

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 gov-

ernment 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, besieged by Radovan Karadzic’s forces, and Muslims, Serbs, and Croats stood shoulder to shoulder in defense of the city.

Bosnia's economy is now being progressively taken over by organized crime, and war could begin again at any moment. Bosnia's only "guarantee" of peace, is the military "protection" of the "new NATO," whose presence is not justified by any plan to help get the country back on its feet, but instead has turned into a permanent occupation force, waiting for the next explosion to occur.

Is this the future that is now also being prepared for Kosovo and the rest of the Balkans, after the bombs stop falling?

The second war against Bosnia

When Bosnia emerged from four years of war and genocide, the country was left with no economy. Industrial plants had been destroyed or extensively damaged; infrastructures, communications, cities, and towns had been smashed. Unemployment was at 70-80%, and the country had no food supplies. Nevertheless, there was much optimism: Sarajevo and the country had successfully resisted defeat and Serbian occupation. Now the moment had arrived to rebuild the country, institutionally and materially. The people who had fought and won without any military training, were now ready to return to productive activities. There was no lack of energy and will to rebuild the country.

In November 1995, a peace agreement reached at Dayton, Ohio guaranteed the end of the hot phase of the war. But it did not establish the peace. The Bosnian leadership around President Alija Izetbegovic had to accept many otherwise unacceptable conditions, and had to give away much of what had been gained in the terrible war. As Izetbegovic's Chief of Cabinet, Faris Nanic, put it in an interview in *EIR*'s July 26, 1996 issue: "We in Bosnia accepted an unjust peace, in order to have reconstruction. But now . . . you have an unjust peace, and on the other hand, there is no reconstruction. So the peace will lose its stability, if reconstruction is not implemented."

On Nov. 1, the day the negotiations started at Wright-Patterson Air Force Base in Dayton under U.S. sponsorship, Secretary of State Warren Christopher delivered a brief welcoming speech. "A major effort must be undertaken for the reconstruction of Bosnia," he said, "for it is certainly true that lasting security will depend upon bringing the economy of this troubled region back to life. In other words, once an agreement is signed, a multi-dimensional effort will begin. It'll be backed by soldiers, diplomats, bankers, engineers, governments, and private organizations. . . . If we succeed, we can make sure that the sons and daughters of Americans will not have to participate in another major war in Europe." His words reflected what Bosnia was hoping to achieve, with the assistance of the United States.

What followed, unfortunately, was a new war that lasted for another two years. But this time, the enemy was more insidious than Yugoslavian President Slobodan Milosevic. An exhausted population had to face the combined forces of the biggest financial institutions on the planet: the International Monetary Fund, the World Bank, and the financial institutions of the European Union, plus the military and psycho-

logical warfare apparatus of the "new NATO" that deployed into Bosnia, under top British specialists in intelligence dirty tricks, population control, and terrorism/anti-terrorism, such as Sir Michael Rose and Sir Michael Jackson. The new enemy was determined not to grant Bosnia its national sovereignty. Bosnia had to face the threat of a new genocide, only this time, "genocide through financial means."

Bosnia was not to be allowed to have *control over its economy, its finance*. It was to be denied the basic prerogative of a sovereign country: *the ability to issue credit for production*. Bosnia was forced to write into its own Constitution, that the governor of its central bank had to be a foreigner "appointed by the International Monetary Fund"! Bosnia was progressively denied its *right to have an army* or a national intelligence-gathering capability. It was, in short, denied the *ability of the governed, to actually govern*.

Instead, the Dayton Accord established a strange institution called the "High Representative," an individual who supposedly represents the juridically ill-defined "international community." With powers superior to those of the elected institutions, this High Representative is a close approximation of a British colonial viceroy. He was given the "civilian power," while the military power rested with the "new NATO" contingent which, in turn, was dominated and shaped by the British as a sort of new colonial army and police.

Despite all this, Bosnia kept fighting for its national sovereignty. It took two years to weaken that resistance—though even today, the resistance is far from over.

The heorism of Ron Brown

There is no doubt that Izetbegovic accepted the Dayton Accord because the talks were being hosted and sponsored by the United States. Izetbegovic and the Bosnian leadership had decided very early on, at the beginning of Karadzic's genocidal assault, that the country had to establish the closest possible links with the United States, distinct from those with the "Europeans." Already in 1993, during the siege of Sarajevo, this point was being clearly stated. The Bosnians also knew that the decisive push to halt the military-driven genocide did not come from the British or the French, but from the United States. In particular, they put solid confidence in President Clinton. The Bosnian leadership believed that once the Dayton Accord was signed, the United States would be the main partner in assisting in the country's reconstruction. The post-World War II Marshall Plan was the most obvious precedent. The hope and expectation was that the U.S. Presidency would launch a plan for direct, sovereign, state-to-state economic links between the two countries, and that it would foster investment in to the real economy, thereby bypassing—and thus making irrelevant—the gigantic international financial institutions.

