Schiller Institute Briefs Croatians On Prospects for Balkan Cooperation

For the first time since the change of government in neighboring Yugoslavia in October, the Schiller Institute conducted a seminar in the Croatian capital of Zagreb on Nov. 16, on "The Disintegration of the International Financial System—Europe's Role in Today's Strategic Situation." The event was attended by 40 persons, including institutional representatives of government, university and other research institutes, economic and labor representatives, and foreign embassies. As became evident during many discussions during and surrounding the event, a growing number of political forces are closely following the international mobilization for a New Bretton Woods financial system, as presented by American statesman Lyndon H. LaRouche, Jr.

The seminar took place one week before the Nov. 24 Zagreb meeting between the European Union (EU) and west Balkan states, in which Yugoslav President Vojislav Kostunica was going to participate, and after a flurry of meetings in Paris, Warsaw, Budapest, and Dayton, Ohio, during which very little of substance occurred. Thus, the seminar was an important intervention into the discussions on the ground, which are characterized by insecurity about Croatia's prospects of joining the European Union soon, as well as by growing disillusion about the many unrealized pledges for financial assistance by the "international community." Just recently, Croatian Prime Minister Ivica Racan demanded the renegotiation of the "Stability Pact" during a state visit to Turkey. He announced that some other members of the Pact, which was formed last year after the conclusion of NATO's war against Yugoslavia, were prepared to back this demand. In reporting on this statement, the Croatian daily *Vjesnik* of Nov. 7 pointed to the fact that, while some of the transportation, energy, and other projects which countries of the region had proposed, had been accepted last year, they were never implemented, because promised funds were blocked by "monetary institutions." Besides, according to the paper, the Stability Pact had turned into a "debate club," which was no longer tolerable.

Effects of the IMF Austerity Policies

Internally, Croatia, like all the other countries of the region, finds itself under the strict dictates of International Monetary Fund (IMF) and World Bank control, with devastating effects for the real economy and employment. Unemployment is at 22% (some 360,000 officially, and some 150,000 more working in jobs with bankrupt firms that are not paying their workers). More than 300 companies have been ordered into legal bankruptcy. The government budget, which was debated during the middle of November, is characterized by austerity policies, priority payment of back debts (8 billion kuna in debt payment, or about $1 billion, comes due in 2001, and $1.5 billion in 2002), and rapid privatization of the remaining pearls of the Croatian economy. These are the oil company INA, the electric utility HEP, and the remaining part of the already privatized telecom sector. The trade unions have been pushed into accepting a "social pact" for three years, including giving up the right to strike for that period. A debate over the "alternatives" is being forced on the country—either devalue the currency, supposedly to "increase exports," or slash wages, in order to be "more competitive"—without addressing the vital point of how to create new jobs. Andrew Vorking, the World Bank director for Croatia, insisted in an interview with Croatian papers on Oct. 30, that the government cannot be allowed to create jobs, but instead must create preconditions for some miraculous inflows of foreign money, by "free-market reforms."

A small sign of revolt against this policy—a policy which is leading to further destruction of the economy—could be seen in the Parliament's debate about the future of the Croatian railway system. The proposed austerity strategy foresees a decrease of employees from 19,800 to 13,000, the shutdown of "unprofitable lines," and a decrease in budgetary support by the state. In the current situation, in which Southeast Europe needs infrastructure development more than anything else,

For More on *EIR*'s Balkans Policy

See *EIR*, Oct. 20, 2000.

such a policy is suicidal. During the debate, many objections were expressed concerning the government's inadequate social programs, and demands were raised that rail lines not be axed without a thoroughgoing analysis of the effects on the economy and the population.

'Prepare for the Crash, Protect Your Economy'

In addressing the Nov. 16 seminar, Paolo Raimondi of *EIR*'s European headquarters in Wiesbaden, Germany, gave a report on Lyndon LaRouche's Nov. 14 webcast (see article, p. 61), and challenged the audience to situate the internal and regional situation in the context of the unfolding international financial crash. Under these conditions, the seeming power of international financial institutions and banks, which currently dominate countries like Croatia, is not going to last for very long. Raimondi detailed how pure speculation has taken over in the last decade, to the current breaking point of worldwide hyperinflation. Particularly interesting for the audience, as it turned out in the discussion period, was the example of the telecom sector's debt for UMTS (mobile telephone) licenses, which has prompted major banks to save themselves from involvement in this highly speculative field.

"Since for any kind of emergency, such as fire in a building or natural catastrophes, there exist contingency plans," Raimondi said, "the most reasonable thing for nations to do now, is to think about alternative economic mechanisms to survive the coming crash." As can be seen from the initiative of 25 Italian senators, who submitted a resolution to Parliament calling upon the Italian government to work to bring about a New Bretton Woods system, a worldwide movement for such a new financial system is developing,[1] in which new allies for bilateral and regional collaboration can be found. He also pointed out the extraordinary importance of the International Meeting of Parliamentarians for the Jubilee in Rome one week before,[2] and challenged the audience to make sure that the resolutions passed there, are also introduced in the Croatian Parliament, since they provide a way of confronting the dominant monetarist ideology, through a broad public discussion on the principles of a sound, moral economic policy.

