

## Balkan nations battle monetarist bureaucrats

by Rainer Apel

For decades, and particularly for the last ten years since the fall of the Iron Curtain, citizens of eastern and southeastern Europe have talked about their “rich” neighbors in the West. This characterization no longer holds, as the Western elites have revealed themselves as actually rather poor: They have no money for the reconstruction of the Balkans, which they promised only a few weeks ago. Worse yet, with a few exceptions, they have exposed their moral and mental bankruptcy, as they have no ideas about how to reconstruct the economies of the Balkans. Developments in Western diplomacy between July 13 and 21 have illustrated that at quite some depth.

On July 13, the so-called “High-Level Steering Group on the Reconstruction of the Balkans” convened in Brussels, including top representatives of the supranational monetarist institutions such as the International Monetary Fund (IMF) and World Bank, as well as of the governments of the European Union and Group of Seven. The group, in the words of World Bank spokesman Philip Hay before the press, resolved not to discuss concrete aid projects, but rather to first “design a road map” and a “methodology,” in the coming months. As for their timetable, outgoing EU Commissioner Yves-Thibault de Silguy said only that “by mid-October, we will know more.” October being still three months away, the EU has, however, already decided to begin serious aid to Kosovo only in FY2000, and then, only in the range of maximally, 500 million euro (approximately \$500 million)—money which will be extracted from some other part of the EU budget. The same is basically true also for the close to \$200 million in humanitarian aid that has been granted to repatriate the 1 million Kosovar refugees, aid that is supposed to reach them before the winter sets in.

Contrast this “EU pledge” with the estimate that an initial

\$30 billion is required for an instant Balkans reconstruction program for the whole region, as is being called for by the Greek government, or the estimate for a national infrastructure development program of the Albanian government, which, besides immediate aid related to the return of Kosovo refugees, would alone require an initial \$6 billion.

Emerging from the Brussels gathering, World Bank President James Wolfensohn showed the ugly face of that rapacious institution, by insisting that his institution was in no position to grant loans to Kosovo, because Kosovo is not a country, not a member of the World Bank, and, since it is a province of Serbia, the Serbs would first have to pay \$1.6 billion in outstanding debt to the World Bank, before any loan could be issued. Therefore, it is up to the EU and the G-7, Wolfensohn said, to “step in” and do something for the Kosovars. Well, what they are willing to do, was revealed at that Brussels meeting. The policy of “budgetary restraint” was confirmed also by a meeting of EU finance ministers in Brussels on July 15.

### Empty promises and hypocrisy

Therefore, when Romanian President Emil Constantinescu used harsh words in describing Western conduct, in an address on July 13 before the Romanian-American Chamber of Commerce in Bucharest, he was dead on the mark. Constantinescu said that although his country has done a lot to work with the West, and in particular with NATO during the recent air war against Serbia, still the Romanians have not received much more from Western politicians than “some friendly pats on the shoulder”—promises, but no concrete assistance. “Every day, a personality from NATO or the European Union is coming to Bucharest to congratulate us for the

FIGURE 1

## The Balkan countries and neighbors



way we acted, as if we were a NATO country,” he said. “But we have neither the security guarantees nor the advantages of the NATO countries.”

Promises by Western politicians to ease Romanian economic losses from the Balkans conflict have not materialized, Constantinescu charged. “At the same time, we ask ourselves, who is being punished now? We continue to observe the embargo [against Yugoslavia] because we respect NATO, but has anyone taken into consideration the fact that the embargo is hitting Romania?”

Constantinescu said that Romanians were getting impatient with visitors from the West offering praise but no compensation, and added that, as a long-standing friend of the West, he felt very sorry about having to say that. *Monitorul*,

a leading Romanian business daily, described the results of the Brussels meetings, in a July 16 commentary: “The way it came up, the Stability Plan for the Balkans won’t even be the outline based on which deep changes, that should occur, could be talked about. Everything appears like a passing answer to a passing situation. . . . From the political point of view, cards are still not being played, and plans, if not backed by great actors, are not put on the table—a temporary solution is preferred now, in which, anyway, no one is willing to spend money.”

