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IMF would not allow Bosnia to rebuild

by Edward Spannaus

Now that the outlines of a negotiated settlement of the Kosovo crisis have preliminarily been agreed upon, there is the hopeful possibility that the NATO bombing of Yugoslavia will soon end. This pushes to the fore the issue of the economic reconstruction of the entire region—the only basis for a durable peace.

To simply replace that which has been destroyed, is not sufficient. A true postwar "Marshall Plan" program of reconstruction means overcoming the region's national, religious, and ethnic divisions by launching a new era of rapid economic growth, based upon a vast expansion of southeastern Europe's transportation infrastructure.

In its most elaborated form, as put forward by *EIR*'s Founding Editor, and currently U.S. Presidential candidate, Lyndon LaRouche (see *EIR,* May 28, 1999), Balkans reconstruction can, and must become the pivot for global development and a "New Bretton Woods" monetary system.

However, be forewarned: The plans currently on the table for the postwar Balkans have nothing to do with actual reconstruction and economic development! A meeting in Bonn on May 27 for what is called the "Stability Pact for Southeastern Europe" demonstrated that what is being planned, is a replay of what happened in Bosnia after the 1995 Dayton Accords—where reconstruction was sabotaged by the International Monetary Fund (IMF) and the World Bank (see article, p. 49).

It is the same sort of sabotage that was inflicted upon the Olso agreement for the Middle East, as documented by Muriel Mirak-Weissbach in this *Feature*.

The May 27 Bonn meeting was held under the auspices of the World Bank and the European Union, with a major role also assigned to the IMF—exactly the same structure which was created to control the post-Dayton events in Bosnia. Although there are forces in the United States, Germany, and Italy, for example, who are looking for a real "Marshall Plan" program, unless the lessons of Bosnia are thoroughly understood, any honest plans will be shoved aside, just as the perspective put forward in 1995-96 by the late U.S. Commerce Secretary Ron Brown, and by

FIGURE 1

Components of the LaRouche Plan for European development

Since Lyndon LaRouche laid out his plan for a European Productive Triangle (shaded) in 1989, EIR *has elaborated it, including "spiral arms" extending to the Balkans. Shown here is the Rhine-Main-Danube Canal, a crucial feature for southeast Europe.*

patriotic forces within Bosnia, was crushed under the pressure of IMF/World Bank "conditionalities."

Take, for example, statements made recently by the heads of some of the "front-line" states regarding what they want in terms of reconstruction. The Presidents of both Romania and of Macedonia, in Washington for the April 23-25 NATO summit, stressed the need for the development of heavy industry and transportation infrastructure. Romania's President Emil Constantinescu also warned the West not to repeat the mistakes of Bosnia: "Let us not make the errors that were made in the case of Bosnia, where hardly anything has been reconstructed, even though military operations ceased long ago."

President Constantinescu was being much too polite. What happened in Bosnia was not simply "mistakes." There was a deliberate, explicit campaign by the IMF and World Bank to subordinate reconstruction to their goals of monetary and currency "stability," debt repayment, free-market reforms, and privatization.

The IMF's Annual Report for 1996 described its "program objectives" for Bosnia-Hercegovina as follows: "Rebuild the country after the devastation of war without losing control over financial policies. To receive foreign assistance, normalize relations as quickly as possible with external creditors, starting with the problem of arrears to multilateral institutions other than the Fund."

This, for a country which has been destroyed by four years of war, whose population is destitute, and whose economy has been obliterated!

The IMF boasts of two key decisions "for maintaining control over financial policies"—that the new Central Bank would operate for at least six years as a currency board (and would be headed by a non-Bosnian), and that the Bosnian central government and public-sector entities "will refrain from domestic bank financing of fiscal expenditures." That is to say, that the sovereign powers of creating and controlling money and credit were stripped away from Bosnia at the outset.

One of the first demands placed upon Bosnia, was that it assume 17% of the pre-war debt of the old Yugoslavia. This was one of a number of conditions demanded by the World Bank; others included privatization of state-owned enterprises, and "efficient deployment of scarce resources to help the poor"—which the World Bank explained meant that a "bloated social assistance budget would undermine fiscal prudence needed for stability."

