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European Review

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6 November 1985

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EUR ER 85-025
6 November 1985

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European Review

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Recent agreements with several Third World countries will end a four-year slump in British arms sales and bring renewed life to UK defense industries. The revival is due in part to a more sophisticated British sales program combining more attractive financing and Prime Minister Thatcher's personal support. These new incentives may presage a more aggressive export campaign in other Third World countries.

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Spain: The Political Stakes in Galicia

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The election of a new regional assembly in Galicia on 24 November will have important national implications. The election there is the last regional vote before the next national election, which must occur by the end of 1986 and is expected to take place next spring. Politicians and pundits alike consider the vote in Galicia a major bellwether of opinion that will have considerable impact on campaigns for national office. Current trends suggest that Manuel Fraga's conservative Popular Coalition is likely to repeat its victory in Galicia in 1981 and consolidate its position nationally as the principal challenger to Socialist Prime Minister Gonzalez.

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Yugoslavia: Bosnia-Herzegovina—Pivotal Player in Reform Debate

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The staunchly conservative and clannish political leadership of Yugoslavia's Bosnia-Herzegovina republic is playing a unique role in the country's continuing reform debate. It opposes political change that might upset the delicate ethnic balance within its own republic and resists any economic reforms that might threaten Bosnia's little-publicized but impressive growth over the past few years. Despite historical and cultural links to the south, Bosnia increasingly finds itself in at least tacit alliance with the northern republics on key economic questions.

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Briefs**Austria****Recent Electoral Trends**

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The provincial elections held in Upper Austria last month surprised no one as the conservative People's Party (OeVP) retained its parliamentary majority by securing just over 52 percent of the vote. The Socialists, on the other hand, lost more than three points, dropping to 38 percent. The Freedom Party (FPOe)—a junior partner with the Socialists in the Federal Government—also lost out, falling from 6.4 to 5 percent of the vote. The Communists polled a mere 4 percent while the three Green parties accumulated a combined 2.2 percent, neither winning any seats.

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The regional results themselves were less notable than the continuation of several trends manifested in regional and federal elections over the last few years, according to the US Embassy. Austrian voters, like their German cousins to the north, are exhibiting a weakened commitment to their customary political affiliations as both the People's Party and the Socialists are losing support among rural and blue-collar voters who make up their traditional constituencies. At the same time, the personalities of leading candidates are becoming stronger factors in determining a party's attractiveness. Finally, the continuing decline of the Freedom Party probably reflects its diminished utility as a protest vehicle now that it plays a role in the Federal Government.

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How these trends will affect the next national election in 1987 is unclear. Neither Chairman Alois Mock of the OeVP nor Federal Chancellor and SPOe leader Fred Sinowatz has charmed the Austrian electorate with his charisma. The decline of the Freedom Party does bode ill, however, for the current SPOe-FPOe coalition in Vienna.

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Italy**Social Democrats and Socialists To Merge?**

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Most Social Democratic leaders believe their party will rejoin the larger Socialist Party during the next year or so, no strong opposition among Social Democrats to a merger—the third since World War II—most party officials believe it would lead to a larger share of the vote than the 15 percent the two parties together now command.

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Sentiment in favor of reunification almost certainly arises from the Social Democrats' eroding support and continuing pressure from the Socialists. The Social Democrats' share of the vote in nationwide regional elections last May fell to 3.6 percent, down from 5 percent in 1980. Press and US Embassy reporting indicates that the party's organizations in several major cities (such as Rome, Milan, Turin, Florence, and Naples) are divided and losing members. Embassy

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reports suggest that party officials attribute their loss of support not only to former party chief Longo's alleged involvement in the P2 Masonic Lodge scandal but also to a more fundamental loss of purpose. Prominent Social Democrats complain that the rightward movement of the Socialists and their disassociation with the Communist Party have eliminated meaningful policy differences. In some large cities, like Milan, local Social Democrats merely follow the Socialist lead. Moreover, as the Social Democrats' share of the spoils of office decreases, ambitious young members are defecting to the Socialists. The Socialists, for their part, are eager to eliminate a competitor and increase their own share of the vote. They are also quick to point out that reunification would simplify the complicated politics of Italy's governing coalitions. []

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The Social Democrats' new leader, Franco Nicolazzi, has publicly opposed reunification, although he heads a faction that has long favored closer ties to the Socialists. The movement toward a merger may have been temporarily set back by the government crisis in October which magnified differences between Socialists and Social Democrats on Middle Eastern policy. Although Social Democrats objected to Socialist Prime Minister Craxi's strong denunciation of the Israeli raid on PLO headquarters in Tunis and his release of PLO leader Abu Abbas after the Achille Lauro hijacking, these disagreements are not likely to override the domestic imperatives for a merger. Unless the Socialists take another left turn and mend fences with the Communists, the two parties will probably continue their courtship. []

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Portugal**Growing Irritation With the United States** []

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Portuguese frustration with perceived unfair trade practices by the United States threatens to spill over into other areas of the bilateral relationship. Almost every Portuguese government since the revolution in 1974 questioned whether being a staunch ally of the United States pays dividends. Lisbon's complaints have been relatively low key, but there are signs that the irritation is growing. US restrictions on major exports—particularly textiles—and perceived unfairness toward Portuguese firms in awarding contracts, such as the recent construction contract at Lajes Airbase in the Azores awarded to a US firm, have sparked strong complaints. []

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What makes the complaints worrisome are hints that Lisbon will link trade issues to security-related matters. The recent refusal—later reversed—of a last-minute US request for a routine transit through Lajes of a US military aircraft was probably intended as a reminder that Portugal should not be taken for granted. Most politicians—with the exception of the Communists—are pro-US, but many believe that former Prime Minister Soares failed to adequately champion Portuguese interests in dealing with the United States. We believe the next generation will seek ways to demonstrate its independence from the United States and that the bilateral relationship could become more difficult. []

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Spain**Another Communist Party**

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Continuing factionalism among Spain's Communists, evident in the emergence of yet another Communist party, aids Socialist Prime Minister Gonzalez and could improve his chances of keeping Spain in NATO. Former Secretary General of the Spanish Communist Party (PCE) Santiago Carrillo set up the new Communist Party (Marxist-Revolutionary) after his ouster from the leadership of the mainstream Spanish Communist Party (PCE) and an unsuccessful attempt to gain support from the Moscow-backed splinter Communist Party (PC). Carrillo claims that he set up the party to give his supporters a vehicle for participation in the legislative election next year if a common Communist electoral front proves impossible. His motives, in fact, go beyond that.

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Carrillo no longer has any real base of support within the existing parties and is trying to regain influence and power. As a putative bridge between the two other parties, Carrillo hopes to be the moving force behind a reunification of the fragmented Spanish Communists. His gambit, however, is unlikely to draw a positive response from either the PCE or the PC. Personal animosities and the three-way split in the Communist camp complicate negotiations among them on any matter, although opposition to NATO remains a potential rallying point.

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France**Outcome of Mitterrand's Trip to Brazil**

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French President Mitterrand's visit to Brazil in mid-October succeeded in its primary goal of strengthening bilateral political ties but yielded only minor new

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economic initiatives. The US Embassy in Brasilia reports that Mitterrand received more media attention than any other visiting head of state in recent years. Mitterrand praised Brazil's commitment to democracy, and he and Brazilian President Sarney hailed the progress of the "France-Brazil Project" aimed at promoting cultural and scientific cooperation. []

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Contrary to press reports, Mitterrand did not unveil a new proposal to relieve Brazil's foreign debt. He did suggest, however, that France might consider rescheduling debts and accepting more Brazilian imports in lieu of cash payments. French spokesmen later qualified this further, characterizing Mitterrand's remarks as a statement of possibilities to be studied, not official policy. French officials probably were wary of making specific debt proposals without the involvement of French banks or prior consultations with creditors in other developed countries. Mitterrand proposed reactivating a 1978 agreement permitting Brazilian firms to manufacture consumer goods in the city of Le Havre as a means of providing them better access to the lucrative EC market. Although the trip produced little else concrete, the positive atmosphere and the warm affirmations of mutual support are likely to assist France in its quest for a special relationship. []

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Going Slow on South African Sanctions []

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A French official responsible for relations with South Africa recently told US counterparts that Paris and its EC partners have yet to decide on how to implement the restrictive measures against South Africa they adopted in Luxembourg on 10 September. He ruled out significant commercial sanctions—cessation of coal, fruit, and vegetable imports, for example—explaining that the falling rand and cheap labor make South Africa's products irresistible. []

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Paris has milked its early announcement of sanctions—restrictions on new investments—against Pretoria for every advantage in the Third World without ever having to adopt hard-hitting measures. Only a substantial escalation of violence in South Africa is likely to stiffen French resolve to impose sanctions that would require self-sacrifice at home. []

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Rising Development Aid to Chad []

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French assistance to Chad has almost doubled in comparison to 1982 and is moving away from emphasis on emergency measures toward long-term development projects, according to publicly announced figures. Over \$40 million in direct civil assistance and \$13.5 million in loans are reportedly devoted to large-scale projects—road construction and rehabilitation of public buildings—but an additional \$8.7 million is direct budgetary support. []

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Paris almost certainly has decided that the north-south conflict in Chad, as well as civil strife in the south, has subsided to the extent that the lion's share of its aid to N'Djamena can now be cast in more traditional terms. It probably also has

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decided to reward Chadian President Habre's success in reconciling with southern dissidents and his apparent willingness to negotiate directly with Libyan leader Qadhafi to end hostilities in the north by increasing significantly its financial support for his regime.

