

Debt crisis lights fuse on Yugoslavia

by Konstantin George

Yugoslavia, wracked by ever-worsening financial indebtedness and an ethnic-separatist crisis, has become the late 1980s' "Powder Keg of the Balkans." The fuse has been lit and is getting shorter by the month. The main outlines of the crisis can be summarized as follows:

1) During 1987, 150% hyperinflation and collapsing living standards have caused over 1,000 strikes, involving 150,000 workers, a postwar record. Families are desperate, with consumer goods either in short supply or priced out of reach.

2) The foreign debt crisis came to a head in July when Yugoslavia was forced to halt debt payments. The de facto stop was officialized on Sept. 25, when National Bank governor Slobodan Stanojevic asked Western creditors for a repayment freeze on the \$20 billion foreign debt, until negotiations with foreign creditors are concluded. These talks are set to begin in late October.

3) The domestic debt crisis erupted in August with the bankruptcy of the Bosnian firm Agrokomerc, employing 13,000, which had accumulated some \$600 million in unsecured dinar debts, leaving a string of 63 Yugoslav banks holding the bag. One of them, the Bihac Bank in Bosnia, has already gone under.

4) As a result of the Agrokomerc scandal, Yugoslavia's vice president and Bosnian leader, Hamidja Pozderac, has been forced to resign. Pozderac had been scheduled to become Yugoslavia's next President in spring 1988, according to the annual rotation. Forty-two members of the party in Bosnia have been expelled, the leadership of Agrokomerc, including the brother of Pozderac, have been arrested, and Central Committee members are demanding the firing of Yugoslavia's finance minister and National Bank head for having "covered up" the scandal.

5) Albanian separatists in the Kosovo region of Serbia escalated actions this summer, staging riots in front of army garrisons in Kosovo, and murdering Serbian conscripts of the Yugoslav Armed Forces.

The army warns

September saw a dramatic rise in Serbian nationalism, and the military leadership issued open warnings to Yugoslavia's civilian party leadership to restore order, or else. Yugoslavia's largest ethnic group, the Serbs, are 40% of the population, the vast majority of the officer corps, and nearly

all the top leaders of the Armed Forces.

The warnings began in a Sept. 24 speech by Adm. Branko Mamula, Yugoslavia's defense minister, on the 50th anniversary of Tito's rise to leadership of the Yugoslav communist party. Mamula gave what amounted to a coup warning, by stating, "The problems in our country are growing uncontrollably, to a point which surpasses the leadership's ability to control them. The crisis is approaching the point at which the country and the existing social system may be endangered."

The next day, Army Maj. Gen. Georgiye Jovovic stressed in the party daily *Borba*: "The party and its leadership have for a long time, not given us any clear answers to the problems of the people. The helplessness of the Party has strengthened anti-socialist forces."

Mamula, immediately before his speech, had revealed for the first time the extent of Albanian separatist penetration of the Armed Forces. He disclosed that since 1981, when the Kosovo riots first erupted, 216 illegal groups involving 1,435 ethnic Albanian soldiers in the Army had been smashed. They had planned to murder officers, poison food and water supplies, steal weapons, and incite armed rebellion in Kosovo, which borders on Albania. Here, he delivered his first pre-coup warning: "The Army cannot allow itself to sit on such a mine and wait until someone lights the fuse."

He was not exaggerating the severity of the Kosovo crisis. In early September, an ethnic Albanian conscript ran amok in a barracks near Belgrade, killing four other soldiers. After that, inside Kosovo, hundreds of Albanian separatists staged stone-throwing demonstrations for the first time in front of army barracks in three Kosovo towns—the capital, Pristina, and Djakovica and Urosevac.

The victims of the Albanian rampage in Kosovo have been the region's Serb and Montenegrin minorities. The failure to deal with separatism has triggered the unstoppable rise of Serbian nationalism, leading in September to the decisive victory by Serbian nationalist hard-liners in the Serbian section of the Yugoslav Party.

On Sept. 24, hours after Serbian Defense Minister Mamula had issued his blunt warning, the 154-member Serbian Central Committee concluded a televised meeting which routed the moderates in the Serbian Party. Dragisa Pavlovic, the leader of the Serb moderates, and head of the Belgrade City Party, was expelled from that post and from the Central Committee as well. Only eight members of the Central Committee dared to vote with him. The Serbian Party is now totally in the control of Serbia's president, Slobodan Milosevic, the leader of the Party's hard-liners.

The combination of the Serbian-run military and the nationalist Serbian Party leadership staging a coup in the very near future is generally ruled out. The bluntness of the Army's warnings is seen as evidence that an immediate coup is not planned. However, should the situation continue to worsen over the next 6-8 months, a coup is a near certainty.