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WITHDRAWAL SHEET

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Collection Name BAILEY, NORMAN: FILES

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File Folder EASTERN EUROPEAN POLICY JUNE 1982

FOIA

M452

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
153501	REPORT	RE. HUNGARY: EASTERN EUROPE'S RELUCTANT MODEL	9	6/11/1982	B1
153503	MEMO	NORMAN BAILEY TO WILLIAM CLARK RE. POLISH COMMENTS TO DANISH OFFICIALS <i>R 6/2/2015 M452/2</i>	1	6/16/1982	B1
153504	REPORT	RE. ALBANIA AFTER SHEHU: FOREIGN POLICY <i>R 6/2/2015 M452/2</i>	16	6/22/1982	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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DRAFT SPEECH FOR UNDER SECRETARY EAGLEBURGER'S USE AT THE
PLENARY SESSION OF THE U.S.-YUGOSLAV ECONOMIC COUNCIL, MONDAY,
JUNE 7, DUBROVNIK, YUGOSLAVIA

IT IS A GREAT HONOR FOR ME TO BE HERE TODAY FOR THE ANNUAL
JOINT MEETING OF THE UNITED STATES - YUGOSLAV ECONOMIC
COUNCIL. IT IS ALSO A REAL PLEASURE FOR ME PERSONALLY TO HAVE
THIS OPPORTUNITY - HOWEVER BRIEF - TO RETURN TO YUGOSLAVIA. I
AM ESPECIALLY GRATEFUL TO OUR HOSTS FOR ARRANGING SUCH FINE
WEATHER. THE LAST TIME I WAS HERE, TWO YEARS AGO, DUBROVNIK
WAS A BIT ON THE WET SIDE. TODAY'S BLUE SKY IS JUST ONE MORE
INDICATION OF THE SUNNY STATE OF OUR RELATIONS. IF WE CONTINUE
TO WORK IN THE CLOSE HARMONY WHICH HAS CHARACTERIZED OUR
RELATIONSHIP, WE NEED NOT BE DETERRED OR DISCOURAGED BY AN
OCCASIONAL CLOUD.

LAST OCTOBER, AT THE CELEBRATION IN BELGRADE OF THE
CENTENNIAL OF DIPLOMATIC RELATIONS BETWEEN OUR TWO COUNTRIES, I
SPOKE ABOUT THE BENEFITS OUR TWO COUNTRIES HAVE GAINED FROM 100
YEARS OF PARTNERSHIP. I NOTED THAT WE HAVE LIVED TOGETHER
THROUGH GOOD TIMES AND BAD. WE HAVE, IN THIS CENTURY, BEEN
ALLIES IN THE TWO WORLD WARS. WE HAVE EVOLVED IN DIFFERENT
WAYS BUT WE HAVE RETAINED NOT ONLY RESPECT BUT ADMIRATION FOR
EACH OTHER. WE HAVE WORKED HARD TO ENSURE THAT OUR MUTUAL
INTERESTS WERE MAINTAINED: WE HAVE WORKED HARDER TO IMPROVE
OUR MUTUAL UNDERSTANDING; AND WE HAVE WORKED EVEN HARDER STILL

TO MAKE CLEAR TO ALL OTHERS THAT WE SHARE A COMMITMENT TO FREEDOM AND INDEPENDENCE FOR OUR PEOPLES.

THE TROUBLED WORLD IN WHICH WE LIVE HAS NOT HAD AN EASY TIME OF IT THESE PAST EIGHT MONTHS SINCE I WAS LAST IN YUGOSLAVIA. OUR TWO COUNTRIES, EACH IN ITS OWN WAY, HAVE EXPRESSED DISAPPOINTMENT OVER POLITICAL DEVELOPMENTS WHICH RUN COUNTER TO OUR EXPECTATIONS AND TO GENERALLY-ACCEPTED INTERNATIONAL NORMS - ESPECIALLY TO THE PRINCIPLE OF NONINTERFERENCE IN THE AFFAIRS OF OTHERS. THE INTERNATIONAL ECONOMIC SITUATION HAS ALSO GIVEN RISE TO EXPRESSIONS OF PESSIMISM AND CAUTION. CONCERN IS HIGH AND, AS IS OFTEN THE CASE IN TIMES LIKE THESE, EACH DEVELOPMENT, EACH INDICATOR, IS CAREFULLY SCRUTINIZED FOR WHAT IT PORTENDS FOR THE FUTURE. THIS IS CERTAINLY TRUE IN THE UNITED STATES. IT IS ALSO TRUE FOR OTHER COUNTRIES ABOUT WHOM WE CARE A GREAT DEAL, INCLUDING YUGOSLAVIA. AMERICAN BANKERS, WHILE EXPRESSING CONFIDENCE IN YOUR STABILIZATION PROGRAM AND STRESSING THEIR DESIRE TO DO BUSINESS WITH YUGOSLAVIA, HAVE CERTAIN QUESTIONS -- ESPECIALLY REGARDING YOUR FINANCIAL MANAGEMENT. THESE ARE QUESTIONS THAT, IT SEEMS TO ME, ANY RESPONSIBLE BANKER IN THESE TIMES HAS TO ASK.

IN WASHINGTON, SEVERAL ASPECTS OF THE CURRENT INTERNATIONAL SITUATION COMMAND OUR PARTICULAR ATTENTION. FIRST, WE DEEM IT, ESPECIALLY ON ECONOMIC PROBLEMS, IMPORTANT THAT EVERYONE KEEP HIS FACTS STRAIGHT, AND THAT THERE BE A CLEAR UNDERSTANDING OF

U.S. POLICY. CORRECT AND RESPONSIBLE DECISIONS BY GOVERNMENT AND BUSINESS ARE POSSIBLE ONLY IF ONE IS WORKING WITH ACCURATE AND COMPLETE DATA, AND DRAWS REASONABLE CONCLUSIONS. SECOND, CARE MUST BE TAKEN NOT TO RUSH TO JUDGMENT, AS FOR EXAMPLE IN CONCLUDING PREMATURELY THAT FINANCIAL DIFFICULTIES - EVEN SERIOUS ONES - CANNOT BE OVERCOME SHORT OF IMPLEMENTING THE MOST EXTREME MEASURES. THERE IS A PHENOMENON WHICH WE CALL IN ENGLISH A "SELF- FULFILLING PROPHECY". SIMPLY PUT, IF ENOUGH PEOPLE ACT OUT OF FEAR THAT AN UNWANTED EVENT MAY HAPPEN, THE CUMULATIVE EFFECT OF THEIR PRECAUTIONARY ACTIONS CAN CAUSE THE EVENT TO HAPPEN. THEN EVERYONE LOSES. "SELF-FULFILLING PROPHECIES" APPLY TO ECONOMIC AS WELL AS TO POLITICAL PROBLEMS.

