

Financial Times May 22/91

YUGOSLAVIA

US outlines conditions for easing aid

By Judy Dempsey in London and Laura Silber in Belgrade

THE US will soften the impact of suspending financial assistance to Yugoslavia if Mr Stipe Mesić, a Croat, is chosen as the country's next federal president, a senior US official said yesterday.

Congress passed legislation last year making aid contingent on Yugoslavia respecting human rights.

Mr Warren Zimmermann, US ambassador to Yugoslavia, told Mr Dagman Suster, head of the Yugoslav Chamber of Commerce, yesterday that "softening the consequences of the Nickles amendment [on aid] depends essentially on whether Mr Mesić is chosen to become president and say what conditions were required

for aid to proceed.

The communist republic of Serbia, and its supporters, the communist republic of Montenegro, and the Serbian provinces of Vojvodina and Kosovo, blocked Mr Mesić's appointment last Wednesday, leaving Yugoslavia without a head of state - or head of the armed forces.

Those opposing Mr Mesić fear that he would speed up the disintegration of the Yugoslav federation which Serbia wants to preserve.

The Nickles amendment, passed last November by Congress, gave Yugoslavia until May 6 to end repressions of ethnic Albanians by the republic of Serbia in Kosovo or lose

its \$5m in aid. Because the US administration failed to certify Yugoslavia's human rights practices the amendment automatically went into effect.

A spokeswoman for the State Department confirmed earlier this week that "the Nickles amendment prohibits US economic assistance to Yugoslavia in the fiscal year in 1991 unless certain conditions are met".

But she added: "We have not reached a final decision on Yugoslavia's status under this legislation... however continued Serbian blockage of an orderly transfer of constitutional authority will have a direct influence on our decision."

The US allocated \$5m as eco-

nomie assistance for Yugoslavia for the current fiscal year.

The State Department has made it clear that the Nickles amendment was never intended to be directed at the federal government led by Mr Ante Marković.

Instead, the amendment was primarily aimed at Serbia, specifically its suppression of human rights among ethnic Albanians in the autonomous province of Kosovo which was forcibly reintegrated into the republic last year.

Mr Marković has received full backing for his economic reforms from US President George Bush.

A statement released yester-

day by the federal government in Belgrade said: "President Bush expressed his readiness [in a telephone call on Monday] to give full support to the programme of the federal government."

Western diplomats in Belgrade said that opposition to Mr Mesić's appointment as president has angered, if not embarrassed, the US.

They added that US diplomats in Belgrade had obtained assurances by Mr Borisav Jović, a Serb and the outgoing federal president, and Mr Slobodan Milošević, the communist president of Serbia, that they would elect Mr Mesić.

For Mrs. Bentley
4 Sheets

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Reprints
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Correction Yugoslavia

Because of an editing error the Financial Times reported yesterday that continued EC aid for Yugoslavia was dependent on that country maintaining its unity.

European Commission officials have made clear that the EC will continue to channel aid and credit to Yugoslavia but that Yugoslavia's hopes of closer relations with the Community hinge on its maintaining its unity.

U.S. IS SUSPENDING AID TO YUGOSLAVIA

Halt, Under Law Focusing on
Human Rights, Could Also
Affect Loans by I.M.F.

By DAVID BINDER

Special to The New York Times

WASHINGTON, May 17 — The Bush Administration has quietly suspended all economic assistance to Yugoslavia, including support in international financial institutions for loans and credits.

In 1952, Yugoslavia, then a maverick Communist country, began receiving large amounts of United States aid to help it continue its defiance of Stalin. In recent years, the Belgrade Government benefited repeatedly from American backing for international loans and credits for its economy.

The suspension was begun May 6 under the provisions of a law passed by Congress in November, requiring the United States to end all forms of economic assistance to Yugoslavia and its six constituent republics in six months if it was determined that "a pattern of systematic gross violations of human rights" was occurring there.

In a voice vote last month, the Senate declared that a complete cutoff of aid for Yugoslavia was warranted.

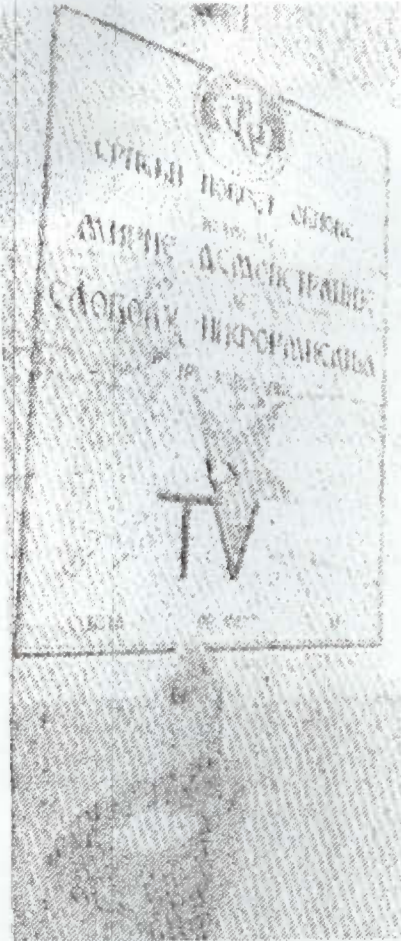
'A Big Turning Point'

