

INSTITUTE OF CURRENT WORLD AFFAIRS

AS-22
Yugoslav Ferment.

Birčaninova 28b
Belgrade, Yugoslavia
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Mr. Richard H. Nolte
Institute of Current World Affairs
366 Madison Avenue, New York 17, N.Y.

Dear Mr. Nolte:

The last two months have really been rather remarkable so far as Yugoslavia is concerned. Not that the man in the street has been much affected; "they" are criticizing among themselves, is his reaction to the unusual flood of "criticism and self-criticism" in the press since early February. Nevertheless, the period has been filled with a kind of drama-behind-drawn-blinds: one hears some of the shouting, one knows the roles of the chief protagonists, and one can begin to adduce the rest.

At the end of 1963, Marshal Tito seemed on top of the world. Official production indices were going up, up, up; the Marshal had himself seen both Khrushchev and Kennedy in the course of the fall; Yugoslavia was collecting tolls on each side of what Dennison Rusinow calls its "triborough bridge" foreign policy (east, west, non-aligned). Now, suddenly, leap year has brought unpleasant surprises. The "second Belgrade" conference of non-aligned will be held in October in Cairo; but in March will follow the "second Bandung" of Afro-Asians including China. In the struggle over the two formulas, Yugoslavia appears to have lost Indonesia, one of the wheels which made the Tito-Nasser-Nehru-Sukarno vehicle appear



TITO WITH BEN BELLA



PEASANT WOMEN IN BOSNIA

so sporty. To be sure, a putative spare, Ahmed Ben Bella, was here last month and pleased his hosts with many fine words (including a rather far-fetched comparison of Zagreb, the old Hapsburg Agram, with Kabylia). But the charming Algerian took much of the luster off his visit, and off the entire concept of "non-alignment," by flying off immediately to General de Gaulle in Melun -- thus making it clear that at least one experiment in "Arab socialism," "workers' self-management" and "active coexistence" exists solely à la souffrance de France.

Nor has the Sino-Soviet split turned out quite satisfactorily from the Titoist standpoint. For perhaps six years, the Yugoslavs have been working to bolster Khrushchev and bring the U.S.S.R. to their way of thinking; for three years, they have been fighting to prevent a repetition of the "rotten compromise" of November 1960. Now the Rubicon has been crossed by both Moscow and Peking; and what should happen but that Khrushchev, Janos Kadar and others have begun talking of "new forms of organization," "strengthening unity" and the like to present a solid "front" against the Chinese? The word "bloc" (the Yugoslav horror of horrors) has not yet been actually heard, but a considerable number of euphemisms have; and so the Yugoslavs, who have enjoyed the confused, de facto polycentrism of recent years, may again be presented with the demand: In or Out; only this time they will not have Mao Tse-tung's presence as an alibi for refusing to come in. Like the bear, they have climbed over one mountain only to see another. To be sure, Togliatti, Gheorgiu-Dej, perhaps Gomulka will also work against construction of a new "bloc"; but the problems if they succeed may be more difficult than if they fail. And how can Tito play a broad hand in the game if the rumor is true that Yugoslavia has been buying Soviet MIGs; for, this information once in the hands of the American Congress, his traditional fall-back position is considerably weakened.

Yet it is on the domestic front that matters have developed most unpleasantly. We have already reported some of the early stirrings among intellectuals and in the party middle-ranks (AS-21). In the past eight weeks, the ferment has been considerably greater. More has appeared in the Yugoslav press of real value in this brief period than in the preceding year and a half. All sorts of cats have been let out of the bag -- some of them deliberately by the united party leadership as part of a campaign to alter economic policy, some with equal deliberateness by "some people" wishing to assert their own viewpoints. Consider briefly the following:

+ "Our workers have shown many signs of dissatisfaction with the present state of affairs," said Mr. Edvard Kardelj, President of the Federal Assembly. He thus confirmed earlier reports of work stoppages over low wages in Slovenia and elsewhere, and his confirmation has since been reconfirmed more explicitly by Miha Marinko and Vida Tomsic, the party and government leaders in Slovenia.

+ Svetozar Vukmanovic ("Tempo"), the trade union boss, has revealed that the machinery in Yugoslav industry is being used only at 54 per cent of capacity. A French engineer who has built



Winter in Belgrade:
Marshal Tito Boulevard (above)
and Main Supermarket (right)



four major factories in Yugoslavia in recent years reports that only one is actually working, and that one at 40 per cent of capacity. One of the others, a cellulose and paper mill, cannot work because the so-called "poplar plantation" has only grown shoulder high, there is no road from the trees to the river, no barges on the river to bring the logs to the plant, and no unloading station near the plant itself. (All are "planned," of course.)