Addressing a country whose population was decimated by four years of war, the World Bank warned against "excessive amounts of social assistance" which "would discourage work and enterprise restructuring."

After being forced to accept such conditions, Bosnia was accepted into membership in the IMF in December 1995, and then into the World Bank in April 1996. A reconstruction conference in Sarajevo scheduled for February 1996 was twice postponed, until Bosnia agreed to the IMF/World Bank blackmail.

That Sarajevo conference was preparatory to the second "Donors' Conference" held in Brussels in April. That, and all other such donors' conferences, were held under the auspices of the European Union and the World Bank. The most recent such donors' conference was held in Brussels on May 20-21, 1999; a World Bank press release on the conference cites extensive discussion on economic "reforms," privatization, and "sound public finance management." The World Bank release reports that many of the donors noted that "disbursement of their funds would be conditioned on significant progress in the field of economic reform, media, rule of law, human rights and return of refugees."

The prohibition of state credits and government funding eliminated the possibility of any serious reconstruction efforts. (Indeed, the United States economy could never have been built if such conditions had been in effect in the nineteenth century; likewise, much of Franklin Roosevelt's "New Deal" economic recovery measures would have been forbidden by such IMF/World Bank conditions.)

Rebuilding or developing heavy industry was also prohibited in Bosnia. The World Bank report to the first Brussels reconstruction conference in December 1995 stated: "Like elsewhere in central and eastern Europe, increased output is likely to come from growth in the services sector and light industry set up by private entrepreneurs. The state should concentrate on providing . . . a sound legal, regulatory and institutional framework that promotes smooth function of free markets."

Carl Bildt, the first "High Representative" for implementation of the Dayton peace accords, put it this way in an April 2, 1996 speech in Washington: "A large part of industry is, of course, destroyed. Industrial production is down to less than 10% of capacity before the war. A lot of that industrial capacity, that has to be said, is never going to come back."

The World Bank's chief of operations in Central Europe, Michel Noel, issued a sweeping mandate in Sarajevo on July 8, 1996, insisting: "The state and its entities must disengage itself very rapidly from any direct role in the productive sphere of the economy."

The Ron Brown approach

The Clinton administration was taking a very different approach back in the spring of 1996, under Commerce Secretary Ron Brown. Brown's approach was to promote bilateral, state-to-state projects, bypassing the international financial institutions such as the IMF and World Bank. When he was killed in a plane crash on April 3, 1996, Brown was leading a delegation to Bosnia and Croatia of executives from some of America's biggest engineering and energy firms, including Parsons, Enron, ABB Asea Brown Boveri, Foster Wheeler Energy Corp., and Harza Engineering Co.

Brown's emphasis was to use the resources of the U.S. Federal government to facilitate large-scale, private investment in the Balkans and elsewhere. This included a major emphasis on both the U.S. Export-Import Bank, and the Overseas Private Insurance Corp. (OPIC)—which provides project financing and risk insurance to U.S. companies investing abroad (something the Bosnian government would never be permitted to do).

Speaking in Tuzla, Bosnia, on April 3, hours before the fatal plane crash, Brown said that the long-term economic development of Bosnia would depend on foreign investment, not just foreign aid. "I think we shouldn't just look at aid. Aid is a kind of a one-shot deal. We'd better look at long-term economic development, and it can only come through investment," Brown said. "Our desire is to have American companies fully engaged in the reconstruction of this region."

Brown's mission was continued by the new Commerce Secretary, Mickey Kantor, in July. Top executives from 18 corporations accompanied Kantor to Bosnia, and an OPIC investment agreement was signed in Sarajevo. Reflecting what was then still a commitment to the Ron Brown perspective, Kantor said in a July 15 speech in Dubrovnik that the next phase of American policy toward Bosnia and Croatia would be "economic and commercial development."

"The most pressing need obviously is to reconstruct the infrastructure," Kantor said. "Once the infrastructure of Croatia and Bosnia is up and running, the floodgates for development can be opened. Machine tools to get factories going, raw materials for production, and finished products can all begin to flow. . . . For industry, a steady supply of power is the only way production lines, or furnaces, can be fired up."

