

Yugoslav crisis heads for autumn showdown

by Luba George

A three-day national conference of Yugoslavia's communist party ended on May 31, with the party deeply factionalized along regional lines. The conference marked the beginning of the demise of the postwar federal system based on muddling through with compromises between the different ethnic republics that make up the country. The economy is a shambles, with a foreign debt of over \$21 billion, a raging hyperinflation of over 200%, a 20% unemployment rate, and a record strike wave.

The conference proceedings drew the battle lines for an autumn showdown between two forces: 1) the party of Serbia, the largest of the republics, and the Serb-dominated military leadership who wants to impose an iron-fisted rule over the country, and 2) the western republics, led by Slovenia, who with equal force are demanding large increases in regional autonomy, and hinting at secession as an option if the crisis worsens.

The coming showdown emerged at the conference when the Serbian party presented the government with an ultimatum. The military-linked head of the Serbian party, Slobodan Milosevic warned that the Belgrade leadership has until the summer to turn around the economic crisis. He then issued the ultimatum, "If by the autumn the reforms haven't succeeded, a new leadership should be elected at an extraordinary party congress." With that statement, an extraordinary party congress becomes inevitable. Given the present government's vicious austerity policies, the economic situation will worsen over the summer.

The party conference only reflected an irreconcilable conflict between the western republics of Slovenia and Croatia, and the eastern bloc of Serbia, Montenegro, Bosnia, and Macedonia. The Croats and above all the Slovenes are demanding a "market economy," which would end the system of state subsidies, drawn in large part from western Yugoslav revenues, to large enterprises, mostly located in the "east." Such a policy would create unemployment of 30% and higher in the "east" and plunge the country into a complete economic breakdown.

The split in the Yugoslav party along east-west lines was shown by Milosevic's and party leader Bosko Krunic's denunciation of these market economy demands as "counter-revolutionary." Slovenian party head Milan Kucan declared that "without market economy . . . self-administration remains a torso, and a mere political slogan." He then dropped

a separatist hint, that "the communists of Slovenia have decided" that their "common existence with the other Republics of Yugoslavia" must be based on "economic success and political democracy." Kucan also called for the party to "depart from its monopoly on power," and for the "elimination of political domination over the economy." How far Slovenian secessionist trends advance in the coming months remains to be seen. What is very clear, given the May 29 passage of the Branko Mikulic government's latest austerity package, is that "economic success," Slovenia's stated precondition for maintaining "common existence" with the other republics, is out of the question.

The measures, passed as part of a vicious IMF-dictated program of "economic liberalization," include: wage cuts of up to 30%; raising gasoline prices by 40%, and similar price hikes for coal, rail fares, and postal services. The general "price freeze," instituted last November (even so, inflation climbed to a record 200%), was lifted, and will generate a 60% average price increase for most items, propelling inflation well above the 200% per annum rate. In a further capitulation to the IMF, the Yugoslav dinar was devalued by 24%.

The desperation behind these measures was also seen in Yugoslavia's willingness, declared shortly before the party conference, to put up its gold reserves with the Bank of International Settlements (BIS) as security in exchange for an urgent short-term bridge loan. Belgrade "urgently needs about \$400 million and most probably it will have to deposit the gold it holds in the BIS for security in exchange for the credit," a senior Yugoslav banking official was quoted by the *Financial Times* of London. At the beginning of June, the IMF is expected to approve a \$280 million standby loan; another \$120 million from the World Bank, however, is "not expected to reach Yugoslavia for a while," the Yugoslav bank official added.

According to a 107-page government report assessing the Mikulic government's performance over the past two years, the government held 242 sessions with 5,348 points on the agenda and adopted 216 laws, 6,006 resolutions, 216 decrees, 970 decisions, and 752 solutions. Talk is cheap, Yugoslav prices aren't. In the same two-year period, prices rose 366%, and the dinar was devalued against the deutschemark by 342%.

The Belgrade government has been living on "borrowed time." By ruthlessly implementing the IMF-dictated measures, it has guaranteed its demise and, quite possibly, the country's.

No sooner were the May 29 austerity measures introduced, than some 400 striking Yugoslav miners arrived in Belgrade from Bosnia to protest against pay cuts. This is but the most spectacular incident. A new strike wave is brewing. The catastrophic loss in purchasing power caused by wage cuts and hyperinflation guarantees a very hot summer, to be followed by an autumn showdown. Yugoslavia will emerge from that showdown decisively transformed.