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## Situation Report - Yugoslavia 17 August 1989

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Yugoslavia/10  
17 August 1989

## SITUATION REPORT

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## 1. The Yugoslav Crisis and the National Question

Summary: Yugoslavia's economic and political situation continues to deteriorate, and the repercussions have had a serious effect on relations between ethnic groups. The forthcoming plenum of the Central Committee of the League of Communists of Yugoslavia will discuss the escalation of ethnic tension, which has caused deep divisions in Yugoslavia's ruling party.

\* \* \*

In two separate statements issued on July 26, Yugoslavia's highest political and state bodies called for an end to nationalist disputes. An open appeal by the eight-member collective State Presidency said that ethnic conflicts had jeopardized the unity of multinational Yugoslavia and called for the "strict application of the law" in dealing with people who incited hatred of other ethnic groups. The Presidium of the Central Committee of the League of Communists of Yugoslavia (LCY) called on all party leaders to direct their energies to economic and social reform "instead of engaging in unproductive and unprincipled coalitions."<sup>1</sup>

Much of this has been heard in the past, but the importance of the two statements lies in their timing. On July 30 and 31 the Central Committee of the LCY will meet at its 25th plenum to discuss how to deal with the country's escalating ethnic problems. Almost three months ago there were indications that such a meeting would be held in late June or early July. The complexity of the issue and the fact that the LCY leadership is deeply divided over economic and political issues may help to explain why the long-awaited meeting was put off until now.

Hard-Line Serbia, Liberal Slovenia. On the eve of the plenum, the party has revealed how fundamentally divided it is over ethnic relations. On July 27 the Central Committee's commission on intranational relations called on the party to oppose all forms of nationalism including what it described as increasing demands for the privileged treatment of Yugoslavia's larger nationality groups at the expense of the smaller ones. The commission, which is headed by Dusan Dragosavac, a Serb from Croatia, received full support from the Slovenian and Croatian republican leaderships, who praised the proposal; but Serbia rejected it as "unacceptable" and implied that the Serbs were seeking special privileges because they represented the largest ethnic group in Yugoslavia (about 40% of Yugoslavia's 23,500,000 citizens are Serbs).<sup>2</sup>

Confrontation between the leaders of Serbia and of Slovenia, the country's most economically developed and politically liberal republic, has shown no signs of abating. On

July 27 Slovenia's National Assembly adopted draft amendments to the republic's constitution that are expected to be promulgated by the end of September.<sup>3</sup> The most controversial amendment clearly defines Slovenia's right to secession and states that the right to self-determination can be decided through a public referendum; although the federal constitution states the right to secession, there is disagreement over whether this right is implicit or explicit. Nonetheless, Serbia has alluded to Slovenian threats to secede under certain circumstances by criticizing the CC commission's document for obscuring "separatist and confederalist tendencies . . . ."

In any event, it is highly unlikely that Slovenia will secede from Yugoslavia, given its important and influential role in the country's economy and politics and its dependence on natural resources in Serbia, Macedonia, Kosovo, and Bosnia-Herzegovina. In an interview with Radio Free Europe, Dimitri Rupel, Editor in Chief of *Demokratija*, Yugoslavia's first opposition political biweekly, said that "the amendment on self-determination is merely a threat and part of the psychological war Slovenia is waging against conservatives in Belgrade." He added that "the risks, such as military intervention, far outweigh the potential benefits."<sup>4</sup>

Enter the Croats. Recent developments in the republic of Croatia clearly indicate a worsening of relations between Croatia and Serbia as well. The increase in nationalist-inspired activities by Croatia's Serbian minority and the reaction from Croatia's leaders prompted statements on the immediate need to end inter-ethnic conflicts and condemnations of all expressions of militant nationalism from the LCY CC Presidium on July 18 and 26, the Army CC Presidium on July 12, and by many regional and local political organizations.

Such feelings have been building up over the past year. What sparked these particular remarks, however, was a provocative Serbian nationalist demonstration on July 9 in the Croatian town of Knin, which is heavily populated by Serbs. According to some reports, up to 50,000 Serbs, many from other parts of the republic and from Serbia and the autonomous provinces of Kosovo and Vojvodina, protested against the cultural and social policies of the Croatian leadership, which they and other Serbs regard as discriminatory.<sup>5</sup> (In late February there was a similar rally in the Knin region, with the participation of some 10,000 Serbs.)

The protest in Knin came at the end of the officially sanctioned 2-day celebration of the 600th anniversary of the defeat of the Serbian Army by the Ottoman Turks at the Battle of Kosovo Polje. Over the last year large numbers of Serbs have participated in numerous rallies in Serbia, Vojvodina, and Kosovo; they may have used the Knin demonstration as an opportunity to mark the first anniversary of the small but well-organized protest in the Vojvodina capital of Novi Sad,

which many Yugoslavs believe was organized by Serbs loyal to Slobodan Milosevic, who is currently Serbia's State President.

The demonstration in Knin came about three weeks after the Croatian National Assembly had voted to retain the republic's 1974 constitutional amendment, which states that "the Croatian literary language is the standardized form of the popular language of Croats and Serbs in Croatia."<sup>6</sup> In 1987 Croatia's party Presidium proposed changing the regulation so that the official language would be either Croatian or Serbian; this was a compromise prompted by demands from Croatia's Serbs, who comprise more than 10% of the republic's 4,600,000 inhabitants. Over the past year the Croatian authorities has feared that Serbian dissatisfaction might lead to an outbreak of ethnic violence and demands for special rights for the Serbs, such as had occurred in Kosovo.

