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Instability in the Communist Balkans: Causes and Implications

Summary

Uncharacteristically calm for a generation, the Balkans seem to be gradually reverting toward historical type. Indeed, all the Communist countries of the area--Yugoslavia, Albania, Romania, and Bulgaria--are heading into a period of greater instability, probably in some cases prolonged and serious. [redacted]

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Problems in the Balkans have deep roots. Economic inadequacies, political tyranny and turmoil, and fierce national and ethnic rivalries have strained the area's social fabric for centuries. And the intervention of larger outside powers--a tradition since the Middle Ages--has often converted local disputes into crises of pan-European scope and, once, into world war. [redacted]

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Dim economic prospects and growing political troubles--problems shared with the rest of Eastern Europe--could combine with other factors specific to the Balkans--including a reawakening of ethnic and regional animosities and a heightening of tension between states--to make the area more disruptive of the European balance than at any time since the 1940s. [redacted]

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This memorandum was prepared by [redacted] East European Division, Office of European Analysis, with a contribution from the Office of Soviet Analysis. It was coordinated with the National Intelligence Officer for USSR-EE. Comments and questions are welcome and should be addressed to [redacted] Chief, East European Division, Office of European Analysis, [redacted]

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--Romania is in deep economic trouble, popular unrest is rising, and the regime is reluctant to alter arbitrary and ineffective policies responsible for both.

--Post-Tito Yugoslavia is struggling to avert bankruptcy, and its overly decentralized political-economic system is in disarray.

--Albania and Bulgaria, although not apparently facing serious unrest in their tightly run police states, face leadership successions soon; political explosions are possible in the former, serious factionalism and infighting at the top in the latter. [REDACTED]

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Pervasive, emotional, and volatile nationalism, only partially restrained by outside powers, promises to gain momentum in the years ahead. A related problem, the repression of ethnonational minorities--currently most conspicuous in Yugoslavia and Romania-- helps to keep alive irredentist sentiments and inflames relations among the Balkan states and with other neighboring states. The ability of the various regimes to control events and to contend with--or, indeed, resist--the forces of nationalism may increasingly be called into question as other pressing developments--economic decline and political discord--divert their energy, test their legitimacy and threaten their authority. [REDACTED]

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For two decades or so, both East and West have by and large identified their interests in the Balkans with the preservation of the status quo. But turmoil in the area might force a redefinition of both local and international interests, promote new alignments, and alter the region's balance of power. Thus serious instability on the Balkan Peninsula would raise new risks of greater involvement there by outside powers and of direct East-West contention in the area. [REDACTED]

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For the West, prospective gains include a further loosening of the Soviet hold on Romania, a more troubled Bulgarian-Soviet alliance, and closer Western relations with, and influence on, Yugoslavia (and perhaps Albania as well). But such gains are likely to be marginal, and the West's basic interests are already reasonably well served by existing relationships. The West's greatest interest, in fact, may lie in inhibiting the Soviets' efforts to reassert their dominion in the Balkans. [REDACTED]

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For the East, hopes of regaining lost ground in the Balkans must be tempered by counter-vailing objectives on a variety of fronts. Instability in Yugoslavia would most tempt Moscow to resume active pursuit of its long-term goal of restoring hegemony over the entire area. And the potential gain of direct access to the Mediterranean through Yugoslavia--or Albania--provides additional incentive. But the Soviets are likely to be prudent in defending their interests in the Balkans, as indeed they have for the past 30 years or so. Their broader policy interests in Western Europe and their anxiety over stability in Eastern Europe as a whole are likely to override the attraction of forceful behavior vis-a-vis the Yugoslavs and Albanians. But while the chances for military intervention in Yugoslavia appear remote, Moscow might consider limited involvement in extreme circumstances, such as civil war. Serious instability in Romania or political turmoil in their only loyal client, Bulgaria, on the other hand, particularly if they offer opportunities for the West, would confront the Soviets with potentially severe damage to their vital interests and would be met in extremis by the use of military force. [REDACTED]

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The Balkan Powderkeg

Strategically situated on the crossroads between Europe and the Middle East and fragmented by deep political and cultural differences, the Balkans have for centuries been a testing ground for great power ambitions. And even before the formation of the first independent states in the late 19th century, the Balkans were synonymous with violent conflict and political instability. Two local wars (the First and Second Balkan Wars, 1912-14) and World War I have erupted there in this century alone. Even during the "peaceful" interwar years the Balkan states were wracked by internal crises and destabilizing rivalries which facilitated their manipulation by various foreign powers. [REDACTED]

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A variety of historical, political, and cultural factors contribute to this chronic instability. But deep-seated nationalistic antagonisms and economic and political weaknesses have been most responsible for keeping the Balkan pot boiling. [REDACTED]

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Nationalism. Although the record is rife with examples, two nationalistic rivalries in particular illustrate nationalism's destructive influence in the region and within individual states. [REDACTED]

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The bitter and longstanding dispute between Serbia (later Yugoslavia) and Bulgaria over control of Macedonia--now divided between Yugoslavia, Bulgaria, and Greece--derives largely from conflicting historical claims and blurred ethnic identifications (the Bulgarian and Macedonian languages are very close). The issue has dominated Yugoslav-Bulgarian relations since the late 19th century and embroiled them in four wars in this century. It also once dominated Bulgarian politics--the Internal Macedonian Revolutionary Organization, one of the many terrorist organizations spawned by this dispute, virtually ruled Bulgaria for a number of years--and inflamed Balkan diplomacy during much of the interwar period. [REDACTED]

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Nationalist rivalries have also retarded the process of nation-building within the Balkans. After Yugoslavia was created following World War I, tensions between the Serbs and Croats, the two most numerous ethnic groups, polarized government and society, inhibited serious treatment of severe economic and social problems and, finally, hastened the end in 1929 of the country's brief experiment in parliamentary democracy. Animosities between the two groups stem from conflicting cultural and historical traditions--the Catholic Croats being more Western-oriented after centuries of Austrian and Hungarian rule and the Orthodox Serbs more insular after 400-plus years of Turkish domination--as well as from competing political ambitions. The Croats sought autonomy within the new state, while the Serbs sought, and gained, dominance. The pent-up hostilities between the two peoples exploded into a civil war with the collapse of Royalist Yugoslavia following the German invasion in 1941. [REDACTED]

