Director of Central Intelligence

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Yugoslavia Transformed

National Intelligence Estimate

This National Intelligence Estimate represents the views of the Director of Central Intelligence with the advice and assistance of the US Intelligence Community.

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NIE 15-90
October 1990

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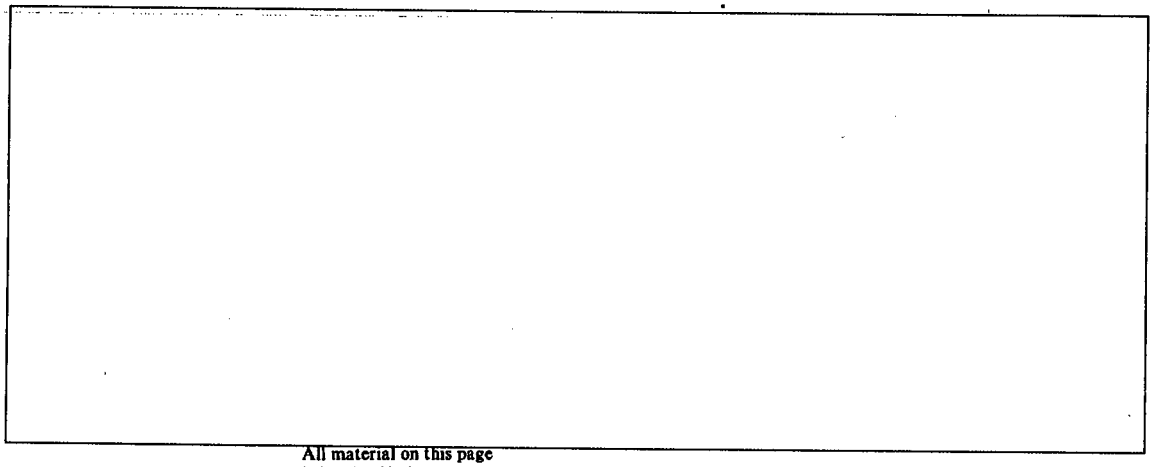

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NIE 15-90

Yugoslavia Transformed

Information available as of 18 October 1990 was used in the preparation of this National Intelligence Estimate.

The following intelligence organizations participated in the preparation of this Estimate:
The Central Intelligence Agency
The Defense Intelligence Agency
The National Security Agency
The Bureau of Intelligence and Research, Department of State

also participating:
The Deputy Chief of Staff for Intelligence, Department of the Army
The Assistant Chief of Staff, Intelligence, Department of the Air Force

This Estimate was approved for publication by the National Foreign Intelligence Board.

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Yugoslavia Transformed

- **Yugoslavia will cease to function as a federal state within one year, and will probably dissolve within two. Economic reform will not stave off the breakup.**
- **Serbia will block Slovene and Croat attempts to form an all-Yugoslav confederation.**
- **There will be a protracted armed uprising by Albanians in Kosovo. A full-scale, interrepublic war is unlikely, but serious intercommunal conflict will accompany the breakup and will continue afterward. The violence will be intractable and bitter.**
- **There is little the United States and its European allies can do to preserve Yugoslav unity. Yugoslavs will see such efforts as contradictory to advocacy of democracy and self-determination.**

Yugoslavia Transformed, 18 October 1990

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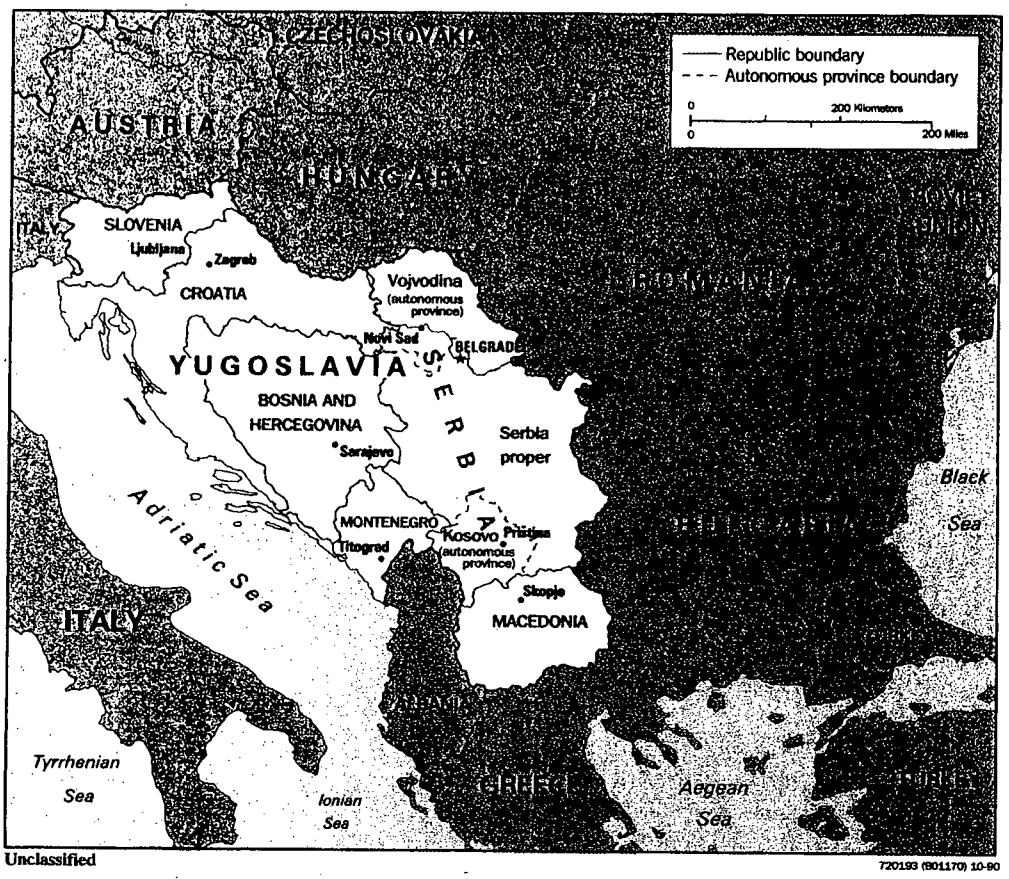