The Knin demonstration sent a clear message to the country's leaders, much as the bloody protests in Kosovo of late March 1989 did. Both events must have shaken the leadership; and they have certainly caused speculation about the future political role of the Yugoslav Peoples' Army, which has a reputation as the only federal institution unaffected by political and economic decentralization and regional squabbles within its own ranks.

Some Deeply-rooted Problems. The CC plenum this weekend comes at a time when an explosive situation has been fueled by a continuing fall in living standards and by the exacerbation of the nationality problem by poverty and regional economic dislocation. In recent years there has been a general feeling of uncertainty over the future of this multinational country; that might help explain the impatience found at every level of society.

Since July 1988 an estimated 6,000,000 people have taken part in ethnic-related protest rallies, most of which were organized by regional party leaders; several protests succeeded in toppling senior regional and local leaders. In 1988 there were 1,720 strikes involving some 400,000 workers; most of those strikes were protesting wage freezes imposed by the federal government. Figures for the first five months of 1989 show an increase in the number of strikes compared with the same period last year.<sup>7</sup> Although the current government under Ante Markovic, a Croat, has expressed no desire to implement an anti-inflationary policy, this possibility should not be excluded. Imposing a wage freeze now would certainly increase labor unrest.

The reasons for Yugoslavia's economic and political debacle are extremely complex and are rooted in the country's political system. Since the war there have been various periods of reform followed by periods of opposition to reform. The current trend points to economic reform, but the escalation of various kinds

of regional particularism and nationalism is likely to result in political compromises that would produce half-measures and little improvement. Moreover, the Serbian leadership, while formally claiming that it favors reform, actually follows policies that seem to favor state capitalism rather than decentralization and a market economy.

Over the past five years, party leaders and scores of intellectuals have said that Yugoslavia's political paralysis is the principal obstacle to the much needed economic and political changes. This paralysis has largely been brought about by a decentralized political structure whereby the party in each of the six republics and two autonomous provinces defends its interests at the expense of the country as a whole. The current battle over the future of Yugoslavia involves those leaders who are seeking to recentralize and strengthen federal control over the economy and government and those who wish to continue with a decentralized system of government and social self-management. This dispute has been aggravated by Serbia's state leader Slobodan Milosevic, who has exploited Serbian grievances for his own political ends. Many Yugoslavs suspect that his proposals for greater centralization are nothing but a veiled attempt to increase Serbia's and, above all, his own power.

There is at least formal agreement, however, that Yugoslavia will have no chance of surviving unless it creates a unified and integrated market economy. No clear answers have been given, however, to the question of what kind of unified market would be created. Many Slovenes and Croats fear that such a system would be dominated by Serbia, as was the case in prewar Yugoslavia (Tito's federal system was set up precisely to avoid a repetition of such an arrangement, under which the other peoples felt oppressed). Many Yugoslavs in the poorer southern regions, including Serbia, believe that Slovenia and Croatia would be the benefactors at the expense of the south.

Serbia's Latest Initiative. On July 13 Serbia's party Presidium issued a statement calling for the reform of the economic and political system. On July 21 Serbia's CC approved the proposals and the Serbian State Presidency's Commission for Political Reform, headed by Slobodan Vucetic, a member of Serbia's Socialist Alliance Presidium, announced proposals for far-reaching political changes. On July 25 Serbia's State Presidency, headed by Milosevic, issued the Commission's document, which calls for sweeping changes in the federal constitution that allegedly seek to reform the economic and political system.<sup>8</sup>

Serbia's plans for reform are designed to increase the federal government's powers. The proposals also call for a national scientific research program; a system of environmental protection; the establishment of an independent judiciary; and the guarantee of freedom of thought, expression, and of the press. On political pluralism they do not go as far as many

would like. They urge the development "of the right of all citizens to join associations and societies freely" and that the "possibility of other forms of pluralistic political organizations . . . should not be excluded." They go on to advocate free and direct elections, in which candidates could be proposed by independent citizens' associations. (Slovenia's proposed constitutional amendments envisage permitting citizens to form independent associations and trade unions.) The creation of a parliamentary chamber that would have broader powers than the federation's current National Assembly is proposed; delegates would be elected by universal suffrage and the number of deputies would be related to the size of the populations in the respective republics. (Slovenes and Croats see this as an unfair advantage and claim that it goes against the Titoist principle of full equality and equal representation.)

Although Serbia's leadership has made similar proposals in the past, this is the first time that they have been incorporated into a single document. It is also the first time that a senior state body in Yugoslavia has proposed such sweeping reforms. The statement did, however, stop short of calling for a multiparty system, which has been demanded by the Serbian Writers' Association and individual nonconformist intellectuals. Nonetheless, the Serbian leadership's proposals have much in common with those of Serbia's writers and intellectuals and also much of what is being demanded in Slovenia. Milosevic's actual commitment to pluralism and human rights is more than open to question, however, given the tough methods he has used in consolidating and expanding his power and his ruthless suppression of the Kosovo Albanians. The Serbian initiative came less than two weeks after high-level talks between Milosevic and the leaders of Bosnia-Herzegovina and Macedonia; Bosnian and Macedonian officials also met with their Croatian and Slovenian counterparts two weeks before the proposals for reform.

Conclusion. The forthcoming plenum on ethnic relations will no doubt reiterate the strong words of previous sessions and those expressed at republican-level CC sessions over the past two months. So far, however, the party has simply been meandering from one event to another and from one party meeting to another, responding only to the current wishes of regional leaders and events without much, if any, agreement on a future program for the country.

