

World Bank demands pound of flesh from Bosnia

by Umberto Pascali

There are moments in history when potentates and institutions, seemingly all-powerful and feared for a long time, suddenly begin to come crashing down. This has happened with many empires, and with more sophisticated and unlawful powers. Accustomed to considering themselves irreplaceable and eternal, they are blinded by their arrogance and amorality, until they take that last, wrong step, and their evil actions begin to backfire against them.

These reflections came to mind in view of the senseless blackmail being perpetrated by the two most powerful world financial institutions—the World Bank and the International Monetary Fund—against the dying nation of Bosnia-Herzegovina. The blackmail is brutally simple. The financial institutions that control the credit faucet for Bosnia are saying: Either you pay back 17% of the debt of former Yugoslavia—the entity that unleashed four years of genocidal aggression against Bosnia—or we are going to block any serious credit for your reconstruction. Obviously, as was the experience of so many countries that fell victim to the IMF's usurious "shock therapy," it is almost certain that, once a victim capitulates to this financial diktat, it will be crushed by the shock therapy and looting presented as "privatization."

The chance to start its reconstruction represents for the exhausted Bosnians the difference between life and death, and between a real peace and the unavoidable descent into a new and broader war.

Bosnia resists

The Bosnians are resisting this blackmail, with the same bravery that they showed against the overwhelming Greater Serbia war machine. (This is in contrast to the government

of Croatia, which has apparently capitulated to all IMF conditionalities.) But how long can they resist against this immensely more powerful and devious aggressor?

At this very moment, the World Bank is engaged in a dramatic escalation of pressure, while "negotiating" in Washington with a Bosnian delegation. A public threat was delivered on March 1 at the headquarters of the World Bank, by the Bank's "acting Country Director" for Bosnia, Christine Wallich, who announced that a First Emergency Recovery Project has been put together, in the pathetically low amount of \$160 million (mostly pledged by "donor" countries, and \$45 million of which is to come from the World Bank's Trust Fund for Bosnia). "The Trust Fund was established . . . to enable the [Bank] to assist Bosnia *in advance of the country becoming a member of the World Bank*," a Bank news release stated. "Membership is expected in the near future, once agreement is reached on a plan to clear Bosnia's arrears to the Bank." Only then, will Bosnia be given a larger amount of credit—still an amount far lower than the minimum reconstruction needs of the war-ravaged nation.

'First pay the arrears'

And what are these "arrears to the Bank"? A World Bank report, "Economic Issues and Priorities," prepared in December, reveals the unprecedented blackmail against the Bosnian people: "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 normalize 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 banks creditors. Based on an assessment of the entire external debt situation . . . the [Bosnian] government will need to design, jointly with the IMF, the World Bank, and other creditors, a medium-term balance of payment. . . . The most important conditions for World Bank membership are for Bosnia to assume its agreed share of the outstanding Bank loans to the Former Yugoslavia and agree on a plan to eliminate arrears on these loans" (emphasis added).

Bosnia, of course, is refusing to pay the debts of its aggressor, and the World Bank is blocking the credits. Incredibly, a top official of the Bank, Tim Cullen, denied that the present Yugoslavia (i.e., Serbia and Montenegro) is the heir of former Yugoslavia. But why should Sarajevo pay the aggressor's debt? Cullen's answer was that credit had been given directly to Bosnian firms. Sources familiar with the mechanism of the loans to former Yugoslavia have stressed that, indeed, all credits were guaranteed by the government Belgrade, and thus that government was and is responsible for them. Cullen did not answer when asked, "If it is proven that the government of independent Bosnia, created less than five years ago, couldn't possibly be responsible for the debts of Socialist Yugoslavia, will not this be a major scandal for the World Bank?"

