

# Berisha loyalists raise spectre of North-South war

FROM TOM WALKER IN TIRANA

RESIDENTS in the home town of President Berisha yesterday broke into two local military stores and swore to defend the President, the first sign that fighting could break out across Albania's North-South divide.

With unrest and anarchy again spreading in the South, several foreign embassies, including Britain's, advised their citizens to leave the country. Italian diplomatic sources suggest that Tirana itself could be on the verge of rebellion.

Hotels in the capital began demanding immediate payment for rooms, and Lufthansa said it would give "all necessary help" to foreigners wishing to leave.

Tropoje, the birthplace of the President, is in the remote mountainous terrain bordering Kosovo in northeast Albania. Contacted by telephone, residents said they had broken into the weapons store at the nearby town of Bajram Curri and taken weapons. "There are 9,000 of us and we are ready to come to the side of our President," one leader said.

The telephone operator confirmed that there had also been an explosion at Bajram Curri, with one person injured. Elsewhere there were reports that lorries had been

attempting to take arms stolen from near the southern coastal town of Fier to the North.

Last night President Berisha appointed Bashkim Fino, a former Mayor of Gjirokaster and a member of the main opposition Socialist Party, as Prime Minister. He replaces Aleksandr Meksi, a member of the ruling Democratic Party, who resigned last month.

Genc Pollo, a presidential adviser, said Mr Berisha would step down if the Socialist Party won an election, but party sources said the offer had failed to unblock the talks.

Security sources suspect that paramilitary groups loyal to the President are being recruited and armed in the capital.

Yesterday Albania experienced a new rash of spontaneous rebellions, usually involving the looting of arms

depots. The most serious was in the third largest city, Elbasan, 35 miles southeast of Tirana.

Albania's rebellion is fuelled as much by satellite dishes as economic hardship. "If we see on the television that people are taking guns, then what the heck, why don't we?" said a retired doctor in the northern town of Shkoder.

The day's events were coloured by the usual mixture of the bizarre and the lunatic. A 26-year-old former Brindisi waiter named "Adriatik" announced that he was in charge of Albania's most important military airfield at Kucove, where 19 Chinese-built MiGs and their pilots are now in rebel hands.

"We are not bandits, we are the people," said the portly new commander, bedecked with twin bandoliers, two Kalashnikovs and a blue and white bobble hat. Pilots at the base said they had been ordered to fire at the insurgents but had decided to side with them instead.

Outside Kucove's smashed gates, foreign journalists were treated to the usual swash-buckling display of firepower, with hooligans emptying magazines of ammunition into any surviving street lights. A straggle of looters, their don-



A gunman guards MiG fighters captured at the Albanian Air Force base at Kucove yesterday. A former waiter claimed to be in charge of the base



keys laden with runway lights and other transportable military paraphernalia, lined the nearby road to Fier.

Few men in the area were without a gun of some description, and security sources in Tirana fear that Sunday night's raid on the arms factory at Polican near Berat may have yielded 40,000 weapons. A tour of the north-

ern "front line" is now easily achieved in half a day's drive from Tirana, where the continued political wranglings between the President and his Socialist opponents continue in the face of widespread turmoil.

Rebel-held territory at present peters out somewhere between Kucove and Lushnje amid the coastal plains south

of the capital. Lushnje, scene of some of the first pyramid riots, was tense yesterday, with the Shik secret police in particularly nasty form at roadblocks. They were seen dragging drivers by their hair from vehicles and cocking guns in their faces.

Adding to the political confusion, the so-called rebel leaders from Vlore, who took part

in negotiations on an Italian warship on Monday, denied they had reached any agreement. The one woman in the delegation, Luiza Hoxha, also ended speculation that she is the daughter of Enver Hoxha, the former dictator.

The rebel leaders insisted that, like their colleagues elsewhere, they would not relinquish their arms until the

President and his Government had resigned.

Perikli Teta, the former Defence Minister and Democratic Alliance member, admitted the Vlore talks had been flawed: "We political parties are making blah-blah, but we are not representative."