Elke Fimmen of the Schiller Institute, speaking after Raimondi, counterposed the rational forms of monetary and economic reorganization under the postwar Bretton Woods system of 1944, with fixed exchange rates and an emphasis on revitalizing production and channels of trade in war-torn Europe, to today's prevalent monetarist ideology of speculation and financial globalization. Of particular interest for the audience was the mechanism of how the Kreditanstalt für Wiederaufbau (Reconstruction Bank, KfW) in postwar Germany used the relatively small amount of $1.4 billion in Marshall Plan money, to create a revolving fund for investment, which led to immense creation of jobs in the real economy.[3] She reminded the audience, that the establishment of such funds in every country of the region was proposed by the KfW immediately after the end of last year's war, but this was blocked by the G-7 meeting in Cologne, under huge pressure from the IMF.

She explained the importance of the fact, that the German government had succeeded in the London debt renegotiations of 1951-53 with its demand, that debt payments should only be taken out of a *surplus* in the balance of payments, and "not through decrease of trade, production, consumption, or through austerity policies," so that a steady growth of the real economy could be accomplished. Again, this is completely opposite to today's predominant monetarist policies; but to allow such rational mechanisms was in the interests of the United States of that time, which needed to reopen the channels of trade in war-destroyed Europe for its own exports as well.

Today, real economic development of Southeast Europe, including the most important trans-European waterway, the Danube, is in the self-interest of Western Europe as well, to help its own economies. Such a policy, Fimmen pointed out, was presented in the recently published Schiller Institute Call "For a Joint German-French-Russian Development of Southeast Europe," which every seminar participant received.[4]

She emphasized the need for Europeans to distance themselves from the collapsing dollar empire, to develop their own initiatives for reopening regional and bilateral economic channels, instead of waiting for help from outside. She invited the audience to study LaRouche's recent writings on the necessary steps of regional reorganization of the world economy and on the establishment of "trade without currency."[5]

Bilateral Cooperation Emerges

While the Schiller Institute seminar was taking place, promising steps in the direction of regional cooperation came out of the first meeting since the Balkan wars, of over 1,000 businessmen from Croatia and the Federal Republic of Yugoslavia in Belgrade. The meeting was organized by the Cro-

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1. "Italian Senators Present Motion for a 'New Bretton Woods,'" *EIR,* Nov. 10, 2000.

2. Paolo Raimondi, "Lawmakers Gather in Rome for Jubilee Year Debt Forgiveness," *EIR,* Nov. 24, 2000.

3. Lothar Komp, "How Germany Financed Its Postwar Reconstruction," *EIR,* Oct. 20, 2000.

4. Published in *EIR,* Oct. 20, 2000.

5. Lyndon H. LaRouche, Jr., "New Accounting Standards Are Imperative: The Becoming Death of Systems Analysis," *EIR,* March 31, 2000; and "On a Basket of Hard Commodities: Trade Without Currency," *EIR,* Aug. 4, 2000. These and other writings by LaRouche are available in book form, *Now, Are You Ready To Learn Economics?* (Washington, D.C.: EIR News Service, 2000).

atian and Yugoslav Chambers of Commerce, none of which were surprised by the enormous response. As Nadan Vidosevic, head of the Croatian Chamber of Commerce, told reporters, while Croatia must be focussed on entering the EU, prior to that, relations with its neighbors had to be settled. Most importantly, the discussions centered on establishment of a system of payments, which should be in operation early next year, as well as restitution of the assets of Croatian companies in Yugoslavia and vice versa. Also, both leaders of the delegations agreed to call for the two governments to conclude a free-trade agreement as soon as possible. The vice president of the Chamber of Commerce of Yugoslavia, Drago Sofranac, stressed that the economies of the two countries are "complementary." Two business deals were concluded right away, including a contract on the delivery of machine tools. According to unofficial information, the Croatian Chamber of Commerce will open its representative offices in Belgrade and Novi Sad by the end of this year, and the Yugoslav Chamber of Commerce will do the same in Zagreb.

This development comes in the context of moves to finally restart the economy of the region, after the change of government in Belgrade in October. Among other activities, Greek Economics and Finance Minister Yiannos Papantoniu toured Belgrade, Sofia (Bulgaria), and Skopje (Macedonia) in mid-November, to coordinate reconstruction policies for the Balkans. After last year's war, especially Greece, Romania, and Bulgaria had cooperated on presenting infrastructure and economic programs, to revive the badly destroyed regional economy. In Belgrade, Papantoniu led a delegation of 50 Greek business representatives, and met both Yugoslav President Kostunica and Deputy Prime Minister Miroljub Labus. According to unconfirmed reports, a credit line of $100 million was extended to Belgrade. In the context of a meeting of the Stability Pact, which also took place in Belgrade during the same period, Greece promised $250 million in investments over the next five years, mainly in transportation and communications. In Skopje, Papantoniu pledged $85 million in donations and loans for various economic programs, as well as for the health and education sector, and in Sofia, $62 million in aid for reconstruction of infrastructure.

Commenting upon the meetings held by the Greek Finance Minister, Bulgarian President Stoyanov said that the joint development plans for upgrading infrastructure which had been proposed by Greece, were "the best thing that could happen." He expressed hope that Greece, the only EU member in the region, "would be able to convince Western Europe that a speedy reconstruction of the Balkans is in the interest of Western European countries. . . . Let us hope, that they will remember the Marshall Plan in Europe after World War II."