Milan Andrejevich

1 *Borba* (Belgrade), 27 July 1989. Andjelko Runjic, President of Croatia's National Assembly, remarked on July 27: "Instead of trying to solve social and economic problems, too much energy is being wasted in Yugoslavia on absurd nationalistic vying to outwit one another while exposing the federal community to threatening ordeals" (*Vjesnik* [Zagreb], 28 July 1989).

- 2 *Politika* (Belgrade), 28 July 1989. The party Presidiums of Montenegro, Vojvodina, and Kosovo strongly disagreed with the proposal; and reservations were expressed by the party Presidium of Bosnia-Herzegovina. It is not known how Macedonia's republican party leadership reacted to the LCY CC Presidium's proposal.
- 3 *Delo* (Ljubljana), 28 July 1989.
- 4 22 June 1989.
- 5 *Vjesnik*, 10, 11, and 12 July 1989.
- 6 *Ibid.*, 22 June and 1 July 1989.
- 7 Tanjug, 9 July 1989. The news agency said that 708 strikes involving 157,191 workers had taken place during the first 5 months of 1989. This was not including the 230 strikes involving 51,000 workers that had taken place in Kosovo during the same period, which officials of the Yugoslav Trade Union Confederation said had been motivated by issues that were not economic.
- 8 *Politika*, 14, 21, 22 and 26 July 1989.



The cover of *Mladina*, the weekly of the Slovenian Socialist Youth Alliance (7 July 1989, no. 25), takes a view of the June 28 celebration commemorating the 600th anniversary of the Battle of Kosovo Polje. The cover, by Josip Visarjonovic, depicts Milosevic as Serbia's Prince Lazar leading the barbaric-looking Serbs against the advocates of modern democracy and technology. The man in green is a Slovene, the man in white is an ethnic Albanian. Milosevic is also supported by the army; the tank's insignias bear the red star and the four Ss, which is an abbreviation of the famous Serbian rallying-cry "*Samo Slogan Srbina Spasava*" (which is taken to mean "Only Unity Can Save the Serbs"; literally it means "Harmony is Serbia's Only Salvation"). For added effect, the cover is in Cyrillic. On the right-hand corner under the *Mladina* heading is the price of the weekly in dinars and liperi; liperi is *Mladina's* concoction for Slovenia's own national currency.



2. Bickering Within the LCY Central Committee Continues  
With no Solutions in Sight

Summary: The latest plenum of the Central Committee of the League of Communists of Yugoslavia was intended to discuss solutions to the persistent problem of interethnic conflicts in multinational Yugoslavia but seems to have only left matters worse off.

\* \* \*

The 25th plenum of the Central Committee of the League of Communists of Yugoslavia (LCY), which was held on July 30 and 31, produced nothing but a stream of accusations and complaints that once again revealed how the old differences within the party persist. The Central Committee had been called on to find a solution to Yugoslavia's escalating ethnic tension, or at least to discuss how it might be tackled; once again, however, the party was unable to agree on its approach. The Sarajevo daily *Oslobodjenje* wrote of the plenum that the Central Committee had "not only failed to re-establish its reputation but [had] even taken a step backward"<sup>1</sup>; and the Belgrade tabloid *Vecernje Novosti* headlined its coverage of the plenum "Quarrels of the Powerless."<sup>2</sup>

Forty-four speeches were delivered at the plenum and there were almost sixty interjections and responses, many of which demonstrated the strong differences of opinion between the participants. As expected, there was confrontation between delegates from Serbia and those from Slovenia and Croatia. The representatives from Bosnia-Herzegovina also attacked the Serbian leadership.

The Ljubljana daily *Delo* reported that criticism at the plenum had largely been aimed at Serbian nationalism, which "had been permitted to pass until now by many [of the country's leaders] and which has lately provoked much political turmoil in the country."<sup>3</sup> There was also considerable criticism of Serbia's political leadership; names were not mentioned, but the remarks were clearly directed at Serbia's State President Slobodan Milosevic. An organization of World War Two veterans in Belgrade commented that the plenum had created "an unprincipled anti-Serbian coalition."<sup>4</sup> Many of Yugoslavia's dailies wrote about the plenum the day after it had ended, but *Politika*, which supports Milosevic, refrained from comment. In short, Milosevic and his followers came under sharp attack but were unable to respond to clearly formulated arguments with convincing responses, often finding themselves trying to deny the obvious.

Serbia on the Defensive. In the keynote speech by Ivica Racan, one of Croatia's representatives on the 23-member CC Presidium, he made it clear that increasing ethnic conflicts had

"penetrated the party and affected its leaders." Without mentioning names, he said that ethnic strife was being misused by "national leaders . . . [in order] to create new monopolies on power." He added that "separatism and centralism are two opposing poles of bureaucratic nationalism."<sup>5</sup> (Serbia has accused Slovenia of separatism, and the Serbs in general and Milosevic in particular are accused of excesses against the Kosovo Albanians and of trying to achieve domination of the federation as a whole through recentralization.)

The thrust of his speech was, however, clearly directed against Milosevic and his Serbian leadership. Racan referred to and refuted a number of slogans and arguments advanced by the Serbian nationalists, stressing that such people were jeopardizing the stability of Yugoslavia. For example, apparently referring to the slogan "a strong Serbia means a strong Yugoslavia," he retorted that federal Yugoslavia could not be strong if one republic in particular were; elsewhere he noted that numbers and size did not entitle any group to special privileges in interethnic relations, thus countering another Serbian claim. Furthermore, he pointed out the logical contradiction in Milosevic's description of his own supporters' taking politics into the streets as "street democracy," while describing the Albanians' public protests as "nationalistic" and "counterrevolutionary." Finally, Racan warned against the demagogic claim of Serbian nationalists to special treatment on the grounds that Serbia had "done the most" for Yugoslavia; he described this as pure nationalism.