I WILL NOT TAKE UP YOUR TIME HERE WITH A REVIEW OF AMERICA'S INTERNATIONAL CONCERNS. LORD KNOWS, AND YOUR AMBASSADOR CAN VERIFY THAT THE WORLD'S ISSUES KEEP ME VERY BUSY DURING THOSE FEW MINUTES LEFT OVER FROM MY MAIN JOB - AS UNDER SECRETARY FOR YUGOSLAV AFFAIRS. MY COLLEAGUES AND I HAVE DEVOTED A GREAT DEAL OF EFFORT, ESPECIALLY RECENTLY, TO MAKING SURE THAT EVERYONE KNOWS JUST WHERE THE UNITED STATES GOVERNMENT STANDS REGARDING YUGOSLAVIA. WE DO NOT WANT ANY CONFUSION ON SOMETHING SO IMPORTANT. AND U.S. POLICY TOWARD YUGOSLAVIA IS CLEAR. I KNOW THAT EVERYBODY IN THIS ROOM IS WELL AWARE OF THIS POLICY. NEVERTHELESS, LET ME REVIEW ITS BASIC POINTS. I THINK IT IS EASY LISTENING AND SOMETHING WHICH THOSE OF US HERE DO NOT MIND HEARING REPEATED.

THIS AMERICAN ADMINISTRATION, LIKE ITS PREDECESSORS, FIRMLY SUPPORTS YUGOSLAVIA'S INDEPENDENCE, POLITICAL UNITY, AND TERRITORIAL INTEGRITY. NONALIGNED YUGOSLAVIA IS FOR US A VERY SPECIAL COUNTRY. WE DEAL WITH YUGOSLAVIA ON THE BASIS OF FULL RESPECT FOR ITS UNIQUE STATUS, AND OF ITS UNIQUE PLACE IN THE WORLD COMMUNITY OF INDEPENDENT NATIONS. I AM TELLING YOU NOTHING NEW BY STATING THAT WE ALSO REGARD YUGOSLAVIA AS AN ESPECIALLY IMPORTANT FACTOR FOR STABILITY AND PEACE IN THE BALKANS, THE MEDITERRANEAN, AND EUROPE.

YUGOSLAVIA'S COLLECTIVE LEADERSHIP HAS MADE CLEAR THAT IT WILL CONTINUE TO PURSUE THE COURSE SET BY PRESIDENT TITO: NONALIGNMENT IN FOREIGN POLICY AND SELF-MANAGEMENT AT HOME. YOUR NEW GOVERNMENT IS FIRMLY COMMITTED TO THIS COURSE, AND WE WISH IT EVERY SUCCESS.

U.S.-YUGOSLAV BILATERAL RELATIONS ARE EXCELLENT. IN RECENT YEARS WE HAVE CREATED AN EXTENSIVE RANGE OF CONTACTS. WE HAVE MAINTAINED A MATURE AND FRANK POLITICAL DIALOGUE AT ALL LEVELS. YUGOSLAV GOVERNMENT AND PARTY LEADERS HAVE VISITED THE U.S. LAST SEPTEMBER SECRETARY HAIG VISITED BELGRADE. THIS FEBRUARY VICE PREMIER DRAGAN CAME TO THE U.S. AND MORE RECENTLY A DELEGATION OF LEADERS FROM THE REPUBLICAN AND DEMOCRATIC PARTIES VISITED YUGOSLAVIA. THESE VISITS WERE ACCOMPANIED BY SUBSTANTIVE AND FAR-RANGING DISCUSSIONS ACROSS THE ENTIRE SPECTRUM OF SUBJECTS OF MUTUAL INTERESTS AND CONCERN. WE DO NOT ALWAYS AGREE BUT WE ALWAYS BENEFIT FROM LISTENING TO EACH OTHER. THIS DIALOGUE WILL CONTINUE AND BROADEN.

AS IS OFTEN POINTED OUT, THE U.S. HAS BECOME YUGOSLAVIA'S FOURTH LARGEST TRADING PARTNER, AND WE ARE THE LEADING FOREIGN INVESTOR IN YOUR COUNTRY. BECAUSE OF CONTINUING EAST/WEST TENSIONS IT HAS BECOME IMPORTANT THAT WE REASSURE THE BUSINESS COMMUNITY WHAT U.S. POLICY IS TOWARD YUGOSLAVIA AND REMIND THEM, AS I DID RECENTLY, THAT YUGOSLAVIA IS AN INDEPENDENT, NONALIGNED EUROPEAN STATE -- A MEMBER IN GOOD STANDING OF THE IMF AND WORLD BANK AND A COUNTRY WHICH ENJOYS MOST FAVORED NATION (MFN) TRADING STATUS WITH US. IN SUM, WE SEE IN YUGOSLAVIA A GOOD FRIEND AND A RELIABLE BUSINESS PARTNER. WE HAVE STRONG CONFIDENCE IN YOUR COUNTRY AND ITS LEADERSHIP, WHICH HAS SUCCESSFULLY CONTINUED THE POLICY OF THE LATE PRESIDENT TITO IN EXPANDING AND IMPROVING COOPERATION WITH MY COUNTRY - NOT LEAST IN THE ECONOMIC AND TRADE AREA. THIS DOES NOT MEAN THAT WE ARE BLIND TO YOUR SHORTCOMINGS, JUST AS YOU ARE AWARE OF OUR DEFICIENCIES AND DRAWBACKS. WE DO NOT HESITATE -- IN PRIVATE, AS APPROPRIATE -- TO SPEAK FRANKLY TO EACH OTHER ABOUT THOSE PROBLEMS WHICH AFFECT OUR RELATIONSHIP. CANDOR IS A VITAL PART OF OUR RELATIONSHIP. WE WELCOME CONTINUING OUR DIALOGUE WITH YOUR NEW GOVERNMENT LEADERS WHO ASSUMED OFFICE ON MAY 15.

