

YUGOSLAVIA



Polity: Parliamentary democracy
Economy: Mixed statist (transitional)
Population: 10,700,000
GNP per capita at PPP \$ (1999): 2,561
Capital: Belgrade
Ethnic Groups: Serbian (63 percent), Albanian (14 percent), Montenegrin (5 percent), Hungarian (4 percent), other (11 percent)
Size of private sector as % of GDP: 40

NATIONS IN TRANSIT SCORES

	1997	1998	1999-2000	2001
Democratization	na	4.90	↓↓ 5.50	↑↑ 4.63
Rule of Law	na	na	6.00	↑ 5.88
Economic Liberalization	na	4.83	↓↓ 5.33	5.33

KEY ANNUAL INDICATORS

	1994	1995	1996	1997	1998	1999	2000
GDP per capita (\$)	1,392.0	na	1,470.0	1,576.0	1,752.0	1,195.0	1,225.0
Real GDP growth (% change)	2.5	6.1	7.8	10.1	1.9	-19.0	10.7
Inflation rate	3.3	78.6	94.3	21.3	29.5	37.1	60.4
Exports (\$ millions)	1,482.0	1,531.0	1,842.0	2,368.0	2,858.0	1,498.0	1,700.0
Imports (\$ millions)	1,895.0	2,666.0	4,102.0	4,799.0	4,849.0	3,296.0	3,600.0
Foreign Direct Investment (\$ millions)	na	na	0.0	740.0	113.0	112.0	50.0
Unemployment rate	23.1	24.6	25.7	24.5	25.1	32.6	40.5
Life Expectancy (years)	71.7	71.9	72.0	72.0	72.2	72.3	72.0

INTRODUCTION

The year 2000 marked a major turning point in the history of the Federal Republic of Yugoslavia (FRY). On September 24, elections for the federation's president, legislature, and local municipal governments in Serbia resulted in a resounding defeat for incumbent President Slobodan Milosevic and his ruling coalition. Although Milosevic and his allies tried to deny opposition forces their victory, a major show of "people power" on October 5 in Belgrade, and indeed throughout Serbia, swept away the old regime and effectively ended more than 50 years of Communist rule. The winner in the presidential election, Vojislav Kostunica, a 56 year-old constitutional lawyer and long-time dissident, then assumed power along with an unwieldy 18-party coalition named the Democratic Opposition of Serbia (DOS). Despite the victory of Kostunica and DOS, the FRY faces considerable challenges in the years ahead. Kostunica and other DOS leaders have made it clear that reconceptualizing the relationship between Serbia and Montenegro, reforming the economy, and finding a meaningful way to reassert Yugoslav sovereignty over Kosovo are their immediate priorities.

Since Serbia and Montenegro proclaimed the formation of the FRY in April 1992, their common state has had a precarious existence. Formed in the midst of the wars in Croatia and in Bosnia and Herzegovina, the FRY has been plagued by a host of problems: international economic sanctions, war in neighboring states involving ethnic brethren, domestic political opposition to Slobodan Milosevic's regime, disagreements between the two federal partners, and violent rebellion in the Yugoslav province of Kosovo. All of these things have made this "third Yugoslavia" an inherently unstable entity. In 1997, Montenegro slowly began pursuing a strategy of disassociating itself from the Milosevic regime and from the Yugoslav federation itself. Meanwhile, in Kosovo, the Kosovo Liberation Army (KLA) began an uprising against Serbian control in the province. International concern over the fighting in Kosovo grew throughout 1998 as reports of numerous human rights abuses emerged.

In March 1999, NATO attacked the FRY ostensibly to pressure the Milosevic government into accepting a settlement for Kosovo dictated by the international community. During the war, government security forces and paramilitary units engaged in a campaign to forcibly expel the Albanian population from potential invasion routes into the country. In June 1999, after a 78-day bombing campaign, a settlement to the conflict was codified in United Nations Security Council Resolution (UNSCR) 1244. It effectively removed Kosovo from Belgrade's legal control and established a 50,000-strong NATO-led force (KFOR) to enforce the peace. However, UNSCR 1244 also explicitly noted that Kosovo would legally remain a part of the FRY. NATO's Kosovo campaign, therefore, did not bring the Kosovo question any closer to resolution. Moreover, during 2000, KLA offshoots began operating in adjacent areas of southern

Serbia and northwestern Macedonia and threaten to destabilize the region once again.

By mid-1999, the FRY had effectively disintegrated into three distinct political entities: Kosovo, under NATO/UN control; Montenegro, where President Milo Djukanovic was maintaining a precarious peace; and Serbia (together with the FRY's other autonomous province, Vojvodina), where Milosevic was fully in charge.

Citizens of the FRY have experienced a precipitous drop in their living standards since the disintegration of the former Yugoslavia. According to some estimates, average per capita gross domestic product (GDP) in the FRY in 1999 was one-third its 1989 level. Wars, international economic isolation, and the Milosevic regime's consistent refusal to engage in meaningful economic reform played a significant role in the economic downturn. Much of the regime's strategy for maintaining power in such unfavorable circumstances had revolved around distributing control over state-owned companies to political allies and allowing a large black market to flourish. It is estimated that NATO's bombing campaign against Yugoslavia alone inflicted \$30 to \$40 billion worth of damage to the FRY's economic infrastructure.

DEMOCRATIZATION

Political Process

1998	1999-2000	2001
5.00	5.50	4.75

Since its inception in 1992, the FRY's political system has been a sui generis mixture of Milosevic's arbitrary rule, formal adherence to some constitutional restrictions, and recognition of the need for a bare minimum of popular democratic legitimacy. Milosevic, for instance, never resorted to a pure dictatorship. Indeed, the relative weakness of Milosevic's *Socijalisticka Partija Srbije* (Socialist Party of Serbia, SPS) and its ideologically kindred *Jugoslovenska Udružena Levica* (Yugoslav United Left, JUL) repeatedly forced Milosevic into coalitions with not-so-reliable partners. Opposition parties, the independent press, and domestic nongovernmental organizations (NGOs) maintained a very significant and visible presence in the FRY's political life.

Yugoslavia's federal system, moreover, provided room for anti-Milosevic forces to gain considerable political space to maneuver. This was most notably the case in Montenegro, where a wing of the ruling *Demokratska Partija Socijalista—Crne Gore* (Democratic Party of Socialists-Montenegro, DPS-CG), led by Milo Djukanovic, broke with pro-Milosevic forces in 1997 and began pursuing an independent path. Similarly, in the Serbian province of Kosovo, the large Albanian majority (by the mid-1990s, accounting for 90 percent of Kosovo's total population) was able to create a shadow government and parallel society complete with its own schools and hospitals.

Throughout its brief history, the FRY has been a highly unstable political entity. The four main indicators of this are: (1) an unstable international environment, as well as problems associated with Montenegro and Kosovo, (2) highly contested and disputed elections and the regime's refusal to allow a normal turnover of power, (3) a catastrophic economic situation, and (4) the large number of politically-motivated assassinations.

Yugoslavia's international environment in the 1990s has been highly unstable. The wars in Bosnia and Croatia produced a large number of refugees who sought shelter in the FRY and greatly exacerbated social tensions in the country. Within Yugoslavia, the dispute between the Djukanovic government in Montenegro and the Milosevic regime increasingly threatened to break out into violent conflict in recent years. Adding to these tensions were disputes between the two main blocks in Montenegrin politics: Djukanovic's For a Better Life Coalition and the successor to the pro-Milosevic wing of the DPS-CG, the *Socijalisticka Narodna Partija* (Socialist People's Party, or SNP). Finally, the long-simmering rebellion in Kosovo, which intensified in 1998 and led to NATO's attacks on Yugoslavia in 1999, added another internal dimension to the instability plaguing the FRY.

The inherent instability of the FRY and Milosevic's regime was also been evident in the inability of the system to allow for democratic transfers of power through elections. Elections were organized to favor pro-regime parties. When the results still proved unfavorable, the regime resorted to falsifying electoral returns. Most recently, after the September 2000 elections, the regime employed various tactics to stay in power, even having the constitutional court declare the presidential vote invalid and calling for new elections. Popular revulsion against these actions culminated in the events of October 5.

Another aspect of the inherent instability of Milosevic's style of rule was evident in the FRY's disastrous economic performance in the 1990s. Most notably, there was growing economic disparity between the vast majority of Serbia's population and a small circle of SPS/JUL insiders. By 2000,

most Yugoslav citizens had seen their living standards cut by two thirds in comparison with 1989 levels. Similarly, throughout the past decade inflation significantly eroded most households' savings. In January 1994, the FRY economy set a new world record for hyperinflation: 313,563,558 percent monthly!

One final indicator of the system's instability was the growing number of high-level assassinations between 1997 and 2000. During 2000 alone, the Yugoslav federal defense minister and the well-known warlord and paramilitary chief Zeljko Raznatovic-Arkan were gunned down in Belgrade along with a host of other figures. The Milosevic regime appears to have been directly linked to some of these killings.

The most recent elections to the bicameral federal assembly took place on September 24, 2000, concurrently with the elections for the FRY federal president (see tables 1 and 2). (Under the 1992 FRY constitution, the upper house is the 40-member council of republics and the lower house is the 138-member council of citizens. The republican assemblies elect their respective members to the council of republics, in which Montenegro and Serbia have equal representation. Delegates to the council of citizens are elected according to a complex formula that assigns 108 delegates to Serbia and 30 to Montenegro. Some delegates are popularly elected (in Serbia, 54; in Montenegro, 24), and while the remainder are elected according to constituency majorities. Delegates in both chambers serve four-year terms.