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Economic Weakness. Wars and internal revolts, plus long domination by the Ottoman Empire, which ignored economic development and bequeathed a tradition of maladministration and corruption, left much of the Balkans among the most economically backward regions in Europe. [REDACTED]

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From the founding of the new Balkan states, the leaderships came mostly from a tiny group of large land owners and, later, businessmen and professionals. They concentrated on self-enrichment and short-sighted pursuit of national rivalries, while neglecting their countries' awesome economic problems: rural overpopulation, urban unemployment, and general poverty. [REDACTED]

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In concert with other effects of the Great Depression, living conditions declined for the majority of Balkan peoples between the two world wars. This sapped the Balkan leaderships' ability to build popular support and reinforced political repression which, in turn, fostered extreme nationalism and

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radical political ideologies. The region's weak economies, heavily dependent on foreign capital, also fell easy prey in the late 1930s to the influences of more powerful Axis neighbors, which presaged their military domination in World War II. By 1939, Germany accounted for over one-half of Romania's and Yugoslavia's foreign trade and 75 percent of Bulgaria's, while Italy monopolized Albania's commercial relations. [REDACTED]

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The Impacts and Limitations of External Interference.
Outside involvement has usually worked to perpetuate Balkan rivalries and give them broader significance than they intrinsically warrant. On occasion a dominant foreign influence in the region has imposed a temporary stabilizing effect, but the Balkan states' resistance to foreign dictates and their penchant for switching alliances have made these periods of calm short in duration. Created and delineated by the consequences of great power competition, the Balkan states also have sought support in their local quarrels through alliances with Europe's major powers despite risks of being dragged into broader conflicts they might otherwise have avoided. [REDACTED]

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Bulgaria, for instance, was created in 1878 as the result of war between Russia and Turkey, precipitated by Russian support of a rebellion by Turkey's Bulgarian subjects. Russia's sponsorship of a "greater Bulgaria" that included most of Macedonia was blocked by Austria and Britain out of fear that the new Bulgarian state would become a Russian puppet and thereby upset the European balance of power. Over the next seven decades, Bulgaria fought two local wars and joined with the losing powers in both world wars in a vain effort to restore those borders. Russia's decision to shift its support from Bulgaria to Serbia as a means of blocking Austrian expansion in the Balkans had even more momentous--and disastrous--consequences for the region and for Europe, helping to lead eventually to World War I. [REDACTED]

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In this century, the USSR's dominance in the region following World War II brought a rare stability to the Balkans. The triumph of Soviet-style Communist parties in the Balkan states temporarily submerged traditional national rivalries under the umbrella of "Communist solidarity." The Romanians, imitating Soviet policy, awarded their disgruntled Hungarian minority an "autonomous region" in Transylvania. The Yugoslavs also followed the Soviet constitutional model in constructing a federal system that allotted each of the main Slavic national groups a separate republic. Frictions among the Balkan states were also temporarily shelved, as national leaders even gave serious consideration to the creation of a "Balkan Confederation." [REDACTED]

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However, even Soviet predominance could not keep the Balkans free of rivalries for long. The territorial ambitions of the headstrong Yugoslav Communists, led by Tito, clashed with Stalin's plans for total control over the region and eventually contributed to the break between Yugoslavia and the USSR in 1948--the first split in the Communist movement and the harbinger of others in the Balkan Communist states. [redacted]

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The break stemmed in part from Belgrade's apparent headway in drawing Bulgaria, Yugoslav-dominated Albania, and possibly even Romania into a new Balkan confederation, which clearly threatened Soviet hegemony in the region and provoked the ire of Stalin, who ordered Bulgarian leader Dimitrov to renounce his earlier support for the plan. From 1945 onward, Tito's independent and aggressive pursuit of Yugoslav claims against Italy and Austria, and particularly his growing influence over Communist guerrillas fighting in the Greek Civil War, also raised fears in the Kremlin that these peripheral disputes with the West were slipping from Soviet control. At a conference in Moscow in February 1948, Stalin told the Yugoslavs to cease their support of the Greek guerrillas and to consult the Soviets in the future on all foreign policy questions. Tito and his partisan regime, already unhappy with Soviet policies and arrogance, refused to follow orders. One month later Moscow withdrew its civilian and military advisers from Yugoslavia and in June expelled the Yugoslavs from the Cominform.* [redacted]

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The Albanians, who took advantage of Belgrade's excommunication to slip from Yugoslavia's grasp, later (in 1961) took advantage of the Sino-Soviet split to break away from Moscow's control and sided with Peking when it appeared that the USSR and Yugoslavia were again on the verge of reconciliation. [redacted]

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Romania also exploited the Sino-Soviet dispute to defy Soviet Party leader Khrushchev's drive to integrate the East European economies, and won at least partial autonomy in foreign policy. By 1964, when the Romanian Central Committee issued its "declaration of independence," the Soviets could count on the unqualified loyalty of only one Balkan country: Bulgaria. [redacted]

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*Western policy initiatives were a significant factor in these developments. Not only did the US under the Truman doctrine assist Greece in defeating the Communist insurrection but subsequent US aid to Yugoslavia, including sizeable arms deliveries, helped Tito consolidate his independence after his break with Stalin. [redacted]

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The 1980s: Return to Balkan Instability

During the 1960s and 1970s, three of the Communist regimes successfully--though in different ways--consolidated their independence from the USSR. Romania and Yugoslavia even began informal consultations and policy coordination to strengthen their position against Soviet pressure tactics. The consolidation process was not without tension, but it became relatively less painful as the atmosphere of detente spread in Europe. For Yugoslavia and Romania, the 1970s were very profitable in terms of new access to Western loans which allowed their economic development to accelerate, and none of the Balkan leaders faced serious internal challenges to his rule, once Tito had quashed an outburst of Croatian nationalism early in the decade by threatening to send in the army. [REDACTED]