Some Moslem speakers from Bosnia-Herzegovina made similar criticism, referring to the recent Serbian commemoration of the 600th anniversary of the Battle of Kosovo Polje as "nationalistic insanity." They made clear that they were aware of and resented activities in Serbia aimed at "exporting revolution" and stirring up Serbian minorities elsewhere in Yugoslavia, including Bosnia; and they singled out in particular the aggressive attitudes of the nationalistic Sava Society in Novi Pazar.

The party veteran Dusan Dragosavac, a Serb from Croatia who was President of the Presidium of the LCY CC from 1981 to 1982, similarly warned against Serbian nationalism. He stressed that it could easily press a Croatian backlash and compared the current pitch of Serbian nationalist feeling to that of Croatian nationalism in 1971, when Tito had to intervene and purge the Zagreb leadership.

Dragosavac also came up with some proposals for dealing with interethnic disputes. He recommended that the Presidium be charged with three tasks. First, with "disassociating its leadership from those who are tearing Yugoslavia apart"; he added that the quarrels between regional party leaderships should be settled by the Presidium "rather than through quarrels conducted via journalists." Secondly, he recommended that the

party's Presidium examine carefully (he did not go so far as to say that they should act on) the current dispute between Serbia and Croatia. (The dispute arose partly over a recent aggressive Serbian demonstration in Knin of the kind referred to by one Bosnian speaker.) He warned that if this were not done, "the problem may get worse." Finally, Dragosavac proposed that the Presidium publicly reveal who in the CC constituted the much talked about anti-Serbian, anti-Croatian, and anti-Slovenian coalitions.<sup>6</sup>

The Serbian speakers mostly appeared to have been put on the defensive. They denied that their leadership was nationalistic, separatist, or seeking power. In reply to thinly veiled criticism of Milosevic himself, one of them said: "leave him alone."

Army Representative Speaks Out. The Serbs, Croats, Bosnians and Slovenes generally occupied center stage, but the other republics and the military were not totally silent. Yugoslavia's Assistant Defense Minister, Lieutenant-Colonel General Simeon Buncic, told the CC in a lengthy speech that it had to "show more courage" in tackling the country's problems and that the CC "should let people know the truth about the nature of the current conflicts and seething contradictions in society." He said that "there must be unanimity in assessing the danger of growing nationalism and the anticommunist ideology and practice stemming from it." Some of the causes of the current conflicts, he said, could be found in the political and economic system; but the main one was the split in the country's leadership over the "methods and means of overcoming the crisis . . . and over Yugoslavia's prospects."<sup>7</sup> He added that

people's minds are burdened by propaganda about the negative aspects of life . . . to such an extent that it is a miracle that the incidence of fascist-inspired behavior by various militant nationalist groups at public gatherings has not been even greater.

Buncic did say, however, that he was encouraged by the positions on interethnic relations adopted by the republican, provincial, and Yugoslav Peoples' Army party leaderships prior to the plenum. He described them as having "established a principle and postulate about how to develop interethnic relations."

Prime Minister Defends Economic Policies. A dramatic aspect of the plenum, however, had more to do with the federal government's economic reform program than with ethnic conflicts (although the deterioration in the economy has clearly exacerbated the nationality problem). Prime Minister Ante Markovic, a Croat, defended the reform program adopted in May 1988 at the LCY's First Conference and ratified by the Federal Assembly through amendments to the federal constitution in November 1988.

Markovic said that "a scenario is being prepared to topple those who are blamed for everything that is wrong in society."<sup>8</sup> He added that after having toured all the republics and provinces over the past month, his impression was that the local politicians were still controlling economic policy and "trying to impose technological and developmental solutions," the implication being that they were working against the government's reform program.

Most of the criticism of the economic reforms has come from Serbia; there have also, however, been complaints from Macedonia and Montenegro. It is argued that the Markovic government's policies would strengthen the economies of the more advanced republics--Slovenia and Croatia--at the expense of the poorer southern republics--Macedonia, Montenegro, Bosnia-Herzegovina, and Serbia, including Kosovo. It should be noted, however, that most of these reforms, including the laws passed before Markovic became Prime Minister in March 1989, were formally agreed upon by all Yugoslavia's six republics and two autonomous provinces. Milosevic's real motives in attacking the Prime Minister remain open to question.

Conclusion. In short, the divided party still seems incapable of solving the basic questions facing Yugoslavia, and tendencies in Serbia continue to alarm many. The population at large, however, may not be patient for much longer. A mass protest rally of farmers from most parts of the country is scheduled to take place in front of the Federal Assembly building in Belgrade on August 28 to coincide with the next CC plenum and a week prior to the opening of the four-day session of the ninth summit of nonaligned nations in the capital on September 4.<sup>9</sup>

There is impatience, frustration, skepticism, and distrust of the country's leadership at every level of society. A letter from a retired pharmacist and a former partisan that was recently published in *Delo*<sup>10</sup> suggested that the Extraordinary 14th Congress of the LCY scheduled for December should be held on the Adriatic island of Goli, the site of the once notorious political prison sometimes referred to as "Tito's Gulag." The crumbling prison complex and walls still stand. The writer of the letter said:

As a Yugoslav, I am unnerved by the interrepublican quarrels and accusations. That is why I recommend that the Congress of the LCY be held on the island of Goli. When the delegates arrive, each should be given two blankets, half a kilogram of bread, and a liter of water and they should be informed that they can be released to go to home only after they have reconciled all their misunderstandings. It is not necessary that they carry rocks for 12 hours a day; 6 hours is sufficient. After such a day at work, let them settle all the problems [facing Yugoslavia]. I am

convinced that under such conditions the delegates would very quickly resolve all unnecessary disagreements.

