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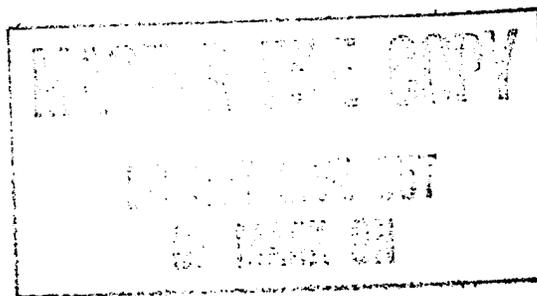
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Albania: New Foreign Initiatives



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An Intelligence Assessment



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EUR 84-10154C

August 1984

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Albania: New Foreign Initiatives



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An Intelligence Assessment

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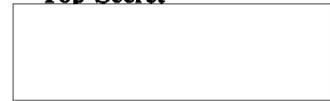
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**Albania:
New Foreign Initiatives**



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Key Judgments

*Information available
as of 20 July 1984
was used in this report.*

Albania, Europe's poorest and most backward country, has begun cautiously to ease its isolation from the outside world. The Hoxha regime seems willing to expose its antique Stalinist system to potentially destabilizing influences because it needs trade, foreign technology, and know-how to avert economic decline and dissatisfaction caused by shortsighted planning. We believe the regime also wants support abroad in the event of a sharpened rivalry with its stronger Yugoslav neighbor.



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Highlights of Albania's more flexible foreign policy over the past two years include:

- A surge in trade-related contacts with the West, especially with Italy.
- An unusual readiness to discuss calmly its postwar gold claims against France, the United Kingdom, and the United States, as well as West Germany's desire for normalized diplomatic ties.
- A renewal of trade ties with China after a bitter estrangement occurring as recently as 1978.



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But the Albanians also remain nearly paranoid in their suspicions of the major powers—especially the USSR and the United States. Even the openings listed above are subject to self-imposed "brakes." Enver Hoxha, Albania's 75-year-old dictator, insists on a strategy which spreads the initiatives among many potential partners to avoid giving any special leverage, forecloses acceptance of credits, and minimizes political concessions. He and his old guard also are ready to backpedal quickly if outside influences threaten to erode their control at home; Hoxha keeps an ambiguous silence on foreign initiatives, allowing advocates such as Ramiz Alia—Hoxha's heir—to take the lead.



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Despite the misgivings and tenacity of the isolationists in Tirane, we think the new activism is likely to proceed at a measured pace:

- The regime openly recognizes that Albania must increase agricultural output and improve industrial productivity to cope with a population that will increase by half by the year 2000.
- Key leaders, including Alia, are urging long-term modernization schemes on a leadership which is beginning to feel the impact of rising consumer demands and generational change.
- We believe that these leaders want the best foreign technology available and calculate that this can only be obtained from the West, in return for chrome, copper, and oil.



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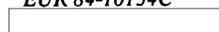


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We think Hoxha is likely to remain adamant in rejecting overtures from the USSR because he fears Moscow's wishes to restore its dominance. Albania has improved political dialogues with several Communist Third World regimes—Vietnam, Cuba, and Heng Samrin in Kampuchea—but we think its main motive is to build ties to countries which, because of their disagreements with Yugoslavia, might lend Albania political support in the event of renewed disputes. [redacted]

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The chance that our projections on Albania will go awry is fairly large. Hoxha is an arbitrary and erratic despot. Two other factors—a penchant for violent factionalism in the leadership and the possibility of more disruptive clashes of interest with Belgrade—could divert Albania at least temporarily from its cautiously outward-leaning policies:

- Alia might not survive future factional wars. Or, in the fight to assume Hoxha's mantle, he may be forced to compromise with the isolationists. Any serious leadership instability would, in any case, increase chances for an isolationist retrenchment.
- Tirane, in the event of a crisis with its Yugoslav neighbors, might seek Soviet aid in upgrading its aging weapons arsenal and in containing Belgrade's pressures.

We still tend to believe, however, that with the passage of time and the old guard, the reactionary enthusiasms of the Hoxha era will wane and the country will gradually come to grips with development problems through more pragmatic and open policies. [redacted]

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**Albania:
New Foreign Initiatives**



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Introduction

Enver Hoxha's Albania has long been a maverick among Communist states; it has renounced Soviet and Chinese patronage and continues to insist that it is the sole repository of genuine Marxist-Leninist orthodoxy. For most of the period since 1948 there have been several threads of continuity in the country's foreign policy:

- The unreconstructed Stalinism of Hoxha's domestic policy, coupled with an obsessive drive for economic self-reliance.
- Suspicion of all foreigners, resulting from the legacy of Roman, Venetian, Ottoman, and Italian occupation, as well as from Hoxha's vitriolic denunciation of his former Soviet and Chinese allies.
- Above all, an intense rivalry with neighboring Yugoslavia, which Tirane consistently accuses of wanting to absorb Albania. Albania's breaks with Moscow and Beijing were caused, in part, by their rapprochements with Belgrade.