Pro-Milosevic parties controlled the composition of the federal assembly that was elected in November 1996. However, the importance of the federal assembly declined in inverse proportion to the intensity of the dispute between Montenegro and Serbia. For the elections on September 24, 2000, the democratic opposition in the FRY again had to campaign under very unfavorable circumstances. The regime refused to allow the opposition access to the most important media, and the opposition was frequently subjected to harassment from state security organs. A boycott by anti-Milosevic Montenegrin parties (over constitutional

Table 1. 2000 Parliamentary Elections, Council of Citizens

Party/Coalition	Mandates
Democratic Opposition of Serbia (DOS)	58
Socialist Party of Serbia/ Yugoslav United Left (SPS/JUL)	44
Serbian Radical Party (SRS)	5
Union of Vojvodina Hungarians (SVM)	1
Socialist People's Party (SNP)	28
Serbian People's Party (SNS)	2

Source: the Yugoslav government's official website, <http://www.gov.yu>

Table 2. 2000 Parliamentary Elections, Council of Republics

Party/Coalition	Mandates
Democratic Opposition of Serbia (DOS)	10
Socialist Party of Serbia/ Yugoslav United Left (SPS/JUL)	7
Serbian Radical Party (SRS)	2
Serbian Renewal Movement (SPO)	1
Socialist People's Party (SNP)	19
Serbian People's Party (SNS)	1

Source: the Yugoslav government's official website, <http://www.gov.yu>

changes in July 2000 that allowed delegates to the council of republics to be popularly elected) also hurt the opposition's chances for victory. Nevertheless, the DOS coalition scored a significant victory against pro-regime parties. In the new federal assembly, DOS and the SNP (under a former Milosevic ally) will have a strong majority.

Serbia and Montenegro each have popularly elected unicameral assemblies in which delegates serve four-year terms. Delegates to the 250-seat *Skupstina Srbije* (Serbian assembly) are elected according to a system of proportional representation. The latest elections for the Skupstina were held in September 1997 and were boycotted by two leading opposition parties, Zoran Djindjic's Democratic Party and Vesna Pesic's Civic Alliance of Serbia. Milosevic's ruling left-wing coalition lost its governing majority, gaining only 110 seats. The SRS, on the other hand, significantly increased its share of power, gaining 82 seats. Vuk Draskovic's SPO also improved its standing, winning 45 seats. Other smaller parties, including those representing ethnic minorities, shared the remaining 13 seats. After September 24, 2000, however, the composition of forces in the Serbian parliament did not reflect new political realities and DOS was able to force pro-Milosevic parties into calling early elections, scheduled for December 24, 2000.

In 1997, the DPS-CG split into two factions, one supporting the pro-Milosevic Montenegrin president Momir Bulatovic and the other supporting Milo Djukanovic, another leading DPS-CG member who favored greater autonomy for Montenegro within the Yugoslav federation. In the most recent elections to the Montenegrin parliament, held in May 1998, the Djukanovic-led coalition *Za Bolji Zivot* (For a Better Life) won 42 seats; Bulatovic's Socialist People's Party (SNP) of Montenegro, 29; the Liberal Alliance of Montenegro, 5; and the Democratic Union of Albanians, 1. In contrast to elections held in Serbia, the Organization for Security and Co-operation in Europe (OSCE) has deemed elections in Montenegro to be "free and fair."

In Kosovo, the Albanian population consistently boycotted Serbian and Yugoslav elections from 1989 on. In 1990, Serbian authorities promulgated a new republican constitution that rescinded the broad autonomy that Serbia's two provinces, Kosovo and Vojvodina, had enjoyed since 1974. Albanian delegates in the Kosovo assembly responded by declaring Kosovo a constituent republic in Yugoslavia (but independent of Serbia). Serbian authorities responded by dissolving the Kosovo assembly. In May 1992, Kosovo Albanians voted for a new assembly and elected Ibrahim Rugova as president of the self-declared Republic of Kosovo. Serbian authorities immediately declared the elections illegal, and the Kosovo Albanian's state remained unrecognized by the international community. On March 22, 1998, Kosovo Albanians again held elections for their self-declared parliament and presidency, FRY authorities again declared the vote invalid. The Republic of Kosovo also remained unrecognized by foreign governments. United Nations Se-

curity Council Resolution 1244, which was passed in June 1999, calls for a wide degree of autonomy for the province.

In October 2000, Ibrahim Rugova's Democratic League of Kosovo won 58 percent of the vote in elections to Kosovo's city and town halls. The Democratic Party of Kosovo, which is led by the former head of the Kosovo Liberation Army, won only 27 percent of the vote. Analysts suggested that the Democratic League's strong showing signaled that Rugova would be the likely frontrunner in a future province-wide election. According to the OSCE, turnout for the local elections was 79 percent.

The most recent elections for the FRY presidency were held on September 24, 2000. In earlier years, the federal president had been elected by the federal assembly and required the approval of a majority of both Serbian and Montenegrin delegates. In July 2000, constitutional changes pushed through the federal assembly by pro-Milosevic parties called for the federal president to be chosen through direct popular elections. Milosevic's belief that he could win a popular vote against a respectable opponent proved to be the biggest political miscalculation of his career. To run against Milosevic, the Serbian opposition nominated Vojislav Kostunica, a 56-year-old constitutional lawyer and the leader of the small *Demokratska Stranka Srbije* (Democratic Party of Serbia, DSS). Kostunica, who had impeccable credentials both as a principled opponent of the Milosevic regime and as a strong defender of Serbian national interests, captured 50.4 percent (2,470,304 votes) of the popular vote on September 24; Milosevic won only 37.1 percent (or 1,826,788 votes).

According to the FRY constitution, the Yugoslav presidency is a largely ceremonial post. In reality, however, Milosevic's control over the SPS and various state security organs made him by far the most powerful man in the country. Kostunica, as the leader of an unwieldy 18-party coalition, who must deal with Montenegro's demands for a considerable redefinition of the federal state, will undoubtedly be in a much weaker position in the long term to exert much practical political power in the country. Nevertheless, at the end of 2000, Kostunica enjoyed tremendous political and moral prestige both within Yugoslavia and internationally. He will probably be able to exert more influence over the next year or two than his official powers would suggest.

The president of Serbia is popularly elected. Slobodan Milosevic won the first multiparty elections in December 1990 and was reelected in December 1992. In December 1997, Milan Milutinovic won the Serbian presidency after four rounds of voting and amid widespread rumors of ballot stuffing to assure a 50-percent turnout. Despite the changes that have occurred as a result of the events of October 5, 2000, as of this writing there were no plans to hold early elections for the Serbian presidency. Milutinovic's current term runs out in December 2001.

The president of Montenegro is also popularly elected. The current president, Milo Djukanovic, was elected in multiparty elections in October 1997. His opponent, in-

cumbent President Momir Bulatovic, who accused the Djukanovic camp of widespread vote fraud, disputed Djukanovic's victory.

None of the elections held in Yugoslavia over the past several years, whether at the national, republican, or municipal levels, can be considered free and fair. An OSCE report on the Serbian presidential and parliamentary elections in 1997, for instance, noted that the "overall election process in the Republic of Serbia is fundamentally flawed." The U.S. State Department has claimed that "in practice citizens cannot exercise the right to change their government." Opposition parties have been routinely denied access to state-owned media, and the Milosevic regime habitually manipulated the electoral process in numerous ways. Although elections in Montenegro have generally been fairer, there have been numerous complaints about pro-government coverage of electoral activities by state-owned media.

Voter turnout has varied significantly over the years. Kosovo's Albanian population boycotted all Serbian and Yugoslav elections in the 1990s. In recent elections in Serbia proper, there have been signs of voter fatigue. In the October 1997 presidential elections in Montenegro, voter turnout was approximately 73 percent. In the September 24, 2000, elections, official estimates claimed that voter turnout had been 69.7 percent, but opposition leaders claimed that turnout was over 75 percent. In Montenegro, due to the boycott called by the Djukanovic government, approximately 24 percent of the electorate turned out. In Kosovo, the municipal elections of October 28, 2000, which were organized by the international community, drew an 80 percent voter turnout.

Since the first set of contested elections were held throughout the former SFRY in 1990, both Serbia and Montenegro have had a very active multiparty system. The FRY constitution guarantees citizens freedom of political association (Article 41). At the federal Yugoslav, republican, and municipal levels, numerous parties compete in elections and participate in government. By 1995, there were approximately 200 parties functioning at the federal and republican levels. Many of these, however, were small parties with little or no infrastructure or coherent political platform.

Article 42 of the FRY constitution forbids any political parties or organizations that advocate the violent overthrow of the constitutional order. In the fall of 1997, Serbian officials prevented a party representing Muslims in the Sandzak from forming an electoral coalition with the Kosovo-based Democratic Reform Party of Muslims.

The power and influence of the various parties has varied significantly. By virtue of its control over the state security forces, the most important mass media, and the most important segments of the economy, the SPS enjoyed a disproportionate share of power at all levels of government until October 2000. DOS's victory in the September 24 elections, however, led to the swift disintegration of the SPS's hold on power. In the future, we can expect to see a fairer and more equal distribution of power throughout the gov-

ernment and society. In Kosovo's October 2000 municipal elections, more than 20 parties competed for office.

Exact figures on political party membership are difficult to obtain because many parties are reluctant to release such data. Hitherto, the SPS had claimed a membership of approximately 600,000, making it by far the largest political party in Yugoslavia. *Nova Demokratija* (New Democracy) claims to have 40,000 members. Official membership figures, however, do not generally reflect a party's overall strength or level of popular support. This is better determined by analyzing voting results since 1990. Public support for Milosevic's SPS, for instance, has declined considerably over the past decade. In the 1990 elections, the SPS gained more than 2,300,000 votes; in the 1997 elections, this number fell to 1,200,000. Vuk Draskovic's SPO has consistently won between 700,000 and one million votes over the past decade. Support for Vojislav Seselj's SRS also fluctuates considerably. In the elections between 1990 and 1997, the SRS gained anywhere between 600,000 and 1,038,000 votes.

