

A NOTE ON YUGOSLAVIA: 1972

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On Kosovska Street, just around the corner from my apartment, bright blue parking meters were installed a month ago, another expansion of the limited parking zone in downtown Belgrade and another chapter in the Yugoslav capital's unending, losing battle with traffic congestion. The following day a different team of city employees came to repaint the white lines on the asphalt that demarcate individual parking places along the same street. When they were done, the shining new lines bore no relationship whatsoever to the positioning of the new meters. Meanwhile, drivers unwilling to feed dinars into the meters or unable to find a place by one of them continued as usual to park along our street, one row legally along the curb and two rows illegally, on the sidewalk on each side, sometimes blocking access to the doors of houses along what was, only five years ago, a peaceful, tree-lined oasis still largely innocent of the age of the automobile. It is, in any case, more sensible to park illegally: diligent metermen regularly patrol the metered areas, putting parking tickets on cars that have overstayed their dinar's worth of time, but ticketing or hauling away cars parked outside legal areas is the job of another division, whose officers have not visited our neighborhood once in the past year. A recent survey by a Belgrade newspaper found, on one morning, 22,000 automobiles parked in a downtown area with legal space for 10,000. The city is more like Rome every month.

Another glimpse of Yugoslav life, also characteristically involving automobiles, concerns the new road from Belgrade to the Iron Gates on the Danube. There the completion this spring of a joint Yugoslav-Rumanian dam, the largest in Europe outside the Soviet Union and a larger producer of electrical energy than any in the United States, has opened a new frontier crossing point for motor vehicles across the Danube, greatly shortening the

highway distance from Belgrade to Bucharest. Most of this new road, which is expected to carry a rapidly growing traffic burden, is a sensible 20 feet wide, the width that is obligatory for "first class" roads in Yugoslavia, but two sections, two miles and twelve miles long respectively, are for some mysterious reason (the press has hinted at corruption) only ten feet wide. The laws says that a road that narrow is a one-way road, and government inspectors have accordingly posted these sections as one-way, downstream. Local community officials, concerned about the fate of as yet nonexistent tourism and, more immediately, about a 100 mile detour from the downstream to the upstream end of the one-way section, are refusing to recognize or enforce the inspectors' ruling and signs. One even penalized a policeman for stopping wrong-way traffic. So the unsuspecting downstream tourist, observing signs, may with disastrous surprise confront an upstream bus around one of many hairpin bends on a ten-foot wide highway through the forest. Incidentally, the highway is high above the now submerged remnants of another road (seven feet wide) built through the gorge of the Iron Gates by the Emperor Trajan in the second century.

These stories are a superficial microcosm of the story of Yugoslavia in 1972: cars for many and ever more, freedom (or license) for most, and unplanned chaos for all; a premium for behaving illegally and the unavailability of a certain dose of illegality or at least extralegality if traffic—whether automotive, economic, or political—is to get where it is going and stop long enough to do business when it gets there.

A situation of this sort is not necessarily and so far has not been unproductive; it certainly involves



Parking congestion in Belgrade, 1972.

a quality of individual and collective freedom, initiative, and social mobility that many in other societies might envy; and Yugoslavs have historically been better at coping with chaos than with organization. On the other hand, the unpredictability of chaos and of arbitrary unenforcement of legal regulations are always nerve-racking and the limits of tolerability that they impose become narrower as a society becomes more complex, interdependent, and "modern." Yugoslavia today is quite far along the road of modernization, Yugoslav nerves are thoroughly frayed, and it is entirely possible that some key group or institution may find the present situation intolerable, take drastic action to restore order and stability—and be applauded by the majority of the citizenry.

How to Reach Consensus Without Agreeing

Awareness of this mood and a feeling that it is shared by some of the people who count, certainly

including President Tito and probably including the army, would appear to be a major reason for the curious fact that the latest edition of Yugoslavia's ever-changing political system, defying its own internal logic, is at least for the moment actually producing decisions and sometimes even implementing them. Such a state of affairs represents a dramatic change from the situation of 18 months or two years ago.

Then, as described in earlier Fieldstaff Reports, a progressive decentralization of effective decision-making power had given a de facto veto to the regional Communist Party and state leaderships of each of the Yugoslav Federation's six republics and two autonomous provinces. These, representing conflicting ethnohistoric and economic interests, were unable to agree on almost all important matters. The central administrative and Party apparatuses, thus paralyzed, were unable to take appropriate action to deal with persistent economic

problems, including intolerably high rates of inflation and unemployment, illiquidity, an unbearably large deficit in the balance of payments, and growing regional and individual inequalities in income, or with a largely consequent aggravation of political problems, including a growing volume of articulate dissent that tended to polarize around two alternative solutions incompatible with the present Yugoslav system: "neo-Stalinist" or "new left" demands for "real socialism" on the one hand and particularist and exclusivist ethnic nationalism on the other.

A number of efforts were made to break the impasse, usually on the personal initiative of President Tito, approaching his eightieth birthday but still the apparently irreplaceable linchpin of Yugoslavia and uncomfortably aware of the ominous future implication of that perception. One of the first such efforts was a 1969 attempt to achieve a moderate degree of recentralization within the League of Communists. It took the form of a new, supreme authority, a 15-member Executive Bureau on which the quarreling regional Parties would be equally represented but which would be capable of both setting and enforcing uniform policies and programs for all of them. It did not work. Instead of becoming a revival of the once all-powerful and dictatorial Politburo, as some had feared, the Executive Bureau proved to be merely another forum for nonagreement among republican barons who continued to perceive their primary responsibility in regional (and thus ethnic) rather than in all-Yugoslav terms.