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Bulgaria**Gloomy Energy Outlook**

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Bulgarian officials expect energy problems to continue this winter and into next year, creating further consumer austerity and industrial problems. A decline in the production of hydroelectric power caused by this year's drought and a cut in Soviet oil deliveries have prevented Bulgaria from rebuilding adequate energy reserves.

energy supplies remain insufficient to meet domestic needs, and the US Embassy in Sofia reports that power outages and curtailed shop hours and services are becoming routine.

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Following the hike in prices of electricity, heating oil, and motor fuels in September, Sofia in mid-October replaced the head of its State Planning Committee and created a party-government commission on energy problems headed by Deputy Prime Minister Aleksandrov. The new commission probably will impose even tighter controls on energy supplies, promote development of domestic resources, and pursue conservation through wage incentives, exhortation, and sanctions.

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Articles

United Kingdom:
Revival of Arms Sales

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A series of recent agreements with several Third World countries will end a four-year slump in British arms sales and bring renewed life to UK defense industries. Besides the sale of Tornado aircraft to Saudi Arabia and Oman, the British have negotiated major deals with Jordan and India for ships, planes, missiles, and communications equipment. The revival is due in part to a more sophisticated British sales program combining more attractive financing and Prime Minister Thatcher's personal support. These new incentives may presage a more aggressive export campaign in other Third World countries. The increase in arms sales will benefit British industry and encourage NATO purchases of British equipment by reducing unit costs for individual systems, providing a greater return on R&D investment, and—in the case of the Tornado sale—reducing startup costs for the new European Fighter Aircraft.

The Slump and Its Impact on Industry

For most of the post-World War II era, the United Kingdom was among the world's leading arms exporters, ranking third behind the United States and the Soviet Union. Since 1981, however, Britain's position in the international arms market has declined steadily, slipping by 1984 to fourth in Western Europe behind France, West Germany, and Spain.

The arms export market is critical to the profitability and survivability of British defense industries, which typically employ some 400,000 workers. Exports generally account for about a fourth of production, including more than half the fighter, attack, and trainer aircraft. Sixty percent of aerospace manufacturing and one-third of shipbuilding are devoted to military work.

Table 1
Estimated Dollar Values
of Military Equipment Deliveries
by West European Suppliers in 1984

	<i>Billion US \$</i>
France	3.3
West Germany	2.2
Spain	1.0
United Kingdom	0.97
Italy	0.95

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Declining export sales since the late 1970s have led to layoffs in several defense industries and have forced the closing of at least one shipyard. According to attache reporting, Vickers, a tank manufacturer, plans no new hiring and will streamline its current work force through attrition. The Royal Ordnance factories also will cut employment once production of gun tubes for Egyptian tanks ends. Without the recent Tornado sale, some 30,000 workers reportedly would have been laid off when Tornado production ended.

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Foreign Buyers

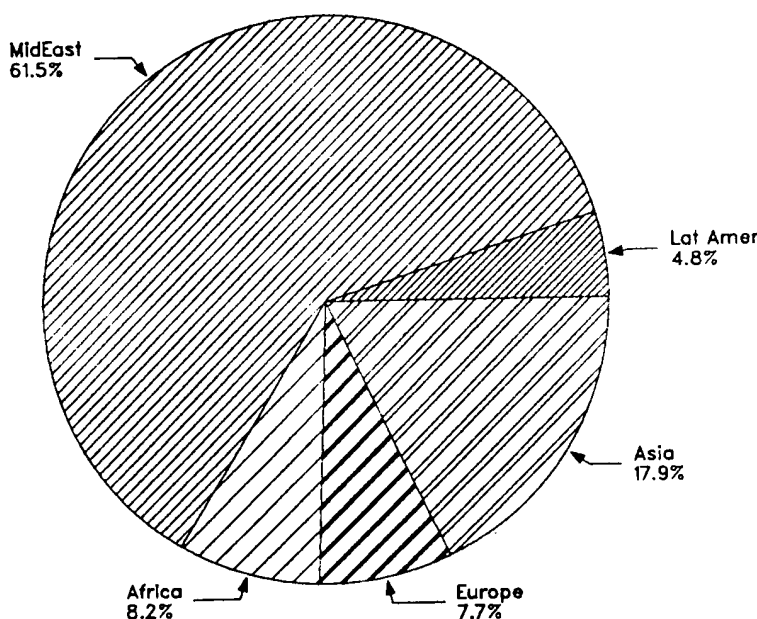
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Sales of British armaments are concentrated in a few Middle Eastern and South Asian countries that maintain close security assistance relations with the United Kingdom. India, Saudi Arabia, Jordan, and Oman accounted for roughly half of UK military deliveries during 1980-84. Elsewhere, Britain sells arms to its European allies and has developed a

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British Arms Deliveries 1980-84



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limited market for aircraft in Nigeria. The British also have established joint ventures with US firms for production of Harrier jet fighters and Hawk trainers that promise to bring several billion dollars of defense work to British industry over the next few years. In fiscal year 1984, for example, the United States bought nearly \$500 million worth of British military equipment.

\$581 million contract with the Saudi Air Force for training and maintenance.

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The Nascent Revival

The large sales of British military equipment this year reflect a continuing reliance on their primary export markets rather than a major expansion into new markets:

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Aerospace and electronic equipment account for more than half of British military exports, with Jaguar fighters and Hawk trainers heading the list. Ground forces equipment—such as Chieftan tanks and FH-70 field guns—have played a lesser but still important role, representing 15 to 20 percent of annual exports. The British also provide substantial training and support services. In 1982, for example, they signed a

- India has agreed to purchase the aging aircraft carrier Hermes—which will be overhauled by British firms—plus 11 Sea Harriers and 26 Sea Eagle antiship missiles for \$316 million.

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Table 2
Major British Deliveries of
Military Equipment, 1980-84

System	Number Delivered	Recipients
Aerospace		
Jet combat aircraft Jaguar Hawk	117	Finland, India, Indonesia
Transport aircraft	8	Burkina, Madagascar, Suriname
Helicopters Sea King Lynx Commando	80	Australia, India, Argentina, Norway, West Germany, France, Denmark
Missiles and launchers Blowpipe Rapier Swingfire	5,891	Australia, Thailand, Qatar, Egypt, Singapore, Chile, Nigeria, Portugal, Norway, Ecuador
Ground forces		
Tanks Chieftan Vickers	428	Jordan, Oman, Nigeria, Kenya
APCs, AFVs, and ARVs	516	Malaysia, Nepal, Kenya, the Philippines, Sri Lanka, Thailand, Nigeria, Iraq, Tanzania, Portugal, Oman, Ireland, UAE
Artillery pieces FH-70 105-mm field gun	98	Saudi Arabia, UAE, Ireland, Nepal
Naval craft		
Patrol boats	28	Australia, Nigeria, Trinidad, Tobago, Lebanon, Saudi Arabia, Oman, Egypt
Mine clearing vessels	19	Greece
Frigates	1	Bangladesh

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- The deal with Saudi Arabia involves 72 Tornado fighters and 30 advanced Hawk trainers for \$5.6 billion. British industry will receive approximately \$3.6 billion from the Saudis with the remainder going to Britain's West German and Italian partners in the Tornado program. Support packages—including spares, technical assistance, and service over the life of the aircraft—will generate another \$5 billion.
- In Jordan, the provision of \$360 million in military equipment for the most part supports British equipment already in Jordan, and may include a training package similar to that regularly provided Saudia Arabia.