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The current decade, however, presents new conditions which pose a bleaker outlook. East-West relations have deteriorated and the flow of foreign investment has dwindled. Indigenous problems, long ignored or repressed by the ruling elites, are hastening economic decline and fostering political tensions within and between key states. There are risks of abrupt leadership changes, due either to declining confidence levels or to long postponed succession struggles, which could disrupt current relationships among the Balkan states. [REDACTED]

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Economic Decline. All the Balkan countries are experiencing economic difficulties, but most severe are those facing the region's major "independents," Romania and Yugoslavia, which based their past development on Western financial credits and imports. [REDACTED]

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Romania's economic performance, after nearly two decades of strong growth, has been weakening steadily since the late 1970s. In 1982, the growth rate of national income declined to the lowest level since the 1950s, and living conditions--already low, even by East European standards--are still deteriorating. [REDACTED]

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The problems stem from accumulated planning errors, including overemphasis on rapid industrialization to the detriment of agriculture; excessive centralization; bureaucratic rigidity; and mismanagement. The slowdown was exacerbated by tightening balance-of-payments constraints brought on by the high cost of crude oil imports, soft demand in Western markets for

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Romanian exports, and increased banker wariness following the Polish crisis.* [redacted]

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Romania's financial crisis forced it to reschedule its hard currency debt in 1982 and to enter into rescheduling negotiations again this year. The cuts it made in imports to reduce its current account deficits, in turn, forced a sharp slowing in the growth of industrial production, while increased emphasis on exports--especially food--lowered living standards to the point of creating severe public morale problems. [redacted]

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We believe Romania's economic slide is likely to persist well into mid-decade. President Ceausescu, who apparently still believes his forced-industrialization policies will eventually succeed, will probably rely on ad hoc measures, including bureaucratic tinkering and further cuts in domestic consumption, to overcome what he says are only temporary difficulties. The economy's problems are deep-seated, however, and will not respond to his piecemeal approach. Living standards will thus probably continue to decline for the next several years, threatening to intensify popular unrest and increasing Ceausescu's vulnerability to internal challenges and to Soviet pressure. [redacted]

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Yugoslavia faces a similar pattern of declining growth and a financial crisis. The leadership's inability to tackle serious problems inherited from the Tito era and to correct the weaknesses of the decentralized self-management system has weakened its prestige and the public's confidence in the soundness of the economic system.** Economic growth has slowed sharply since Tito's death in May 1980, as the legacy of the rapid growth of the 1970s--inflation fluctuating between 30 to over 40 percent in the past three years and growing difficulty in repaying its \$20 billion foreign debt--finally forced Belgrade to impose domestic austerity measures in an effort to avoid a debt rescheduling or default.*** [redacted]

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Cuts in imports of energy and raw materials have contributed substantially to stagnating industrial production and export performance. And consumers--already grumbling over shortages of staples like cooking oil, coffee and medicine--in October had to

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accept gasoline rationing and electricity shortages. The cycle of rising prices, growing unemployment, and consumer goods shortages are taking their toll on living standards. [REDACTED]

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The Yugoslav leadership originally underestimated the need for adjustments to the world recession in the late 1970s and has continued to avoid necessary reforms in favor of belated, ad hoc adjustments. We believe, however, major structural changes cannot be avoided indefinitely: the decentralized system, in which economic decisionmaking rests in competing regional capitals, has all but precluded effective policymaking on the national level. [REDACTED]

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Yugoslavia's economic problems, as its leaders now warn, will last into at least the mid-1980s, and the conditions the West will place on its aid promise to narrow the Yugoslav leadership's range of choice in addressing them. Belgrade, probably reluctantly, will have to alter radically its management practices and restore certain federal controls to meet these demands. It is doubtful the Titoist system can accomplish these objectives without turmoil in the leadership over economic reforms and over their implications for the distribution of powers between Belgrade and the republics. [REDACTED]

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Bulgaria's economic difficulties are not nearly so severe, but its prospects depend on continued preferential Soviet treatment. The USSR meets most of Bulgaria's energy and raw material needs on favorable terms and allows the Bulgarians to run sizable bilateral trade deficits. [REDACTED]

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After more than a decade of impressive growth, the economy began to slow in the late 1970s. Increasing scarcity of skilled labor, sluggish productivity, and inefficiencies resulting from overcentralization and a rigid bureaucracy have forced a slowing of growth rates in nearly every economic sector. Increasing Soviet reluctance to provide for Bulgaria's growing material and energy needs (oil shipments, for instance, have not increased since 1980) threatens to impede future growth. ** [REDACTED]

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To combat these problems, Sofia has unveiled a modest reform program emphasizing decentralization of decisionmaking, reduction of administrative controls and closer linkage of pay to productivity. It has introduced these measures cautiously and they have yet to improve economic performance significantly. And, although convinced of the need for reforms, Bulgarian leader Zhivkov must weigh the potential for negative political reactions at home and in Moscow before proceeding at a more rapid pace or in dramatically new directions. [REDACTED]

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Albania, the smallest and least developed of the Balkan states, has also suffered an economic slowdown in recent years--primarily as a result of China's decision to terminate all assistance in 1978. China had been Albania's benefactor since the break with Moscow in 1961. [REDACTED]

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During the nearly two decades of their alliance, Albania relied almost completely on Chinese economic and technological assistance, which amounted to nearly \$1 billion. Relations began to deteriorate in the early 1970s, however, as Albania's Stalinist leaders grew increasingly alarmed by China's internal relaxation, growing warmth toward Yugoslavia, and renewal of contacts with the West. The Albanians, perhaps preparing for an aid cutoff as early as 1975, cut growth projections in the 1976-80 plan fairly sharply. [REDACTED]

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Since Albania's break with China in 1978 and embarkation on a "go-it-alone" policy--foreign loans are now unconstitutional--economic growth has slowed even further. But because we lack good data, we have difficulty measuring the extent of Albania's economic problems. No major dislocations are apparent and, judging from occasional visitors' observations, living conditions--already the lowest in Eastern Europe--seem to have been little affected. [REDACTED]