The legislation says Yugoslav compliance is to be certified by Secretary of State James A. Baker 3d. When the deadline arrived, Mr. Baker permitted the sanctions to take effect without declaring a position on the issue.

"This marks a big turning point in our relations with Yugoslavia," an Administration official said. "It really does change our policy."

United States policy toward Yugoslavia for five decades has been to support "the territorial integrity and independence" of the country. On the same day the Administration decided on the aid suspension, Richard Boucher, the State Department spokesman, when asked about disarray and communal violence in the country, said, "We support a democratic unified Yugoslavia achieved through peaceful dialogue."

The six-month deadline mandated by Congress passed as nationalist turmoil was spreading in the multinational Balkan country, and Mr. Baker decided not to commit himself one way or another on whether the terms of the law had been met. Instead, the State Department press office was instructed simply to say, "No actions that would be prohibited under the legislation will be taken." That meant, in effect, no American economic aid.



As Yugoslavia continued without a
tion to demand free and independent

'A big turning point' in relations with Belgrade.

Although no new assistance programs are under consideration by the United States now, the cutoff could soon have an effect in the International Monetary Fund and the World Bank, where the United States would, under the law, be compelled to vote no on loans or credits for Yugoslavia.

In a separate measure, the Export-Import Bank is expected to announce next week that it no longer considers the Belgrade Government to be credit-worthy, meaning eligible for guarantees for financing exports to Yugoslavia, Government officials said.

As the Congressional deadline on the Yugoslavia issue drew near, some State Department legal advisers said they concluded that the human rights criteria legislated by Congress in this case could be applied to several countries, possibly with disastrous effects on United States foreign relations.

Partly as a result of this conclusion, Mr. Baker determined not to set a precedent by taking a clear-cut position on the Yugoslav human rights

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Associated Press

President, posters by an anti-Communist group calling for a demonstration television were taken off a building by a Belgrade municipal worker.

matter, State Department officials said. Rather, he chose to let the sanctions go into force for the time being, leaving him the option to say later that Yugoslavia had or had not met the human rights criteria.

The legislation passed last year is an amendment to the Foreign Operations Appropriations Act for the 1991 fiscal year, which ends in September. Called the Nickles Amendment for its principal author, Senator Don Nickles, Republican of Oklahoma, the measure instructs the Administration to oppose any assistance to Yugoslavia proposed in international financial institutions such as the I.M.F. or the World Bank. That could eventually have a crippling effect on Yugoslavia's efforts to reform its battered economy.

The motive behind the Nickles Amendment originally was to find a legislative vehicle for a group of senators and representatives to penalize the government of the Serbian Republic in particular and Yugoslavia in general for the repression of ethnic Albanians in the Kosovo region of Serbia.

Albanian-Americans Lobby

That effort has been spearheaded by Senator Bob Dole, the minority leader. In recent years, Mr. Dole, Republican of Kansas, and other members of Congress have received hundreds of thousands of dollars in political action committee contributions from the Alba-

nian-American lobby. Albanian-American organizations have often called for United States steps against Serbia.

There are about 1.7 million ethnic Albanians in the formerly autonomous province of Kosovo. In recent years, the Serbian government of President Slobodan Milosevic has imposed a form of martial law in Kosovo. More than 90 Albanians have been killed in clashes with Serbian security forces in the last two years.

But Senator Dole and his supporters on this issue found it impossible to single out Serbia, one of Yugoslavia's six constituent republics, in any meaningful legislation. They settled instead in conference with the House for an amendment that would hold Yugoslavia's federal Government responsible for human rights violations in any part of the country.

Since then, however, Yugoslavia has plunged ever deeper into a constitutional crisis, leaving the federal Government virtually paralyzed and the country without an armed forces chief or a head of state.

On April 18, Mr. Dole submitted a resolution to the Senate that said the criteria established in the Nickles Amendment "have not been met by the Yugoslav and Serbian governments." Passed by a voice vote, it singled out Slobodan Milosevic, calling on him "to cease all repressive policies against the Albanian population."

