Slovenian political crisis continues

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The designated premier of Slovenia, Alenka Bratusek, leader of the Positive Slovenia party (PS), put together a new government on Wednesday as the country's political crisis continued. The Bratusek coalition government now has a majority of just 50 seats out of a total of 90.

Bratusek came to power after the right-wing government led by Janez Jansa was forced to step down after losing a vote of no confidence in February.

Bratusek's coalition of Positive Slovenia, which is considered "centre-left," and three right-wing parties is aimed at imposing the spending cuts dictated by the European Union and the International Monetary Fund.

Meanwhile, protests continued in the former Yugoslav republic, with thousands demonstrating in the capital Ljubljana last weekend. They demanded the resignation of corrupt politicians and fresh elections.

"We do not need a new government, but rather revolutionary change," one banner read. The slogans were directed mainly against Bratusek and her planned new administration.

Fresh accusations of corruption have been raised against the mayor of Ljubljana, Zoran Jankovic, who founded Positive Slovenia just half a year ago and led the party until January, as well as against former prime minister Jansa. Demonstrators demanded that Jankovic resign not only as party chair, but as mayor of the capital city.

Bratusek now speaks of a "project government", with an action plan involving 10 to 12 points. While the details are not yet known, well-informed sources state that a further pension "reform" is in the cards, along with cuts in the health care system.

One of the government coalition parties, the free-market Civil List (DL), made a strict budgetary policy a condition for any alliance. Former Finance Minister Janez Sustersic (DL) was the main architect of the most recent austerity measures introduced by the outgoing government.

The European Union and international financial institutions such as the International Monetary Fund are also demanding a rigorous continuation of austerity measures. They have called upon the new government to prioritise support for the banking sector, along with "reorganisation of state-owned enterprises" (i.e., further privatisation), and reform of the pension system and labour laws. In addition, they demand a reduction of the deficit.

Bank restructuring is the main point in the coalition negotiations. Overall, the country's banks lost €664 million (US$867 million) last year and are sitting on top of a mountain of bad loans.

Jansa's government, which also included the Civil List, has approved the creation of a bad bank for toxic assets and the privatisation of those state banks that had been recapitalised. Bratusek's Positive Slovenia and the Social Democrats have so far refused such a step. In order to seal its coalition with the Civil List, however, the new government is likely to agree to the privatisation of the country's largest financial institution, the Nova Ljubljanska Banka (NLB).

The economic situation in Slovenia is being closely followed in Brussels. The economy shrank 2.3 percent last year, according to figures from the State Statistical Office. The Alpine republic has been a candidate for an EU bailout for quite some time. Bratusek has claimed that Slovenia will not need a bailout, but the outlook remains bleak. The country's debt ratio has tripled since 2008, and there is no sign of a recovery.

The ongoing crisis in the euro zone is hitting the Balkan states especially hard. Slovenia exports a large amount to southern European countries such as Greece, as do Serbia, Bosnia and Croatia. The crisis in southern Europe is having a dramatic affect on these countries' exports.

In addition, the Balkan countries are affected by the fragile state of Greek banks. “So far the impact of the Greek crisis on the region had not been so great,” Vladimir Gligorov of the Vienna Institute for International Economic Studies told the Austrian *Kurier*. “But if the Greek banks crash, then it’s another story.” All the countries in which the major Greek banks had a stake could expect “systemic problems”. The entire banking sector in the region would be shaken, Gligorov declared.