When the Executive Bureau failed to produce adequate results a new tack was tried. Through a constitutional and institutional recognition of the enlarged de facto autonomy of the regions it might be possible to achieve two heretofore contradictory objectives at once: to kill particularist ethnic nationalism with kindness while ending the paralysis at the Federal center by providing new mechanisms for decision-making by consensus among regional delegations. To this end a series of constitutional amendments was adopted in mid-1971, to be followed by a further, supplementary series by 1973, fundamentally altering the structure of the Yugoslav Federation. The 1971 amendments have stripped the Federal government and Parliament of most of their competences, which are transferred

to the republics and provinces, to local communities, or to organs of "workers' self-management." In the remaining areas of Federal competence, primarily foreign policy, defense, and such powers as are necessary to guarantee a single market, common monetary and foreign trade policies, a common social system, and ethnic equality, decision-making is to be the end product of complicated procedures designed to ensure consensus, which means recognizing the veto right of each federal unit in most matters of special importance.

Mechanisms for this kind of decision-making have been created, some of them written into the amendments and others springing up spontaneously. The former include a 23-man collective state Presidency, (three representatives of each republic, two of each autonomous province, and Tito), which is constitutionally the ultimate arbiter; the Federal Executive Council (Cabinet), which is now formally constituted on the basis of regional and ethnic parity; and the Federal Parliament, which with each new set of constitutional amendments since 1967 has become more clearly an assembly of regional and ethnic delegations. These bodies have in fact and ironically been less busy and effective than the extraconstitutional mechanisms, especially five specialized interrepublican committees and one interrepublican coordinating committee which no one foresaw and which is today the most important governmental body of all. The five committees, based on five primary areas of remaining Federal competence, are each composed of one representative from each republic and autonomous province with a member of the Federal Executive Council as chairman. When these nine people cannot agree on some controversial issue it is referred to the Coordinating Committee, which consists of the Federal Prime Minister, the Prime Ministers of the eight republics and provinces, eight members of the Federal Executive Council, and ad hoc additions of other leading political figures. If agreement is not reached here the matter is in theory referred on to the collective State Presidency, and back into constitutional channels, but so far this has not been necessary. In the first half-year of the new system, according to one compilation, 92 out of 134 controversial issues were resolved by the interrepublican committees and solutions for the remaining 32 were found by the coordinating committee. One incidental effect of this system and of the unanticipated creation of

these extraconstitutional bodies has been to turn the Federal Cabinet and Parliament back into the rubber-stamp bodies they were in the early days of the Communist dictatorship, ending at least temporarily what the system's leading foreign scholar, Dr. Richard Kindersley, calls "the Golden Age of the Belgrade *Skupština*, 1963-70," a period in which the Yugoslav Parliament, unique in the history of legislatures in Communist-ruled countries, played an importantly active role in the governmental process. The reason is simple. With regional vetoes hanging like a sword of Damocles over the entire process and with the legislative or regulatory proposals worked out in the interrepublican committees representing the end result of a long and delicate process of argument, referral back to eight regional capitals, and mutual concessions, the Cabinet that formally submits these proposals to Parliament and the Parliament that must discuss and pass them are under tremendous pressure not to dispute or amend and thus risk violating some detail of a compromise solution achieved at such cost.

If this is understandable, what is remarkable is that the system works at all. One hundred thirty-four resolutions of controversial issues between September 1971 and March 1972, including important and emotion-charged questions like the foreign trade and foreign currency system, the Five-Year Plan (which should have been adopted in 1970!), and price policy, is roughly 130 more resolutions of controversial issues than had occurred in the preceding two years. It is difficult to attribute the change to the constitutional amendments, which really only recognized and institutionalized the confederal structure, with veto powers, that had paralyzed central government since the late 1960s. The primary reason is rather a change in the political atmosphere in the country, which could easily prove temporary.

Factors in this changed atmosphere no doubt include the intractability of economic and other problems requiring country-wide solutions and growing awareness that solutions could not be postponed much longer, but more important has been increasing concern about the effect that public disputes and inability to agree were having on relations among the country's ethnic communities, identified with their respective republics and

provinces. Relations between the two most numerous nationalities, the Serbs and Croats, respectively 41 and 21 per cent of Yugoslavia's population of 20.5 million, have been particularly troubled. Their mutual animosities, conflicting interests and life styles, and contrasting conceptions of the Yugoslav state have already within living memory led to civil war, to reciprocal atrocities, and to an extraordinarily vicious and premeditated attempt to liquidate the nearly two million Serbs of Croatia and Bosnia-Herzegovina—the literal meaning of genocide—when these areas were part of an Axis-sponsored "Independent State of Croatia" ruled by the Croatian fascist Ustaše during the Second World War. By late 1970 worried members of all of Yugoslavia's ethnic groups, including many Serbs and Croats themselves, were saying that attitudes and behavior on both sides were as bad and in some sectors worse than in the last prewar years, an ominous analogy.

Even so it took a major crisis, growing out of the syndrome of all these factors and raising again in specific form the specters of separatism and civil war, of foreign intervention and a major international crisis, to clear the air and act as a catalyst to willingness to pay the price of living together. This was the crisis in Croatia in 1971, which has been examined in excessive detail in a recent series of Fieldstaff Reports, and which came to a climax in December and after with Tito's public denunciation of the Croatian Party leadership for "rotten liberalism" in the face of nationalism, separatism, and an emerging "counterrevolution," with the resignations of the accused leaders, and with a purge of the Croatian Party and widespread arrests that still do not seem to be finished.

It was the shock of these events and the lifting by the humbled Croats' postpurge leadership of the Croatian veto, chief single source of Federal paralysis in the past two years, that the Federal government has most to thank for its recovered ability to act and for the series of compromise agreements on disputed issues that have been announced, one by one, during the first months of 1972. The shock did not affect only the Croats. It reminded all those who value the recent enlargement of regional autonomy and the greater individual and collective freedom and more pluralistic and participatory decision-making that accompanied it that Yugoslavia's ultimate arbiter still has the power

and the will to abolish or at least limit these gains if they appear to be ill-used. The reaction of the general public, which in Yugoslavia has its own ways of articulating its feelings, would also have reminded them that many people, quickly forgetting the disabilities they had suffered under a centralist and arbitrary government, agree with that arbiter's definition of ill-use and would applaud drastic remedies they might later regret. Those cognizant of these warnings that their political values and their own political positions could be threatened include most of the present-day Party leaders in at least four republics, many of them already under pressure from more conservative rivals.