And that was precisely what U.S. Commerce Secretary Ron Brown was seeking to do, at the point when, while returning from a mission to Bosnia, he and 30 prominent U.S. businessmen were killed in a plane crash, whose causes have never

been fully explained. The crash took place as they were approaching Dubrovnik Airport in Croatia, on April 3, 1996, a little over three months after the Dayton Accord had been signed.

Ron Brown's heroism underscores another crucial lesson for the present time. His unprecedented mission had great meaning for Bosnia, but it had, perhaps, even greater meaning for the United States. Establishing a direct connection between U.S. productive forces and the Bosnians, could have created the historical opportunity for Washington to free itself from the usurious and oligarchic control that was destroying the country. Ron Brown's mission was chance for the United States to return to the American System economic and foreign policies of Franklin Delano Roosevelt, and—by saving Bosnia from the IMF/World Bank enforcers—to free the United States from the deadly embrace of the British-American-Commonwealth oligarchy. Today, this conflict between these two tendencies inside the United States—the Ron Brown legacy versus the IMF—continues to dominate the debate today on what is going to happen in the Balkans after the NATO bombings stop.

“Help ignite the reconstruction's engine! . . . I think this [a Marshall Plan for Bosnia] is a matter of *political* decision, as it had been a matter of political decision when the Marshall Plan was launched in postwar Europe,” Faris Nanic told *EIR* in July 1996. On July 1, Nanic had been appointed as Chief of Cabinet of Bosnia's President Alija Izetbegovic. “This is not a technical economic issue. The important thing, is that you [in the United States] decide that you want to help the reconstruction of a country that has been devastated by a war. Therefore, in the same way that the United States played the leading role after World War II in reconstructing Europe, so, now, the U.S. should take on the responsibility in the reconstruction efforts in Bosnia and the whole region, in *tight* coordination with the Bosnian government. . . .

“Technically it would *not* be difficult, because we have tremendous resources for a small country. We have considerable human, scientific, and natural resources to restart very advanced production of various kinds. . . . We know how to rebuild Bosnia, and we have the capabilities; what we need is investments and help, to ignite the engines of our reconstruction. . . . [But] we have problems in restarting some of the production facilities that have not been damaged, because we do not have funds. There is no conception of how the economic strategy of the country should look, because there are too many pressures from outside. We are not able to launch a real development program, because we are not able to issue long-term credits through our National Bank.”

Asked about Brown's mission and the policy of “massive investments without intermediaries,” Nanic stressed: “We have always advocated that certain bilateral cooperation is crucial. Mr. Brown led a delegation of about 30 prominent businessmen who were committed to . . . invest—but to invest in productive investments. . . . If our information is correct, these people were committed to invest real money, to launch

a real reconstruction of the country. We have the impression that the plane crash somehow discouraged potential investors.”

An IMF-controlled central bank

The fear which Ron Brown's initiative instilled in international financial circles, is plainly evident in a negative way, when we examine the conditions that these circles forced through into the Dayton Accord. On the basis of Annex 4, Article 7 of the agreement, the Constitution of Bosnia must incorporate the following definition of Bosnia's central bank:

“Article VII: Central Bank. There shall be a Central Bank of Bosnia and Hercegovina, which shall be the sole authority for issuing currency and for monetary policy throughout Bosnia and Hercegovina.

“1. The Central Bank's responsibilities will be determined by the Parliamentary Assembly. For the first six years after the entry into force of this Constitution, however, it *may not extend credit by creating money, operating in this respect as a currency board*; thereafter, the Parliamentary Assembly may give it that authority.

“2. The first Governing Board of the Central Bank shall consist of a *Governor appointed by the International Monetary Fund*,. . . The Governor, who *shall not be a citizen of Bosnia and Hercegovina or any neighboring state*, may cast tie-breaking votes on the Governing Board.”

Documentation

The following are excerpts from historic documents dealing with Bosnia's reconstruction—and the sabotage of that reconstruction. Emphasis has been added.

