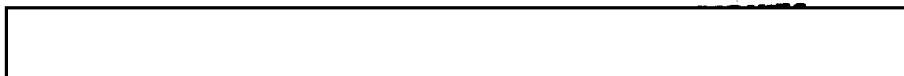


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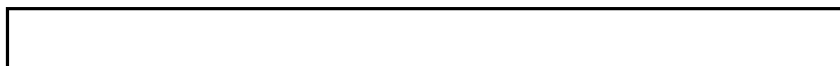
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II. ESTIMATE OF THE PROBABILITY OF AN INVASION OF
YUGOSLAVIA IN 1951.

III. COMPARISON OF U.S. AND YUGOSLAV ESTIMATES OF
SATELLITE MILITARY FORCES.



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V. CURRENT YUGOSLAV ATTITUDES.

VI. CURRENT STATUS OF YUGOSLAVIA AND DISCUSSIONS.

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State Dept. review completed

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II. ESTIMATE OF THE PROBABILITY OF AN INVASION OF YUGOSLAVIA IN 1951.

The basic conclusion of NIE-29 (20 March 1951) was as follows:

"8. On the basis of intelligence available we are unable to determine whether the Kremlin has made a decision to attack Yugoslavia. The Kremlin may estimate that in 1951 such an attack by the Satellites could be carried through successfully without incurring effective Western intervention or precipitating general war. On the other hand, the Kremlin may estimate that the Western Powers would give large-scale support to Yugoslavia, in the event of an attack, thereby making the operation difficult and costly and creating a greater risk of general war than the USSR was willing to accept. Finally, the Kremlin may be fully prepared for the eventuality of general war and may launch an attack on Yugoslavia regardless of the risks involved. Although it is impossible to determine which course the Kremlin is likely to adopt, we believe that the extent of Satellite military and propaganda preparations indicates that an attack on Yugoslavia in 1951 should be considered a serious possibility. We believe further that such an attack, if launched, would be made by Satellite forces with "unofficial" Soviet assistance as required."

NIE-29/1 (4 May 1951) noted the continuation of military preparations in the Satellites with a resultant increase in Satellite capabilities for initiating an attack on Yugoslavia with little or no warning and concluded that these developments did not warrant any change in NIE-29 but did give added emphasis to the conclusion that "the extent of Satellite military and propaganda preparations indicates that an attack on Yugoslavia in 1951 should be considered a serious possibility."

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III. COMPARISON OF US AND YUGOSLAV ESTIMATES ON SATELLITE MILITARY FORCES

1
Total Military Forces

	US Estimates		Yugoslav Statements			
	29 Dec 50	9 May 1951 (latest estimate)	2 Popovic 8 Nov 50	3 Tito 28 Dec 50	4 10 April 1951	6 Bebler 23 April 1951 (latest available statement)
(Albania)	(55,700)	(55,800)	No statement	No statement	No statement	No statement
Bulgaria	197,400	197,400	130,000	195,000	195,000	No statement
Rumania	271,540	290,540	250,000	300,000	No statement	No statement
Hungary	57,500	110,554	125,000	165,000	200,000 ⁵	No statement
TOTALS	526,440	598,494	505,000	600,000	No total possible	800,000

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COMPARISON OF US AND YUGOSLAV FIGURES ON SATELLITE
MILITARY FORCES

Army Line Divisions		
	US Estimate 9 May 1951	Yugoslav Statement ¹ 10 April 1951
(Albania)	(4)	No statement
Bulgaria	13	12-13
Rumania	13	14-17
Hungary	7	10
² TOTALS	33	36-40

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CONFIDENTIALCOMPARISON OF US AND YUGOSLAV FIGURES ON SATELLITE MILITARY FORCES

Tanks			
	US Estimate 9 May 1951		Yugoslav Statements 23 April 1951 ¹
	Soviet-Type	Other	Soviet-Type
(Albania)	(40)	(40)	No statement
Bulgaria	500	50	600
Rumania	200	75 ⁶	600
Hungary	325	---	150
² TOTALS	1025		1350

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V. CURRENT YUGOSLAV ATTITUDES

A. Possible Soviet moves in Europe.

Throughout the early months of 1951, Yugoslav leaders have shown increasing concern over a possible Soviet or Satellite attack, resulting in various moves, including a request for arms aid, to bring Yugoslavia into closer alignment with the Western powers. Yugoslav concern was particularly evident following Chinese Communist intervention in the Korean war and at the height of the German rearmament controversy. With regard to the latter, Yugoslav leaders questioned the efficacy of Western policy and, in January and February, apparently felt that Germany rather than Yugoslavia would be the next target of Soviet-inspired aggression and were tempted to envisage a situation in which Yugoslavia could remain neutral. The Yugoslavs also felt, at that time, that it was essential to have a CFM. Since the first of the year, the Yugoslavs have apparently come to realize that they would almost inevitably become involved in any hostilities in Europe, and, with the lull in the question of German rearmament, their attention has been focussed almost exclusively in recent months on the question of Yugoslav security. Their concern has not been marked by the sense of frustration which was evident early in the year but has been shown by specific measures, such as the request for arms aid from the West, publication of the "White Book," and current plans possibly to bring Satellite border violations before the UN, designed to strengthen Yugoslavia and clarify the Yugoslav

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position in the event of hostilities.