+ Boris Krajer, who seems to be the over-all supervisor of the economy despite interlocking bureaucracies, has announced that the livestock herd is smaller than in 1960, despite "energetic measures" in recent months (such as prohibition of early slaughter). This was no news to Belgrade, where veal and beef have been short, and meat prices rising, all winter.

+ "We must still ask gloomily," asked the Slovenian newspaper Delo, "how long we will go on being saved in exports by our traditional branches" -- i.e., leather and textiles. There was other evidence, too, that Yugoslavia had kept export totals rising not only by continued subsidies but also by pushing the very products (meat, lumber, ores, etc.) traditional for "bourgeois" Yugoslavia. The capital-intensive new industries, apple of the Titoist eye, have been rather a dud on the world market -- except for shipbuilding, a chancy game, and that under standards strictly enforced by Lloyd's of London.

+ Borba and Politika have revealed, inter alia, that despite heavy subsidies, 25 per cent of the nation's cooperative farms operated at a loss; that half the nation's 36,300 tractors are obsolete or inefficient and another 6,000 are retired from use because of the lack of spare parts; that in the Adriatic port of Split, food accounts for 61 per cent of the cost of living (food prices have been mounting fastest in the general inflation); that

in the Osijek district in Slavonia, as a result of last year's drive against private artisans (see AS-12), there is now one locksmith per 33,500 inhabitants, one plumber per 18,700, and one mechanic per 100,000.

+ A deputy in the Federal Assembly, Momcilo Cemovic, has noted that peasants currently pay eleven kinds of taxes: "income tax from agriculture, income surtax from agriculture, income tax on buildings, income surtax on buildings, cattle tax, labor instrument tax, draught vehicle tax, tax on alcoholic drinks, water contribution, health insurance contribution, tax on extra activities." ("I'm not sure there aren't others," the deputy remarked.)

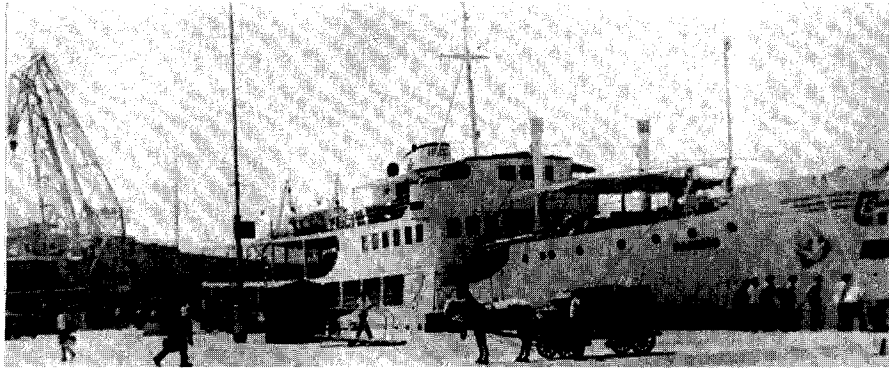
And so on: there are many other examples. None of the facts cited are really surprising to those who have spent some time in Yugoslavia; what is new is the manner in which they are being freely aired in official quarters.

What seems to have set all this off is not any change in Yugoslavia's position in the world or even a real, new crisis in her economy. There have been any number of crises lurking in the background during the most successful years, for it never has happened yet here that everything is going well at the same time; if exports are going up, real domestic consumption is usually being restricted, and if real wages are rising, the trade deficit is near the point of collapse, etc. These last months, prices have indeed been "soaring like an elevator while earnings have been climbing the stairs" (as one Belgrade editor put it). But, despite all the troubles thus far enumerated, both output and productivity have been rising rapidly since the fall of 1962 and there is (or should be) considerable leeway for improving living standards.

The ferment appears, rather, to originate from the impending necessity for the Communist leadership to chart Yugoslavia's future development -- and at a point when the country seems at or near the verge of "take-off" into self-sustained growth. This year was originally supposed to have been the first under a new Seven Year Plan (1964-70), but in fact that grand design has yet to be agreed on -- and not for want of discussion private or public. The current year's activity is therefore being based on a more or less linear projection of last year's trends; and it now appears that the Seven Year Plan will not be drafted until the party congress in November. Some believe that the congress (the Eighth, and first since 1958) has been summoned mainly to resolve the disputes which have already arisen over the plan.

