

Opposition To Reconstruction Is Leading to New War in the Balkans

by Alexander Hartmann

After many months of repetition of the mantra that “everything will be all right when Milosevic is gone,” the hour of truth has arrived: Will those forces prevail, who want to rebuild the devastated the Southeast Europe region, or those who in fact are interested only in preserving the status quo, i.e., a continued simmering of the many conflicts plaguing the Balkan Peninsula?

The front lines were drawn on Oct. 9, at the European Union’s foreign ministers meeting in Luxembourg. While France, Germany, and Austria pushed for quick economic assistance to reconstruct Serbia, British Foreign Secretary Robin Cook, and his Dutch colleague, insisted that Serbia should fulfill further conditions first.

Finally, it was agreed upon to lift the sanctions—an oil embargo and a flight ban—imposed on Serbia during the Kosovo conflict; to offer Serbia membership in the Stability Pact; and to provide 500 million euros in immediate assistance. Since total economic damage to the region from the Kosovo war is estimated to amount to \$30 billion, this is a mere drop in the bucket, which cannot spark an economic recovery.

But when the European governments convene their special EU meeting on Nov. 4, to decide what to do toward stability and reconstruction in former Yugoslavia and Southeast Europe, there will be a bigger question to solve than the simple amount of aid to be offered. That problem is the International Monetary Fund (IMF), the damage done by its conditionalities, and its general worldwide bankruptcy as a system. Already, IMF officials have begun to state that before credit to rebuild Yugoslavia is considered, the first priority must be the repayment of all the outstanding debts of this region, which has been devastated by war for ten years. This is precisely the same bankrupt policy which guaranteed the failure of the “Dayton Plan” for reconstruction in Bosnia after the war there, and which has kept Kosovo completely unstable since the NATO bombings last year.

To seize this last opportunity to stop the continuous fighting in the Balkans and begin reconstruction, western Europe must dispense with the IMF.

Regional Conflicts Remain Unsolved

Without a gigantic effort to rebuild all the nations between the Adriatic and the Black Sea, the region will remain

a tinderbox ready to explode any moment. Albanian politicians pronounced new Yugoslav President Vojislav Kostunica to be “no better” than his predecessor, Slobodan Milosevic. Indeed, Kostunica has made clear that he considers independence for the Serbian province of Kosovo and the Republic of Montenegro, which is part of the Yugoslav Federation, unthinkable.

In this respect, it is ominous that the President of Montenegro, Milo Djukanovic, was hospitalized on Oct. 9 after a strange car accident. His car was hit by another car on a mountain road and overturned, after his escort had supposedly cleared the road. In Montenegro, it is mooted that the “accident” was in fact an attempt on Djukanovic’s life, because he wants greater autonomy, or independence, for Montenegro. Djukanovic’s forces boycotted the Yugoslav Presidential elections on Sept. 24.

Kostunica has been a harsh critic of the Dayton agreement, too. It has to be assumed that he will also strive for greater influence in “Republica Srpska,” which is part of Bosnia-Herzegovina. Military clashes between the Yugoslav Army and Albanian separatists have continued, despite the leadership change in Belgrade.

In light of this situation, NATO defense ministers, meeting in Birmingham, U.K. on Oct. 10, agreed to keep the 66,000 troops stationed in Bosnia and Kosovo where they are, for the time being, while the Southeastern European Defense Ministerial Group agreed to form a peacekeeping corps of 3,000 soldiers.

Situation in Serbia Deteriorates

Meanwhile, Kostunica is trying to form a “non-partisan” government of technocrats, which is a coalition of all major parties, including Milosevic’s Socialist Party of Serbia (SPS), and Serbian Radical Party leader Vojislav Seselj. These maneuvers may not reflect Kostunica’s actual preferences, as he is in desperate need of increasing his power base: His own party is actually a coalition of 18 opposition groups.

According to British papers, Kostunica is considered to be a monarchist. He is said to have met the pretender to the Yugoslavian throne, “crown prince” Alexander Karadjordjevic, the heir of the last King of Yugoslavia. Karadjordjevic had organized several conferences of Milosevic’s

opponents. As an obvious gesture to Alexander, who is a close relative of the British royal family, Kostunica demanded that the Milosevic family vacate its residence, so that it can be returned to Karadjordjevic. Kostunica is not opposed to a referendum on the restoration of the monarchy, although he has been quoted saying that isn't a priority. But, this may just be an attempt to keep monarchist forces within his diverse coalition.