The revival of arms exports will help stem the growing costs of British weapon systems to other countries and may enable the Ministry of Defense to preserve procurement programs in the face of tighter budgets. Higher production runs will lower unit costs and allow for the recovery of R&D costs. In the case of aircraft, for example, the equipment purchaser pays a unit manufacturing cost plus a proportional share of the total R&D cost of the aircraft. The R&D costs are divided over the projected total quantity of aircraft to be produced. When additional aircraft are sold, each buyer may be refunded a portion of its original R&D

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costs. R&D expenditures make up about 11 percent of the UK defense budget and represent important seed money necessary to keep design teams together and develop new weapon systems. []

Prospects

The \$3.6 billion Tornado sale should keep Tornado production lines open until the new European Fighter Aircraft (EFA) takes its place in the early 1990s. With the transition to EFA, Tornado facilities will have to be retooled, but other potentially large startup costs, including training skilled workers, should be reduced. The Tornado sale also should give a significant boost to overall economic activity and employment. Using CIA's econometric model of the British economy, we estimate that, if the sale had not gone through, 30,000 jobs in the aerospace industry would have been lost, plus another 20,000 to 30,000 laid off from jobs indirectly dependent on Tornado production. The sale also should raise real GDP about 4 percent, and the foreign trade balance should improve by about \$300 million. If UK arms sales reach \$8 billion in a three-year period, as the press has speculated, the economic effects would be roughly double those of the Tornado sale. []

Many of the new arms deals are attributable to a more sophisticated sales effort and aggressive, personal lobbying by Prime Minister Thatcher—tactics that may continue to help exports. For example, British negotiations with India were successful in large part because of London's ability to offer flexible financing and pricing, including a 2.5-percent discount for the Sea Harriers. Rigid financing and high unit costs in the past have made British military equipment unattractive to financially constrained Third World countries. And, according to attache and press reports, the Prime Minister's personal salesmanship played a key role in winning the Saudi aircraft contract and also helped seal both the jet fighter deal with Oman and the Jordanian arms package. []

British industry still must overcome several weaknesses before it can return as a viable long-term competitor with other Western suppliers. The recent sales indicate Britain has not broadened its narrow

Implications for the United States

Continued British aggressiveness, particularly in courting the Middle Eastern arms market, could present a serious challenge to US industry. Recent sales suggest that Middle Eastern countries are attempting to diversify their Western arms purchases to avoid an overdependence on the United States. According to press and attache reporting, many Middle Eastern customers view the US decisionmaking process in arms sales as overly political and heavily burdened by technology-transfer issues that are less a problem with European arms producers. The US defense attache in London reports that both Egypt and Turkey would like to reduce their dependence on the United States and are attempting to obtain EC credits for the purchase of European weapon systems. London's recent sales could provide the British with incentives to offer the same attractive financing arrangements in future sales to make their high-quality weapons available to other countries that may prefer a non-US supplier for their weapons. []

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customer base. France and Italy, for example, make sizable sales in Latin America, East Asia, and Africa in addition to the lucrative Middle Eastern market. The new British pricing discounts and financing packages may increase their competitiveness in these markets. Nonetheless, British industry continues to design and develop equipment primarily suited for use on the European battlefield and has yet to follow the lead of France and Italy in tailoring its weapon designs for Third World use. []

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Spain: The Political Stakes in Galicia

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The election of a new regional assembly in Galicia on 24 November will have important national implications. Galicia consists of four backward, conservative provinces in the remote northwest. The region's small family farms, religious peasantry, distinctive dialect, and cool moist weather make it atypical in comparison with the rest of the country. Nonetheless, the election there is the last regional vote before the next national election, which must occur by the end of 1986 and is expected to take place next spring. Politicians and pundits alike consider the vote in Galicia a major bellwether of opinion that will have considerable impact on campaigns for national office. Current trends suggest that Manuel Fraga's conservative Popular Coalition is likely to repeat its victory in Galicia in 1981 and consolidate its position nationally as the principal challenger to Socialist Prime Minister Gonzalez.

The Socialists

The Socialists recognize that they have little chance of winning in Galicia, where they received only 16 of the 71 seats in the assembly four years ago. Rather than risk Gonzalez's prestige in a losing effort, they have relied on appearances by his second in command, Deputy Prime Minister Alfonso Guerra, to bolster the local campaign. Potential Socialist backing is concentrated in industrial and shipping centers along the Atlantic coast. The Communists have tried hard to woo working-class support in those areas away from the Socialists by organizing large demonstrations protesting the region's high unemployment and the government's unpopular attempts at industrial reconversion and pension reform. Under these circumstances, the Socialists would be content—and pundits would accord them a moral victory—if they managed to avoid losing too many voters to their left and finished a respectable second to the Popular Coalition.

The Popular Coalition

The core of the Popular Coalition is Fraga's own Popular Alliance (AP), which won 26 seats in Galicia in 1981. Since then Fraga has tried to extend his

political base by forming the Popular Coalition with Oscar Alzaga's Christian democratically oriented Popular Democratic Party, Jose Antonio Segurado's business-oriented Liberal Party, and a variety of small regional parties—the latter represented in Galicia by the center-right Centrists. These partners do not get on well with each other either locally or nationally, and one of the Popular Coalition's principal objectives in Galicia is to show that it does have enough cohesion to be a viable alternative to the Socialists.

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The Coalition's need to establish its credibility goes even deeper. The conventional political wisdom in Spain—amply supported by opinion polls—is that Fraga's record as a senior official in the Franco regime make him unacceptable to moderate voters and will prevent him from mounting a serious challenge to Gonzalez in the next national election. Fraga knows, though, that his party's surprise victory in Galicia four years ago rescued him from the margins of Spanish politics and set the stage for his second-place showing in the national legislative election a year later. He is hoping that an even stronger performance in Galicia this time around will silence his detractors and improve his national credibility.

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Even though Fraga is not a candidate himself, he began campaigning for the Coalition's regional slate in August—when even the most ambitious politicians are almost always on vacation—and has been hard at it ever since. The key factors in his favor are his status as a native son and the absence from the race of the Center Democratic Union (UCD), the previous national ruling party which won approximately one-third of the seats in the regional assembly in the previous election. Fraga's biggest handicap is the lackluster record the AP regional government has compiled over the past four years.

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Operation Roca

The regional election is the first and perhaps crucial test for Miguel Roca's effort—dubbed “Operation

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Roca" by the press—to launch the Democratic Reform Party (PRD) as a broad center-right alternative to the Socialists. Roca is the leader of the Catalan Convergence and Union coalition's parliamentary delegation in Madrid. For more than a year he has tried to cobble the PRD together from a disparate collection of regionalist parties, independent politicians, and former members of the UCD. In Galicia his followers have organized themselves as the Galician Coalition (CG). Roca, however, has had trouble getting both the PRD and the CG off the ground. Six months ago he proclaimed Galicia as one of his prime target areas and seemed to be hoping for a second-place finish there. Since then some of his principal local allies have defected, and he would probably be pleased now to wind up in third place behind the Popular Coalition and the Socialists. Pundits agree that finishing worse than that would be a serious blow to the PRD's national pretensions.

The Social Democratic Center

Thus far, the center-left Social Democratic Center Party (CDS) of former Prime Minister Adolfo Suarez has reaped more national benefits than the PRD from Fraga's inability to capitalize on voter disenchantment with the Socialists. Suarez has considerable personal popularity, and he has lately begun to transfer it to the CDS. Indeed, recent polls show that the Center Democrats are the third most popular party in the country, and the press has begun speculating that Suarez will emerge in the end as the "real" alternative to Gonzalez.

Suarez's task in Galicia is to show that the CDS's recent climb in opinion polls has been no flash in the pan. His principal problems there, as well as in the rest of the country, are an apparent inability to raise money and to develop a grassroots organization. Moreover, the core of the party's support nationally—trendy Spanish-style yuppies—is notably small in Galicia, and the party's slate consists largely of local nonentities. Suarez, however, is an effective campaigner, and he has tried to compensate for the CDS's deficiencies with several campaign swings through the region. He knows he will finish far behind the Popular Coalition and the Socialists, but he hopes

to come in ahead of Roca and bolster his claim of being the strongest centrist challenger to Gonzalez.