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Political Instability. The economic decline in Romania* and Yugoslavia** has damaged the prestige of, and eroded public confidence in, their political leaderships. Although only Romania has so far experienced politically significant unrest, Yugoslavia may not be far behind. Other weaknesses endemic to Communist systems--resentment over arbitrary power in the hands of the ruling elite, a failure to provide for continuity of

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effective political leadership, and factionalism within the elite--are at work in all the regimes. Albania and Bulgaria, although dodging the bullet of economic unrest, will be particularly vulnerable to succession struggles when their aging leaders pass from the scene. []

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In Romania, public acclaim for Ceausescu's defiance of the Soviets and relaxation of internal controls in the late 1960s faded into cynicism in the 1970s, and then into despair early in this decade, as the Romanian leader stepped up the pace of industrialization, restricted improvements in consumer welfare, and steadily tightened political repression. As living conditions have eroded, the populace has responded with intermittent strikes and protests. Morale has plummeted so low as to hinder the functioning of the economy. []

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The Romanian problem is too much arbitrary power in the hands of a single leader who has not adapted his original strategy to changed conditions. Over the course of his 18-year tenure as party leader, Nicolae Ceausescu has so accumulated power over political and economic decisionmaking that he now rules by fiat--reminiscent of Romania's medieval kings with whom he so clearly identifies. Although a daring actor on the international scene, Ceausescu is a traditional Stalinist in domestic--and particularly economic--policy. The stultifying authoritarian system he has imposed on the country has quashed incentive--from government ministers down to factory and farm workers--and bred inefficiency and corruption. []

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Ceausescu's arbitrary and inflexible leadership has long been a subject of private complaint by middle and lower level bureaucrats. As the problems accumulated--financial crisis, economic decline, and popular unrest--dissatisfaction with Ceausescu's policies became widespread, even within the upper leadership. In his effort to ensure the loyalty of the apparatus, as well as to provide scapegoats for his policy failures, Ceausescu has purged the bureaucracy repeatedly in recent months. Through such "cadre rotations" and increased reliance on the security network and the military, Ceausescu has intimidated potential challengers and prevented the emergence of an organized political opposition. The reservoir of those who resent his rule continues to grow, however, and we believe a threat to his position, when it comes, could develop very quickly. []

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Yugoslavia's potentially severe morale difficulties have so far reflected only general grumbling and criticism of the post-Tito leadership. But there is a broadening conviction among the people, judging by the critical Yugoslav press, that the Titoist system is on the verge of crisis. [REDACTED]

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In the 1970s the Yugoslavs became the most affluent people in the Communist Balkans, but falling living standards are dimming popular confidence that they will remain so. The cumbersome system of collective political rule that Tito hoped would prevent power struggles and defuse ethnic and regional rivalries has come under increasing public criticism as the people begin to appreciate the depth of their unresolved economic problems. But, even under the abnormal pressure of economic crisis, decisions at the federal level are reached only after prolonged and often inconclusive consensus-seeking among regional representatives. [REDACTED]

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Yugoslavia's problems go much deeper than mere weaknesses in the mechanics of the collective system. Even during Tito's lifetime, the republican and provincial power centers tended to go their own way, except under the whip of his direct intervention. Since his death in May 1980, federal authority has considerably diminished vis-a-vis that of the republics. In essence, Yugoslavia has become a confederation of eight power centers. Today, no leader or political institution--even the Communist party--has the authority necessary to exact discipline from parochial-minded local and regional authorities. [REDACTED]

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The Yugoslavs, in our view, can move in two directions to permit their system to perform more effectively. One would be toward recentralizing power at the federal level, the other toward liberalizing the economic system to permit free-market forces greater play. If Belgrade fails to follow either course, we believe popular restiveness will grow as economic conditions deteriorate and as partially effective austerity measures take their toll on the standard of living. And whatever road the Yugoslavs take, tension between the ethnonational groups will grow as they fight to defend parochial interests. The prognosis for Yugoslavia, we therefore believe, is a period of heightened internal tensions with the possibility of unpredictable political challenges to the current system. [REDACTED]

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Albania--a regimented totalitarian state--could experience a leadership crisis in the near future. Party leader Enver Hoxha has ruled Albania with an iron fist for most of the post-war period and his position demonstrably remains unassailable. He has purged all subordinates who had the credentials to succeed

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him--including the allies of his longtime partner, former Prime Minister Mehmet Shehu, whose violent death in January 1981 is still unexplained. And therein lies the problem, for Hoxha, now in his seventy-fourth year and in poor health, could depart the scene at any time. [REDACTED]

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We know little about the likely players in the succession sweepstakes, other than that most of them are relatively young, former provincial functionaries who were elevated into the central leadership by Hoxha on the basis of their performance and loyalty to him. Judging from their backgrounds, they are likely to be less inflexible than Hoxha, but they may also be less adept at fending off challengers at home or pressures from abroad. The key to the succession struggle is likely to be the strength of various Albanian family groupings--the clan system has remained strong despite the Communist revolution. A major issue they will use to compete with one another will be Hoxha's policy of isolation--particularly from major powers such as the USSR. [REDACTED]

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The succession in Bulgaria probably is neither as imminent nor as overtly dramatic as in Albania, but it could also prove destabilizing. Over the past two decades, Zhivkov also has neutralized or purged those leaders who became powerful enough to threaten his domination of Bulgarian political life. In the process, he has blocked the emergence of a clear-cut heir apparent. The likely contenders to succeed the 71-year-old Zhivkov will, we believe, probably come from two groups whose competition for influence is just becoming evident to Western observers. [REDACTED]

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One group, composed of pragmatic economic experts and more liberal cultural functionaries, emerged in the late 1970s. Zhivkov brought them into the leadership to reform economic management, as well as to implement a more relaxed, Western-oriented, and somewhat nationalistic cultural policy introduced by his late daughter, Lyudmila Zhivkova. Their influence, which peaked during 1979-80, has come under increasing conservative challenge since the onset of the Polish crisis and particularly since Zhivkova's death in August 1981. [REDACTED]

