PROBLEM

(C) During the past few years the Government of Yugoslavia has sought to obtain technical data on sensitive or classified weapons and technology from the United States which we have been unwilling to provide due to general policy considerations or security restrictions. Some modest purchase requests have also been received. Up to this time, our offers to provide arms to Yugoslavia have been limited to unclassified items, and no classified technical data have been released (see Tab A). The Yugoslavs have been disappointed with our unwillingness to respond to questions concerning classified data which is not releasable to Yugoslavia. Also, the Yugoslavs have complained about long delays in receiving even negative responses to their requests.

(C) The issue is whether, under present policy considerations, we should modify our security restrictions in order to broaden our military supply to Yugoslavia.

(C) The purpose of this paper is to establish guidance which may be used as a basis for making exceptions to the National Disclosure Policy for Yugoslavia. Such exceptions should be based upon a determination that the release of certain classified data and material to Yugoslavia is clearly within the national interest as illustrated in the following discussion.

US POLICY OBJECTIVES

(C) The U.S. has an important stake in the survival of an independent and non-aligned Yugoslavia, threatened realistically in the next ten to fifteen years only by the Soviet Union. This U.S. interest was affirmed explicitly by President Nixon in the Joint Statement issued by the President and Tito in October 1971 (text at Tab B).

(C) The location of Yugoslavia in southeastern Europe with a border on the Adriatic bears strongly on major U.S. strategic interests in the Mediterranean region, in protecting the southern flank of NATO, and in protecting the territorial integrity of our NATO partners in central Europe. An independent Yugoslavia has led the way among the communist countries of eastern Europe in remaining outside the Soviet bloc since 1948, in seeking closer relations with the U.S., and in evolving moderated policies aimed at a decentralized government and a market-oriented economy.
A Yugoslavia territory free of Soviet bases serves important U.S. strategic interests in the Eastern Mediterranean. As long as Yugoslavia is able to maintain its political independence of Moscow and its own economic prosperity, it has an excellent chance of maintaining an independent, "nonaligned" national policy. If the U.S. and the West can offer Yugoslavia alternate sources of military supplies, the traditional Yugoslav independent outlook is enhanced, further promoting U.S. interests.

Tito, the symbol of national unity in Yugoslavia, will be 81 in May. His departure may precipitate a succession crisis in which the Yugoslav military is certain to play a major role in holding the country together. The U.S. military once had extensive influence and personal contact with the Yugoslav military during the 1951-1957 period of a U.S. military assistance program. However, with the discontinuance of our military assistance program in Yugoslavia the influence and contacts were dissipated. Until recently, our direct contact with the Yugoslav military had been minimal.

After the 1968 invasion of Czechoslovakia, Yugoslav officials and military functionaries once again began looking to the West for support. None are anti-Communists; they are, however, nationalists prepared to fight for Yugoslav independence. They need some concrete evidence that friends exist in influential places in the West who understand the special Yugoslav position with respect to the Communist world. It is especially vital now, as we approach the end of the Tito era, to instill confidence in them and to develop special relationships and channels which could be exploited to serve U.S. national interests. Tito may remain long enough to permit full development of these relationships; the post-Tito period may be too late.

YUGOSLAV ARMS PROCUREMENT

Yugoslavia has turned both to the East and West for arms procurement since World War II. Moscow provided military equipment and training until Belgrade's 1948 break with the Cominform. Yugoslavia then turned to the West for military assistance and for the next decade obtained most of its military equipment from the U.S. During this period, we furnished some $700 million in grant military assistance. The Yugoslavs, however, chose as of 1957 not to renew the US-GOY assistance agreement and it expired in 1961. The Soviet Union again became Yugoslavia's primary foreign arms supplier, notably with high performance aircraft, armor and SAM antiaircraft weaponry.

