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Yugoslavia: Five Years After Tito

An Intelligence Assessment



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Yugoslavia:
Five Years After Tito

Key Judgments
*Information available
as of 8 May 1985 was
used in this report.*

Five years after Tito's death in May 1980, the Yugoslav political system is plagued with serious and deepening problems but nonetheless is proving more resilient than many of its detractors had predicted. The decentralized, collective leadership has managed to provide stability by responding to competing groups while denying critics a ready target against which to mobilize opposition.

The system has benefited, moreover, from fairly wide support for the young nation's survival and independence, from the strong commitment of the military to preserving unity and order, and from a traditional public concern over foreign threats—particularly from the Soviet Union. On the whole, most of Yugoslavia's small constituent republics, afraid from historical experience of going it alone in the Balkans, see no alternative to the current federation.

Still, strains over national policy seem inevitable in a system that has virtually institutionalized a stalemate among the rival ethnic groups and factions. Continued conflict among overlapping interest groups will almost certainly hamper serious reform efforts for some time to come.

The 23 million Yugoslavs are sharply divided over what is wrong with their system and how to fix it. Discussions take place on many planes and with few common assumptions. The country is split politically between centralists and anticentralists, ideologically between hardliners and moderates, and economically between advocates of market forces and of administrative methods. The factions do not line up along conventional Communist patterns and are influenced by ethnic and regional economic concerns.

The leadership system will probably prove too creaky to make dramatic changes any time soon. But, barring a sharp economic and political deterioration or intervention by the military—which we do not predict at the present time—we believe it will be flexible enough to make minor adjustments that will allow for a halting economic recovery and somewhat more political efficacy. We expect Belgrade will keep collective decision-making but may strengthen central authority and at least partially implement more rational economic practices.

Even with incremental changes, however, we expect little letup in either the bickering among rival groups or criticism of the leadership's performance, including that from the military. And we see no easy resolution to the potentially disruptive ethnic and political conflict in Serbia's Kosovo province—a major problem that would challenge any system.

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In the near future, outside factors probably will play only a secondary role. The Soviets may hope to gain from the current strains between Yugoslavia and its Western creditors as well as from the domestic political fallout of tough IMF-sponsored austerity measures. Yugoslavia, however, will probably be able to maintain its independence from both blocs, despite any shifts in internal policy.

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Yugoslavia: Five Years After Tito

Introduction

We are all in the same choir, with no conductor and everyone singing in a different key.

Hamdija Pozderac
LCY Presidium member
1984

Post-Tito Yugoslavia has defied the most pessimistic predictions about its fate but is nonetheless faced with serious and mounting problems. The economic boom and inflated expectations of the Tito years are over. Austerity is the watchword, caused by a hard currency debt of \$19 billion—the highest per capita in Eastern Europe. In the last five years the average Yugoslav has struggled with a 30-percent drop in real income, with wage gains outpaced by inflation now running at an annual rate of 80 percent. One worker in six is jobless and many are only marginally employed.

Longstanding ethnic rivalries remain serious, sharpened by the economic pinch and vast and growing development gaps among the regions. The future looks particularly troubled in Serbia's autonomous province of Kosovo, scene of Albanian ethnic disorders only a year after Tito's death. The leadership is stymied in dealing with Albanian nationalism, which in turn is sparking a backlash among the Serbs and thus creating ripples across Yugoslavia's multinational map.

Yugoslavia's leaders are in general agreement that the system they inherited from Tito is not working as they hoped. But they disagree sharply over how to fix it. Meanwhile, the public grows increasingly gloomy over leadership inaction and painful, protracted austerity measures.

On foreign policy—one of the few areas on which the leadership is relatively united—Belgrade continues its policy of independence that began following Tito's break with Stalin in 1948. It exercises a moderating

role in the Nonaligned Movement, which Tito co-founded. It continues to defy Moscow by asserting the independence of all Communist parties and stressing that Yugoslav partisans—and not the Red Army—were the main authors of the modern Yugoslav state. While Yugoslavia also refuses to align itself with the West, it is increasingly reliant on the IMF, and its youth exhibits a growing westward cultural orientation.