So a "new atmosphere" was created and with it the ways and means to make a cumbrous and in some eyes a theoretically impossible system function. Unfortunately, however, most of the economic problems that contributed so much to the crisis remain, stubbornly resisting the new-found will to dominate them by joint efforts. So, too, do the deeper sources of malaise and dissent that Yugoslav theoreticians call "social contradictions" and "an ideological crisis in the League of Communists."

The Grand Peur

The immediate cause of the 1971 crisis, a resurgence of openly expressed Croatian nationalist sentiment and its toleration by the then Party elite in Croatia, where nationalism can always become separatism and by its logic threatens the status (and in memory of 1941 the physical existence) of a large Serb minority, was only the most extreme example of a Yugoslav-wide phenomenon. A return to old national myths and old ethnic scapegoats, never really abandoned, was the popular reaction of many people, especially in politicized classes and among intellectuals, to uncertainty about the present and fear of the future, to a climate of ubiquitous nervousness. The sources of this nervousness can be sought in persistent economic instability and its social consequences but even more in perceptions of an establishment, once so sure of itself, now manifestly faltering, divided, and in search of scapegoats of its own, foreign and domestic.

Regime and Party are prating with growing urgency about "enemies" on all sides. The litany of

labels included Cominformists, neo-Stalinists, at least six kinds of chauvinists (beginning with the Greater Serbian, the Lesser Serbian, and the Croatian as the currently most frequently observed species), technocrats, anarcho-liberals, new-leftists, Maoists, and even Trotskyites (three or whom, students, are on trial this month in Belgrade). Various anti-Communist émigré groups and unspecified Great Powers, usually but not always assumed to mean the Soviet Union, are alleged to be playing nasty games with some or all of these domestic "enemies," and occasionally one of these groups or Powers helps the Yugoslav regime by doing something that lends substance to these allegations. (The latest example has been a still mysterious episode in which a band or bands of at least 19 and possibly more Ustaše-sponsored terrorists from Australia and Western Europe attempted to provoke an armed uprising in Western Bosnia in late June 1972. At the moment of writing all of them have reportedly been "liquidated," at a cost of 13 lives of Yugoslav police and territorials, but official announcements have left more unsaid than said, causing wild rumors.) This list of "alien" and threatening groups, forces, and ideologies has provided an inadequate cover for confusion, for ideological disorientation, for unwanted public displays of unresolved disagreements, and—as some of the best minds in the Party have begun saying with growing insistence in recent months—for a Party without a convincing mission or program beyond a commitment to a "market socialism" that manifests most of the weaknesses of laissez-faire capitalism and to a theory of "social self-management and direct democracy" that some of the target audience find unbelievable and the rest consider undesirable.

There is, to be sure, nothing uniquely Yugoslav about a regime that is adrift and divided, without a clear program or mission, brandishing an ideology that is either unwanted or perceived as too inconsistent or too far from reality to be credible. Many peoples make do very satisfactorily with such a regime. The Yugoslavs can and in fact are doing so, even if they do not know it. They may have a lower economic growth rate and greater social inequalities than they used to, but also and largely for the same reasons most of them have more freedom, more private choices, and more possibility of participating in making public choices if they are motivated to want participation. Many of the

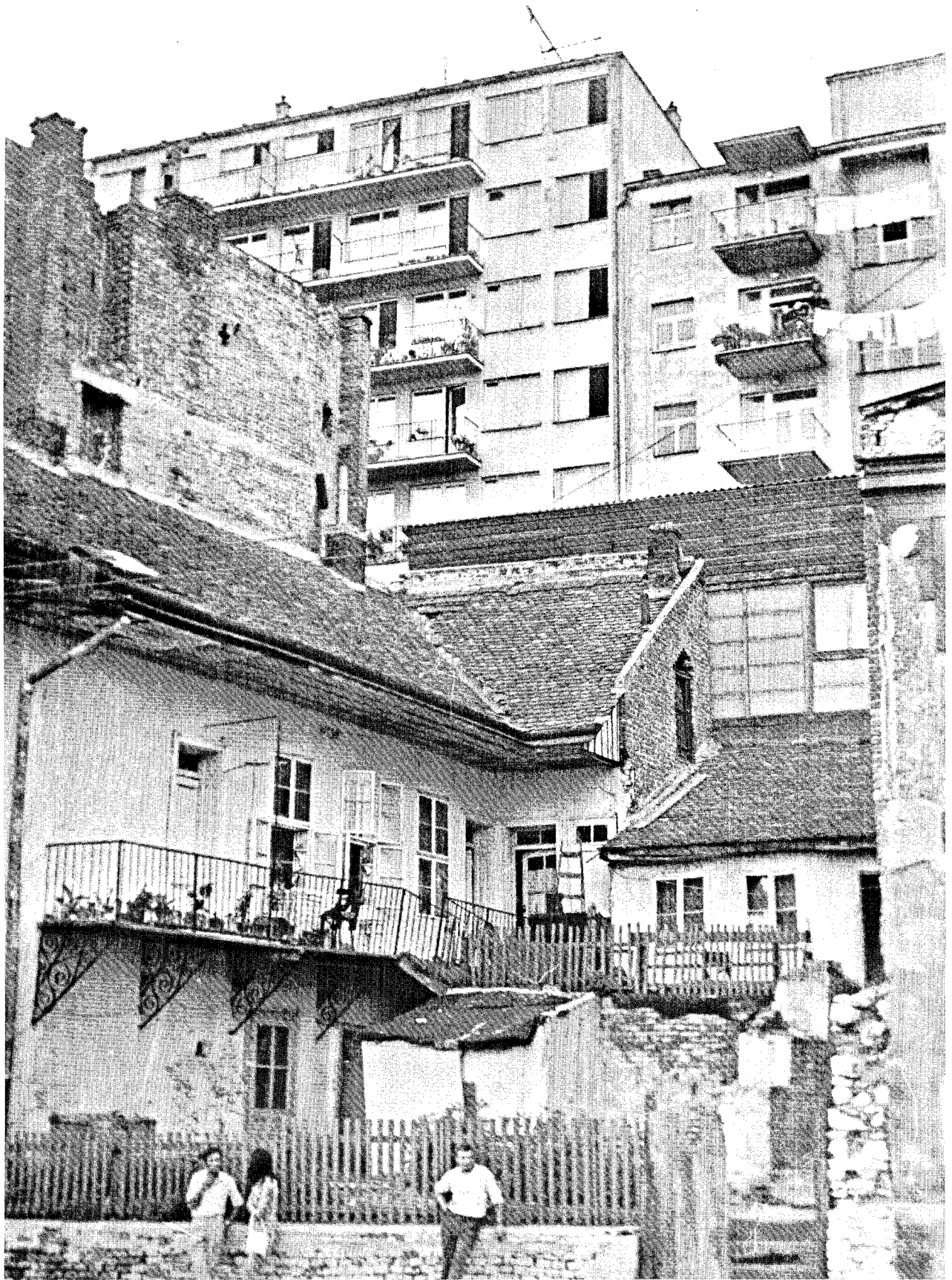
bewildering new kinds of social and political conflicts that worry them are similarly part of the price of the freedom, the complexities, and the transitional but repetitious disequilibria that have accompanied the social and economic modernization that they thought they wanted and that they are still getting at a dizzy speed than most other peoples.