Milan Andrejevich with Patrick Moore

- 1 *Oslobodjenje* (Sarajevo), 1 August 1989.
- 2 *Vecernje Novosti* (Belgrade), 1 August 1989.
- 3 *Delo* (Ljubljana), 1 August 1989.
- 4 *Politika* (Belgrade), 1 August 1989.
- 5 *Borba* (Belgrade), 31 July 1989.
- 6 *Ibid.*, 1 August 1989.
- 7 *Ibid.*, 31 July 1989.
- 8 *Ibid.*
- 9 *Politika Ekspres* (Belgrade), 30 July 1989; *Borba*, 31 July 1989.
- 10 The letter was from Mrs Zdenka Bacic of Ljubljana. The prison was closed in the early spring of 1988. The island is currently open to tourists and there are plans to designate several beaches for nudists.



"Spreading Nationalism," by Toso Borkovic in *Vecernje Novosti* (Belgrade) 2 August 1989. Borkovic's politician in white--implying it is Milosevic, who is known for his preference for light-colored suits--is being beaten by primitives. The term "primitivism" is commonly used by politicians to describe "primitive nationalism" in Yugoslavia. Most major Yugoslav dailies commented that Serbia and Milosevic had taken a verbal "beating" at the 25th CC plenum. The politicians in black are handing out balloons of speech that resemble stone-age clubs.

### 3. Inflation and Decentralization

Summary: *Ethnic strife and decentralization have prevented the Yugoslav authorities from overcoming rising inflation. The example of Yugoslavia as a model for economic reform is an instructive and worrisome one for other countries in Eastern Europe.*

\* \* \*

At a time when the government and other politicians in the Soviet Union are speaking with trepidation about the prospect of an explosion in prices and when in Poland, where food prices have recently tripled, this fear has become a reality, Yugoslav inflation continues to soar. The latest official figure puts it at almost 790%.<sup>1</sup> Even this figure, however, does not convey the full reality: it has been reported,<sup>2</sup> for example, that Yugoslavs are now bundling up dinar notes and trading their volume for hard currency. Despite repeated assertions by various Yugoslav public officials over the past few months that they were on the verge of halting inflation, neither the previous government of Branko Mikulic nor the current one under Ante Markovic has shown any ability to do so. The reasons for this failure say much about Yugoslavia's difficulties in instituting market reforms and present a grim picture for the Poles and Soviets to contemplate.

Yugoslavia, like Poland, is suffering from the heavy borrowing of the 1960s and 1970s. Its current external debt, though it has decreased somewhat, still exceeds \$19 billion. A rapidly declining standard of living has accompanied the country's attempts to service this debt. Political pressure on the government to do something about the situation has forced it to accept the demands of the World Bank and the International Monetary Fund that the Yugoslav economy become more market-oriented.

As a result, for quite some time Yugoslav politicians have almost all at least paid lip-service to the principle of economic reform. No matter what part of the country they represent or their ideological affiliation, these politicians all maintain that the economy must be freed from bureaucratic and party interference. There have consequently been a number of moves to increase private initiative, including the setting up of more joint ventures; the elimination of many restrictions on foreign-owned businesses; and slightly greater flexibility in dealing with the work force. Nevertheless, these and other reforms, together with concurrent attempts to rein in state spending, have so far done little to bring down inflation.

The cause of this ineffectiveness, besides residual bureaucratic and ideological inertia, lies principally with the decentralized system created by Josip Broz Tito, a system that

in essence established a series of ethnically-based separate republics within a formal Yugoslav federation. By placing political and economic power in the hands of the governments of the various republics, control was shifted but did not disappear; it was merely transferred to the regional level. Therefore, instead of one centralized party and state bureaucracy directing and deadening the economy, Yugoslavia has multiple smaller bureaucracies competing against one another for slices of the federal pie. It is in the interests of the officials of these republican agencies to get as much money as possible from the federal treasury, because their dispersal of these funds is the source of their power and position.

Decentralization has thus had two main effects: it has increased the sense of ethnic identification of the people in the republics and provinces; and it has prevented the central government, which exerts limited influence at best in the republics, from controlling public expenditures. The inevitable upshot is an inability to control price rises.

The principal task that the Markovic government set for itself when it took office in March 1989 was the halting of inflation. At that time the inflation rate was less than 400%. The government has continued to speak optimistically about overcoming the problem by the end of the year, but such assertions have recently been tempered with caution. For instance, on June 1 Yugoslav Trade Minister Nazmi Mustafa said that it would take "maximum liberalization" to correct the problem.<sup>3</sup> The only hope for such a radical policy lies with the Extraordinary Congress of the League of Communists of Yugoslavia in December. Nonetheless, nobody can realistically expect the Yugoslav politicians to overcome their deep divisions sufficiently to tackle such an immense problem as inflation.

