

Yugoslavia caught between the IMF and Moscow

by Konstantin George

Yugoslavia's worst postwar crisis has begun. The gravity of the situation was underscored, when, for the first time since 1945, the deputies of two republics, Slovenia and Croatia, during the May 14-15 weekend session of parliament threatened a vote of no confidence against Prime Minister Branko Mikulic.

The geography of the revolt reflects the looting chain behind the Yugoslav crisis. Yugoslavia has been bled white by its Western creditors and the International Monetary Fund (IMF), on the one hand, and by Soviet looting, on the other. Belgrade, so far, has continued to acquiesce in disastrous IMF-dictated austerity programs, causing an overall collapse in Yugoslav living standards.

It is the austerity policy that has exacerbated centrifugal tendencies in Slovenia and Croatia, the two westernmost republics of the six that comprise Yugoslavia. Not that those two republics have suffered the most from IMF looting. Quite the contrary. IMF looting policies have rather gutted the poorer central and eastern regions of the country (the republics of Bosnia, Serbia, Montenegro, and Macedonia), widening the gap between these four and the far more westernized Slovenia and Croatia.

To prevent social explosions in the poorer eastern regions of the country, above all in Serbia, which contains nearly half of Yugoslavia's population, Belgrade has increased its *internal* looting of Slovenia and Croatia, to "subsidize" the rest of the nation. This dynamic is the underlying cause for the revolt by Slovenia and Croatia.

New austerity package means trouble

Mikulic was able to avoid by a hair's breadth the no confidence vote during the May 14-15 parliamentary session. But his victory was Pyrrhic.

Parliament as a whole issued a slap in the face to the government by refusing to approve Mikulic's two-year interim report on the economy. The same parliament, however, did pass a new round of austerity measures, scheduled to take effect by the end of May, whose "success" will ensure a still more profound long-term political destabilization of Yugoslavia.

Mass unrest is now on the agenda. Under the new program, wages will be cut by 20%, and the price freeze, imposed last November, will be lifted on 60% of all items. The price for basic food and energy will jump by 50-60%, and by 80-90% for other items. It is expected that the dinar will soon be devalued by 20-25%. Even under the so-called "price freeze," Yugoslavia's inflation reached an annual rate of 159% in March, and is currently estimated at a staggering 170%.

The wage cuts, price increases, and dinar devaluation are demanded by the IMF and Western creditor banks as "conditions" for a \$420 million IMF standby credit, which itself forms the main precondition for Western creditor banks and governments agreeing to reschedule Yugoslavia's \$20 billion in foreign debt.

The rescheduling question is urgent. At present, Yugoslavia earmarks 45% of all foreign exchange earnings for debt repayment, a rate which cannot be prolonged much longer, without moving the economy close to the precipice of physical breakdown.

The "daisy chain" of each credit being predicated upon a preceding credit agreement extends even further. In addition to implementing the new round of austerity, Yugoslavia must first receive a \$500 million emergency "bridge loan" from the Bank for International Settlements and a mix of Western governments and banks, desperately needed to stock foreign

exchange reserves to purchase Western imports.

The bridge loan has failed to come together. The BIS has pledged its share (\$250 million), but the remaining half, divided among Western governments and banks, is up in the air.

Coup talk

In the week preceding the near-vote of no confidence in parliament, another dramatic development shook the Yugoslav system to its foundations. Defense Minister Adm. Branko Mamula, and his deputy, General Daljevic, were fired as a government reaction to the growth of a coup d'état mood in the army.

Beginning last summer, the leadership of the predominantly Serbian officer corps, and Mamula in particular, began to issue open threats. Mamula attacked the government for its demonstrated weakness and inability to cope with the Albanian separatist crisis in Kosovo, and the economic crisis, saying that this could lead to a military takeover.

Then, during the autumn, the main ally of the military leadership in the Yugoslav communist party, the "Serbian Party" hard-liners, demolished the tiny moderate faction in the party and the region altogether.