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Key Judgments

The old Yugoslav federation is coming to an end because the reservoir of political will holding Yugoslavia together is gone. Within a year the federal system will no longer exist; within two years Yugoslavia will probably have dissolved as a state.

Although elsewhere in Eastern Europe economic and political reform will be interdependent, Yugoslavia's future will be decided by political and ethnic factors. Even successful economic reforms will not hold the country together.

The strongest cohesive forces at work in Yugoslavia are those *within* Serbia, Croatia, and Slovenia. They are a mix of national pride, local economic aspirations, and historically antagonistic religious and cultural identifications. In Slovenia, and to a lesser extent Croatia, the new nationalism is westward looking, democratic, and entrepreneurial; in Serbia, it is rooted in statist economics, military tradition, and a preference for strong central government led by a dynamic personality.

Neither the Communist Party nor the Yugoslav National Army (JNA) will be able to hold the federation together. The party is in a shambles; the army has lost prestige because of its strong Communist Party identification and because much of the country considers it a Serb-dominated institution. No all-Yugoslav political movement has emerged to fill the void left by the collapse of the Titoist vision of a Yugoslav state, and none will.

Alternatives to dissolution now being discussed in various quarters are unlikely to succeed. A loose confederation will appeal to Croatia and Slovenia, but Serbs will block this in an effort to preserve Serb influence. Moreover, a Serb-dominated attempt to muddle through, using the old federal institutions and military brinksmanship to block independence, will not be tolerated by the newly enfranchised, nationalistic electorates of the breakaway republics. Serbs know this.

It is likely that Serbian repression in Kosovo will result in an armed uprising by the majority Albanian population, supported by large Albanian minorities in Macedonia and Montenegro. This, in turn, will create strong pressure on those republics to associate themselves closely with Serbia.

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A slide from sporadic and spontaneous ethnic violence into organized interrepublic civil war is also a danger, but it is unlikely during the period of this Estimate. Serbia's commitment of resources to pacification of the Albanians in Kosovo will constrain its ability to use military means to bring Serbian minorities in the western part of the country under its direct control. The Serbs, however, will attempt to foment uprisings by Serb minorities elsewhere—particularly in Croatia and Bosnia-Hercegovina—and large-scale ethnic violence is likely.

The United States will have little capacity to preserve Yugoslav unity, notwithstanding the influence it has had there in the past. But leaders from various republics will make claims on US officials to advance their partisan objectives. Federal and Serb leaders will emphasize statements in support of territorial integrity. Slovenes, Croats, and Kosovars, however, will play up US pressure for improved performance on human rights and self-determination. Thus, Washington will continue to be drawn into the heated arena of interethnic conflict and will be expected to respond in some manner to the contrary claims of all parties.

The Soviet Union will have only an indirect influence—for example, through multinational forums—on the outcome in Yugoslavia. The Europeans have some leverage, but they are not going to use it to hold the old Yugoslavia together. Most of them, including the Germans, will pay lipservice to the idea of Yugoslav integrity, while quietly accepting the dissolution of the federal state.

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Contents

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Discussion

How's the weather, Jeeves?
Exceptionally clement, sir.
Anything in the papers?
Some slight friction threatening in the Balkans, sir.
Otherwise, nothing.

P. G. Wodehouse
The Inimitable Jeeves, 1928

Behind the crumbling facade of the old Yugoslav federation new political realities are emerging:

- A centralized Serbian state, ruled initially by Slobodan Milosevic's former Communist Party and probably joined with Montenegro in a new federation.
- A Macedonian state, probably dominated by Communist Party factions with differing views on the desirability of democratization and market reforms but subject to Serbian influence articulated in terms of control over their Albanian minority populations.
- Croatian and Slovenian states in the northwest, oriented toward Western Europe and probably associated in a confederal arrangement with or without the participation of Bosnia and Hercegovina.

With the departure of Slovenia and Croatia over the next year, the Yugoslav federal system will cease to function. Efforts to construct a confederal alternative to the current system will probably fail within the two-year span of this Estimate, leading to the dissolution of Yugoslavia as a state.

Centrifugal Forces Dominant

Strong centrifugal forces are driving the 70-year-old Yugoslav state apart. Although such forces have been present for years and the federation has somehow survived, this time is different. Tito, who embodied the concept of a federal Yugoslavia, has been dead for 10 years. Absent a leader of his stature, the Yugoslav federation has been held together by institutional inertia, mainly in the Communist Party and the military. The party organization has been shattered and its ideological appeal leached away by recent developments elsewhere in Central Europe and the Balkans.