The elections of September 24, 2000, however, significantly reshuffled the political scene in Serbia. The SPO and the SRS suffered their worst electoral showings in years. Whether these two parties will remain important players in Serbia's political scene is unclear. Similarly, as of this writing, Milosevic's SPS was breaking up along several lines, most notably between moderates and hard-liners. An SPS party congress that is scheduled for December 2000 is expected to lead to a formal split between these factions and to the formation of new parties.

Reliable figures for Montenegrin political parties are also difficult to obtain. Of Montenegro's approximately 450,000 registered voters, it is generally assumed that most Montenegrins who either identify themselves as Serbs or favor close ties with Serbia vote for Momir Bulatovic's SNP. Djukanovic's electoral successes, on the other hand, come from votes his For a Better Life coalition has received from Albanians, Croats, Muslims, and the segment of the Orthodox population that has traditionally favored Montenegrin independence.

No information is available on the percentage of women registered in political parties. Legally, there are no restrictions on women's participation in politics, and women are active in political organizations. Nevertheless, they are underrepresented in party and governmental offices. According to a U.S. Department of State estimate, women hold less than 10 percent of the ministerial level positions in the Serbian and Federal governments. Throughout the period of nationalist mobilization in the 1990s, women have been withdrawing from active participation in politics. For instance, in the federal and municipal elections of 1996, 60 percent of women decided not to vote. Of the 178 members of the federal assembly who were elected in 1996, only one was female. In the current Serbian assembly (elected in 1997), only 8 out of 250 delegates (or 3.5 percent) are women.

Ethnic minorities in the FRY have generally formed their own political parties. Apart from Kosovo Albanians, who have not participated in the FRY's political life for the past decade, smaller ethnically based parties have included the *Savez Vojvodjanskih Madjara* (Union of Vojvodina Hungarians, SVM) and various parties representing ethnic Muslims in the Sandzak. Both the SVM and the main Muslim-Sandzak party joined the DOS coalition for the September 2000 elections.

Civil Society

1998	1999-2000	2001
5.00	5.25	4.00

Like most of East-Central Europe, the FRY has witnessed an explosion in the number of NGOs operating in the country over the past decade, although the exact number and the size of their memberships are difficult to determine. NGOs in the FRY are still officially registered as "social organizations" or "associations of citizens," in accord with the terms used during the socialist period. Since 1991, observers believe that 500 NGOs have been formed, the most numerous focusing on ecological, humanitarian, or human rights issues.

Among the more active and visible NGOs are the Belgrade-based Center for Anti-War Action (formed in 1991) and the Helsinki Committees that are active in Belgrade, Pristina, and the Sandzak. The Helsinki Committees in Belgrade and Pristina often collaborate in monitoring the human rights situation in Kosovo. The Serbian Orthodox Church is active in providing charitable assistance to refugees and the poor. In Kosovo, a predominantly Serbian group of citizens known as the Serb Resistance Movement was created in the mid-1990s to protest the Milosevic regime's policies in that province. The Students Club in Belgrade and the Independent Union of Students in Kosovo have also played prominent roles over the past several years. Several environmental and women's rights groups are also active. Among the most prominent of the latter are the Belgrade-based Women in Black, Krajina and Tara, Tera, and Woman, and the Pristina-based League of Albanian Women and Mikya.

Perhaps the most important NGO to have emerged in Serbia in the past decade is the student movement Otpor (Resistance). Otpor was created in 1998 to reflect the younger population's disgust with the incessant infighting of the official Serbian opposition. Within a matter of months, Otpor developed a sophisticated strategy of nonviolent resistance to the regime and an amorphous organizational structure designed to prevent the authorities from destroying or co-opting its leadership. Various Western agencies have provided Otpor with significant funding and training support.

As of late 2000, the legal and regulatory environment for NGOs was in considerable flux. Hitherto, although le-

gal provisions for registering NGOs have been relatively liberal at the federal level, politically active NGOs often have had to confront various forms of governmental harassment. By virtue of being able to cause problems for businesses, the government could discourage business support for the NGO community. Humanitarian assistance is tax exempt only if it is distributed through the Red Cross or the Office of the Serbian Refugee Commissioner. Some NGOs raise funds by charging for services and engaging in other revenue-raising activities. Revenues used to support programs and core administrative costs are not subject to taxation. Laws on citizens' associations at the republican and federal levels have not been brought into conformity with the republican and federal constitutions, and there is no legal framework for international NGOs. Consequently, all groups find themselves in various forms of legal limbo. For instance, in June 2000, the Federal Ministry of Justice refused to register Otpor as a "social organization," claiming that its members had been engaged in activities aimed at overthrowing the legal constitutional order.

In Montenegro, the government has promoted more liberal policies towards NGOs. On July 22, 1999, the Montenegrin parliament replaced the earlier Law on Citizen's Organizations with a new law that simplifies registration procedures, details taxation benefits, and grants foreign and domestic NGOs equal status. The new legislation was written with the help of the Center for Democracy and Human Rights in Podgorica and was reviewed by other NGOs in Montenegro.

Most NGOs operate on shoestring budgets and depend on volunteer support. Activists generally lack fundraising skills. The depressed state of the Yugoslav economy means that most NGO's will remain dependent on the international donor community for the foreseeable future. Some NGOs receive in-kind support (e.g., the use of office space) from reform-minded municipal authorities in cities and towns run by the opposition.

The FRY's trade union movement has been relatively weak over the past decade, despite considerable legal guarantees. Article 41 of the FRY constitution guarantees workers the right to form free trade unions. All workers, except military and police personnel, are entitled to join or form unions. Out of a total estimated labor force of 2.3 million, the government-controlled Alliance of Independent Labor Unions has an estimated membership of 1,000,000. The independent United Branch of Independent Labor Unions has about 170,000 members. Other unions are smaller and more sector-specific. The Union of Bank Employees, for instance, claims some 12,000 members. Numerous smaller unions representing transportation workers, educational employees, journalists, retirees, etc., are very active, at least judging by their proclivity to strike. In Kosovo, the Association of Independent Trade Unions (formed in 1990) represents 24 unions with approximately 250,000 workers.

Independent unions suffered from the Milosevic regime's attempts to suppress their activities. For example,

unions were often prohibited from busing their members to strikes or demonstrations held in different parts of the country. Public opinion surveys conducted prior to the recent change-of-power in Belgrade showed that only 12 percent of the population had much faith in either the official governmental or independent trade unions. The *Savez Sindikata Srbije* (SSS) was in a highly-favored position vis-à-vis the government, which made it possible for the SSS to inherit all property belonging to trade unions from the Communist period and often allowed it to distribute scarce consumer goods. The Milosevic regime also considered the SSS its only official interlocutor in labor negotiations. Labor activists claim that the government has turned down some 300 requests to officially register unions. They have also criticized the FRY's Law on Strikes, which calls for workers to notify businesses five days in advance, and government agencies ten days in advance, of any strike plans.

Articles 39 and 41 of the FRY constitution grant citizens the right to form political parties and organizations and the right to assemble freely. Numerous interest groups represent ethnic constituencies (especially Albanians, Hungarians, Muslims, and Roma), business interests (such as the Yugoslav Chamber of Commerce and Industry), women's rights, etc.

Independent Media

1998	1999-2000	2001
4.50	5.75	4.50

The media scene in the FRY over the past decade has been very lively, especially at the local level. According to one estimate, in 1997 there were 300 privately owned radio stations and 100 privately owned television stations in Yugoslavia. Belgrade has several daily newspapers.

Until now, the largest and most influential media in Yugoslavia have been state-owned. The most important television station is the government-owned RTS, whose signal covers most of the country. While Milosevic was in power, RTS's editorial policy was strictly pro-government. In the run-up to the September 2000 elections, for example, RTS news programs devoted nine and a half hours to SPS/JUL activities and only 21 minutes to DOS.

Montenegro and each of the provinces have their own state television services as well. In 1997, after Djukanovic split with Milosevic, Montenegro's state-run television network (*TV Crna Gora*) began broadcasting a more objective and open news program. Under new editorial leadership, opposition political parties began to receive more coverage, and collaboration with independent news media in Belgrade such as Radio B-92 or the Studio B television station increased. *TV Crna Gora* also stopped rebroadcasting RTS's main nightly news program. During 2000, however, there were increasing complaints that state-owned media in Montenegro were towing a pro-Djukanovic line.

In both Kosovo and Vojvodina, there are RTS broadcasts in Albanian and Magyar, respectively, but the editorial slant had traditionally been pro-Milosevic. Yugoslavia also has numerous print media for ethnic minorities published in their native languages. These include Novi Sad's *Magyar Szó*, a Hungarian-language daily with estimated circulation of 26,000, and Pristina's *Koha Ditore*, an Albanian-language newsmagazine edited by the well-known Albanian activist Veton Surroi. In 1998, a new Albanian-language daily, *Koha Sot*, began publishing with a circulation of 35,000 and an editorial line that pursued a middle course between the more militant *Koha Ditore* and the pro-Rugova elements in the Albanian population.

The largest daily newspapers are *Blic*, *Vecernje Novosti*, and *Glas Javnosti*. One of the largest print dailies, the Belgrade-based *Politika* (estimated circulation: 100,000), used to be one of the most respected daily newspapers in Eastern Europe. During the Milosevic era, however, it became a tool of the regime. After the events of October 5, 2000, the editorial staff of *Politika* revolted against its management and demanded a complete overhaul of its leadership. There are a variety of opposition publications, and their popularity has increased in recent years. According to one report, by 1997 the overall circulation of the independent press surpassed that of the state media. The Belgrade-based newsweeklies *Vreme* and *NIN* were strongly antiregime. In recent years, tabloids such as Belgrade's *Blic* have also gained in popularity. In 1998, however, as part of Milosevic's overall crackdown on society, a number of print media, including *Nasa Borba*, *Demokratija*, *Dnevni Telegram*, *Evropljanin* and *NT Plus*, were closed.