What are those disputes really about? If one may use a Freudian metaphor, all of the facts and revelations thus far noted represent the "manifest content" of the disturbance, easiest to disgorge. The "latent content," it seems to me, can be summarized under three main questions, all closely-related.

The first, as almost everywhere, is how much of the national product to devote to investments and how much to popular consumption. Yugoslavia has lately been investing a third of its gross product (vs. 16% in the U.S.), and much of the recent discussion can be



RIJEKA PORT SCENE: READY FOR TAKE-OFF

boiled down to the simple cry: "Enough!" Marshal Tito has already pronounced himself in favor of a more modest investment rate, and so did the mid-March Sixth Plenum of the Central Committee. However, Tito spoke in like fashion at the Fourth Plenum two years ago, which duly resolved to economize, utilize internal reserves, rationalize investments, etc. (see AS-2). Somehow or other, despite the speeches of the Marshal and conclusions of that plenum, whether due to the inherent dynamics of the system or the machinations of the National Bank, the rate of investment has actually risen, not fallen, since 1962 and the squeeze on living standards has been all the greater. Altering this pattern will take major reforms, for which the entire party may not be ready, and some of which, ineptly applied, could risk a deflation as precipitous as the current inflation.

Yet, even assuming that there will be a slackening now in "accumulation," there remains a serious dispute over how living standards are to be raised: "directly" through higher wages, or "indirectly" through greater subsidies to housing, medicine, education, transport, etc. (Proponents of the "direct" policy have noted maliciously that in official statistics a new administrative building counts as an "indirect" raising of the living standard. I do not know how they count defense facilities, though it should be noted that Yugoslavia's defense budget has been increased year by year despite relaxation in the cold war generally and in the Balkans specifically.)

The second key issue is control of the funds. How much should rest with the Federal Government (specifically, at or under the control of the National Bank in Belgrade), and how much with the six constituent republics and the thousands of economic enterprises. During the late Fifties, there was a considerable decentralization of funds; but with the currency reform of 1960 and the economic recession of 1961, Belgrade reimposed control, raising all sorts of taxes, contributions and reserve requirements and pressing various mergers and associations ("integration") which tended to reinforce centralism. The Fourth Plenum again promised more funds for the enterprises, communes and republics, but in fact industrial enterprises this past year have been "netting" 2-3 % while raising output 15 per cent and productivity 12 per cent.

Finally -- and this issue largely illuminates the other two -- there is the question of how much money should be taken from the developed regions of the country in order to build up the underdeveloped areas. This question is so politically charged that it consumed a major part of the discussion surrounding the adoption of the new Constitution last year. The Constitution was supposed to have "depoliticized" the issue by providing for the creation of a special fund for the backward areas; yet neither the party high command nor the government nor the Federal Assembly has yet to come up with a generally acceptable idea on how to set up the special fund.



In fact, the "underdeveloped" question is none other than the old Yugoslav nationalities question in new, "socialist" form. For, roughly speaking, the economically advanced regions (above the straight line in the map at left) lie north of the Sava River and largely correspond to the former "Austro-Hungarian" territories. They are inhabited primarily by Croats

and Slovenes, although with important minorities of Serbs and Magyars. The least developed or pre-1912 "Turkish" areas (below the arc on the map) contain nearly all the Macedonians, Montenegrins and Albanians, and also a great number of Serbs. The situation in the middle belt -- the Dalmatian coast, Bosnia and Serbia proper -- varies considerably from locality to locality.

Naturally enough, the underdeveloped areas want continued subsidies and high investments; and they see in centralism -- tight control from Belgrade -- the proven means of getting them. (In fact, some 28 per cent of total Yugoslav investment has been going into the regions officially classified as underdeveloped.) The underdeveloped regions, particularly Bosnia and Montenegro, were highly over-represented in the Partisan movement and thus remain so in the central party apparatus; of course, centralism has always been a temptation to Serbia proper.

On the other side, the industrialized regions are for higher wages, decentralization of funds, and an "economic" rather than political approach to underdevelopment. Their spokesmen are primarily Croats and Slovenes, but also Serbs from Croatia and the Vojvodina. In the current discussion, they have been making the more striking public case -- possibly because they realize that their opponents control the central economic and political machinery.