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Brussels warns Yugoslavia over conditions for aid

By David Gardner in Brussels and Laura Silber in Belgrade

CONTINUED European Community aid and credit for Yugoslavia will be made conditional on the country remaining united, resolving its ethnic conflicts, and furthering economic and political reform, European Commission officials said yesterday.

The officials also made clear that Yugoslavia's hopes of closer relations with the Community hinged on meeting these conditions.

Mr Jacques Santer, prime minister of Luxembourg, which currently holds the EC presidency, and Mr Jacques Delors, president of the Commission, are to hold talks with the federal and republican governments in Yugoslavia before the end of this month, a Commission spokesman confirmed.

Officials said their message would be very clear. "If [Yugoslavia] really wants a closer relationship with the Commu-

nity then [it] must maintain the territorial integrity of a united Yugoslavia," he said.

"The EC would find it very difficult to forge closer links with a constellation of independent republics," he added.

However, official results from a referendum on Sunday in the western republic of Croatia, confirmed that voters had overwhelmingly opted to leave the Yugoslav federation.

Yugoslavia is seeking an association agreement with the EC like those Brussels is currently negotiating with Hungary, Poland and Czechoslovakia. These are free trade agreements designed to lead eventually to full membership of an expanded Community.

Brussels has just finished negotiating a new financial package with Yugoslavia. Spread over five years, it will give the country access to Ecu730m (\$908m) in soft loans

from the European Investment Bank and the EC development bank, and will be earmarked for roads and railway infrastructure linking central Europe to Greece. The agreement has been held up by delays in reaching a transit agreement for EC lorries, rather than the instability inside Yugoslavia.

The conditions for aid set down by the EC coincided with a statement by Washington that it had not yet "reached a final decision" to suspend aid worth \$5m to Yugoslavia, an official said. Under the the Nickles amendment, passed by Congress last autumn, aid to Yugoslavia was subject to a six-month review which expired on May 5. The amendment linked US aid to human rights and moves towards democracy which the State Department says have been blocked by Serbia.

NB

FOR MRS. Bentley

15 sheets.

Warmest regards,

of

Yugoslavia Perplexed Over Status of Aid

By **CHUCK SUDETIC**

Special to The New York Times

ZAGREB, Yugoslavia, May 20 — Yugoslavia's Prime Minister said tonight that he had received implied assurances from President Bush that the United States would not cut off economic aid to his country because of human rights violations.

The Prime Minister, Ante Markovic, said that in a telephone call tonight, Mr. Bush indicated that there had been no fundamental change in U.S. policy toward this Balkan country of six quarrelsome republics.

"Mr. Bush underlined support for the unity and territorial integrity of Yugoslavia and the reform efforts of its Government," Mr. Markovic said. But when asked if he took the President's remarks to mean that Yugoslavia could count on receiving all the aid it had expected from the United States, he replied, "I do not know, I cannot guarantee it."

[The State Department said the Bush Administration had suspended a \$5 million aid program to Yugoslavia and would oppose its loan requests from the International Monetary Fund and World Bank, The Associated Press reported.]

[Spokeswoman Margaret D. Tutwiler said the reasons for the aid cutoff were that the Serbian leadership was exercising "severe repression in the Kosovo Province, had not conducted fully free and fair elections, and was now acting to destabilize the Yugoslav presidency."]

Mesic Defiant

Mr. Markovic stressed in an interview tonight that his Government had moved in to fill a vacuum created last Friday when the eight-member federal presidency became deadlocked over succession of its chairman.

Meanwhile, Stipe Mesic, the Republic of Croatia's delegate to the presidency, insisted defiantly today that he is the legal chairman and will call for the body to meet this week.

"All the other coordinators are unconstitutional and do not matter," he said. Mr. Mesic, a longtime anti-Communist, walked out of the presidency meeting on Friday after the members from Serbia and Montenegro, where Communists still dominate political life, thwarted his ascent to the chairmanship, which is prescribed by a predetermined annual rotation.

Before Mr. Markovic spoke of his conversation with President Bush, Federal and republic officials expressed shock at a report in The New York Times on Sunday that said that the United States was withholding aid and support for Yugoslavia in international lending organizations based on the Nickles Amendment.

Passed by Congress last November, the law, in essence, gave Yugoslavia until May 6 to end repression of ethnic Albanians in the Kosovo region of Serbia or face a shutoff in assistance.

In a statement issued this afternoon, the Yugoslav federal Government said it has not received any official notice that the U.S. Government has suspended financial assistance.

Individual Aid Sought

Leaders in Croatia and Slovenia, Yugoslavia's richest and most independence-minded republics, expressed dissatisfaction that their republics might suffer economically because of Serbia, but they expressed hopes that a change in U.S. policy would eventually lead to direct aid to individual Yugoslav republics that comply with the Nickles Amendment.