Among the most important privately owned electronic media are Belgrade's B-92 radio station and the Studio B independent television station. B-92 has long been noted for its strong anti-war stance. During the Belgrade demonstrations of 1996 and 1997, B-92 gained many new listeners because people wanted to get more objective reporting. B-92 has also organized a network of 24 opposition radio stations throughout Serbia, Vojvodina, and Montenegro that reaches 70 percent of Serbia's population. After the NATO bombing campaign began in March 1999, one of the regime's first acts was to arrest B-92's editor-in-chief, Veran Matic. Matic was subsequently released, but B-92 was forced to operate under strict governmental supervision for the duration of the war.

Over the past several years, Belgrade's Studio B television station has given opposition parties much more coverage than they could receive on RTS. Studio B's signal, however, only reaches limited parts of Belgrade, and the former government repeatedly refused to allow Studio B to obtain a stronger transmitter. Opposition cadres from the *Zajedno* coalition took charge of Studio B after the results of the 1996 municipal elections were recognized, but in September 1997 squabbling among opposition parties led Vuk Draskovic's SPO to purge the station of Zoran Djindjic's supporters. Opposition figures subsequently

claimed that Studio B had become the SPO equivalent of Milosevic's RTS.

Apart from government harassment, the main problem facing independent media in the FRY over the past decade has been making a profit. Practically no independent media outlet is financially viable. And most, such as *Vreme* and Radio B-92, depend on foreign donations to survive.

Newspapers and other print media are disseminated through several well-established distribution chains, most of which are government affiliated. In larger cities, independent publications are easily obtained, even at state-owned kiosks. The terms under which government-owned chains distribute independent publications, however, are usually not financially favorable to the publication. The government-owned chains also frequently delay or postpone payments to independent media outlets. Given the level of inflation, this means that newsstand earnings are usually worthless. A common form of government harassment involved denying independent publications newsprint or making the cost of newsprint prohibitively expensive. The NATO bombing campaign made it even more difficult for independent media outlets to gather information and to distribute their publications.

Until October 5, 2000, state-owned media towed the government line. Private and independent media, on the other hand, had completely independent editorial policies, and many newspapers, magazines, and radio stations were vehemently antiregime. The Milosevic government tolerated this state of affairs because it believed that these media outlets had relatively little impact on mass public opinion. The independent media's limited impact was mainly the result of two factors. First, most people simply cannot afford to buy alternative or independent publications. Second, Yugoslavia's rural population relies on state-owned media for most information. Nevertheless, on some occasions the regime did not take any chances. In the run-up to the Serbian elections in the summer of 1997, for example, the Milosevic government temporarily shut down 77 private radio and television stations around the country.

Officially, Articles 36 and 38 of the FRY constitution guarantee freedom of the press and prohibit censorship with one stipulation: media outlets enjoy these freedoms only if they are registered with the government. In practice, independent or alternative media frequently have been subjected to legalistic and bureaucratic harassment. By 1998 and 1999, as opposition to the Milosevic regime grew, this turned into outright persecution. A 1998 media law, for instance, imposed undisclosed fees on the allocation of frequencies to television and radio stations. This left officials free to price independent media houses out of business.

In October 1998, with the threat of NATO bombardment imminent, the Serbian government passed a decree on media conduct in a situation of immediate war danger. This enabled the government to close or impose punitive

measures against any media outlets of its choice. The decree resulted in the closure of several independent papers. After the immediate crisis passed, many of the measures were adopted as permanent legislation.

When the NATO bombing campaign actually began on March 24, 1999, the government passed a new set of decrees imposing a system of wartime censorship. Media houses were provided with suggested language for describing NATO, the KLA, etc., and journalists were prohibited from reporting on military or civilian casualties. In April, the publisher of *Dnevni Telegraph*, Slavko Curuvija, was assassinated in Belgrade. His murderers were never found. Many independent journalists were taken into temporary custody. In a very controversial act, Yugoslav media also came under attack from NATO when cruise missiles destroyed the building housing RTS and killed 16 reporters, editors, and technicians. Western human rights organizations called the attack on RTS a war crime. Under Kostunica, the new FRY government is expected to move quickly to rescind all of the draconian media legislation enforced by the Milosevic regime.

The environment in which independent media operate in Montenegro has been somewhat different since the Djukanovic government came to power in 1997. The passage of a new Law on Information in Montenegro in 1998 marked a change in official government policy and led to substantial growth in the number of independent and private media. The high fees for radio and television frequencies were considered excessive, and the government was forced to halve them in 1999. Montenegro's independent media generally survive with foreign donations. The money earned from selling advertising space or commercial airtime is only symbolic.

As of mid-2000, there were about 135 print media operating in Montenegro. The three main daily newspapers are the pro-government *Pobjeda*, the privately owned *Vijesti*, and the pro-Socialist People's Party *Dan*. Important weeklies include *Monitor*, *Polis*, *Istok*, and *Grafiti*. Montenegro also has fifteen government radio stations, established either by republic or local municipal authorities; ten privately owned radio outlets; and five television stations. Several radio stations rebroadcast the programs of Radio Free Europe, Deutsche Welle, the BBC, and the Voice of America.

Montenegro's Law on Public Information is fairly liberal and allows foreigners 100-percent ownership of media outlets. Professional journalists, however, criticize the fact that a program council for Montenegrin state-TV has been formed through an agreement between political parties in parliament. There have also been complaints that state-owned media have towed a very pro-government line.

Laws prohibiting slander against private individuals and government officials exist, but prior to 1998 the Milosevic regime rarely used such forms of harassment. The October 1998 decree on the media allowed media outlets to be fined for publishing items of a personal nature without the

consent of the concerned individual. The decree also allowed private individuals or organizations to sue media outlets for being “insufficiently patriotic” or for disseminating information that does not uphold “the territorial integrity, sovereignty and independence of the country.” The most typical legal penalty has been an imposition of exorbitant fine that is intended to destroy a media outlet’s financial viability.

According to the International Telecommunication Union, there were 80,000 Internet users in Yugoslavia, or 75.21 users per 10,000 people, in 1999. There were also 9.91 Internet hosts per 10,000 people and 2.07 personal computers per 100 people in 1999. Limited access to the Internet is more the result of a lack of computers than of government restrictions. Many individuals have access to the Internet through academic institutions, governmental institutions, or business enterprises. According to some informal estimates, the number of people with access to the Internet could be as high as 300,000 people. Belgrade also has numerous cyber cafés.

The Internet was an important battleground between the Milosevic regime and Serbian civil society. In November 1996, after widespread protests erupted throughout Serbia to protest the Milosevic government’s annulment of municipal election results, Radio B-92 began to broadcast reports on the protests via the Internet. The regime then tried to jam B-92’s radio signals. B-92 responded by using the RealAudio computer program to broadcast its radio programs, thus allowing audiences both inside and outside Yugoslavia to listen. The U.S. manufacturer of RealAudio subsequently donated even more powerful equipment to B-92, which allowed more than 500 people to listen to the Internet broadcasts simultaneously. Rumors circulated at the time that the regime had pressured Internet service providers into disconnecting Serbia from the World Wide Web.

The Albanian-language daily *Koha Ditore* established Kosovo’s first E-mail system, Zananet, in 1994, as part of the ZaMir network. By March 1999, there were four Internet service providers in Kosovo: Pronet (owned and managed by Albanians), Eunet, Co.yu, and the PTT. Prior to the NATO bombing campaign against Yugoslavia, Pronet’s staff frequently had to hide its equipment during police raids. Estimates suggest that Pronet was serving several hundred users. Radio 21, an independent Albanian radio station based in Pristina, also broadcast its reports via the Web. In the aftermath of the Kosovo conflict, Internet gateway Anonymizer.com created the Kosovo Privacy Project, which offered anyone in Yugoslavia a dedicated gateway for sending email without being monitored by security services.

Yugoslavia was rated “Not Free” from 1991 to 1999 in Freedom House’s annual *Survey of Press Freedom*. For 1999 and 2000, it was rated “Partly Free.”

Governance and Public Administration

1998	1999-2000	2001
5.00	5.50	5.25

Under the Milosevic regime there were few checks and balances between legislative and executive authority in the FRY. Two factors, however, prevented Milosevic from creating an outright dictatorship. First, the FRY’s federal system allowed anti-Milosevic forces in Montenegro to come to power and capture official governmental institutions. Second, throughout the post-1992 period, Milosevic’s SPS was never strong enough to rule alone. At various times, Milosevic had to form alliances or coalitions either with extreme right parties (i.e., Seselj’s SRS) or with more moderate parties (i.e., Vuk Draskovic’s SPO).

The federal assembly became increasingly irrelevant as a rule-making body as the dispute between Milosevic and Montenegro grew. In 1997, it convened only once, and the Milosevic government increasingly ruled by decree. This state of affairs became more pronounced as the Milosevic regime slowly lost its monopoly on state institutions and had to allow opposition forces into government institutions. In Montenegro, for instance, the reformist victory in October 1997 forced Milosevic loyalists out of office. In Serbia, the opposition parties’ victory in the November 1996 municipal elections gave them a toehold on power at local levels, and the September 1997 Serbian parliamentary elections gave non-SPS parties a majority in the Skupstina.