The Yugoslav National Army (JNA), because of its strong party identification and because much of the country considers it a Serb-dominated institution, has lost much of its stature as custodian of the Yugoslav idea. Although the army might unilaterally attempt to hold the federation together, its leadership recognizes that it could not do this alone and probably believes that any attempt to do so would cause the JNA to dissolve along its ethnic faultlines. Dissolution in this circumstance would prompt Slovenia and Croatia to rapidly assert as much control as possible over army assets on their territories, and the JNA's remaining resources would be transferred into Serbian, and possibly other, state armed forces.

National pride, economic aspirations, and an upwelling of ethnic-based religious and cultural identification will continue to push Slovenia and Croatia toward independence. Secessionist sentiment has been powerfully stimulated by Serbian attempts to dominate the federal political process. Breakaway claims have reached the point of explicit demands and practical measures that are incompatible with the old Federal Constitution. Secessionist steps include declarations of sovereignty, pursuit of independent foreign policy goals, the appearance of republic-based paramilitary formations, plans for republic-based and -controlled military forces, and claims to exclusive control of natural resources. These measures have yet to be knitted together into explicit, internally consistent statements of national identity, but they will be within the span of this Estimate.

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Tito and Nationalism: Missed Opportunity

In the mid-1960s, Tito relaxed the more stringent internal police controls and instituted administrative reform, devolving significant decision authority from the federal level to that of the republics. However, when a postwar generation of nationalist leaders began to emerge in the republics—most visibly in Croatia—Tito proved unable to accept the political consequences of diluted federal and party authority. In late 1971, he purged the Croatian party and state leaders, also coming down hard on "nationalist extremists" as well as liberals in Serbia, Slovenia, and Macedonia. In doing so he eliminated younger, dynamic nationalist Communist Party elites in those key republics who might have been able to fashion a long-term, workable compromise between disparate nationalist aspirations and federal structures. In the final analysis, Tito proved unable to deal constructively with nationalist aspirations of the South Slav peoples—aspiration he had successfully suppressed under the party banner of "brotherhood and unity" after the Communists' victory in 1945. Tito's multinational Yugoslav state was thus vulnerable after his death to the erupting nationalism.

Slobodan Milosevic (U)

Overheated nationalism fostered by Serbian extremists is the strongest among the new forces driving the republics apart, and it will not go away. Serbian President Milosevic seized power on a wave of populism and ethnic assertion. His followers will remain susceptible to these themes as the cement of Communism erodes and other republics resist the imposition of Serbian control. Milosevic's personal style—dramatic gestures, risk taking, and drive—reinforces the appeal his policies have to the Serbian masses. Although Milosevic's nationwide power peaked when the other republics rejected his leadership at the last (and probably final) all-Yugoslav party congress, his future in Serbia remains solid. In October 1989, he won a mandate—with 80 percent of the vote—to rule Serbia for four more years. He will be reelected in December 1990, in a victory as illegitimate as the previous year's, but the salient factor for Yugoslavia is that nearly all Serbian opposition parties either hold equally or more extreme nationalistic views or have been co-opted by Milosevic's rhetoric concerning Kosovo and Croatia. The Milosevic-controlled press continue to fan the Serbian nationalist flames in Kosovo and Croatia, but he is no longer the master of that nationalism; hardline opposition parties are undermining Milosevic's tactical position by precipitating confrontations with ethnic minorities in the Sandzak, Bosnia, and Vojvodina. Thus, virtually any ruler of

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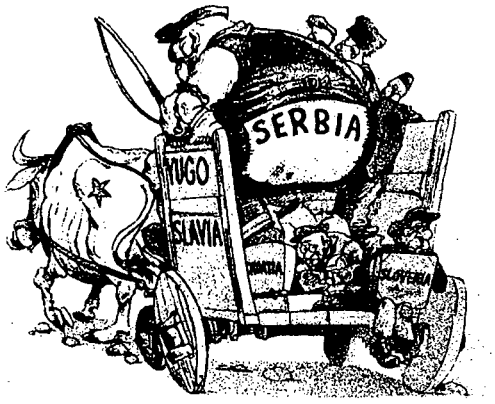

Figure 1. (U) *The Economist* ©

Serbia during the span of this Estimate will probably refuse to accept the minimal conditions set by Slovenia and Croatia for continuation of an all-Yugoslav state.

Serbia's repression of the mostly Albanian-populated province of Kosovo is wearing thin the Albanians' commitment to peaceful resistance and advocacy of independence *within* Yugoslavia and is likely to transform it into armed rebellion and a drive toward secession. Under conditions of guerrilla warfare against the Serbs, Kosovars will seek material support, but not formal union, from Albanians. The loss of Kosovo would be a bitter affront to the Serbian sense of national identity; it is the traditional Serbian heartland, and Belgrade will expend any resources to retain it. The consequences of this decision will be protracted conflict, with great loss of life and treasure.

Bosnia-Hercegovina represents the greatest threat of bringing the fundamental ethnic division in Yugoslavia—that between Serbs and Croats—into large-scale communal violence. This republic's ethnic mix of Muslims (more than 40 percent), Serbs (32 percent), and Croats (18 percent) has always been potentially dangerous. Elections at the end of November will increase the potential for intervention by Serbia and Croatia.