Since 1981 the Albanians have been cautiously trying to break out of their self-imposed isolation using diplomatic initiatives of an unprecedented—for Albania—scale. We think two developments brought about this change. First, the slow growth rate imposed by a go-it-alone economic policy proved unable to cope with rising domestic demand; second, the rivalry with Yugoslavia took a sharp turn for the worse when riots by ethnic Albanians in Yugoslavia's Kosovo Province rekindled old animosities and irredentist disputes.

While Hoxha is letting other leaders—notably Ramiz Alia, his current heir apparent—take the lead in Albania's international initiatives, the old dictator retains absolute power. He is capable of reversing its policies abruptly, should he perceive a threat to his personal control or to Albania's independence or Stalinist system. We know little about the workings of Albania's secretive political elite, except that Hoxha is demonstrably capable of eliminating suddenly those



Figure 1. First Secretary Enver Hoxha casts his ballot for People's Councils

Camera Press ©



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closest to him—in conscious emulation, we believe, of Stalin. Nevertheless, Albania's deepening international ties suggest that the opening has significant momentum and may survive the old man himself.

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This paper examines these recent trends, focusing in particular on their implications for Albania's approach to East-West issues and on the limits imposed by the Albanian establishment's reluctance to break with its Stalinist past. We stress that our judgments are tentative because our information about Albania is very limited. Specifically, there is little open dialogue on the issues among key Albanian officials, and the data base on the Albanian economy is seriously out of date. Lacking diplomatic contacts and other sources, we depend primarily on limited open-source information and secondhand observations of Albanian behavior by our allies.

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Figure 2. Ramiz Alia, Chairman of the Presidium of the People's Assembly. Albania Today

Frozen Relations With the Superpowers

The current Albanian openings, in our view, do not augur a restoration of diplomatic relations with the superpowers in the near future; the Albanians continue to vilify both the United States and Soviet Union in brutal terms. We believe that Enver Hoxha's enduring suspicions of Washington and Moscow, based on ideological hostility and his personal prejudices, will preclude ties with either as long as he remains in control.

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Tirane appears unwilling to reduce its incessant propaganda barrage against US policies.

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Albania is not interested in diplomatic ties with the United States. Washington remains the convenient symbol of the "imperialist" system Hoxha blames for exploiting Albania in the past and creating its current problems.

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New Foreign Policy Initiatives

Albania, since late 1981, has significantly expanded trade and diplomatic contacts with Italy, Turkey, China, Vietnam, Cuba, and other countries. We believe the expansion of Albania's international ties reflects a coherent, albeit diversified, pursuit of specific and limited goals. In broadest outline, we believe Tirane is:

- Trying to hedge against excessive economic dependence on one country.
• Stressing trade with the West to secure the technology and markets necessary for new economic growth.
• Seeking improved contacts with smaller Communist states like Vietnam and Cuba, whose similar differences with Yugoslavia and China make them potential allies.

Despite the break with strict isolationism, we see no reason to believe that Tirane will seek ties with the United States, the USSR, or China.

The Albanians have also rejected all recent Soviet feelers—public and indirect—for better relations.

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A Soviet Foreign Ministry expert on Albania told US Embassy officers in Moscow last year that he considers trade offers to be the only way for the USSR to gain influence in Tirane, but that there is no evidence of any Soviet gains in that sector.

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Moscow may have reason to fear that the lure of US economic power may be stronger than Soviet appeals to past links and ideological affinity. While Albania continues to condemn US policy in the most brutal terms, it seems open to limited and very discreet bilateral trade.

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Albania recently agreed to sell several million tons of "select" chrome to the United States.

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The West

Beginning in 1980 Tirane held some tentative dialogues with smaller or more distant Western countries—such as the Scandinavian countries and Canada. These ended abruptly in 1981 when Hoxha turned inward to conduct massive purges and to concentrate

on the sharpened strains with Belgrade. Expanding foreign contacts with the West only again became a priority in late 1982 and early 1983.

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Figure 3. Deputy Foreign Minister Sokrat Plaka [Redacted]

In the first heavily publicized opening to the West, Deputy Foreign Minister Plaka visited Turkey in February 1983, where he proposed to expand bilateral trade. Other moves include:

- Cultural agreements with Sweden, Turkey, and Italy.
- A quiet approach to Athens about negotiating a long-term trade agreement.
- A visit to Vienna by the Albanian Foreign Trade Minister.
- An invitation to the Ambassadors from Argentina, Switzerland, Austria, and Australia—accredited in Tirane but resident in Belgrade—to visit Albania more often.
- An agreement to exchange diplomatic views with Turkey twice a year.
- The beginning of talks to settle outstanding claims with the West. [Redacted]

These overtures have been accompanied by a steady increase in imports from the West (they rose 70 percent from 1980 to 1982). In the same period, Albanian trade with the East stagnated. Trade with Yugoslavia continued to grow in this period, but the Albanians told Italian and Greek officials that Tirane hopes in the future to reduce Yugoslavia's relative share of its trade. [Redacted]

Movement on Unsettled Claims

Tirane has proved uncharacteristically flexible in meeting Western initiatives on several World War II-era claims which impede normalized ties in the West.