The place for negotiations is here in Tirana, not on the sea with Italians."

PETR JOSEK / REUTERS



## Italy brokers deal with Vlore rebel leaders

FROM RICHARD OWEN  
IN ROME

ITALY yesterday claimed a diplomatic breakthrough after brokering an agreement by rebel leaders in the port of Vlore under which they would ask armed residents to hand in their weapons and begin to "restore normal administration".

Lamberto Dini, the Italian Foreign Minister, made a lightening visit to Tirana to inform President Berisha of the deal, hammered out on an Italian warship in the Adriatic. But the agreement appeared confined to Vlore — the focus of illegal immigration and drug smuggling to Italy — and most rebels in the South appeared determined to com-

plete their revolution by sweeping Mr Berisha from power.

Signor Dini said: "We are the guarantors of peace. We have worked hard with the EU and the international community to find a way out of this crisis. We hope we have made a start towards reconciliation by helping to achieve a national unity government in

Tirana". The Italians claimed that Vlore rebel leaders had agreed to "put an end to the uprising" in return for implementation of the compromise, proposed by Mr Berisha at the weekend, involving an amnesty for the rebels, a broad coalition between Mr Berisha's Democratic Party and the Opposition, and elections by June.

# Mobs plunder at will as south Albania slips into lawless twilight

SCHOOL is out in Gjirokaster. Primary school pupils have joined the southern Albanian town's students in abandoning studies for guns and grenades, swelling the ranks of the gun-toting mob controlling the region.

The university principal, Viktor Terpo, wanders through the edge of the campus with an expression of baffled disappointment creasing the lines of his face. A couple of grenades explode behind him, thrown by his former charges, and he jumps with surprise. Other students are looting a lorry, breaking from their task to try to machinegun a passing piglet, hooting and jeering as the little animal disappears in a cloud of dust.

"This is not good for me, them or Albania," Mr Terpo mutters.



**Anthony Loyd sees a Sarande hotel go up in flames as the rebels' euphoria over their "victory" vanishes and the revolution turns in on itself**

"There is no authority here at all. My country is ruining itself. I no longer know if it is safe to stay. I want to wait for any students to come back, but as you see it might be a long wait." The principal's words were understated. Southern Albania is slipping into a lawless twilight of anarchy and destruction as newly armed rebel gangs turn from politics to plunder. The situation is veering out of control and, in the absence of a cohesive

authoritarian structure to deal with Tirana or the gangs, there seems no hope of a political solution to the crisis. The insurgents' brief euphoria at "victory" has all but evaporated, and their revolution has already begun to turn on itself: the honeymoon is most definitely over.

Improvised committees appear hopelessly unable to quell the rising level of crime or to find a leader to negotiate with President

Berisha in Tirana. The commanders of Sarande and Gjirokaster met yesterday to try to find a common policy on civil, military and political matters. The scene at the town hall in Gjirokaster where they met would have made a good farce, but for the gravity of the situation. General Agim Gozhita, committee commander of Gjirokaster, locked himself out of his office and, having failed to force the door, fell into a fury and had to be restrained from striking a deputy. Colonel Kocin of Sarande walked off in disgust, only to be coaxed back, looking unsettled, by a pair of gunmen. The man with most authority seemed to be the petrol-pump attendant who had acquired three tanks and an armoured personnel carrier — all

parked, complete with crews, on the forecourt.

It is gun law in a land with no other currency. Banks are closed or looted; phone lines cut; radio and television jammed; electricity and water supplies failing; the lights are truly going out in Albania.

"I don't know much longer we can carry on working," said Aleks Risti, deputy director of Gjirokaster's hospital. "Our medical stocks are seriously low, and we are desperately short of oxygen, serum and stitching equipment. Electricity is sporadic and today we are without running water. Until three days ago we had no gunshot casualties; in the past two days we had 25, victims of stray bullets or vendettas. Someone

from outside had got to stop this — the place is going to the dogs."