Nationalist conflict in Yugoslavia is exacerbated by the recent spectacular growth of Macedonian nationalism. This has been in response generally to the disintegration of the federation, but more specifically to perceived Serbian threats to Macedonia's own integrity. Macedonian nationalism has now assumed a transnational dimension in attempting to appeal to claimed fellow-nationals in Greece and Bulgaria. Since Serbs, Greeks, and Bulgarians reject the notion of a separate Macedonian nationhood, the potential for an international crisis is manifest.

Tito's uniquely Yugoslav version of Communist ideology, backed by force and buttressed by the wartime comradeship among his partisan elite, put a stop to the internecine warfare that took more than a million Yugoslav lives during World War II. The wartime brotherhood of Communist partisans failed, however, to pass its all-Yugoslav vision on to a younger generation. The attitudes that have resurfaced in its place may prove—as they were in the past—both bitter and intense.

External factors are also pulling Yugoslavia apart. The recession of the Soviet interventionist threat in Eastern Europe has signaled to Yugoslavs that it is safe to resume old quarrels. Together with the attraction of associate membership in the EC and other forms of integration with the West, it also has undermined the rationale for nonalignment—Tito's principal foreign policy legacy. Meanwhile, Slovenia and Croatia have concluded that their chances for inclusion in Europe are better as autonomous entities than in association with the more backward parts of the Yugoslav state.

Moderating Influences Are Weak

There are forces for cohesion at work in Yugoslavia, but they are weak and fading. The best hopes—though poor—are the economic reform launched by Premier Markovic and his effort to create an all-Yugoslav political party capable of competing with nationalist parties and movements in the republics. Markovic's economic reforms have enjoyed some initial success and may have helped postpone national

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Kosovo—Yugoslavia's Killing Fields

Albanian-Serb hostility stems from historic experience under the Ottoman Turks, when many Albanians chose Islam and rose to influence in an Empire that often repressed its Christian Serb subjects. In 1915, Albanian irregulars harried the retreating Serbs. In 1941, Italians and Germans found willing collaborators among Albanians. Some anti-Communist Albanian armed units remained intact until 1948. In that year Tito gave his chief of security, Aleksander Rankovic (a Serb), a free hand to conduct a campaign against the Albanian guerrillas that was apparently remarkable for brutality even in Balkan annals (an episode hardly noted in Yugoslav history books). Three times since, in 1968, 1981, and 1989-90, regular army units have been called in to suppress intercommunal violence.

The Albanian population in Kosovo has dramatically increased since World War II. With the highest birthrate in the nation and with the exodus of Serbs and Montenegrins, Albanians in Kosovo grew from 65 percent in 1971 to 77 percent in 1981, the last census year. It is believed to be near or perhaps beyond 90 percent today. Serbs claim that the Albanians have systematically "driven" Serbs and Montenegrins from the province, alleging various acts of terror. The evidence for this is spotty at best. Serbs also assert an Albanian plot to dismember Yugoslavia by Kosovo's annexation to Albania, term this treason, and assert both the right and duty to prevent it. However, no credible proof of treasonous collusion of this nature has yet been adduced.

Past efforts by Belgrade to co-opt Albanian leaders proved successful only for short periods; these local figures soon came to be regarded as puppets. There is now no credible Albanian leadership taking sides with Belgrade. Despite heavy Serb police pressure and harsh court actions against any Albanian who speaks out for autonomy, an "alternative" Albanian political organization has developed that appears increasingly well defined. We suspect there is more clandestine political activity going on than we know.*

Serbian repression in Kosovo has mounted steadily in recent months. Albanian small private businesses have been particularly hard hit: those that closed to observe a general strike to protest Serbian heavyhandness were sealed by Serbian police and have not been permitted to reopen. The Democratic Alliance of Kosovo—the largest party in the province—has stressed nonviolence as an operational credo, but increasingly has indicated that failure by Serbia to end its repression will make it impossible to continue this line. Meanwhile, the decision to declare Kosovo a republic within Yugoslavia and to promulgate a constitution, taken at a covert meeting of the dissolved Kosovo Assembly on 7 September, was a direct challenge to Serbs and may have brought ethnic tensions to the breaking point.

** A senior Slovene figure recently commented wearily to a visiting US official about the Kosovo, "All these years we should have been finding jobs for Albanians rather than looking for Quislings."*

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Serbia's Difficult Choices

The key question for Serbia is the "fate" of the Serbs who dwell outside the borders of Serbia. This is the issue of greatest psychological importance for Serbs, and no Belgrade leadership can lightly accept responsibility for splintering the unity of the Serbian people, the goal for which Serbs perceive they have fought—and won—four bloody wars in this century. A confederal compromise would also be perceived by Serbs as the fragmentation of the Serbian people, the "loss" of Serbian folk unity.

Serbia could refuse even to talk. This would invite the onus for having precipitated the breakup of the state. However, in such talks all Serbia's alternatives are also unpalatable: to insist on retaining the federation, threatening to use force if necessary to save it—a prescription for civil war with uncertain prospect of "victory"; to opt for Serbia's own secession, concluding that Serbia's interests would better be served as a sovereign state than as an "emasculated" entity in a loose confederation; or to acquiesce in the loose confederation demanded by Croatia and Slovenia.

In short, it appears Serbia can "save" the unity of the Serbian folk only at risk of civil war. Even if Serbia emerged "victor," it would be internationally discredited, bankrupt, left to impose its will on more numerous hostile peoples, and isolated in face of the problems of Kosovo and Macedonia.

collapse, but it is highly improbable that Slovenia and Croatia will agree to surrender the authority to the federal government that he has sought in order to implement the reform's next phase.