The Ron Brown approach to Bosnia was part of a larger economic perspective developed at the beginning of the Clinton administration, which was in sharp contrast to the post-industrial, monetarist and free-market policies promoted in eastern Europe and around the world by the British and by the international financial institutions.

In March 1994, Brown had announced that under the Clinton administration's National Export Strategy, the Commerce Department had designated ten "Big Emerging Markets" which offered what he called "the greatest opportunity for U.S. trade expansion in the twenty-first century."

In August 1994, Brown declared that the Clinton administration "has junked a 12-year tradition of laissez-faire government," and that the administration would now mobilize government funds "to fight for U.S. exporters in the global market, with financial support from the U.S. Export-Import Bank and other U.S. government resources."

Brown's Undersecretary of Commerce Jeffrey Garten, in a 1994 New York speech, specifically emphasized foreign government-backed infrastructure projects for U.S. participation. "It is in infrastructure—in megaprojects—that government and business often form the most successful partnerships. Often the bidding process is done through a government procurement system. This is where effective advocacy by Washington on behalf of our firms is critical."

Government financing, government procurement, megaprojects, state-to-state deals: All of this stands in the sharpest opposition to the approach which has since triumphed in Bosnia, which has meant no state financing—indeed, no state role whatsoever—and above all, no megaprojects, and no industrial development.

How Bosnia won, and lost, its economic sovereignty

by Umberto Pascali

We were struck recently by a comment from one of those all-too-numerous television "experts." Drawing a parallel between what will happen in Kosovo after the end of the bombings, and what is happening now in Bosnia, in a matter-of-fact tone, he threw the following "whopper" into the casual debate: "Of course, Bosnia now is a *NATO protectorate,* and will be so for a very long while." None of the other "experts" even attempted to dispute that statement, as if to stress that indeed, Bosnia could not survive for one single day without the "protection" of NATO and the "international community.

"Protectorate"! This word, taken from the lexicon of the old colonial empires—most emphatically the British Empire—has come back into fashion, especially so, ever since NATO began dropping bombs over Kosovo, Serbia, and Montenegro. Already on Feb. 3, the London *Times,* in an article proclaiming Britain's Prime Minister Tony Blair to be the "new Gladstone" (the prototypical nineteenth-century "liberal imperialist"), announced that, soon, Kosovo would be occupied by Gen. Sir Michael Jackson's NATO Rapid Reaction Corps, and that it would become a "NATO protectorate." In other words, this population would not be afforded the right and dignity of political and economic sovereignty, but instead would be "protected," i.e. dominated and exploited by a foreign power—"for its own good," of course.

Stripped of all double-talk, the concept of a "protectorate" is outrightly feudal, opposed to the republican principles upon which the United States was established. But, if the plan of the "new NATO" succeeds, the entire Balkans will become a protectorate, with U.S. participation. Already, large areas of the Third World, progressively deprived of their sovereignty, have been pushed back into the status of "protectorate" or colony that they had escaped with their struggles for independence in the aftermath of World War II.

The pressing question we must answer, therefore, is: How did Bosnia ever become a "protectorate" in the first place? And, what lesson can we learn from this? These are crucial questions at the present moment, when an even broader area in the Balkans—Kosovo, Serbia, and Montenegro—is being systematically destroyed by the "new NATO" bombing, after Kosovo had been already been ravaged before that.

All of former Yugoslavia has now been devastated. Bosnia was not given the chance to implement its reconstruction. Instead of being the focus of a new "Marshall Plan," as Lyndon LaRouche and many of Bosnia's best leaders had requested, the region was abandoned to the usury of the International Monetary Fund and the World Bank. It was not rebuilt, and has therefore remained in a situation of no war, but no peace. Lacking any economic reality, any national purpose, Bosnia's ethnic components have remained divided—more divided, in fact, than they were at the time when Sarajevo, beseiged by Radovan Karadzic's forces, and Muslims, Serbs, and Croats stood shoulder to shoulder in defense of the city.