“What could be a plan for the Balkans area, is still being studied and belongs to academics and political researchers,” the daily commented. Moreover, the authors of the EU plans, like the experts at the Center of European Policy Research in

## Slovak leader demands reopening of the Danube

*In this open letter, Augustine Marko, president of the Slovak Society for the Protection of Democracy and Humanity, appealed to President Bill Clinton, British Prime Minister Tony Blair, French President Jacques Chirac, and German Prime Minister Gerhard Schröder to immediately provide aid to compensate for the damage done in the area, particularly on the Danube River, by the war against Yugoslavia.*

During the negotiations with the government of Yugoslavia at Rambouillet and Paris, your deputies drafted an agreement for ratification. The government of Yugoslavia refused to ratify it. You then demanded ratification under the threat of force.

On March 24, 1999 you gave the command for the air force of the NATO states to attack Yugoslavia. Mrs. Madeleine Albright, in a radio speech to the people of Yugoslavia, explained that the attack was not directed against the citizens of Yugoslavia, but against the Yugoslav President, for what she called his criminal policy.

During the air raids, your air force also destroyed bridges which spanned the Danube. As a consequence, ship transport on a great leg of the Danube was broken up,

and the economic life of those states which use the Danube as a thoroughfare was also devastated.

These facts concern the citizens of the Slovak Republic, too. Besides the wrecking of trade on the Danube, it is impossible to deliver the ships purchased by Western Europeans, which have been produced by the Slovak shipyard at Komarno. At present in Komarno, there are two ships already produced which are prepared for delivery. They were produced in the shipyard and promised to the purchasers at the port of Izmail on the Black Sea. The ships are able to sail the ocean as well.

In the shipyard, there are six other ships as well. Our economy is very dependent on foreign trade, and due to the impossibility of delivering the ships to the purchasers, it has been very badly injured by the losses. If this situation continues a long time, the shipyard will have to stop producing ships. This would injure the citizens of our country very much.

Our citizens had no part in this situation and therefore we demand:

1. Compensate our economy for the damages which resulted from the conflict in Yugoslavia, and
2. We ask for financial and technical aid for the removal of the destroyed bridges blocking the Danube.

This problem concerns all the states using the Danube as a thoroughfare.

Augustine Marko, president  
Pavol Martinicky, vice-president

Brussels, have drawn up designs for a Balkans free-trade zone tied to the euro, which would be entirely administered from Brussels. "Initiators of the project don't seem to have much confidence in the capacity of the area's representatives to handle the change."

And, as far as "great decisions" are concerned, the EU wants to manage economic policies from outside the Balkans. Therefore, if what is being discussed at the EU level does not bring at least some definite investments into Bulgaria and the Balkans, "it should all be in vain," the daily warned.

### 'Bobo' Hombach, saboteur

The meeting of the EU foreign ministers in Brussels on July 19, illustrated the virtual reality thinking of the Eurocrats, once again, when they decided, after hours of heated debate, to decentralize what was to have become a centralized agency for the future Balkans aid programs. The main office of the agency, with its head Bodo "Bobo" Hombach, will be established in Brussels. The administrative branch will be based in Thessaloniki, Greece, and yet a third office, for the operational branch, will be set up in the Kosovar provincial capital of Pristina. All of that will come into being only in September.

As far as "Bobo" Hombach—the former head of the German Chancellor's office, who has a murky financial record—is concerned, he received his first dose of what the Balkan nations actually expect from his agency, when touring the region during the week before the July 19 meeting. Hombach told the Bulgarians that he considered their country "an agent and not a subject of the Stability Pact," but he would not be more concrete. Bulgarian Prime Minister Ivan Kostov presented Hombach with a list of urgent projects, like the clearing of the Danube River, and other infrastructure projects such as construction of a rail line from Sofia to Skopje, the Macedonian capital, as well as an overhaul of the electricity grid of Macedonia, which has run down considerably, after a decade of independence from Yugoslavia.

Bulgarian Foreign Minister Nadezhda Mikhailova presented Hombach with three priority projects: Corridor 4 (from Berlin to Constanta on the Black Sea), Corridor 8 (from the Adriatic Sea to the Black Sea), and the construction of a second major bridge across the Danube, between Bulgaria and Romania.

The one existing bridge between Ruse and Giurgiui is totally overloaded, particularly now that water transport has

been shifted onto roadways, since the Danube has been blocked by the debris of the bridges that NATO bombs destroyed. "The question of the second bridge does not only concern Bulgaria and Romania; it is a pan-European one," Mikhailova said. And Economics Minister Vasil Vasilev presented Hombach with a list of up to 200 Bulgarian industrial and construction companies that are interested in, and have the expertise for, the planned reconstruction of Kosovo.