Recent increases in world oil prices bring an unanticipated drain on Yugoslav foreign exchange reserves. Markovic's initial response has been to cut taxes on retail oil. Added to other problems, this will eventually compel abandonment of the recently established and much-hailed fixed exchange rate with the German mark. Without this centerpiece of the reform, monetary officials will lose a key incentive to pursue tight policies. For these reasons, economic reform offers little chance of staving off political dissolution. Even if successful, it would not in itself put the old Yugoslavia together again.

Other cohesive forces—political, economic, or attitudinal—mean little. The civil service, the professional military, and some security service officers may harbor residual loyalties to the symbols and institutions of the old Yugoslav state, but their commitment is fast eroding in the face of rising nationalism, sectarian religious identification, and proliferating republican institutions. The attraction of participation in an all-Yugoslav regional market has been reduced among prosperous northern republics by the burden of economic transfers to the poorer south. Fear of bloodshed and material destruction to be expected from violent partition exists. The strongest cohesive forces in Yugoslavia, however, are the nationalistic sentiments at work *within* Serbia, Croatia, and Slovenia. These internal forces will increase.

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Markovic's Economic Reform Program

Wide World ©

Yugoslavia's stabilization program momentarily cut inflation; it did not produce the structural economic changes needed for a market economy. Economic indicators continue to fall. Inflation is threatening again. Several of the "achievements" frequently cited by Yugoslav leaders—including a jump in exports and increase in foreign exchange reserves—are mostly illusory.

Industrial production fell 10.9 percent in the first half of the year, 10.4 percent for January-August. The National Bank increased the money supply in July and August, pushing its net domestic assets roughly 5 percent above the limits spelled out in Belgrade's IMF standby arrangement. Monthly inflation jumped from roughly 0 percent in the second quarter to 4.9 percent in July (78-percent annualized) and 1.9 percent in August (25-percent annualized). Large infrastructure price increases in September led to inflation of 7.1 percent (128-percent annualized). Average personal wages have jumped as much as 30 percent in the last two months.

Although foreign exchange reserves have risen to roughly $10 billion:

- *At least two-thirds of the "increase" in reserves since January is "hot money"—prepayments on exports not yet delivered, delayed payments for imports, and short-term loans.*
- *A significant additional portion of the "increase" is the result of conversion of foreign exchange holdings into dinars by households faced with high inflation in the first few months of the year.*

Convertible currency exports climbed nearly 30 percent from January through August, as compared with the same period last year. But:

- *Overall exports climbed only 16.3 percent, and imports jumped 29.4 percent.*
- *Much of the export surge appears to be "distress exporting" by firms willing to sell abroad at any price—even a loss.*
- *As an indicator of the distress, the value of exports climbed 30 percent in dinar terms, and average costs increased much more during the same period.*

Despite the moderately greater efficiency of Yugoslavia's "self-managed" economy compared with command economies, the country has no unified internal markets for goods, capital, or labor. By conservative Yugoslav estimates, one-third of economic entities would have no justification for existence under market conditions.

Without effective markets, enterprise freedom to determine prices fuels inflation:

- *Monetary authorities can squeeze inflation out through restrictive monetary policies as in the first half of 1990. The money supply in mid-February stood 15 percent above the yearend 1989 level, and it fell to 30 percent below the same base by late March. The result was deep recession.*
- *Infusions of money to ease the recession immediately reignited old inflationary pressures.*

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Markovic's Economic Reform Program (continued)

At the same time, restructuring of the business sector has been painfully slow. No major firm has been closed because of bankruptcy since Markovic became Prime Minister, despite supposedly tough new laws:

- *Bad debt—or reporting of fictitious assets by business—appear to have grown significantly during 1990.*
- *Privatizing the socially owned sector by giving workers shares as part of any pay increase has elicited little interest and some hostility from labor. The program will take up to 10 years to reach completion even if effective.*

The National Bank has the power to decertify commercial banks that do not follow proper procedures. In 1990 the National Bank's first audit found that commercial banks hold $10 billion in fictitious assets. Only one bank has since lost its certification, despite public admissions by senior government officials that many banks are behaving as they always have—making loans based on political, ethnic, regional, or personal ties, with no regard for repayment potential. New stock and bond markets have virtually nothing to trade, and the new money market barely functions.

The labor market is characterized by overstaffing and the lack of an adequate social welfare net. Most Yugoslav economists believe that 20 to 30 percent of the labor force in the socially owned sector is redundant.

The one bright spot in the economy is the growth of the nonagricultural private sector. Belgrade expects 60,000 new private businesses to form in 1990. But most of those formed thus far are extremely small, in the service sector, and in no position to absorb much of the labor force from the decaying socially owned sector.

Slovenia and Croatia, the two wealthiest republics, will find no incentive to remain in a Serb-dominated federation, but they will want to preserve some ties to other republics, and especially to each other. Both already want to free themselves from the economic burden of subsidizing the southern region's inefficient industrial sector. Slovenia and Croatia are likely to encourage creation of as broad a confederation as possible, excluding Serbia but including Bosnia-Hercegovina and even Macedonia in the unlikely event the latter republic were in a position to join. This calculation will be based both on political/military considerations—upgrading their capacity to resist the Serbs—and economic calculations, especially that creation of a larger market would enhance the viability of their economies and make association with the West more salable.