'Reconstruction, a distant dream'

Christine Wallich did not make a secret of the abysmal inadequacy of the so-called Emergency Project. She kept stressing, "Yes, there is a big gap between the money pledged and the money in hand. . . . I realize this is a small drop. . . . The reconstruction of Bosnia is a distant dream . . . a long process, very long." How long? "Well maybe in the year 2000, Bosnians will reach two-thirds of their previous income." In conversation with journalists, Mrs. Wallich declared herself to be much more pessimistic. She kept stressing that the Bosnian people were suffering so much, and that the whole process must be "faster, faster," an obvious reference to the Bosnian delegation being grilled at that very moment in other suites at the Bank headquarters.

Mrs. Wallich also confirmed one of the most shocking conditionalities imposed upon Bosnia: the governor of the new Central Bank must be nominated by the IMF and "cannot be a Bosnian national," he must be a foreigner. As if the assault against Bosnia's national sovereignty were not enough, the "Country Director" stated publicly, she had just came back from a negotiating mission "both in Sarajevo and Pale." Pale is the capital of Republika Srpska, legally one of the two entities constituting Bosnia. It is only the central government in Sarajevo that has jurisdiction on financial and economic matters. But not in the view of the World Bank.

The country that the Bank is blackmailing is, according to the Bank's own report, one in which "the war has

destroyed much of the infrastructure and disrupted the economic system."

"The annual per capita income has fallen to about \$500 (compared to \$1,900 in 1990) and industrial output in 1990 was 5% of 1990 output," says the Bank. Ninety percent of the population depends on humanitarian food aid. Water supply, power generation, roads, central telecommunication facilities have been "extensively damaged." Seventy-eight percent of electrical generating capacity is damaged or out of operation. "Virtually all parts of the transportation system have been damaged." Fifty-nine main bridges are lost, and 63% of all housing units have been seriously damaged, 18% destroyed altogether.

Out of a population of 4.5 million, 250,000 have been killed, 200,000 wounded, 13,000 permanently disabled, mostly young people. Water and sewerage systems are in such disrepair as to represent a health hazard. The number of hospital beds has fallen by 35%, infant mortality has doubled. Some 14,000 children have lost both parents, 24,000 have lost one parent. A state of psychological trauma is very common for children that often have seen their parents killed, tortured, or raped. Around 1 million people—almost one-fourth of the population—are refugees. Workers, especially those employed by the State administration, have not been paid wages for years.

In the face of this suffering and destruction, the World Bank warned the government to save the money it has *in order to pay the debt*, not to help the population. "Every effort should be made to limit the government's use of domestic banking funds," says the Bank, which also calls for "rapid privatization of the idle assets of State enterprise," a measure that brought misery and corruption in many countries of the former Soviet empire, countries that had not gone through four years of war and genocide. Finally the Bank's specialists call for the "efficient deployment of scarce resources to help the poor." *Efficient* means here, as little as possible. In fact, "a *bloated social assistance* budget would *undermine fiscal prudence* needed for stability" and "inappropriate targeting and *excessive amounts of social assistance* would discourage work and enterprise restructuring, and *inappropriate foreign aid distribution* mechanisms would impair domestic production recovery." In the midst of this destroyed country, the World Bank even has the nerve to demand that "emergency food aid be phased out."

New Marshall Plan is needed

How many countries have the World Bank and IMF destroyed with the same words and the same strategy? But the martyred Bosnia could prove to be the country that puts a stop to their genocidal policies once and for all. According to rumors, opposition to this strategy of death is increasing.

In Washington, Christine Wallich froze when asked, "What about debt forgiveness?" "No, we cannot consider it, our shareholders do not support it," she said. Still, the idea

that the World Bank has gone too far, that these institutions do not represent the West, but the most insidious enemy of all nations—this idea is gaining ground.