ONE POINT WHICH I WANT TO MAKE CLEAR IS THIS: MY DEPARTMENT IS A POLICY AGENCY OF THE U.S. GOVERNMENT. WE TRY TO HAVE AS ACCURATE A PICTURE AS POSSIBLE AND WE THINK OUR POLITICAL JUDGMENTS ARE SOLIDLY BASED. WE SHARE THEM WITH CONFIDENCE

WITH OUR BUSINESS AND BANKING COLLEAGUES. IN THE CASE OF YUGOSLAVIA, I MIGHT ADD - WITH PLEASURE, SINCE OUR SUPPORT IS STRONG AND POSITIVE. AT THE SAME TIME, HOWEVER, WE ARE NOT INVOLVED IN PROVIDING COMMERCIAL RISK ANALYSIS. SUCH DECISIONS ARE FOR THOSE OF YOU IN BANKING AND BUSINESS TO MAKE. AFTER ALL, YOU WILL BE THE INSTITUTIONS WHO SUSTAIN THE PROFITS OR BEAR THE LOSSES.

THIS MEETING IS VALUABLE IN PROVIDING YOU WITH AN OPPORTUNITY TO EXCHANGE VIEWS, GAIN MORE INFORMATION, AND DEEPEN THE PERSONAL CONTACTS WHICH HELP IN MAKING THESE DECISIONS. I AM HAPPY TO BLESS THE PROCESS, TO STATE WHERE MY GOVERNMENT STANDS, AND TO WISH YOU WELL. I KNOW THERE ARE DIFFICULTIES AND UNCERTAINTIES. AND I AM SURE THAT THESE NEXT FEW DAYS WILL PROVIDE THE PERFECT SETTING FOR THE DISCUSSIONS AND PRIVATE TALKS CONDUCIVE TO PRODUCING ANSWERS. AFTER ALL, CANDOR IS NECESSARY FOR CONFIDENCE. BY THE SAME TOKEN, OUR HOSTS HAVE IMPORTANT MATTERS TO RAISE WITH US. I FEEL REASSURED THAT SOLUTIONS CAN BE FOUND WHICH WILL KEEP US MOVING FORWARD AND BENEFIT THE PEOPLES OF BOTH OUR COUNTRIES.

THANK YOU.

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153501	REPORT RE. HUNGARY: EASTERN EUROPE'S RELUCTANT MODEL	9	6/11/1982	B1

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MEMORANDUM

4225

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~INFORMATION

June 16, 1982

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NAB*

SUBJECT: Polish Comments to Danish Officials (U)

Larry Brady, Assistant Secretary of Commerce, called me today from Sweden to say that he had been told by Danish officials during his trip to Scandanavia that Polish negotiators had told them "We have been checkmated by the United States," meaning that U.S. sanctions following the imposition of martial law, December 1981, are working. (C)

cc:

Boverie
Reed
Gregg
Pipes
Dobriansky
Robinson
Martin
Nau

~~CONFIDENTIAL~~

Review on
June 16, 1988

DECLASSIFIED

NLRR M462/2 #153503
BY RW NARA DATE 6/2/15

~~CONFIDENTIAL~~



BUREAU OF
INTELLIGENCE
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ASSESSMENTS
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RESEARCH

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153504

~~BAILEY~~ 17

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(U) ALBANIA AFTER SHEHU: FOREIGN POLICY

(C) Summary

The mysterious circumstances surrounding the "suicide" last December of Albania's Premier Mehmet Shehu have focused attention on the future of the regime's foreign and domestic policies, including its relations with the "capitalist" West, the USSR, and Yugoslavia. As heir apparent to party leader Enver Hoxha, Shehu had been expected to provide continuity and to perpetuate the repressive and isolationist policies with which the regime has so long been associated. No marked changes are likely in these policies while Hoxha remains in power. Little is known about those who might succeed him, however, or about their attitudes toward the outside world, above all toward the possibility of a rapprochement with the USSR.

Moscow has repeatedly called for normalization of Soviet-Albanian relations in the interests of socialism and world peace. Such a normalization could threaten Yugoslavia's stability as well as NATO's strategic and security interests in the Balkans and Adriatic. Furthermore, even if Hoxha's successors were bent on continuing his uncompromising hostility toward the USSR, leadership factionalism and popular unrest over economic and social conditions could impel them to turn to the USSR for military and economic support. Any pro-Soviet faction which might emerge would be particularly likely to do so. Such a move could pave the way for the Soviets to regain political influence and reestablish a military presence in the country.

Conversely, the new leadership could turn to the West. This appears less likely, however, given the orthodox Stalinist method of rule; the longstanding regime hostility toward the US, UK, and FRG; and the country's constitutional injunction against accepting credits from "bourgeois" countries.

* * * * *

~~CONFIDENTIAL~~

RDS-1,3 6/22/02 (Bellocchi, N.)

Report 416-AR
June 22, 1982

DECLASSIFIED

NLRR M-1582 #153504

BY RW NARA DATE 6/2/15

The Shehu Role in Albanian Foreign Policy

(C/NF) The December 18 "suicide" of Premier Shehu, Hoxha's closest collaborator for more than 30 years, has provoked considerable speculation in the Balkans and the West over the impact this will have on Albania's future course. Thus far, Shehu's departure appears to have had little effect on the regime's foreign or domestic policies.^{1/} Hoxha remains in firm control of the party and government apparatus. Adil Carcani, Shehu's successor as Premier, has vowed to continue the repressive, isolationist, and xenophobic policies with which Hoxha and Shehu, a veritable duumvirate, were associated. Similarly, Tirana has continued its cautious effort to expand diplomatic and trade relations with selected Western countries, although some diplomats claim a halt or slowdown of this effort with respect to their own countries.

