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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 refinances 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

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been disfavored when it came to receiving foreign financial assistance to effect a successful transition from communism to a market economy. As a result, Romania has benefitted little from the free-market reform, remaining one of the most impoverished Eastern European nations. The aid extended so far by the International Monetary Fund (IMF) and the World Bank was linked to a host of financial and fiscal conditions which, instead of healing, may prove more crippling to its shattered economy. This raises the compelling question: Are these international organizations, given their present policies and past record, best equipped to deal with the developing nations of the Balkans; or, perhaps, would some newly created regional credit bank with wider European Union control be better suited to lead reconstruction in the right direction?

During the Kosovo war, Romania's political support to the U.S. and NATO allies placed her in a better position to receive more substantial help in the framework of a regional recovery plan. This may mean new hopes for economic growth—a prospect that had to be postponed way into the next millennium, primarily because of the austerity measures which the IMF, European Bank for Reconstruction and Development (EBRD), International Development Bank (IDB), and the World Bank insisted that Romania take earlier this year.

During a recent visit of a high-ranking American and British delegation, Romanian President Emil Constantinescu voiced his frustration with these institutions' wrong policies, that have led to the suspension of investors' incentives at a time his country desperately needs a massive foreign capital infusion in the economy. While lofty praises from U.S. Secretary of State Madeleine Albright do have a definite public-relations appeal, he said, the heavy trade loss which the country has been accumulating during the present embargo on the Danube, and compensation for it by the winning powers, remains an issue that can no longer be evaded.

There is much talk lately about a new "Marshall Plan" for reconstruction of the Balkan nations. From a historical and geopolitical standpoint, the radical change that has occurred in less than a generation on the opposite side of Europe, is impressive, and could be used both as a benchmark and a model of economic reconstruction. The Iberian Peninsula, torn by civil wars and a cradle of dictatorial regimes until the mid-1970s, took little more than a decade to achieve both unprecedented economic prosperity and a relative political stability amid its vast, often self-assertive, multi-ethnic fabric. The key to the Iberian region's astounding achievements was rapid industrialization, technology upheaval, and massive foreign investment.

From an economic standpoint, whatever the international financial organizations may say, there is no substitute for the industrialized model of physical production, in order to quickly achieve comparative prosperity levels with EU countries and the formation of strong middle class values that make for lasting democracies. To put it simply, and to paraphrase Franklin Delano Roosevelt's idea that got America out of the Great Depression: Foreign aid must *put the Balkans to work*. It was the increased national output stimulated by foreign investment that placed Spain (and, to a lesser degree, Portugal) back on the map of industrialized nations. This could be done through low- or zero-interest, long-term credits, focussing on infrastructure improvements, energy-efficient industries, and high-yield farming technology.

The Balkans is a volatile region whose political stabilization is crucial to the security and ultimately the overall prosperity of Europe as a whole. Moreover, as the Kosovo crisis demonstrates, this "wild-card" region has the potential either to fuel old superpower rivalries (U.S., Russia, NATO, and China), or to become a stimulating pivot of economic cooperation among the largest nations in the Northern Hemisphere.

The challenge of the regional economic overhaul is not primarily one of increasing the volume and complexity of rebuilding aid. It requires new thinking, new attitudes, as well as a new brand of leadership. The reconstruction must reconstitute the region as the vital link connecting the industrialized West with developing Eurasian economies, functioning as a major highway for global economic growth planned for the next millennium.

Revive the Eurasian Silk Road

By reviving the ancient Eurasian Silk Road conduit with modern infrastructure, the Balkan nations and the lower Danube can effectively bridge industrialized Europe to the Caspian oil fields, Kazakstan, western China, Russian Siberia, and further eastward to the Pacific Rim. It can usher in the prospect of an unprecedented economic mega-powerhouse on the Eurasian land-mass that could end the superpower antagonisms which have marked this century. On the other hand, simply maintaining the Balkans as an European geostrategic bulwark would mean, at best, perpetuating a significant Western presence in the area—whose costs could prove exorbitant as time goes by—and continuing underlying tensions between Russia, China, and the other industrialized democracies. Hence, building a zone of lasting prosperity in the Balkans would benefit both the economic and security interests of the United States in the long term.