Tito's Legacy

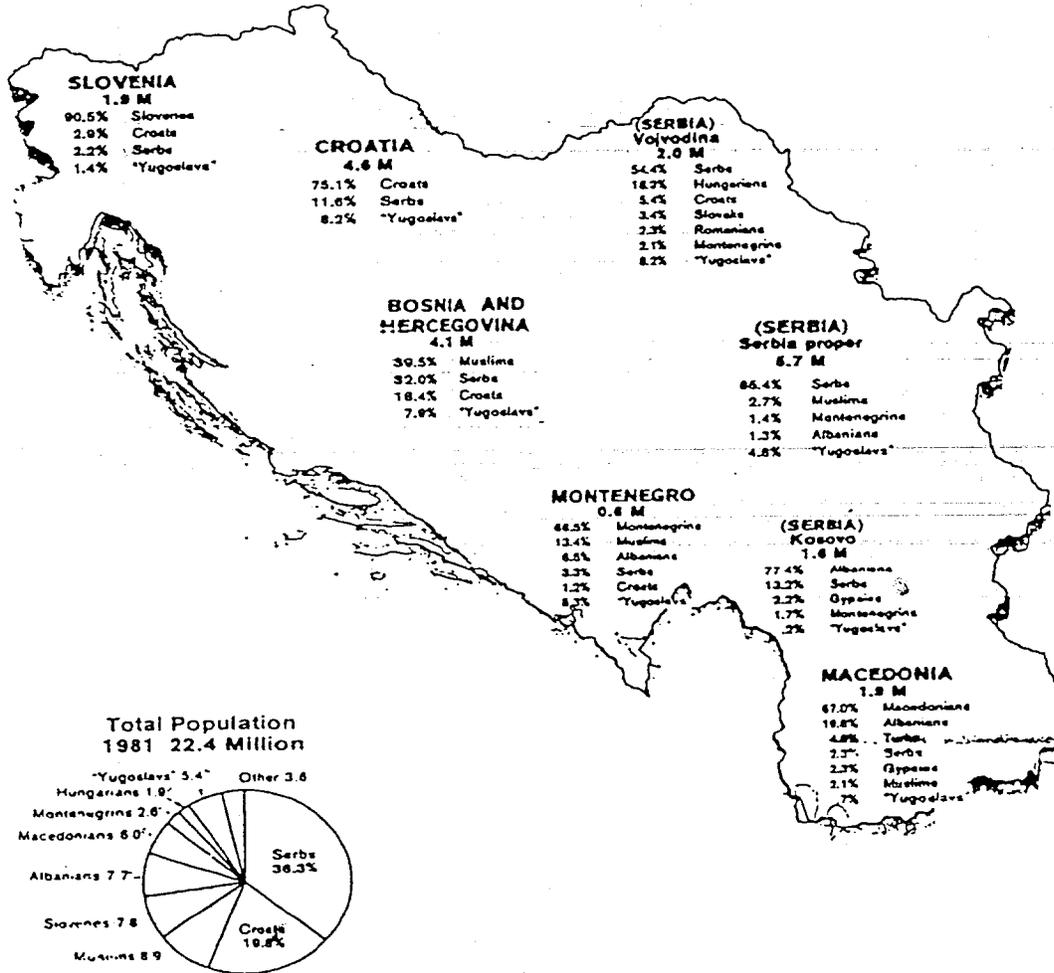
The leadership system, designed to ensure that no one ethnic group would dominate the others, is a complex power-sharing arrangement put into force by Tito before his death. The top federal bodies, with the exception of the premiership, are composed of representatives from each of the country's six republics and two autonomous provinces according to a set formula. The party and state heads are more like chairmen of the board than actual leaders, and their positions rotate annually among representatives of the regions.

Tito's intent was to ensure stability and continuity after his death. He realized that no individual or group would be acceptable to the country's many competing political forces. The system by and large has succeeded in providing stability and preventing the tensions caused by excessively concentrated power, such as before World War II when Serbia dominated the country. But it has been done at the expense of effective decisionmaking and policy implementation.

Some of the reasons the system is so cumbersome are:

- Limited federal power: The range of issues over which federal bodies can make decisions is limited.

Yugoslavia: Regional and Ethnic Makeup, 1981



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The Ethnic Factor

The complex Yugoslav political system was designed to accommodate the country's patchwork of ethnic groups, many of them mutually antagonistic. Although the overwhelming majority of these groups are Slavic, they comprise three major religions—Orthodox, Roman Catholic, and Muslim—and speak several languages, Serbo-Croatian being the most widespread. The northern half of the country is more developed and central European, having been controlled by the Austro-Hungarian Empire while the poorer south evolved under Turkish domination.

The largest group, the Serbs, constitutes 36.3 percent of the population and is located in several of the country's constituent republics. The Serbs are the object of suspicion by the economically more advanced Croats (19.8 percent)—with whom they engaged in fratricidal struggle during World War II—and the even more economically developed and pragmatic Slovenes (7.8 percent). Mixed into this equation are a population of Muslim Slavs mostly in Bosnia-Herzegovina (8.9 percent); a small group of Montenegrins (2.6 percent); and the Macedonians (6 percent), who inhabit the southernmost republic. The largest non-Slavic group is the Albanians (7.7 percent), whose high birthrate and different cultural traditions have caused strains among neighboring groups.

** See DI Intelligence Assessment, [redacted] September 1983, Yugoslavia: Trends in Ethnic Nationalism.*

as many areas fall under the competence of the regions or local bodies, which pursue divergent, often uncoordinated, policies.