(C) This slight easing on the diplomatic/trade front, which has been under way since the 1970s and accelerated since the Albanian-Chinese break in 1978, would seem to refute speculation that Shehu did not commit suicide for health reasons, as the official announcement stated, but had been forced into it or murdered because of major differences with Hoxha over foreign policy. According to that thesis, Shehu favored expanding Albania's relations with foreign countries in order to end its self-imposed isolation and to improve its economic and social conditions, which included the lowest standard of living in Europe.

(C) Shehu, who had served as Premier since 1954, directed the government apparatus--i.e., the economy, cultural and educational affairs, internal security, defense, and foreign affairs. In addition, he presumably had a major role in the formulation of party policies, foreign and domestic, and oversaw their implementation at the governmental level. On the other hand, the reportedly ailing, 73-year-old Hoxha was said to have increasingly removed himself from day-to-day affairs and to have concentrated on abstract ideological and political issues.

(C) As party leader, Hoxha was clearly primus inter pares in the regime hierarchy. Although information on the inner workings

^{1/} (U) See INR Report 351-AR, "Albania After Shehu: The Internal Scene," April 2, 1982, CONFIDENTIAL/NOFORN.

of the Albanian leadership has always been extremely difficult to obtain, few reports have ever alleged that Shehu had serious difficulties with him or challenged his authority, at least not until the recent spate of rumors, largely emanating from the Yugoslavs, concerning Shehu's "suicide." It was believed generally that Shehu was as uncompromising as Hoxha in opposing Albania's proclaimed political/ideological enemies: US "imperialism," Soviet "social imperialism," Chinese and Yugoslav "revisionism," etc. Some observers considered Shehu even more ruthless than Hoxha in overseeing the repressive and primitive system associated with Albania's unique "Marxism-Leninism."

Tenets of Albanian Foreign Policy

(C) Since the diplomatic break with the USSR in 1961, Tirana has depicted Soviet "revisionism" as its main ideological enemy in the communist world, but the real threat to Albania's sovereignty and independence was traditionally perceived to be from neighboring Yugoslavia. This perception has been the motivating factor in Albania's post-war search for a "protector" against Yugoslav/"Great Serb" hegemonism. Fear of Yugoslavia led Hoxha to ally Tirana with Moscow after the Tito-Stalin break in 1948, then carry out savage reprisals against pro-Tito elements in the Albanian party. The Tito-Khrushchev rapprochement in 1955-56 and, later, improving relations between Yugoslavia and China in the 1970s played crucial roles in both Hoxha's decision to break with the USSR and the Albanian-Chinese estrangement.

(C) After Beijing cut off trade and economic aid to Albania in 1978, Tirana had no "protector" or economic benefactor--for the first time in the post-war period. In response, the regime mounted an intensive propaganda campaign stressing self-reliance, sacrifice, and discipline to make the economy viable and to safeguard independence against the "savage encirclement and economic blockade imposed by the capitalist and revisionist countries."

(U) The US and USSR are the main villains in Albanian propaganda, equally guilty of aggression, warmongering, colonialism, and oppression and the "sworn enemies" of freedom and peace. Albanian leaders have vowed never to reconcile themselves to the policies of the two superpowers or to have diplomatic or any other kind of relations with them.

(U) Albania was the only European country that chose not to participate in the 1975 European security conference (CSCE) that led to the Helsinki Final Act. The regime has denounced that act as a "farce" concocted by the superpowers to guarantee and strengthen their respective spheres of influence in Europe. Albanian officials regularly claim that events since the Helsinki conference have completely vindicated their position.

(U) Albania formally withdrew from the Warsaw Pact in September 1968, in the wake of the Soviet-led invasion of Czechoslovakia. Prior to that decision, it had not attended a Warsaw Pact or Council of Mutual Economic Assistance (CEMA) session for years. (Albania was a founding member of the Warsaw Pact in 1955; it had been "invited" to join CEMA in February 1949, a month after it had been established.) Albania did not break diplomatic or economic relations with the East European members of the Warsaw Pact. Except for Romania, where ambassadors are exchanged, diplomatic relations with these countries are conducted at the chargé d'affaires level. But Tirana has rejected party-to-party dealings with these countries and has consistently attacked them, again excepting Romania, as "revisionists."

(U) Albania has also rejected party ties with the non-ruling parties it deems "revisionist" (e.g., those in France, Italy, Spain, Holland, Belgium, Scandinavia, Finland, Japan, etc.). It condemns the Eurocommunists for playing a "fifth column" role in the international communist movement. It does, however, maintain contacts with such Marxist-Leninist splinter parties and groups if they view Tirana as the center of Marxist-Leninist orthodoxy.

(C) Albania's long isolation from the outside world and its estrangement from the international communist movement are underscored by the rarity of travel abroad by its leaders. Since the 1960s, Hoxha has not left Albania (nor had Shehu) except for occasional trips to France for medical treatment. Virtually the only trips abroad of Albania's foreign minister have been to UN General Assembly sessions. Other cabinet ministers seldom had visited foreign countries, except China, until 1978. Some foreign travel is carried out at lower official levels (e.g., trade delegations negotiating agreements, educational exchanges, etc.), but even this is restricted.

(C) Albanian nationalism, which envisages the unification of all Albanians in a "Greater Albania," has been an important instrument of Hoxha's foreign policy. ("Greater Albania" would include the territory of the present regime, the province of Kosovo in Yugoslavia, other areas in Yugoslavia populated by Albanians, and parts of northern Greece.) Hoxha has used nationalism to unify and strengthen his regime, to act as a safety valve against possible discontent over domestic economic and social conditions, and to further his political/ideological campaign against Yugoslavia. Yet, when deemed expedient, he has moderated or seemingly abandoned such aspects of his foreign policy--e.g., in Albania's present relations with Greece and the brief rapprochement with Yugoslavia in the late 1970s until the spring 1981 riots in Kosovo, where Albanians make up some 70 percent of the population. He has even reportedly pledged to help defend Yugoslavia, should it be attacked (e.g., by the USSR).