Unfortunately, for most Balkan states, the way in which Western aid has been designed and implemented, has so far failed to trigger structural changes in their economies, and ultimately has precluded the emergence of a prosperous middle class. Some recipient nations, notably Bosnia, have lagged behind in industry reforms and capital-intensive farming, and thus have reverted to archaic patterns of privileged clans cashing in on a smuggling economy. This dangerously parallels the effects of unneeded, ill-conceived aid to Russia that drew criticism (even within Russia itself) that the food aid was more help for the American farmer than it was help for Russia. If free-market reforms do not bring about relative prosperity of Russia, Ukraine, and the Balkans, we face a definite danger

of seeing the fragile democracies initiated there, succumb to attacks from strong, nationalist or neo-communist oppositions that could mark the comeback of state-controlled economies, political authoritarianism, and general revulsion against the Western world and its values. Of course, there are a host of reasons, notably local corruption, mismanagement, and irresponsible governments, that could be blamed for these failures—factors beyond the control of the donor nations. But the community of developed countries must not allow capitalism to be compromised, or allow democracy to be discredited, just because myopic policies and self-serving interests in the recipient countries have brought about a state of economic welfare no better than (or even inferior to) what had been achieved by the communist-era model of development.

Underdeveloped infrastructure, economic under-performance, and an anemic middle class are the factors responsible for the social and economic retardation of the Balkans that has continued beyond to the demise of communism. It has helped to stir feuds and convulsions along ethnic lines, and has legitimized the use of violent means to achieve political ends. This vicious cycle must now be broken. It must never be allowed to happen again.

The industrialized nations sponsoring Balkan reconstruction are facing not only financial and technical challenges, but ideological ones as well. Aid to the region must reach far beyond strict environmental and humanitarian concerns that currently dominate foreign aid thinking. For reconstruction to be successful, stabilizing the Balkans is only the precursor to forging of a new economic deal for the region.

In this process, industrial democracies need, once again, to carefully balance the need for a powerful private sector, with the human cost of scrapping entire industries because of failure to privatize swiftly or find outside investors. Most of these industries are economic losers because of energy overconsumption—a form of technological retardation—and because of wrong product mix as well as little value added—a situation inherited from a previous state-planned era with little concern for competitiveness. As in the case of France or Spain, economic non-performance has more to do with productivity and adequate capitalization, and less with whether ownership of firms is public or private.

In the face of a crunch on foreign credit that has made it impossible to bolster productive output, the international donors' insistence on environmental and short-term financial solvency concerns seem extravagant, if not counter-productive in the long run. Satisfying these priorities carries with it the effect of a rampant de-industrialization of Southeast Europe. Economic miracles cannot happen based on clean air, smooth roads, and swarms of tourists alone. It needs advances in manufacturing and technologies that make it possible for those nations to equally share in the giant prospects offered by eastward economic expansion on the Eurasian continent.

The case of Romania

I will illustrate the fallacy of shortsighted, speculative financial targets with the case of Romania, the largest and most populous country in the Balkans after the breakup of former Yugoslavia. Romania is also the richest in terms of natural resources: from timber to uranium, from gold to fertile soil, not to mention the natural gas deposits of Transylvania and the longest stretch of Danube's waterway in Europe. Equally landscaped with plains, mountains and plateaus, vineyards and riverways, a seacoast and river delta, Romania's physical diversity resembles that of France. It is a country not only of fabled peasants and skilled craftsmen, but also of inventors, electronic wizards, and princes of mathematics.

In recent years, in spite of its significant economic potential and well-educated workforce, Romania slid into a rapid pace of deindustrialization. Compared to previous years, Romania's decline in industrial production varied from 17% (1998) to 5.9% (1997). Many state-operated factories have been closed. Excessive budgetary constraints have shrunk profit margins of the privately operated ones. An even bigger slump in industrial output is expected to occur this year, as the country plunges into an unprecedented depression. Some reshuffling of the economy was expected to happen as energy-consuming industries are phased down. Also, belated privatization induced structural changes in the prime industries (steel, shipbuilding, mining, etc.) and put manufacturing sectors under new management. Some of the workforce has been displaced into the growing service sector, so that overall wages has grown in pace with industrial decline.

Statistics show that public consumption has plummetted by 30% compared to last year. Recession has inhibited growth in all other, non-industrial sectors as well. Are Romanians better savers now, than they were prior to the December 1989 revolution that abolished communism? Are income earners so wrapped up in "money madness," that they are being attracted by 55-65% annual interest rates on deposits, when, from January to June alone, local currency devalued by 41% against the dollar?