The Communists

The stakes in Galicia are especially high for the Communists, who won only one seat in 1981. They have since split into three warring factions nationally, and the mainline Communist Party under Gerardo Iglesias needs to show that it can still mount an effective leftist challenge to the Socialists. The Communists' failure to convert their leadership in antigovernment protests into electoral gains at Socialist expense would damage the party's credibility in the national election. The Communists, though, are as badly split locally as they are nationally, and they have had little success so far in shifting the voters' attention from their internecine bloodletting to their programs.

The Regionalist Left

The "sleeper" factors in the election could be the Bloque Nacionalistas Galego (BNG) and the Esquerda Galega (EG), two leftwing regionalist groups which won a total of four seats in 1981. These Galician leftists expect to attract a number of votes from leftists disenchanted with the Socialists and infighting among the Communists. They also believe they should benefit from being the only regionalist parties in the race. Leaders of the BNG, the stronger of the two groups, have particularly high hopes that the election will transform their party from a peripheral to a central factor in regional politics.

Outlook

The uninspiring record of the AP government apparently is not a serious issue in Galicia. Government of any sort has seldom had a positive impact in this backwater area, where expectations from political initiatives are traditionally low. The voters do seem, though, to be flattered by Fraga's extensive courting of them. That factor and their own basic conservatism, we believe, are likely to produce a strong showing by the Popular Coalition on 24 November. Neither Roca's nor Suarez's campaign

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efforts, however, appear to have stirred much interest. Suarez can probably survive a poor finish in Galicia, but for Roca a bad defeat there would probably damage much of what remains of his national aspirations—particularly if this party finishes behind the CDS. If Roca and Suarez do indeed falter while the Popular Coalition does well, Fraga would herald that result as vindication of his contentions that Spanish politics are bipolar and that he—and not one of the centrists—is the only viable alternative to Gonzalez and the Socialists.

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The Socialists, for their part, undoubtedly prefer a strong showing by Fraga over Roca and Suarez. They recognize that the AP chief is far weaker nationally than in Galicia and would welcome a chance of running against him. The Socialists also would cheer a poor Communist showing in Galicia. The greatest threat to these likely Socialist gains from the regional vote would be a strong showing by the BNG and EG. The regional leftists are neither well known nor highly regarded outside the area. A strong finish on their part—winning, say, more than a fourth of the left-of-center vote—would fuel speculation that the Socialists are not without vulnerabilities. That perception, in turn, would energize opponents on both their left and right in the general election.

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Yugoslavia: Bosnia-Herzegovina— Pivotal Player in Reform Debate ¹

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In the traditional struggle between Yugoslavia's richer northern and poorer southern republics, Bosnia-Herzegovina seems to stand in the middle. Bosnia's staunchly conservative and clannish political leadership is playing a unique role in the country's continuing reform debate. It opposes political change that might upset the delicate ethnic balance within its own republic and resists any economic reforms that might threaten Bosnia's little-publicized but impressive growth over the past few years. Despite historical and cultural links to the south, Bosnia increasingly finds itself in at least tacit alliance with the northern republics on key economic questions.

Bosnia and Political Reform

Bosnia has traditionally been considered part of Yugoslavia's less developed south, but it now stands its own ground in the reform debate. A coalition of southern and Federal Government officials, headed by Serbian leaders, is pressing to reduce the power of republic-level politicians. But Bosnia is increasingly with the developed northern republics, Slovenia and Croatia, in strong opposition to such efforts.

Bosnian leaders publicly object to almost all proposals for change in the political status quo. They reject the Serbian claim that the country's decentralized system requires substantial reforms to strengthen federal institutions and harshly criticize suggestions to change the constitution. Moreover, Bosnian leaders have taken a tough stance against dissent, whereas the Serbian leadership has made greater political tolerance an implicit part of its reformist platform.

In public, Bosnian leaders join many Serbs in calling for greater party unity and stronger organizations at the national party level. Their appeals, however, have a hollow ring. US diplomats report that Bosnian leaders in reality remain committed to retaining as much power as possible at the republic level.

at the party plenum in March 1985 the Bosnians had not joined

Case Study: The Foreign Exchange Debate

Even Bosnia's occasional support for specific reform measures has been lukewarm. Bosnia appeared to back efforts by the Federal Government and southern regions to recentralize control over foreign exchange, a step adamantly opposed by the northern republics.

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The republic Assembly, however, expressed "reservations" when it approved the draft legislation, singling out for criticism the increase in Federal Government power. Moreover, the Bosnian speaker at the party plenum devoted to the foreign exchange system in September called for retention of old measures which benefited the republic's producers of primary and intermediate products.

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the southern republics in backing a proposal to reduce republic control over representatives on the Central Committee and Party Presidium.

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Economic Reform: Mixed Signals

Bosnia's public positions on economic questions are often ambiguous, but on balance they oppose change in the national economic system. Sarajevo backs specific proposals for change only if it believes the republic's economy will gain—as, for example, in the recent debate over shared foreign exchange authority.

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Current economic reform proposals call for shifting power away from republic officials in two directions: upward to the Federal Government in some areas and downward to individual enterprises through greater reliance on market mechanisms. The US Embassy reports that Bosnian officials almost unanimously oppose granting Belgrade greater power, even in selected financial areas. On the issue of devolving

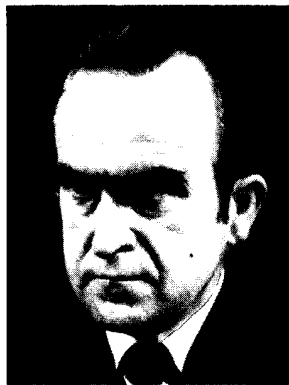
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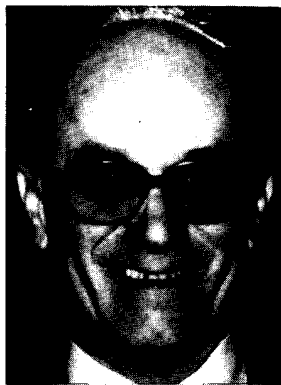
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*Senior Bosnian Leaders**Former Partisans**Branko Mikulic*

Republic's member of Federal Presidency . . . age 57 . . . Croat . . . often called republic's most influential politician . . . extremely conservative. ☐

*Raif Dizdarevic*

Foreign Minister . . . age 59 . . . member of one of Bosnia's leading Moslem clans . . . brother Nijaz sits on republic Presidency, brother Faik BBC Enterprises . . . an ambassador. ☐

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25X1*Mato Andric*

Republic Party President . . . age 57 . . . Croat . . . conservative . . . long-time head of republic internal security. ☐

BBC Enterprises ©

*Cvijetin Mijatovic*

Member of Federal Presidency 1974-84 . . . age 82 . . . his virtual retirement signals decline of Serb influence in republic. ☐

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*Hamdija Pozderac*

Representative on Federal Party Presidium . . . age 62 . . . probably most powerful Moslem politician . . . rumored to obey Islamic law in his home. ☐

UPI ©

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Others*Milanko Renovica*

Republic President 1984-85, now member of Presidency . . . Croat . . . age 57 . . . energetic, interested in economics . . . reputedly a Mikulic protege. ☐

*Munir Mesihovic*

Republic President . . . age 57 . . . Moslem . . . rapid rise through Sarajevo party apparatus suggests strong backing from senior Moslem patron. ☐

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*Gojko Ubiparip*

Republic Premier . . . age 58 . . . conservative . . . a Serb, but a close friend of Mikulic since university days . . . reportedly watches Sarajevo when Mikulic is in Belgrade and vice versa. ☐

*Nikola Stojanovic*

Representative on Federal Party Presidium . . . age 52 . . . Serb . . . allied with Mijatovic during leadership jockeying in past. ☐

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authority to enterprises, however, the Bosnian leadership appears divided. Embassy officers say that mid-level officials and enterprise managers generally favor Western practices of economic management. Conservative senior leaders, by contrast, appear uncomfortable with market processes and enterprise independence. Senior Bosnian politician Branko Mikulic, for example, has called for tighter republic control over enterprises. []

A Yugoslavia in Miniature

Concerns over internal stability almost certainly weigh heavily in the leadership's insistence on retaining power at the republic level. Bosnian leaders reportedly view the republic's problems as a microcosm of those affecting Yugoslavia. They apparently believe that only their tight control keeps the lid on in Bosnia. []

