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Talking Points for the DCIYugoslavia

Fractious ethnic and regional interests are gaining strength in post-Tito Yugoslavia. The ruling Communist party, ineffective in coping with worsening economic conditions, faces criticism of its weakness and pressures for democratization.

- The collective hierarchy is stalemated between the need for reforms and fear that significant changes could get out of hand.
- Regional administrations are increasingly in conflict on economic issues and quarreling often blocks the consensus required by law for national policymaking.
- The leadership drift is eroding public confidence, and the media regularly criticize Belgrade for its failures.
- Ethnic tensions, primarily caused by a resurgence of Serbian nationalism, are on the rise.

The economy is slowing after a decade of rapid expansion. The need to repay foreign debts, coupled with low hard currency earnings and inadequate loans from the West, is creating pressures for rescheduling. But Belgrade is trying to avoid this embarrassment by enacting ever broader and more unpopular austerity measures and appealing for more Western financial help.

- Industrial production is sagging due to cuts in imported materials.
- Energy shortages and cutbacks in oil imports led to stiff gas rationing last week. Electricity shortages forecast for this winter mean blackouts will be more common.
- To save hard currency, Belgrade also has imposed financial obstacles to foreign travel and unofficially limited drawings on private hard currency accounts.
- A 20-30 percent devaluation is expected soon. (has now happened)

Yugoslav leaders are upset that the West has not come to their assistance. They fear grumbling may grow into unrest. If it does, Moscow will have an opportunity to meddle in Yugoslav affairs.

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- The party knows that any attempt to restore its authority forcibly would require crackdowns on liberals and journalists which would erode Western sympathy.
- Moscow has not yet meddled overtly but the declining authority of the Yugoslav party and demands for more democratization might serve as a pretext.

We expect that in an extreme crisis--which is not yet the case in Yugoslavia--the military would intervene to "stabilize" the situation.

- So far, a few generals have joined in the criticism of overall trends but none is obviously pressing for a greater political role.
- The party still has a chance to put its house in order and we expect that there will be pressure soon to do away with the ineffective collective leadership system.
- The odds now are better than even that Yugoslavia will enter a political crisis over the next year or two. Such a crisis would entail threats to US security interests in Southeast Europe.

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