What worries them, then, is in fact less their real situation than it is an anxiety born of the unexpected and the unpredictable in that situation. In part this is the natural and common reaction of a people caught up in rapid, all-encompassing, and open-ended social change, but in part it is also a matter of political uncertainties and of disappointed political expectations, even if most aspects of this disappointment involve changes that many or most of them should delight in. They are not used, in short, to a regime with the qualities described above.

The outside observer is ceaselessly surprised and a little amused, for example, by the number of non-Communist and even anti-Communist Yugoslav friends who *complain* that today's economic and social chaos and free-wheeling, public political confrontations would not have been allowed to happen in the good old days of Aleksandar Ranković and the partly de-Stalinized but still controlled system of the early 1960s. These people apparently miss the security that even the sinner feels when the definition and penalties of sinning are known. Others, including many young people and especially students as well as some older Party members and intellectuals, are anxious or angry because of another kind of disappointment. These are people who want ideals and a system with a purpose. The League of Communists used to supply these things, or at least they imagine that it did, but now pragmatism is naked before every eye and all but the most admirably stubborn of idealists and true believers among them are tending to seek another faith. To these two groups must be added others, including less politicized strata, with similarly frustrated but concrete and personal expectations. The system promises, more explicitly and centrally than do Western welfare states, that there will be jobs and equality of opportunity for all, but its functionaries now openly and candidly warn that many, especially

educated youth, have little prospect of an appropriate job in a desirable place, while equality of opportunity is only occasionally more real than the equality of status and cultural levels into which children are born. The system is declaratively socialist, therefore a planned market economy, but managers and technicians who would gladly do business efficiently under the rules of such an economy are frustrated by endless inflation, instability, chronic illiquidity, more but less rational state intervention than they need, and constantly changing rules and regulations. And everyone is frustrated by a "self-management democracy" that is real enough to involve endless time spent on interminable discussions at perpetual meetings of innumerable institutions which actually do produce an inexhaustible quantity of decisions. . . but little effective action, if only because there are too many loci of decision-making, too little cooperation and orderly conflict-resolution, and too long an agenda on which more time is allocated to the question of whether a new under-secretary should have a telephone than to a major investment decision. Finally, all of this and more, including widespread socialist graft and corruption, is known to anyone who reads or who listens to the radio or television, since the mass media, exploiting and jealously guarding an expanding freedom to play critic and ombudsman, now tell all or almost all. This, too, is part of the unnerving unexpected; it is very easy to assume that all these disturbing things are just now happening rather than only now being told.

To all of these grounds for anxiety is added an international situation perceived and deliberately interpreted by the regime, for other reasons, in terms that make the inevitable departure of the aged founder and guarantor of the present system and the divisions and lack of self-confidence of his successors less bearable than they otherwise would be. Yugoslavia remains, as it has been since 1948, a small country uncomfortably poised ideologically and geographically between East and West, its systems and pretentious independence alternately unloved and occasionally exploited by both sides. For the past five years its people have been hearing from their leaders that one or the other or both of the Superpowers that dominate the East and the West would still like to end Yugoslavia's nonalignment and expand their spheres of interest to include the strategic western Balkans. The thesis



New Belgrade rises from old.

makes enough sense to be believed, especially in the context of Yugoslav and international speculation about what will happen "after Tito," who is now 80, and endless repetition by the highest authorities tends to increase credibility. In the perceptions of the regime it is specifically linked to the resurgence of ethnic nationalisms and animosities, the phenomenon that closes the circle because it is simultaneously both the principal effect and the principal specific cause of anxiety.

The net result is a kind of *grand peur*, particularly affecting politicians and the politicized middle strata. It emerges in conversations at all levels, and with both pro- and antiestablishment Yugoslavs of all nationalities, although the reasons for fear that are volunteered are not always the same or even always articulated. Its pervasiveness is superficially curious in a land that despite serious economic and political problems has never been as rich or as free as it is today, but perhaps that, too, is an explanation. Dimly or vividly perceiving that they have "almost made it" politically and economically, Yugoslavs know that they have more to lose than ever before. Moreover, even if the present atmosphere of ubiquitous anxiety is exaggerated and contains elements of irrationality, there are solid grounds in the international, the political, and the economic situation to legitimize at least a climate of nervous uncertainty.