- Consensus decisionmaking: The widespread use of consensus (unanimous) decisionmaking in federal bodies allows each region to block action on any issue, a right the regions feel free to exercise.
- Weak enforcement mechanisms: Few enforcement mechanisms exist to ensure that federal and regional bureaucracies will carry out decisions.

A Feudalistic Party

A reflection of Yugoslavia's strengths and weaknesses is its Communist party—the League of Communists of Yugoslavia (LCY). Despite its Marxist doctrine, the LCY is organized along almost feudal lines and operates according to a network of personal ties much the same as Balkan political organizations in pre-Communist days. Its officials move in and out of nonparty organizations, forming local elites that constitute the country's real power centers. The LCY differs from Soviet Bloc Communist parties in several key ways. Most of these features were present during Tito's time but have grown more pronounced during the past five years:

- Strong regional power: The regional parties have a large voice in central party decisionmaking and a high degree of autonomy. Their leaders are accountable to their own local base, and efforts by the central party apparatus to replace them would be difficult at best.
- Weak central authority: The Communist principle of democratic centralism—calling for majority decisionmaking and binding the minority to central decisions—is only nominally in force and no secretariat or other body exists to ensure compliance. Unanimity is rare at the top because it is rare among the regional parties.
- No strong leader: The top party body, the LCY Presidium, is a large collective panel whose 23 seats are allocated to regional representatives according to a set formula. The top leader rotates annually by region among the members.
- Limited role in the system: The LCY plays a "leading" but not commanding role in the system. The LCY has no officials or bodies that parallel the work of government organs, as do Soviet Bloc parties.

- Internal conflict: The party tolerates far greater internal conflict than its East Bloc counterparts, a tendency that has become more pronounced even in the ruling Presidium since Tito's death.
- Indirect media control: The LCY has no official party daily, and the radio, television, and regional dailies are not directly under party or other central control. Many media have grown increasingly outspoken since Tito's death, acting as a force that shapes public opinion and identifies issues that various interest groups want addressed.
- Military role: The military, though a nonpolitical organization, has more formal representation in the LCY—and more direct influence in the political system—than the Soviet Bloc military in their parties. It has a block of seats in the LCY Central Committee, some 9 percent of that body, and the head of the military's party organization is assured a place on the LCY Presidium.



Premier Milka Planinc

Croatian party head through much of the 1970s, Planinc has won widespread respect and recognition in her latest post, emerging as perhaps the single most influential figure in the post-Tito leadership.

- A concentration of economic experts on the FEC staff, which gives it an edge on economic issues over the less well organized and more divided LCY Presidium and State Presidency.

Limited Central Government

Like the party, the central government has fewer powers than most East—or even many West—European governments. Control over key economic levers such as foreign exchange, banking, tax rates, trade, investment, and planning is shared with regional authorities. The federal budget consists mainly of defense, military pensions, and aid programs to the less developed regions.

Of the top governmental bodies, the Federal Executive Council (Council of Ministers) has emerged as the main economic policy making body since Tito's death, acting with authority and relative autonomy more akin to a West European than Soviet Bloc cabinet. Several factors help account for the FEC's influence:

- The exemption of the premiership from the one-year rotation, allowing for continuity and a personal leadership role not given the ever changing heads of the party Presidium or State Presidency.
- The strong personality and keen political skills of Premier Milka Planinc, who started her four-year term in 1982; despite her lackluster record as

Despite these factors, even the FEC's power has limitations. Like the central party apparatus, the FEC depends on the consent and cooperation of the regions to make and implement policy.

the FEC has admitted it is excessively on the defensive and that its work is hampered by a weak and inefficient federal administration, by personnel policies—based on regional power sharing—that do not sufficiently recognize merit, and by a preoccupation with the economy that precludes more involvement in security, defense, and foreign affairs. Planinc's strong role has also made her a convenient target for officials who disagree with her policies or fear that the FEC is overstepping its bounds. Planinc herself is troubled by health problems.

The leading state organization, the collective nine-member State Presidency, has broad powers over defense, security, and foreign policy as well as the right to nominate the premier, propose action to the

Assembly, and issue decrees in wartime. The current Presidency is manned by some of the country's most experienced leaders and has issued pronouncements on a broad range of issues. However, [redacted] it has fallen short of its potential, partly because its strong personalities have tended to cancel one another out. In recent months several of the more conservative Presidency members have criticized economic policies identified with Premier Planinc, reflecting in part, we believe, their concern over the FEC's strong role.

The bicameral Assembly has grown considerably in authority and influence since Tito's time. It has emerged as a leading check on the FEC and, even more than the LCY Central Committee—which meets only every few months—an important forum in which the regions work out their differences. [redacted] the Assembly has been a vehicle for strengthening the role of the regional power centers at the federal level and has sometimes displaced FEC bodies in working out interregional compromises.