Although the Soviet invasion of Czechoslovakia in 1968 strained Belgrade's relations with Moscow, the Soviet supply relationship was maintained. Yugoslavia is, however, seeking to reduce its dependence on the USSR for sophisticated weaponry. Contacts have been made with the U.S. and other western countries in recent years to diversify sources of supply.
DEVELOPMENT OF US-YUGOSLAV MILITARY RELATIONS

(C) We have undertaken a low-key program to improve relationships between the U.S. and Yugoslav military. Our purpose is to develop a military-to-military relationship which may serve as an important means to assure the GOY of U.S. interest in Yugoslavia, including support for Yugoslavia's continued independence and necessary defense posture.

(C) In 1970, just prior to President Nixon's Belgrade visit, the Assistant Secretary of Defense for International Security Affairs, G. Warren Nutter, visited Yugoslavia, with State Department approval, in pursuit of a program of closer contacts with the Yugoslav military. The guiding principle established at that time, and in effect today, is that the Yugoslavs would choose a tempo in military contacts with which they would be comfortable. Over the last three years the exchange of contacts has gradually matured. The first Yugoslav military delegation visited the U.S. in September 1971, headed by Major General Kadijevic. Colonel-General Dolnicar, Assistant State Secretary for National Defense, was the guest of Dr. Nutter in May of 1972. A U.S. Army team, led by Major General E.B. Roberts, Assistant Deputy Chief of Staff for Military Operations, visited Yugoslavia in November 1972. A visit by the Secretary of Defense in late 1973 is under consideration.

(U) There are two Yugoslav officers now attending the Army Command and General Staff College; two Yugoslav officers will enter the Air Command and General Staff College this summer; and a U.S. Army officer is currently attending school in Belgrade as part of the Foreign Area Specialist Program, the second such student in as many years.

(C) Out of these exchanges a greater understanding and mutual frankness has evolved between our military. These favorable developments have been made at little cost, and common U.S. and Yugoslav military goals have been promoted. During every visit mentioned above, the subject of U.S. arms and equipment sales was discussed.

ROBERTS MISSION REPORT

(C) As a result of discussions with various Yugoslav military representatives during his trip to Yugoslavia, General Roberts reported that, although they were disappointed so far with the results of their efforts to obtain information on classified items from the U.S., they continue to hope to obtain certain information on advanced technology and equipment on which to base procurement decisions.

(C) In his report, General Roberts emphasized that the obstacle to GOY procurement of U.S. defense articles and technical data is security classification, and that only by recognizing Yugoslavia's special status in the communist world and its relationship to the U.S. could this obstacle be removed. (Embassy Belgrade endorsed General Roberts' report.)
YUGOSLAV OBJECTIVES

(C) The Yugoslav military have made very plain that they want to buy military equipment from the United States. Colonel General Susnjar, Chief of Procurement of the Yugoslav General Staff, has said: "We want sincerely to buy equipment from you and do business with the United States, but frankly we just haven't been able to get anywhere because you make it so difficult for us." However, specific interests of the Yugoslavs for arms purchases have been difficult to determine, partly because their requests have been unclear to us and partly because we have been unable to seek a clarification since the dialogue would have to include classified information, up till now denied to the Yugoslavs.

(C) A second possible Yugoslav objective may be the purchase of U.S. production models, technical information and data packages in order to expand their arms industry. General Roberts came away with the impression that the Yugoslavs may be nearly as interested in the manufacture and sale of arms to the U.S. and third countries as they are in purchases from the U.S. Yugoslav motivation to expand its arms industry increases its self-reliance while also strengthening its independent economy.

(C) However, these apparent Yugoslav objectives coincide only partially with our own. We want to sell arms to Yugoslavia; we are willing to provide enough technical information upon which procurement decisions may be made; however, it cannot be our general policy to provide technical data packages which are not necessary for Yugoslav procurement decisions but could form the basis for Yugoslav production. To assure mutual understanding, we should make this policy clear to the Yugoslavs.