The Future

In Serbia, the predominant post-Communist ideology will be attuned to the intense nationalist and religious traditions of the region, countered to some degree by the example of parliamentary democracy and political compromise and market-oriented reforms, associated with 45 years of West European peace and prosperity. Which influence will predominate is the big open question for Serbia as it is for other Yugoslav successor societies.

In Croatia and Slovenia, there will evolve a political-ideological spectrum as in Western Europe, ranging from Social Democracy on the left to Christian Democracy—and even fascism—on the right. On the evidence so far, the Slovene political elites will prove most successful in developing viable political institutions and in using them to maintain working popular mandates. Prospects in Croatia are also positive, although less sure and less advanced. The ability of both republics to transcend the narrow chauvinism of the pre–World War II era will depend heavily on the extent of interaction—cultural as well as economic—with the developed industrial democracies of the West, particularly the European Community. It also will depend on Zagreb's ability to conciliate and extend a satisfactory degree of autonomy to Serb minorities in Croatia in the face of Serbian provocation.

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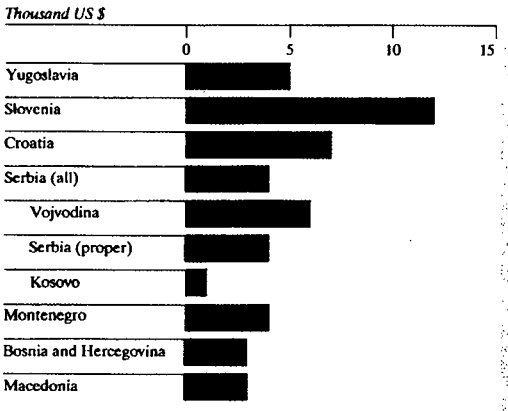
North-South Economic Gap

Exacerbating political tensions over the years has been the yawning prosperity gap between the more developed northwest and the underdeveloped southeast, particularly Kosovo and Macedonia. Per capita national income in Slovenia in 1989 was about $12,600, Croatia $7,176, Macedonia $3,300, and Kosovo $1,500.

Over the decades annual contributions to a Federal Fund for Undeveloped Regions have been levied on the developed republics. Slovenes and Croatians today assert that, although they accept responsibility for assisting the poorer regions, the Fund has been grossly mismanaged. They cite the fact that the gap in real standards of living has widened in the 1980s.

Both Slovenia and Croatia have now refused further contributions to the Development Fund, pending negotiation of a confederal agreement by which, they insist, they must determine how their contributions will be spent.

Yugoslavia: Relative Per Capita Income by Republics, 1989



Sources: UN, ICP, and contractor supplied data--
for income data official Yugoslav data--for population data.

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Except for Kosovo, organized warfare arising out of chronic conflict is unlikely in Yugoslavia during the two-year span of this Estimate; but communal conflict of various kinds will continue whatever the outcome of the present crisis. There is already rising fear in Belgrade of interethnic confrontations and clashes within republics with unpredictable consequences. In many cases traditional ethnic animosities are linked to irreconcilable territorial claims. As in most divorces, the bottom line in Yugoslavia may well be the question of who gets the real estate. Territorial issues will be the most likely source of conflict between republics during the next two years. Any such conflict, regardless of its causes, could be the first test of the conflict-resolution mechanisms now contemplated for the CSCE.

In the unlikely event that Serbia attempts to shape the secession process by military force, it would have to overcome determined resistance by the seceded republics, and it would have to rely almost exclusively on Serbian troops. In the long run, reincorporating Slovenia and Croatia in a unified federal state by military force is beyond Serbia's resources, especially given its preoccupation with Kosovo. Slovenia and Croatia will be capable of defending their sovereignty and most of their territorial integrity in a war with Serbia but at great cost to their limited reserves of manpower and material. European opinion would be outraged, and this would have a negative effect on Serbia's already

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An Unlikely Outcome

The possibility of muddling through is very low. In the unlikely event that it happens, this is what it would look like.

Memories of the internecine civil war during World War II and fear of another destructive conflict would lead the two most numerous South Slav people—Serbs and Croats—to reach some political accommodation. A compromise that preserves Yugoslavia would include:

- *Basic principles:*
  - *No change in existing Republic borders.*
  - *No change in Yugoslavia's existing international status.*
  - *Mutually recognized sovereignty of each republic.*
- *Confederal institutions:*
  - *A single foreign ministry, to which diplomatic representatives would be accredited, with a single seat in the UN and other international bodies.*
  - *A central military organization with a joint General Staff responsible for planning, intelligence, training, and procurement in peacetime, and wielding command of all armed forces, but only in wartime.*
  - *A central bank, determining macroeconomic policy, issuing a common currency, setting a common exchange rate, and a central customs authority administering a common custom regime.*
- *Powers reserved to republics*
  - *Veto over actions of the Confederal Authority.*
  - *Control of internal security, including guarantee of minority rights.*
  - *Operational control over some or all military units stationed on the republic's territory (with the possible exception of naval and air force units).*
  - *Raising taxes and allocating funds to discharge mutually agreed confederal responsibilities.*

Only the Serbs can open the door to a confederal Yugoslavia, and Serbia's leader, Slobodan Milosevic, holds the key. Some observers feel there are pressures on him to try. If he does not, he would give his opponents the leverage to remove him. The potential penalties of failure to compromise would be too great, in this view, for the peoples and leaders of Yugoslavia to forgo every effort to find a compromise.

bleak prospects for closer postpartition economic and cultural association with Europe. For most participants, there is little to be gained, and much to lose from full-scale war.