[redacted] Ideologically conservative leaders seem determined not to let the Assembly grow too strong since they fear it could further eclipse the party and usher in the beginnings of a Western-style parliamentary system. The election of Assembly delegates, however, is still less democratic than in most Western countries: they are chosen by regional elites and not directly by the public.

Pressure for Change

Pressure to evaluate critically the political system sharpened after the Yugoslav economy was thrown into crisis and near insolvency following Tito's death. The prosperity of Tito's later years was due largely to overinvestment and heavy reliance on foreign loans—policies that the system Tito bequeathed to his successors made possible since it lacked either strict use of market criteria or strong, rational central planning. To get out of the crisis meant that the economy would have to improve its performance, and this, in turn, would require changes in economic policy and perhaps in the political superstructure.

* For more economic background, see DI Intelligence Assessment [redacted] January 1984, *Yugoslavia: Key Questions and Answers on the Debt Crisis*.

The Planinc government responded to the crisis by pushing through an economic stabilization program in 1983. It called for curbing wasteful, politically motivated investments and introducing more market forces in investment, pricing, foreign exchange rates, and other economic decisions. It also implied greater federal control over some key economic levers, such as monetary and credit allocation, interest rates, and foreign exchange usage. Planinc's program was based on a report issued by the blue-ribbon Kraigher Commission, named for the state president who chaired it. If fully implemented, the program would reduce the role of local bureaucrats in economic decision making and thus deprive them of political leverage.

The measures received a boost later in 1983, when the IMF got tough and insisted these policies be enforced to qualify Yugoslavia for standby loans. Despite the IMF stipulations, implementation of some measures has proceeded only slowly and fitfully, as local officials have sought to keep their privileges and shield workers from the inflation and plant closings that these measures might entail.

The government also took another, tentative step toward reform by authorizing an advisory body to reevaluate the political system. The project was prompted by Najdan Pasic, a progressive, federally-minded Serbian Communist who since Tito's death had written several tracts on the need for political reform. A focus of Pasic's concerns has been the stultifying effect of bureaucracy and the danger of overemphasizing parochial interests. The advisory body began work on its study in October 1983 and was supposed to come up with recommendations by April of this year. Media reports suggest that the body is considering such changes as making the country's electoral system more direct, encouraging use of multiple candidates, reducing consensus decisionmaking, and strengthening the federal government. But disputes on these and other issues have prevented the body from meeting its deadline.

The Party Debate on Federalism

The party, having lost much of its influence as a unifying force since Tito's death, tried to reassert

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itself by authorizing a nationwide grassroots debate on the political system. The debate was the result of an LCY plenum on 12-13 June 1984, at which many delegates demanded an end to leadership ineffectiveness and vacillation. The leadership of Serbia quickly moved to set forth its own agenda—to restore greater federal authority, and implicitly more Serbian influence—as the focus of the discussions. The merits of the proposals aside, the Serbians' confrontational tactics and sometimes sweeping pronouncements led to one of the most open and heated debates in the history of the LCY or any ruling Communist party.

The debate came to an inconclusive finish at an LCY plenum on 5-6 March 1985, several months behind schedule. The plenum marked a setback for Serbian efforts to promote institutional changes and at least a temporary victory for defenders of regional rights and the political status quo. A final statement papered over regional differences that had emerged, deferring discussion on most issues to preparations for the next LCY congress, to be held in mid-1986. Despite this stalemate, the debate was important both in focusing new attention on the party's role and in highlighting its many divisions.

Serbian Proposals

The Serbian program elaborated in a series of Serbian party plenums and leadership statements prescribed essentially federalist remedies to a number of perceived weaknesses in the system. These remedies included:

- More central authority: Alarmed over the devolution of political power to regional elites, the Serbian program envisaged a return to somewhat greater central authority. For the party, it called for enforcing the principle of democratic centralism, including encouraging majority (not consensus) decisionmaking. The Serbian attack on consensus reached a peak at an LCY plenum on 16 October, when prominent Serbian conservative Dragoslav Markovic publicly demanded broad use of majority voting as the most "democratic" method of decisionmaking. Central government bodies would be urged to act more forcefully, and their staffs would be chosen more for competence than meeting ethnic quotas. In one of the more controversial moves, the Serbians also said that the Constitution should be amended where necessary to meet current needs.

- Economic reforms: The Serbians at a September regional plenum urged implementation of economic reforms already agreed upon, but only partially implemented, to allow somewhat greater play to market forces. The goal would be to end inefficient autarkic practices and restore the "unity of the Yugoslav market"—again, at the expense of the regional oligarchies.
- Greater Serbia: Indirectly related to the above concerns, the Serbians at a November republic plenum demanded tighter control over their two autonomous provinces, Kosovo and Vojvodina. The provinces each have substantial non-Serb populations and have used their ambiguous legal status to obstruct Serbia's wishes both within the republic and in the federation. One Serbian idea, floated late last year, was to create a three-member Serbian delegation with one vote to represent the republic and the provinces in the LCY Presidium or State Presidency.