(C) The U.S. has no direct policy interest in the expansion of the Yugoslav arms industry nor in sales to third parties of military articles produced in Yugoslavia with US-supplied technology. We have no interest now in purchasing Yugoslav arms; and there appears to be no likelihood for any US-GOY arms barter agreements. Approval of a technology transfer should be based on an assessment that it aids the Yugoslavs to decide on arms purchases. Should, however, any transfer of technology be considered advisable beyond this constraint, there should be a clear Yugoslav understanding that any production resulting from such transfer will be for maintenance support of US-origin equipment and for use of the Yugoslav forces only.

THE SECURITY ASPECT

(C) Under the provisions of the National Disclosure Policy, Yugoslavia is ineligible to receive classified military items unless the Secretaries of State and Defense jointly, or the Secretary or Deputy Secretary of Defense, or the National Military Information Disclosure Policy Committee (NDPC) approves an exception to provide the classified military information
pertaining to such items. An exception to the National Disclosure Policy
is initiated by a request to the NDPC based on U.S. policy interests in a
certain country and may be limited to certain levels and categories of
classified information. After consideration of the circumstances (the
policy, country, items involved, risk of compromise), the NDPC decides
whether to authorize the release of the information and such considera-
tions as whether a Security of Information Agreement (which amounts to
a pledge to handle U.S. classified items as the U.S. would itself) is
required as a prerequisite to such a release. U.S. Embassy Belgrade has
recommended against a Security of Information Agreement with GOY because
the Ambassador believes that the agreement would have little relevance
and also little chance of being signed by GOY. (See Tab C)

(C) We consider it safe to assume that the security apparatus of Yugo-
slavia is as efficient as in other Communist countries. Therefore, the
question is not the usual one of whether the system works, but the amount
of risk of disclosure to the Soviet Union. The fact that Yugoslavia
considers the USSR as the greatest potential threat to its independence
in itself argues against GOY disclosure of US-provided classified items
since disclosure would be clearly detrimental to Yugoslav interest in
case of a Soviet attack. The passing of secrets by individuals cannot
be ruled out, but the GOY security organs are active in the sensitive
area of military security. Embassy Belgrade has emphasized that on the
basis of their history alone, the Yugoslavs could be expected to protect
the security of U.S. classified items with "scrupulous care" (Tab C).

CONCLUSIONS

- (C) In view of the U.S. interest in the maintenance of an independent,
non-aligned Yugoslavia, we should be responsive to GOY efforts to find a
meaningful alternative to the USSR as a source of supply of military
items.

- (C) U.S. security policy preventing the supply of classified defense
articles and technical information has been an irritant in our relations
with Yugoslavia and interferes with our objectives toward Yugoslavia.
These security obstacles should be reduced, though not completely removed.
Exceptions to the National Disclosure Policy should be sought in order to
provide Yugoslavia with classified items on a selective basis.

- (C) U.S. policy should continue to emphasize the direct sale of
defensive articles rather than to provide pure technology to Yugoslavia.
In cases where the sale of military end items or the transfer of technology
are judged advisable, these types of transfer should be governed by a care-
ful assessment of the contribution which would be made to the defensive
capability of the Yugoslav armed forces; any production of classified U.S.
end items will generally not be encouraged.
- (C) The U.S. has no policy interest in the expansion of the Yugoslav arms industry and would be opposed to sales to third countries of military articles produced in Yugoslavia with US-supplied technology.

- (C) We have little interest in purchasing Yugoslav arms, and there appears to be no likelihood for a US-GOY arms barter agreement.

- (C) The foregoing U.S. policy on this matter should be clearly explained to the GOY.

RECOMMENDATIONS

1. That a copy of this paper be provided to the NDPC to be utilized as the foreign policy basis for acting favorably on exceptions to the National Disclosure Policy relative to Yugoslavia.

2. That, from appropriate sections within this paper, the GOY be notified of the U.S. policies and procedures for release of classified material.