The most plausible scenario for interrepublic violence is one in which Serbia, assisted by disaffected Serbian minorities in the other republics, moves to reincorporate disputed territory into a greater Serbia, with attendant and bloody shifts of population. The temptation to engage in such adventures will grow during the period of this Estimate. Serbia will be restrained both by the intractability of minority problems in Serbia itself and the justifiable fear of intervention by neighboring Balkan powers, especially Bulgaria and Greece, to assert control over Macedonia.

Terrorism is a serious threat in Bosnia and Hercegovina, Kosovo, Croatia, and Macedonia. It could also spill over into border regions of Serbia proper, as well

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Milan Kucan
Slovene President (U)

Wide World ©

Franjo Tudjman
Croat President (U)

Der Spiegel ©

as into Greece and Bulgaria. Inside Yugoslavia itself, it could degenerate into punitive actions and reactions, bringing on mass violence.

Outside Influences Limited and/or Menacing

The United States will have little capacity to preserve Yugoslav unity, notwithstanding the influence it has had there in the past. Any US statements in support of the territorial integrity of the old federation will be used by federal leaders to strengthen their case against republic attempt to assert their independence. Statements by US officials on behalf of national self-determination will be used out of context by republic leaders to rally support within their national constituencies against central controls. Albanian leaders in Kosovo will play up any attention by American officials to human rights issues. All parties are likely to press the United States for material support and will look askance at US public pronouncements if such support is not forthcoming.

European powers will pay lipservice to the idea of Yugoslav integrity while quietly accepting the dissolution of the federation. West European governments share Washington's hope that Yugoslavia's transformation will be peaceable, but they will not provide much financial support. Austrian officials fear possible consequences from a breakup of Yugoslavia but say, nonetheless, that they favor democracy and self-determination above unity. Bonn, with its influence in the region greatly enhanced by unification, will continue to foster individual contacts between German state governments and the emerging Yugoslav successor states.

Italy's "Pentagonal Initiative" to promote economic and political cooperation with Austria, Hungary, Czechoslovakia, and Yugoslavia will provide a convenient framework for the adjacent northern states to adjust relations with a transformed Yugoslavia, whatever its contours. As independent democratic market-oriented states, Slovenia and Croatia would have natural affinities for this group based on common institutions and historical associations. Serbia, as it will evolve in the two-year period of this Estimate, will find its access to both the Pentagonal Group and the EC inhibited by its failure to adopt similar economic and political reforms, its failure to negotiate fully amicable settlements with Croatia and Slovenia, and by its human rights performance. There will be economic and cultural incentives pulling Serbian leaders toward policies conducive to good relations with the "Pentagonal Initiative" and other European associations, but assertive and often narrow forms of nationalism and statism will continue to have precedence over such incentives in Serbia's internal political dynamic.

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Figure 2
Dissolution in Yugoslavia

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The Soviet Union will have only an indirect influence—for example, through a multilateral forum—on the outcome in Yugoslavia. Its geographic separation, its retreat from hegemony in Eastern Europe and its domestic preoccupation with centrifugal tendencies similar to those in Yugoslavia, will make it a spectator, not a participant in Yugoslav events. At most, Moscow would wish to associate itself with European efforts, possibly in the context of CSCE, to deal with internal violence.

The weakening of central authority in Belgrade will stir irredentist sentiment among some of Yugoslavia's neighbors. Some have dormant but nonetheless potent claims on adjacent territory and population. Among these, Tirana's interest in Kosovo is the least manifest but the most potent. A post-Communist Albania would exercise an almost irresistible attraction for Kosovo Albanians. Meanwhile, Bulgaria's already vocal territorial claim on Macedonia will grow more strident. These are problems for Serbia; for Croatia and Slovenia they offer leverage in settling claims and counterclaims with the Serbs. They in turn have border problems of their own, but they do not match those of Serbia in potency and immediacy.

A Serbian nationalist government in Belgrade, freed of constraints imposed by its erstwhile Slovene and Croatian components, will be tough in asserting its interests in the south. In doing so it will look, as Serbia traditionally has, to the north and east for sympathy and support. Romania, traditionally a Serbian ally in Balkan rivalries, will not become a threat to Serbia. Bulgaria will, at best, retain its traditional guarded posture, becoming a threat only to the extent that a satisfactory negotiation of the Macedonian situation cannot be reached. Russia's position will depend on Moscow's post-Cold-War perception of preferred security arrangements in the Balkans. In short, the eastern and western parts of a transformed Yugoslavia will have to come to terms, each in quite different contexts, with the post-Cold-War architecture of Europe.

(Continued...)

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Annex

The Peoples of Yugoslavia

Serbs are the most numerous of the South Slav peoples . . . make up 36.3 percent of the Yugoslav population . . . total 8.6 million . . . orthodox Christian . . . use cyrillic alphabet . . . strong military tradition.

Croats make up 19.7 percent of population (4.7 million) . . . Roman Catholic . . . strong Western-oriented intellectual tradition . . . carried out mass terrorism against ethnic Serbs as late as 1941-42.