The Serbian proposals seem to have been motivated by an effort to harness a growing spirit of Serbian nationalism, by an attempt to unite both Serbian centralists and ideological moderates, and by a genuine belief in many cases that these measures were in the country's best interests. The timing probably also seemed right, as the party debate offered a unique opportunity to advance reforms.

Soft Support

The Serbian leadership quickly discovered that the broad coalition of support it hoped for its program never materialized. Instead, it found itself with only tentative backing from two traditional allies—the party leaderships of Macedonia and Montenegro. Two of the country's least developed republics, Macedonia and Montenegro have long supported more centralized economic authority to gain more access to northern-generated foreign exchange, development aid, capital, and goods. At the same time, both appeared to be taken aback by the nationalist overtones of the Serbian program.

A Resurgent Serbian Nationalism

Growing nationalism among Yugoslavia's largest ethnic group, the Serbs, has been a leading motivation of the Serbian program. Viewing themselves as the country's ethnic core and main founding group, the Serbs have become increasingly frustrated with the country's growing fragmentation, their own economic decline relative to other regions, and their loss of influence over the two autonomous provinces—especially the growing ethnic Albanian domination of Kosovo, Serbia's historic heartland. To many Serbs, these trends have been caused by the current system, in which decentralization benefits the richer northern regions and aid programs help Kosovo and other southern regions, but not Serbia.

The following incidents reflect the Serbian nationalist revival:

- *Belgrade authorities in late 1983 allowed the performance of a play about Serbian heroism in World War I by a leading liberal-nationalist writer; the play is still running, drawing sellout crowds who [redacted] observers say react strongly to the more stirring speeches.*
- *In a country where religious symbols and ethnic identity are closely linked, the Serbian government, after 40 years of opposition, in 1984 granted a permit to resume construction in Belgrade of a Serbian Orthodox cathedral of mammoth proportions. [redacted] some 50,000 Serbs attended the consecration of the cathedral this May, one of the largest religious celebrations in postwar Yugoslav history.*
- *This spring, at a time when Serbian outrage continues over the desecration of Serbian graveyards and religious sites in Kosovo by Albanian nationalists, Serbian students retaliated by breaking windows of Kosovo economic organizations and Albanian-owned shops in Belgrade.*

Macedonian support for federalist measures seemed strongest about the time of the June 1984 plenum that kicked off the debate, but this support waned as the Serbians pushed their program aggressively in the fall. A similar pattern took place in Montenegro. At the June LCY Central Committee plenum, several Montenegrins aired views close to those of their Serbian counterparts, warning of party fragmentation and excessive defense of local interests. Montenegrin leaders, however, failed to join in the Serbians' fall campaign, and not until a republican plenum wrapping up the debate on 26 December did they issue qualified support.

Hard Opposition

The three remaining republics and the two autonomous provinces, meanwhile, aired strong opposition to the Serbian-led federalization measures and put forth their own views on how to handle the crisis. A common thread in the opposition was that the centralist measures were a thinly veiled attempt by Serbian nationalists to regain Serbia's influence at the expense of other regions. But each of the regions also had other diverse concerns, reflecting the overlapping of interests that makes Yugoslav decisionmaking so complex.

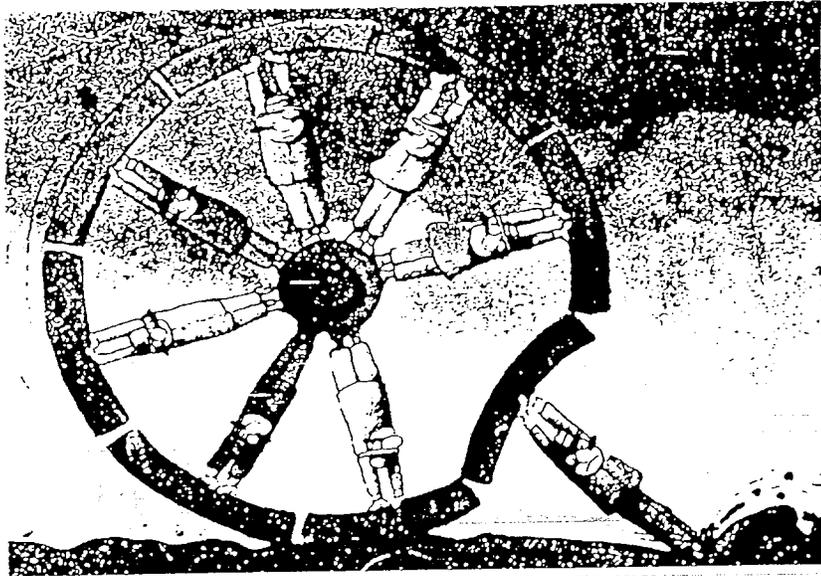
Slovenia. Slovenia opposed the Serbian program not because of its market-oriented measures—the pragmatic, industrious Slovenes have led the country in applying market principles—but because the centralization proposals could allow Belgrade to divert even more Slovenian resources to the poorer south. [redacted] a retired Slovene official earlier this year said a majority of Slovene party members want an even looser federation. The Slovenian leadership was fairly united in attacking the Serbian centralization proposals. Some leaders at a 16 October LCY plenum publicly attacked Serbia's Dragoslav Markovic for demanding a curtailment of consensus decisionmaking. Another Slovene leader, Stane Dolanc, drew Serbian ire in December when he visited Serbia's Vojvodina province and urged the Serbians to stop trying to revamp the system and to simply work harder.