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The conservatives, possibly with encouragement from Moscow, recently have called for tighter controls on Bulgarian cultural life. Judging from speeches at the party's last Central Committee plenums, they have apparently also tried to slow implementation of the economic reform. Zhivkov has avoided taking a clear-cut position, a stand that could result in trouble during the transition following his departure. [REDACTED]

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Nationalism, The Tinder

On the surface, the economic and political problems facing the Balkan Communist regimes are not all that much worse than those troubling other Communist regimes in East Europe. But another major factor--pervasive, emotional nationalism only partially restrained by powers outside the region--makes the Balkans dangerously volatile. [REDACTED]

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From the outset, the 1980s have seen ethnic nationalism increase gradually--pitting Belgrade and Tirane against each other over Yugoslavia's Albanian minority, weakening the cohesion of post-Tito Yugoslavia, and adding concerns about the Hungarian minority in Romania to Ceausescu's lengthening list of problems. Other intractable issues, such as the muted but still unresolved Bulgarian-Yugoslav rivalry over Macedonia, are sure to arise again in a period of heightened regional tension. Under the conditions of increased economic hardships and political uncertainty that we project, nationalism promises to gain momentum, and the chances will rise for violence within and between the Balkan Communist states. [REDACTED]

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Yugoslavia's Albanian Problem. Belgrade's difficulties in blending a relatively small, 1.7 million Albanian minority into the mainstream of its political and economic life illustrate how essentially modest ethnic difficulties can take on major proportions. At once an international problem--because of neighboring Albania's active involvement--the Albanian question is also eroding Yugoslav internal stability because it is a catalyst for increased antagonisms between Yugoslavia's other ethnic groups. [REDACTED]

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In the wake of an insurrection in March-April 1981 by ethnic Albanians in Yugoslavia's Kosovo Province, polemics between Yugoslavia and Albania escalated sharply with Belgrade accusing Tirane of instigating the disturbances and Albania vocally supporting the Kosovars' political and economic demands. But Tirane's hostility toward Belgrade stems from two other factors as well: the ideological conflict represented by Hoxha's avowed Stalinism and Yugoslavia's "revisionism," and suspicions that Belgrade harbors hegemonistic ambitions toward Albania, which emerged from World War II as a Yugoslav client state. In calmer moments, these concerns are offset somewhat by Tirane's realization that an independent Yugoslavia provides an important

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barrier to Soviet dominion in the region and constitutes a valuable--in fact, Albania's largest--trading partner. [redacted]

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The threat to stability inherent in this situation is twofold. On the one hand, Albania has become a "magnet" for some ethnic Albanian separatists in Yugoslavia--many of whom also profess neo Stalinist beliefs--and this provides Tirane an opportunity to meddle in Yugoslavia's internal affairs. On the other hand, Tirane, by supporting the Albanian minority's aspirations at a time of internal stress in Yugoslavia, could provoke an overreaction by Belgrade (as it almost did after the 1981 riots in Kosovo) leading to an armed conflict between the two. [redacted]

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Albanian restiveness in Yugoslavia exacerbates other deep ethnic and regional divisions which, despite Belgrade's relatively enlightened efforts at national reconciliation, often take precedence over a concern for the larger Yugoslav confederation. Serb-Albanian enmity, built up during centuries of feuds and blood letting, escalated after the riots because of demands by the demonstrators that Kosovo's status be changed from an "autonomous province" of the Serbian Republic to a full-fledged republic separate from and equal to Serbia. Albanian violence against Serbs resident in Kosovo contributed to a backlash of Serbian nationalism. Serbian leaders demanded harsher treatment of Albanian "nationalists" and greater Serbian control over its Kosovo and Vojvodina provinces, which in turn has caused uneasiness among Yugoslavia's other national groups. [redacted]

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How portentous this uneasiness becomes will depend largely on the Croats, the major Yugoslav rival of the Serbs. During World War II the Croats established their own state under Axis protection and their sense of nationalism remains a potent force. In the aftermath of the Yugoslavs' liberalizing reforms of the mid-1960s, expressions of Croatian nationalism built to the point that Tito had to intervene personally--and threaten to use the army--to bring the Croats back in line. The combination of a new Serbian aggressiveness and disputes over sharing the burden of Yugoslavia's economic hardships could once again make the Croats assertively anti-Serbian. [redacted]

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The factors that led to the disturbances in Kosovo illustrate the close interrelation between ethnic hostilities, political rivalries, and regional economic disparities in Yugoslavia. As the regional interests have grown more dominant, the peoples in the north have become more vociferous in opposing the federal government's redistribution of their income for

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development of the poorer south. The Kosovo disturbances further eroded support for this program, especially in Croatia and Slovenia. Recently the federal aid program for the south--even though constitutionally mandated--temporarily came to a halt when most of the northern republics failed to pay taxes into the development fund. This issue could become explosive in the future if the continued slowing of economic growth brings about a widening of disparities between north and south. [REDACTED]

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The Macedonian Problem. While Belgrade's main regional concern at the moment is its problems with Tirane, a potentially serious rivalry exists with Bulgaria, which has shown some greater nationalistic stirrings in recent years.* Bulgarian scholars and occasionally a party functionary periodically question Yugoslavia's historical claim to Vardar Macedonia and the existence of a Macedonian nation in Yugoslavia separate from Bulgaria. And over the past several years Belgrade has twice protested to Sofia because it hosted visits by a Croat emigre who leads an organization aimed at separating Croatia from Yugoslavia. [REDACTED]

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Such activities, plus Sofia's refusal to recognize the existence of a Macedonian ethnic minority within Bulgaria's Pirin Macedonia, in Yugoslav eyes belie Sofia's official protestations that it has no designs on Yugoslav territory. Yugoslav sensitivity also stems from an awareness that Tirane, which regularly notes the "plight" of Albanians in eastern Macedonia, might seek common cause with Sofia. And ultimately, the Yugoslavs fear that, since Moscow has overriding influence on its Bulgarian ally, the dispute over Macedonia gives the USSR leverage against Yugoslavia. [REDACTED]