[Redacted]

[Redacted]

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Albania also is engaged in talks with the United States, the United Kingdom, and France over a \$20 million claim for Albanian gold confiscated by the Allies during World War II. On 20 April, French diplomats in Tirane acting on behalf of all three countries issued a private demarche which offered to return the gold, minus the value of US property expropriated by the Albanians and a sum satisfying UK claims arising out of the sinking of two British destroyers in 1946. The Albanians reportedly did not object to the conditions, but insisted that the United States and the United Kingdom pay interest for the time the gold was in their hands. [Redacted]

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Relationship With Italy. Albania's most intensive initiative to date has been directed at Italy. In an unprecedented and unusually well-publicized meeting, Foreign Minister Malile met with Italian Foreign Minister Andreotti on 26 September 1983 at the UN General Assembly in New York. According to Italian officials, the Albanians expressed interest in more trade and tourism, but rejected Italian offers of credit, which have been forbidden by Albania's constitution since 1978. [Redacted]

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In mid-October, Malile went to Rome for another round of talks on economic cooperation. In January 1984, [Redacted] Tirane had selected Italy as a "privileged" source of machinery and technology.

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Albanian Trade ^a

Million US \$

	1979	1980	1981	1982
Total imports	237.3	306.6	296.8	366.8
Of which:				
Eastern Europe	108.3	130.6	112.6	132.4
Yugoslavia	28.8	57.5	52.9	73.6
OECD	79.0	80.0	108.0	137.0
Total exports	275.6	344.1	355.2	341.3
Of which:				
Eastern Europe	111.1	130.1	123.3	122.4
Yugoslavia	31.0	57.9	80.8	74.4
OECD	108.0	98.0	121.0	121.0

^a This table is based on data reported by partner countries as Albania does not publish detailed foreign trade statistics. Although this information most likely is incomplete, it probably includes over 90 percent of Albania's trade.



Figure 4. Foreign Minister Reis Malile

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[redacted] Albania wants a 15- to 20-year trade agreement, with an unspecified total value, under which Albanian nickel and chrome would be exchanged for turnkey factory projects. [redacted]

Tirane, [redacted] hopes Italy will soon surpass Yugoslavia as Albania's chief trading partner. In the most significant deal with Rome so far, Tirane signed an agreement on 22 October 1983 to open regular truck-ferry service between Trieste and the port of Durres. The ferry would link Albania with the outside world should Belgrade impede surface traffic across the Albanian border as it did in 1981. [redacted]

The expanding economic relationship with Italy is experiencing some growing pains, mainly due to Tirane's pay-as-you-go policy on imports:

- The Italians complain that shortages of desirable Albanian exports leaves them no option but to pay more than they want for imports or to cut back the new trade. So far, Italy pays the price the Albanians ask—reportedly two to three times world market prices—and does not order the goods Albania owes under barter arrangements when quality standards are not met or when those goods are unwanted.

- Italian officials claim that the trucks ferry to Frieste will cost Rome \$1 million annually in subsidies. [redacted]

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- Deliveries of Italian turnkey plants are likely to be slow as long as Albania refuses foreign credits. [redacted]

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Nevertheless, we believe that Italy will continue to increase its ties to Albania, and to encourage other Western countries to do so. Rome, in our view, believes that this relationship increases Italian influence and promotes Western security interests in the Balkans as Albania approaches the post-Hoxha era. [redacted]

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Limits on Cooperation With the West. Albania's diplomatic offensive in the West does not extend to regional security or other international forums, nor has it led to an ideological thaw at home. [redacted]

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Albania consistently prefers bilateral over multilateral diplomacy; it believes the latter favors the strongest participants. In New York last September, Malile rejected Andreotti's suggestion that Albania send observers to the Conference on Disarmament in Europe meeting in Stockholm. Malile said Albania opposes the entire CSCE process because it started as

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a Soviet suggestion and because it has had no significance—that is, it failed to stop the Soviet invasion of Afghanistan. Albania's dismissal of CSCE closes a potentially fruitful point of contact with other European countries and the superpowers. [redacted]

Last September, Albania also refused a Greek invitation to the recent regional experts' meeting on a Balkan nuclear-free zone. Nevertheless, Albanian diplomats badgered their Turkish counterparts for firsthand details soon after the meeting. Tirane privately expressed agreement with the Turkish view that, whereas economic and transportation questions lend themselves to multilateral discussion, security issues do not. Turkish diplomats later speculated that Albania may yet consider participating in regional industrial cooperation conferences. [redacted]

In addition to rejecting multilateral diplomacy, Hoxha remains determined to contain "ideological pollution" from the West:

- Albania is continuing to vilify all forms of Western "decadence," including most of the West European left and all Eurocommunist "heresies."
- It routinely portrays Europe as occupied territory divided between and manipulated by the USSR and the United States.
- It limits cultural cooperation to keep foreign ideas from Albanian audiences.