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Differing Perceptions

(Right) Serbian illustration suggests that the political system is hopelessly immobilized by consensus decisionmaking, which allows any one of the eight regions to block action.

(Below) "The motor is OK! How about removing the debris!" Croatian cartoon suggests political system does not need major reform, simply less bickering and nearsightedness. Vehicle bears Yugoslavia's initials, and the number of squabbling men, six, is equal to the number of republics.



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Exemptions: (b)(1) (b)(3)

Croatia. The leadership of Croatia opposed Serbia's program not only because the centralist aspects could sap the republic's wealth but also because—unlike Slovenia—it had ideological reservations about market-oriented measures.

the Croatian leadership, installed after the 1971 liberal-nationalist disorders, sees itself as a bulwark of the more conservative aspects of Tito's legacy. During the debate, several Croatian leaders took a suspicious view of constitutional changes hinted at by the Serbians and chastized the Serbians for creating a "heated atmosphere" of "distrust." While the Croats put forth no coherent alternative set of proposals, they urged a restoration of party orthodoxy and discipline to prevent what some of them believed was the LCY's evolution into many semiautonomous parties.

Bosnia. The leadership of Bosnia-Herzegovina saw in the Serbian measures a threat to their relatively tight control over their republic. The Bosnians criticized the Serbians for attempting to revamp the post-Tito order and cast doubts on the Serbians' adherence to Communist ideology. Following the Serbian party's November plenum, Bosnian strongman Branko Mikulic warned against attempts to label as "dogmatists" people who want to keep the Constitution, and linked attempts to revamp the system with "reactionary centers abroad." Another Bosnian leader later in December similarly called for "harshly settling accounts" with people who want to revamp the political system.

Kosovo and Vojvodina. Serbia's two autonomous provinces, Kosovo and Vojvodina, opposed the Serbian measures because the provisions dealing with intrarepublic relations posed a direct threat to provincial autonomy. The proposals set off some of the sharpest open polemics within the republic in recent years. At a Kosovo party plenum on 4 January, one leader said that the Serbian proposals have caused "anxiety and nervousness" and were "not in line with the constitutional system." A prominent Vojvodina official, at a provincial plenum several days later, similarly called such efforts to change the Constitution "ill-conceived and unacceptable." Temperatures remained high as recently as April, when Serbian and Vojvodina delegates argued over Serbian charges of provincial "autonomism."

some provincial officials have sought to have these issues referred to federal bodies, where they could hope to secure outside support against Serbia.

Openness Versus Orthodoxy

In tandem with the debates over centralism and economic reform, the country's political forces locked horns over the appropriate degree of openness in public life. The issue, long a point of contention in Yugoslav political life, pitted two loose camps against each other:

- A moderate group, urging more political and cultural freedoms as essential to helping the country deal more honestly and effectively with its problems; this group ranged from liberal-oriented writers and intellectuals to party moderates, such as Serbian ideologist Najdan Pasic, favoring more democracy within the party itself.
 - An orthodox group, believing the country had already strayed too far from Marxist principles and that a further loss of party control could threaten their own positions and unleash nationalism and other destabilizing forces.
- State Presidency members Stane Dolanc, Branko Mikulic, and Nikola Ljubicic have been identified as representatives of this faction, and it is strong enough to thwart a major liberalization.

Like the political debate, the debate over ideological issues took on ethnic and regional overtones. While virtually all regional leaderships contain both moderates and hardliners, the Serbian and Slovenian leaderships have become most closely identified with more tolerant ideological policies, and those of Croatia, Bosnia, and Vojvodina with hardline tendencies. These latter leaderships, set back on their heels by the Serbian offensive for more centralism and economic reform, sought to throw Serbia on the defensive by demanding tighter controls—and greater party unity—on ideological policy.

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Political Crosscurrents

The complexity of decisionmaking in Yugoslavia reflects the shifting, issue-oriented alliances among regional elites. Although in Soviet Bloc countries centralists tend to be ideological hardliners, in Yugoslavia some are, but many are not. The debate over reforming the system has reflected these crosscurrents.