Sessions of the Yugoslav federal assembly, the Serbian Skupstina, and the Montenegrin Skupstina are frequently televised or covered by the press. However, much of the actual decision making takes place behind closed doors. Milosevic’s SPS often acted unilaterally. A recent example of this occurred in July 2000 when the SPS/JUL coalition pushed through a controversial set of constitutional amendments to the electoral rules. Despite such actions, draft legislation has usually been available for public debate. In 2000, for example, a draft Law on Terrorism circulated in the Yugoslav press for several weeks before the government decided to withdraw it because it could not gain the SRS’s support. On other occasions, though, the government submitted legislation and passed it within the space of one day, thereby effectively preventing any public debate on the issues at hand.

The Yugoslav federal system allows for significant devolution of power. The FRY constitution grants the republics considerable autonomy and guarantees the right to local self-government (Article 6). However, when Momir Bulatovic was the president of Montenegro most decision making was centralized. After October 1997, the Djukanovic leadership began to reassert its authority as an equal partner in the federation. Within the republics, there is a high degree of centralization. The republican education ministries design school curricula and textbooks that must be adopted throughout the republic. Prices for various utilities are determined at the republic level, not at the municipality

level. Most importantly, control over police forces is the responsibility of the republics and, in both Serbia and Montenegro, is highly centralized.

Under Tito's system of socialist self-management, local governments enjoyed a considerable degree of autonomy. After opposition forces came to power in most of Serbia's major urban areas in 1997, though, the Milosevic regime sought to curb the power of local office holders. In several Serbian cities, Milosevic's SPS cadres essentially emptied municipal coffers before the opposition could take power. The regime then punished municipalities that had voted for the opposition by denying them funds from the republican budget. After opposition leaders came to power in the city of Kragujevac, for example, republican authorities slashed the city's budget from 40 million DM in 1997 to seven million in 2000. Central authorities also began a campaign to reduce local competencies; for instance, municipal governments lost the right to grant foreign companies concessions for communal utility services. In November 1999, the Serbian parliament passed a new 226-article law that brought all local government financing under central control. The new law even gave the central government the right to dismiss local administrations and rule by decree when, for example, feuding opposition parties could not form a municipal government within 60 days of elections.

RULE OF LAW

Constitutional, Legislative, and Judicial Framework

1998	1999-2000	2001
5.00	5.75	5.50

The rule of law existed in the FRY in the 1990s only in the most formal and superficial sense. Since the proclamation of the FRY in April 1992, there has been no major constitutional reform. The closest attempt came in August 1999 when the Montenegrin government proposed a new plan for defining relations between the two federal republics. The Platform on the New Relationship between Montenegro and Serbia would have renamed the FRY the Union of Montenegro and Serbia and would have curtailed the powers of the federal government so severely that it would have transformed the FRY into a confederation. The Serbian parliament refused to consider the proposal and referred it to the federal assembly, whose authority Montenegro does not recognize. (Since 1997, Montenegro has refused to accept the validity of decisions passed by federal judicial organs.) When Kostunica and DOS came to power in Belgrade, they made it clear that rebuilding the Yugoslav federation was their first priority. Major constitutional reforms can be expected in 2001.

Over the past several years, the judicial system has usually interpreted the constitution in ways that are favorable

to the Milosevic regime. In December 1997, for instance, the federal state prosecutor overturned a decision by the Montenegrin supreme court that declared the anti-Milosevic wing of the DPS-CG the legitimate successor to the formerly united party. Similarly, in late 1998, the federal constitutional court ruled against allowing the Montenegrin president to select all 20 Montenegrin representatives to the federal assembly's chamber of republics. This reversed a 1994 decision allowing Milosevic's ruling coalition to do the same while he was the Serbian president. More recently, in July 2000 the federal constitutional court endorsed amendments to the FRY constitution that were pushed through the Federal Assembly by the SPS, despite protests from the Montenegrin government. On October 4, 2000, in a last-ditch effort to sow confusion in the population and keep Milosevic in power, the federal constitutional court annulled the presidential election results of September 24 and called for new elections at an unspecified date.

No significant reform of the criminal code was accomplished during the Milosevic years either. The former SFRY's federal criminal code remains in force, although work on a new criminal code has been ongoing for the past several years. In theory, judicial authorities authorize searches and issue warrants; in practice, however, the police often do these things on their own. The FRY constitution prohibits the use of torture against detainees or criminal suspects, but human rights organizations have documented numerous cases of abuse and beatings by security forces. This was true especially in Kosovo throughout the past decade and in Belgrade during the winter demonstrations of 1996 and 1997. The criminal justice system is hampered because it often takes months, or even years, for cases to reach the courts, and executive institutions generally show little interest in enforcing judicial decisions.

The FRY constitution guarantees Yugoslav citizens all human rights and civil liberties, regardless of ethnicity, race, gender, religion, or political creed. Citizens are guaranteed freedom of assembly, a free press, and the right to own property, and national minorities are guaranteed the right to use their own language in educational institutions and in legal proceedings. In practice, however, these rights have been difficult to secure, most notably in the case of the Kosovo Albanians. After the beginning of the KLA armed rebellion in Kosovo in late 1997, the random abuse of human rights and civil liberties increased significantly.

The Milosevic regime's dismal human rights record affected all of Yugoslavia's citizens, regardless of ethnicity. Defense attorneys frequently complained about being denied access to detainees or having difficulty acquiring copies of official indictments. Some judges prevented defense attorneys from reading court files. The judicial system also seemed more willing to support human and civil rights in Serbia proper, whereas in Kosovo and the Sandzak judges frequently supported the actions of the state security apparatus. In contrast, Montenegro's security apparatus has had

“a relatively clean human rights record since 1995,” according to the U.S. State Department.

Numerous antibias and antidiscrimination laws exist. Articles 44 through 48 of the constitution guarantee national minorities the right to education and information in their native language, the right to form educational and cultural institutions, and the right to foster relations with co-nationals outside the borders of the FRY. Article 50 makes incitement of national, racial, or religious hatred unconstitutional. It has often proved difficult, however, for minorities to enjoy these rights in practice. Similarly, women’s groups have argued that during the period of nationalist mobilization women’s rights were frequently ignored.

The independence of the judiciary was a major problem in the FRY during the Milosevic years. The majority of judges are leftovers from the communist period. In most instances, judges rule fairly and impartially on cases that do not concern politics. Court proceedings are conducted in public, unless there is a perceived need to protect government secrets, public order, or public morality. The courts came under attack by the Milosevic regime on repeated occasions. For instance, on July 13, 2000, the Serbian parliament sacked 16 judges in a move that was widely seen as an attempt to assert the regime’s control over the judiciary as popular dissatisfaction with the regime was mounting. Sometimes these purges had ethnic overtones, as in Vojvodina in the early 1990s when there were charges that an inordinate number of non-Serb judges were dismissed from their positions.

The FRY constitution calls for a strict separation of powers between the executive, legislative, and judicial branches of government (Article 12). Justices in the federal constitutional court and the federal court, as well as the federal public prosecutor, may not belong to political parties (Article 42). In practice, though, the judicial system often acted as an adjunct of the SPS. Since the tenure and salaries of judges are not fixed, they have been susceptible to regime pressure when deciding on cases with political implications. The prime example of this came in the wake of the 1996 municipal elections when the court system overturned opposition victories in several cities throughout Serbia.

Criminal investigations were also used to intimidate and harass political opponents of the Milosevic regime. Sometimes, however, even “democratic” governments in the FRY acted in a similar manner. Such was the case in February 1998 when the Djukanovic government charged former Montenegrin president Momir Bulatovic with destabilizing the “constitutional order” by allegedly organizing a demonstration in Podgorica in which several people were hurt. The state must provide suspects with public defenders if they cannot provide one for themselves. Accused persons also have the right to have court proceedings translated into their native language.

Enforcement of judicial decisions depends upon the consent of executive bodies. Since the courts rarely rule against the interests of the regime, law enforcement and security institutions do enforce rulings made by the courts.

But this general rule has become complicated by the Djukanovic government’s drive to increase Montenegro’s autonomy. The federal constitution declares that it is up to the constituent republican authorities to enforce decisions of the federal constitutional court; however, since the Djukanovic government no longer recognizes that court’s rulings, it has refused to enforce any of its decisions.

Corruption

1999-2000	2001
6.25	6.25

A key way the Milosevic regime controlled the country was by putting high-level government officials in charge of the most important economic enterprises. In practice, there were no significant limitations on the participation of government officials in the country’s economic life. Legal and ethical boundaries between private and public sector activity were seldom, if ever, enforced. Individuals with the right political connections routinely violated constitutional provisions, laws, and regulations. Upon assuming power in October 2000, Vojislav Kostunica stated that dealing with the endemic corruption in the FRY’s political and economic system would be one of his government’s top priorities.

The overlap between individuals playing leading roles in both government and the economy was especially important in several strategic sectors of the economy, notably those that involved the importation of products such as fuel, pharmaceuticals, food staples, coffee, and cigarettes. Enterprises in these sectors could draw hard currency from the National Bank of Yugoslavia (NBY) to pay for imports at the official exchange rate. They then quickly sold the hard currency on the black market for a hefty profit.

Prior to DOS’s assumption of power, financial disclosure and conflict of interest laws for politicians did not exist. Although, many prominent officials were arrested and tried for corruption during the Milosevic years, critics charged that these officials were arrested because they had fallen afoul of the regime politically rather than for criminal activities. There are laws prohibiting racketeering and other forms of organized crime, but since such activities became part and parcel of the Milosevic regime, little effort was spent to thwart them. Similar problems emerged in Kosovo, where international officials claim that the former KLA leadership is deeply involved in extortion, racketeering, smuggling, and kidnapping. Although there have been international efforts to curb such abuses, a lack of personnel and funds has made corruption in Kosovo difficult to investigate.