Ten days before Wallich's performance, on Feb. 20, Schiller Institute founder Helga Zepp LaRouche and former Vice Prime Minister of Czecho-Slovakia Josef Miklosko gave a press conference launching a "Committee to Save the Children in Bosnia-Hercegovina." Speaking at the National Press Club in Washington, they called for a new "Marshall Plan" to rebuild Bosnia's economy, and exposed the World Bank blackmail. "I'm appealing to the international aid organizations to become a lobby to demand a *real reconstruction program*," said Mrs. LaRouche, "not just what is going on right now. I'm appealing, also, to the churches, the trade unions, and especially the governments, to agree on a change of policy toward Bosnia; to agree on a kind of Marshall Plan for reconstruction, in a way similar to what was done in the postwar period in Germany. Basically, I'm calling upon all of these organizations to form a lobby to put pressure on the governments, to reverse their course." (For the full text of Mrs. LaRouche's presentation, see *EIR*, March 1, p. 40.)

LaRouche: Are we supporting Hitler?

The day after the World Bank event, in a nationally televised campaign broadcast, Lyndon LaRouche pointed his finger: "The problem is that we, the U.S., are supporting Adolf Hitler against his victims! Adolf Hitler, in this case, is the World Bank bureaucracy, which says that the Bosnians, who are the victims of Serbian aggression, including genocide, will not get a penny of the aid offered to them, unless they give \$5 billion to pay off the Serbian debt. And the United States does not denounce the World Bank and break off relations with the World Bank? Does not break off relations with Adolf Hitler?"

This is now the point. Will the United States recognize the danger and the immorality involved in formally supporting the World Bank's genocide? Or will the Clinton administration finally take its distance from the monster? Will the resistance of Bosnia help the world to break away from the new Hitler?

The U.S. government should uphold the pledge that it made to the Bosnian people, to help with reconstruction. It was last Nov. 1 that Secretary of State Warren Christopher saluted the participants at the "Peace Talks on Bosnia" with these words:

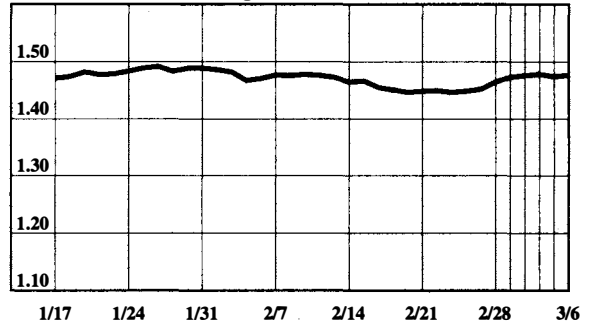
"The international community is . . . determined to help the people of the region rebuild their institutions, their economies, and their lives. . . . A major effort must be undertaken for the reconstruction of Bosnia and Hercegovina, for it is certainly true that *lasting security will depend upon bringing the economy of this troubled region back to life.*"

"If we succeed," said Secretary Christopher, "we can make sure that the sons and daughters of Americans will not have to participate in another major war in Europe."

Currency Rates

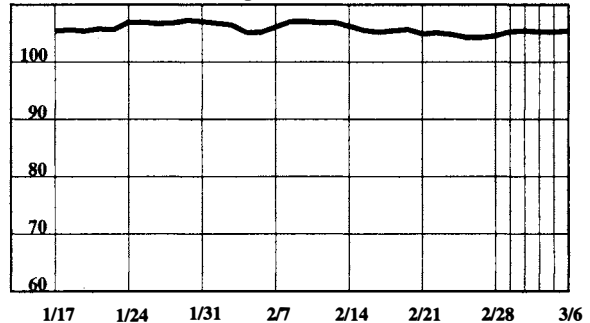
The dollar in deutschemarks

New York late afternoon fixing



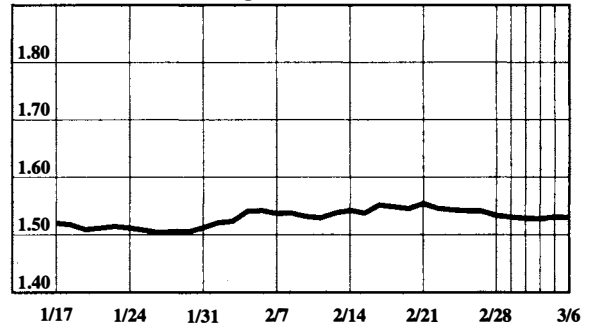
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