The sole exception we have noted to this pattern is a tendency in recent years to heal once-bitter relations with Albanian emigres in the West. The apparent goal of this rapprochement, however, is to build ties with anti-Yugoslav emigres. [redacted]

China

Because of disagreement over Beijing's rapprochement with Belgrade and the United States in 1978, Albania and China broke off trade relations and suspended party-to-party contacts. But growing pragmatic concerns, such as a need to end spare parts shortages, apparently forced Hoxha to allow some economic contacts in late 1982. [redacted]

The split with China imposed great economic hardships. The Albanians claim that the Chinese left 50 industrial projects unfinished, including an important steel plant. Western journalists report that most of the tractors Albania obtained from the Chinese are out of

service, apparently in need of spare parts. After 1978, Albania also had a difficult time maintaining Chinese-supplied military equipment such as its MIG-17, MIG-19, and MIG-21 fighter aircraft. Since the reopening of trade, Tirane apparently is buying military spare parts again,¹ rather than undertaking the more expensive task of equipping and retraining its military with arms from another supplier. [redacted]

Trade agreements with China apparently have been less extensive than Tirane requested. [redacted] Albania had requested a \$300 million agreement for 1983, but that the pact was scaled down to a \$10 million exchange involving Albanian chrome, ferrochrome, and copper for Chinese rice, cotton, and unspecified spare parts. Western press reports in October put the agreement's actual value in the \$5 million to \$7 million range. (No data are available on 1984 trade.) [redacted]

[redacted] China also allowed the Albanians to repay early some of the debt still owed under pre-1978 agreements. We suspect that Tirane's unusual request reflected Hoxha's desire to underscore his intent to avoid a return to the pre-1978 patron-client relationship. In addition, by clearing the books of old foreign credits, Hoxha reaffirmed the spirit of Albania's legal prohibitions against credits. [redacted]

Communist Members of the Nonaligned Movement
Tirane also has underscored its political independence by warming its political relations with several Communist governments in the Third World. [redacted]

In May 1983 Albania established diplomatic relations with the anti-Chinese Heng Samrin regime in Kampuchea. US officials in Hong Kong reported that Beijing did not protest even though it apparently was embarrassed that the move came on the heels of its

¹ Renewed Albanian access to Chinese spare parts already has improved military preparedness. According to the Italians, sortie rates for the Albanian Air Force's Chinese MIGs increased 50 percent from 1982 to 1983, and the US defense attache in Rome attributes the improvement to renewed Albanian access to Chinese spare parts. The US defense attache in Athens points out, however, that sortie rates declined this year, probably indicating continuing logistic problems. [redacted]