A similar scene was reported from Bucharest, where Hombach's visit corroborated Romanian President Constantinescu's criticism a few days earlier: The Western guest told Prime Minister Radu Vasile that, basically, his nation should stick to the principle "help yourself." After Hombach had left, the Prime Minister and the media were wondering whether Hombach's recommendation implied that no money from abroad was to be expected for the development of the national economy in the context of the EU's supposedly planned "reconstruction" of the Balkans.

### **Balkan nations intensify their efforts**

Disillusioned by their "rich" Western cousins, Bulgaria, Romania, and the other Balkan nations have decided to pursue a double-track policy: 1) trying to remind the West, again and again, through all available diplomatic channels, of its moral and financial obligations to assist the poorer cousins of south-east Europe; 2) at the same time, intensifying their own bilateral and regional contacts among themselves, to get as much development of infrastructure and industry going as possible, under the immense financial constraints, given that their economies do not have the banking resources at hand that are required for a comprehensive reconstruction program.

It is interesting to see, however, that the idea of creating an institution that can fund the development of the real economy seems to be growing in the minds of leading Balkans politicians: At the tripartite meeting on July 15, of the foreign ministers of Greece, Albania, and Macedonia, the diplomats not only discussed a number of specific joint infrastructure projects, but also the creation of a "special fund" to finance them.

The meeting, held at Lake Prespa right at the common Greek border with the two neighboring countries, has been assessed as an historic event in the media of the three nations—not only because it was the first meeting of the regular, tripartite dialogue, that has been agreed upon recently among the three governments; it has also been an historic event because it focussed on the mutual commitment to modernize and develop vital transport links among the three nations, including roads, railroads, pipelines, and interstate power lines. No fewer than seven bigger projects are envisaged, on a list that will be expanded in the coming weeks and months:

1. An Ionian-Mediterranean interstate highway, i.e., the sections Drach-Skopje, linking with the trans-Bulgarian highway toward Varna (Black Sea), and between Igoumenitsa, a

large ferry port on the Greek coast, and Triest, Italy;

2. A hydro-electric plant in northern Albania;

3. Construction of power lines linking Albania and Macedonia with Greece, from Elbasan and Progradec (Albania) through Ohrid and Bitola (Macedonia);

4. A gas pipeline from the Bulgarian port of Burgas, on the Black Sea, to Skopje and Vlora, an Albanian port on the Adriatic Sea;

5. A gas pipeline linking the above with northern Greece;

6. The Macedonian government wants to build a new national rail line from Kichevo to Struga, toward Albania;

7. A highway from Pristina to Skopje.

In addition, the government of Greece has offered a \$100 million loan to Bulgaria, to restore a mountain road across the Makaza Pass and thereby establish a crucial transit route between Kurdjali (southern Bulgaria) and Komotene (northern Greece). The Greeks also offered to undertake the construction work as such, and complete the project within no more than three or four months.

The road has not been in use since the end of World War II, and its re-opening will serve the establishment of a new border crossing. The project is meant as an immediate improvement on a bilateral basis, which should not rule out either countries' engagement in the construction, later on, of the planned new trans-European corridor linking the Aegean Sea with the Baltic coast of Finland, a spokesman for the Greek government said in Athens on July 19. The Prime Minister of Bulgaria, Ivan Kostov, was expected for talks on other joint infrastructure projects with the Greek government, in Athens on July 21.

### **Not just reconstruction, but modernization**

While the West is failing miserably in doing what it should do, the governments of southeast Europe are showing a commitment to do something that at least points to the broader perspective. "Reconstruction certainly does not mean rebuilding the same roads, power plants, and bridges," Hungarian Economics Minister Attila Chikan wrote in a guest commentary in the *International Herald Tribune* on July 21. "This is a chance to modernize and bring the Balkans to a level closer to that of other parts of Europe. If the resources brought to bear are too modest, then only the most urgent tasks will be addressed, and the most productive investment opportunities will be missed," Chikan warned.

Showing what could be done, with the right commitment and the right investment approach, the Frankfurt-based German Reconstruction Bank (Kreditanstalt für Wiederaufbau, or KfW) signed an agreement with the Croatian Reconstruction Bank in mid-July, while the monetarist bureaucrats in Brussels were still discussing "road maps" and the "methodology of aid." The KfW bank granted a loan of 100 million deutschmarks for the modernization of five Croatian ports on the Adriatic coast—Rijeka, Split, Pula, Trogir, and Kraljevic. The loan is over seven years, with a two-year grace period, at

5% interest.