(C) Economic Considerations

After China halted its trade and economic aid, Tirana accelerated efforts, begun in the early 1970s, to expand its trade with selected West European countries which posed no special political/ideological problems (France, Italy, Greece, Austria, Scandinavia, etc.) and paid increasing attention to the Balkans, above all Yugoslavia. A series of trade, economic, and educational and cultural agreements were negotiated with Yugoslavia. During this period, Tirana appeared to shelve its "irredentist" aspirations where Yugoslavia was concerned and decreased its propaganda attacks against Yugoslavian "revisionism." The improvement in both the atmospherics and substance of the bilateral relationship was evidenced by several events:

- The Albanian Foreign Trade Minister made an official visit to Yugoslavia in July 1980 (the first such ministerial visit since before 1948) to negotiate a 1981 trade protocol and 1981-85 trade agreement. He also visited Kosovo and Macedonia, where there are heavy concentrations of ethnic Albanians.
- The Albanian Ambassador in Belgrade visited Kosovo in spring 1980 to discuss scientific and cultural cooperation with officials there. This was the first visit to that area by an Albanian Ambassador for years.
- Tirana was silent concerning the "nationalist" trials in Yugoslavia of ethnic Albanians charged with "subversion." This silence contrasted starkly with earlier condemnations of similar trials in Kosovo and with Tirana's denunciation of trials carried out in the wake of the Kosovo riots.

After the break with China, Albanian leaders presumably decided to seek no more "protectors" or "economic benefactors"--perhaps because they considered the price for them too high. Tirana also deemed it necessary to adopt a new approach to Yugoslavia in order to cope with mounting economic problems resulting from the withdrawal of Chinese trade and assistance. In 1979, Yugoslavia became Albania's leading trade partner (and so remains). Albania's ties with its Balkan neighbors became the closest in its history, with Albanian trade more Balkan oriented than that of any country in the area.

Given its past difficulties with Yugoslavia, the USSR, and China, the Albanian leadership may now feel that only trade with the West is possible without accompanying political/ideological and economic pressures. In order to maintain an economic independence from both the capitalist and communist world, the 1981-85 economic plan is to be financed entirely by Albanian means and

resources, without reliance on any foreign credits or aid as in the past. (The Albanian Constitution in fact prohibits foreign credits and aid from "capitalist, bourgeois, and revisionist monopolies and states.")

In addition to constitutional and political/ideological constraints, the primitive nature of the Albanian economy, the inferior quality of its raw materials and manufactured products, and the lack of demand for its exports in the West combined to limit its international economic relations. Failure to earn hard currency has made more difficult the purchase of needed and/or desired Western technology and equipment. There are, however, no indications that Tirana intends to modify its rigid policies in order to broaden its foreign economic relations.

The Specter of Yugoslav "Hegemonism"

(C) Relations between Albanians and Yugoslavs--the Serbs and Montenegrins above all--have been dominated by centuries of hatreds, feuds, rivalries, and suspicion. As a consequence, the fear of being "swallowed up" by Yugoslavia (or by Serbia before the establishment of the Yugoslav state) has always been a major, if not decisive, factor in Tirana's alliances. Moreover, differences among Albanian communists over the influence and role that Yugoslavia should have in Albania have resulted in purges which have wracked the Albanian party and government for years.

(C) In the immediate post-World War II period, Albania became a virtual satellite of Yugoslavia. For a time, preparations were under way to have it become the seventh republic in the Yugoslav Federation. Yugoslavia's domination of all areas of Albanian life spawned resentment among some Albanian communists and provoked bitter factionalism between pro-Tito and anti-Tito factions.

(C) When Yugoslav-Albanian relations began to deteriorate (along with Yugoslav-Soviet relations), Hoxha and Shehu--who had narrowly escaped being purged and perhaps executed by the pro-Tito faction--allied themselves with the USSR against Yugoslavia. The later rapprochement between Tito and Khrushchev (1955-56) caused grave misgivings among Albania's leaders, who feared that Khrushchev might allow Tito to regain a dominant position in Albania in a political trade-off. As a result, Tirana became increasingly wary and suspicious. Albanian-Soviet relations deteriorated and were finally broken off in 1961.

(C) Tirana then turned to China, which was waging a bitter ideological campaign against Yugoslavia (but really against the "revisionist" USSR). As the Sino-Soviet rift became more open,

the Albanians formally allied themselves with Beijing. A decade or so later, as the Yugoslav-Chinese relationship improved-- climaxed by Tito's triumphant visit to China in 1977 and party chairman and Premier Hua Kuo-feng's visit to Yugoslavia in 1978-- differences between Tirana and Beijing widened irreconcilably.

(C) Paradoxically, the Albanian-Chinese break in 1978 had the effect of improving Albanian-Yugoslav relations. Albania was forced to fill the vast gap created by the end of Chinese trade and aid; Yugoslavia was conveniently located and anxious to respond for its own tactical and strategic reasons. Moreover, Tito's decision to enhance the status of the Albanians in Kosovo at the expense of the local Serbs and Montenegrins may have persuaded Tirana to become even more forthcoming. Finally, Belgrade's calculated policy of using the ethnic Albanians in Yugoslavia as a "bridge" to better ties with Tirana gave Hoxha a singular opportunity to promote his own nationalist aspirations in Yugoslavia. It presumably was obvious to Hoxha that the Yugoslav leadership was counting on improved bilateral relations to increase its influence in Albania, particularly in a post-Hoxha period, while simultaneously preventing any rapprochement between Tirana and Moscow.

(C) The Yugoslav "good neighbor" policy resulted in increased economic, cultural, and educational exchanges, which reached levels unprecedented since 1948. At the same time, Albania's leaders exploited the opportunity to proselytize among the restive ethnic Albanians. The impact of their propaganda efforts must have been considerable, especially on targeted youth and intellectuals. They in any event played key roles in organizing and fomenting the Kosovo riots and in perpetuating violence and discontent in the province.

(C) In the bitter polemical exchanges over Kosovo, Tirana supported the ethnic Albanian demands that the province be granted republic status and charged the Yugoslavs, above all the "Great Serbs," with exploiting and persecuting the Albanian minority in Yugoslavia. Tirana also accused Tito and other Yugoslav leaders of reneging on a promise to return Kosovo and other Albanian-inhabited areas of Yugoslavia to Albania after the war.^{2/}

(U) Yugoslav officials in turn accused the Albanian regime of organizing the Kosovo riots, egregiously interfering in Yugoslavia's internal affairs, and colluding with anti-Yugoslav forces which sought the destabilization and destruction of the Federation.

