Yugoslavia: a prey to IMF dictates

by Luba George

Widespread protest strikes have erupted in Yugoslavia over a government-imposed wage freeze at the beginning of this year. The wage freeze marked the government's capitulation to a nasty chain of blackmail by the International Monetary Fund (IMF) and Western creditor-banks. The banks had told Yugoslavia that it must come to terms with the IMF in 1987 for an IMF standby credit as the precondition for rescheduling of Yugoslavia's debt to the bankers. The IMF made the standby credit conditional on a wage freeze.

There is only one problem with the wage freeze scheme. Yugoslavia in 1987 has been hit with a 130%-plus annual inflation, or shall we say hyperinflation, rate. No wonder then that Yugoslavia is undergoing the most concentrated outbursts of strikes in recent years. In one week alone in March, some 70 work stoppages involving over 11,000 workers occurred, Labor Minister Dr. Janko Obocki told a press conference on March 17. Roughly half the strikes took place in the more prosperous republic of Croatia. Meanwhile, Finance Minister Svestozar Rikanovic has, according to reports, "no intention" of rescinding the new law which virtually freezes wages at their average level in the last quarter of 1986.

Branko Gretic, executive secretary of the Croatia section of Yugoslav trade union confederation, said: "In the past 15 years not a single measure has caused as much turbulence as this law. We've never experienced anything like it in this country."

The most recent social-economic upheavals, reports London's *Financial Times,* come at a critical "break point" in Yugoslavia's debt rescheduling agreements with the IMF creditors. The banks, having agreed to continue their rescheduling of some $3.5. billion in debt due in 1985-88 beyond the end of this month, have made it clear that they will only continue their relief agreements if the country gets a "favorable progress report" from the IMF, which last year undertook to provide "enhanced monitoring" of the Yugoslav economy. And the latest IMF report discussed by the Fund board in mid-March was, observers report, "distinctly unfavorable" because Yugoslavia has "not gone far enough" in implementing its austerity measures and is resisting the reign of the "free flow of the market forces."

Future scheduling arrangements are due to be discussed with Yugoslavia in Paris March 30. Some Western governments are said to be suggesting that Yugoslavia should return to "full-fledged IMF supervision" under a standby credit program, for added pressure.

Yugoslavia's debts, according to official announcements, are at $20 billion. Its annual official inflation rate, at 130%, is the highest in Europe—and real wages have been reduced by more than half. An "explosion of prices" has hit the country's staple foods, with the price of bread and meat undergoing increases several times in one-to-two week periods. Unemployment, now at nearly 14%, continues to spread. In both the workers' self-management, based on "respect for market laws," and the state-controlled development enterprises, there has been a sharp drop in labor productivity. In the period from 1980 and 1985, annual average labor productivity was minus 0.4% in general and 3.5% in the state sector.

Indicating alarm at the way things are going in Yugoslavia, a 74-page draft memorandum, "The Crisis of the Yugoslav Economy and Society," produced by the Serbian Academy of Arts and Sciences last October, warned that the current crisis, with "no solution in sight," might "end up in social upheavals with unforeseen consequences," even including "the disruption (dismemberment) of the Yugoslav state." The document provoked a strong reaction from Yugoslav government circles and was banned soon after it came out. The general ordering of belt-tightening, concludes the report, will ensure that the crisis will become political.

The prospects

The hyperinflation is causing social chaos especially in Yugoslavia's western, industrialized republics of Croatia and Slovenia. The Belgrade government's capitulation to the IMF is thus aggravating the strong centrifugal tendencies in the Yugoslav Federation. Barring a dramatic policy shift, where Yugoslavia would follow Brazil's debt moratorium example, the prospects for the already unstable country look grim.

For the past few years, Yugoslavia, ruled by a weak government—a presidium, where the prime minister is chosen on an annual rotating basis—has responded to the debt crisis by a combination of austerity and shifting foreign trade toward the Soviet Union and the Comecon. Now, over half of Yugoslavia's foreign trade is with the Comecon (compared to about one-third in the 1970s) and its largest foreign-trade partner is the Soviet Union.

IMF policies toward Yugoslavia have thus brought us to the verge of a mini-"New Yalta" in the Balkans. Yugoslavia, propelled into growing dependence on the East bloc, is shifting toward eventual reintegration into the East bloc. The alternative, growing in likelihood with each year of austerity, is fragmentation, with the western republics of Croatia and Slovenia seceding. In either case, the Balkan part of Europe's map would be redrawn in Moscow's favor.