After September, public talk by the military vanished, but the quiet was deceptive. The next round broke open in February, when the Slovenian youth newspaper, *Mladina*, featured an attack on Defense Minister Mamula for allegedly having pocketed money from Yugoslav arms sales to Ethiopia to build himself a seaside villa on the Adriatic. The attack occurred in the context of growing separatist sentiment inside Slovenia, whose leadership has been in the forefront of demands for an even looser federative system for Yugoslavia.

In late February, Admiral Mamula traveled to Moscow at the invitation of Soviet Defense Minister Yazov, to attend a Soviet military celebration, which fueled speculation about Soviet interest in boosting the role of the Yugoslav military in the crisis. Besides this trip and Gorbachov's tour of Yugoslavia in mid-March, the Soviets oriented their other contacts with Yugoslavia this spring, towards the traditionally Eastern Orthodox sections of the country that might welcome a Muscovite intervention into the turmoil. Late April saw Vitali Vorotnikov, Soviet Politburo member and prime minister of the Russian Republic, tour Serbia and Montenegro exclusively. He signed agreements on stepped-up economic ties to Russia with this area, for 1988-90.

The firing of Mamula and his deputy, General Daljevic, followed a power play by Mamula and his colleagues on the Defense Ministry's Military Council, against the leadership of the Republic of Slovenia. The military leadership sent a "delegation" to Slovenia at Easter time, to demand a crack-down on Slovenian opposition such as *Mladina* as well as the separatists. The "delegation" conferred with Slovenian Interior Minister Ertl, who afterward informed both the Slovenian party bosses and the government in Belgrade.

The military's behavior, acting independently of the government in Belgrade, approximated that of a coup d'état. The government won the first round with Mamula's firing, but the future is wide open. In the past months, there has been a growing cooperation between the Serb-dominated officer corps and the hard-line party leadership of Serbia. With or without Mamula as defense minister, the prospects for a coup will grow as the crisis deepens.

Soviets bet on Army takeover

The most solid indicator of how serious the threat of a military coup is, is found in the Soviet news media, which is now granting prominent attention to the theme. The Soviet Union is now, for the first time, playing up the "military option" as a likely solution for the Yugoslav crisis.

An article on Yugoslavia in the May 11 issue of the weekly, *Literaturnaya Gazeta*, cited a January 1988 seminar in Yugoslavia on the theme, "Marxism and the Crisis of Yugoslav Society." The seminar, according to *Literaturnaya Gazeta*, posed four "models" to solve the Yugoslav Crisis:

- 1) A "state model," in which a strong central government rules over the country.
- 2) Military rule "as a reaction to the powerlessness of official institutions and political mechanisms."
- 3) The model of "bourgeois society," the "restoration of capitalist relations."
- 4) "Socialistic self-government," i.e., a continuation of the present system.

The Soviet policy orientation toward Yugoslavia was revealed in the commentary on these "options." "In order to neutralize anti-socialist and counter-revolutionary tendencies, a military rule would have to be established."

Such language from the Russians is tantamount to endorsement of a coup, especially when contrasted to the comments on the present Yugoslav system: "After 30 years, it [self-government] has become a dichotomy between words and deeds. . . . Self-government has been declared very often, but in practice never realized, and as a result, the people often think of self-government as a major reason for the crisis."

Literaturnaya Gazeta reported that "calls for the dismissal" of Yugoslavia's leadership are growing, because they have "done little" to solve the economic crisis. There are now 1.2 million unemployed, and inflation is at 170%. In 1987, there were "1,623 strikes" involving "273,000 workers," with the former figure "8.5 times higher than for 1982" and the latter figure "24 times higher than for 1982."

The austerity measures are pointedly described as having been "prepared at the recommendation of the IMF" for debt repayments. The Soviet weekly stressed that the huge debt payments have hardly made a dent in Yugoslavia's indebtedness. "During the last five years, Yugoslavia paid its creditors \$28 billion, but the outstanding debt was cut by only \$1 billion."