Ethnic rivalry is the major leadership concern. Of the three major ethnic groups in the republic—Croat, Muslim, and Serb—none constitutes a majority of the population. As in the federation, there is a danger that economic problems will inflame latent ethnic tensions. The harsh punishment for manifestations of nationalism meted out regularly by the courts illustrates the leadership's worry. []

Divisions Affect Leadership

The republic leadership, not surprisingly, exhibits many of the divisions in Bosnian society. [] [] considerable jockeying has taken place on ethnic lines since a coalition of Croats and Moslems broke the Serb domination of republic politics 15 years ago. Moreover, political rule in Bosnia is frequently autocratic in a traditional Balkan style. Western observers often liken the personal authority of leading Bosnians to that of mafia leaders. []

Family ties, particularly among Moslems, are reportedly extremely important. A knowledgeable US official said recently that the heads of influential families, known as the "Princes of Sarajevo," dominate society in the republic capital. The best known Bosnian clan is the Dizdarevic family, which has placed five brothers—including the current foreign minister—and other kin in influential positions in the republic and federation. []

Senior Bosnians use ethnic links to express their will locally and probably to stay in touch with local concerns. Branko Mikulic said publicly in early 1983 that it is an "old truth" that Bosnian Communists must wage the struggle against nationalism primarily within their own ethnic group. [] [] a pattern of senior figures interfering in local events involving their fellow nationals. []

Sarajevo: Unifying Center

Despite internal divisions, the Bosnian leadership has been remarkably successful in presenting a united front when dealing with outsiders. Ranking Bosnians rarely disagree in public, and any differences of opinion in republic state and party bodies are kept from the press. []

Ironically, the personalistic nature of Bosnian politics probably largely accounts for this leadership solidarity. The network of personal ties and understandings between the members of the Partisan generation—men who have worked together since World War II—almost certainly has been a key factor in the development of a pan-Bosnian outlook within the heterogeneous senior leadership. The often-rumored clashes among republic strongmen presumably affect only power relations within the republic; they have no discernable influence on the republic's positions in federal forums. []

Concentration of Power

The republic's few strongmen appear to hold inordinate power, shared with a small elite in the republic's state and party executive bodies. The republic Assembly meets infrequently and seems to act as a rubber stamp for government proposals. The party Central Committee also meets infrequently, and we have seen scant evidence that it does much more than approve decisions of its Presidium. []

Republic-level officials have powerful state tools for overseeing their domain. [] the internal security apparatus is more aggressive than in most other republics, and republic organs appear to retain tight control over questions of enterprise organization, economic planning, and investment. []

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Bosnian leaders also carry the ideological baggage of behaving for years as the orthodox watchdogs of Yugoslav Communism. Bosnians still snipe regularly at "liberal" tendencies in other republics. Embassy officers report that Bosnian leaders seem to resent their image as hardliners, yet at the same time are proud of it. Average Bosnians, in turn, seem to admire their "strong" leaders []

Successes of the Existing System

Bosnians have every reason to defend the economic status quo, which has provided fertile ground for economic growth. Under the decentralized system, the republic has been able to patch over its problems and build on its successes, a flexibility threatened by many reform measures. []

Bosnia has scored significant economic successes under the present system. It has largely avoided the large-scale investment failures which plagued other republics, achieved a level of wage distribution similar to that of "developed" Serbia, and recorded only minor deficits in its hard-currency balance. US diplomats [] describe the economy as booming. []

Bosnians play down their success, with good reason. As long as the republic can justify its current status as "underdeveloped," it will continue to receive federal aid. Yugoslavs from other republics claim that in all economic indexes Bosnia actually meets or surpasses the national average, and they accuse Bosnian officials of doctoring their figures to keep Bosnia below the average officially. []

Worrisome Economic Vulnerabilities

Like most of Yugoslavia, however, Bosnia faces some serious and chronic economic difficulties. Official figures indicate that worker productivity, for example, is only 88 percent of the Yugoslav average. Moreover, Bosnia is more dependent on heavy industry than any other republic and would suffer greatly in a Western-style competitive environment. Bosnian leaders face a serious unemployment problem: 20 percent of the labor force was jobless in the first half of 1985, well above the federal average of 14 percent. []

Bosnia relies on its autonomy to deal with trouble spots. The republic, for example, continues to protect inefficient industries through direct subsidies and

other means of insulation from market forces. Similarly, Bosnian officials will not tolerate liquidation of unprofitable capital or layoffs of redundant workers—as called for by the federal stabilization program; they move them instead to other enterprises. []

Bosnia in Future Debates

Bosnia in the near term will remain a republic in the middle. Sarajevo probably will continue a tacit alliance with the northern republics of Slovenia and Croatia in obstructing sweeping changes in the political and economic system, preferring to let those republics fight the bruising battles. Differences with those republics over political liberalization and mandatory aid to underdeveloped regions will preclude more open cooperation for now. Should the Slovenes and Croats succeed in having Bosnia reclassified as a developed republic in the next few years, Bosnia would likely find its economic interests even more in line with those of the north. []

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Coming Changes in West German and NATO High Commands

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Profile

The West German Defense Ministry announced in September a series of high-level military command changes that for the first time in recent years will place a naval officer at the top of the Bundeswehr. The new inspector general of West Germany's armed forces (the equivalent of the US Chairman of the Joint Chiefs of Staff) is to be Vice Adm. Dieter Wellershof, currently Inspector General of the West German Navy (the equivalent of the US Chief of Naval Operations). Wellershof will succeed Gen. Wolfgang Altenburg, who has been elected Chairman of the NATO Military Committee. These changes will become effective on 1 October 1986.



Gen. Wolfgang Altenburg
Next chairman, NATO
Military Committee

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General Altenburg will bring considerable practical experience to his new NATO post, having served from 1978 to 1980 on the Military Committee as its West German Military Representative. Earlier service as commander of West Germany's III Corps helped shape his concern over the possible vulnerability of NATO's forward defense strategy and the need for stronger conventional forces. Serving as Inspector General of the Bundeswehr since April 1983, he has guided acquisition of advanced conventional weapon systems including the Tornado fighter aircraft, the Leopard II main battle tank, and the Frigate Type 122. Fluent in English, he is highly respected as a military professional and is considered pro-Western and pro-NATO.

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General Altenburg will replace Gen. Cornelis de Jager of the Netherlands as Chairman. Coming from a more influential NATO country and reportedly enjoying the strong backing of the Kohl government, Altenburg should wield greater influence than de Jager. US Gen. Bernard Rogers, Supreme Allied Commander, Europe, will continue to be the dominant source of military advice within the Alliance, but under Altenburg the post of NATO Military Committee Chairman may become a stronger second source of military advice for the NATO political authorities.

Vice Admiral Wellershof has built his career in the West German Navy with a record of effective service in the German Navy's minesweeper force. Speaking fluent English, he appears pro-NATO and has supported US foreign policy in the past. In a recent review of the highly publicized Russian naval exercise in July 1984, the largest ever conducted by the Soviets in the Atlantic, Wellershof voiced his uneasiness about Soviet naval capabilities for interdicting NATO's lifeline to the United States. Wellershof's solution includes significant increases in NATO frigate and destroyer forces as well as expanded minesweeping and aerial reconnaissance capabilities. Given the Navy's status as the smallest of West Germany's armed services, Wellershof's selection as the Bundeswehr's next inspector general may signal an imminent increase in the Bundesmarine's share of procurement funds.

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In another high-level change, the Inspector of the West German Army, Lt. Gen. Hans-Henning von Sandrart, will replace another senior German army officer as Commander in Chief, Allied Forces Central Europe (AFCENT). Von Sandrart will succeed Lt. Gen. Leopold Chalupa, AFCENT Commander since October 1983.