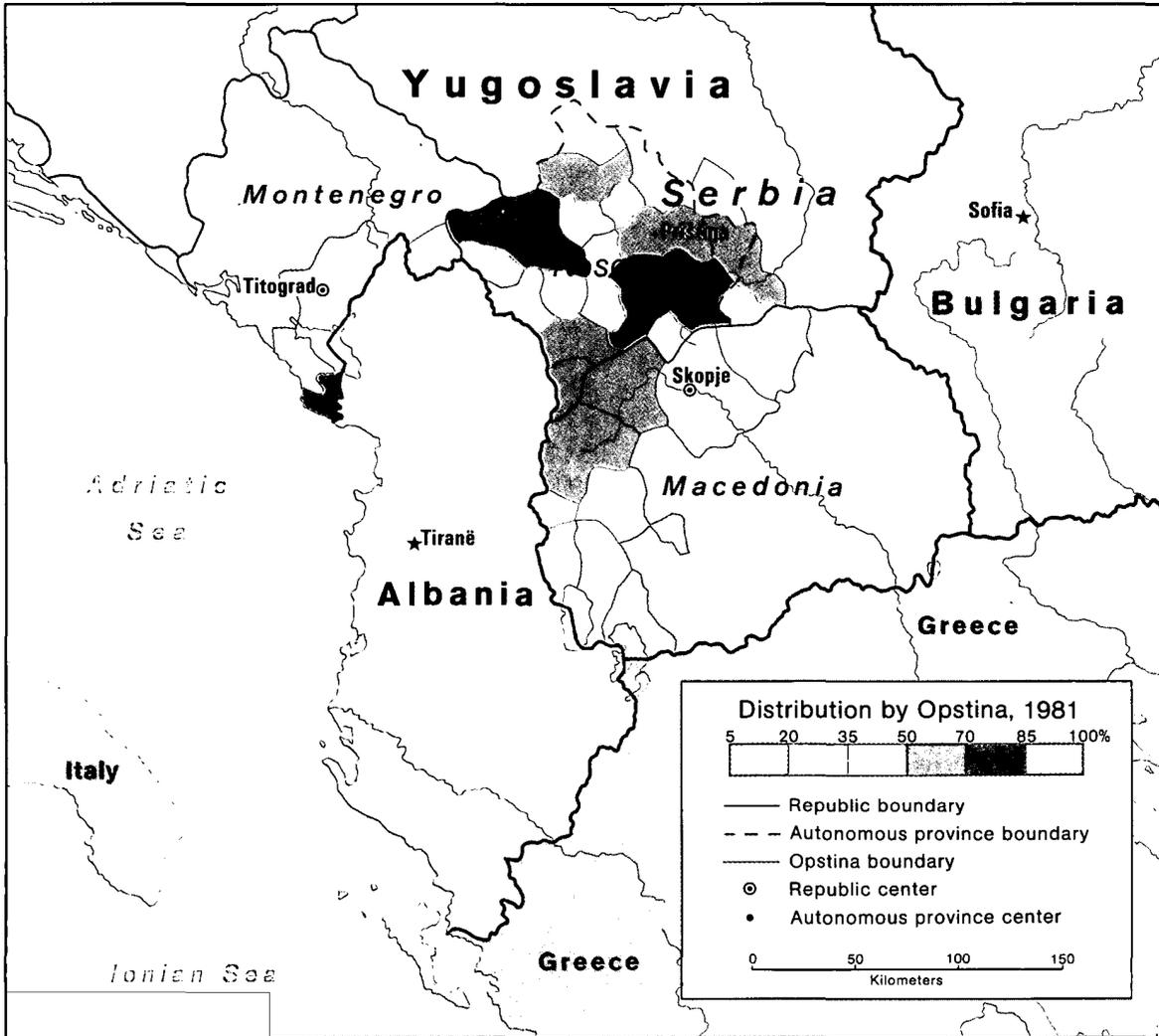
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Ethnic Albanians in Yugoslavia



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trade agreement with Tirane. We believe that annoyance over Chinese party leader Hu Yaobang's visit to Yugoslavia in May 1983 helped trigger the Albanian move.

since 1961. We believe that Cuba, a rival to Yugoslavia in the Nonaligned Movement, is a natural magnet for Albanian diplomatic initiatives. Tirane may calculate that Cuba and Vietnam might provide political support in the event of troubles with Yugoslavia.

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We also think that Tirane's ties to Vietnam reflect a broader inclination to improve relations with Communist members of the Nonaligned Movement which are consistently anti-Chinese and have disagreements with Yugoslavia. In this context, Albania and Cuba exchanged ambassadors in July 1984 for the first time

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[Redacted]

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Yugoslav-Albanian Tensions

We believe that a deepening of Albanian-Yugoslav hostility since the early 1980s also helped convince Hoxha to begin a search for new foreign support.² [Redacted]

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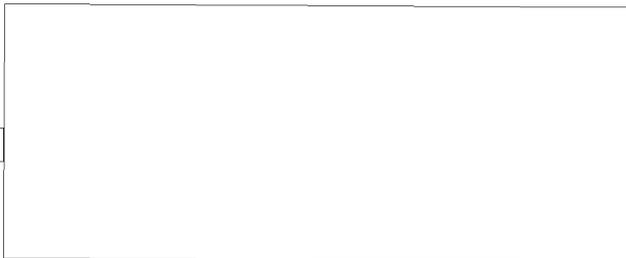
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One constant in Tirane's foreign policy since 1948 has been its rivalry with—and fear of—Belgrade; for the next 30 years it consistently gravitated toward those Communist countries which seemed least friendly with Yugoslavia. It has not had the benefit of a major Communist protector since it broke with the Chinese in 1978, however. Because the Albanians know the West supports Yugoslavia as a barrier against Soviet expansion in the Balkans, Tirane probably appreciates it cannot induce the West to adopt the Albanian cause. Hoxha may hope, however, that Western countries—if given some hope of influence within Albania—will help dissuade the stronger Yugoslavs from any aggressive plans. [Redacted]

Both Yugoslavia and Albania frequently express a desire for peace in the region and both disavow hostile intent, but each meddles in provocative ways in the other's vital interests. Tirane vocally supports its restless conationals in Yugoslavia, giving rise to still unverified Yugoslav charges, repeated to Vice President Bush last summer, that it gives material support to anti-Yugoslav subversives as well. The Yugoslavs also occasionally claim they have "priority security interests" in Albania's internal stability and its foreign policy independence:

- Yugoslav officials have frequently expressed Belgrade's intention of keeping the Soviets from regaining a toehold in Albania.
- A Yugoslav foreign military functionary recently advised the United States not to reestablish ties with Tirane or satisfy Albania's gold claims until Hoxha dies.
- Yugoslav Deputy Defense Minister Petkovski in April publicly warned Albania to stop its disruptive actions in Yugoslavia and elsewhere in the southern Balkans. [Redacted]