Corruption in Yugoslavia increased in the 1990s partly as a result of the international sanctions against the FRY and partly as a result of corruption within the regime itself. And it took numerous forms. A longtime Milosevic loyalist, for instance, was in charge of the federal customs agency. This allowed Milosevic and the SPS to control the flow of goods

into and out of the country and to impose arbitrary financial penalties and fees on individuals crossing the border. A common practice throughout the former Yugoslavia is to provide doctors and nurses with gifts in exchange for better care. This practice became even more widespread after sanctions were imposed in 1992 and the health system broke down. There have also been charges that some professors at Belgrade University charge students bribes for passing grades. Protection rackets are active in many areas, and municipal authorities often charge kiosk operators considerable sums for the privilege of operating on city property.

Declining salaries for civil servants have contributed to the problem. The average monthly salary of a government employee in 1996 was YUD 901 (approximately \$163 according to December 1996 exchange rates). The salary for a representative in the Republic Assembly in Serbia in 1998 was YUD 12,264. University professors received about YUD 2,100, and doctors only made YUD 1800 per month.

A 1998 study by the UN International Crime and Justice Research Institute (UNICRI) reported that 17 percent of respondents in Yugoslavia claimed they were the victims of official corruption, as compared with an 11 percent global average. A study completed in the first half of 2000 showed that one out of every five citizens in Serbia proper (i.e., excluding Montenegro and Kosovo) claimed to have been asked for a bribe. One out of every four citizens claimed to have offered bribes on various occasions to doctors, potential employers, customs officials, etc. The study also noted that there was a widespread belief among the general public that government officials at all levels are corrupt. No anti-corruption public education efforts have been initiated in recent years.

In 2000, the FRY rated 89 out of 90 countries surveyed for Transparency International's Corruption Perceptions Index. It received a score of 1.3, where 10 represents the least corrupt and 0 the most corrupt. In the 1999 survey, Yugoslavia was ranked 90 out of 99 countries, with a score of 2.0.

ECONOMIC LIBERALIZATION & SOCIAL INDICATORS

Privatization		
1998	1999-2000	2001
4.50	5.00	5.00

In the 1990s, the FRY made little progress in laying the foundations for a free market economy. Today, the Serbian economy is effectively bankrupt. Milosevic's system of rule required a significant concentration of economic power and

wealth among those close to the regime. Consequently, there were few serious attempts to allow a private sector to flourish. Reforms of the banking system, property legislation, capital market infrastructure, etc., were avoided. And, in 1994, the Property Transformation Revaluation Act annulled the privatization of 87 percent of the enterprises that had previously been privatized.

The private sector accounts for approximately 40 percent of the FRY's GDP. The vast majority of officially registered businesses are privately owned; by 1995 this figure stood at 91 percent. Most of these are so-called micro-companies that employ less than ten people and are usually involved in small-scale trading activities. Some 27 percent of Yugoslavia's workforce is officially registered in the private sector; however, the actual figure is believed to be much higher because many individuals are working in the black or gray markets. According to some recent estimates, between 30 and 40 percent of average household incomes are tied to earnings from shadow economy activities. In Kosovo, public enterprises for energy production, water supply, transport, and telecommunications accounted for as much as 80 percent of GDP prior to March 1999.

Although the Serbian government heralded 1999 as the "Year of Small and Medium Sized Firms", the NATO bombing campaign effectively put a halt to any economic reform programs for the year. In April 2000, Serbian officials tried to jumpstart the privatization process by ordering firms to speed up their compliance with a law on registering their assets. If they failed to do so before June 30, they faced closure and liquidation. The Belgrade Commercial Court has 83,000 firms registered, but only 20 percent of them have complied with the law. According to a market research firm in Belgrade, the number of insolvent companies ripe for receivership procedures or liquidation stood at 27,508 at the end of February 2000.

Privatization has progressed somewhat further in Montenegro. In 1992, the Skupstina passed a Law on Ownership and Control Transformation that allowed enterprises to be privatized in various ways. These included the issuance and sale of shares to employees of enterprises stated for privatization, debt-equity swapping, investment in an enterprise, and the sale of enterprises to management. The vast majority of Montenegrin firms decided to privatize either by distributing free vouchers or by transferring their capital to privatization funds.

According to one estimate, 95 percent of the enterprises in Montenegro had undergone ownership transformation by September 1997. (However, this process occurred in an environment of patronage and corruption.) Fifty-six enterprises, with a net worth of DEM 128 million, were completely privatized, and the private sector was estimated to account for 30 to 35 percent of GDP. After Djukanovic became president in January 1998, the government promised more radical moves towards privatization. Western firms such as Merrill Lynch and Coopers and Lybrand have been involved in deals to privatize a variety of enterprises, includ-

ing an aluminum combine, a health spa, and a tobacco factory. Western firms are also bidding for concessions to build a hydroelectric plant.

The NATO attacks on Yugoslavia temporarily halted the privatization process in Montenegro. On April 20, 2000, the Montenegrin parliament voted to proceed with the voucher privatization of some 242 firms. Nineteen of the companies were to be sold by international tender. The sale of several strategic companies—including Jugopetrol, Telekom-CG, Elektroprivreda, Montenegrin Railways, and the Port of Bar—were to be handled separately. The sale of several hotels along Montenegro's Adriatic coast fell through in 2000 because of infighting between government factions. On September 19, Montenegrin officials announced a massive round of voucher privatizations for May 2001. Vouchers will be provided to 450,000 citizens, who will then be able to buy shares in firms at auction. The privatization will be carried out according to Montenegro's 1996 Law on Privatization. Considerable opposition to the process is expected. The Montenegrin assembly still needs to pass a law on restitution.

In May 2000, UNMIK released a draft Enterprise Development Strategy. According to the plan, privatization in Kosovo will begin with the sale of small (up to 50 workers) and medium (250 workers) state enterprises to the highest bidder at a planned rate of 20 per week. The privatization scheme does not call for restructuring or valuation. It is simply aimed to turning enterprises over to private investors as quickly as possible.

Over 75 percent of the arable land in Yugoslavia is privately owned, mainly by farmers with small holdings. The FRY's agricultural system, however, is plagued by the fact that it is still based on the old, inefficient SFRY system. Yugoslavia's housing stock at the end of 1995 was estimated to comprise 3,123,000 units, of which 687,000 were state owned.

Insiders have taken considerable advantage of the economic "reforms" enacted to date. Under the terms of the Property Transformation Revaluation Act, ownership of many enterprises was turned over to their largest debt-holders, which generally were state-owned banks. Thus, bank directors and managers were installed on the managerial boards of most of the largest enterprises in the country. Since the October 2000 revolution, Kostunica and other leaders have promised to reverse many of the more questionable insider privatization deals.

Macroeconomic Policy

1998	1999-2000	2001
5.00	5.50	5.50

Tax compliance has been very difficult to enforce. The use of checks and credit cards is minimal, and most people make their transactions in cash with hard currencies. To some

extent widespread tax-avoidance was accepted by the Milosevic regime for the sake of social peace. Moreover, strictly imposing tax regulations would only worsen the Yugoslav economy's liquidity problems. An additional problem was the fact that regime supporters frequently received tax waivers for various imported goods. For example, only half of the revenue that should have been raised from the sale of cigarettes was actually collected, because many individuals close to the Milosevic regime controlled the cigarette trade.

For most of the past decade, the private sector bore the brunt of propping up the economy. Since state and socially owned enterprises were unprofitable, the private sector made up for the public sector's weaknesses. This resulted in a higher tax burden on both individuals and enterprises in the private sector. In February 1998, the federal government began examining ways to squeeze more money out of the gray economy, including the introduction of a value added tax (VAT) and payment mechanisms designed to reduce the amount of cash in circulation. To date, however, no concrete steps in these directions have been taken.

Domestic political obstruction and the constraints imposed by Yugoslavia's diplomatic and economic isolation throughout the 1990s stymied serious moves towards banking reform. The National Bank of Yugoslavia (NBY) enjoyed some independence in the early 1990s when it was headed by Dragoslav Avramovic, the man credited with developing the successful anti-inflation program of 1993 to 1994. After Avramovic began publicly criticizing the Milosevic regime in April 1996, however, he was quickly dismissed. In subsequent years, the NBY lost much of its independence. Its influence was further limited by the fact that the Montenegrin Monetary Council usurped many of its powers vis-à-vis monetary policy in that republic.

The NBY has only been partially successful in setting monetary policy, largely because monetary policy was frequently subordinated to the Milosevic regime's most immediate political problems. Thus, the regime often sought to buy a measure of social peace prior to elections by printing money to settle wage and pension arrears, raise salaries, or increase energy supplies. Prior to the September 2000 elections, for instance, the FRY's money supply increased from YUD 19–20 billion (approximately \$418 million) in July to YUD 22 billion (\$440 million) in August because the regime began printing money to finance its electoral campaign. Given such political interference, it has been difficult for the NBY to exercise effective control over the monetary supply.

The private commercial banking sector in the FRY also suffers from exceptional weakness. From 1994 to 1996, the banking sector lost a considerable amount of money as the volume of loan arrears increased. The banking sector lost YUD 480 million (approximately \$145 million) in 1994 and YUD 100 million (\$30.3 million) in 1995. The banks that did manage to turn a profit during this period did so on the basis of foreign-exchange speculation rather than

investment. Individual depositors in Yugoslavia have enjoyed few guarantees and, consequently, have had little reason to keep their money in the banking system.