	<i>Greater Central Authority</i>	<i>Use of More Market Forces</i>	<i>Tough Controls on Press, Dissent</i>
<i>Serbia</i>	<i>Yes</i>	<i>Yes</i>	<i>No</i>
<i>Croatia</i>	<i>No</i>	<i>No</i>	<i>Yes</i>
<i>Slovenia</i>	<i>No</i>	<i>Yes</i>	<i>No</i>
<i>Military</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>

██████████ Bosnia's Mikulic and Croatia's Dusan Dragosavac launched some of the sharpest attacks behind closed doors on the Serbian leadership's culture policy; Dragosavac reportedly claimed the situation in Serbia had gotten so lax as to raise questions about Yugoslavia's future as a Communist country. ██████████

The contest was played out most vividly at the trial of six Belgrade intellectuals that concluded in Belgrade in early February. A uniquely Yugoslav blend of a Communist-style show trial and Western political theater, the trial reflected pressures by hardliners for more discipline, by intellectuals for more freedom of speech, and by officials outside Serbia to hamstring the Serbian leadership. The weak evidence against the accused and relatively lenient sentences meted out underscored leadership divisions and ineffectiveness. ██████████

Disputes on Economic Legislation

While the competing factions deadlocked over broad political questions in the party debate, they disputed related issues in discussing key pieces of economic legislation. So far they have had similar problems in

finding compromise solutions. The following issues have been particularly troublesome:

- **Economic stabilization:** Premier Planinc's economic stabilization measures themselves have come under growing attack in recent months for a variety of ideological, economic, and regional reasons. ██████████ one conservative Croatian economist at the 5-6 March LCY Central Committee plenum groused that the option of not paying back Western loans was never brought before the Central Committee. ██████████ other prominent conservatives complained that measures to free prices, urged by the IMF, were causing unacceptable inflationary pressures. State President Djuranovic in a speech carried by the media later in March similarly argued that high interest rates, supported by the IMF, are strangling an economic recovery and that Yugoslavia has been placed in a "neocolonialist" position. ██████████ Jure Bilic, Croatian representative on the LCY Presidium, in December attacked Planinc for pursuing policies harmful to her native Croatia. A possible replacement for Planinc, Macedonian Premier Dragoljub Stavrev, is said to favor a tougher line to the IMF.
- **Foreign exchange:** The Yugoslav Constitutional Court in February declared unconstitutional the current foreign exchange law, which allows firms to keep up to nearly half of the foreign exchange earned. ██████████ strong concern by Serbia, Macedonia, and Montenegro that the law works to the benefit of the more developed, export-oriented northern regions. ██████████ officials from Slovenia and Croatia—two of the largest earners of foreign exchange—have voiced concern that new moves to centralize foreign exchange holdings could provide disincentives for their firms to export and thus undermine the country's ability to generate an export-led recovery. Premier Planinc has announced transitional measures to try to accommodate the needs of the various factions, but no long-term solution is likely to be found soon.

- Economic planning, aid to south: A new bill on planning before the Federal Assembly has caused renewed strife between Serbia and its two autonomous provinces. [redacted] the bill denies the provinces a direct say in federal planning, requiring them to coordinate views first within Serbia. In the meantime, Serbia has urged changes to the procedures through which aid from the richer regions is funneled to the southern ones. [redacted] the Serbian proposals would allow Serbia to regulate its own aid to Kosovo. Both measures have drawn sharp responses from the provinces. [redacted]

Military Concerns

The military, through its own representatives in the LCY, has attempted to use its influence to urge an end to leadership divisiveness and inaction. At an Army party committee plenum on 14 December reported by Belgrade media, its top leaders revived many of the open complaints that it has issued since mid-1983. Defense Secretary Mamula publicly warned of a "flood of diverging concepts" within the leadership, and Army party chief Jovicic charged that leadership statements have created "considerable confusion and chaos." They also indicated that the strains in society were taking their toll within the military itself. Mamula warned of "radical and very one-sided and unacceptable views" appearing in the military, while Jovicic similarly warned of "radicalism." On specific issues, the military leadership has shown support for strengthening central authority, control of dissent, and implementing the economic stabilization program. [redacted]

The military appears to be motivated mainly by its longstanding concern to promote national unity, order, and fulfillment of agreed-on policies. Parochial budgetary concerns may be a secondary factor. A weak economic recovery caused by inefficient economic practices could jeopardize the military's funding, which Army officials publicly complain has reached a bare minimum. [redacted]

In the eyes of many non-Serbs, however, the military may be driven partly by ethnic factors. To them, the

large proportion of Serbs in the officer corps raises suspicions about its leanings, particularly on the issue of increasing central authority. [redacted] confirmed signs, hinted at during the December plenum, that some officers are aligning themselves more with their home regions. [redacted]

The military appears reluctant to play a bigger role in political decisionmaking [redacted] some party officials believe the possibility cannot be excluded that the military would intervene on behalf of a group of united politicians. Yet a retired general has been cited as discounting the possibility of a military intervention, at least in part because of the Army's own internal divisions. Public statements by top military leaders as recently as April and May have continued to voice confidence in the country's ability to emerge from the crisis under the LCY's leadership. [redacted]

