YUGOSLAVIA. Hardline Tactics on IMF Talks

25X1, E.O.13526

that acceptance of the Fund’s condition that interest rates match inflation this year could bankrupt many Yugoslav enterprises and cause severe political problems. Most other sources indicate, however, that the banks and governments ready to offer debt relief for Belgrade this year still expect Yugoslavia to reach an agreement with the IMF.

Comment: Bank and government debt relief agreements are conditioned on the Yugoslavs’ reaching agreement with the IMF on a standby arrangement for 1984. The Yugoslav Government’s tough position probably is designed to extract every possible concession from the IMF. Rejection of the IMF program would entail even more serious economic dislocations and political costs. A recent Yugoslav editorial, for example, demanded to know what sacrifices the government’s secret “black option” for going it alone would impose on the country’s workers.