

IMF wages protracted economic warfare against the Balkans

by Rainer Apel

Almost five months after the end of the Kosovo War, no progress can be reported on the promised reconstruction of the economies of the Balkan nations. More visits to the Balkans have occurred by inspection teams from the International Monetary Fund (IMF) and World Bank, more "expert" conferences have been announced, and the biggest "leap forward" on the part of Western political and financial bureaucrats seems to be the option of having a preliminary decision on the funding of some projects, by the end of this year, instead of January-February of next year. For the Balkan nations, this is totally insufficient: They need assistance now.

The three governments of Bulgaria, Albania, and Macedonia have decided not to wait any longer, but to take the initiative, urging the community of Western states and banks to break out of the bureaucratic routine, and come up with some unconventional ways of funding reconstruction and development projects. At a meeting in the Bulgarian capital of Sofia on Oct. 30, the finance ministers of Bulgaria, Albania, and Macedonia passed a joint resolution, which denounced the "slow start" of Western economic assistance after the end of the Kosovo War. "The three states resolve to take part in the postwar reconstruction and development process," the resolution stated, proposing the creation of a Regional Fund for Reconstruction and Investment (RFRI), with its headquarters based in Macedonia, to "accumulate financing from the G-24, based on grants, not loans."

The RFRI is to concentrate its efforts on "regional development infrastructure with pan-European importance, by implementing projects on the facilitation of transport, construction of transport corridors, connections of road networks with other means of transport, modernization of power grids and their connection with the European power grid, including consideration of environmental impacts in the region." The initiative, the three finance ministers stated, is intended to "support the economic, social rebirth and development of countries affected by the crisis in Kosovo."

Winter comes to Kosovo

Many other official statements and reports, also from institutions outside the Balkans, address the particularly dramatic situation that is building up in Kosovo and the regions

along the Danube River. For example, a report compiled by the International Labor Organization (ILO) in Geneva, made public on Oct. 19, portrayed the situation in Kosovo as an outright disaster: Of the pre-war population of 2.4 million, no more than 1.9 million have remained; half a million have fled or emigrated. Most of those who have fled have little chance of returning, because their homes, villages, and farms were destroyed by the war. Many among those who stayed in war-devastated Kosovo, have no real home to live in.

A new report compiled for the European Commission, published in Brussels on Nov. 2, fully corroborates the ILO findings, revealing that "300,000 people in Kosovo face the possibility of winter without adequate accommodation."

During the war, NATO and other Western institutions made great promises about "guarantees" that every Kosovo resident would have winter-proof housing, before the bitter cold comes to these mountainous regions. But not even the emergency winter-proof tents for those who have no other home, have been delivered to Kosovo on time. There are villages in which only 10-15% of the homes that existed before the war, are still intact. "A few new roofs" is all that has been built in most of these villages; many of them are so remote that they are not connected to any modern infrastructure, and cannot be reached in the winter when the heavy snows will have isolated them from the rest of the world.

Of the Kosovar labor force of 1.3 million, only 35% are what the ILO describes as "economically active," and of the labor force in the agricultural sector, only 23%. Large parts of pre-war hospitals, schools, utilities, and farm buildings were destroyed by NATO bombs and have not been rebuilt. Pensions as well as other transfers of public funds cannot be paid, because the funds do not exist or cannot be transferred, since the infrastructure of civilian administration simply no longer exists.

Even before the war, Kosovo depended on food imports to a significant extent, but now the situation has worsened. Cattle-breeding is down to 50% of what it once was; chickens and other small livestock down to 20%. The 1.9 million people of Kosovo urgently need 230,000 tons of food imports, to get through the winter. The former state-sector economy

which employed 80% of the working population of Kosovo, no longer exists and will not exist for some time into the future. What the ILO reports, is also what other institutions like the United Nations High Commission on Refugees (UNHCR) and the European Commission report. Without a real crash emergency program to rebuild Kosovo, the population there is heading for a huge humanitarian catastrophe this winter.