Over the past year there has been increasing opposition from Croatia and especially Slovenia to rising Serbian nationalism and to its champion, the Serbian State President Slobodan Milosevic. In addition, changes in some of the republican leadership and conflicting advice from the ultimate arbiter, the army, have added to the sense of uncertainty in the country. Furthermore, in early July the plan presented by the Markovic government to restrain the budget was blocked temporarily by Serbia, which argued that the cuts fell too heavily on the poorer areas of Yugoslavia. On July 14 Serbia did finally approve the budget with some upward revisions. This exemplifies the political morass from which the LCY congress must extricate Yugoslavia in order to pry the economy loose from excessive bureaucratic control over spending.

Any country that has similar problems must view the Yugoslav situation with concern. Poland can, perhaps, take some comfort in the fact that Yugoslavia's inflation rate has not yet caused widespread civil unrest. The Kremlin, however, which confronts a potential nationalities crisis even greater than



Yugoslavia's, must regard with some anxiety the prospect of decentralization, ethnic hostility, and inflation combining to erode the cohesion of the state.

David Goodlett

- 1 *Vjesnik* (Zagreb), 28 June 1989.
- 2 *Vecernje Novosti* (Belgrade), 26 June 1989.
- 3 *Tanjug*, 1 June 1989.

#### 4. Milosevic's Public Loan Program: a Boost or a Boondoggle?

Summary: *Serbia recently adopted a public loan program, ostensibly to promote economic reconstruction; but some feel it may be used to extract money under pressure for dubious ends.*

\* \* \*

On June 20 the Serbian National Assembly adopted a proposal by the republic's State Presidency and its Commission for Economic Reform for introducing a public loan program, allegedly to rebuild Serbia's failing economy. The force behind this move is Serbian State President Slobodan Milosevic, who also heads the commission. The program is to be financed by the sale of bonds. The plan has already run into criticism; and some feel that the bond sales are little better than a forced additional tax and, perhaps most important, that much of the money may never be put to the use for which it is supposedly intended.

The program, whose chief architect is the economist Zoran Pjanic, a member of Milosevic's economic reform commission, has been touted in the pro-Milosevic daily *Politika* as a significant contribution toward market-oriented reforms through the promotion of private ownership and the prospect of profits as a basis for revitalizing the Serbian economy. The public loan program is also Milosevic's first major attempt to implement economic reform in Serbia. A former banker, he has frequently expressed support for market-oriented reforms; but such views do not seem in keeping with his generally illiberal political views, which stress toughness and Serbian nationalism. It remains to be seen whether this contradiction is more apparent than real.

Reform or Propaganda? It is commonly said in official circles in Belgrade that the Serbian loan program has "opened the road to optimism . . . and has restored the public's confidence" in the political leadership and that this has "laid the foundations of a way out of the economic crisis."<sup>1</sup> The program is being praised both as a market-related reform and as a means of helping to revive Serbia's economy, but both of these claims are open to dispute. It will depend on raising huge amounts of dinars as well as up to \$1 billion in hard currency in the form of bond sales to Serbs abroad. The program has been said to be "in line with the market approach to the program of social reform," and the Belgrade media have clearly stated that it was initiated and spearheaded by the Commission for Economic Reform headed by Milosevic. The loan program is also seen as a major contribution to the "revival of Serbia's economy." This so-called revival will require financial aid, and bond sales of up to \$1 billion in foreign currency and 2,000 billion dinars (current exchange rate \$1=18,300 dinars) will be needed to begin the program.<sup>2</sup>

One objective is to promote new investments and development projects, and this is linked to the expected discontinuation of the system of "self-managing communities of interests [SIZ],"<sup>3</sup> one of the pillars of the system of socialist self-management. The SIZ is a body of interest groups dealing respectively with culture, education, health and welfare, housing, science, transportation, and public utilities. As is typical for Yugoslav reform projects, this aspect, too, remains vague and uncertain.

The public loan program is supposedly commercial, but it is "also an act of patriotism."<sup>4</sup> As stated in the program's regulations, the funds are intended "solely for new programs and may not be used for bailing out unprofitable enterprises or consolidating the Serbian economy, which is burdened with heavy losses" and is approaching bankruptcy. Funds from the program will be distributed only "to the most productive enterprises and investors" and "will be used only for financing projects capable of generating high profits, regardless of whether they are in the socialized or private sector of the economy."

This may be the law; but in the past, loopholes in the federal bankruptcy laws enabled unprofitable enterprises such as the Smederevo Iron and Steel Works to continue operating (the company has been unable to generate profits since the mid-1960s). Some critics suspect that bailing out unprofitable but politically important, white-elephant industries might actually be the undeclared intention of those who devised the scheme.

Great emphasis has also been placed on attracting foreign investments from Yugoslav workers and businessmen living abroad. The declared idea is to encourage the expansion of private ownership, which was liberalized by the federal constitutional amendments of November 1988. The Serbian government has asked Yugoslavs working abroad to invest voluntarily at least one or two months salary in the public loan program, and pressure has reportedly been intense.<sup>5</sup>

Subscriptions to the loan bonds can be taken out between 26 June and 20 December 1989 and can be paid either in six instalments or all at once. Payments are accepted from 26 June through 25 June 1990 and may be paid in currencies, precious metals, valuables, or securities. Interest on dinar accounts will be paid out every two years on the basis of a floating rate; and interest on deposits in foreign currency will correspond to the interest rates paid in the country from which the money comes. The repayment period for the loans is 10 years; the first dividends on the bonds will be paid on 30 June 1994. Repayment will be in dinars or, if the bonds were bought abroad, in foreign currency.