² The root problems are ethnic hatred and old territorial disputes between the South Slavs and the Albanians. Most simply put, 1.7 million Albanians live on Yugoslav territory which both Slavs and Albanians consider ancestral homelands. In 1981, bloody riots by Albanian nationalists in these regions were suppressed by the Yugoslav Army. The region remains unstable and volatile and the subject of occasionally fierce polemics between Belgrade and Tirane. [Redacted]



For their part, Albanian diplomats regularly pose as low-key but principled spokesmen for Yugoslavia's Albanian minority. Recently, Foreign Minister Malile and Plaka in talks with the Turks and Italians expressed willingness to improve relations with Belgrade but only if the Yugoslavs grant "equal republic status" to the Albanian-dominated Province of Kosovo and renounce any intent to absorb Albania. [Redacted]

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Tirane's emotionally anti-Yugoslav attitude occasionally disrupts Albanian relations with third parties. In February, for example, after Greek Premier Papandreu criticized Albania for alleged mistreatment of its Greek minority,³ Tirane accused Athens of participating in an "anti-Albanian plot between Greek reactionaries, Serb chauvinists, and the Pope—all under Washington's direction." Greco-Albanian relations have since improved, however, and the two countries have agreed to increase bilateral trade. [Redacted]

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Internal Dynamics

We believe the foreign initiatives have emerged in part because the political leadership, relatively more stable since the violent purges of early 1982, is better able to address the country's economic problems. Those purges—fought, we believe, over personal rivalries rather than issues—resulted in the deaths of Premier Mehmet Shehu, other important ministers, and most of their families and political allies. We believe that decisionmaking was virtually impossible until the bloodletting ceased. The major benefactor of the chaos—and current heir presumptive—is Ramiz Alia, 59, member of the party's Politburo and Secretariat and Chairman of the Presidium of the People's

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³ Athens claims 400,000 Greeks in southern Albania are under pressure to assimilate. Tirane rejects these charges and argues that only 28,000 Greeks live in the region. [Redacted]

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Hoxha's Legacy

During his 40 years of absolute dictatorship in Albania, Enver Hoxha has dragged the country out of stone-age socioeconomic conditions and foreign domination toward industrialization and defiant self-sufficiency. But the costs of his Stalinist style have been high:

- *Dissent and traditional cultural/religious affiliations are rigorously suppressed by the Sigurimi, one of the most oppressive police organizations in the world.*
- *The economy is still run along dogmatic Stalinist lines that are discredited even in most Communist countries.*
- *Hoxha maintains a grip on power mainly through intimidation—including periodic bloody purges.*

Hoxha has applied radical social engineering on a wide scale to buttress his region's claim to legitimacy:

- *He has suppressed all religion, even barring the use of traditional names, in an attempt to suppress the rivalry between the Muslim majority and the Catholic and Orthodox minorities.*
- *He has drastically limited the foreign contacts of his people and, by nurturing their xenophobia, insulated them as much as possible from ideological "pollution" of the outside world.*
- *He has encouraged a high birth rate which he hopes will produce a nation of young Albanians loyal only to his system.*

Hoxha's reliance on Stalinist dogma and his own brand of total self-sufficiency have prevented the economic readjustments necessary for growth. Although he now permits his experts to look abroad for some technology and industrial products, Hoxha tries to contain foreign influences. To this end, he rejects foreign credits because he fears being trapped in a web of debt to capitalist states—a situation he claims to be a major factor in Yugoslavia's economic crisis. In addition, he exaggerates threats from domestic "traitors" who are alleged to be in the service of "neocolonialist" economic exploiters. Several Western journalists, describing Albania's honeycomb of bunkers and earthworks, have suggested that he keeps the country in an artificial state of perpetual vigilance to contain dissatisfaction.

Hoxha's legacy also includes an inherently unstable political leadership. He has frequently purged his closest colleagues with the only consistent goal being the perpetuation of his personal preeminence. When he leaves the scene, his heir faces an uphill struggle to establish his own preeminence through one-man rule, or to chart a less draconian road at the risk of being perceived as weak or ideologically unsound. The successor's task will be even more difficult because the main burden of fixing Hoxha's economic mistakes apparently will fall on him.

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Assembly. As he has risen to prominence, he has become the regime's most prominent spokesman for economic modernization.⁴

Alia's Role. In a series of speeches and articles, Alia has argued that the next plan (1986-90) should reflect a firm intent to acquire high technology through foreign trade. He also has urged that more authority be given to trained experts, as opposed to party hacks,

in key enterprises. We also think he is a key sponsor of articles in the press which attack ministries for ignoring the importance of expertise, as well as a new cultural agreement with Italy which, if put into force, will expose more young Albanians to Western ideas through training in Rome and through increased use of Italian language in Albania's schools.