^{2/} (U) Albania had annexed Kosovo and other Albanian-inhabited areas of Yugoslavia during World War II, while the Balkans were under Axis control.

(U) As polemics became more strident, bilateral relations plummeted. A break seemed imminent following an explosion at the Yugoslav Embassy in Tirana: indeed, during the diplomatic protests, charges, and counter-charges, the Albanians in effect dared the Yugoslavs to break relations.

(C) Both sides, however, seemed aware that any break would only benefit the Soviets. Official Yugoslav statements calling for continuation of relations (on the basis of equality, noninterference in internal affairs, mutual respect, etc.) were reciprocated by Albanian officials who emphasized the benefits of economic and trade relations. Economic cooperation continued; the regimes resumed negotiations on trade, transportation, and other forms of economic activity. In April 1982, a bilateral agreement set the dates for commencement of construction and operation of a railway line between the two countries--the first line joining the Albanian railway system to that of Yugoslavia and of Europe. On the other hand, Yugoslav authorities drastically curtailed cultural and educational exchanges because of their potential for promoting Albanian "irredentism and nationalism."

(C) Over the past several months, polemics have diminished markedly even though both sides continue their propaganda campaigns against one another. But the Kosovo riots and their aftermath appear to have ended any prospect of a meaningful rapprochement between Belgrade and Tirana during Hoxha's lifetime.

Tirana Spurns Moscow's Overtures

(U) Albanian hostility toward Moscow has been more intense than that toward Beijing. To Tirana, Soviet "revisionism" is the "most dangerous of the modern revisionisms" in the international communist movement. Tirana has had no diplomatic dealings with Moscow since 1961. It maintains diplomatic relations with Beijing, although other ties are virtually nonexistent.

(C) Moscow's interest in regaining influence in Albania is clear. Soviet re-establishment of a naval base on the Adriatic would have important military and strategic implications for the entire area. At the same time, an accommodation with Tirana would allow Moscow to exert added political pressure on Yugoslavia.

(C) Soviet media have been reticent on Albanian developments since Shehu's death, perhaps because Moscow has calculated that polemics at this time might jeopardize chances of improving relations. Shortly before Shehu's death, the Soviets had called for normalization of relations with Tirana: in various November 1981 commentaries devoted to the anniversaries of the establishment of the Albanian Communist Party and the liberation of the country from Nazi Germany, Soviet media reiterated the USSR's willingness

to normalize ties at any time--in the interests of both countries, socialism, and the "struggle against imperialism." The media also stressed the benefit and importance to Albania of its post-war cooperation with the USSR and other socialist countries in political, economic, defense, and foreign affairs.

(U) Within a day of the offer to normalize relations, however, Albanian party Politburo member and Defense Minister Hasbiu (also Shehu's brother-in-law and a member of the partisan "old guard") reaffirmed Albania's determination to pursue an independent foreign policy and to "expose modern revisionisms of all colors, whether Titoite, Khrushchevite, Brezhnevian, Chinese, or Eurocommunist." A week before, Hoxha had bitterly attacked Soviet policies at the Albanian party congress and ruled out all relations. In his January 1982 maiden speech as Premier, Carcani assailed Moscow and its Warsaw Pact allies as "our most ferocious enemies." Carcani also ruled out any kind of dealings with Moscow (or Washington) now or in the future.

Soviet Surrogates Wooing Tirana?

(U) Bulgaria, which has played the leading role among Moscow's Warsaw Pact allies in courting Albania, has also called for normalization of relations between Albania and not only Bulgaria but other Warsaw Pact members as well. Bulgarian media praise the support which the USSR and socialist countries have rendered Albania and lament that Tirana's ties with Sofia (and other Warsaw Pact countries) are limited primarily to the trade and economic areas. But Tirana has summarily rejected the effort.

(C/NF) Albania does maintain party-to-party and full diplomatic relations with Vietnam, which may now play a surrogate role for Moscow. Only the Vietnamese among ruling parties sent a delegation to the November 1981 Albanian party congress; the delegation was said to have delivered a message from Moscow suggesting normalization of relations and offering military and economic assistance. This March an Albanian party delegation attended the Vietnamese party congress in Hanoi (along with the Soviets and other "revisionist" delegations).

(C/NF) Yugoslav officials view the Bulgarian and Soviet overtures to Albania with suspicion and concern. They see Sofia acting to further Soviet interests in the Balkans, as well as its own ambitions in Macedonia. Moreover, some Yugoslavs hint that the Soviets, Bulgarians, and Albanians (or at least their intelligence services) are working together to undermine Yugoslavia, with Kosovo and other Albanian-inhabited areas of Yugoslavia consigned to Albania, and Macedonia to be annexed by Bulgaria. The Vietnam presence at the Albanian party congress also heightened suspicions in Belgrade about Soviet intentions. One Yugoslav

commentator pointed out that both Albania and Vietnam had "much in common regarding their policy towards Yugoslavia, as well as towards China and Kampuchea." The commentator asked whether the Vietnamese delegation at the Congress was there to represent itself "or someone else, too."

Tirana Vows To Expose Chinese "Betrayals"

(C) The "eternal, unbreakable" alliance between Albania and China began to show strains after the 1971 secret visit of then National Security Adviser Kissinger to China. Chinese leaders had evidently not bothered to consult with Albanian officials about their intentions toward the US. Similarly, it is clear that Tirana disapproved of China's decision to improve its relationship with Yugoslavia. By this time, of course, Albania's value as a political ally had decreased as China had become less of an outcast in the international community.

(U) Hoxha has admitted that the Albanian party belatedly realized the "anti-Marxist course" being taken by the Chinese. He claimed that the deterioration in bilateral relations was the fault not of Albania but rather of the Chinese leadership and its "hostile, anti-Albanian policy." Because of this alleged perfidy and betrayal, Albanian leaders vowed to wage a "principled struggle to completely expose Chinese revisionism and to show the clear division between Marxism-Leninism and the anti-Marxist ideas of Mao Tse-tung." China has also been accused of allying itself with the US, Japan, and the "most sinister and fascist forces in the world" and of being an "aggressive imperialist power with pretensions to world hegemony."