Thus, the Zagreb newspaper Vjesnik recently revealed that, despite massive investments in the backward regions, the per-capita social product had, since 1949, increased more than twice as much north of the Sava (109,000 dinars) as south of that old frontier (49,000 dinars). Vjesnik also found that investment per industrial worker in Montenegro had been more than twice as high (6.6 million dinars) as in Slovenia (2.8 million) as of 1962 --



ZAGREB: Monument to Archbishop Strossmayer, 19th-century pioneer of "the Yugoslav idea"

although nobody denies that Slovene productivity is still more than twice as high. On the larger issues, Vjesnik revealed that while the total Yugoslav product between 1952 and 1962 had increased by 298%, investments had increased by 366%; that while national income over the same period had increased fourfold, the expenses of the state (read Federal) administration had increased 4.5 times, and personnel expenditures in the state administration 8 times; subsidies (presumably in 1962) amounted to 400 billion dinars, or 12% of the planned income. And so on.

There is considerable evidence that the "northern" leaders have had quite enough of this sort of thing, and are determined to make their stand on the pending Seven Year Plan. In a remarkable interview in the Belgrade weekly Nin (March 8), the Croat leader, Dr. Vladimir Bakarić, spoke contemptuously of backward village types who sought to "make a Vienna out of Titovo Korenice" (a mountain hamlet) and bitterly of "some people" with the outlook of "(General) Petar Zhivković and King Alexander" -- symbols of the pre-war Serbian dictatorship so widely resented in the north.

"People here are blaming us," Dr. Bakarić noted. "They say: 'You who are at the top, you never emphasize Croatia, you do not study the problems of the development of the Croat people -- and all for the sake of creating certain innovations which look to us very much those of Pero Zhivković.' Our reply to this has always been fairly mild...." More to the economic point, perhaps, Dr. Bakarić called attention to the 110,000 Yugoslav workers and technicians (two-thirds Croat, most of the rest Slovene) who have taken jobs in Germany, Austria and other Western countries; and has made it clear that the main reason for the exodus of some of Yugoslavia's most skilled personnel is higher pay abroad than at home.

At the Sixth Plenum last month, Dr. Bakarić maintained a prudent silence, but one of his rising young aides, Mika Tripalo (the former president of the Yugoslav youth federation), delivered a slashing attack on the "administrative centralization of funds." He blamed "bureaucratism in the state organs" for "unprofitable, irrational and often mistaken" investments, and demanded "at the congress" a complete "revision of the policy of distributing the national revenue, in favor of personal income and at the expense of accumulation."

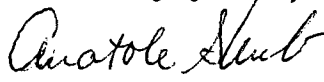
Surely one reason for the anxiety of the Croat and Slovene leaders is the very duration of the pending Seven Year Plan. By

1970, Marshal Tito, a Croat from the Slovene borderland and now 72, may no longer be at the helm; and the winter-book favorite for the succession is Vice President Aleksandar Ranković, a Serb from Serbia. Kardelj is rated too bookish; Dr. Bakarić has been ailing; the Croat Minister of Defense, General Ivan Gošnjak, has not made a significant political statement in living memory. What can the "north" expect if it loses the current fight?

Perhaps the most intriguing statement yet made in the current discussion was Dr. Bakarić's remark (in the Nin interview) that "the diplomatic aspect of foreign policy is an absolute monopoly of the Federation. But foreign policy is a concern of the peoples of Yugoslavia, accordingly all Yugoslavs must participate in its formation. Hence, we are just as much active participants as anybody else in this country in all that has been done in this regard. Moreover, in this respect the necessity for agreement is absolute.... The matter, if I may say so, is not so restricted to one Federal apparatus." Dr. Bakarić then gave the example of Croatian firms building factories in India -- but the example seemed rather timid. A Croatian friend gave a more appropriate illustration: Consider, he said, the agreements signed with Rumania to build a giant hydro-power station and navigation locks on the Danube at the Iron Gates. The project will consume a major part of the country's resources until 1970 at least; it will help mainly the Belgrade region and deprive of needed resources the Adriatic ports and the Bosnian links to them; that, said my friend, is why Dr. Bakarić, normally the mildest of men, felt compelled to talk of foreign policy.

No less eloquent than these statements has been the sudden spate of invitations and receptions tendered by Croat and Slovene republican officials to members of the Western consular corps in Zagreb and Ljubljana. The number and apparent warmth of such contacts have surpassed anything in recent memory. "Just a bit of insurance," my Croat friend comments, "one never knows what the future may bring."

Cordially yours,


Anatole Shub