"Again we will be stigmatized," Mr. Mesic said, "because of Kosovo and the situation there." He said Croatia's definitely would appeal for direct U.S. aid.

"It's a very simplistic attitude to punish all for the crimes of others," said Darko Bekic, an adviser to Croatia's President. "We hope it will introduce aid to the individual republics."

Slovenia's foreign minister, Dimitrij

Yugoslavia on June 26, will also approach Washington for direct aid.

"I understand this as a protest against the chauvinistic policies in Serbia," Mr. Rupel said.

Serbian leaders could not be reached for comment on the reported U.S. aid cutoff, but a spokesman said the republican government would discuss the issue at a meeting on Tuesday.

New York Times
May 21/91

Bush Tells Belgrade That U.S. May Consider Restoring Aid

By DAVID BINDER
Special to The New York Times

WASHINGTON, May 21 — President Bush has informed the Government of Yugoslavia that he would consider lifting suspension of all United States economic assistance to that country, a White House spokesman said today.

The aid cutoff began automatically on May 6 as a result of legislation enacted in November decreeing that unless Yugoslavia and its constituent republics ceased systematic human rights violations, American aid would be terminated in six months. The law stipulates that unless the Secretary of State certified that Yugoslavia had met this test, the suspension would automatically go into effect. But Secretary of State James A. Baker 3d allowed the deadline to pass without comment.

The legislation in question is the Nickles amendment to the Foreign Operations Appropriations Act for the 1991 fiscal year and is named for its principal author, Senator Don Nickles, Republican of Oklahoma.

'No Decision One Way or Other'

Although the legislation did not single out any part of Yugoslavia on the human rights issue, its main supporters made clear that their target was the Republic of Serbia because of Serbian maltreatment of its large minority of ethnic Albanians.

On Monday, Mr. Bush telephoned Yugoslavia's federal Prime Minister, Ante Markovic, to assure him that the Administration still supports him, his economic reform program and the unity of Yugoslavia.

Explaining Mr. Bush's stance on the Nickles amendment and his message to Mr. Markovic, Roman Popadiuk, a White House spokesman, said: "We made no decision one way or the other, so that put the Nickles amendment into effect. What the President was saying is that we're going to take a look at our decision, which was basically no decision, and see if we can certify if they are complying or not."

In Belgrade today, the chief American delegate, Warren Zimmerman, told Tanyug, the Yugoslav press agency, that the Bush Administration would be more favorably disposed to restoring economic aid if Yugoslavia resolved its constitutional crisis, which has left the country without a head of state.

Referring to an impasse over the installation of Stipe Mesic of Croatia as the head of the federal presidency, Mr. Zimmerman said, "A softening of the consequences of the Nickles amendment will depend partly on whether Mr. Mesic will be allowed to take over the post of President." Serbia is leading the effort in the eight-member federal presidency that has prevented Mr. Mesic from assuming the post.

While only \$5 million in American aid has been halted by the suspension and no other programs are under consideration, Yugoslavia could run into grave problems when it seeks a \$1.1 billion standby loan from the International Monetary Fund later this year. The suspension calls on the Administration to oppose loans for Yugoslavia in the I.M.F.

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Bush to reconsider

President Bush agreed to reconsider a U.S. ban on aid to Yugoslavia in a Monday telephone conversation with the country's prime minister, a White House spokesman said yesterday. Bush also expressed strong support for Prime Minister Ante Markovic, his government and his reforms, the spokesman said, adding Bush explained the cutoff of aid to Yugoslavia was mandated by Congress pending further decisions by the administration.

U.S. rethinks ban on aid

WASHINGTON (Reuter) — President George Bush agreed yesterday to reconsider a ban on U.S. aid to Yugoslavia, the White House said.

In a telephone conversation with Prime Minister Ante Markovic, Bush also expressed his support for Markovic's government and his reforms, White House aide Roman Popadiuk said.

The state department said yesterday that the United States was suspending a \$5 million aid program to Yugoslavia because the leadership of Serbia was being repressive in Kosovo province, had not conducted free elections, and was trying to destabilize the Yugoslav presidency.

At least 19 people have been killed in clashes between Serbian

and Croatian police in the past month.

Popadiuk said that Bush officials had to notify Congress by May 5 whether Yugoslavia was abiding by human rights standards. He said the White House made no decision one way or the other, which meant the aid suspension automatically went into effect.

"At the prime minister's request, the president agreed to reconsider our approach," Popadiuk said.

"What the president was saying (to Markovic) is that we're going to take a look at our decision, which was basically no decision, and see if we can certify if they are complying or not," Popadiuk said.

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