(C) Albanian officials now implicitly acknowledge that the break with China caused economic difficulties and contributed to Tirana's decision to expand its relations with other countries. (Because of the distance involved, China was never perceived as protection against an aggressive Yugoslavia as such.)

Hostility Toward the US

(U) Albania has not had official relations with the US since November 1946 when the American mission in Tirana was withdrawn. In recent major foreign policy pronouncements, Hoxha and other top leaders bitterly condemned the US for its "imperialist" policies and ruled out "diplomatic or any other relations" with it. Hoxha also condemned President Reagan's policies as "clear evidence of the harsher, more aggressive, and more adventurous line in the US foreign policy which relies more and more on military force."

(U) In April 1973, Deputy Secretary of State Rush stated that if and when Albania wished to resume relations, the US would

be prepared to respond. Since that statement, other Department of State officials have periodically reaffirmed US willingness to discuss a normalization of relations whenever Albania would be prepared to do so. Tirana has never responded.

(C) Prospects for a resumption of Albanian-US ties appear almost nonexistent while Hoxha remains in power or if an equally orthodox regime succeeds him. A successor regime not committed to Hoxha's harsh ideological and isolationist policies might, however, be more disposed to consider a more responsive posture toward the US and the other major powers (USSR, FRG, and UK) with which Albania has no diplomatic relations.

(C/NF) Continuation of Hoxha/Shehu Policy of Expanding Relations With the West

Since Shehu's death, the regime has made cautious overtures toward establishing relations with selected Western countries:

- The Albanian Ambassador in Belgrade has indicated "informally" to his Canadian counterpart that if Canada desired to establish diplomatic relations, Albania would see no obstacles to it. (The approach to Canada was similar to the one made to Japan several years ago, through the same Albanian ambassador. This eventually led to the establishment of Albanian-Japanese diplomatic relations).
- Albanian diplomats in Vienna have said that Albania is now prepared to normalize its relations with Spain and other Mediterranean countries. (In February 1980, the Director General of the Albanian Foreign Trade Ministry was sent to Spain to discuss expanding trade relations, the first time a high-ranking Albanian official ever visited Spain.)

Albania's overtures appear motivated more by economic considerations than by any desire to improve political relations per se or to cope with pressures from a restive population. No significant political/ideological problems or "matters of principle" are involved. On the other hand, Tirana has shown no inclination to be accommodating in its probes concerning diplomatic relations with the UK and FRG:

- Albanian leaders demand that Britain must first return Albania's pre-World War II gold (confiscated by the Axis Powers and now held in custody by the Tripartite Gold Commission--the US, UK, and France), along with accumulated interest. Until this takes place, Albania not only refuses to consider diplomatic relations but will not engage in any discussions with the British; and

--Albanian leaders demand as a condition for establishing relations that the FRG pay reparations (some US\$4.5 billion) for damages which Albania suffered during World War II.

(C/NF) UK and FRG Positions on Albania's Preconditions. The British insist that Albania must make restitution for the Corfu Channel ship disaster of October 1946^{3/} before discussions can be held on the establishment of diplomatic relations and settlement of Albania's outstanding gold claims. (Claims against this gold have been made by the US, UK, and Italy.) Tirana flatly rejects either any linkage between the Corfu Channel incident and return of the gold or payment for any damages relating to the Corfu Channel incident. In February 1979, the Albanian Government did approach the UK to discuss return of the gold. The Albanian State Bank at that time valued it at US\$22.8 million. Britain's proposal a year later to establish diplomatic relations prior to the settlement of the gold issue was rejected by Tirana.

(C/NF) Similarly, the occasional discussions between West German and Albanian diplomats in Belgrade and Vienna appear to have led nowhere. The West Germans interpret Albania's precondition on reparations payments to mean that Bonn must pay for even those damages inflicted by the Italians. Bonn is willing to hold discussions, without preconditions, on diplomatic relations and to defer discussions of an economic nature until discussions on diplomatic relations are successfully completed. Tirana has flatly rejected this approach.

(C/NF) Italy in Post-Shehu Foreign Policy. As far as Italy is concerned, Tirana has shown little interest in improving bilateral relations or in expanding economic and cultural exchanges since Shehu's death. Indeed, Albanian foreign policy is said to have become even more rigid on this score. Tirana may no longer be as interested in expanding relations with Italy because its own relations with Yugoslavia have improved since the nadir of last summer. The June 1980 Italo-Albanian agreement on educational, cultural, and scientific exchanges for 1981-83 was signed and negotiations begun on ferry boat service between the two countries at a time when Tirana was apparently trying to expand contacts with Italy and other Western countries to offset Yugoslav retaliation for Albania's role in the Kosovo riots. Yugoslavia had already

^{3/} (U) Two British destroyers were sunk by undeclared mines off the Albanian coast: 38 persons were reported killed and 43 injured. The International Court of Justice in 1949 entered a judgment establishing Albania's responsibility for the incident and awarded Great Britain damages of £843,947. Tirana claimed it "knew nothing about the laying of mines, had neither the mines, the means, nor the experts to lay them."

begun to cancel various exchanges with Albania and was threatening other punitive measures affecting trade, transportation, and communications.

Balkan Policy and Attitudes Toward Balkan Countries

(U) Within the Balkan area, Albania insists on conducting its trade and economic cooperation on a bilateral basis. It has consistently opposed multilateral cooperation and refused to attend the two Balkan Conferences held thus far, citing opposition to Bulgaria's participation and to multilateralism in principle. The Albanians charge that Bulgaria is the "advanced base of Soviet imperialism in the Balkans" and have warned the Balkan peoples to be on guard against the Soviet-Bulgarian "threat." (Since 1970, Albanian leaders have pledged to fight alongside Yugoslavia, Greece, and Romania against any--read Soviet--aggressor.)

(U) But Albanian spokesmen also condemn all superpower interference in the Balkans, charging that the US and USSR have "hegemonic interests" there and want to transform the area "permanently into a powder keg." While the problems confronting the Balkans are said to be similar to those confronting Europe (i.e., superpower conflicts and interests), the Albanians maintain that Balkan conflicts are more acute and dangerous because of the strategic position which the area occupies in superpower thinking.

