Belgrade squeezed by Russia and the IMF

by Christopher White

As part of their overall confrontationist policies of carrot and stick, the Russian leadership has recently begun to put the screws on Yugoslavia. Economic measures, including rejection of certain categories of imports from Yugoslavia on grounds that the quality is "not good enough," and the cancellation of all tourism into the country, combine with a resurgence of ethnic and separatist activity, to demonstrate that Yugoslavia is on the list of nations to be incorporated into the expanding sphere of Russian imperial suzerainty.

This threat has not gone unnoticed in the United States where Yugoslavia ranks high on the list of those nations considered to be gravely threatened by the Russian expansionist drive. This year's Hilex-84 NATO staff exercise, for example, included a Soviet thrust into Yugoslavia among the contingencies studied.

Though such a threat is no doubt real, in this case we are again faced with the fundamental insanity in Western policymaking. Yugoslavia provides a prime case study of how U.S and Western government insistence on maintaining the genocidal conditionalities policies of the International Monetary Fund (IMF) aggravates areas of crisis internationally, while contributing to the accelerated growth of Soviet strategic influence. What is happening in non-aligned Yugoslavia today is also happening for example in the Federal Republic of Germany. Our intention to defend allies and neutrals is rendered impotent and ridiculous by our adherence to those financial and economic policies which make those intentions absurd.

At the end of March, Yugoslavia concluded an "agreement" with the IMF, 14 western nations, Kuwait, and Japan for a $500 million stand-by credit, and deferral of payment on $800 million in credits coming due for repayment during the course of 1984. The government agreement paralleled a refinancing agreement covering $1.2 billion concluded with private banks shortly before.

Under the terms of these agreements the Yugoslavs committed themselves to increase internal interest rates above the level of inflation (over 50%) during the course of this year, to end their internal price freeze from the end of April, and to devalue their currency, the dinar, to improve "competitiveness" in international markets.

Western officials gloated at the time the agreements were concluded that Yugoslavia would thus be forced to permit large-scale bankruptcies among business operations that could no longer keep going under these circumstances. By the middle of June, as the Soviets unleashed their round of economic warfare pressure tactics, the agreement worked out with the IMF had begun to run into problems, because, not surprisingly, the government could not get the population to go along, and had begun to rescind IMF-mandated price increases. This led to complaints from such international representatives of financial orthodoxy as the London *Economist*, which on June 30 sniped viciously that Yugoslavia "is reluctant to face up to the job losses without which, senior economic officials admit, productivity cannot be increased. Yugoslavia's public sector could, on one reckoning, work more efficiently if its 6 million or so labor force were cut by 30%. Job losses on that scale, however, would sharply push up unemployment. This is already bad enough with some 930,000 people out of work. . . ."

Belgrade aggravated by IMF policies

Among the prices which the IMF agreement mandated for increase was oil and refined oil products, which had begun to be implemented by the beginning of June. Since Yugoslavia imports most of its oil, the price of the product is also tied to the dinar exchange rate, which the IMF insisted be devalued. But the Soviet Union supplies more than half of Yugoslavia's 10 million tons of annual crude oil imports.

Oil is not the only area where the Russians benefited directly from IMF policy. Yugoslav chemical complexes are now producing for export to the Soviet Union, replacing traditional Western suppliers, and terms of trade for the Soviets have been improved in terms of Yugoslav exports of food.

The government is thus caught between a rock and a hard place: shut off from access to Western markets, forced east, and threatened internally by the political instabilities which are aggravated by IMF policies. On July 2, the presidium of the Yugoslav trade union organization demanded that the downward trend in the country's standard of living, evident in 50% inflation and purchasing power reduced to the level of 1969, be halted.

This is the fertile field which the Russians and their allies in the West are in turn exploiting through separatist and religious fundamentalist destabilization operations. One by one, we've lost our allies around the world through insisting on the maintenance of such criminal insanity as policy. It's high time we learned the lessons, and changed, before the IMF hands this country over to the Russians, too.