The answer is that stock investments, as a result of bleak economic prospects and liquidity problems, are bearish, and that there is now a "last resort" run into bank deposits and real estate values. Banks have already turned away from public lending, preferring to engage in speculative gain on short-term interbank loans and repossession agreements with the central bank, making interest rates much higher on short-term than on long-term deposits.

The banking system in Romania, which is state-owned, and is saddled with bad loans to state enterprises, is on the verge of collapse. This spring, three major banks closed down, and a "domino effect" is under way. A massive bank failure may vaporize public savings. The centerpiece of this house of cards is the central bank, which determined to stand by its current monetary policies and to defend the currency against devaluation. With credit ratings falling, Romania has little

hope of accessing international capital markets any time soon.

The service of Romania's foreign debt this year is significant enough to eat into the country's hard currency reserves. Also, Romania has pledged to the IMF and the World Bank that it will keep inflation low as part of a stand-by agreement. The only option left to the central bank is to prop up its currency artificially, through high interest rates. This, in turn, has prompted skyrocketing rates on loans—currently running between 78-85%—which has brought private sector expansion practically to a standstill at a critical time for the economy. A combination of tightening credits and fiscal constraints has contributed to the fact that more than 3,000 private firms closed down in 1998, and more of the same is expected to occur this year. Meanwhile, people are making their money any way they can, on the fringe of the real economic game. Real estate speculation and gambling are flourishing. How long can this situation last?

Turning to the budget deficit issue, Romania's foreign debt was $8.4 billion in March 1999. About 40% of this, or about $3.3 billion, is due by the end of the year. Most of the current debt represents foreign debt obligations (Nomura Securities of Japan, $688 million; Merrill Lynch of Great Britain, $468 million) and loans from international financial institutions, such as the International Bank for Reconstruction and Development [World Bank] ($1.4 billion), EBRD [European Bank for Reconstruction and Development] ($674 million), and the IMF ($496 million). As it stands, Romania's debt did little to promote market reform: Only 22% of the national debt comes from the private commercial sector. It is also expensive: In March, it took Romania almost $700 million to service that debt.

Government under intense IMF pressure

In an attempt to avoid a financial collapse or an equally catastrophic moratorium on the external debt, the government is more dependent than ever on international lenders to help the country out of its current solvency problems. Negotiations have been carried out for the past six months in a tense, unyielding atmosphere. The IMF and the World Bank are adamant in requesting a maximum of 2% balance of payments deficit for the fiscal year, in exchange for the $475 million aid pledge (which in fact is just a revolving loan). At the same time, the government is urged to reduce and keep inflation to a minimum.

An excessively low deficit violates an old economic truism that developing countries must run large budget deficits if they are to continue importing the technology necessary to improve productivity or to fund large-scale, long-term projects to improve their infrastructure. It is also known that some level of manageable inflation (if that becomes a source of funding of budget deficit) is preferable to a severe economic depression.

In order to achieve a tightly balanced budget under the austerity program required by the World Bank officials, a tax increase on gasoline prices has been enacted, along with a moratorium regarding investor initiatives—moves which are particularly detrimental to the present living conditions and the economic future of Romania. Both moves were inspired and requested by the same bank officials.

The new tax on gasoline not only ranks Romania's retail prices at the top of Western European ones, which are much higher than U.S. prices, but high gasoline prices will also indirectly boost food prices by an estimated 25%, in a country in which the average income is only $100 per month. For a population already living at subsistence level, this difference in basic food prices may mean not only malnutrition, but also a definite risk of political unrest that may culminate in the overthrow of the present democratic, pro-reform government.

To maintain the budget deficit at 2%, the Ministry of Finance had to make the tough decision to reject all investment and export incentives, valued at $400 million. The revocation of Government Ordinance 92/1997 which granted the incentives, sent shockwaves through the community of domestic and foreign investors. Part of what caused Romania's poor privatization record after the collapse of communism in 1990, is that it has lagged behind all other Eastern European countries in extending incentives to investors.

The decision to suspend incentives blatantly contradicts a specific clause in Romanian law (Article 16), which guarantees that such measures can not be rescinded before five years have lapsed. The negative message to the investment community is that the legislative chaos that has eroded investors' confidence in the past, continues. Beginning this spring, many foreign investors shelved their plans, while others have downscaled their commitments. Many have left Romania for good. The resulting capital flight has worsened the financial crisis more than if the incentives had not been halted.