The differences between Kostunica and Milosevic concern economic policies, mostly. Provisionally, Miroljub Labus has been put in charge of economic and currency policies. Labus is president of the G-17, a group of opposition economists formed in 1997, which includes members from the IMF, the World Bank, and George Soros's Central European University. Labus wants Yugoslavia to apply for IMF membership as early as December, in order to get access to international credits and aid programs. Putative new central bank head Mladjan Dinkic, a 35-year-old Belgrade academician who wrote the economics program Kostunica supports, was quoted saying that he wants to combine "Polish shock therapy, Scandinavian social security systems, and Slovenia's model of gradual privatization"—certainly a recipe for continuing the economic disaster.

Chaos and Confusion in Belgrade

But, for the time being, Kostunica has not even been able to form a Yugoslav federal government. According to the Constitution, if the President is from Serbia, the Prime Minister must be selected from Montenegro. The only forces in Montenegro willing to partake in a Yugoslav government at all at this time, are Milosevic's friends. In the absence of a formal Yugoslav government, Kostunica's party has formed crisis committees to take care of day-to-day business, and to prevent Milosevic's followers from diverting government property and that of the companies controlled by them.

Even if he had a Yugoslav government, Kostunica has another, even bigger problem: Real power lies with the government of the Yugoslav state of Serbia, a mainstay of the old apparatus. It controls Serbia's 100,000-strong police force, which is equipped like an army, and the security forces. Kostunica's party is not even represented in the Serbian parliament, the election of which it had boycotted three years ago. This is why Kostunica is trying to form a transitional government of technocrats, supported by all parties, including Milosevic's Socialist Party of Serbia, which he thought was the way to get the old regime's apparatus to agree to power sharing and new elections, without risking a bloody confrontation.

These plans are now all falling apart. While on Oct. 9, Seselj seemed to agree to vote for the formation of a transition government and early Serbian elections in December, by Oct. 11 he was demanding the post of Interior Minister in the transitional government. When this was rejected, he cancelled the tentative agreement, which means the present Serbian

government cannot be changed constitutionally.

In the meantime, throughout the country, crisis committees have been mushrooming in the media, factories, banks, and other institutions, forcing Milosevic allies to resign their posts. Apparently, this process is not under Kostunica's control. In an interview, he stated that he had "just as much trouble with my friends as with my enemies." Uprooting the entire upper management within the Serbian economy would most certainly make any attempts at reconstruction futile, as compromised as many of the managers may be.

The Serbian government has pronounced these activities to be unconstitutional, and threatened to deploy the police to "restore order." Radical Democrats, including Kostunica's aide Zoran Djindjic, have vowed to "bring people back onto the streets," if there is no agreement to dissolve the Serbian parliament and form a new government soon. Thus, a rapid escalation of inner-Serbian tensions has to be expected.

Rapid Reconstruction Needed, Not IMF

The only way to bring together a coalition of sane forces within Serbia that is strong enough to maintain peace, is to formulate and pursue a program of massive economic reconstruction. This is impossible without large export credits and reconstruction credits from Western nations, making possible infrastructure rebuilding and machinery imports. Kostunica's economists in the G-17 stated that it would take Serbia 40 years to recover—to the miserable level of 1989! Until now, only 5% of the direct damage from NATO's Kosovo bombing has been repaired. Because Serbia has suffered human capital loss, too, it lacks specialists to reconstruct its industries. This means that economic losses will continue to add up. Only 10% of highway infrastructure, and only 3% of industrial facility damage, have been repaired.

If Serbia surrenders to the IMF's economic conditionalities, it will pass from Scylla to Charybdis: There is not a single nation in the world which has recovered under IMF conditionalities, and new IMF credits are usually only granted for refinancing old credits. World Bank credits usually turn out to be Trojan Horse gifts, too: Most of the money goes to Western "consultants" and non-governmental organizations (NGOs). Of \$15 billion promised to Bosnia, for example, only \$1.5 billion has actually materialized over five years. After subtracting what has been spent for consultants, NGOs, and old debts, there was not much left.

Under these circumstances, regional conflicts could hardly be contained, and would flare up again soon, and probably in a more dramatic way than before. This may please those forces internationally, who think they will profit from chaos in the region. Those who think otherwise, must act now, to prevent this from happening. The Schiller Institute, for example, led by Lyndon LaRouche's wife, Helga Zepp-LaRouche, has issued a call to Germany, France, and Russia, to form an alliance to reconstruct Southeastern Europe and enforce reconstruction politically.