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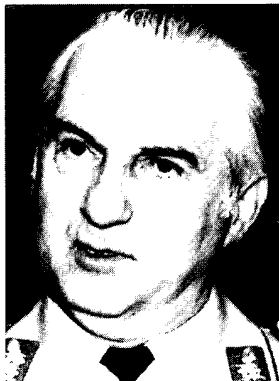
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Vice Adm. Dieter Wellershoff
Next Inspector General of the
Bundeswehr ☐



Lt. Gen. Leopold Chalupa,
retiring ☐

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Lieutenant General Chalupa, who is retiring, was a veteran of the later stages of World War II. He is known as pro-NATO and has been considered very friendly toward the United States, having graduated from the US Army's Command and General Staff College at Fort Leavenworth, Kansas, in 1965. During his career, General Chalupa built a reputation as a strong advocate of NATO weapons and equipment standardization and played a key role in coordinating standardization agreements between the US and West German Armies. ☐

Lieutenant General von Sandrart, Chalupa's successor, brings a different mix of experience to the AFCENT post. While Chalupa's career included considerable time in command of troops at the battalion, brigade, and corps level, von Sandrart has spent much of his career in NATO staff posts. His senior command prior to appointment as Inspector of the Army was as Commanding General of the 11th Armored Infantry Division in Oldenburg. While Chalupa studied for a year at Fort Leavenworth, von Sandrart's overseas education consisted of a tour at the British Army Staff College, Camberley, England. Both officers speak fluent English, but von Sandrart's background of study at Camberley and broader NATO staff experience may smooth his tenure at AFCENT where, ☐

☐ relations between Chalupa and the British commander of Northern Army Group (NORTHAG) have not been close. As AFCENT commander, von Sandrart will support NATO's policies of forward defense and flexible response. Of interest in this context are views

expressed by von Sandrart in 1984 on the possibility that the United States might make a commitment for no first use of nuclear weapons. Stressing that these were his personal views, von Sandrart reportedly said that if there were such a change in US policy, West Germany would have to review its commitment to NATO and consider the creation of an independent German nuclear capability. ☐

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In a further change, Lt. Gen. Eberhard Eimler, currently head of the West German Air Force, is scheduled to replace Gen. Hans-Joachim Mack, also retiring, as the German Deputy Supreme Allied Commander, Europe. ☐

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General Mack replaced General Kiessling in 1984 and brought to the position of Deputy Supreme Allied Commander, Europe (DSACEUR) an unusual depth of experience as a commander of armored troops at the platoon, company, battalion, and brigade level and as commander of the 6th Armored Infantry Division and the German III Corps. He may have been in line for the top job in the Bundeswehr before getting the call to restore the image of the West German military at Supreme Headquarters, Allied Powers Europe (SHAPE) after the "Kiessling Affair."¹ As DSACEUR, Mack received added responsibility as a

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Lt. Gen. Hans-Henning von Sandrart, Next Commander in Chief, AFCENT ☐

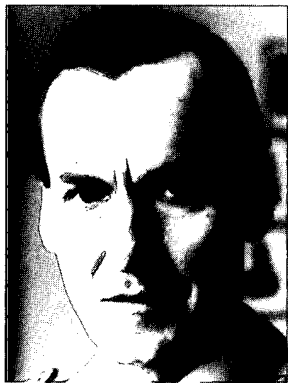


Gen. Hans-Joachim Mack, retiring ☐

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Lt. Gen. Eberhard Eimler Next DSACEUR ☐



Lt. Gen. Henning von Ondarza ☐

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principal adviser on NATO nuclear weapons issues. He has voiced concern that the Strategic Defense Initiative not be funded by cuts in conventional force modernization but has also indicated a belief that Germany must participate in SDI in order to preserve an influence on future NATO strategy. General Mack has also expressed an interest in the development of defenses against tactical ballistic and cruise missiles. ☐

American to a German billet. Lieutenant General Eimler is pro-US and has trained and worked effectively with Americans throughout his career as a fighter pilot and a commander of fighter units. He speaks English fluently. ☐

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Since assuming command as Inspector of the West German Air Force in April 1983, Eimler has pursued a number of initiatives aimed at reducing the Luftwaffe's dependence on the US Air Force. Among these, Eimler has pushed a study on the feasibility of performing maintenance at the squadron level because he sees the requirement for wartime operation of the German Air Force from widely dispersed locations. He also wants to add 40 more Tornado aircraft, configured for the electronic combat reconnaissance mission, to the West German Air Force's planned procurement totals, and he wants

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☐ Luftwaffe Lt. Gen. Eberhard Eimler, Mack's successor at SHAPE, ☐
☐
☐ the choice of Eimler to replace Mack would lend credence to German press speculation early this year that Germany had assigned one of its best (General Mack) to SHAPE in order to bolster long-range efforts to convert SHAPE's four-star chief of staff slot from an

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to set up a reserve F-104 squadron outside NATO command as an independent national resource under exclusive West German control. [REDACTED]

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Lt. Gen. Hans-Henning von Sandrart's successor as Inspector of the West German Army has not yet been announced, but Lt. Gen. Henning von Ondarza is considered the top contender by some observers. Von Ondarza, currently Commander of Allied Forces in Jutland-Funen and Schleswig-Holstein, is a graduate of the US Army Command and General Staff College at Fort Leavenworth and has served a tour as defense attache in Washington. He is a strong nationalist and appears to be pro-US, [REDACTED]

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The Myth of the French Presidency

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Viewpoint

This article does not represent a DI or CIA position; it is solely the view of the author. It has not been coordinated or reviewed.

French President Mitterrand will more than hold his own against a hostile National Assembly after the elections next March, not least because he can draw on the potent myth of his own office.

Counting the eggs that are likely to fall into the conservative basket after their victory in next year's legislative elections has lately become a favorite indoor sport in France. Attention focuses especially on the Socialist President, whose term extends to 1988. No other president of the Fifth Republic has had to contend with an antagonistic parliament. Pundits have scrambled to pore over old but unread copies of the Fifth Republic's constitution and have concluded that Mitterrand's days may be numbered; according to the constitution, the French presidency is a frail thing and the real focus of power should be the prime minister. It is easy enough to marshal constitutional arguments proving that a hostile prime minister, at the head of a fire-breathing parliament, could drive any president from office. The Third Republic yields plenty of precedents; in the last century Marshal MacMahon tried in vain to maneuver around a hostile legislature, and, in 1924, a similarly star-crossed Socialist president—ironically named Millerand—fell before an adamant Assembly. There is no shortage of speculation that charts a similar future for President Mitterrand.

These forecasts, however, fail to take into account two essential considerations: Mitterrand's constitutional powers will be magnified by the significant potential weakness of the opposition conservatives and the powerful myth of the French presidency. In fact, the constitution defines a fairly strong presidency by French republican standards and lists an assortment of powers that will afford Mitterrand plenty of room to maneuver after 1986. Not the least of these is his

ability to keep the new majority off balance by his power to dissolve its National Assembly. Short of that drastic step, Mitterrand's office will provide a "bully pulpit" from which he can blast any hint of opposition unreasonableness or footdragging and accuse the parliament of working against France's best interests. This will give the Socialists something that no French legislative opposition has ever had—a powerful voice. By skillfully using his own willingness to compromise, however, the President can open and exploit fissures in rightist solidarity and perhaps peel off centrist voters and politicians from their alliance with the Gaullists.

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From his choice of prime minister to his function as president of the Council of Ministers—both constitutional prerogatives—Mitterrand will also be able to exploit cleavages in opposition leadership, especially between contenders and would-be contenders for the presidency. For example, by choosing as prime minister Giscard d'Estaing or Francois Leotard—both frothing for a call—he could touch off an immediate crisis within the majority alliance since neither Jacques Chirac nor Raymond Barre will allow Giscard or Leotard a chance to make a success of the office and thereby get a running start at the brass ring in 1988.

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Ultimately, Mitterrand can turn to the historical and extraconstitutional myth of the French presidency as a powerful weapon against his adversaries. De Gaulle spoke from long tradition—embracing Louis XIV and Napoleon—when he defined the myth to suit himself: "The indivisible authority of the state," he said in 1964, "is entirely entrusted to the President by the people who have elected him, and all other authority whether ministerial, civil, military, judicial is conferred and maintained by him." No French constitutional scholar would accept de Gaulle's definition, but that is beside the point. It exercises a

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strong popular appeal because it embodies history and the assurance of a strong stabilizing force at the top; it also clothes the office in the grandeur commensurate with the quasi-religious concept of *la nation*. This elegant myth and its attendant (assumptions for example, that foreign policy is a “reserved sphere” of the president) do not appear in the constitution but, nonetheless, have become a part of the “constitutional consensus” of the Fifth Republic. As fundamental political myth, it can only be amended by confrontation, and since those most likely to lead the attack are the very ones who aspire to the presidency in 1988, it is improbable that they will press forward hard enough to debase the myth and thereby diminish the office.