The lack of incentives strikes particularly hard at profit reinvestment in technology updates, stifling the infant high-technology industries that typically require large capital outlay in equipment. These industries were considered the economic locomotive that could pull the country out of recession. Indeed, without increased productivity and foreign capital investment in new technologies and managerial know-how, recovery is inconceivable for Romania. Narrowing the focus to short-term liquidity, the IMF's and World Bank's policies have given a triple death-blow to long-term technology improvement, domestic research and development, and foreign investment.

Squeezed by the "shock therapy" doctrine embraced by international financial institutions, Romania has pledged to accelerate wholesale privatization of large state enterprises at a surreal pace. More than 3,500 enterprises will be auctioned off this year, averaging 12-15 firms a day. This will happen against the background of a world and domestic financial crisis, economic depression, and shortages of domestic capital. Many economic experts and politicians wonder if the

government will get even a fraction of the fair market value of the physical assets. Those enterprises which can't find buyers, will be closed, increasing the unemployment by an estimated 1 million Romanians.

Romania is a self-critical nation, and its citizens are historically prone to blame themselves for all the ills that are now befalling the economy. It is true that, between 1990-97, Romania, under President Ion Iliescu's quasi-communist government, did not embrace capitalism whole-heartedly, and failed to implement key free-market reforms. But, it is also true that Romania did not receive even a fraction of the help which industrialized nations lavished on Poland, Hungary, and the Czech Republic, and, lately, also on Slovakia and Slovenia, to support the transition. During those years, there was excessive state intervention into the economy, a high level of corruption and macroeconomic instability. Under the new pro-democratic reform-oriented government of Emil Constantinescu, Romania has undertaken decisive steps in curbing high-level government corruption, improving fiscal collection, and fostering privatization.

In spite of tangible progress in democratic and free-market reforms, there is widespread consensus that without massive foreign capital infusion into the industrial sector, agriculture, and infrastructure, Romania, as much as other Balkan nations, will continue to have the kind of under-performing economy that breeds poverty and political instability. Maybe the new perception among industrialized nations triggered by the Kosovo crisis, that massive foreign aid to support economic reforms should have started in the southeastern corner of Europe, will bring not only the needed capital, but also new thinking about the best ways to achieve real economic recovery in the region.

IMF, World Bank don't care about reconstruction

Real recovery stems from a better consideration of needs and priorities of developing nations, typically long-term projects that have little to do with the short-term financial speculation which capital markets have been wrapped up in over the last decade or two. The difficulty is that international financial institutions like the IMF and the World Bank have long abandoned any concern for economic growth of recipient nations. Pretending to force financial discipline, these institutions actually pursue strictly their own short-term financial targets. Their so-called financial aid is nothing more than recycling loans, so that these poor nations can become even more perpetually indebted to rich nations. And if chronic underdevelopment and falling living standards occur, so much the better.

While paying lip-service to grass-roots democracy and stimulating entrepreneurship in small and medium-sized private enterprise, more than two-thirds of foreign aid is pumped into environmental and political awareness programs. In the wake of the Balkan war, 66 cents out of every dollar of aid administered by the USAID in the Balkans was spent on environmental projects and public administration reforms. These concerns have emerged in rich nations of the post-industrial phase, and now are being raised as global issues by the same nations. These priorities are questionable when it comes to developing the chronically mismanaged, technologically inferior economies left behind by the collapse of communism.

Returning to Romania's case: The liberal party initially issued a 10-point economic recovery plan that differed radically from the IMF and World Bank policies, and supported stimulation of production and consumption, fiscal relaxation, and the end of austerity programs. The ensuing declaration emphasized the need for low-interest credits to small and medium-sized private enterprises and farmers, advocated the reinstatement of investor incentives, and called for fiscal lenience on the fledging private sector. All proposals had one aim: to jump-start the gross national production and consumption at the expense of a higher—but manageable—budget deficit allowance.

Its main advocate, Senator Viorel Catarama, proposed a course of action opposite to that demanded by World Bank officials as a prerequisite for granting a new loan. The current deadlock, created by a combination of high interest rates on loans (currently between 78% and 85%) and tax overburden, is inhibiting growth and consumption. He argued that renouncing growth in the next two years, after several years of economic contraction of the productive sector, might produce irreparable damage.