Since June 26 *Politika* has carried accounts of the subscription drive every day and has listed the names of the subscribers and contributors and the amounts given. The contributors range from guest-workers in Western Europe to professionals in the United States. Two brothers living in Winnipeg paid \$103,755 (Canadian) into the public loan program. Several sport clubs in Serbia bought bonds, including Serbia's top soccer teams. Up to \$200,000 was given in gifts from Serbs throughout the world. *Politika* published an article about the first Serbian public loan program in 1876, when capital was required to pay the Serbian Army at the time of the Eastern Crisis of 1875-1878. Within three months the 1876 program's goals were achieved.

Despite all the propaganda involved in the current drive, however, a government committee in charge of overseeing the program concluded on July 5 that it had not been promoted sufficiently. The committee, which was set up by Serbia's National Assembly and consists of bank and government officials, economists, and private businessmen, proposed that the resources raised through the scheme should also be used outside Serbia.<sup>7</sup>

Reactions. The program has come in for criticism on a number of grounds. First, some feel that it is too ambitious and is bound to fall short of its targets and hence prove disappointing. Skeptics have, in fact, warned that Serbia's public loan program will fall short of the funds it hopes to raise. In the first 10 days of the bond sales, 19 billion dinars, \$3,000,000, and about DM 2,000,000 have been either pledged or deposited into the program.<sup>8</sup> At that rate, the program will barely be able to generate \$200,000,000 by December 20; and the dinar amount, even if the set goal is achieved, will substantially lose in value through inflation and devaluation.

Second, some ask bluntly what will actually happen to the money once it is collected. The Serbian government has not proposed any projects for injecting the money back into the economy, although the government has clearly stated that projects will be introduced soon. Miroslav Solevic--the Serbian nationalist and organizer of numerous "antibureaucratic" and pro-Milosevic rallies in the Vojvodina, Kosovo, and Serbia--said, "I am skeptical of the loan program for the Serbian economy; but I donated anyway, because I am a Serb."<sup>9</sup>

There has been other criticism as well. According to the Belgrade tabloid *Vecernje Novosti*, there has been "unfounded criticism of Serbia's public loan program" in Croatia over the "tasteless advertisements in the [Serbian] media" to promote the program.<sup>10</sup> The Zagreb daily *Vjesnik*, however, pointed to the possible dangers of the public loan program. It said that the Serbian government had "floated a loan for the revitalization of the republic's economy without informing either the Prime

Minister [Ante Markovic] or the federal government about it." Without elaborating, the daily warned that "such a move could, in effect, prove inflationary, despite the good intentions of the propagandists at the *Politika* publishing house."<sup>11</sup>

The Ljubljana dailies *Delo* and *Vjesnik* have also reported that a work collective in Skopje, the capital of Macedonia, was pressured into contributing to the public loan program. The dailies alleged that the transportation firm Makosped had been forced to pay some \$28,000. Company officials denied this, saying that it was "sheer stupidity" and that the firm along with its affiliates in Serbia, Kosovo, and Vojvodina had made its contributions voluntarily.<sup>12</sup>

Despite the media coverage, it appears that officials in the more economically developed republics of Slovenia and Croatia are restraining themselves from criticizing the nature of the Serbian move. They may, like the Montenegrins and Macedonians, adopt a wait-and-see attitude while discussing the pros and cons of implementing their own public loan programs. Meanwhile, experts have yet to determine whether Serbia's program is economically sound or is purely a political move. The vagueness of the proposals for what is to be done with the money together with the aggressive tactics used in collecting it in the first place suggest that healthy skepticism is perhaps in order.

Milan Andrejevich

1 *Politika* (Belgrade), 21 June 1989. Only July 18 the Serbian State Presidency's Commission for Economic Reforms also proposed the introduction of a stock market as a means of opening up Serbia to the world capital market. A program for this is expected to be announced by late August.

2 *Ibid.*, 20 May 1989.

3 *Ibid.*, 22 June 1989.

4 *Zajam za Privredu Srbije* [The Loan for the Economy of Serbia] (Belgrade: The Republican Committee for Information of the Socialist Republic of Serbia, June 1989).

5 *Politika*, 20 May, 21 and 22 June, 3 July 1989.

6 *Ibid.*, 22 June 1989.

7 *Ibid.*, 6 July 1989.

- 8 *Ibid*, 7 July 1989. From June 26 to July 18, \$4,114,000 and 24 billion dinars were paid into the program (*Borba* [Belgrade], 19 July 1989). By July 27, one month into the program, the figure was only \$5,800,000 and nearly 31 billion dinars (*Vecernje Novosti* [Belgrade], 29 July 1989).
- 9 *Dnevbik* (Ljubljana), 12 July 1989.
- 10 *Vecernje Novosti*, 28 June 1989.
- 11 *Vjesnik* (Zagreb), 13 July 1989.
- 12 *Politika*, 9 July 1989.

## 5. Serbian "Isolation" of Albanian Prisoners Criticized

*Summary: The Serbian policy of holding Albanian prisoners without filing charges against them and under conditions that often appear to involve the use of torture has come under attack.*

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In recent weeks opposition to Serbia's so-called isolation policy toward some prisoners has increased. This policy allows the police to confine indefinitely individuals who have not been charged with a crime; the prisoners can be kept in a prison or elsewhere and are apparently subjected to appalling conditions and inhumane treatment, including torture. The policy was used extensively in March 1989 during the Serbian crackdown in the province of Kosovo, which had enjoyed constitutionally guaranteed autonomy from the republic of Serbia since 1974. The Albanians often appear to have been taken from Kosovo to jails in Serbia proper for their "isolation," and the brutality shown them was vividly described by a retailer of fruit and vegetables who survived the ordeal and was eventually freed.