Most private banks suffer from severe liquidity problems. Total holdings of the 100-odd private commercial banks in the FRY were estimated to be about \$15 billion at the end of 1996. The country's largest banking conglomerate, the Beogradska Banka system, which includes the FRY's three largest banks (Beobanka, Investbanka and Agrobanka, along with nineteen other banks around the country), is almost constantly non-liquid. The Beogradska system represents about half the total potential capital in the FRY banking system. Beogradska's total financial potential is YUD 128.4 billion with capital of around YUD 11 billion. Under a decision by the NBY during the NATO air strikes, almost all the banks in Serbia were linked to Beogradska Banka, whose director was a close Milosevic associate.

The Montenegrin government has been somewhat more serious about banking reform and more successful in world financial markets. Over the past few years, the Montenegrin government has assumed responsibility for \$170 million in debts to international banks that Montenegrin enterprises had accumulated; by so doing, however, it reduced Montenegro's external debts by one-third, down to an estimated \$340 million in 1997. During 2000, Montenegro adopted legislation allowing foreign banks to operate there. In September, Euromarket a.d. began operations in Podgorica. The Soros Economic-Development Fund, the U.K.'s Culture Investment bank, and Sarajevo's Market banka put up the bank's initial capital of \$12 million.

Much hope is being placed on reviving the FRY's commercial banking sector by attracting foreign banks. After the European Union (EU) lifted sanctions on the FRY in 1996, banks in Austria, Germany, Switzerland, and several other European countries expressed interest in investing in Yugoslav banks. British, Dutch, and Austrian banks (and, reportedly, some American investment funds) have purchased shares in Vojvodjanska Banka, a Novi-Sad based bank that is valued at several hundred million marks. Similarly, talks are underway between Beobanka and Chinese Bank, the largest bank in the PRC, to establish the first Yugoslav-Chinese bank. Jugobanka is the majority shareholder in Moscow's Veksim Bank, which has an annual turnover of \$580 million and is in charge of servicing credits to the FRY that are approved by the Russian government.

The FRY's currency, the Yugoslav *dinar* (YUD), was under attack from several fronts during the 1990s. In the late 1980s and early 1990s, the dinar lost much of its value as inflation began spiraling upward. In 1991, the average rate of inflation was 120 percent, and by 1994 it reached an unprecedented 331,563,558 percent per month. On November 25, 1995, the federal government passed the Foreign Currency Transactions Law pegging the YUD to the Deutsche mark (DEM) at a rate of 3.3 to 1. Since, then, however, the YUD has been repeatedly devalued. Immediately after the Kosovo conflict, the YUD fell to a new black

market rate of 14 to 1. As of June 2000, there were at least six different exchange rates in the FRY. The official exchange rate was 6 dinars to the DEM. Customs officials were using 14 dinars per DEM. For hard currency savings accounts, the NBY was offering an exchange rate of 20 dinars to the DEM. Street dealers were offering 22 to 23 dinars per DEM. In Montenegro, meanwhile, the official exchange rate was 25 dinars to the DEM. Finally, the inter-enterprise black-market exchange rate was 30 dinars per DEM.

In keeping with President Milo Djukanovic's policies of slowly easing Montenegro out of the Yugoslav federation, the smaller republic in the FRY has steadily pursued its own monetary and fiscal policies over the past three years. On November 2, 1999, Montenegro introduced the DEM as legal tender and began paying pensions and salaries with it. In mid-2000, the National Bank of Montenegro (NBM) announced that Yugoslav dinars only accounted for 1 percent of all the money in bank accounts in Montenegro and only 5 percent of the entire money supply. NBM officials also announced that it had DEM 80 million in reserves and that an estimated DEM 50 million was being held by Montenegrin citizens. There were also an estimated YUD 90 million (DEM 2.5 million at current rates) in Montenegrin bank accounts, and about YUD 12 million in cash circulation. By July 2000, the official exchange rate in Montenegro for the YUD was YUD 25 to DM 1. In September 1999, the UNMIK decided to introduce the DEM as legal tender in Kosovo.

Since privatization has only barely begun in the FRY, the capital market infrastructure has hardly developed. The Belgrade Stock Exchange reopened in 1990 after being closed for almost 50 years. Foreign countries, particularly Britain and Italy, partially financed its activities. The Podgorica (formerly Titograd) Stock Exchange opened in 1996. Securities trading on two exchanges is limited, and the regulatory infrastructure for widespread stock and bond trading barely exists. Most activity involves trading short-term (30 day or less) commercial paper and government bonds; the sale of stocks is practically nonexistent.

Microeconomic Policy

1998	1999-2000	2001
5.00	5.50	5.50

Article 51 of the FRY constitution explicitly recognizes the right to own property, and Article 53 guarantees intellectual property rights. However, there were several well-publicized cases in which the Milosevic regime seized privately owned enterprises. In February 1999, the Serbian government announced the takeover of the Belgrade plant of ICN Pharmaceuticals, which was owned by the prominent regime opponent and Serbian-American businessman Milan Panic. The takeover apparently was motivated partly out of political considerations. It was also carried out so that the

state could avoid paying the \$175 million it owed ICN for medicines provided to the FRY health care system. Serbian government officials charged that ICN Pharmaceuticals had not met its obligations under a contract signed in 1990.

On the whole, courts are believed to be relatively impartial in resolving property and contract disputes. The FRY's legislation regarding investment disputes meets international standards, and the country accepts binding international arbitration for investment disputes between foreign investors and the state. The main problems are inconsistent implementation and lack of enforcement of judicial rulings both for foreign and domestic investors. Foreign observers have also complained that governmental and judicial decisions often seem to be influenced by the ruling party. Prior to March 1999, the FRY government was making legal, regulatory, and accounting systems more transparent in accordance with international standards.

Officially, business competition is encouraged in the FRY. The constitution prohibits the creation of monopolies and explicitly states that the "terms of business shall be the same for all" (Article 74). In practice, however, individuals and enterprises associated with the Milosevic regime were granted import monopolies for a wide range of goods, including fuel, pharmaceuticals, and cigarettes. Regime opponents also frequently charged that government employees were instructed to buy goods and supplies from individuals and firms with close ties to the regime. Much of the FRY's agricultural sector, for instance, was controlled by members of Milosevic's immediate family and/or key associates through the Commodity Reserves Network, a Communist-era institution that set agricultural prices.

For much of the 1990s, Yugoslavia's trade with the outside world was severely limited by the economic sanctions on the FRY. During the FRY election campaign in August and September 2000, the United States and the EU promised to begin lifting sanctions if a new leadership were elected. Soon after Kostunica assumed power on October 5, Western countries began to make good on those promises.

Yugoslavia currently adheres to the World Trade Organization's Customs Valuation Agreement, which provides for fair, uniform, and neutral valuations of imports and exports, and its convention on anti-dumping duties. Yugoslavia has signed the Convention on Subsidies and Countervailing Duties, but acceptance is pending. Duty rates, most of which are ad valorem, were in the 0 to 40 percent range in 1997. Most duties, however, were in the 5 to 20 percent range. Food products were the exception. To protect domestic fruit and vegetable producers, duties were raised to as much as 200 percent on April 1, 1997. Imports to Yugoslavia are also subject to a cumulative 16 percent ad valorem import tax.

International trade was severely disrupted by the NATO attacks on the country. Three important bridges across the Danube at Novi Sad were destroyed, blocking the river to shipping between the Black Sea and Central Europe. FRY authorities had insisted that they would not open the Danube to international shipping until NATO countries paid to re-

build the bridges. The destruction of many bridges and stretches of roadway along the Belgrade—Nis highway also disrupted trade flows and significantly increased transportation costs for exporters and importers throughout the region. All together, some 50 road bridges, 19 railway bridges, and 12 airports were severely damaged during the NATO bombing campaign.

According to a package of economic reforms adopted by the federal parliament in May 1996, foreigners were granted the right to invest in areas such as energy production, telecommunications, transportation, and the forest and lumber industries. Restrictions continued to apply regarding investment in the media. The Federal Ministry of Trade has final approval over both the establishment of foreign firms and the purchase of majority shares in firms. Officially, foreigners enjoy the right to own property and businesses on the basis of reciprocity, i.e., to the same extent that Yugoslav citizens enjoy those rights in the investor's country. Foreigners may also seek arbitration of disputes in foreign courts. The government does reserve the right to expropriate property "in the public interest." Expropriation and nationalization are prohibited in free zones. Repatriation of capital for foreigners is free of restrictions. However, there have been complaints that high tariffs and surcharges have made it too expensive for foreign firms to import the quantity of goods needed to launch operations on a larger scale. Although there is no formal discrimination against foreign investors, there have been charges that domestic firms manipulate FRY law and governmental institutions to give them an advantage over foreign firms.

Montenegro has been promoting itself as a center for offshore business activities. In July 1996, for example, the Skupstina passed an Offshore Companies Act granting substantial tax benefits to foreign entities operating in Montenegro. Montenegro is also trying to attract foreign investors for its plan to privatize tourist attractions.

The first major foreign direct investment in Kosovo came in June 2000, after the United Nations assumed control of province. Switzerland's Holderbank Financiere Glaris signed a 10-year lease to manage and operate the Sharr cement works in southern Kosovo. The investment included DEM 34 million plus an undisclosed amount for training, social, and environmental projects.

Foreign investment and capital flow to Yugoslavia have been constrained since 1996 by the "outer wall" of sanctions the U.S. imposed in 1996. After the UN Security Council lifted the original sanctions regime, the United States announced a new set of conditions that Yugoslavia had to fulfill to gain membership in the International Monetary Fund (IMF) and the World Bank. These new conditions include handing over war crimes suspects, making real progress towards democratization, and agreeing with the other former Yugoslav republics on sharing the SFRY's assets. With Kostunica's assumption of power in October 2000, it is believed that the new authorities in Belgrade will move quickly to make progress on all of these issues.

All told, the international sanctions have had severe long-term consequences for Yugoslavia's economy and society. Yugoslav studies have claimed that losses attributable to the sanctions in the period from 1991 to 1996 amount to \$61.95 billion. In the first two years of the sanctions, almost 10 percent of Yugoslavia's workforce that was employed in scientific research and development left the country.

