New IMF looting program creates European Rwandas

by Konstantin George

During late February and early March, a record number of International Monetary Fund (IMF) missions descended on Albania, Bulgaria, Romania, Croatia, Belarus, Ukraine, and Russia. The 1997 array of IMF conditionalities goes beyond its usual annual ritual of imposing brutal austerity regulations, surpassing anything seen to date: The IMF has dictated nothing less than a crash looting program to eliminate what is left of the state sector economy in these countries, and to have international financier interests grab up any remaining lucrative assets there.

These new IMF packages will accelerate the mass murder—the forced increase in the death rates, which already resulted in millions of deaths during the 1990s in eastern Europe and the former Soviet Union. No more poignant example of this can be found than in the present-day horror of Bulgaria.

Starvation in Bulgaria

As of early March, the Bulgarian population is on the brink of death through starvation. About 90% of the 8.5 million population are living below the official poverty level—an income of $20 or less per month in January. Now, with the more than fourfold collapse of the Bulgarian currency, the leva, and the rampant hyperinflation since then, it means a monthly income of $5 or less. The current price of a loaf of bread, assuming it's available, is 50¢. Therefore, 90% of the population can afford, at best, only 10 loaves of bread a month. Since mid-February, bread riots in towns across Bulgaria have become a daily fact of life, as crowds storm bakeries. Where there are no riots yet, people line up outside bakeries and wait for hours.

On Feb. 25, the Bulgarian media reported the deaths from starvation of three children in an orphanage, warning that mass death tolls could be expected soon. Many of Bulgaria's approximately 1 million pensioners have been "living" on a daily, one-meal ration of soup and bread, provided by soup kitchens organized by the state, and by the Bulgarian Orthodox Church.

The Bulgarian government stated on Feb. 25 that the country had only 20 days of grain reserves remaining. Assuming that that figure is accurate (it is probably a best-case scenario), unless there is an immediate international food relief action, including, at minimum, a massive international airlift, Bulgaria will run out of bread by mid-March.

The first break in this situation occurred Feb. 26: The Swiss government, which is not a member of the European Union, announced that it is allocating 1,000 tons of emergency food supplies for Bulgaria. Within the EU, only Greece has offered help. The response of Greece, which borders on Bulgaria, reflects an urgent national self-interest. Should the Bulgarian famine be allowed to go out of control, at some point in March, a mass exodus of starving Bulgarians will cross the border into Greece. By that point, Bulgaria will have become Europe's "Rwanda," and northern Greece would be the European "eastern Zaire."

Meanwhile, like hyenas gathered around a carcass, an IMF delegation arrived in Bulgaria's capital, Sofia, on Feb. 24, to force the government to agree to what is called a "long-term stabilization program" and "accelerated privatization." As of March 4, the talks in Sofia with the IMF were still going on, in the familiar pattern of a desperate government capitulating to one demand after another for privatization, in order to get cash to buy grain.

Bulgaria had already agreed to one of the main IMF demands in a meeting the previous week with a World Bank delegation: the imposition of a currency board to run all monetary and fiscal-budget policies—in effect, making the Bulgarian government and Central Bank enforcers of IMF-dictated currency board decisions. The IMF and World Bank also gave Bulgaria detailed lists of which enterprises are "lucrative," and thus to be sold off, and which are not lucrative, and thus to be closed down.

The World Bank, for example, ordered Bulgaria to "redraft" its plan to sell off a 25% stake in the Bulgarian telecommunications monopoly, and instead sell off a majority stake. Bulgaria has been told, either comply or receive no credits—credits that are desperately needed to purchase the 500,000 tons of wheat required, minimally, to see the country through the next harvest. The same message was conveyed to Bulgaria by the EU and the European Bank for Reconstruction and Development. The latter said it could "unfreeze" up to $200 million—but only once Bulgaria reaches agreement with the IMF and the World Bank.

'One grand, painful shock'

What the IMF's "accelerated privatization," means, can be seen by looking at Romania, whose new President, Emil Constantinescu, and new Prime Minister, Victor Ciorbea, have already signed its 1997 agreement with the IMF.