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The Yugoslavs' typical manner of addressing the Macedonian problem is to dramatize every Bulgarian needling, no matter how inconsequential, and on occasion, to imply that the Soviets are trying to increase tensions in the region. For example, last summer the Yugoslav press reacted strongly to the Warsaw Pact exercise "Shield 82"--the largest Pact exercise ever held in the Balkans. And, in the past, Tito often used the "foreign threat" to distract the population from other problems. If Yugoslavia's new leaders find their internal problems unmanageable, they could well heat up the Macedonian dispute again to divert popular attention from growing domestic economic difficulties. [REDACTED]

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Romanian Nationalism. Ethnic problems in Romania, the Balkans' other multinational state, contribute to internal instability and complicate Romania's relations with its neighbors. The primary problem is Romania's sizable Hungarian minority--today about 8 percent of the population--in the former Hungarian province of Transylvania, which Romania acquired after World War I. Ethnic hostilities sharpened during the interwar period as the Romanian majority turned the tables on the Hungarians who had had the upper hand for centuries. Hostility became outright hatred during World War II, when Hitler forced Romania to cede northern Transylvania to Hungary and Hungarian and Romanian minorities on both sides of the new border suffered severe persecution. [REDACTED]

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The Soviets returned all of Transylvania to Romania after the war, at least partly as compensation for Romania's military collaboration against German forces in Hungary and Czechoslovakia after the coup against the pro-Axis Antonescu government in August 1944. Moscow saw to it, however, that the new Communist regime in Bucharest accorded the Hungarian minority a modicum of cultural and political autonomy. The ethnic Hungarians, however, were subjected to increased assimilationist pressures after the USSR withdrew its military forces from Romania in 1958 and the Ceausescu regime subsequently began to reemphasize Romanian nationalism. The Hungarians, growing increasingly disgruntled with their lot, became particularly restive in the late 1970s after a former high party official, himself an ethnic Hungarian, accused the regime of carrying out cultural "genocide" against the Hungarian minority. [REDACTED]

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The revival of Romanian nationalism, combined with the Hungarian minority issue and Bucharest's maverick foreign policies, has kept Romania at odds with its non-Balkan neighbors--Hungary and the USSR. The Kadar regime in Budapest is overtly concerned by the plight of its conationals in Romania, and the general populace resents what it perceives as Romanian mistreatment of its Hungarian minority. Romania, in turn, suspects Hungarian irredentism exists still and sees a Hungarian--and Soviet--hand behind any manifestation of ethnic Hungarian unrest in Transylvania. [REDACTED]

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Romania also still mourns the loss to the Soviets of Bessarabia (now the Moldovian Soviet Socialist Republic), a land of mixed Romanian, Ukrainian, and Russian population, and resents Soviet claims of a distinct "Moldavian" nationality. This territorial issue is officially dead, like the Transylvanian, but it still occasionally causes friction when a historical tract is published and it is ready to be resurrected in times of tension. [REDACTED]

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Implications for East and West

The international orientations of the Balkan Communist regimes have not changed much since Romania's "declaration of independence" from the USSR in 1964. The existence of two aggressively independent regimes, Yugoslavia and Albania; a totally loyal Warsaw Pact member, Bulgaria; and a reluctant and troublesome Pact member, Romania; has over time been accepted by the major blocs as an uneasy balance which does not threaten either's vital interests in Europe. But as Communist Balkan security could be shaken by a variety of serious internal or bilateral disputes, there is danger that the chain reaction could force outside powers, even reluctantly, to view the region once again in its traditional context as a zone of competition. [REDACTED]

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The Existing Balance of Power. In concert with the growth of detente in Europe in the 1960s and 1970s and the shift of East-West competition from Europe to the Third World, the Communist Balkans declined proportionately in relative importance for both East and West, with the possible exception of Yugoslavia, which became a leading member of the Non-Aligned Movement. Neither side has expended significant resources or taken major risks to strengthen its position there. [REDACTED]

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One factor in this decline in interest was the Communist Balkans' dwindling value as markets or as sources of raw materials. Romania's once-valued oil fields are nearly depleted, and none of the countries is any longer a major agricultural exporter. Due to their economic problems, the Balkan states constitute more of an economic drain to an outside "sponsor" than an asset. [REDACTED]

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Politically, the Balkan Communists--excepting Bulgaria--have generally shown themselves to be undependable and unmanageable allies, truculent in defending their independence and narrowly preoccupied with intramural rivalries. Moreover, the concentrated personal power of political leaders often results in erratic and arbitrary decisions, which adds to the region's unpredictable character. [REDACTED]

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For the East, furthermore, the area continues to serve as a buffer zone. With two Warsaw Pact member states in the region, the Soviets can feel comforted that their reduced position there is still strong. The Soviets also benefit in that none of the independent states in what they must view as their own "backyard" are considered attractive models by the other regimes in Eastern Europe or are allied with any antagonistic outside power, such as China. [REDACTED]

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The West also derives strategic advantages from the existing situation. No Soviet troops are stationed in the region, and the continuing estrangement of three of the Balkan regimes from the USSR deprives Moscow of direct access to the Mediterranean--and the Middle East--and eases pressure on NATO's southern flank. Both East and West, moreover, have reason to appreciate that stability in the Balkans--however uneasy--has served to maintain the general peace in Europe. []

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Soviet Attitudes. Moscow's principal long-term goal in the Balkans, we believe, remains the reassertion of its hegemony over Yugoslavia, Albania and Romania, but stasis in the region has precluded major movement toward it. Soviet pursuit of this goal is tempered by at least three major countervailing objectives: to avoid disturbing the overall stability of the region because of the unpredictable consequences that might ensue; to avoid provoking a direct clash of interests with the United States and NATO, which could require considerable expenditure of Soviet economic and political assets and even risk a military confrontation; and to avoid jeopardizing Moscow's broader European policy of seeking to widen the differences between the United States and its allies--a goal currently pursued with an eye to blocking planned deployment of additional NATO nuclear missiles in Western Europe. At the same time, because the Balkans have not demanded painful decisions or posed serious dangers, the Soviets can be said to have a stake in the status quo. []

