

Prices explode in Yugoslavia

by Rachel Douglas

"Almost two-thirds of our population are 'squashed' somewhere between starvation and poverty," reported the Yugoslav daily *Borba* on Aug. 4. That already deep depression gets magnified every single day in Yugoslavia, by a dizzying sequence of price increases.

As *EIR* projected earlier this year (May 27 and June 10 issues), austerity, imposed for the sake of servicing the foreign debt, has led by summer's end to new levels of misery and a heightened threat of unrest in the Eastern Mediterranean country, strategically located between the nations of the Warsaw Pact and NATO. On Aug. 25, ruling party (League of Communists) official Stefan Korosec warned of "a latent danger of a social explosion."

On Aug. 3, prices for bread went up and the price of another staple, cooking oil, increased by 66%. Train fares rose by 39% to 70%. These startling jumps are par for the course in Yugoslavia, where the government plan to limit the inflation rate to 95% this year is in shambles. On Aug. 22, *Borba* reported the inflation rates, shown in **Table 1**, released by the Federal Price Institute.

This "huge breach of the envisaged annual rate of inflation," observed *Borba*, portends "a drastic fall in personal income and the standard of living in general."

More price increases and food shortages are certain. By Aug. 12, according to the *Financial Times* of London, as much as one-third of this year's agricultural production in Macedonia, Yugoslavia's poorest republic, had been lost because of drought. On Aug. 5, the official news agency Tanjug reported that Macedonia had been hit by "one of the most severe droughts since the war," and that the republic had suffered water shortages because the Vardar and other rivers were so low.

On Aug. 20 and 21, Tanjug said, rain fell in the country

after two months of dry weather. Tanjug reported that the drought, "the hardest in 30 years, not only decimated this year's yield but also threatens to damage the next sowing in certain regions. The rain soaked only the northern and western parts of the country, still avoiding the south, which is threatened the most. . . . Scorched grass, lodged rice, burned vineyards: That is the picture . . . in most parts of Yugoslavia."

Much of the destroyed grain and other products, Tanjug noted, was intended for export. With a foreign debt of nearly \$20 billion, Yugoslavia sells food to earn foreign exchange—even as its citizens do without.

Quarrels over scarce resources

The "social explosion" danger mentioned by Korosec stems also from rekindled conflicts among the six republics of Yugoslavia, each inhabited by a different main ethnic group, which conflicts are further aggravated by the economic straits. When the Serbian party chief, Slobodan Milosevic, stated in a July 3 interview, that Serbia needed constitutional changes to give it more power over its two non-Serb provinces, Kosovo and Vojvodina, he gave an economic justification: "Serbia must pull itself out of its economic backwardness and must constitute itself as a state, which is to say as a republic. . . . Serbia did not take onto itself to have two provinces in order to be a second-class republic."

The response from Slovenia, one of the more industrialized republics, was a string of charges that the Serbian party organization was out to create a "Greater Serbia," to dominate Yugoslavia and bleed the better-off regions. "The present events in Serbia . . . mean not only a deepening of the Yugoslav economic and political crisis," said a Slovene *Delo* columnist on July 20, "but also by far the most serious destabilization of the situation in Yugoslavia since the war."

In Montenegro, the small republic on the Adriatic coast, Prime Minister Vuko Vukadinovic threatened to resign, if the federal government did not pay a fee compensating for "the differences between the rate of exchange of the [Yugoslav] dinar against the convertible currencies." Workers from the Niksic Iron and Steel Works had come to him, saying that their firm would not survive without the compensation, lack of which raised "the question of confidence in the federal government."

A Slovenian government commission is proposing a radical reform under which foreigners could buy shares in Yugoslav companies. This would surely mean even greater looting from abroad. Slovene economists anticipate a big fight, to get the other republics to accept this scheme.

Another nasty fix for the resource squeeze, put forward by national party presidium member Franc Setinc, another Slovene, is to enforce population growth reduction on the poorer, most deficit areas. He demanded that this start with Kosovo, the mainly Albanian-ethnic province of Serbia, where, "on the basis of the present birth rate," no help from Yugoslavia would be adequate to sustain development.

TABLE 1
Yugoslav inflation rate

	July 1988 above June 1988	July 1988 above July 1987
Retail prices	+ 11.2%	+ 188.9%
Services prices	+ 11.2%	+ 180.3%
Cost of living	+ 8.2%	+ 189.5%