Between European D etente and Mediterranean Confrontation

As a function of renewed efforts toward European d etente by the Great Powers of both East and West, Yugoslavia seems to have become both more secure and less important in recent months. The logic of this thesis, which has found expression in the public attitudes of each of the Superpowers, the United States and the Soviet Union, is that when all parties want a stable peace based on the status quo no one will want to apply pressures to change that status quo and especially not to sensitively located third countries like Yugoslavia, where any change could have unpredictable international repercussions. One worrying corollary for those who have done well with credits as a result of the Cold War is that if no one is now employing such pressures no one else will go out of his way to help the affected country to resist them.

The Russians have spent a lot of time and energy during the past year, including a visit by Leonid Brezhnev to Belgrade in September 1971, trying to persuade appropriate Yugoslavs to believe the first of these propositions. With a few possible exceptions the appropriate Yugoslavs are or feign to be unconvinced. Allegations in numerous public statements that "the intelligence services of certain Great Powers" are still behind the activities of Yugoslav "Cominformists, neo-Stalinists, and Rankovicites" clearly refer to the Soviet Union, while similar allegations about foreign backing for militant  migr  groups, like the Ustase organizations who sent that band of terrorists into Bosnia this summer, could refer to either of two "Great Powers" but are usually understood to mean Moscow rather than Washington.

It is impossible to know how well founded these suspicions are or even whether they reflect sincere beliefs of responsible Yugoslav authorities. These authorities claim to have plenty of evidence but it has never been made public, which is reasonable in view of the sensitivity of the subject at a time when Yugoslav-Soviet diplomatic and economic relations are good and both sides want them to be better. Credibility therefore derives entirely from the logic of a counterthesis to the one propagated by the Russians, which begins with the observation that the Soviet regime has tried repeatedly, in both Stalin's and Khrushchev's day, to bring Yugoslavia back into the "socialist bloc," and that there is no evidence that they have given up this ambition. On the contrary, their subsequent interest and growing presence in the Eastern Mediterranean makes it more important to them than ever, while Tito's advancing age, Yugoslavia's present economic and political troubles and national dissensions, and the growing number of Yugoslavs whose reaction to these phenomena takes the form of nostalgia for "true socialism" or a "firm hand rule" makes this an opportune moment for another attempt. The techniques the Russians are likely to use to such a purpose are well known from past Yugoslav experience, which does not make it unreasonable to suppose that they would be willing to encourage fascist Croatian separatists as well as Serbian Cominformists, nationalists of all kinds, "new left" students, or any other opposition group, all alleged to be their pawns in this game.

The most sophisticated version gives the Russians a maximum, a minimum, and an intermediate

objective in their speculations with the after-Tito-what question. Ideally, it is said, they would like a Sovietized Yugoslavia, but might be willing to settle for a disintegration of the Yugoslav state which would leave eastern districts as Soviet satellites and Croatia (with Slovenia?) as a Balkan Finland. (It was this version that Branko Jelić, the West Berlin leader of the Croatian émigrés who died in April 1972, was propagating and for which he claimed he had a specific deal with Moscow.) The minimum objective is said to be a simple discrediting of the Yugoslavs' heretical variant of socialism, which still annoys the Soviet regime, to be achieved by giving a helping hand to anyone or anything that contributes to making "Titoism" less successful than its Western and Third World admirers, both Marxist and non-Marxist, have thought it to be.

All of this or none of it may be true. It is also possible that it represents a fair description of Soviet policy between 1968 and sometime around the middle of 1971 and that this policy was then suspended, perhaps only temporarily, because it conflicted with and could endanger the realization of another policy objective with greater importance and higher priority: an East-West détente in Europe that would recognize and stabilize the frontiers and status of the Soviet Union's existing client states and pave the way to a European security conference and a major reduction in the American presence east of the Atlantic. On this construction the Russians have not necessarily abandoned longer-term ambitions in Yugoslavia, but have switched to a moderate, less offensive strategy that takes a leaf out of a different book of experienced, nonsocialist imperialism, namely quiet economic penetration that creates clients and economic dependency. While foreign journalists concentrated on political aspects and innuendoes in Brezhnev's September 1971 visit to Belgrade and Tito's June 1972 visit to Moscow, more knowledgeable observers watched what their foreign trade and economics ministers were doing. Soviet investment schemes in Yugoslavia are concentrating on economically laggard regions like Bosnia-Herzegovina, starved for funds by the niggardliness of Yugoslavia's more developed areas and by the rational investment criteria of the World Bank and other Western creditors, intrinsically procentralist and thus potentially advocates of Soviet-style "true socialism," and dangerously multinational. Soviet-

Yugoslav trade is to increase dramatically in the coming years and will involve more joint operations that will tie some sectors of the Yugoslav economy more closely to the Soviet Union. Many responsible Yugoslavs find this apparent strategy worrying, but in Yugoslavia's present economic plight and in the face of an atmosphere of détente and Soviet protestations of good will and full acceptance of Belgrade's independence it is difficult to say so openly without being accused of "Sovietophobia," as some already have been.

A number of responsible Yugoslav officials have also suggested, sometimes obliquely and sometimes directly, that the Russians are not the only people playing games with anti-Titoist Yugoslavs inside the country and abroad. Foreign correspondents, including this observer, have in recent months had opportunities to press three of these senior functionaries (two of them Croats and one a Slovene) to be more precise "off the record." In each case the answer was the same: that official American policy consistently supports Yugoslavia as it now exists—an internationally nonaligned federation of socialist republics—is well known and gratefully acknowledged; on the other hand, it is quite understandable that the intelligence services of one Great Power must be present where the intelligence services of another are active, to which is added, more ominously, that it is also well known from certain historic experiences that certain American agencies have not always pursued the same policy as the American government. Another, lower-ranking official suggested in addition that it is customary for intelligence services to employ political émigrés from target countries and that the prejudices of such agents can affect the reporting and objectives of these services.