“Without this loan and technological reconstruction, the shipyards, in which no investment has been made for 20 years now [including the seven past years of a pro-IMF regime in newly independent Croatia—ed.], could never recover or increase their competitiveness,” said Anton Kobajev, the president of the Croatian Reconstruction Bank. Among the German firms that will sell modern shipyard equipment to Croatia under this loan, is the Thyssen corporation, a leading producer of shipyard equipment.

The KfW is a bank that emerged from the Marshall Plan program of 1948-52 (see Lothar Komp, “How Germany Financed Its Postwar Reconstruction,” *EIR*, June 25, 1999). While the remarks coming from the monetarist bureaucrats seem to indicate that a new Marshall Plan is still 50 years away, the KfW, an institution of the old Marshall Plan, proves that the concept of postwar reconstruction is still alive among some people.

### LaRouche policy presented in Zagreb

Also very much alive is the interest among some people in a new Marshall Plan: A one-day seminar, held by the Schiller Institute in the Croatian capital of Zagreb on July 13, on Lyndon LaRouche’s proposal for a Balkans reconstruction program as the take-off for a recovery of the world economy, under a new, non-monetarist banking system, drew government and opposition representatives, economists, as well as representatives of the embassies of Bulgaria, Slovenia, Albania, Poland, Ukraine, and Russia.

The seminar, “A Marshall Plan for Southeastern Europe,” featured presentations by Faris Nanic, secretary general of the Democratic Action Party of Croatia, who served as Chief of Staff under Bosnian President Alija Izetbegovic and co-signed a joint appeal, with Schiller Institute President Helga Zepp-LaRouche, for a new Balkans Marshall Plan (see *EIR*, June 11, 1999, p. 28); by Michael Liebig, director of *EIR*’s European headquarters; and by Elke Fimmen, chairwoman of the Munich branch of the Schiller Institute. Nanic spoke on “Peace through Development for the Balkans,” Liebig on “A Marshall Plan for Southeastern Europe as the Beginning of World Recovery,” and Fimmen on “A New Marshall Plan Through Reconstruction of Devastated Economies Would Not Cost a Dollar.”

The event was covered in quite some detail the next day, by the Croatian daily *Vecernij List*: “There was a significant paradox in June, when numerous conferences of the most developed G-7 countries were held and diplomatic actions taken, while the world financial system stood on the brink of general collapse, and it looked as if nobody was noticing. Leading countries’ central banks at that time printed \$25 billion, which they wasted on bankrupt banks and hedge funds that were on the verge of disintegration. At the same time, the world is talking about how southeastern Europe should be rebuilt, but no money is available. That is the reason, stressed

Michael Liebig, that there will be no reconstruction, but only some sort of humanitarian help, unless the superpowers realize that it is in their own, selfish interest to help the national economies of southeastern Europe.”

On Nanic’s presentation, the daily reported that he stressed the following requirements for a successful Balkans development program: “Achieving a swift diplomatic solution for Kosovo according to UN Secretary General Kofi Annan’s plan; working out details of the Marshall Plan for that region, launching a reform of the world monetary and financial system through a New Bretton Woods, immediately breaking with IMF and World Bank practices, which impose austerity measures on populations; debt moratoria for economies ruined by war, using the example of the Kreditanstalt für Wiederaufbau in the post World War II period for the reconstruction of Germany, as well as joining the common initiative for the realization of the Eurasian Land-Bridge.” Elke Fimmen, the daily reported, spoke of the “fight for the new Marshall Plan through a revitalization of economies destroyed in the war, which ought to be supported by government credits. Such a reconstruction would not cost a dollar, as it refines itself.”

The discrediting of the monetarist institutions among the southeast Europeans, and their increasing interest in the concepts presented by LaRouche and his associates, are the new trends to be observed, these days, in the Balkans.

## How to rebuild Romania’s economy

by Francesco Giotta

*The author of this essay is a Romanian-American expert in capital markets development. He was one of the first to advocate economic and financial reforms in Romania, in a book published in 1993. He worked for several years as a consultant in U.S. Agency for International Development-sponsored projects in the Newly Independent States. His essay is based on findings during his stay in Romania earlier this year, discussions with government officials and industry leaders, as well as daily monitoring of the country’s economic situation. He is currently involved in investment analysis and project funding in the Balkans area.*

Overshadowed by the eve of the Kosovo crisis, Romania’s economic and financial meltdown brought mobs of violent miners on the world’s TV screens, though it received comparatively little attention. Regarded with suspicion, Romania is the richest country in the Balkans in terms of natural and human resources. But relative to its size and importance, it has