B. The Korean War.

The Yugoslav attitude toward the Korean war has been complicated by Yugoslavia's peculiar political position between East and West. Although they have abstained or voted against the Western powers in all important Security Council votes on the Korean war, they have for obvious reasons expressed approval of the principle of collective security. They questioned the advisability of proceeding north of the 38th Parallel, and without pressing their view, have been in favor of peace talks with the Chinese Communists. Within Yugoslavia, reporting on the Korean war has in general been objective, based on Western newspaper coverage of the conflict. At the present time, the Yugoslavs are attempting to have a correspondent of Politika accredited to the UN forces in Korea, a development which could have a beneficial effect on the Yugoslav attitude towards the Western powers and the UN.

Perhaps the most interesting aspect of the Yugoslav attitude toward the Korean war is their appraisal of Sino-Soviet relations. Yugoslav analyses have long dwelt on the possibility of a Sino-Soviet split and apparently believe that, as a corollary to the Korean war, there is a strong possibility of Sino-Soviet friction regarding revolutionary leadership in Asia. The Yugoslav UN delegate in early April carried this reasoning so far as to suggest that the Kremlin may be prepared to negotiate a settlement of the Korean conflict. Although we recognize the factors in Korea that

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could create serious disagreement between the USSR and Communist China, the Yugoslav approach to this subject may have been influenced by their own experience.

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VI. CURRENT STATUS OF YUGOSLAVIA AID DISCUSSIONS

Since the Cominform break, Yugoslavia has obtained from the US a total of \$55.0 million in long-term credits and \$92.8 million in grants, including the \$29.0 million grant from MDAP funds announced by the President on 16 April and not yet implemented. During this three-year period the Yugoslavs have also obtained £ 15.0 million (\$42.0 million) in long-term credits from the UK, and the French have recently assisted the Yugoslav economic endeavor by an agreement calling for capital equipment loans totaling up to \$11 million. But further aid is necessary if the economy is to maintain and expand its production. Assuming the Five-Year Plan is in effect not abandoned, it has been estimated (by the Department of State) that Yugoslavia will require during the next several years between \$250 to \$350 millions to finance such imports as textile fibre, petroleum, coke, rubber, tin, and iron and steel products. In addition, loans to finance its capital and investment program will be required. Above and beyond industrial aid, still further assistance from the West will be necessary if the Yugoslavs are to import end-use material for their armed forces.

The question of assistance for the Yugoslav economy, primarily industrial aid, is currently under discussion in London by the US, the UK, and France. Concurrently, representatives of the same three governments are in Washington considering the military supply question. (CIA has not received comprehensive information on the latter conferences.) The principal objectives of the US delegation

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in London have been to reach agreed recommendations to the three governments on the following points: (1) an approach to the Yugoslav economic problem on the basis of broad policy considerations already accepted by the three governments; (2) an estimate of the present and future Yugoslav economic situation, particularly an estimate of their needs prior to July 1952; (3) acceptance in principle of tripartite responsibility to meet Yugoslav needs as estimated for that period; (4) sharing of that burden among the three countries, and, if possible, four countries; (5) general lines on which the aid program may be made most effective, including the question of cooperation required of the Yugoslavs; and (6) meshing the short-term aid program so far as possible with a long-term program under consideration by the International Bank.

To date the talks in London have produced tripartite agreements on the first three of these points, but the hope of the US delegation for a speedy conclusion to the talks was dissipated, first by delays resulting from the French delegation, which was uncertain of the position of the French government, and later by difficulties injected by the British. For several weeks the talks were bogged down in differences with the British. By subordinating political considerations to British economic self-interest, and by reluctance to support any but a very limited UK commitment, the British delegation had been at fundamental variance with us on basic principles. On May 9, however, the British delegate indicated he had authority to commit the UK to grant aid, provided a burden sharing formula

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acceptable to the UK could be reached. Since that date, the conference has been concentrating on the latter problems, and there has been some delay due to the French desire to limit their commitment. Yet the US is apprehensive over any delay, however small, in terminating the conference. Our concern is over the probable serious consequences in Yugoslavia of failure to reach a mutually acceptable agreement as soon as possible, consequences damaging both to the economy and to Yugoslav attitudes or action.

With respect to their attitudes, it is interesting to note that the Yugoslav Ambassador in London has indicated his countrymen are worried about the significance of such extensive talks and fear the International Bank loan which could run as high as \$200 million may be jettisoned. They particularly fear that the British, whom they distrust, will gain a dominant role in western aid to Yugoslavia. However, Yugoslav officials in Belgrade have recently inquired about the status of the talks, but did not press for detailed information and seemed satisfied with general reassurances.

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