Able and experienced Yugoslav diplomats have tended to pursue a parallel but slightly different line, involving some highly interesting geopolitical observations and speculations. They accept the thesis that the search for détente in Europe should take some immediate pressure off Yugoslavia but argue that this state of affairs is unstable and may not prove long lasting. There may be détente in Europe, they point out, but the danger of wars and confrontations continues in the Middle East and adjacent parts of the Mediterranean. Yugoslavia is also a Mediterranean power situated between Europe and the Middle East, a key part of the

problem that the nineteenth century, with a seminal geographic perception that the twentieth century has forgotten, called the "Eastern Question." According to this construction, a peace in Europe without peace and with continuing Superpower confrontation in the eastern Mediterranean equals insecurity for Yugoslavia, still a strategic no man's land, albeit along a slightly different axis. After all, the only reasonably direct way to fly from the Soviet Union to Egypt or Syria without crossing the airspace of one of the Americans' NATO or CENTO allies is across Yugoslavia, a fact that has confronted the Yugoslavs with awkward requests for overflight rights on a number of occasions since June 1967.

It is for this reason that a principal, if not the primary, focus of Yugoslav foreign policy is now the tangled problem of Mediterranean security, an interest reflected in a number of recent diplomatic initiatives and in intensive (and usually excellent) press coverage of issues like the Cyprus question, last spring's crisis in Maltese-NATO relations, the American interest in a naval base in Greece and Soviet reactions to it, and of course the Arab-Israeli problem. As this Report is being written the Yugoslavs are following with particular interest and in some circles with a touch of *Schadenfreude* and reminiscences about 1948 the crisis in Soviet-Egyptian relations and the withdrawal of Soviet military advisers from Egypt. It is not without significance that this particular story was on the front pages of Belgrade newspapers a full week before President Sadat's announcement that he had requested the withdrawal and some days before there was any anticipation in usually well-informed West European or American papers.

Meanwhile, and despite the indefatigable advocacy of President Tito, its last surviving founder, "nonalignment" seems to most observers an increasingly shadowy ghost of its once lively and influential self. Everyone still pays lip service to the concept, but of the four countries that were its principal active supporters three have all but nominally fallen out: Egypt and India are too beholden to the Soviet Union and too militantly and one-sidedly anti-American for the taste of Yugoslavs, currently more worried about Soviet than about American pressures, and Indonesia seems from Belgrade to have disappeared from international politics. During the past year and a half Tito has

traveled not only to New Delhi and Cairo, but also to five Common Market countries and to the United States, Canada, Britain, and the Soviet Union. The recent visits to Yugoslavia by Emperor Haile Selassie and Prince Norodom Sihanouk, the latter only head of a government in exile, seemed rather pitiful echoes of the great pilgrimages of nonalignment of a few years ago. The press, domestic and foreign, gave more space to Prime Minister Džemal Bijedić's trip to Moscow for a ministerial meeting of the Council for Mutual Economic Cooperation (COMECON), the first time a Yugoslav head of government has attended a session of the "Eastern Common Market" in which Yugoslavia holds the special status of a participating nonmember. It was a reminder that trade figures also speak for the ominous isolation, between economic blocs this time, of the most important of Europe's nonaligned. Only 6 per cent of Yugoslavia's foreign trade is with other non-aligned states today, but 31 per cent of her exports and 24 per cent of her imports are with the COMECON countries while trade with the expanded Common Market currently accounts for over 37 per cent of all exports and over 45 per cent of all imports.

Economic Traumas and Realities

The Yugoslav economy is today, as always, a total paradox. Any expert or amateur examination of statistics and trends, of the ineffectiveness of the government's stabilization measures and the excessive effectiveness of its short-run "stop-go" policies of the past seven years, or of the hybrid system itself can only produce a discouraged shake of the head. Any superficial second or third visit and even more a prolonged residence and careful observation produces some diametrically opposite impressions. The friends, who have just bought a new or a first car, a new or a first apartment, a vacation trip to Indonesia, or a cottage in Dalmatia or in a vineyard outside a booming city, are far from all of them the "speculators" and other members of the illicitly wealthy new class of private and socialist entrepreneurs who are the targets of justifiable official wrath and public indignation this year, and while they are certainly not representative of the populace as a whole they are an important part of it. For the rest, with the exception of two large and significant groups almost no one is absolutely poorer than he was and most are absolutely better off, even if the gap between richer

and poorer regions, sectors, and individuals is becoming larger rather than smaller because the former still enjoy a higher growth rate. (The exceptions are the unemployed, still too numerous and saved from becoming disastrously so only by the open frontiers across which 900,000 Yugoslavs, 3.3 per cent of the total population, have sought work in Western and Northern Europe, and workers in many factories and institutions where "illiquidity" sometimes means reduced or no pay for periods of up to several months.) Nor is increasing prosperity confined to major cities or to the traditionally more prosperous north. Visits to provincial centers, even in some traditionally backward areas like eastern and southern Serbia or western Macedonia, discover an impressive amount of new building, refurbished factories, and more consumer goods of better quality in shops and in people's homes. Peasant friends in some villages, until recently isolated by mud in winter and smothered in dust in summer, now have a paved road, a water main, and cash to build a bathroom to exploit the latter boon; others are still waiting. In part it is an economically false prosperity, based on a continuation of practices, officially condemned since the Reform of 1965, that sustain enterprises and regions that should under the laws of the market be allowed to go bankrupt. In part, however, it does represent changes in fiscal and regulatory policies that at last no longer grossly discriminate against private peasants (who still own over 80 per cent of Yugoslavia's arable land) and at least limited success for regional development schemes and funds that favor less developed districts. One indicator is the decline in the share in total Yugoslav industrial production of the historically most developed regions, Slovenia and Croatia, from 22 per cent and 33 per cent ten years ago to just under 20 per cent and 25.7 per cent in 1971, with a corresponding rise in the contribution of the South.