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⁴ Little is known about Alia's politics, except that he was a Hoxha loyalist in the many factional disputes following his elevation to the Politburo in 1960. One commentator in the *Sueddeutsche Zeitung* claimed last February that Alia is more favorable to cultural liberalization than Hoxha—a view not yet borne out, given the continuing celebration of exclusivist Albanian nationalism in the country's media.

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In encouraging higher technical competence and elevation of new blood, Alia apparently plays to the demands of an increasingly important younger generation. [redacted] an Albanian ambassador in the West recently stated that Hoxha himself has softened some bans on foreign travel in partial deference to demands from younger functionaries who want a "complete" opening to the West.

[redacted]

Alia and his supporters appear to be sure enough of Hoxha's favor to publicly push these controversial foreign policy shifts, but Alia faces at least latent opposition to his claim as successor and to his economic development strategy. Judging by articles in the Albanian press, unnamed opponents are fighting a rear-guard action based on appeals to the most xenophobic and Stalinist interpretations of Hoxha's dogma. Recent articles in Albanian periodicals have argued, for example, that any foreign trade openings are unacceptable concessions to capitalism and will lead firms heavily involved in exports solely to pursue profits, thus undermining the system and, implicitly, the power structure itself. Although Hoxha's recent statements imply he supports Alia as his successor, Hoxha remains removed from the policy debates and thus free to turn on Alia and those closest to him.

Thus Hoxha remains the wild card. Even though he has groomed Alia as his successor and has elevated many younger members to the Politburo and Central Committee since 1981, he retains ample power to undo Alia's career and the new policies Alia has sponsored.

Economic Problems. Most of the limited reliable evidence available³ tends to suggest economic development problems—caused in large part by Europe's highest population growth (2.1 percent annually)—were the major spur to Albania's openings to the outside world.

Albania is the poorest country in Europe; we estimate per capita annual income at less than \$900. The economy is primarily agricultural; it also has a small but growing industrial base and considerable natural

³ There is not much. Albanian data are so badly out of date and incomplete that CIA's *Economic Handbook* has no data yet for 1981-82 on many key sectors.

Natural Assets

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Albania's hopes for development and trade rest with extractive and energy industries that provide the bulk of its export earnings.

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According to NATO analysts, Albania is the world's third-leading producer and second-leading exporter of chrome ore. Seventy percent of its chrome exports go to Western Europe. A new smelter, built with West German help, should increase Albania's capacity to export ferrochrome as well. Albania also exports copper, lignite, and nickel.

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Oil production has expanded from under 300,000 tons a year after World War II to 2.7 million tons in 1975. It grew further after completion of a refinery at Ballsh in 1978, despite alleged sabotage by departing Chinese workers. Albania currently exports most of its oil production—2.5 million tons—primarily to East Germany, Romania, and Switzerland. Tirane plans to double oil exports by 1985. In addition, Albania annually exports 700,000 tons of bituminous coal.

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Albania is self-sufficient in energy. Eighty percent of its electricity comes from hydroelectric sources, and it exports 50 percent of the electricity produced to Greece and Yugoslavia. Total production is estimated at 3-3.5 billion kilowatt-hours. Droughts in 1982 and 1983 forced temporary cessation of these exports, however, and the government has ordered greater energy conservation in 1984. Albania appears to be hedging its reliance on hydroelectric power. Tirane plans new investments in natural gas refineries and chemical works to satisfy the country's growing demand for energy and to increase energy exports.

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resources that could be a solid base for economic expansion. But the Hoxha regime, through policy decisions and press campaigns, has long encouraged population increases which strain these resources. Tirane projects that the population will grow 50 percent by the year 2000, and it claims an even larger increase is needed for its labor-intensive industrial development in the next century.

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Figure 5. Land cultivation using terracing methods copied from China



New Albania

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Albanian officials acknowledge that the high birth rate has begun to cause strains. Recent articles have expressed concern over the regime's ability to manage demand for food, housing, and education. Because so many Albanians are young—a journalist claimed in 1983 that 55 percent of the population is under 15—these strains will only get worse. [redacted]

Many of these problems, though foreseeable, long went unmentioned as regime planners were too timid to suggest any imperfections in Hoxha's dogmatic policies. Classic Stalinist themes are still evident in the current five-year plan, which was prepared before Alia replaced Shehu as Hoxha's principal deputy. The plan postulates overly ambitious goals—an increase of 67 percent in steel production, 50 percent in chrome ore extraction, 80 percent in ferrochrome production, 50 percent for copper ore extraction, and 43 percent for ferronickel—and complaints of large shortfalls are just becoming evident. [redacted]

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Agriculture may be the sector facing the most urgent demands. Despite Hoxha's preference for intensive industrial growth, he has had to shift resources to agriculture to feed the population and avoid dependence on food imports. According to official data, Albania expanded the amount of cultivated land from 10 percent of the country to 25 percent by 1982, primarily through the use of terracing methods copied from China. NATO experts estimate that Albania is still 80 percent self-sufficient in food. But Albanian officials publicly admit that the agricultural sector is reaching the limits of what can be achieved under its labor-intensive methods and bemoan shortages of usable agricultural equipment. [redacted]

Why Not CEMA?

