Federation. But we believe it far more likely that the state would survive intact. On the other hand, should the succession issue arise after recent reforms have become institutionalized, a relatively united leadership could, without serious crisis, choose a replacement or, more likely, agree on some form of collective leadership.

34. We believe that, over the long term, the principal accomplishments of the Yugoslav system are fairly secure, that Yugoslavia, even without Tito, will survive essentially intact and will persist as a hybrid system. We also think, however, that change and disarray will continue to confront the leadership—especially the post-Tito leadership—with a variety of serious problems. The destination of the Yugoslav regime, said to be a new and superior kind of "socialism," is vague and uncertain, and the route toward it uncharted. None of the forces released by the Titoist reformation is likely to prevail without a struggle; changes of this nature generate formidable opposition. Separatist sentiments are likely to weaken the federation; both pragmatic and ideological considerations will probably operate to diminish the power of the party; and economic forces, increasingly decentralized, will almost certainly encourage nonparty institutions to play a larger role in shaping national policy.

~~SECRET~~

CENTRAL INTELLIGENCE AGENCY

DISSEMINATION NOTICE

1. This document was disseminated by the Central Intelligence Agency. This copy is for the information and use of the recipient and of persons under his jurisdiction on a need-to-know basis. Additional essential dissemination may be authorized by the following officials within their respective departments:

- a. Director of Intelligence and Research, for the Department of State
- b. Director, Defense Intelligence Agency, for the Office of the Secretary of Defense and the organization of the Joint Chiefs of Staff
- c. Assistant Chief of Staff for Intelligence, Department of the Army, for the Department of the Army
- d. Assistant Chief of Naval Operations (Intelligence), for the Department of the Navy
- e. Assistant Chief of Staff, Intelligence, USAF, for the Department of the Air Force
- f. Director of Intelligence, AEC, for the Atomic Energy Commission
- g. Assistant Director, FBI, for the Federal Bureau of Investigation
- h. Director of NSA, for the National Security Agency
- i. Director of Central Reference, CIA, for any other Department or Agency

2. This document may be retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Central Reference, CIA.

3. When this document is disseminated overseas, the overseas recipients may retain it for a period not in excess of one year. At the end of this period, the document should either be destroyed, returned to the forwarding agency, or permission should be requested of the forwarding agency to retain it in accordance with IAC-D-69/2, 22 June 1953.

4. The title of this document when used separately from the text should be classified: FOR OFFICIAL USE ONLY

DISTRIBUTION:

White House
National Security Council
Department of State
Department of Defense
Atomic Energy Commission
Federal Bureau of Investigation

~~SECRET~~
~~CONTROLLED DISSEM~~

~~SECRET~~
~~CONTROLLED DISSEM~~