Hints of Change

Despite the signs of stalemate both in the party debate and over key pieces of economic legislation, there have been hints that the political forces are working behind the scenes to tinker with the system. Most of the changes—if implemented—suggest that the devolution of authority to the regions has bottomed out and that the central party apparatus may recoup some of its lost influence:

- Party authority, discipline: Despite the indecisive stand taken by the LCY at its March plenum, [redacted] say that it secretly took steps to reassert more central party control over lower party organizations down to the county and plant level. An LCY Presidium session on 8 May seemed to bear out these reports, referring to a program to more directly involve the Presidium and Central Committee in the work of lower party bodies. [redacted] an earlier LCY [redacted]

Presidium session took measures, favored by non-Serbian conservatives, to require high party officials to adhere more to agreed positions in their public remarks. While it is too soon to tell whether party leaders will strictly comply with this stand, their public comments in recent months have been somewhat less inflammatory than late last year.

- Media controls: [redacted] the government has taken steps to oversee more tightly the work of the country's many freewheeling media. A high party official also met recently with editors [redacted] to stress the need for more orthodoxy in the media. [redacted] continued assertiveness by journalists toward central authority, and some media have continued to comment sharply on sensitive issues, presumably with the backing of higher officials.
- Strengthening central government: [redacted] said the FEC was taking steps to supervise local investment decisions more closely. Another brief report in January said the FEC had moved to improve its own personnel policies, along the lines suggested by some Serbian officials, by doing away with nationality requirements as an "absolute principle" of personnel policy.
- Regional changes: Several regions are considering amendments to lengthen the terms of office for regional leadership posts that are now subject to frequent rotations. Some regions, including the more conservative Croatia, have been experimenting with multiple candidate elections for some posts. Together, these proposals may strengthen the power of regional leaders—and allow regional party chiefs a longer tenure on the LCY Presidium—while shielding them from complaints of a lack of democratic competition. [redacted]

Prospects

The Yugoslav system, for all its flaws, largely reflects the complex political realities of a unique, multinational state. Yet, while the system has established a framework to hammer out accords among the various

regions and ethnic groups, it so far has failed to turn these structures into meaningful policy instruments. The leadership is likely to continue to resist fundamental change, thus perpetuating the national controversy over its effectiveness. [redacted]

Taking a longer view, however, Yugoslav experience in the postwar period suggests that the system can adapt successfully when faced with national crisis. Following the break with Moscow in 1948, Tito moved away from the Soviet model toward more decentralized economic decision making; after the ouster in 1966 of hardline security chief Aleksandar Rankovic for political abuses, the country further liberalized; after the 1971 Croatian disorders, the party began to reassert its influence while power flowed more to the regional elites. [redacted]

Barring a more serious national crisis—which we do not now foresee—the ongoing debate in Belgrade will most likely continue to foster a sense of stalemate and indecision. Even so, we believe that the competing factions realize the need for some improvements and will keep on trying to work out compromises that will at least allow the country to limp along. [redacted]

In foreign policy, we expect Yugoslavia to hold to Tito's nonaligned course, which occasionally disappoints Belgrade's Western supporters but which at times has been a major irritant to Moscow. We believe Belgrade will keep distinct limits on ties to Moscow even if it tightens central authority or party control. [redacted]

While Yugoslavia is not likely to find any panacea to its problems, it is possible to identify some developments that would either ease or aggravate chronic tensions in the system. [redacted]

Contributing to stability would be:

- A continued strong role by the FEC in setting economic policy, despite growing attacks by more conservative forces and the prospects of a weaker premier after Planinc's nonrenewable term expires in 1986.

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- An incremental strengthening of central party authority, while leaving regional bodies as the actual executors of central decisions. The devolution of power within the party, while giving new room to the FEC, has weakened accountability and enforcement.
- Any movement toward agreement on how the system should manage divergent views, both within and outside official bodies. Different approaches to key issues by the media, by prominent dissidents, and by party officials now tend to inflame emotions and seriously hamper the national dialogue. [REDACTED]

Sliding the system toward crisis would be:

- A major downturn in the economy caused by a recession in the West or runaway inflation, prompting growing popular outcry over the regime's policies and demands to scrap austerity measures.
- An upsurge of serious ethnic violence, such as between Serbs and Albanians in Kosovo, causing even stronger Serbian nationalism and sharper strains between Serbs and other ethnic groups.
- An inability of the political factions to come to terms even on peripheral issues, thus causing the system to clog up further at the center and tempting a small group of leaders, with military backing, to try to take charge.
- A decision by the new leadership in neighboring Albania to reopen the country to Soviet influence, thus raising Yugoslav fears of Soviet-backed meddling in Kosovo and dividing Yugoslavs as to an appropriate response. [REDACTED]

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