The paradox is nevertheless hard to explain without concluding that standard statistical indicators and normative descriptions of the system are not very informative. This perception is in itself a useful signpost, inviting attention to factors like the large but indeterminate percentage of personal income that does not consist of wages and salaries, to individual and communal economic activities that are outside the framework of a money economy and so do not appear in the statistics, and

to a system whose formal mechanisms and procedures are often its least important aspects.

A petty example is provided by the vacation trip to Indonesia referred to above. The family that took it does not have a large income and is scrupulously honest, but two out of three members are employed and their income is supplemented by perfectly legal moonlighting and, by rent from a cottage on a Dalmatian island, which was built largely with their own labor and that of vacationing friends and which they rent to foreigners for three months each year, foregoing their own use of it in the best season. In any case they did not pay for the trip in cash but flew free of charge on an international, non-Yugoslav airline and then were guests of a senior foreign diplomat, formerly stationed in Belgrade, who had among other things enjoyed free, out-of-season holidays at that island cottage. The point of the story is that a very handsome addition to a family's consumption, in this case of nonmaterial values, was in no way based on the "graft and corruption" that are another partial explanation of the paradox but rather on ethically unimpeachable exchanges of favors and services between individuals and between enterprises, in this case airlines. The operation was a precise "modern" analogy of the informal but in fact carefully regulated system of exchanges of non-monetary values and services described by anthropologists who study the survival of "traditional" economic patterns in Serbian villages.

In this sense it is not very different from the stories behind at least two of those paved roads to previously isolated villages. One was built in part by manual labor volunteered by the affected villagers, in part by equipment "borrowed" from a nearby industrial enterprise for whom the villagers do favors, and in part by a voluntary "self-contribution" of cash by the same villagers. One of them explained, with the sense of poetry common to many Balkan peasants, the rationale of their action: "We have lived here for two hundred years. We decided it was up to us." The other road, by contrast, was built with money sent to his native village in Communist Croatia by an emigrant who had done well in capitalist America, and who may or may not have remembered that ancient, monumental bridges in a neighboring region commemorate a similar gratitude for the grace of birth felt by boys from Orthodox Christian Bosnia who did well

in Moslem Constantinople. Like the trip to Indonesia, neither road owes its existence to the formal system and neither, I suspect, appears in the statistics of national investment in social infrastructure.

To explain in this way the paradox of an economic growth and economic satisfactions that statistics and systems analysis declare to be improbable and that competent Yugoslav and foreign economists deny is not to say that the economists and politicians are wrong to be alarmed and pessimistic. On the contrary, if a considerable proportion of successful economic activity that contributes to the visibly improved welfare of the many really represents nonmodern activities by nonmodern people, as suggested here in what is admittedly a caricature of the real situation, this is in fact additional ground for concern. Yugoslavia is no longer primarily a traditional society and economy but one whose growth sectors and future are in ever larger islands of modern industry and services, involving "big systems" (a term that has become very fashionable among Yugoslav journalists and politicians this year) whose operation requires modern people and mechanisms. There are many more technical and useful ways of describing the sources of the grave disproportions, the unwanted, "spontaneous" return toward extensive development, the indomitable inflationary pressures, and the general instability that plague the Yugoslav economy and threaten its future, but probably none is more insightful than this. The picture is completed by a repetition of the basic criticism of the formal system that most Yugoslav economists have been hammering away at for the past ten years; that it is still, despite all the reforms of the 1960s that enlarged the role of market forces, the same inconsistent and contradictory synthesis of a market and a command economy, that Professor Rudolf Bićanić of Zagreb University described in 1957 "as an ambivalent system, partly governed by the laws of imperfect competition and partly administratively controlled, so that it is very difficult to make this system work."

This year's favorite topic of economic complaint and argument is inflation, which led to an official 17 per cent (and in fact even greater) rise in the cost of living in 1971, despite "frozen prices," and to an official 5 per cent (and again probably larger) rise in the first five months of 1972, despite "deep frozen prices" and a pledge that the maximum

price rise for the entire year would be 5 per cent. The techniques used to escape the "freeze" and now the "deep freeze" are splendid examples of market socialism in action. One is to modify an existing product slightly and then market it as a new product, for which a new and higher price can be sought and justified. Even more interesting is an informal, often genuinely spontaneous cartel-like agreement to withhold a wanted item from the market until the government surrenders. Even private peasants in their thousands have proved capable of such action, which in recent months has forced up the price of butter, and then milk and other dairy products as well as (under more complicated circumstances) automobiles. A variant is provided by recent rises in meat prices, imposed by the need to divert some production from export channels, where the high price of meat in Western Europe has led to a jump of 45 per cent in the value of Yugoslav exports, in order to satisfy domestic consumers no longer accustomed to or willing to accept completely empty butcher shops.

Other popular subjects include a problem of illiquidity and consequent mutual indebtedness that has left enterprise coffers empty, workers unpaid, and enough shutdowns or refusals to deliver to lower production in key sectors; the problem of a capital concentration that is alleged to be giving a small number of Belgrade-based banks and wealthy commercial enterprises a dangerously oligopolistic control over future economic growth; and the perennial problem of regional disparities in income, contributions, investment, and opportunity. The last two are not only economic problems but also primary sources of interethnic conflicts and mutual accusations of "exploitation." In addition, there is a lively debate going on in Parliament and the press as to whether or not a growth rate of 10 per cent for industrial output in 1971 and a June 1972 output that was 113 per cent of the average monthly output in 1971, both figures precisely twice the planned rates, is to be considered positive when the month-to-month rates have been declining steadily since December, accompanied by lagging productivity growth, increasing unused capacity in many sectors, and acute bottlenecks in the supply of certain key raw materials and intermediate goods. The critics see these as signs that the trend is back toward "extensive development," meaning internationally noncompetitive, high cost production

that is wasteful of capital, good for employment but bad for per capita wages, and a primary source of further inflationary pressures.