The Dayton peace agreement

From the General Framework Agreement, Annex 10 Agreement on Civilian Implementation:

Article I: High Representative [HR]

The Parties [the Republic of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, and the Republika Srpska] agree that the implementation of the civilian aspects of the peace settlement will entail a wide range of activities including continuation of the humanitarian aid effort for as long as necessary; *rehabilitation of infrastructure and economic reconstruction*. . . . In view of the complexities facing them, the Parties request the designation of a HR . . . to facilitate the Parties' own efforts and to mobilize and, as appropriate, *coordinate the activities of the organizations and agencies involved in the civilian aspects of the peace settlement*. . . . The HR shall:

- *Monitor* the implementation of the peace settlement. *Maintain close contact* with the Parties to promote their *full compliance with all civilian aspects of the peace settlement* and a high level of cooperation between them and the organizations and agencies participating in those aspects. *Coordi-*

ate the activities of the civilian organizations and agencies. . . . The civilian organizations and agencies are requested to assist the HR. . . . Facilitate, as the HR judges necessary, the resolution of any difficulties. . . .

- Participate in meetings of donor organizations, particularly on issues of *rehabilitation and reconstruction*. . . .

- Provide guidance to, and receive reports from, the Commissioner of the International Police Task Force. . . . In pursuit of his or her mandate, the HR shall convene and chair a commission (the “Joint Civilian Commission”) in Bosnia and Herzegovina. It will comprise senior political representatives of the Parties, the IFOR Commander or his representative, and representatives of those civilian organizations and agencies the HR deems necessary. [The IFOR, or Implementation Forces under NATO, were generally commanded by a British officer—ed.] . . . The Parties shall facilitate the operations of the HR. . . . Privileges and immunities shall be accorded as follows: The Parties shall accord the office of the HR and its premises, archives, and other property the same privileges and immunities as are enjoyed by a diplomatic mission and its premises, archives, and other property.

Article IV: Cooperation

The Parties shall fully cooperate with the HR. . . .

Article V: Final Authority to Interpret

The HR is the final authority in theatre regarding interpretation of this Agreement on the civilian implementation of the peace settlement. . . .

Article VIII: Establishment of a Joint Military Commission

The Commission shall: Serve as the central body for all Parties to this Annex to bring any military complaints, questions, or problems that require resolution by the IFOR Commander. . . . The Commission shall be chaired by the IFOR Commander. . . . The *High Representative* or his or her nominated representative shall attend Commission meetings, and offer advice particularly on matters of a political-military nature. . . . [A]ll final decisions concerning its military matters shall be made by the IFOR Commander. The Commission shall meet at the call of the IFOR Commander. The High Representative may when necessary request a meeting

Article XII: Final Authority to Interpret

In accordance with Article I, the IFOR Commander is the final authority in theatre regarding interpretation of this agreement on the military aspects. . . .

World Bank dictates

From the World Bank Report, December 1995, to the Brussels Conference on Reconstruction of Bosnia Dec. 20-21, 1995.

[The Preamble recognizes that 80% of the Bosnian economy has been destroyed, and half the population either killed, maimed, or expelled.]

Bosnia could become a successful economy, provided international assistance can be mobilised. . . .

A particularly serious threat to the current policy stance is the rapidly accumulating arrears in wage and pension payments and the past state liabilities to households for their lost foreign exchange deposits in the banking sector. These could overwhelm the budget if the Government were to take them on. . . . In seeking solutions, every effort should be made to limit the government’s use of domestic banking funds especially Central Bank Financing. Large amounts of these liabilities . . . may have to be written down or written off outright through schemes such as trading wage and pension arrears for foodstuffs and other aid.

The Government must move towards a convertible dinar and should maintain a flexible position on exchange rate arrangements. Making the dinar convertible is a critical step.

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.

The Government should undertake structural reforms to ensure efficient resource allocation. Rapid privatisation of the idle assets of state enterprises. . . .

An integral component of economic revival is the efficient deployment of scarce resources to help the poor. . . . [But] a bloated social assistance budget would undermine fiscal prudence needed for stability. Inappropriate targeting and excessive amounts of social assistance would discourage work and enterprise restructuring. . . .

In order to gain access to the longer-term financing needed for a sustainable recovery of economic activity, Bosnia would benefit greatly from being able to normalise its international financial relationships. It has accumulated substantial arrears, including to the IMF, the World Bank, and other international financial institutions, bilateral creditors and commercial bank creditors. Based on an assessment of the entire external debt situation, economic prospects, the post-war reconstruction and recovery needs, the Government will need to design, jointly with the IMF, the World Bank, and other creditors, a medium-term balance of payment and external financing plan . . . and enable Bosnia to normalise its international financial relations. . . .

The most important conditions for World Bank membership are for Bosnia to assume an agreed share of the outstanding Bank loans to the former Yugoslavia and agree on a plan to eliminate arrears on these loans. This arrears clearance plan would need to be integrated within the medium-term financing plan. . . .