Gypsy children hold the Albanian border post with Greece at Kakavia. They scurried about in the dust wearing police caps, playing darts with customs forms. The army and police fled two days ago. The children are sometimes joined by masked gunmen who yesterday shot an Albanian man for no apparent reason. Down the road a teenager's stolen car runs out of fuel. He has had a gun for two days and wants to put it to use, so he stands in the road and holds up the next car to come, empties it of fuel, and leaves.

Elsewhere the atmosphere of impending disaster is heavier. As I write, Sarande's largest hotel is disappearing in smoke and flames

before me. Around it gunmen pour automatic fire into the sky, whooping with delight while scores of civilians scurry in and out of the state-owned building, choking with the smoke, to loot whatever they can.

"The gangsters and criminals are taking over," says Professor Ilirian Alikaj, wringing his hands. He is a member of the Sarande committee charged with trying to maintain civil order in the port. He is not exactly sure how many other people are on the committee, who they are, or what its policy is.

"This is the worst thing we feared," he says as another sheet of flame erupts from the hotel foyer. "The total breakdown of law, and the rule of the mobsters. This is becoming madness."



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ANTHONY HARRIS

## Albanian factor hovering over pensions poser

Last week, a possible near-term threat to equity markets: trouble in earthquake-prone Japan. This week, a probable long-term promise: the European pensions crisis. It may seem odd to describe a grinding fiscal problem as a promise of wealth, but the logic is clear enough. All the prosperous Continental countries have pension schemes that will become virtually insupportable as the dependency ratio — the number of workers available to support each pension — falls. It is about four and a half at the moment; it will be only a little more than two by 2030. Something has to give.

Existing schemes can only work with higher taxes and lower pensions — both politically intolerable. The modern answer to politically insoluble problems is to privatise them. A Continental switch into personally-owned pension funds, on the British model, seems inevitable. Once complete, this change would generate a flow of new money into the security markets rising to some \$300 billion a year in today's money, or about 4 per cent of the total market capitalisation of the four biggest European economies. Enough, according to Lombard Street Research, to double security prices within a couple of decades.

A crippling liability turned, at a stroke, into an asset? It sounds too good to be true, and it is. Critics of pay-as-you-go pensions like to compare them to Albanian pyramid investment schemes: fine if you buy early and cash in early, but ruinous later. What they overlook is that private funded schemes are also potentially Albanian. They add to capital funds as long as they are accumulating; but as the retired draw them down again, funds can be sucked out, and values collapse. These schemes are politically irresistible because they do abolish political responsibility; but they will work economically only if the build-up of funds adds to real wealth, not just paper values.

This is possible, but not proven. It does seem likely that the availability of cheap investment capital has added to growth in high-saving

Japan and the low-saving US; but on the downside, a changeover is initially very expensive. The new private-fund generation still has to pay for the old pay-as-you-go benefits while saving for its own future; this double burden — which is also a political problem — must depress spending income, which is bad for growth. Against that, the British example looks hopeful: Mrs Thatcher took the first swipe at the old pay-as-you-go system: funded pensions have boomed, yet British growth has been better than in unreformed Europe.

But that growth has been assisted by the greatest bull market in history, which has made funding cheaper and more attractive. Europe cannot take such luck for granted. Or can it? We are really back where we came in. A Continental pensions reform would mobilise large new funds for the securities markets, and sustain that flow until the new funds matured. All the same, the effect on prices would surely not be as dramatic as the Lombard Street arithmetic suggests. Securities markets are now global so the impact of new saving should be measured against world rather than merely European market capitalisation: say 1 per cent a year.

Modest, then, though still not trivial, and undoubtedly positive. Other things being equal, pension reform on the Continent should give legs to the hull for several years; but hardly the legs to escape, say, a Wall Street panic.

Pension reform is difficult and unpopular so it needs confident leadership to put it in hand. Thatcher did it, Blair promises to extend it, Kohl could have done it until recently but may have wasted his prestige on EMU. France is a doubtful starter: Chirac seems to prefer the dramatic to the radical. The current Italian coalition looks too fragile to embark on a long-term project.

So even if pensions reform looks inevitable, it is likely to be slow. The Euro cavalry will not ride to the rescue of equity investors for a few years, at best.