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The Director of Central Intelligence  
Washington, D.C. 20505

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OFFICE OF THE  
SECRETARY OF DEFENSE

NIC 0038/94  
30 July 1994

MEMORANDUM FOR: Director of Central Intelligence

FROM: Joseph S. Nye, Jr.  
Chairman, National Intelligence Council

SUBJECT: The Next Balkan Problem: Macedonia and  
the Albanian Question

1. Action: That you consider raising Intelligence Community concerns regarding Macedonia with other Principals and encourage them to focus on remedial steps (e.g., modest economic assistance, more pressure on the IPFs, and debt relief) the US could take to head off a crisis that could quickly ignite the Albanian problem throughout the region.

2. Background: This is deja vu all over again. The Intelligence Community in 1990 was unable to convince US policy makers of the inevitability and destructiveness of Yugoslavia's breakup and the need to help manage this problem early. Similarly, policy makers have not acknowledged the seriousness of deteriorating conditions in Macedonia and the prospect that the collapse of the Gligorov government would ignite the simmering "Albanian Question" and draw in not only Tirane but also Athens, Sofia, Belgrade, Pristina and possibly even Ankara. Numerous Intelligence assessments -- the 1993 NIE on Macedonia, the May 1994 Update Memo, as well as [redacted] have underlined the deteriorating economy and relations between the ethnic Albanian minority and Macedonian majority.

3. Recent diplomatic reporting underscores our own judgments that conditions -- since the imposition of the Greek embargo -- are deteriorating. As the economy spirals

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down, Macedonian officials are increasingly strident in telling US officials they need assistance to prevent social strife and further strains within the coalition government that could enrage radical ethnic Albanian militants and embolden ultra nationalist Macedonians. Should the West decide to tighten sanctions against Serbia, this will undermine Macedonia's stability. Moreover, the controversial national census taken this month will provide another opportunity for Albanians to attack the Gligorov government and further alienate the Albanian minority (already physically separate) from the Macedonian majority).

6. Macedonia, the poorest republic of the former Yugoslavia (with a \$850 per capita income) already has two strikes against its survival. First, the economic sanctions imposed on Serbia have severely damaged its economy, adding huge transport fees on top of its already limited exports and making it entirely dependent on trade routes through neighboring states like Greece (roughly 80 percent through Thessaloniki). Athens' imposition of a trade embargo has only added to the economic pain, and the Gligorov government has no good options. It can compromise on its name, flag and constitutional provisions to get the Greek embargo lifted and then probably be ousted by a vote of no confidence or limp through until it is unseated in the fall elections. Alternatively, and more likely, it will hang tough and watch economic conditions lead to a steady breakdown in inter communal relations. Either way, ultra nationalists could profit from these developments and spur the ethnic Albanian minority toward a blatantly secessionist movement that could bring other simmering Albanian issues into play.

- Greek-Albanian relations have deteriorated through a series of border incidents and mutual claims of government mistreatment of their minorities.
- Simmering tensions between Serbs and Albanians in Kosovo could be set off by events in Macedonia, prompting greater repression by Belgrade or encourage militant ethnic Albanians to disregard Rugova's moderate leadership.
- Greece and other neighboring states are totally unprepared to deal with massive refugee flows that might

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SUBJECT: The Next Balkan Problem: Macedonia and the Albanian Question

result from a government collapse or ethnic violence; rising nationalist sentiments throughout the region could drive Athens, Sofia, Tirane, and even Ankara to take sides quickly in a spreading Albanian crisis.

5. The irony of the situation is that a modest amount of aid might make a huge difference in stabilizing a tiny Macedonia (with a GNP of less than \$2 billion). For instance, diplomatic reporting suggests that current violations of sanctions -- which has so angered Washington -- is earning Skopje a paltry \$50 million annually. The tragedy is that very little aid has gone to Skopje, since it has achieved independence. Only \$150 million was approved by the EU in 1992, most of it humanitarian assistance that does not directly deal with the problems created by the sanctions and embargo regimes. Less than half of the aid has been dispersed and Greece now blocks any further EU assistance from going to Macedonia. With the EU blocked by Athens, European institutions will not be much help. The recent European Court of Justice decision in favor of Greece on the embargo issue only strengthens Athens' recalcitrance.

6. Moreover, few NGOs are working with the Skopje government to improve its financial situation; representation in the IPIs was also late in coming because Skopje was not recognized until recently by most European members in deference to Athens' sensitivity. More ironic, even the IMF has not made any allowance in its guidelines for Skopje's economic restructuring for the effects of the Serbian sanctions or the Greek embargo. Greece has blocked EU approval of an IMF stabilization fund. Blockage of such international assistance, however, has not stopped other institutions like the European Investment Bank from demanding timely payment of Skopje's portion of the debt it inherited from the former Yugoslavia.

7. Recommendation: At a minimum, you should raise the issue of a deteriorating situation in Macedonia and sensitize your counterparts to the high stakes. If they are interested, you might encourage them to investigate steps the USG can take to lessen the internal pressures on the current government. The US is not totally helpless.

• The US could develop a modest bilateral assistance program with Skopje to help stabilize its economy and

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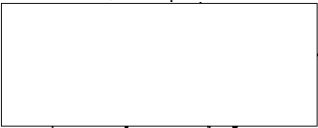
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develop alternative trade routes in the Balkans. For example, an East-West rail connection through Bulgaria (roughly 55 kilometers) would provide economic opportunities that would strengthen Macedonian-Bulgarian cooperation (presently pretty good) and reduce the strangle hold that Athens has over rail and ship traffic via Thessaloniki.

- The US could use its leverage with the World Bank and other IFI's -- where Greek influence is relatively modest -- to encourage some allowance for the effects of the sanctions and Greek embargo in IMF plans for Macedonia.
- The US could push for more generous debt relief, until the sanctions regime and the Greek embargo are lifted. It could encourage others' Western partners to ease the burden of Macedonia in other ways as well.

8. US credibility is now much more committed to the fate of the Albanians than it was to the Bosnians. There is still a standing commitment to react if Kosovo blows, there are now over 500 US military personnel in Macedonia, and SecDef Perry is on his way there. Should the Albanian problem become full-blown over the next year, it will be very difficult indeed for the US to turn this problem over to the Europeans, much less ignore the problem for very long.

  
Joseph S. Nye Jr.

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