The IMF turns the screws on Romania

The economic-social situation in other Balkan countries, such as Romania, Albania, and Bulgaria, is only slightly better than Kosovo's, for large parts of the populations there. These countries were not bombed by NATO or mined by the Serbs, but they have been "bombed" by the IMF, in an economic war that is still going on, which combines the effects of the collapse of normal economic life during the Kosovo War, with the effects of harsh IMF austerity conditionalities and criteria for the respective national budgets.

This was illustrated in Romania in a spectacular way in mid-October, when oil workers conducted warning strikes for several days against IMF-mediated deregulation and privatization plans for the country's oil sector; when unrest among the police and the Armed Forces over wage arrears (caused by government obedience to IMF budgeting criteria) forced Defense Minister Victor Babiuc to violate IMF budgeting rules and to decree wage increase of 60% for the police and 80% for the Armed Forces. Romanian Prime Minister Radu Vasile, visiting Greece at the time, confirmed support for Babiuc, declaring in Athens, "We must give them the money, even if the International Monetary Fund doesn't agree with it."

But an even bigger Romanian disaster, resembling the situation of the 300,000 Kosovar Albanians who have no shelter this winter, was also revealed: Cut off from government support under the IMF budgeting rules, the big national suppliers of gas and hot water had begun to enforce back payments of private household heating and water bills with measures of direct economic warfare—cutting supplies to the "bad debtors." Thus, with winter coming, several tens of thousands of residents of the capital city of Bucharest found themselves without heat and hot water, and in the north of Romania, the entire city of Jasi, with 345,000 inhabitants, was in the same situation.

Many Romanians simply cannot afford to pay their heating bills, after the deregulation of prices by the government upon the recommendation of the IMF, earlier this year. With an average monthly income of about 800,000 lei, a Romanian worker cannot afford a monthly heating bill of 600,000 lei. The average Bulgarian worker finds himself in a comparable situation.

After several days of exploding public outrage, Romanian President Emil Constantinescu made an unusual statement on national television, calling on the government to pay less

attention to IMF budgeting policies, and to do what is required to secure the gas and hot water supplies for the population for this winter. In particular, Constantinescu called on the Finance Ministry to urgently unlock funds approved for the expenses of poor families (funds which had been frozen, though, because the IMF disapproved). In addition, Constantinescu urged the Ministry of Industry and Commerce to provide emergency bridge funds for big utility companies, like RADET and CONEL, to secure their gas heat and hot water supplies for the population.

Some signs of sanity

The basic facts being known, the worsening situation in Kosovo and the neighboring Balkans states has caused some cracks in the phalanx of Western institutions, that have been operating under the insane policy that no reconstruction can be allowed in or next to Yugoslavia as long as Slobodan Milosevic remains in power there.

For example, the governments of France and Germany at the end of October overruled the government of Britain and the U.S. State Department on the question of emergency measures to restore transport on the Danube River. The French and the Germans insisted on the construction of a temporary bridge across the Danube, and the removal from the river of the debris of three bridges destroyed by NATO aircraft in the war. The plan, funded with \$25 million, is to focus on Novi Sad, Serbia's second-largest city; an old, dismantled Danube bridge that is now being stored near Vienna, will be shipped there. The project was endorsed by a conference on the Danube at the end of October in Bucharest, organized by Patriarch Bartholomew of the Eastern Orthodox Church and attended by representatives from all the Balkan states.

British and U.S. State Department arguments to the effect that no help may be granted to any Serbian city unless democracy reigns in Belgrade, were countered by the governments of France and Germany with statements pointing to the effects of a cold winter and destroyed infrastructure, on the population not only of Serbia, but also of nine other Balkan states that lie along the Danube River. Notably, the situation of Bulgaria and Romania, the economies of which have suffered badly from the Kosovo War, the collapse of all Danube waterway transport, and of trade relations among the Balkans states, was emphasized by the French and Germans—who have the support of the Austrians, as well.

If the sanity shown by France and Germany on the Danube issue indicates that some Western countries are beginning to desert the views of Tony Blair and Madeleine Albright on the Balkans, that is good news for all those, also outside the Balkan region, who are in a state of war with the bankrupt IMF system. As *EIR* has emphasized, the Balkans can only be rebuilt in the context of a broader fight: the fight for a New Bretton Woods monetary system, in which industry, agriculture, and infrastructure development receive priority investment, rather than the speculative financial bubble.