Although isolation is permitted under the Yugoslav criminal code, it has been used only rarely, mostly during the riots in Kosovo in 1981. In anticipation, however, of amendments proposed to the Yugoslav Constitution that were aimed at reasserting Serbian supremacy over the province, Albanian miners in Kosovo began a series of strikes and demonstrations in November 1988. The display of Albanian anger over the loss of autonomy helped to fuel Serbian nationalism, which was carefully encouraged by the Serbian political leadership under Slobodan Milosevic and the media under his control. Milosevic promised in February that the leaders of the protests would be arrested.<sup>1</sup>

After the amendments were finally ratified in late March, the strikes turned to riots. At least 24 people were killed in the ensuing violence between Albanian protesters and the police and federal militia. The Serbian police authorities, in line with Milosevic's pronouncement, set out to capture not only those who had participated in the violence but also anyone suspected of "Albanian nationalism and separatism." The authorities seem to have made wholesale arrests, which included Azem Vllasi, who had been head of the Kosovo provincial communist party until April 1988. Vllasi was subsequently charged with "counterrevolution," a crime theoretically punishable by death. In addition, approximately 240 Albanian nationalist intellectuals, writers, and businessmen were placed in "isolation," sometimes merely for advocating opposition to Serbian control of Kosovo or even for simply feeding the strikers and demonstrators.

Protests Emerge. Opposition to this confinement tactic soon began to emerge. On April 8 the Kosovo Human Rights Committee somewhat predictably criticized the trials of the Albanian demonstrators.<sup>2</sup> On April 18 the Slovene PEN Center accused Serbian and other Yugoslav authorities of violating the rights of Yugoslav writers and intellectuals; they singled out Kosovo Albanians as victims.<sup>3</sup> As part of a general criticism of laws which are used to restrict Yugoslav political activity, the Belgrade-based Yugoslav Human Rights Forum on May 10 questioned the policy of isolating prisoners.<sup>4</sup>

The tone of the criticism sharpened in June. The Zagreb daily *Vjesnik* of June 11 published a scathing account of the arrest and confinement of one of the victims of "isolation," the vendor of fruit and vegetables charged with giving food to striking Albanian miners. On June 22 the Serbian Writers' Association, an organization that had frequently supported both Milosevic and Serbian nationalist arguments, denounced the "isolation" of prisoners in an open letter to the Belgrade daily *Borba*.<sup>5</sup> This was the first public criticism of the policy to appear in a major publication within Serbia itself. Two days later Zivko Gruden, a writer for *Vjesnik*, added his voice to the growing chorus of criticism; and on June 26 *Vjesnik* printed another attack.

Throughout this period domestic criticism has been buttressed by denunciations from abroad. In mid-May, for instance, Helsinki Watch denounced the "isolation" measures against Kosovo Albanians.<sup>6</sup> Amnesty International condemned the policy.<sup>7</sup> Both the European Parliament and the United States House of Representatives have passed nonbinding resolutions critical of human rights abuses in Yugoslavia and specifically the treatment of Kosovo Albanians.

Since the crackdown in Kosovo, the Yugoslav authorities have either maintained that the police tactics amount to preventive detention and are quite constitutional; that criticism of them from abroad amounts to unjustified interference in Yugoslav affairs and is unfair, given Yugoslavia's excellent human rights record; and, more recently, that the issue is irrelevant, because all prisoners in "isolation" have been released. On July 17 Kosovo's Minister of Internal Affairs Jusuf Karakusi claimed that there were no more such prisoners.<sup>8</sup>

New Revelations To come? Most critics are unconvinced by such statements. On July 18, for instance, Yugoslavia's official writers' union attacked the policy of "isolation."<sup>9</sup> Indicating, perhaps, that the leadership is sensitive about the subject, the Yugoslav news agency, Tanjug, reported on July 19 that the authorities in the Serbian city of Leskovac were investigating 12 prison staff members for use of force against Albanians interned there in late March. This action, whatever its intent, is scarcely likely to dampen the criticism.



The Serbian authorities no doubt find this attention embarrassing. The opponents of "isolation" and of other practices directed against the Kosovo Albanians are equally determined to press their point. This struggle reached a peak of sorts with the discovery made by *Borba* on July 14 and published the next day that Azem Vllasi plans to request that five major political figures testify at his trial scheduled for this autumn, although Yugoslav State President Janez Drnovsek hinted on July 27 that the trial was in doubt.<sup>10</sup> The best-known name among the five is Slobodan Milosevic, with whom Vllasi had a long, private conversation shortly before his arrest. The prospect of such a confrontation heightens both the drama of the controversy over Kosovo and its potential stakes.

David Goodlett

- 1 *Borba* (Belgrade), 1 March 1989.
- 2 *Delo* (Ljubljana), 8 April 1989.
- 3 *Borba*, 29 April-2 May 1989 (holiday issue).
- 4 *Tanjug*, 10 May 1989.
- 5 *Ibid.*, 22 June 1989.
- 6 *Helsinki Watch*: Update on Yugoslavia, 15 May 1989.
- 7 *Amnesty International Newsletter*, July 1989.
- 8 *Politika* (Belgrade), 18 July 1989.
- 9 *Tanjug*, 18 July 1989.
- 10 For Drnovsek's comments, see *Borba*, 28 July 1989.

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