(U) Relations with Greece have improved markedly since diplomatic relations were re-established in 1970, after a 30-year interval. Hoxha claims that Albania devotes special care to strengthening its friendly relations with Greece and will continue to do so in the future. The Albanian delegation to the March 1982 Greek National Day reception in Tirana was made up of conspicuously high-level representatives including the ministers of foreign affairs, foreign trade, and education and culture. Albanian media also carried laudatory commentaries about Greece, mentioning its historic struggles for independence in which Albanians and Greeks at times fought side by side.

(U) Albania's relations with Turkey are also friendly but, unlike those with Yugoslavia and Greece, have not been burdened by territorial or minority disputes. Hoxha recently thanked the Turkish "people for their fraternal sheltering of hundreds of thousands of our brothers from Kosovo, who were driven from their lands in Yugoslavia."

(C) The Albanians appreciate Romania's relatively independent foreign policy position vis-a-vis Moscow and generally overlook its membership in the Warsaw Pact because it, unlike Bulgaria, is not seen as a Soviet base threatening the Balkans. But Ceausescu's years-long encouragement of Albanian participation in Balkan multi-lateral meetings has not been successful.

(C) Over the past two decades, Bulgaria has been more consistently condemned by Albania than any other East European member of the Warsaw Pact. Prior to the break with Moscow and its allies, the bilateral relationship had generally been good. Historically, Albania had allied itself with the Bulgarians against the Serbs, Montenegrins, and Greeks. Contrary to recurrent Yugoslav suspicions, there are no indications that Bulgarian and Albanian officials (or their respective intelligence services) collude against Yugoslavia.

(U) Nonalignment Condemned

Although Albania has expanded its diplomatic, trade, and cultural relations with various Third World countries, it rejects multilateral cooperation with them or membership in their political or economic organizations (e.g., Group of 77). Hoxha has:

- scoffed at the notion that developing countries have an independent voice in international organizations or can disagree with the superpowers;
- charged that imperialism encourages the formation of developing-country organizations to create the impression that the participants enjoy sovereignty and independence;
- claimed that many countries are forced to join one of the superpower alliances, even though the nonaligned movement theoretically eschews participation in military blocs and professes to defend the interests of developing countries against the superpowers;
- accused nonaligned leaders, "especially the Yugoslavs who want to become the leaders and ideologists of the movement," of advancing "demagogic theories" which divide the movement and provoke conflicts among its members; and
- charged that the superpowers exploit these divisions and conflicts and thereby dictate the activities of the movement.

No Marked Departures in Foreign Policy Likely

(C) No major changes in Albanian foreign policy are likely while Hoxha remains in power or during the immediate post-Hoxha period, particularly if members of the partisan "old guard" prevail. So little is known about Albania's younger leaders or about the configuration of the Albanian leadership that no predictions about the future direction of Albania's foreign policy can be made with any sense of confidence. An accommodation with the USSR is highly improbable during Hoxha's lifetime; he has rejected all Moscow's overtures to date. However, these overtures will undoubtedly increase once Hoxha's successors assume power.

(C) A post-Hoxha regime faced with pressing economic problems, widespread unrest over political and economic conditions, or a perceived threat from Yugoslavia or the West might turn to Moscow for military and economic assistance. The likelihood of a shift toward Moscow would increase if a pro-Soviet faction were to emerge in the Albanian leadership after Hoxha (as some Yugoslavs and Western diplomats surmise), or if a post-Brezhnev leadership were to seem more compatible to Tirana. In short, impending leadership changes in the USSR and Albania could lead both regimes to try to resolve long-outstanding differences and resume more normal, if not close, relations.

(C) Because of Kosovo and the Albanian "problem" in Yugoslavia, a substantive improvement in the overall Albanian-Yugoslav relationship appears remote, notwithstanding the recent economic agreements concluded between the two. Given his intense suspicion of the Soviets, Hoxha may again moderate his nationalist ambitions and hostility to Yugoslav "revisionism." Perhaps equally important, he may even avoid actions that threaten Yugoslav stability and national unity. Whatever his own private feelings about Yugoslavia or the "Great Serbs," Hoxha may well realize that a stable, united Yugoslavia is more likely to resist Soviet encroachments in the Balkans, and against Albania, than would a weak, incohesive, or truncated state.

(C) Even if a "Greater Albania" were to be realized (reportedly the dream of most Albanians), Tirana's leaders might be unable to cope effectively with the accompanying problems. The effort to assimilate some 1.6 million Albanians from Yugoslavia--with their generally superior education, much greater political, social, and economic freedoms, and higher living standards--with the 2.6 million inhabitants of Albania could easily become a major divisive factor, spawning new political factions and interest groups and making the country even more susceptible to foreign influences and intervention.

(C/NF) As in the past, the state of Albanian-Yugoslav relations will most likely remain the pivotal element in Tirana's overall foreign policy. If bilateral ties were to deteriorate seriously, the Albanians would be more disposed to turn to Moscow for protection. Conversely, improved relations might persuade Albania to become more sympathetic toward the nonaligned movement and toward the West. Yet, despite its sharp anti-Yugoslav thrust, the Yugoslavs might even be satisfied with a continuation of Albania's present foreign policy. Albania is anti-West as well as anti-Soviet; it is not aligned with either of the military blocs and seems fiercely determined to maintain its independence. It poses no threat to Yugoslavia's independence or stability--assuming that Kosovo remains a containable problem for the Belgrade regime.

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(C/NF) Albania's strategic location in the Balkans and the Adriatic gives it an importance to the Warsaw Pact and NATO far exceeding its size and population. In the ultimate, Albania's foreign policy may hinge on internal problems and developments (e.g., political factionalism, economic difficulties and the measures taken to overcome them, popular unrest threatening regime stability) which could force the leadership to look abroad for help in their resolution. Those countries most immediately concerned about the direction of that foreign policy appear to be biding their time, seeking to improve their relations with the present regime in order to have a cordial and productive relationship with Hoxha's successors. Whether that period will be one marked by continuity and stability--or by violence, volte faces in foreign policy, and foreign intervention--remains to be seen.

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