Serbia

Political Developments

Federal Prime Minister Panic's campaign to unseat Republic President Milosevic appears to be gathering momentum following the Serbian Supreme Court ruling last week that he is eligible to run. Panic is roughly even with or leading Milosevic in two recent polls

Meanwhile, Milosevic's Socialist Party machine is accelerating efforts to weaken Panic. The Serbian Government reportedly has begun increasing pension payments and tax breaks for farmers, and independent election observers report that bank accounts of major opposition organizations were mysteriously frozen last week. In the unlikely event that Panic were to overcome the formidable obstacles that Milosevic has employed, Serbian hardliners undoubtedly would do whatever is necessary to prevent Panic from coming to power in Belgrade.

Foreign Relations

Tensions continued to increase in Kosovo last week following several violent incidents, but both sides still appear to be trying to avoid a confrontation. Several Albanians were wounded and at least three were killed by Serbian police or border guards, sparking protests from the ethnic-Albanian community. In addition, Serbian ultra-nationalist paramilitary leader Arkan is conducting a highly publicized campaign in Pristina for a seat in the Serbian Parliament and several campaign rallies are scheduled this week. The rallies—which are likely to consist entirely of Serbians and to take a nationalistic tone since ethnic Albanians are boycotting the elections—will almost certainly aggravate the already tense situation.

There was a heavier than usual police presence following the incidents Serbian authorities also issued a statement assessing Kosovo to be the main source of instability in Serbia and warning the ethnic Albanians in the region that the Yugoslav Army is prepared to preserve the integrity of the State. The warning is almost certainly meant to prevent further incidents as both the Serbian authorities and ethnic-Albanian leadership seem to be trying to avoid a confrontation. Milosevic may fear that a crackdown in Kosovo now could result in international intervention, and the Albanian leaders realize that an uprising by the largely unarmed Albanians would likely result in a bloodbath.

Economic Developments

sanctions are hurting some export businesses heavily but are having little effect on local consumers. Production at large industrial centers—such as the Niksic Iron Works and Podgorica Aluminum Combine—has been curtailed, and truck traffic from the coast has reportedly fallen off sharply since enforcement of the naval blockade began, The blockade has forced the closure of almost all businesses in the port of Bar, and the "Bijela" shipyard has placed all its workers on forced leave, according to press reports. Shipping firms—primarily Jugooceanija and Prekookeanska—that formerly provided 25 percent of Montenegro's foreign exchange earnings are now idle, according to press reports. observed heavy automobile traffic, and black marketeers were doing a brisk business trading oil and other goods across the Albanian border.

The latest draft of the "Yugoslav" budget allocates 60 percent of available funds to the military. According to the draft, 25 percent of the budget would be financed by the printing of additional money—which will further fuel the inflationary spiral.

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