Slovenes represent 7.8 percent of the population, with 1.8 million persons . . . are singularly concentrated within the borders of the Republic of Slovenia . . . strong Catholic Slovene nationalist consciousness . . . traditional fear of cultural domination by Austrians . . . most cosmopolitan, European peoples in Yugoslavia . . . produce a disproportionate share of Yugoslavia's national wealth and enjoy highest standard of living.

Macedonians constitute 5.9 percent or 1.4 million people . . . orthodox Christian . . . strong ethnic identity, but some cultural ties to both Bulgarians and Serbians . . . traditionally a strong commercial tradition . . . longstanding bone of contention between Serbs and Bulgarians.

Montenegrins are 2.5 percent of the Yugoslav plopulation, with 595,000 total . . . virtually all live in the Republic of Montenegro . . . inhabit poorest region in Yugoslavia . . . strong identity with Serbian Orthodox Church.

Muslims comprise 8.9 percent of the population (2.1 million) . . . are almost all ethnic Slavs . . . trace origins to Christians who accepted Islam under Turkish rule . . . most live in Bosnia and Hercegonina . . . reject islamic fundamentalism.

Albanians are 7.7 percent of the population or 1.8 million people . . . largest non-Slav minority in Yugoslavia . . . fastest growing ethnic group . . . most are islamic, but some are Roman Catholic.

Hungarians total 450,000 and comprise 1.9 percent of population . . . almost all live in the Vojvodina . . . tradition of enterprise and prosperity.

This annex is Unclassified.

Yugoslavia Transformed, 18 October 1990

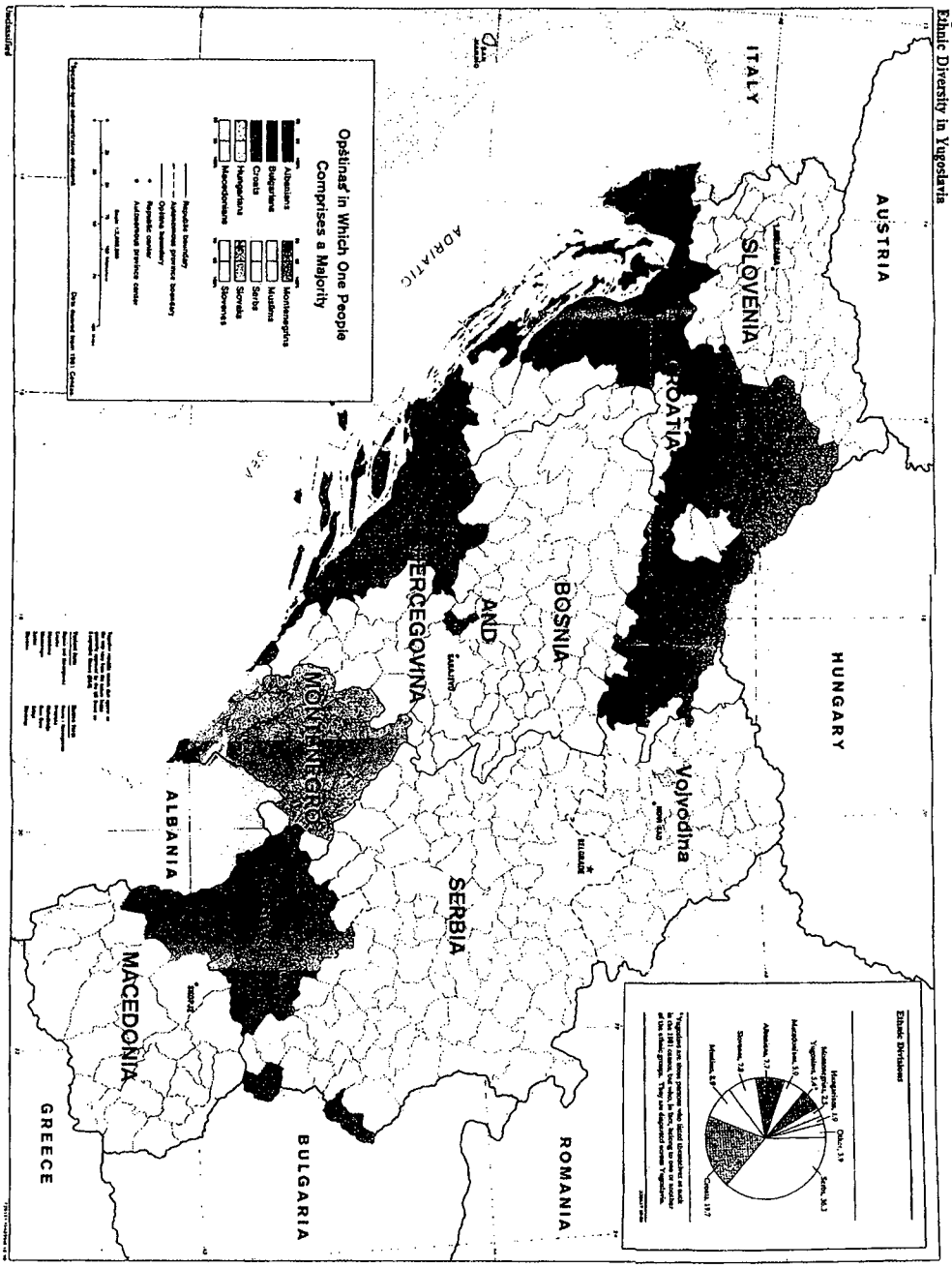

Figure 3
Ethnic Diversity in Yugoslavia