The FRY engaged in little meaningful reform of its energy sector during the Milosevic period. Part of Milosevic's system of rule depended on buying a minimal degree of social peace by providing the population with cheap energy. Both the electrical power system and the fuel-oil sectors are still state-owned. Reform of the rest of the energy industry has also been negligible. The government controls import licenses for mineral fuels, and under Milosevic these licenses invariably went to individuals with close ties to the regime. The sanctions regime also allowed organized smuggling rings to earn vast sums of money by circumventing the blockade and importing fuel. Currently, Yugoslavia owes some \$500 million to Russia (for gas) and China (for oil) but continues to import fuel from them through barter arrangements. In June 2000, Gazprom stopped deliveries of gas to the FRY altogether because debts for the first five months of 2000 alone reached \$65 million. Some reports have suggested that Yugoslavia may have to settle its energy debts with Russia and China by giving them shares of state-owned enterprises that are scheduled for privatization.

Traditionally, the Yugoslav energy sector received significant technical advice and support from Germany. With the impositions of economic sanctions, however, the energy industry began to orient itself toward other countries, most notably China. In June 2000, the Shanghai Electrical Import-Export Corporation agreed to supply *Elektroprivreda Srbije* (EPS, the state-owned electrical company) with \$31 million worth of mining equipment and \$46 million worth of electrical equipment. It was believed that the money came as part of a \$300 million loan made by the Chinese government to the FRY in 1999.

Overall, the FRY's energy sector is in desperate shape. Both the state oil company, *Naftna-industrija Srbije* (NIS), and EPS run large deficits. Despite occasional price increases, Serbia still had the lowest electricity prices in Europe. Gasoline prices in Yugoslavia are lower than in Western Europe. However, the price of gasoline in Belgrade (when it could be found) doubled after the Kosovo conflict.

The NATO attacks on Yugoslavia did severe damage to the country's energy production capabilities. A third of Serbia's power grid and its two largest crude oil refineries were destroyed during the bombing. In the aftermath of the bombing, the UN estimated that Yugoslavia would only be able to produce 50 to 70 percent of its electrical energy requirements during the winter, thereby increasing Yugoslavia's dependence on Russian gas supplies. The Kosovo War also highlighted Hungary's importance to Yugoslavia. Hungary, through which Russian gas transits, shut off supplies to Yugoslavia in keeping with the Western fuel

embargo. Afterwards, restoring the flow was hampered because Yugoslavia owed Hungary \$20 million.

The FRY has attempted to develop its own indigenous sources of energy in recent years. In 1996, development of a new oil field in Vojvodina began. In 1998, annual production stood at 1.2 million metric tons but only met about 25 percent of the FRY's needs. Despite the NATO bombing raids on the Pancevo oil refinery, by June 2000 the plant was refining over 1,000 tons of oil daily. Overall, industrial growth and development will be impossible without significant reform and reconstruction of the energy sector. According to 1996 estimates, the Yugoslav energy sector needed some \$700 million in investments for infrastructure modernization and improvement. This figure is now considerably higher given the destruction caused by the NATO bombing campaign. Plans have been made to privatize state energy conglomerates such as EPS and NIS, the latter of which also owns a large network of gas stations, and to sell shares to foreign investors.

Yugoslavia also has plans to construct a southern and eastern Serbia network of natural gas pipelines and a western Serbia network that would include Montenegro. The proposed system would be integrated into the petroleum, gas, and electricity transmission system based on the Caspian and Black Sea regions and would include most of the countries of the former Soviet Union, as well as Bulgaria, Romania, and Turkey. Concrete work on the project, however, is still far from being realized. Serbian consumers are estimated to need some 200,000 cubic meters of natural gas daily, of which domestic production can supply 70,000 cubic meters. In 1998, Russia provided 80 percent of the FRY's natural gas supplies.

Social Sector Indicators

Given the upheavals of the past decade, the FRY has been afflicted by many economic and social problems. One of the most severe is unemployment. In particular, the mass dissatisfaction of young people, who form the bulk of the unemployed, had disastrous consequences for the Milosevic regime in October 2000.

In 1998, the size of the Yugoslav workforce was estimated to be five million. As of mid-1999, there were an estimated 2 million unemployed persons in Yugoslavia, more than half of which were under 30. (This figure included both officially unemployed individuals and those laid off from their places of employment.) Refugees from the wars in Croatia, Bosnia, and Kosovo were also swelling the ranks of the unemployed.

In 1999, out of a potential labor force of some 1,330,000 people in the Kosovo Albanian population, 65 percent were economically inactive or unemployed. Women are believed to be exceptionally hard-hit by the high unemployment rates in Kosovo. Overall, women comprised about

42.7 percent of the Yugoslav workforce in 1998. The labor force participation ratio of female to male citizens was 0.7.

Unemployment benefits are roughly equivalent to the minimum wage, which in 1998 was YUD 250 to 500 dinars (approximately \$20-40) per month. The minimum wage, however, is not enough to cover minimal expenses for a worker and his or her family. In 1998, the cost of food and utilities for a family of four was estimated to be YUD 2,150 (\$230).

The FRY's pension system has been in crisis for several years, and payments are made irregularly. Along with the other social welfare programs, it is largely financed by high payroll taxes. In 1998, there were 1,333,300 individuals receiving pensions in the FRY. Of these, 81,906 were in Montenegro and 1,251,394 in Serbia. In 1997, the FRY pension fund alone ran a deficit of some \$1.26 billion. As of mid-1999, the government owed pensioners and state employees an estimated YUD 18 billion in wage and pension arrears. In June 2000, the government began paying out the first half of April 2000 pensions. Private sector employees, including agricultural workers, must contribute a portion of their salaries into special funds that provide benefits to people not employed in the state sector.

The economic problems of the past decade have resulted in a steady drop in their standard of living. Since 1994, after factoring in inflation rates, Yugoslav citizens have experienced an almost continual decline in their incomes. Average monthly salaries were 102 DEM in 1994, 93.5 DEM in 1995, 128.5 DEM in 1996, 160.2 DEM in 1997, 130 DEM in 1998, and 82 DEM in 1999.

As of April 2000, average salaries in the FRY varied significantly by republic. In Montenegro, the average salary stood at DEM 185, while in Serbia the average salary was only DEM 88. However, average prices were significantly higher in Montenegro. For instance, the price of liter of milk in Serbia was DEM 0.21, but in Montenegro it was DEM 0.33. Similarly, a liter of cooking oil in Serbia was DEM 0.64, but in Montenegro it was DEM 1.33 to 1.55.

Wage arrearages are a major problem in the economy, especially for workers employed in the public sector. Monthly wages are often paid several months late. The government has ameliorated public dissatisfaction in part by being lax in the collection of utility payments. Barter is another significant way in which individuals have made do. In lieu of salaries, individuals often are allowed to have some of the products their firm produces. They, in turn, sell these items on the gray or black markets. Many individuals still have strong ties to the countryside and are able to obtain basic foodstuffs from relatives or friends in their native villages. Private sector wages are generally higher than public sector wages, but specific percentages are not available.

Although women are officially entitled to equal pay for equal work, traditional attitudes often prevent them from reaching higher levels of management. In broader terms, the transition from socialism to something resembling a market economy has diminished women's economic position in society significantly. Women are often the first to be

laid off when firms run into economic difficulties. In 1998, one estimate claimed that 75 percent of the unemployed workers in the FRY were women.

The FRY's educational system has also suffered considerably over the past decade. Although state support for education has dwindled, the educational system has also had to cope with the influx of tens of thousands of refugee children. The FRY has a compulsory primary school program of eight years and a secondary program of three to four years. The adult literacy rate in 1995 was 97.9 percent. In the 1997-1998 school year, there were 877,445 students enrolled in elementary schools, 355,311 in secondary schools, and 46,821 students in institutions of higher education. In 1995, the proportion of 8 to 18 year olds enrolled in the educational system was 72 percent. The national student to teacher ratio in 1998 was 18:1 in the elementary school system. Total expenditures on education as a percentage of GDP in 1990-1991 (the latest year for which figures are available) were 4.5 percent.

The educational system in Kosovo has been especially disrupted. In 1990, the Milosevic regime closed Albanian schools in the province when Albanian instructors refused to offer the curriculum authorized by the Republic of Serbia, including courses in Serbian history and language. Subsequently, Albanians in the province created a parallel school system for primary, secondary, and post-secondary education.

According to the World Bank, the United Nations Development Programme, and other sources, many indicators of the FRY population's health worsened during the 1990s. The infant mortality rate was 13 per 1,000 live births in Yugoslavia in 1998. Life expectancy in 1998 was 72 years (70 years for males and 75 for females.) The crude birth rate was 11 per 1000 people. In 1997, there were 1,776 recorded cases of suicide; of those, 1,216 suicides were committed by males and 550 by females.

The FRY has a well-developed health care system, although it is less extensive in Kosovo and Montenegro. Currently, there are 209 primary health care centers, 58 polyclinics, 50 general hospitals, 17 specialized hospitals, and 10 clinical centers. From 1990 to 1998, the number of physicians averaged 2 per 1,000 members of the population in Yugoslavia. The number of hospital beds per 1000 people equaled 5.3. In 1996, the FRY had 21,697 doctors, 4,146 dentists, 2,005 pharmacists, and 58,257 hospital beds. Long-term data on average and median wages for doctors, nurses, and medics is unavailable; however, the average doctor made approximately YUD 1,800 per month (\$165). A cardiologist earned approximately YUD 3,500 (\$320). Throughout the 1990s, total Yugoslav expenditures on health care were approximately 7 percent of GDP.

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