From remarks by the chief of the World Bank’s country operation in Central Europe, Michel Noel, in Sarajevo, July 8, 1996.

The [Bosnian] State and its entities must disengage itself very rapidly from any direct role in the productive sphere of

the economy. . . . They must concentrate on maintaining a stable macroeconomic environment and a transparent and effective governance framework in which the private sector can thrive. . . . It will be extremely difficult. . . .

Bosnian responses

A Bosnian source comments on the World Bank demands, as quoted in New Federalist newspaper, Jan. 3, 1996.

After four years of genocide at the hands of the Nazi-like Greater Serbians, now we discover that there is something worse. . . . Without a single bullet, without any physical violence, these bureaucrats could boast of having potentially done more damage to the future of our people than Karadzic and his gangs. They are laughing at our misery when they throw at us that piece of stale bread, the \$500 million. And yet these gentlemen have the power to control the faucet of credit, they can decide to allow or prevent basically anybody from giving us any credit. On top of all this, we had to accept destructive conditionalities that could seriously jeopardize the future of our children.

From a "Letter of Intent" prepared by a group of Bosnian intellectuals in December 1995.

Statement of principle

The government of the Republic of Bosnia-Herzegovina, adheres to the principle expressed by the American Republic, of government "of the people, by the people, and for the people." The government is thereby convinced, that population is the true origin and source of all national wealth.

The word "people" as used here, refers to the citizens of the Republic of Bosnia-Herzegovina, without any distinction as to their racial, ethnic or religious origin. . . . The most pressing concern and most chief aim of this government, shall be to restore, within the briefest period, the *population potential* of our nation. To that end, the Republic of Bosnia-Herzegovina has determined to emerge as a modern industrial nation.

The Republic of Bosnia-Herzegovina and the debt of the former Federal Republic of Yugoslavia:

The nation of Bosnia-Herzegovina has observed with disquiet the effects of shock therapy and IMF conditionalities upon the nations of Eastern Europe and of the former U.S.S.R., and of neo-liberalism in Western Europe.

Frail and distraught, the people of the Republic of Bosnia cannot be submitted to such policies lest the Republic itself vanish.

The Federal Republic of Yugoslavia having unlawfully seized and put to her own uses, the gold bullion and whatever real property, accounts, property titles, and other forms of property of the former Socialist Federal Republic of Yugoslavia she found within her power to seize. . . .

Aware that this decision by the Republic of Bosnia-Herzegovina will not meet with the approval of international financial institutions, in particular, of the International Monetary Fund, institutions which to our best knowledge and belief,

are beholden to private financial interests indifferent to the existence of the State and Republic of Bosnia-Herzegovina, the government of this Republic desires to enter into bilateral and multilateral financial and economic agreements with friendly and/or allied nations, committed to reconstruction of our Republic, in preference to agreements with international financial institutions, and in order to avoid becoming a Protectorate, *de facto* or *de jure*, of the latter institutions. . . .

To the end of promoting the highest degree of sovereignty for the Republic of Bosnia-Herzegovina, . . . we have decided, to adopt the so-called Colbertist or Dirigist Model for our banking system, and to reestablish upon a new principled foundation, a *National Bank*, on the model of the First National Bank of the United States (1790). The National Bank of the Republic of Bosnia-Herzegovina shall be constituted of two parts: a Treasury Board, to issue currency, in a rigorously controlled relation to the real wealth created by agriculture, manufacturing, and trade, and a Board, to issue credit, for such projects as the government shall propose, and as the Parliament shall vote, which projects shall be designed to restore the population potential of the nation.

The National Bank shall be charged to put into circulation new issues of paper money, for those reconstruction projects dictated by the present national economic emergency, for these purposes alone:

- the purchase of raw materials, goods and capital goods for industry;
- the building of installations, the employment of labor in producing or transporting manufactured or agricultural goods;
- for mining;
- for building housing and manufactures;
- for producing and distributing energy;
- for public services, in particular, the building and operation of hospitals and schools;
- for scientific research and technological applications;

Currency issues shall be put into circulation by the following means alone:

- Credit from the National Bank, for public investment;
- Participation by the National Bank, in loans from private banks;
- Discounting by the National Bank, of bills of exchange, obligations and other notes, related mainly to the production of tangible wealth and capital improvements. . . .

From a statement by Bosnia Prime Minister Hasan Muratovic at the National Press Club, Washington, D.C., July 17, 1996.

The most important part of the [Dayton] agreement is economic reconstruction. . . . The money for reconstruction is not coming, neither in promised amount, nor in time. . . . There is a lot of conditioning for the donations. . . . I must say: We have problems also with the World Bank. The World bank is putting conditions that are very difficult to reach. . . .