On Feb. 17, Prime Minister Ciorbea presented to the nation a "catalogue of measures," billed as "one grand, painful shock," that would cause at least "a 2% contraction" in Romania's economy this year, according to his and the IMF's admission, which deliberately understated the case. Ciorbea announced that 3,600 state enterprises, or 69% of the total, will be "privatized" by the end of 1997. No less than 2,750 of them will be sold off by May 31. And Ciorbea noted that they would be sold on "very favorable" terms to foreign investors—that is, very cheaply.

As has always been the case in "privatizations," the sell-off is accompanied by "streamlining," meaning drastic reductions of the corresponding workforce. By May 31, to use Ciorbea's words, the "10 worst loss-making enterprises" are to be closed down. This measure alone will add 80,000 to Romania's jobless. Budget austerity will be brutal. The 1997 budget deficit is set at 3.5% of Gross Domestic Product (a GDP that will shrink), compared to 5.7% in 1996.

Cirobea also announced a sweeping "price liberalization," starting with the immediate lifting of all subsidies for bread, food, and energy prices. (The first immediate effect his speech had was a run on the country's bakeries and groceries, where citizens rushed to buy up as much food as they could afford at the old prices. Aside from food, the immediate effects were 50% price hikes for fuels, urban transport, railway tickets, electricity, heating, and telephone bills. Ciorbea declared that the "liberalization" would produce an average 1997 price increase of 72%!

Disaster in Albania

Not to be outdone, Sali Berisha, the President of Albania—which the IMF has called its "model pupil" in eastern Europe—once again, went to the head of the IMF class. Before everything exploded in his face, Berisha bristled with confidence that he and the IMF could sail merrily on. On Feb. 19, after talks with the IMF, Berisha, a close associate of both former British Prime Minister Margaret Thatcher and former U.S. President George Bush, went on Albanian TV to proclaim "the comprehensive privatization of the Albanian economy by the end of this year." He stressed that "privatization" will be designed to "attract foreign investment," and will include "the energy sector (including Albania's oil production), electricity (including thermal plants and hydroelectric), telecommunications, mining (Albania is historically the world's third largest producer of chrome ore)," and even "the water supply."

Once this is rammed through, Albania will become the first 100% totally private economy in post-communist eastern Europe.

But this was before all hell broke loose in Albania, as a direct result of the dismal failure of IMF policies. These policies had included the IMF's praise of the infamous pyramid schemes, which went bust in January and February, ushering in the crisis that has now reached the scale of civil war.

Even preceding the current explosion, unrest had been sweeping through Albania since January, when one after the other of the nation's pyramid-scheme funds collapsed. Berisha's and the IMF's plan to deal with the pyramid schemes will now go down in history as one of the greatest miscalculations of this century: To restore a semblance of social stability, and keep itself in power, the regime was planning to reimburse the hundreds of thousands of Albanians who lost their savings in these funds. In order to do this, Berisha intended to use part of the proceeds of the "one shot" sale of all national assets to pay off enough of the population, and prevent a revolt. His scheme was then to take advantage of the temporary lull, or calm, and complete the plans for the IMF's first outright dictatorship in eastern Europe.

Then came the mass revolt across southern Albania. Ironically, on the very day the revolt began, Feb. 28, with the takeover of the port town of Vlora by armed rebels, the IMF executive board in Washington announced that an IMF mission was coming to Albania in mid-March to work out the details of the "economic stabilization" package, including "total privatization." Three days later, the IMF had its first overt dictatorship in eastern Europe, on paper anyway, when Berisha had his parliament declare an indefinite state of emergency nationwide.

Thanks to the IMF and "model pupils" like Berisha, the reality today is that the entire Balkans is poised on the brink of a catastrophe, with the potential, through mass starvation, civil wars, and even a Balkan War engulfing these victim countries and peoples, for a human death toll superseding the horrendous genocide committed in Bosnia.