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The Soviets' currently most potent lever for increasing their influence in the Balkans, while reducing that of the West, is their economic relations with these states. Bulgaria and Yugoslavia in particular are heavily dependent on the USSR for energy and raw materials and for markets for their exports. Soviet propaganda, for whatever impact it has, emphasizes that the long-term well-being of the Balkan countries lies in close economic ties with the USSR and the rest of Eastern Europe, and the Soviets doubtless do believe that over time such ties will lead to a closer political relationship. Experiences, such as Tito's successful defiance of a total Soviet economic boycott in 1948 and Albania's similar cancellation of economic and political ties with Moscow in 1961, have taught the Soviets, however, that converting economic links into political leverage can be an elusive goal. []

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We believe that, given the choice, the Soviets are likely to continue to prefer low-key policy approaches. It may be, however, that as circumstances in the Balkans change the Soviets may not have a choice, especially if they come to believe a major

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setback lurks ahead. Political disarray in Romania, for example, or a major turn toward the West by Yugoslavia, or the collapse of Communist authority in any of these states, could alter the shape of Soviet policy, invite the application of strong Soviet pressure and, in an extreme case, tempt Moscow to intervene militarily. Moscow's options, and the limitations inherent in each, include the following:

- Economic Pressure. Although economic ties, used as a carrot or stick, are Moscow's strongest lever of influence, their effectiveness is limited. If the USSR sought to apply economic pressure on issues the Balkan leaders considered vital, the political costs would be considerable and the effect probably counterproductive. It would arouse official and popular resentment of the Soviets, it could lead to the instability Moscow wishes to avoid, and it could be countered by Western assistance.
- Political Subversion. If conventional political pressure, such as diplomacy, propaganda, and high-level visits, proved ineffective, the Soviets in a crisis would use whatever covert supporters they have developed, particularly in the military and security apparatuses. To our knowledge, however, the USSR has few such assets in Albania, Yugoslavia, or Romania, which have assiduously purged suspected Soviet sympathizers. Only in Bulgaria, where it is least likely to be needed, would a power play by Soviet sympathizers appear likely to swing events in Moscow's favor. []

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Another form of political subversion, to which Yugoslavia is particularly vulnerable, would be the exploitation of ethnic hostilities, either within one of the Balkan Communist states or between it and neighboring countries. This tactic, however, would entail some of the same costs as economic pressure: heightened resentment of the Soviets and the danger of instability spreading within the country and perhaps to its neighbors. If the phenomenon of inflamed nationalism proved contagious, it could become a serious problem for all the Warsaw Pact states, including the USSR. []

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- Military Pressure. The USSR could exert several forms of military pressure. A threat to curtail arms sales would convey a clear signal of Soviet displeasure at little cost, but only Bulgaria is heavily dependent.

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Yugoslavia and Romania rely on the Soviets only for some advanced military equipment, while Albania receives no arms at all. [REDACTED]

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A more dramatic option, involving considerably higher stakes, would involve troop movements, increased deployments, or major exercises in Soviet or East European territory bordering on the region. In an extreme case, the USSR might insist on the deployment of Soviet troops in Bulgaria, or even Romania. Such moves would demonstrate the gravity with which Moscow viewed the situation and imply that the Soviets were prepared to use extreme measures if their wishes went unheeded. In a crisis when a country's leaders were undecided among several courses of action or divided among themselves, such a display might tip the balance in favor of a course acceptable to Moscow. [REDACTED]

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The risks, however, would be considerable. Even more than economic and political pressure, military intimidation would spark anti-Soviet sentiment and perhaps defiance. The Yugoslavs have repeatedly shown sensitivity on this score, most recently during the "Shield-82" exercise in Bulgaria last September. Western reaction, particularly if a non-Warsaw Pact country were the target, would be sharp. Moreover, if the demonstration failed to achieve its goal quickly, the Soviets would have to decide whether to back down with considerable loss of prestige or advance to an even riskier level of confrontation. These considerations make it unlikely that the USSR would resort to military intimidation of a non-Warsaw Pact Balkan country except in a situation where the threat to Soviet interests was critical. [REDACTED]

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Moscow's ultimate military option, intervention, would be likely only if the USSR confronted a situation in Romania or Bulgaria that threatened to result in that country's departure from the Warsaw Pact or in the elimination of a Communist regime in either country. The chances for intervention in Yugoslavia are more limited, and even more remote in Albania which has no common border with the Warsaw Pact countries. A move into either of those countries would have enormous strategic implications for NATO's southern flank, the Eastern Mediterranean, and the Middle East. The Soviets would have to anticipate local resistance, a vigorous Western political response, and a heightened possibility

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of East-West confrontation, especially in the case of Yugoslavia. These prospects probably would dissuade Moscow from military intervention even in the event of a Yugoslav swing to the West. In case of a civil war in which one side sought Soviet help, however, the USSR might send aid even involving some combat units. But the Soviets most likely would use graduated doses of its limited leverage--political pressure including active subversion, strong economic influence, and the threat of military force--to inhibit developments which threaten their interests in Yugoslavia. [redacted]

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The Andropov Era. Yuri Andropov's background as Soviet Ambassador to Hungary, party secretary responsible for relations with East Europe, and KGB chief probably arms him with greater understanding of this region and its leaders than any previous Soviet party chairman had when he came to power. He has moved quickly to impose his own, more vigorous style on the conduct of Soviet policy toward the region, although there has been no indication of a change in basic goals. [redacted]

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In meetings late last year with Yugoslav, Bulgarian, and Romanian leaders, Andropov displayed a tendency to air differences more openly than his predecessor. At the same time, like his predecessor, he has shown tactical flexibility. He reportedly accepted some revisions sought by Ceausescu in the political declaration of the Warsaw Pact summit in January, while holding firm on key issues. He appears to accord a higher priority than Brezhnev to improving relations with Albania. He has expressed dissatisfaction with Yugoslav media treatment of the USSR and other aspects of Belgrade's policies, but Premier Tikhonov recently agreed to consider increased oil sales to Yugoslavia this year and reaffirmed Soviet acceptance of Yugoslavia's independent course. [redacted]