Foreign trade figures are on the other hand better than in several years, thanks in part to two devaluations of the dinar in 1971 (by 16.66 per cent in January and by 11.76 per cent against the dollar and 18.73 per cent against gold in December) and in part to some restriction of domestic demand. As a result, the value of exports in the first six months of 1972 was 30 per cent greater than in the equivalent period of 1971, while imports were down 16 per cent. This is a particularly welcome development after last year's record trade gap of \$1,500 million (out of a total turnover of \$5,000 million), only partly compensated by a positive balance from "invisibles," which earned \$1,700 million, of which 40 per cent from remittances by emigrant workers and 20 per cent from tourism, leaving a balance payments deficit of \$318 million. The worm in this good apple is again inflation, which Yugoslavia's trading partners also have but which in Yugoslavia is estimated at twice the average Western European rate, plus the precarious dependence of remittances and tourism on continuing boom conditions and good will in other countries.

It was measures to untangle and solve this complex of problems that were held up for more than two vital years by the paralysis of the Federal government and administration, the result primarily of interregional and interethnic disagreements that were in large part disagreements of principle about how they should be solved. These disputes, as Edvard Kardelj warned the Presidium of the League of Communists early in 1971, represented "not only different but even objectively contradictory interests," in the face of which an attempt to impose an arbitrary solution through use of State coercion could mean "an extremely serious political crisis."

The crisis came anyway, as we have seen, and was only resolved through the use of political coercion invoked by a Tito ready to throw into the scales the full weight of his own great prestige and a threat to employ the army if necessary. The overthrow of regional nationalists in Croatia and the intimidation of other ethnic nationalists in other republics unblocked the road to compromise and

an agreement but did not liquidate these "objectively contradictory interests," which are again finding expression in slightly amended form.

On the one side are those whose economic progress and hopes of catching up with more developed regions require redistribution of national income by an authoritative center able to override the reluctance of the relatively rich to make the necessary sacrifices, redistribution of some of the foreign currency earned by more advanced and competitive regions in order to import the equipment and technology and to enable them to advance and compete, and intersectorial terms of trade that favor the raw materials or high cost basic industries they now have. On the other side are those who are not all that rich themselves, who are unwilling to stop or slow down while others catch up, and who object to redistribution of the "surplus value" of their labor to those who have too seldom made profitable use of such help in the past, and to the "expropriation" of their foreign currency earnings by those same ne'er-do-wells. They also find strong arguments in favor of their unwillingness to sacrifice in the doctrines of a market economy and in Yugoslavia's demonstrable need to promote its most modern and competitive economic sectors and enterprises. The old conflict therefore continues between advocates of the principles of socialist egalitarianism and solidarity and advocates of the principles of market socialism and "to each according to the value created by his work." The search for an optimum or at least generally acceptable balance between the two remains difficult. This has been Yugoslavia's basic question linking economics and politics and the principal source of other conflicts, domestic and in foreign policy, during a decade of renewed argument, struggle, periodic political victories by economic liberals and champions of market socialism, and subsequent total of partial reversals of these victories. Each time the reversals have been imposed by the realities of the true balance of social and political forces in the country and by the imperatives of widely divergent regional levels and rates of development, insuperable in a time period commensurate with contemporary expectations and giving rise to conflicts rendered disastrously more acute by the fatal if really only partial coincidence between ethnic and cultural borders and those of economic regions.

Meanwhile, the unblocking of the process of decision-making, new mechanisms for achieving consensus in that process, and a renewed willingness to use these mechanisms have created new possibilities of finding that elusive optimum balance. The odds are improved by the remarkable talent for learning through mistakes and the enthusiastic perpetual willingness to change and experiment which have characterized the Yugoslav Communist establishment since 1960, confounding their critics and confusing their friends. Of particular relevance here, this establishment has moved in 20 years from dogmatic opposition to a market economy through equally dogmatic acceptance of an oddly nineteenth-century vision of its virtues to a belated understanding of its weaknesses as well as its strengths and of the kinds of things that can be done to compensate for its distortions and failures.

If the will to pay the price of compromise and to eschew the popularity of intransigence to which the Croatian leaders succumbed two years ago is sustained, the way may therefore be found. Such a compromise has already reached the thorniest issue of all, the foreign currency system, through an increase in the "retention quotas" of foreign currency that can be retained by the exporter, a transitional solution that partly but only partly responds to the demands of the Croats, principal

earners of such currencies. Something similar may now happen to those "centers of alienated and irresponsible financial power," that have been identified with powerful Belgrade banks and commercial enterprises ironically because the Croats are no longer in any condition to construe that problem as a Croatian national question; as one senior Serbian politician told me recently, "we were as aware of that danger as they, but as long as they made of it a purely national issue we were powerless to act." What will remain even then will be those problems that are built into the system, with chronic inflationary pressures and instability primary among them. A regime that is always eager to change everything may have the ideological, but may still lack the technical, capability for effective action in these fields. It may not really matter, if those economists of development are right who argue that moderately high inflation like the Yugoslavs' present annual rate of 15 to 20 per cent and chronic instability can be a positive phenomena in a developing country partly dependent on international credit and still in search of the fields in which it enjoys natural comparative cost advantages.

As with the political and international situations, it all depends on which comes first: general solutions or a failure of nerve by individuals or forces capable of a *coup de main*.

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