We believe that Albania has made a conscious decision not to include the Soviet Bloc in its search for technical help, since it could make Albania more dependent on trade with the East. In addition, in our view, this decision results from Tirane's recognition that Western technology is better than that available from the East and calculation that Albania can successfully absorb Western goods and processes. [redacted]

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Construction and transportation also are experiencing increasing strains. Western journalists report that the slow growth in the former sector, combined with the growing demands of industry, has created a severe housing shortage. Albanian officials, in recent speeches and published articles, have merely pressed for "greater worker discipline" in these sectors. [redacted]

In addition, we believe that Hoxha's experience with Soviet advisers may have convinced him that Moscow would use renewed access to rebuild Soviet intelligence networks inside Albania. He also may worry that some Albanian leaders might be susceptible to

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continuing Soviet efforts to promote Albania's return to the Warsaw Pact and the Council for Mutual Economic Assistance (CEMA). (In the last 10 years Hoxha has had two defense ministers accused of treason and executed.) [redacted]

Outlook

Because Albania is beginning to emerge from its isolation and is on the verge of an uncertain succession era, we believe it is likely to become a more active focal point for East-West rivalry. In our view, the West now appears to have somewhat improved prospects because of its ability to provide the technology which Albania has long needed and now is actively seeking. These trends are vulnerable to internal developments which outsiders are not likely to foresee, however. In addition, Albania could reconsider the value of its Western connection if Tirane eventually decides that it has overestimated the benefits to the Albanian economy possible from Western technology. [redacted]

Judging by the duration of the recent Albanian initiatives, we think Tirane is likely to persevere in its "openings" to the outside world. The Albanians need to avert economic stagnation—and its political repercussions—and they seem to appreciate the inability or unwillingness of the troubled CEMA economies to provide enough high technology. In addition, the initiatives have critical support—publicly expressed—from senior leaders like Alia, who also are trying to institutionalize some modernization goals in the next five-year plan. Finally, we think it likely that generational change in the regime will produce leaders more willing to ignore Hoxha's Stalinist nostrums in an effort to satisfy the demand of the rapidly expanding population. [redacted]

We think Hoxha himself will continue his cautiously outward-oriented policy, rather than see his dogmatic policies clearly become the main obstacle to future growth and stability. He is likely, however, to insist on controlling the pace and extent of any initiatives:

- He will try to preserve key institutional checks such as the prohibitions on credits and otherwise ration his people's exposure to disruptive Western ideas.
- He will go slow in dealing with major industrial powers, like the United States and West Germany, because he fears these countries' power and influence.

- He will occasionally retard some foreign initiatives in order to prevent any single partner from achieving leverage. [redacted]

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These restraints are likely to be unpopular with the growing number of modernists entering technical and economic bureaucracies, but these technocrats cannot be expected to challenge the dictator's will and thereby risk policy reversals and personal survival. Those who want an even more open door to the world are not yet strong enough to ignore Hoxha's tenacious old guard, which in our view is watching for any opening to reclaim its place at Hoxha's right hand. Overall, therefore, advocates of the new policy ventures—including Alia—will themselves be skittish about proposals that carry high political risk, even if the proposals promise a large economic payoff. [redacted]

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Alia and his opponents in the leadership probably can coexist for now in an atmosphere of gradual change. As the slow process of ending isolationism continues, however, more serious factional clashes seem inevitable; there could be backlashes over several issues:

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- Western cultural influence, through increased trade and use of Italian language in Albanian schools, might become a new and potent force among the young technocrat class.
- Applications of Western technology could place strains on the existing infrastructure and also create a classic crisis of rising expectations.
- Competition between regions anxious for new technology and between end users for scarce hard currency imports could increase pressure to accept foreign credits.

Our sense of Albanian dynamics suggests that Hoxha, if still healthy and in charge, would attempt to resolve future factional struggles by turning inward again. But the longer such a confrontation is postponed, the greater is the chance that the new generation of technocrats, through accrued power in the regime's apparatus, will be able to deflect the threat to their position and interests. We tend to believe that, with the passage of time and the old guard, the reactionary enthusiasm of the Hoxha era will wane and the country will gradually come to grips with development problems through more pragmatic and open policies. [redacted]

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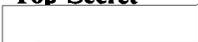
Key Variables

In the foregoing projection, our best sense of the current key trends depends largely on Tirane's priorities remaining the same. But several developments—an outbreak of serious political factionalism in the leadership, perhaps brought on by Hoxha's death, or a more serious conflict with Yugoslavia—could substantially alter these priorities and our outlook. The former would almost certainly draw Tirane backward into its isolationist shell; and the latter could even lead some putative leaders to seek aid and support from the Soviet camp.



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