Slovenian prime minister resigns

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The political crisis in the former Yugoslavian republic of Slovenia has reached its highest point to date with the resignation of Prime Minister Alenka Bratusek. Bratusek intends to remain in office until early elections are held. A realistic timeframe for this is considered to be the end of June or early July. Meanwhile, President Borut Pahor is sounding out alternative solutions.

The resignation was preceded by sharp conflicts within the governing coalition.

On May 3, Bratusek lost the leadership of her party, Positive Slovenia (PS), to the mayor of the capital Ljubijana, Zoran Jankovic. Although she was able to win the majority of her parliamentary fraction's support after the defeat, the coalition partner Social Democrats insisted on new elections.

Jankovic, the former manager of a retail chain, founded PS in 2011 and made it the strongest force in parliament by securing 28.5 percent of the vote at its first ever election. In January 2013, he withdrew from the leadership of the PS due to corruption allegations. The completely unknown Bratusek, who he sought to be his successor, was then able to form a new government, which did not please Jankovic.

Due to its banking problems, Slovenia has been viewed as the next candidate for the European bailout fund for some time. With a rigorous programme of austerity and privatisations, Bratusek's centre-left coalition of four parties has gone a long way to fulfilling the demands of the International Monetary Fund (IMF) and European Union (EU). They supported the banks with billions at the expense of the population. This year, they intend to cut the budget deficit to 4.2 percent of economic output. In 2013, it stood at 14.7 percent. The government has pushed through reforms to the health care system and deep cuts to public services.

The government is thereby following the course of its right-wing predecessor under Janez Jansa, who was sentenced last week to two years imprisonment by the supreme court after an appeal. He was found guilty of accepting bribes in the purchase of tanks. He had also imposed the dictates of the European financial elite in Brussels.

Along with the former mayor of Maribor, Franc Kangler, Jansa is seen as the embodiment of corruption. Anger over austerity measures and corruption exploded against them at the end of 2012. At the time, tens of thousands demonstrated against falling wages and rising unemployment. Kangler left his post as a result, and Prime Minister Jansa was also compelled to resign in early 2013 after a vote of no confidence. Bratusek formed the new government.

The prime minister's one year in office was dominated by the sustained political, economic and social crisis. The EU and IMF demanded an intensification of austerity measures from Bratusek's centre-left government. It was above all the long list of state firms to be privatised that incensed the population. According to polls, support for the government had collapsed only a few months after taking office.

The social attacks are aimed at recapitalising the highly indebted banks. To this end a bad bank was founded and six financial institutions were recapitalised by the state. The cost of public bailouts for the ailing banks is enormous. The annual budget deficit, which, prior to joining the EU 10 years ago, easily met the Masstricht criteria, now stands at 5.5 percent of economic output. Total state debt, which stood at only 20 percent of GDP just a few years ago, rose rapidly to 75 percent.

Within the governing coalition and the PS, conflicts quickly grew. The Social Democrats (DS), who received no major posts in the coalition talks, fell out with the PS. Within the pensioners' party DeSus, which has a long tradition in Slovenia for securing governing majorities, planned pension cuts provoked sharp disputes. For the right-wing liberal citizens list (DL), the austerity measures did not go far enough.

Although no political differences exist between Jankovic and Bratusek, the internal party conflict has been raging for months. The millionaire Jankovic was ultimately able to win a majority to his side, by demanding more investment, more consumer buying power and more jobs, and accusing Bratusek of anti-social policies. This is clearly an attempt to cover for the PS's right-wing policies.

After Jankovic's return to lead the largest governing party, the three smaller coalition partners, the DS, DeSus and DL, announced that they would not cooperate with the PS if it is led by someone suspected of corruption.

Together with 14 of 28 deputies, Bratusek left the PS. However, it is unclear if the outgoing prime minister will stand with a new party in the elections. But it is considered certain that the PS will suffer a debacle in the vote in June or July. The right-wing opposition parties are utterly discredited, above all the Democratic Party of criminally convicted Janez Jansa.

Bratusek insisted in recent days that the most important thing is the continuation of the reforms begun by her government. "It is absolutely essential that we continue our economic course," she told the press. "Therefore, I expect that all my ministers will remain in their posts. The coalition then has to find a way to bring the projects we have begun to a conclusion so that the country is not harmed."

But business representatives are doubtful if the faltering centre-left coalition can implement more austerity. The comprehensive privatisation programme initiated by Bratusek is running too slowly for the EU. Of the 15 companies planned to be sold, including Slovenia telecom and the country's second largest bank, only two have found investors.

Analysts also fear that because of political instability, it will be harder to obtain fresh capital on the financial markets. "Given that a collapse of the governing coalition, early elections and a halt to reforms and privatisations are likely, we see no other result than an increase in credit costs," London-based financial analyst Atard Montalto told Bloomberg.

Ratings agency Fitch currently rates Slovenia at BBB+, meaning a broadly good outlook with potential problems if the general economic situation worsens further. Fitch evaluates state indebtedness as negative. Standard & Poor's rates Slovenia at A-, the lowest rating of a secure outlook, while Moody's has already reduced its credit rating to junk status, Ba1.