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Renewed Area of Competition? The West's views of its stake in the Balkans, like the Soviets, have gradually shifted over the past two decades. Any early hopes that the Balkan Communists' pursuit of independence from the USSR could be repeated elsewhere in the Soviets' East European empire have been largely dashed. Nor did the independence of some of the Balkan Communists lead to clear, positive gains for the West, such as consistent support for the West on key issues at dispute with the Soviets. Still, the maintenance of the status quo does inhibit Moscow from retaking lost ground and, over time, holds out the possibility of more evolution toward stronger Western ties. Another benefit is that the lack of serious crises in these states has inhibited tensions in a region where the Balkan Communist states abut three NATO allies--Italy, Greece and Turkey--and neutral Austria. [redacted]

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Destabilizing trends now evident in the region--faltering economies, leadership problems, and resurgent nationalistic rivalries--have arisen without outside meddling and, despite Western efforts to help avert crisis, may worsen to the point that the Balkan balance of power is at risk. If that occurs, both the Soviets and the West could face challenges to their interests in the region and might find themselves tempted to become more deeply involved there than they originally intended. [REDACTED]

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The situation in Yugoslavia poses the greatest danger to US interests in the Balkans. The Yugoslavs, we believe, face a long period of increasing economic and political instability. Due to their central role in Balkan politics, a deteriorating situation in Yugoslavia could affect the entire region. Because Yugoslavia is situated between NATO and the Warsaw Pact, any major shift politically to the East or West by Yugoslavia would by definition upset the European balance of power by automatically improving the position of one side or the other. [REDACTED]

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The looming struggle to succeed aging party leader Hoxha could subject Albania to a lengthy period of uncertain leadership and weaken its isolationist resolve, which could also effect the balance of power, if on a modest scale. A post-Hoxha leadership, should a presumably more pragmatic leader emerge victorious, might be willing to deal with one or more of Albania's adversaries. Because of Albania's strategic location at the mouth of the Adriatic and because manipulation of Yugoslavia's Albanian minority gives Tirane some leverage over Belgrade, an uncommitted successor regime could become the object of fiercely competitive bidding from both East and West. The Soviets have little to lose in such a contest, and much to gain. They had only a small submarine force in the Mediterranean when they last had a naval base in Albania in 1961, but now, pressed to maintain a larger naval presence in the Mediterranean, they would welcome an opportunity to regain access to Albanian ports. We doubt, however, that they would employ extreme measures vis-a-vis Albania, even in the remote event of a sharp turn westward by Tirane. The reverse is true of the West, which has little to gain beyond denying Albania to the bloc but much to lose should Albania turn East. [REDACTED]

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While a serious crisis in Romania would have a lesser effect on other Balkan states or the East-West balance, it would pose risks for neighboring Hungary, Bulgaria and the USSR. We believe that Moscow would, if the Romanian party's control comes into question, do what is necessary, including military intervention, to preserve some type of Communist regime and the country's

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membership in the Warsaw Pact. That would, in turn, affect US interests in the Balkans, for Soviet domination of Romania would generally be seen as something of a loss for the West and, particularly if it involved a Soviet military presence, would unsettle an already sensitive Yugoslav leadership and seriously concern our nearby allies. [REDACTED]

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Serious disarray in the Bulgarian leadership would pose the greatest risk for the Soviets. It is hard for us to imagine, given that Bulgaria's traditional enemies in the Balkans are either allied with the West or neutral, that a post-Zhivkov Bulgarian leadership might attempt to slip the Soviet leash. Yet alliance with Moscow in future years could come to be less and less rewarding in terms of economic support and more and more limiting in terms of pursuing Bulgarian national objectives with the non-Communist world. And if the policies of the new Andropov leadership toward the region take a turn Sofia does not approve of--say, outright courtship of the Yugoslavs or consigning the Bulgarians in CEMA integration plans to the role of truck farmers--Sofia could come to see its pro-Soviet sycophancy as a decided liability. Should the Bulgarians ever wish to modify their orientation, they would face long odds in overcoming Moscow's economic and political leverage but they also have advantages in not sharing a border with the USSR or having Soviet forces stationed on their soil. And should the Bulgarians ever decide to reduce their subservience to Moscow, the West's economic attraction could lead to heightened influence with them even though allied and neutral states in the regime might view the development with suspicion. [REDACTED]

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A major flare-up of one or more of the disputes that divide the states of the region could be the most difficult situation for the West, both in the sense of whether to get involved and of determining where the West's real interests lie. Should Yugoslav-Albanian antagonisms over the Kosovo, for example, escalate beyond the point they reached in 1981, when the Yugoslavs interrupted for a time transit of Albania's trade goods, might not a post-Hoxha Albanian leadership appeal for help? And if the West did not respond, out of deference to Yugoslav sensitivities, might not the Soviets? Where lie the West's interests in seriously heightened tensions over Transylvania between oppressive, but independent, Romania and permissive, but Soviet foreign-policy-aligned, Hungary? Or in a revival of the Macedonian issue between an ally, Greece, a neutral but fragile Yugoslavia, and a newly nationalistic, but still Soviet-allied, Bulgaria? [REDACTED]

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In sum, the trends at work in the Balkans, in our opinion, offer some real prospect of returning the region to an era of flux and crisis more characteristic of the pre-1950s. If that, indeed, does occur, both the East and West will come to find new threats to their interests. And in their process of advancing or defending these interests, the Balkans could reassume their earlier status as a prime locale for competition by outside powers.

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Orig - Paula Dobriansky

1 - Asst. NIO for USSR/EE

1 - [REDACTED] SOVA/CE/E)

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1 - [REDACTED] y (EUR/EEY)

1 - Robert Farlow (INR/SEE)

1 - Steven Sestanovich (S/P)

1 - Jack Sulser (OSD/ISP/EUR)

1 - D/EURA

2 - EURA Prod. Staff

4 - IMC/CB

1 - CE Branch Chrono

1 - [REDACTED]

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