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Mitterrand does not have to absorb his adversaries in the myth; they and their constituents already embrace it—and hope to profit handsomely from it in 1988. In France, the myth of the presidency is what political struggle is all about. Americans often inaccurately identify Gaullism with an independent foreign policy; it is more fundamentally a compelling conception of presidential power. Mitterrand knows well that the opposition cannot denude him of power without simultaneously stripping the Gaullist myth. For this and other reasons outlined above, he knows that leaders of the traditional opposition will “cohabit” uncomfortably with him, even when he bludgeons them publicly for their unwillingness to cooperate. They will endure this until Mitterrand decides to dissolve the National Assembly, perhaps until 1988, when he could put both the legislature and the presidency up for grabs.

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On the Road in Southern Yugoslavia []

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Trip Report

Following are excerpts from a report on a recent 15-day visit to southern Yugoslavia. []

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I begin my visit to Yugoslavia in **Belgrade**, the capital of both the country and the Republic of Serbia and a city with many faces. It has the cafe life of Italy, the crumbling building facades and gray drabness of Eastern Europe, and the Balkan bustle and swagger of Turkey []

Shortly after arriving I visit the construction site of the St. Sava Church, which was consecrated in a big ceremony last May and which when finished is intended to rival St. Peter's in Rome. The site is locked, but a Serbian Orthodox clergyman opens the gate and gives me a tour. The man is tall and thin, about 40, with black hair and piercing eyes []

The cleric points proudly to the church's dimensions, about 100 yards in either direction, and voices bitterness that the Communist government waited 40 years before granting a building permit. He seems pleased that I plan to visit other churches in Serbia, but counsels me to take along a companion if I visit the mostly Albanian province of Kosovo, center of the 1981 riots []

I leave Belgrade by public bus for **Kraljevo**, a Serbian town some three hours to the south. Sitting next to me on the bus is a modishly dressed Serb woman of 20 who is a Belgrade University student and sometimes rock singer. She is bright, articulate, and politically moderate—that is, until the conversation turns to Kosovo. []

The Albanians are not like other Yugoslavs, she says. They had their chance in the 1970s, when granted considerable autonomy, but this only led to the



Serb rock singer... critical of
Albanians []

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disorders and demands for a separate Albanian republic. They terrorize Kosovo's Serb minority and do unspeakable things to the Serbian women. Moreover, the perpetrators are not brought to justice, as the Kosovo Albanian authorities are as corrupt and impenetrable as the Mafia. []

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I arrive in Kraljevo, a sleepy town of about 70,000 which was once the center of the medieval Serbian kingdom and which in recent months has been the scene of an Albanian scare. A Kosovo plant upstream had been dumping lethal industrial pollutants into the river flowing through town, an act that Kraljevo residents believed was aimed at them. In the town square is a symbol of burgeoning Serbian nationalism—a giant statue of a Serbian soldier commemorating the fallen heroes of the Balkan wars and World War I. It was built in the 1930s but banished to an outlying park after the Communists took power. The city fathers recently had it restored to its original place, a local resident tells me. []

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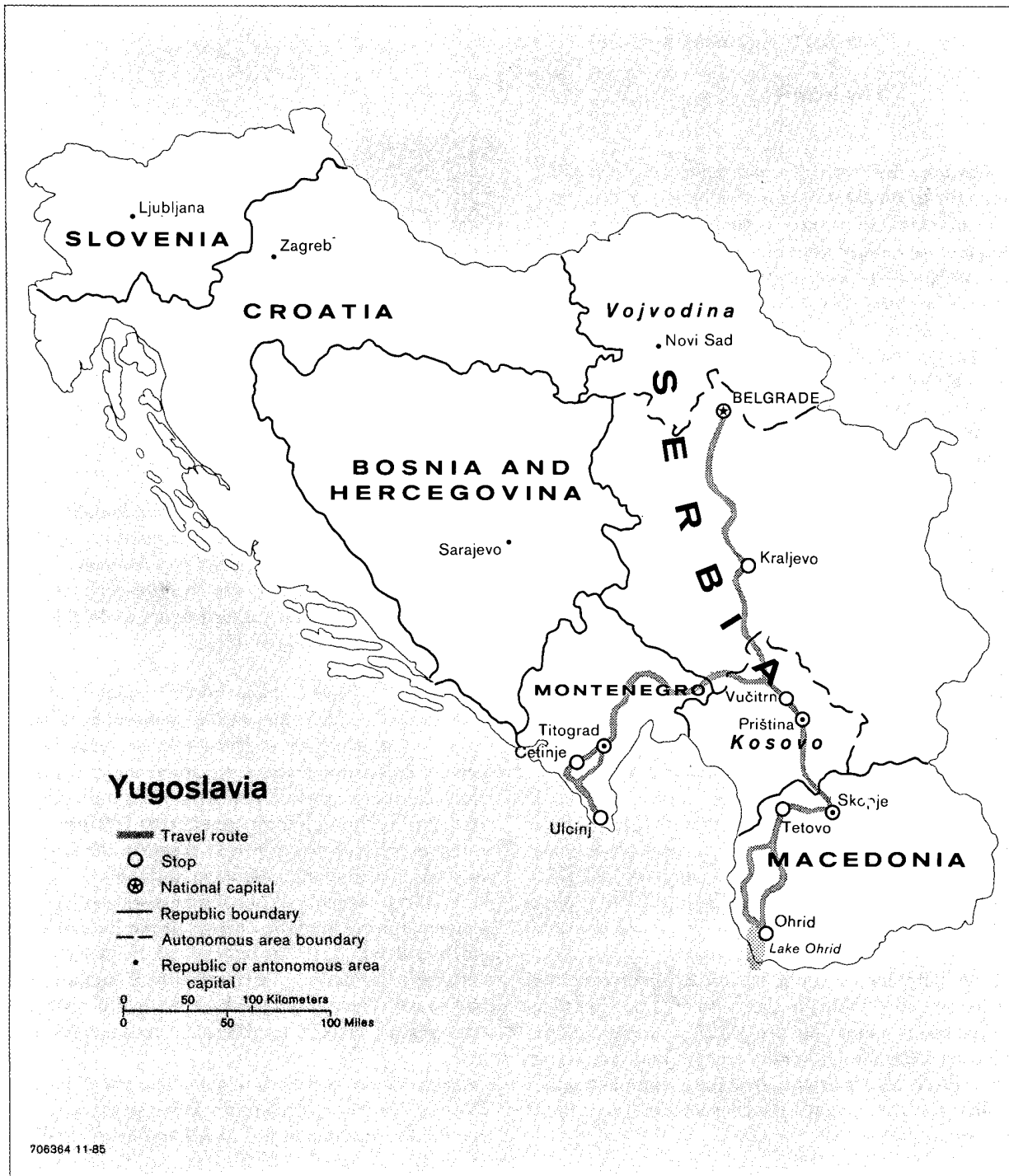
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I meet a 30-year-old Serb working in a travel bureau. Showing customary hospitality, he pours me a *rakija* from under the counter and suggests we later visit a renowned monastery. The Serb's work history is a

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lesson in the continuing value of connections. He got his job partly because his father was a partisan and several school chums are well placed in the local hierarchy. Like the woman on the bus, this Serb is passionate on the subject of Albanians. Not only are they poisoning Serbian waters, but Kosovo Albanian doctors have been found giving newly born Serbs injections that sterilize them for life. Were he a Kosovo Serb under pressure by Albanians to sell his home and move out, he says, he would kill first [redacted]

My arrival in Kosovo the next day is less than auspicious. At a hotel in **Vucitrn**, north of the provincial capital of Pristina, my bags are taken to the room through a dark corridor by a young Albanian who smiles and tells me he was just released from prison for attempted murder. He stabbed another Albanian near the heart in a lovers' quarrel. The man lived, so this Albanian was allowed to work during the day and only sleep in prison. His daytime job was and is . . . hotel security guard [redacted]

The front desk clerk, another Albanian, appears to be a police informer. He suspects that I have some connection to the Serbian cab driver who brought me to the hotel. After dinner I want to stroll into town, but this visibly upsets both the guard and desk clerk, who show relief when I promise to stay in the hotel. The next day I see why. [redacted]

Vucitrn is the most backward, dirt-poor town I have seen in Yugoslavia, worse even than other Kosovo towns I saw on a visit last year. It features ramshackle Turkish-style houses, a few unkept mosques, and a center that looks like a Middle Eastern bazaar. I see gypsy women in colorful trousers, a man with a peg-leg, and dozens of grizzled old Albanians vending bric-a-brac from wooden, horse-drawn carts. The main and only department store looks like it finished a closeout sale, the shelves are so depleted. I dress inconspicuously but cannot help standing out since I am wearing eyeglasses, a rarity almost anywhere in Kosovo. [redacted]

The feeling of being in the Third World is heightened by the knots of people with plastic jugs and tin cans gathered around water trucks. The water may now be safe in Kraljevo, but it is not here. When I wait for a bus to Pristina that afternoon, a bevy of school



Primitive construction typical of Kosovo town of Vucitrn . . . contrasts with flashier development in capital of Pristina (U)

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children crowd around. They have never seen an American before. They have probably never seen anyone carrying belongings in luggage instead of cartons. They are bright looking and curious. In other Kosovo towns they have reportedly stoned outsiders.