Growth in economic output cannot be achieved only by liquidating state enterprises that are operating in the red. It needs massive capital infusion into the private sector to replace them, and availability of long-term, low-interest credit necessary for industry retooling and infrastructure projects. It needs some reduction of the overburdensome taxation on profit, in order to make this sector sustainable. In Romania, the private sector already employs 24% of the workforce, and, if the last's year shrinking trend continues, it would compound, instead of absorb, the unemployment generated by the closing down of state factories and the scaling down in public administration, both of which are scheduled for this year. Low-interest-rate credits may cause some inflation, devaluing the local currency; but shortly thereafter, the economic growth in production and consumption would stabilize the currency again.

Senator Catarama's views went unheeded by his own party leaders, who, under direct pressure from the government coalition to forge a speedy agreement with the IMF and the World Bank, reneged on their own economic doctrine, and even forced the Senator to quit party ranks. Openly challenging the World Bank's policies may have cost this Romanian politician his career. Talks are under way on possibly stripping Catarama of his current position as chairman of the Senate Economic Commission.

Advocates of physical economic growth may come and go. But Romania's economic crisis deepens. While all invest-

ors agree that the country clearly has great economic potential, there is little in the current legislation and tax structure to attract them there. All sorts of credits, for housing, farm equipment, small and medium-sized entrepreneurships, are either absent, or else they come at exorbitant prices. Without some form of government intervention to bolster private enterprise, through government contracts (infrastructure projects) and affordable credits, it would be hard for Romania to recover even the pre-1989 revolution levels.

There is no substitute for the Southeast European economic necessity to reindustrialize and develop modern, capital-intensive farming. These nations must undergo the same kind of economic reconstruction plans that Germany and Japan embarked on in 1945, and later France and Italy, and, after 1975, Spain. Only gross industrial output, not tourism and a smooth public administration, will sustain these economies through the global financial shock waves that are ever more frequently and profoundly rocking the world's capital markets.

In this context, financial aid should do everything to avoid proliferation of banana economies in the Balkans—i.e., countries which are financially solvent, but which are structurally ill-equipped to adjust to the new competitive standards prevalent in the Western Europe and in the global economy. Without a drastic increase in physical and value-added output, and infusion of managerial know-how, these nations will be doomed to be no more than cheap raw materials and labor force reservoirs for industrialized democracies of the West. If the established pattern of the IMF and the World Bank financial assistance continues in the way it has been done so far, not only will it do little to cure the structural illnesses encountered so far, but it will saddle these economies with two more reasons to collapse: long-term insolvency and chronic underdevelopment.

Debt-recycling, or real aid?

Such a possibility prompts many advocates of strong physical-economic recovery of Romania and other Balkan nations, to follow with anxiety, and even to publicly challenge the role which the IMF and the World Bank have played so far in the area, as being dangerous reenactments of an underlying 19th-century British mercantilist philosophy. Lately, the financial goals of these institutions do not seem to go beyond securing interest loan repayment to the same organizations and rich nations which initiated the funding in the first place.

It is also apparent that most of the foreign aid was, in fact, re-channeled to the rich countries, by awarding exorbitant amounts for consultant work, in place of direct credits to private companies for technological improvements and training of local management. The practice of crediting foreign firms from rich countries that sell expensive equipment to poor countries that don't quite need them, must cease. Also, the practice of making business loans to local private enterprises conditional upon mandatory imports of expensive machinery from Western countries, regardless of the need for it—a current EBRD practice—should be discontinued. Together with lavish funding of marketing gimmicks, ranging from cigarette promotions in Russia, to sending out-of-date, unneeded drugs into Kosovo—may compromise the whole philosophy behind foreign aid, sending the message among recipients that helping is big business for donor nations only.

There is absolutely no room for such practices in the rebuilding of the Balkans. The latest United Nations assessment concluded that the infrastructure damage caused by the war in Kosovo have been overstated. The report concluded that international help should re-focus from the humanitarian emergency issues, to the next phase, dominated by political stabilization and economic recovery. Soon, victory will be measured, more than anything else, in fighting poverty and endemic underdevelopment in Albania, Bosnia, Bulgaria, Romania, Macedonia, Montenegro, and, pending Milosevic's ouster, Serbia proper—a grandiose economic redevelopment plan that deserves a better brand of architects than the IMF's policy czars and World Bank officials have furnished to the community of developing nations. Failure to channel cheap credits to manufacturing and agricultural sectors can have, in the long run, the alarming consequence of making the Balkans less self-sustainable, more dependent on foreign aid—aid that may not be forthcoming in the not-so-unlikely event of worldwide financial crisis.