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Pristina is just down the road, but light years away, from Vucitrn. It is a showcase capital, with a modern hotel, civic center, university, bus station, and apartment blocks, built mostly with money given by the richer northern regions. The security presence nowadays is low-key, even if a military headquarters is located right downtown. The crowds seem relaxed but are so thick in the evening that one senses any incident could spread like wildfire. I meet an Albanian private businessman in a cafe. He is about 35, good-humored, and apolitical. He professes little interest in ethnic relations but shows resentment that so many Serbs living in Kosovo refuse to speak Albanian. The workers generally can and do, he says, but those in higher positions pretend they cannot. This is wrong, he says, since they live in an Albanian land.

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I go to a concert that evening given by national pop idol Lepa Brena, who is in Pristina on one of her occasional appearances. The woman sitting next to me

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is a Kosovo Serb of about 40 with child. She says Pristina looks calm only at first glance. The Albanians are wild and temperamental. Serbs are exposed to constant, often subtle pressures and their numbers are dwindling. She was born in Kosovo and hopes to die there, she says, but her voice conveys little hope. [REDACTED]

The next day I leave Kosovo by bus for the western, heavily Albanian part of Macedonia, the country's southernmost republic. I travel first to Tetovo, a colorful town of about 40,000, west of Skopje, with strong Turkish flavor. As in most of southern Yugoslavia, the main highways are only one lane in either direction. A woman on the bus, a Tetovo Albanian, tells me she is a university student in Pristina because she cannot pursue higher education in Macedonia in the Albanian language. [REDACTED]

Economic prospects for Albanians look better in Macedonia than Kosovo, and it is no wonder that hundreds reportedly flock here each year. The political situation seems less favorable. Signs on streets and public buildings, even in mostly Albanian Tetovo, are written only in Macedonian. Only on the doorframes of privately owned shops can the Albanian language be seen, and then in second place. [REDACTED]

The following day I meet a Macedonian schoolteacher on a bus from Tetovo to the southern Macedonian town of **Ohrid**. He complains that the local Albanians speak poor Macedonian and confirms my impression that few are policemen or officials. The grandmother who rents me a spare room in her house in Ohrid is more vehement. Albanians are out to destroy Yugoslavia, she says, drawing a thumb across her throat. [REDACTED]

Ohrid is like coming up for a breath of fresh air. People here dress in neat, clean, pressed clothing with some regard for color and pattern. In small towns of Kosovo and western Macedonia tattered, mismatched, hand-me-downs are often the norm. The town is set stunningly on Lake Ohrid, which it shares with Albania, and contains some of the most ancient churches in Europe. [REDACTED]

Traveling to Montenegro I spend my first night in a workers' barracks. On arriving by bus in the capital of

Titograd in the dead of night I planned to book into a hotel but the young Macedonian sitting next to me insists I stay with him at his brother's. It is another example of sometimes overwhelming Balkan hospitality. The barracks in which his brother lives is in an industrial part of town and is run by his firm as ersatz bachelor housing. We find his brother's room in a long, open-air corridor. The room where we stay is about 16' x 16', has one bare lightbulb, a narrow window, a clothesline, a hotplate, and eight bunk beds, two of them double-decker. The smell hits you like a brick. The blankets are covered with grime and the sheets probably have not been washed for weeks. Conditions surely are worse on summer nights, when the heat turns the rooms into steam boxes. Winter can hardly be much better, as no heating unit can be seen. [REDACTED]

In the morning we trek through the open air to a cold-water-only washhouse. Urine runs out into the hall from a toilet, which is a little more than a hole in the ground. The men emerging from the rooms, however, look little different from other Yugoslav workers. The visitor to Yugoslavia seeing them on the street would have no idea how close they live to the margins. [REDACTED]

Once on the road it becomes clear why Montenegro has been the bane of every invader. The land is little more than rocky mountains. The coastline is even more dramatic than along the Croatian Adriatic just to the north, with craggy cliffs dropping off into the sea. The Albanians here are among the most healthy, relaxed, and prosperous that I see in Yugoslavia. In the southernmost town of Ulcinj, near the Albanian border, they own property in the town's nicest parts and benefit from its thriving tourism business. The strikingly tall and fair-haired Albanian woman who rents me a room tells me Albanians and Montenegrins get along pretty well. There have been a few youth incidents, she says, but they have been minor. [REDACTED]

In the former Montenegrin capital of **Cetinje** I witness a lightning visit by East German leader Erich Honecker, who is in the country on an official trip. A fleet of highly polished Mercedes limousines with low-number Titograd tags pull into the main square. [REDACTED]

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Honecker and Yugoslav party leader Vidoje Zarkovic step out as television cameras whirl. Honecker looks stiff and ill at ease; Zarkovic plays the jovial host. The limousines pull out as quickly as they arrived. The local security men, unaccustomed to such a high-level activity, look relieved. I fly back to **Belgrade** and end my trip

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Economic News in Brief**Western Europe****West German financial authorities have raised monetary growth target for 1986.**

... this plus the August discount rate cut intended to stimulate economy ... Kohl government probably hoping to boost chances in 1987 national election.

Wrangling over 1986-87 budget has forced London to postpone announcing welfare reform proposals ... also deciding how to deal with hostile reactions to plans for revamping pension system ... White Paper now promised by Christmas.

UK Energy Secretary Walker recently told high-level OPEC official that London would not curtail North Sea oil production as means of stabilizing world energy prices ... claimed restraints on production would choke off investment needed to bring new off-shore wells on stream in 1990s ... expressed interest in continuing bilateral meetings with OPEC countries but rejected formal dialogue between OPEC and non-OPEC producers.

Greek Economic Minister Simitis announced that additional measures are unnecessary to reach economic targets ... means government will not offer incentives to revive investment ... current austerity policies probably insufficient to improve long-run outlook for Greek competitiveness and investment.

Madrid introduced new consumer price index in October ... based on 1980 survey of consumer purchasing patterns and includes additional 30,000 items ... may slightly increase 1985 inflation figure from projected 7.9 percent by placing less weight on food products whose prices have been declining.

Swedish Central Bank has lowered short-term interest rates ... monetary authorities pushed rates up last spring to offset heavy currency outflows ... reversal of trend now permits Bank to encourage higher domestic production.

Norwegian Government proposal includes first deficit in nine years ... spending to increase by 12.6 percent, revenues by only 2.1 percent ... Prime Minister Willoch sought to hold line on spending due to uncertainty over oil revenues.

Eastern Europe

Protocol on 1986-90 plan coordination between USSR and three of its largest trading partners—Poland, East Germany, Czechoslovakia—signed last month ... plans call for 28-percent and 30-percent increase in trade over next five years with East Germany and Czechoslovakia, respectively, and 50-percent increase with Poland ... negotiations continue with other East Europeans.

Prolonged drought this summer following harsh winter has damaged crops in Bulgaria and Romania and, to a lesser degree, in Yugoslavia ... dims hard currency trade prospects ... means more belt-tightening for consumers.

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Looking Ahead

November
Austria

Governing Socialist Party will hold national congress 11-13 November

. . . probably wants to give image of party unity with federal election only a month away . . . Chancellor and Chairman Fred Sinowatz probably hopes to display firm leadership and control over party in wake of scandals and internal feuds.

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EC-Central America

Foreign Ministers' meeting scheduled for 11-12 November in Luxembourg . . . will sign economic framework agreement probably increasing aid but granting no trade concessions . . . likely to issue separate political communique supporting Contadora negotiations.

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EUR ER 85-025
6 November 1985

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